



OFFICE OF THE GOVERNOR

February 6, 2023

Willie Phillips
Chairman
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

Dear Chairman Phillips,

I urge the Federal Energy Regulatory Commission's (FERC's) immediate attention to the matter of escalating wholesale natural gas prices impacting customers in California and other western states.

Since late November 2022, wholesale natural gas prices throughout the West have risen to alarming levels that greatly exceed prices in the rest of the country. Electricity prices in the FERC-regulated California Independent System Operator Market and Western Energy Imbalance Market have similarly escalated because electricity prices are directly affected by wholesale natural gas costs.

California's residential customers are, consequentially, suffering the economic burden of extreme and unexpectedly high gas and electric utility bills. Our industrial, agricultural, water and wastewater utilities, and commercial sectors are also impacted by these significant utility bill increases. All of this is on top of general inflationary pressures affecting all Californians.

California is taking swift action to assist its gas and electric utility customers. The California Public Utilities Commission (CPUC) recently accelerated the delivery of bill credits to provide immediate relief from the wholesale natural gas price spikes. The CPUC has also directed utilities to enhance their customer outreach and engagement efforts to effectively communicate needs-based bill assistance programs and the various actions customers can take to safely reduce their gas consumption.

These wholesale natural gas price increases were exacerbated by early cold weather in the western states, but those known factors cannot explain the extent and longevity of the price spike. The extended high prices have prompted the CPUC and the California Energy Commission to convene an en banc meeting with market experts from across the country to explore all the possible drivers behind the wholesale natural gas price spikes, as well as any measures that could protect electric and gas utility



customers. However, it is clear that the root causes of these extraordinary prices warrant further examination.

I therefore ask that FERC immediately focus its investigatory resources on assessing whether market manipulation, anticompetitive behavior, or other anomalous activities are driving these ongoing elevated prices in the western gas markets. And, if warranted, I ask that FERC bring its full enforcement powers and resources to bear to protect customers. I also offer California's resources to assist in any data collection that FERC may require.

Sincerely,

A handwritten signature in black ink, appearing to be 'Gavin Newsom', written over a horizontal line. The signature is stylized and somewhat obscured by the line it crosses.

Gavin Newsom
Governor of California