

LISA MURKOWSKI, Alaska, *Chairman*

JOHN BARRASSO, Wyoming
JAMES E. RISCH, Idaho
MIKE LEE, Utah
JEFF FLAKE, Arizona
STEVE DAINES, Montana
BILL CASSIDY, Louisiana
CORY GARDNER, Colorado
ROB PORTMAN, Ohio
JOHN HOEVEN, North Dakota
LAMAR ALEXANDER, Tennessee
SHELLEY MOORE CAPITO, West Virginia

MARIA CANTWELL, Washington
RON WYDEN, Oregon
BERNARD SANDERS, Vermont
DEBBIE STABENOW, Michigan
AL FRANKEN, Minnesota
JOE MANCHIN III, West Virginia
MARTIN HEINRICH, New Mexico
MAZIE HIRONO, Hawaii
ANGUS S. KING, Jr., Maine
ELIZABETH WARREN, Massachusetts

United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES

WASHINGTON, DC 20510-6150

WWW.ENERGY.SENATE.GOV

June 21, 2016

KAREN K. BILLUPS, STAFF DIRECTOR
PATRICK J. McCORMICK III, CHIEF COUNSEL
ANGELA BECKER-DIPPMANN, DEMOCRATIC STAFF DIRECTOR
SAM E. FOWLER, DEMOCRATIC CHIEF COUNSEL

The Honorable Norman C. Bay
Chair
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

Dear Chairman Bay:

I am writing to urge the Federal Energy Regulatory Commission ("FERC") to ensure that electric generators and energy marketers do not take advantage of the situation at the Aliso Canyon gas storage facility in Southern California to artificially raise western electricity and natural gas prices.

Westerners still remember 2000-2001 when the "perfect storm" of a poorly designed California energy market, drought conditions that dramatically reduced hydropower generation, and FERC's inaction combined to enable unscrupulous individuals and companies to gouge consumers throughout the region for billions of dollars in unwarranted energy costs. History must not be allowed to repeat itself.

Aliso Canyon currently has only 15 Bcf of natural gas on hand. It could be some time before repairs are complete and California determines that it is safe to resume injections at the facility or before an alternative is developed to address this lost gas storage capacity. Until then, nearly 10,000 MW of electric generation capacity, as well as individuals, and businesses that have relied on gas stored at Aliso Canyon are subject to potential supply disruptions. According to state officials, there could be as many as 31 days this year during which reliable access to natural gas in Southern California may be threatened. If normal weather conditions occur this summer, these officials anticipate there could be 16 days during which natural gas supplies are curtailed, potentially causing rolling blackouts on 14 of those days. In fact, the National Weather Service is forecasting a hotter than normal summer for the West which is likely to exacerbate the problem.

I am pleased that the California Energy Commission, the California Public Utilities Commission, the California ISO, and the Los Angeles Department of Water and Power have developed the "Aliso Canyon Action Plan" which proposes a series of measures designed both to reduce the near-term demand for natural gas in Southern California and to mitigate the impact of the situation at Aliso Canyon on energy markets. Nevertheless, the potential for natural gas shortages both this summer and next winter that could lead to curtailments remains very real.

As we learned during the 2000-2001 energy crisis, a problem with energy markets in California can spread quickly to Washington and other Western states. I am concerned that natural gas shortages and supply disruptions in Southern California will increase electricity and natural gas prices throughout the region and enable generators and marketers to engage in Enron-like tactics to pad their profit statements at the expense of consumers.

FERC should be commended for recently authorizing the California ISO to suspend "virtual bidding" – a practice that could be used by some marketers to profit from natural gas supply constraints at the expense of consumers. But, as we have experienced in the past, constant vigilance is necessary when energy shortages exist.

The Energy Policy Act of 2005 provided FERC with additional authority to enhance transparency and prevent gas and electric market participants from engaging in manipulative practices that distort functioning markets and harm consumers. FERC should utilize this and other authority it possesses pursuant to the Natural Gas Act and Federal Power Act to ensure that energy marketers and electric generators do not exploit natural gas shortages in Southern California to raise electricity and natural gas prices throughout the region.

Thank you for your consideration of this important matter.

Sincerely,



Maria Cantwell
United States Senator

cc: Honorable Cheryl A. LaFleur
Honorable Tony Clark
Honorable Colette D. Honorable