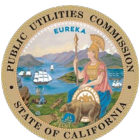


# Long-Term Gas Planning Rulemaking

How do we plan for a decarbonized future while ensuring safety, reliability, and just and reasonable rates during the transition?

March 16, 2022

Jean Spencer  
Gas Policy & Reliability



California Public  
Utilities Commission

# Outline

- Gas OIR: Keeping Rates Affordable Despite Declining Use
- Overview of Key Infrastructure
- Reducing Gas Infrastructure
- Overview of the Long-Term Gas Planning Rulemaking
- Track 2: Key Issues
- March 29 Equity Workshop
- Questions

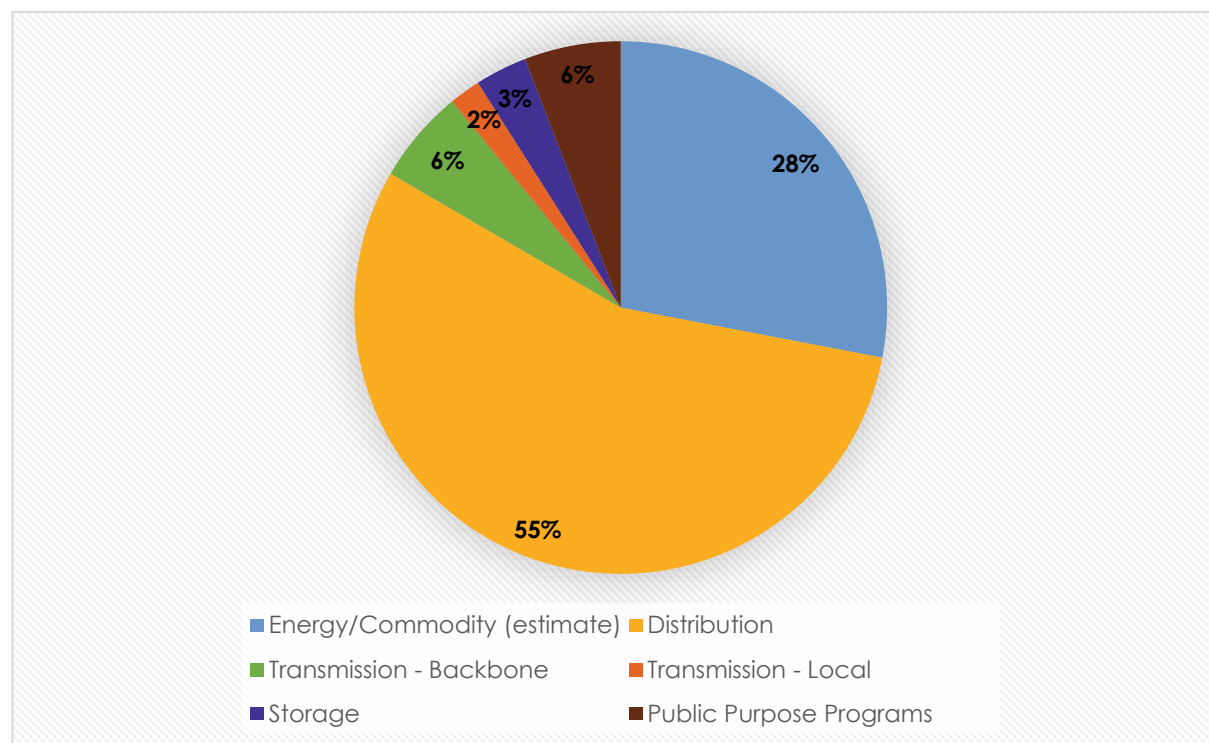
# Keeping Gas Rates Affordable Despite Declining Use

- A key concern of the Gas OIR (R.20-01-007) is keeping gas rates affordable
- Gas rates = revenue requirement ÷ units of gas sold
- If the revenue requirement stays the same and units sold go down, rates per unit will go up
- Gas revenue requirement has three main components:
  - Gas commodity costs
    - Pass-through cost, largely driven by supply and demand in market
  - Infrastructure and customer service
  - Public Purpose Programs (CARE)

# Keeping Gas Rates Affordable Despite Declining Use

- The Gas OIR focuses on minimizing infrastructure costs
- It's a balance: closing too much infrastructure too soon—particularly transmission and storage—creates scarcity, which causes gas commodity prices to rise

SoCalGas 2022 Revenue Requirement



# Gas Infrastructure: Transmission & Distribution

How should the CPUC determine the appropriate gas infrastructure portfolio for a decarbonizing future?

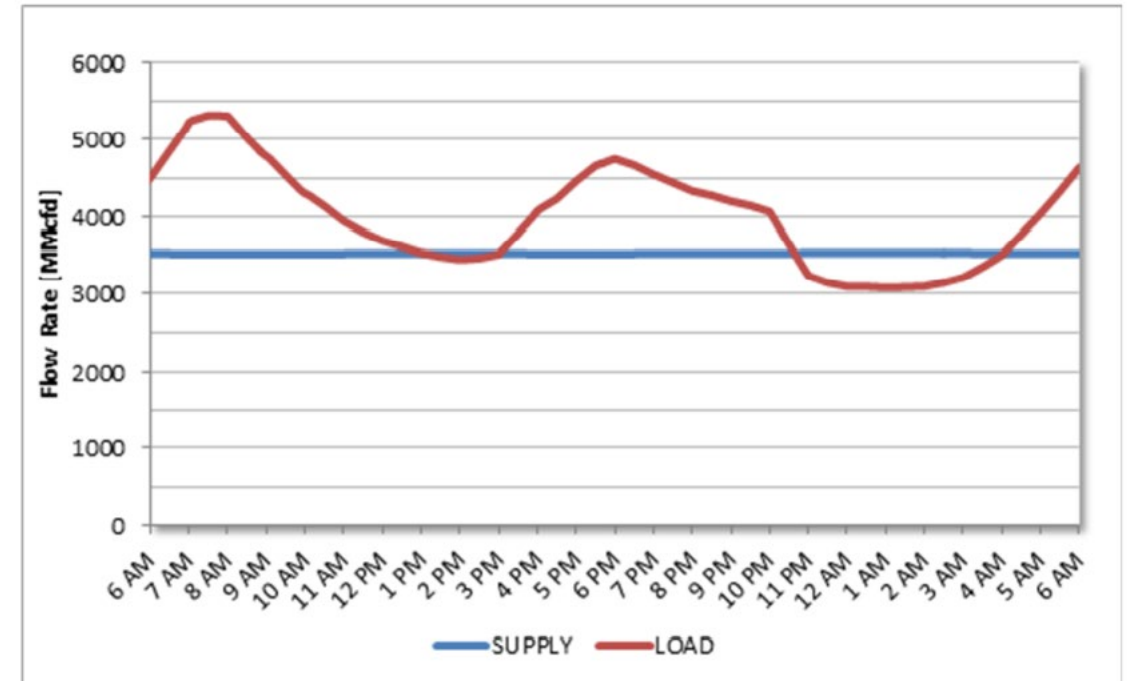


- **Transmission** pipelines are similar to highways:
  - Carry large amounts of gas long distances at high pressure
  - Decommissioning or de-rating impacts a large region
- **Distribution** pipelines are similar to city streets
  - Carry smaller amounts of gas shorter distances at lower pressure
  - Decommissioning impacts a local area

# Gas Infrastructure: Storage

- **Storage** is like a bank account
  - Intraday demand ~ checking
    - Pipelines deliver the same amount of gas every hour; storage helps meet changes in intraday demand
  - Seasonal demand ~ savings
    - Allows gas to be bought in the spring and fall when it is cheaper and used in the summer and winter when it is more expensive
  - Emergency fund
    - Provides gas when supply is disrupted. Example:
      - Winter Storm Uri

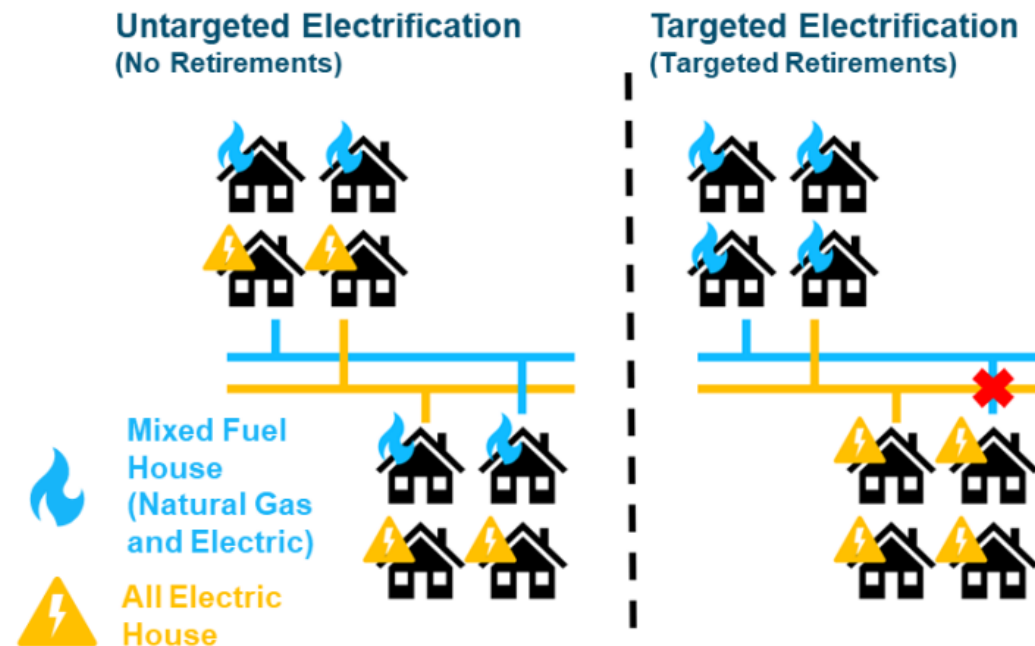
Figure 10: December 15, 2015 – Demands & Supplies



# Reducing Gas Infrastructure: Targeted Building Electrification

- The Gas OIR is linked to building decarbonization efforts, but it isn't a building decarbonization proceeding
- To create gas infrastructure savings, building electrification has to be targeted so that gas infrastructure can be retired

**Figure ES-2: Two Gas System Futures With and Without Targeted Electrification**



Source: E3: *The Challenge of Retail Gas in California's Low-Carbon Future*

# Reducing Gas Infrastructure: Determining Priorities

- To decommission a pipeline:
  - All customers must have an alternative to gas, and
  - There must be enough electricity to serve them
- The Gas OIR will create criteria for which kind of pipelines to target first
  - It does not currently provide money for pilot projects
  - Staff are coordinating with the CPUC's building decarbonization proceeding (R.19-01-011) and with the gas transition pilot projects being conducted by the CEC



# Long-Term Gas Planning Rulemaking

## 1A

### System Reliability Standards

Establish minimum system requirements and ensure gas utilities consistently meet those standards and provide reliable gas service

## 1B

### Market Structure and Regulations

Mitigate the risk that gas supply shortages pose to gas and electric reliability and prices

## 2

### Long-Term Natural Gas Policy and Planning

Ensure safe, reliable, and affordable energy in a time of declining fossil gas throughput

# Track 2

- Track 2a (Underway)
  - Gas Infrastructure
- Track 2b (Begins in October 2022)
  - Safety
  - Equity
  - Gas Revenue and Rate Design
  - Workforce Issues
- Track 2c (2023)
  - Data
  - Process

# Track 2a: Gas Infrastructure: Key Issues

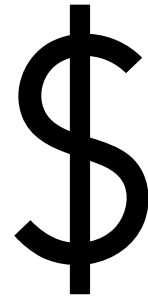
- Should the Commission require site-specific approval for gas infrastructure projects above a certain size?
  - Opening Briefs: 2/28 [Proceeding - Documents \(ca.gov\)](#)
  - Reply Briefs: 4/1



Proposed Decision  
expected by July 2022

# Track 2a: Gas Infrastructure: Key Issues

- Priority for decommissioning distribution lines:
  - Community characteristics
  - Cost savings
  - Pipeline safety
  - Consideration of non-pipeline alternatives.



# Track 2a: Gas Infrastructure: Key Issues

- Infrastructure needs of customers who are likely to remain on the gas system the longest.
- Role of storage
- Obligation to serve

A decision is expected in September 2022.



# Track 2b: Equity, Rate Design, Revenues, Safety, and Workforce Issues

- Equity:
  - Barriers to electrification faced by low-income and disadvantaged communities and actions to address them.
  - Pilot projects to address this barriers may be considered in Track 2b
- Rates and Revenue:
  - Should the Commission consider strategies such as securitization, fixed charges, or accelerated depreciation to mitigate future rate impacts?
- Safety:
  - How should the Commission balance safety with cost concerns?
  - Can state and federal safety rules be better aligned to avoid duplicative safety spending?
- Workforce
  - How can negative impacts on the gas workforce be mitigated?

A workshop on equity will be held March 29, and additional workshops on these issues will be held in October 2022. A decision is expected in mid-2023.

# Track 2c: Data and Process

- Data:
  - What data on the utility's gas infrastructure is needed to assist in long-term planning?
  - What data is needed to better forecast future demand?
- Process:
  - Should the gas utilities be required to submit a decarbonization plan with a 10-year outlook on a regular schedule?

# March 29 Equity Workshop

- Community Snapshots: Renters and Landlords
  - What challenges and opportunities to decarbonization do renters and landlords from different parts of the state face?
  - What suggestions do different communities and stakeholders have for Commission action?
- Community Snapshots: Homeowners
  - What challenges and opportunities to decarbonization do low-income homeowners in different parts of the state face, including single-family, multi-family and mobile-home owners?
  - What suggestions do different communities and stakeholders have for Commission action?
- Strategies for Minimizing Future Gas Rate Increases
  - Pros and cons of securitization, fixed charges, and accelerated depreciation

March 29, 2022, 9:30 a.m. – 1:00 p.m.

Link: <https://cpuc.webex.com/cpuc/j.php?MTID=m13f1e2cf4a59b7d89ec535828e85c49a>

Call-In: 1-415-655-0002

Meeting Access Code: 2497 390 8390 Event Password: equity