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October 28, 2026

*Via electronic mail*

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California Energy Commission
715 P Street
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President John Reynolds
Commissioner Karen Douglas
California Public Utilities Commission
505 Van Ness Avenue
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**Re: Request for CEC and CPUC Coordination and Adoption of Long-Term Peak Gas Demand Forecast for Gas System Planning**

Over a decade ago, the California Public Utilities Commission ("CPUC"), California Energy Commission ("CEC") and California Independent System Operator ("CAISO") agreed to use the electric demand forecast developed by the CEC for electric system planning across

agencies.[1] It is long past time that California's energy agencies do the same for gas system planning. It has been seven years since the seminal Gridworks report, *California's Gas System in Transition: Equitable, Affordable, Decarbonized and Smaller*, noted the "troubling dearth of state planning and analysis with respect to the long-term future of California's gas system" and highlighted the need for "an independent long-term gas demand forecasting effort, separate from the industry-sponsored California Gas Report."[2] The CEC similarly acknowledged in its 2021 Integrated Energy Policy Report ("IEPR") that "an independently derived forecast is needed to inform gas planning in the state."[3] While the CEC forecasts natural gas demand, those forecasts are currently only used for electric system planning and do not include a long-term forecast of winter peak gas demand. Gas demand forecasts in the utility-produced California Gas Report ("CGR") continue to be relied on to justify investments in the gas system at the CPUC, adding potentially unnecessary costs to energy bills and undermining public confidence in the integrity of agency decision-making.

The need for an independent gas demand forecast has become increasingly acute with SoCalGas' most recent CGR forecast incorporating a series of extremely conservative and unrealistic assumptions, including virtually no home electrification in its service territory over the next fifteen years and substantially increased gas use from electric generation despite significant observed declines across the year attributed to increased solar and battery deployment and imports from new low-cost renewable resources. Under the CPUC's *Decision Adopting Biennial Assessment Process*, SoCalGas' CGR winter 1-in-10 peak demand forecast is used to determine whether Aliso Canyon can close "until such time as the California Energy Commission provides an alternative 1-in-10 winter peak natural gas day forecast for the SoCalGas service territory and the Commission adopts its use."[4] The lack of a CPUC-adopted CEC gas demand forecast continues to put the perpetrators of the Aliso Canyon disaster in control of the demand assumptions determining its closure.[5] This is a gross disservice to the communities whose health and safety was harmed by the Aliso Canyon blowout and who deserve an impartial assessment of the continued need for this facility.

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[1] *See,* CPUC, Long-Term Procurement Plan (LTPP) History and Related Process Documentation, https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/electric-power-procurement/long-term-procurement-planning/ltpp-history-and-related-process-documentation (last visited Oct. 8, 2026).

[2] Gridworks, California's Gas System in Transition, at 16, 17 (Sept. 2019), https://gridworks.org/wp-content/uploads/2019/09/CA_Gas_System_in_Transition.pdf.

[3] CEC, Final 2021 Integrated Energy Policy Report, Vol III: Decarbonizing the State's Gas System, at 116 (Mar. 2022), https://efiling.energy.ca.gov/GetDocument.aspx?tn=242233.

[4] D.24-12-076, *Decision Adopting Biennial Assessment Process*, at 51 (Dec. 24, 2024), https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M551/K009/551009286.PDF.

[5] *See* I.19-06-016, Opening Brief of the Safety and Enforcement Division, at 4–5 (May 9, 2022), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M476/K602/476602876.PDF (CPUC's Safety and Enforcement Division finding that "SoCalGas unsafely managed, unsafely operated, and unsafely maintained its Aliso Canyon facility for multiple decades until Well Standard Sesnon-25 (SS-25) finally failed, all in violation of California Public Utilities Code Section 451.").

The status quo is untenable. As part of the next IEPR, we request that the CEC develop a gas demand forecast for gas system planning that includes a long-term forecast of 1-in-10 winter peak gas demand and that the CPUC adopt this forecast for use across gas system-related proceedings.

**SoCalGas' Gas Demand Forecast Uses a Host of Overly Conservative Assumptions that Should Not Be the Basis for Gas System Investments.**

*SoCalGas' 2026 Forecast Assumes Virtually No Building Electrification*

The Navigator model SoCalGas uses to forecast gas demand assumes virtually no building electrification in new or existing buildings. For example, Navigator assumes 98 percent of pre-2021 single family homes use gas for space heating from now through 2040.[6] For homes connecting to the gas system in 2021 or later, Navigator assumes 99 percent rely on gas for space heating through 2040.[7] SoCalGas' incorporation of fuel-substitution is limited to an out-of-model ("OOM") adjustment that incorporates fuel-substitution from Programs and incremental Codes and Standards ("PiCS") Scenario 1 from the CEC's 2025 IEPR forecast.[8] Scenario 1 is a conservative book-end scenario that should not be used for planning purposes. For example, it assumes only approximately 30 percent of new homes use heat pump space and water heating when in Q3 2026, 89 percent of space heating installation in new construction used heat pumps and 83 percent used heat pump or electric resistance water heating.[9]




[6] SoCalGas, 2026 California Gas Report Workpapers (Redacted Version), at 60, 63 (2026) (gas fuel market share for SF_vint_old Space_Heat) ("2026 SoCalGas CGR Workpapers"), https://www.socalgas.com/sites/default/files/2026-08/2026-CGR-Workpapers-SoCalGas.pdf. Navigator defines old homes as connected to the gas system prior to 2021 and new homes as those with new meter hookups in 2021 and after. *Id*. at 44.

[7] *Id.* at 60, 63 (gas fuel market share for SF_vint_NEW Space_Heat).

[8] 2026 SoCalGas CGR Workpapers at 44–45.

[9] Data presented at CBIA California Building Industry Research Data Webinar on Oct. 22, 2026.




In addition to the minimal level of heat pump deployment in new construction, SoCalGas' demand forecast does not appear to incorporate any fuel substitution in existing homes. In comparison, the CEC's conservative bookend Additional Achievable Fuels Substitution Scenario 1 also includes a zero-emission component to account for fuel-switching in existing buildings ("ZE AAFS") that assumes the very gradual replacement on burnout of space and water heating in existing residential and commercial buildings.[10] Even though the ZE AAFS Scenario 1 is significantly more conservative than the ZE AAFS 2 and 3 Scenarios the CEC uses to forecast system and local electric reliability needs, it is entirely excluded from SoCalGas' demand forecast. The notion that no heat pumps are replacing gas furnaces and water heaters in Southern California is demonstrably false. Public demand for heat pump space and water heating is so robust that when the South Coast Air Quality Management District ("SCAQMD") Go Zero program launched in 2025, its $21 million in incentives for switching from gas to zero-emission space and water heating was rapidly exhausted, prompting SCAQMD to authorize an additional $60 million for the program.[11] SoCalGas' forecast similarly assumes no existing commercial or industrial electrification despite zero-emission requirements for large water heaters, small boilers and process heaters under SCQAMD Rule 1146.2.[12]

[10] CEC, 2025 IEPR FSSAT (ZE AAFS) and PiCS AAEE-AAFS Assumptions, ZE AAFS Adoption Scheme Tab, Row 17, https://efiling.energy.ca.gov/GetDocument.aspx?tn=269533.
[11] PR Newswire, *South Coast AQMD Expands Popular GO ZERO Program with $60 Million in New Funding* (Oct. 2, 2026), https://www.prnewswire.com/news-releases/south-coast-aqmd-expands-popular-go-zero-program-with-60-million-in-new-funding-302897463.html.
[12] *See* SCAQMD, Rule 1146.2, Emissions of Oxides of Nitrogen from Large Water Heaters and Small Boilers and Process Heaters (Amended June 7, 2024), https://www.aqmd.gov/docs/default-source/rule-book/reg-xi/rule-1146-2.pdf?sfvrsn=23.

*SoCalGas' 2026 Forecast Assumes Increased Electric Sector Gas Demand Despite Significant Observed Declines*

This past year, natural gas' share of electric generation ("EG") within CAISO service territory has fallen to record lows, largely attributable to the buildout of solar and battery storage as well as imports of new low-cost resources such as wind from the 3.65 GW SunZia project in New Mexico.[13] These significant declines in gas EG demand are also occurring in winter months. As one typical example, on February 15, 2024, gas reliance peaked at 11,485 MW and dropped by half to 5,895 MW on the same day in 2026.[14]




Daily inter-year comparisons on the ISO Today App show similar gas demand declines across winter months.[15] Yet despite the significant progress in reducing reliance on gas-fired electric generation, SoCalGas' 2026 CGR not only increases EG demand compared to the 2024 CGR but inexplicably zig-zags demand up and down over time.

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[13] *See* Utility Dive, *California gas generation down 60% from 2024 as solar, imports surge* (June 17, 2026), https://www.utilitydive.com/news/california-gas-generation-down-60-percent-from-2024-as-solar-and-imports-surge/823104/; Dennis Wamsted & Seth Feaster, *California's gas use falls to record lows*, IEEFA (June 4, 2026), https://ieefa.org/resources/californias-gas-use-power-falls-record-low.

[14] Electric supply data from ISO Today App.

[15] For example, on December 28, 2023, peak natural gas demand was 12,192 MW—and 5,343 MW on December 28, 2025. On January 4, 2024, peak natural gas demand was 12,174 MW—and 3,359 MW on January 4, 2026. On March 1, 2024, peak natural gas demand was 7,372 MW—and 4,004 MW on March 1, 2026.

**SoCalGas Winter Electric Generation 1-in-10 Year Cold Day Demand Forecast, MMcf/d**

| Year | 2024 CGR EG Forecast[16] | 2026 CGR EG Forecast[17] | Difference |
|---|---|---|---|
| 2024 | 1,100 | | |
| 2025 | 1,073 | | |
| 2026 | 1,033 | 1,201 | +168 |
| 2027 | 1,001 | 1,165 | +164 |
| 2028 | 967 | 965 | -2 |
| 2029 | 900 | 991 | +91 |
| 2030 | 817 | 1,097 | +280 |
| 2031 | | 988 | |
| 2032 | | 901 | |

The significant increases in SoCalGas' forecasted winter peak demand due to increased gas use for electric generation do not appear credible and further reinforce the need for an independent CEC long-term peak gas demand forecast to inform gas system planning decision-making.

*SoCalGas Uses a Gas Rate Forecast That is Below Even the Most Conservative Business-As-Usual Scenario Modelled by the CEC:*

SoCalGas' demand forecast assumes residential rates only increase from $1.97/therm in 2025 to $2.28/therm in 2040.[18] Even under a business-as-usual scenario that does not factor in increased electrification, the CEC projects SoCalGas residential rates to reach $3.42/therm in 2040.[19] Under the AAFS 2 scenario, which assumes "gradual, statewide adoption of zero emission technologies," the CEC projects SoCalGas residential rates to reach $9.44/therm by 2040, approximately four times SoCalGas' gas rate forecast. Here again, SoCalGas' assumptions serve to inflate its gas demand forecast and are more conservative than even the most conservative book-end scenarios developed by the CEC.

*SoCalGas Minimally Accounts for Warmer Winters from Climate Change*

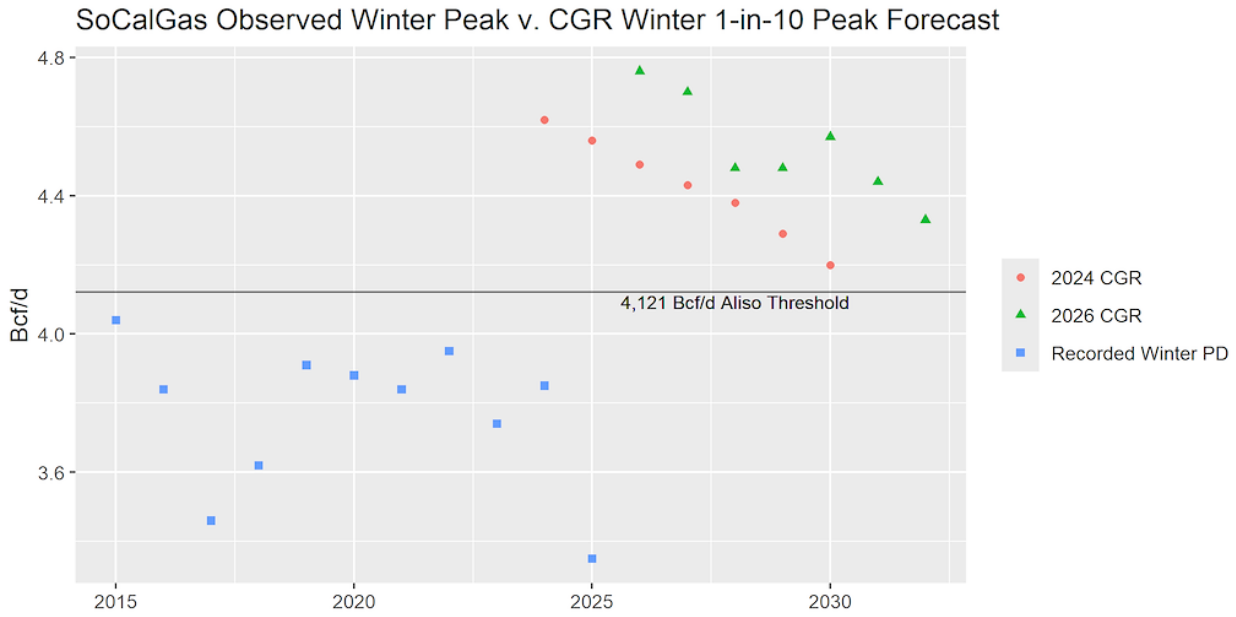
To account for the impact from warmer winters from climate change, SoCalGas' demand forecast assumes 6.6 fewer Heating Degree Days ("HDD").[20] In a detailed critique of the CGR in SoCalGas' Cost Allocation Proceeding, the Public Advocates Office recommended a climate

[16] California Gas & Electric Utilities, 2024 California Gas Report, at 159 ("2024 CGR"), https://www.socalgas.com/sites/default/files/2024-08/2024-California-Gas-Report-Final.pdf.
[17] California Gas & Electric Utilities, 2026 California Gas Report, at 129 (updated Aug. 3, 2026) ("2026 CGR"), https://www.socalgas.com/sites/default/files/2026-07/2026_California%20_Gas_Report.pdf.
[18] 2026 SoCalGas CGR Workpapers at 72. Gas rates are a factor in gas demand projections for gas end uses sensitive to operational cost.
[19] CEC, CA Gas End Use Rates, at Tab "SoCalGas Res" (updated Feb. 19, 2026), https://efiling.energy.ca.gov/GetDocument.aspx?tn=268728.
[20] 2026 SoCalGas CGR Workpapers at 45.

adjustment of 13.6 fewer HDDs.[21] Additional concerns over SoCalGas' HDD methodology have been raised by Sierra Club experts in the Aliso successor proceeding.[22] Attempting to resolve these concerns in separate CPUC proceedings rather than simply applying an approved demand forecast developed through the CEC's public process is inefficient, risks inconsistent outcomes, excludes a broader range of stakeholders, is outside the CPUC's technical competence, and contrary to the CEC's statutory purview over demand forecasting.[23]

**SoCalGas' Peak Demand Forecast is Increasingly Divorced from Recorded Peak Conditions and Creates Significant Affordability Concerns**

Overly conservative after overly conservative assumptions have resulted in a winter peak demand forecast that far exceeds observed winter peak conditions, including the winter of 2022–2023, which was one of the colder years on record.[24] Indeed, while recorded winter peak demand dropped sharply in 2025,[25] SoCalGas' 2026 CGR forecast anticipates increases in winter demand compared to its 2024 CGR forecast.[26]




[21] A.25-09-014, Exh. CA-04, Weather Design, Demand Forecasts (Core) & Fees, Large EG, Cogen Forecast, Noncore Demand & UAF, BTS & Off-System Delivery, at 4 (May 15, 2026), https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A2509014/9312/606868018.pdf.
[22] A.26-01-009, Exh. SC-02, Direct Testimony of Vincent Berardi on Behalf of Sierra Club at 6-7 (Aug. 20, 2026), https://docs.cpuc.ca.gov/PublishedDocs/SupDoc/A2601009/9698/615631486.pdf.
[23] *See* Cal. Pub. Res. Code § 25303.
[24] NOAA, Heavy Precipitation Events, California and Nevada, Section 2: Late February and March 2023, https://www.cnrfc.noaa.gov/storm_summaries/febMar2023storms.php (last visited Oct. 27, 2026).
[25] 2026 CGR at 23.
[26] California Gas & Electric Utilities, 2020 California Gas Report, at 34, https://www.socalgas.com/sites/default/files/2020-

Notably, recorded winter-peak demand in the past ten years has never exceeded the 4,121 Bdf/d threshold to evaluate Aliso's closure. In addition, continued reliance on the CGR has ratepayer impacts beyond Aliso Canyon. An inflated core peak demand forecast can require a gas utility to reserve more interstate pipeline capacity, invest in additional transmission and storage capability, and procure more reliability services. The failure to properly account for reduced gas demand from building electrification can also result in additional system costs allocated to core customers and corresponding increases to residential gas bills. Further, major new investments in the gas system such as the proposed replacement and expansion of the Ventura Compressor Station require an independent and CPUC-approved gas demand forecast to fairly adjudicate and ensure that, if they are needed, they are sized appropriately.

For the foregoing reasons, we respectfully ask the CEC and CPUC to prioritize development and adoption of a long-term gas demand forecast that includes a 1-in-10 year winter peak gas demand forecast for use in gas system-related proceedings. Please contact Matt Vespa, Senior Attorney at Earthjustice, at mvespa@earthjustice.org with any questions or concerns.

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cc: CEC Docket No. 26-IEPR-03