



## Gas Price Volatility

Revision: 09 March 2023

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Dear Island Energy Customers –

Further to our billing insert letter of January 9<sup>th</sup>, Pittsburg Power Company – Island Energy is reaching out to provide additional background for the increase in gas pricing and billings over the last year.

In 2022 and early 2023 natural gas pricing over the last year has shown exceptional increases in cost along with volatility. Gas pricing set a record in December due to sinking gas storage inventories, supply constraints (due in part to the European situation) and a cold start to winter, especially in the East. See the detailed information and links that follow.

Island Energy purchases its gas from the California Department of General Services. The natural gas commodity cost is a pass-through from DGS to Island Energy customers. As such, Island Energy has no means to mitigate the price increases and volatility.

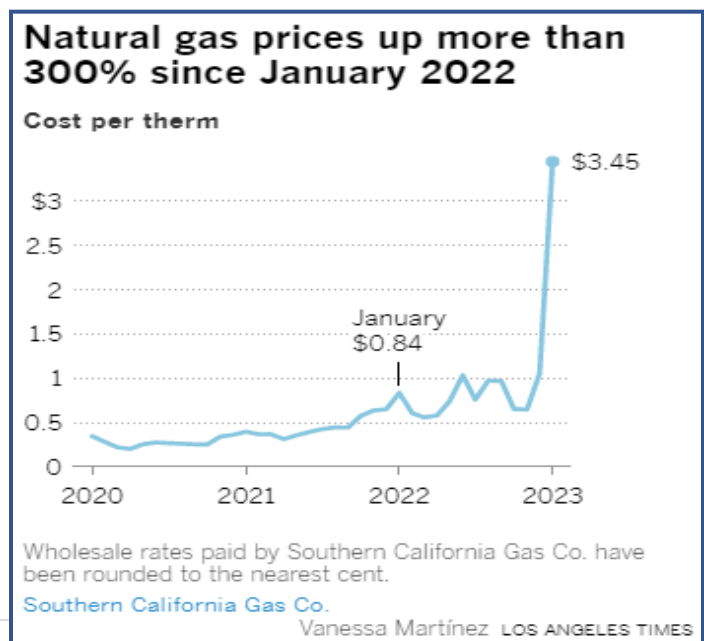
Natural gas cost and associated utility bills are forecast to begin dropping this and next month, providing some cost relief to customers. Please visit [www.IslandEnergy.com](http://www.IslandEnergy.com) for a link to additional information and articles related to recent gas pricing and volatility.

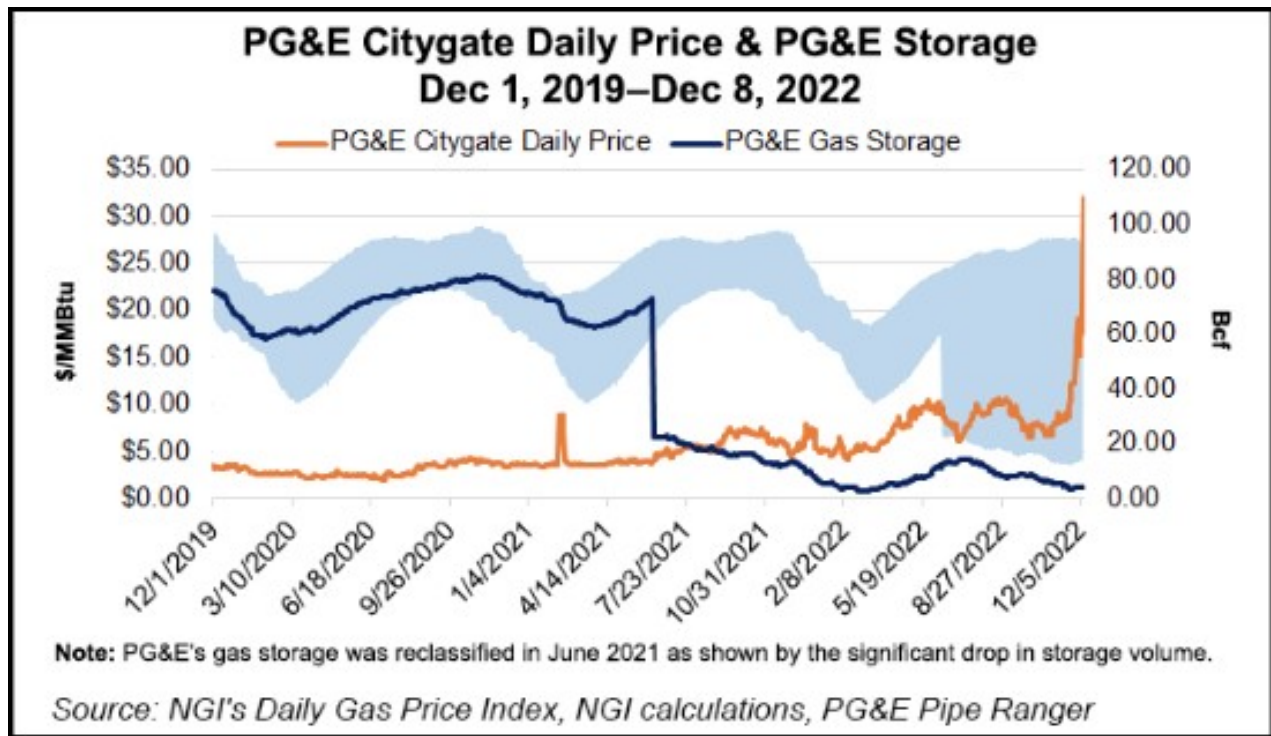
If you need a longer time frame to pay your utility bill, or would like to consider a managed payment plan, please call us at (707) 562-5000 during normal business hours to discuss payment options.

Sincerely,

*Douglas W. Buchanan*

Douglas W. Buchanan  
Power Company Manager  
Pittsburg Power Company – Island Energy  
(707) 562-5000





#### Related Energy Market News Articles:

- The West Coast currently has the highest natural gas price in the country. From Dec. 8 to 14, California's average daily prices were two to nine times higher than the U.S. benchmark.  
<https://www.mercurynews.com/2022/12/23/pge-customer-face-high-bill-january-2023-natural-gas-cost-electric/>
- Western natural gas prices have spiked due to extensive December storms, low natural gas inventory, reduced hydro-electric supplies from multi-year drought, and inability to receive coal deliveries.  
<https://www.naturalgasintel.com/perfect-storm-fuels-massive-natural-gas-price-spikes-on-west-coast-northern-california-hits-55-mmbtu/>
- Cold weather and winter storms throughout December in the Western Pacific regions of the United States led to record-high electricity prices in December in the Northwest and California regions.  
<https://www.eia.gov/todayinenergy/detail.php?id=55139>
- For the western United States, natural gas prices spiked in December due to increased use for heating with below average temperatures, low storage, and constrained natural gas pipeline capacity.  
<https://www.latimes.com/business/story/2023-01-09/why-natural-gas-prices-and-bills-are-soaring-in-southern-california>

- Storms in December 2022 cut off oil refineries throughout the United States, specifically a number of processing stations for both natural gas and oil in the gulf coast. <https://www.reuters.com/business/energy/storm-cuts-us-oil-gas-power-output-sending-prices-higher-2022-12-23/>
- Between 2002 and 2016, California reduced coal- and oil-fired power plants by 88%—and electricity prices rose to be 50% higher than the U.S. average. Five crude oil refineries closed in the U.S. in the last two years. New gas transportation pipelines are not being constructed and the Jones Act prevents shipping between certain ports. <https://time.com/6242545/high-energy-bills/>

## Wholesale U.S. electricity prices were volatile in 2022

Monthly average wholesale electricity prices at selected trading hubs (Jan 2021–Dec 2022)  
dollars per megawatt-hour (\$/MWh)

