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# SoCalGas Comments on 2025 IEPR Energy Demand Forecast Results

*Additional submitted attachment is included below.*

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December 31, 2025

Vice Chair Siva Gunda
California Energy Commission
Docket Unit, MS-4
Docket No. 25-IEPR-03
715 P Street
Sacramento, California 95814-5512

**Subject: Comments on the IEPR Commissioner Workshop on Energy Demand Forecast Draft Results**

Dear Vice Chair Gunda,

Southern California Gas Company (SoCalGas) appreciates the opportunity to provide comments on the California Energy Commission's (CEC) Integrated Energy Policy Report (IEPR) Commissioner Workshop on Energy Demand Forecast Draft Results (Workshop) held on December 17, 2025. The CEC's demand forecast is fundamental to California's integrated energy planning, yet its current scenario set does not capture the full range of plausible futures. For instance, by incorporating an assumption like statewide Zero-Emission appliance replace-on-burnout for the majority of the scenarios, it does not take into account the significant existing uncertainties (e.g. adoption rate for consumers, legal challenges, and grid strain concerns), which could lead to planning outcomes that are misaligned with reality. A more diverse and differentiated set of scenarios is essential to support strategies for reliability, resilience, affordability, and adaptability in the face of evolving conditions and risks.

Our comments focus on the following topics: 1) CEC could provide additional explanatory context to clarify key assumptions and uncertainties for data centers, particularly regarding the potential impacts of on-site generation such as microgrids, 2) CEC's current Additional Achievable Fuel Substitution (AAFS) scenarios rely on overly aggressive electrification assumptions that do not reflect the variability of state policy outcomes or align with California Air Resources Board's (CARB) current proposed Zero-Emission appliance replace-on-burnout assumptions, and 3) SoCalGas appreciates CEC's clarification on the implications of gas demand in the electricity planning scenarios and emphasizes that, given the limitations of the current AAFS scenarios, none should be used for gas system planning in the 2026 California Gas Report.

1) **CEC could provide additional explanatory context to clarify key assumptions and uncertainties for data centers, particularly regarding the potential impacts of on-site generation such as microgrids**

We appreciate the CEC's inclusion of various scenarios for assumed data center demand, including the 70 percent assumption for Group 1 data centers in the 2025 IEPR mid case. We recommend incorporating additional explanatory language to provide more context for this assumption. Specifically, SoCalGas recommends noting that the assumed 30 percent discount reflects uncertainty regarding whether these data centers will actually be constructed *or whether it could reflect the potential for on-site generation*—such as microgrids—which could reduce the amount of electricity demand that ultimately materializes on the bulk electricity grid. To support efforts to energize data centers, SoCalGas is currently pursuing approval from the California Public Utilities Commission (CPUC) to establish a Microgrid Optional Tariff (A.25-04-006), which would enable SoCalGas to offer customized microgrid services to non-residential customers, supporting energy reliability, resilience, and state decarbonization goals.[1]

2) **CEC's current AAFS scenarios rely on overly aggressive electrification assumptions that do not reflect the variability of state policy outcomes or align with CARB's current proposed Zero-Emission appliance replace-on-burnout assumptions**

In our prior comment letter dated September 9, 2025, we expressed concern that the 2025 IEPR AAFS scenarios do not adequately reflect the existing and foreseeable variability in state policy outcomes. Specifically, five of the six scenarios rely on 100 percent Zero-Emission appliance replace-on-burnout adoption assumptions for space and water heating, which risks overstating adoption rates and potential electrification impacts and underrepresenting alternative possible futures.[2] In the September comments, SoCalGas recommended inclusion of three AAFS scenarios of varying replace-on-burnout assumptions that were less than 100 percent to attempt to account for likely variability. While it is difficult to calculate the precise adoption rate of Zero-Emission appliances in CARB's proposed ruling, if these additional scenarios were modeled, then the CEC would have results that are more aligned with the recent CARB proposals that contemplate less than 100 percent reductions in equipment sales as further described below.

On December 12, 2025, CARB conducted a public workshop on Zero-Emission Space and Water Heater Standards. These standards aim to reduce greenhouse gas (GHG), nitrogen oxides (NOx), and fine particulate matter (PM2.5) from new space and water heaters sold in California. CARB's revised proposal shifts from zero-GHG targets to emissive sales limits combined with a credit system. Table 1 below presents the proposed statewide emissive sales limits. It is important to note that none of the currently proposed limits achieves a 100 percent reduction in equipment sales (for

[1] SoCalGas, "A.25-04-006 - Microgrid Optional Tariff Application," available at: https://www.socalgas.com/a25-04-006-microgrid-optional-tariff-application

[2] SoCalGas, "SoCalGas Comments on Load Modifier Scenario Updates," available at: https://efiling.energy.ca.gov/GetDocument.aspx?tn=265930&DocumentContentId=102941

example, zero-emission water heaters are never required to be more than 50 percent of the appliances sold). CARB also introduced two alternative versions of the proposed limits—one less stringent and one more stringent than those shown in Table 1—yet neither version includes a 100 percent reduction. Although these proposed limits remain subject to change through the regulatory process, five of the six AAFS scenarios that assume 100 percent replace-on-burnout adoption do not align with CARB's current proposals.

**Table 1: CARB's December 2025 Proposed Statewide Emissive Sales Limits for Zero-Emission Space and Water Heater Standards**[3]

**Proposed Statewide Emissive Sales Limits**

| Year | Space Heating | Water Heating | Pool Heating |
|---|---|---|---|
| 2030 | 40% | 60% | 60% |
| 2031 | 39% | 59% | 40% |
| 2032 | 37% | 58% | 40% |
| 2033 | 36% | 57% | 40% |
| 2034 | 34% | 56% | 40% |
| 2035 | 33% | 55% | 40% |
| 2036 | 31% | 54% | 40% |
| 2037 | 30% | 53% | 40% |
| 2038 | 28% | 52% | 40% |
| 2039 | 27% | 51% | 40% |
| 2040+ | 25% | 50% | 40% |

**3) SoCalGas appreciates the CEC's clarification on the implications of gas demand in the electricity planning scenarios and emphasizes that, given the limitations of the current AAFS scenarios, none should be used for gas system planning in the 2026 California Gas Report**

We appreciate CEC staff's clarification during the workshop that gas demand reflected in the Electricity Planning and Local Reliability scenarios is "implied" (i.e., the natural gas consumption results are a byproduct of the aggressive electrification assumptions and do not represent an actual bottoms-up gas demand analysis) and should not be utilized for gas system planning, and that the California Gas Report remains the foundational planning document for gas system planning. In light of the concerns outlined above regarding the AAFS scenarios, we agree that none of the AAFS scenarios in their current form are suitable to be used for the 2026 California Gas Report.

[3] CARB, "Zero - Emission Space and Water Heater Standards," available at: https://ww2.arb.ca.gov/sites/default/files/2025-12/December_2025_Workshop_Slides_2.pdf

In closing, we appreciate the opportunity to comment on the demand forecast and encourage the CEC to continue refining its demand forecast scenarios to reflect a broad range of possible and probable outcomes. Working together to adopt a balanced approach—grounded in realistic policy trajectories and scenario diversity—will strengthen California's planning process and help avoid unintended consequences. By expanding scenario variability and aligning assumptions with evolving regulatory and market signals, the CEC can produce forecasts that better support the State's shared goals for reliability, affordability, and long-term sustainability.

Respectfully,

*/s/ Kevin Barker*

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