

June 15, 2023

The Honorable Henry Stern
California State Senate
1021 O Street, Suite 6730
Sacramento, CA 95814

**RE: SB 572 (Stern) Natural gas: prices: report.
City of Palo Alto – Notice of Support**

Dear Senator Stern,

On behalf of the City of Palo Alto, I write in strong support of your SB 572, which requires the California Public Utilities Commission (CPUC) to submit a report to the Legislature, by February 1, 2024, on the status, outcomes, and recommendations of the agency's investigation into natural gas prices during winter 2022-23.

The City of Palo Alto is the only municipality in California that operates a full suite of city-owned utility services, including water, electric, gas, sewer, refuse, storm drain, and a dark fiber loop. Natural gas prices were at historic levels in January 2023 and we paid between \$4 per therm and \$5 per therm for gas in January 2023 which is approximately four times the \$1/therm rate in January 2022. This is compounded by the recent storms and cold fronts that have brought rare snow to Santa Clara County, Alameda County, and Marin County, and other locations throughout the Bay Area.

Even with the City using reserves to mitigate the price increases and not passing the full cost of January gas through to customers, residents are greatly impacted by these cost increases. We have received multiple reports of residents with monthly bills exceeding \$1,000, which is an extraordinary hardship.

The City is providing free access to the Home Efficiency Genie program, sharing energy saving tips, and offering special payment plan arrangements for those who need extra time paying their winter gas bills for 6 to 8 months. These measures help in this situation but the stability of the gas rates going forward is more important to ensuring continued financial stability for our residents.

It is clear that the root causes of these extraordinary prices warrant further examination. We need the focus of our federal agencies and State agencies to utilize all investigatory resources on assessing whether market manipulation, anticompetitive behavior, or other anomalous activities are driving these ongoing elevated prices in the western gas markets.

We expressed our strong support to the Governor for his recent request to the Federal Energy Regulatory Commission (FERC) for immediate attention to the matter of escalating wholesale natural gas prices impacting customers in California and other western states. We are grateful for his leadership and are willing and ready to partner with your office to take the necessary steps to address high natural gas prices.

For these reasons, the City of Palo Alto is pleased to support your SB 572. We look forward to understanding the full outcomes of this investigation and working to mitigate these price spikes moving forward.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Lydia Kou', with a small horizontal line underneath.

Lydia Kou
Mayor
City of Palo Alto