

# Long-Term Gas Planning Rulemaking

## R.20-01-007

Phase 3: Coordinating the Gas Transition

March 14, 2024

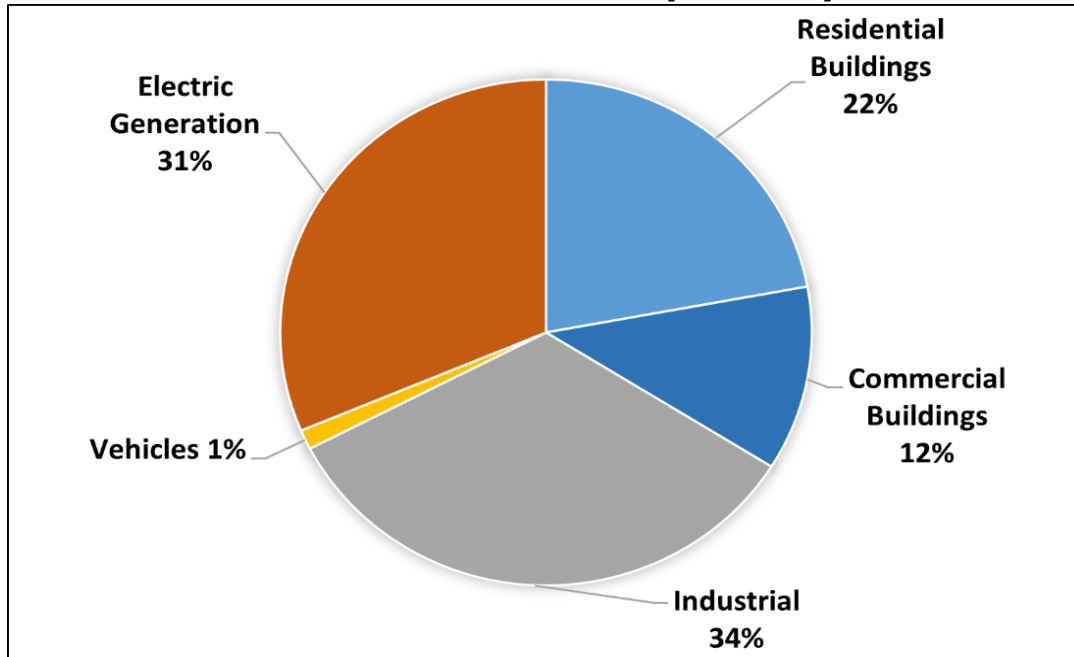


California Public  
Utilities Commission

# Where We Are

Fossil gas supplies California buildings, industry, and electric generation

## California Gas Consumption by Sector

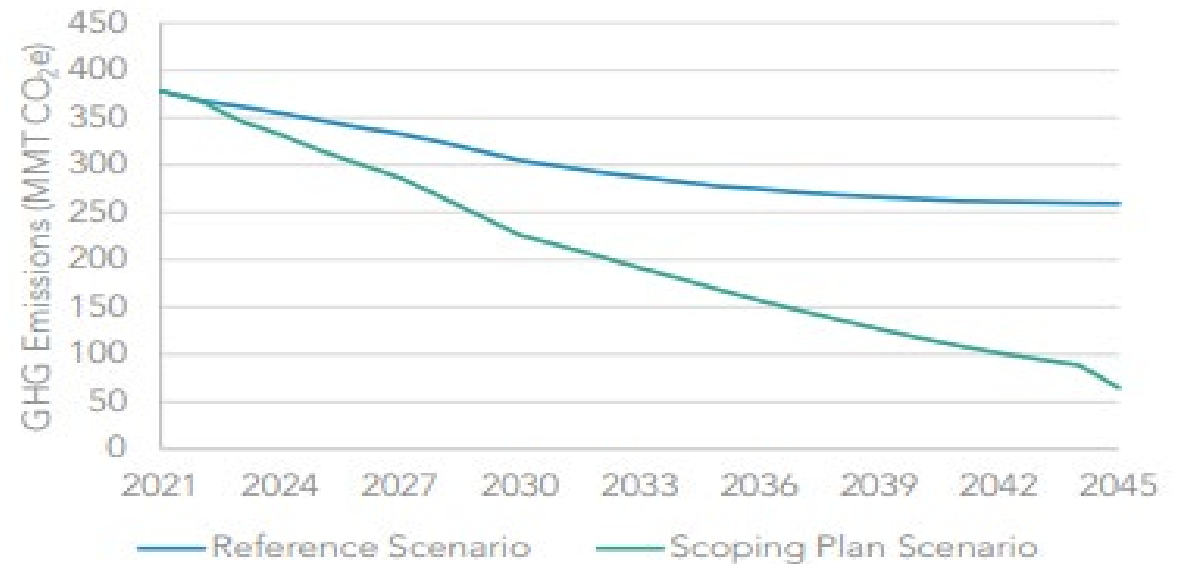


Source: CEC Staff

# Where We're Going

*"The need for a gas transition flows from implementation of California's statutory targets to reduce GHG emissions and fight climate change as reflected in CARB's Scoping Plan."*  
-CPUC Feb. 2022 Assigned Commissioner's Ruling

Figure 2-1: Reference and Scoping Plan Scenario GHG emissions<sup>132</sup>



Source: CARB 2022 Scoping Plan

# Latest Proceeding Update

February 22, 2024: CPUC issues an Assigned Commissioner's Ruling and attached Joint Agency White Paper outlining the need for a balanced gas transition.

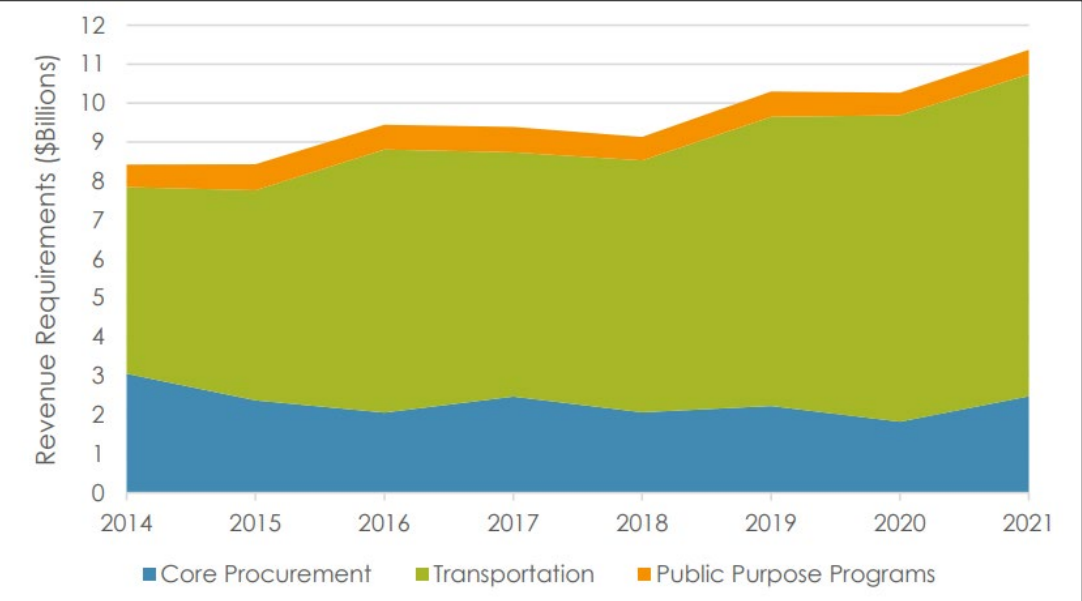
# Why do we need a balanced gas transition?

- Transitioning away from fossil gas is necessary to achieve the State's climate goals.
- Fossil gas pollution has equity and public health impacts.
- The transition off fossil gas poses risks to affordability, safety, reliability, and the gas workforce.

-Joint Agency Staff White Paper

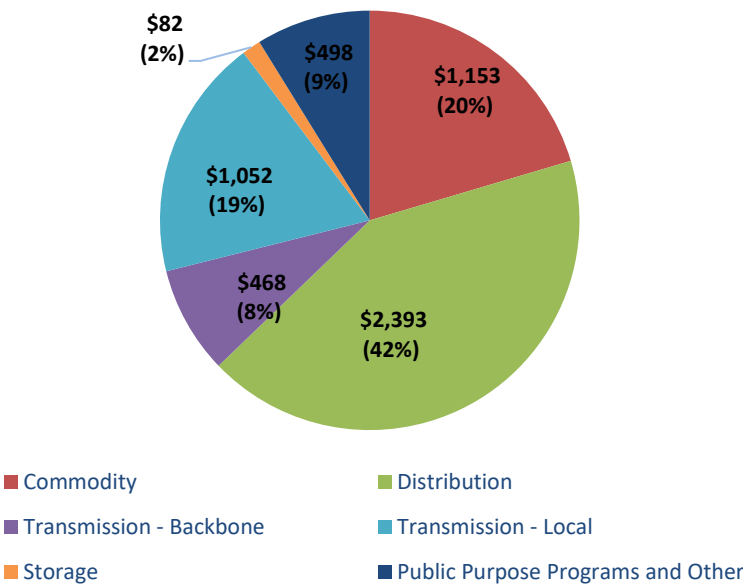
# Rates: Infrastructure and Commodity Costs

Historical Trends in Gas Utility Revenue Requirement Components (\$ billions)



Source: CPUC

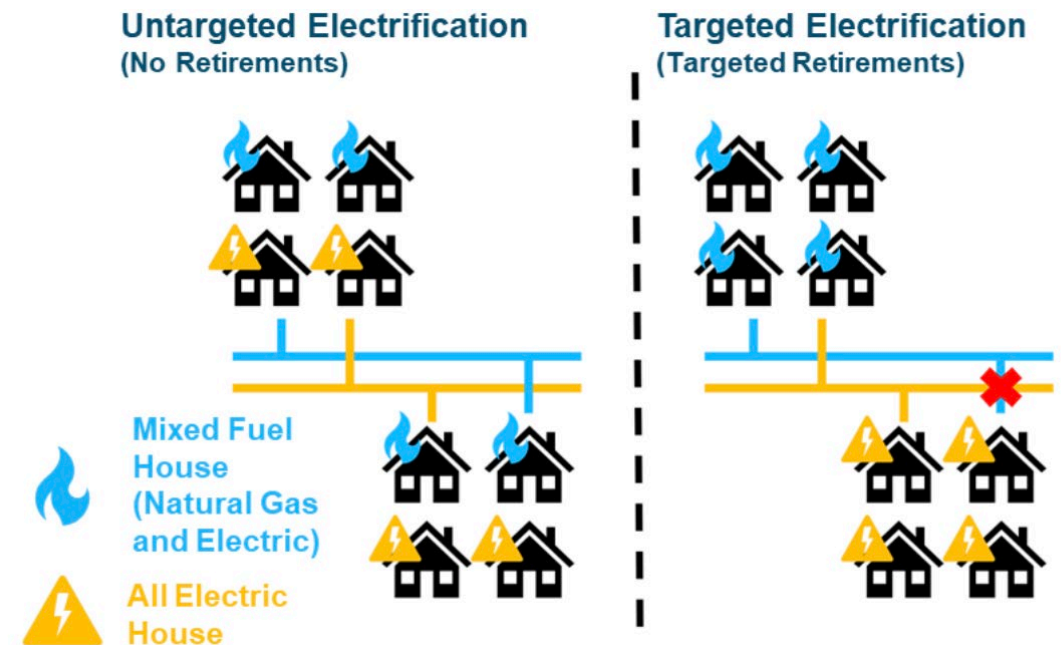
PG&E 2023 Revenue Requirement (\$ millions)



Source: CPUC

# Potential Strategies to Help Mitigate Rate Risk

- **Targeted Electrification:** Concentrate electrification efforts geographically to avoid gas system investments.
- **Accelerated Depreciation:** Reduce the period over which gas infrastructure investment costs are recovered so they can be spread across more customers.
- **Non-Ratepayer Funding Sources:** Federal tax credits and incentives, securitization, etc.
- **End Line Extension Subsidies:** The CPUC ended subsidies for gas and mixed fuel line extensions to slow gas system expansion.



Source: E3

# Guiding Principles for an Equitable Gas Transition

- Prioritize benefits and reduce impacts to low-income and disadvantaged communities;
- Low-income customers should not pay a disproportionate share of gas system costs;
- Expand coordination, involvement, and engagement with low-income and disadvantaged communities;
- Raise awareness of gas transition opportunities and risks among CBOs, tribal groups, local governments, low-income advocates and equity advisory groups;
- Develop and expand opportunities for the existing workforce. Create career pathways in new clean energy sectors.

# Long-Term Gas Planning Rulemaking: Phase 3 Proposed Tracks

- **Track 1: Scenario analysis:** analysis of gas transition scenarios to achieve CARB Scoping Plan targets;
- **Track 2: Planning processes:** approaches, methodologies, and objectives for implementing the gas transition;
- **Track 3: Opportunities for interim action:** shorter-term steps to make decarbonization and decommissioning easier for customers and utilities; and
- **Track 4: Longer-term options:** medium- to longer-term actions to reduce gas system costs, while considering environmental and social justice goals.



# Next Steps

## CPUC Long-Term Gas Rulemaking

- March 13: Party comments on scope
- March 19: Prehearing Conference
- March 28: Party comments on white paper
- April: Scoping Memo
- TBD: Workshops
- Proposed Decisions on Phase 3 Issues: 2025-26

## Concurrent Activities

- CPUC Building Decarbonization Rulemaking
- CEC Programs and Research

# Questions?

For more info, see <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/long-term-gas-planning-rulemaking>