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California Energy Commission
Docket No. 23-IEPR-03
715 P Street
Sacramento, CA 95814
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Re: Comments on 2023 IEPR Energy Demand Forecast (23-IEPR-03)

The undersigned environmental and environmental justice organizations submit these comments on the December 6th California Energy Commission ("CEC") workshop on the California Energy Demand Forecast Results for the 2023 Integrated Energy Policy Report ("IEPR"). We appreciate the CEC's work in developing the energy demand forecast, and in particular Additional Achievable Fuel Substitution ("AAFS") scenarios such as AAFS 3, which accounts for regulatory advances in building electrification such as zero-NO_x appliance regulations proposed by the California Air Resources Board ("CARB"). However, we are extremely concerned that while the CEC plans to incorporate AAFS 3 into electric system planning, it may not do so for gas system planning and instead allow gas utilities to continue to use their own overly conservative gas forecasts to justify new capital investments in the gas system. Such an outcome would directly contravene the CEC's own findings in the 2021 IEPR that an independently derived gas forecast is needed to inform gas planning and that gas system planning must balance reliability with affordability, equity, and the potential for stranded investments in the gas system. The 2023 IEPR is the opportunity for the CEC to execute on the regulatory needs identified in the 2021 IEPR. Accordingly, the CEC should assume control of gas demand forecasting for the purposes of gas system planning and use AAFS Scenario 3, which best balances reliability with equity, affordability, and stranded asset risk.

Over four years ago, in its seminal report, *California's Gas System in Transition: Equitable, Affordable, Decarbonized and Smaller*, Gridworks 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 from the CEC for "an independent long-term gas demand forecasting effort, separate from the industry-sponsored California Gas Report."[1] Yet despite the urgency of gas system planning to effectively manage California's transition away from fossil gas and the stranded asset consequences of continued capital investments in the gas system, the lack of coordinated state-level planning continues. While the CEC is now generating independent gas demand forecasts, it is only applying those forecasts to electric system planning.[2] For gas system planning, the CEC was troublingly equivocal at the Workshop about whether it would continue to allow gas utilities to use their own gas demand forecasts in the California Gas Report ("CGR") to assess the need for new gas infrastructure projects. Such an outcome is inconsistent with the recommendations in the Gridworks report as well as the CEC's own recognition in the 2021 IEPR that "an independently derived forecast is needed to inform gas planning in the state."[3] As part of the 2023 IEPR, the CEC should finally assert itself over the gas demand forecast used for gas system planning.

In determining the gas demand forecast that should be used for gas system planning, the CEC should apply AAFS Scenario 3 because it is the most reasonable estimate of future demand and best balances reliability with affordability and equity concerns. AAFS Scenario 3 is used for electric system planning, defined as "reasonable to occur" and includes the impact of CARB's zero-emission appliance standard.[4] As shown in the Slide presented at the Workshop, Scenario 2 is "much more conservative," with minimal assumed declines in gas demand from current levels through 2040.[5]

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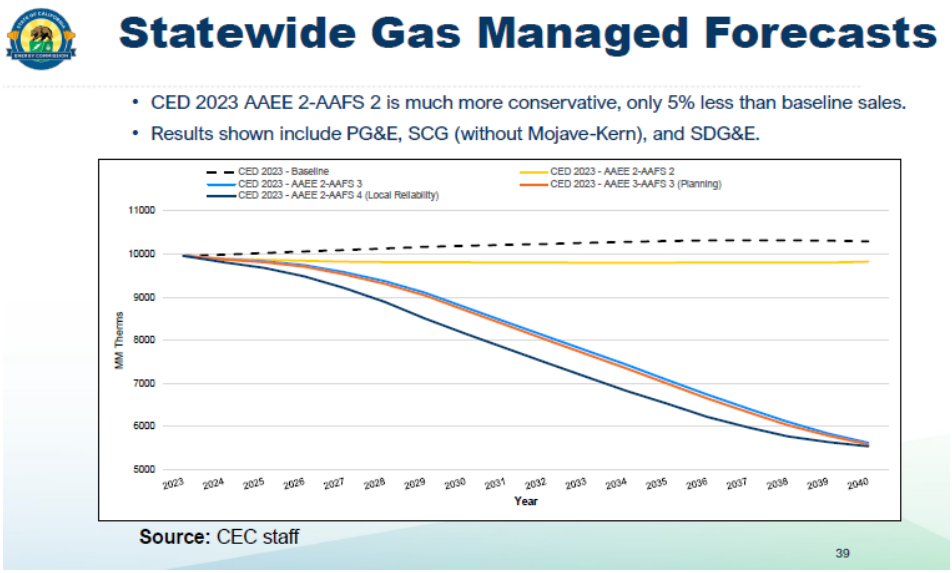
[1] Gridworks, *California's Gas System in Transition* at 16, 17 (Sept. 2019), https://gridworks.org/wp-content/uploads/2019/09/CA_Gas_System_in_Transition.pdf.
[2] *See,* Docket No. 23-IEPR-03, TN #253522, *Presentation – 2023 IEPR Forecast Overview* at Slide 10 (Dec. 5, 2023).
[3] CEC, Final 2021 Integrated 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] *Presentation – 2023 IEPR Forecast Overview* at Slides 9, 10, 26.
[5] Docket No. 23-IEPR-03, TN #253529, *Presentation – 2023 IEPR California Energy Demand Consumption and Sales Forecast Results* at Slide 39 (Dec. 5, 2023).



As CEC staff noted as the Workshop, recent actions including advancement of zero-NO_x appliance standards, the State's heat pump deployment goals, and manufacturer commitments all increase the certainty that substantial reductions in gas demand will occur through 2040 from electrification of the building sector.[6] Moreover, measures such as the 2025 Building Code's proposed provisions for replacing central air conditioning with heat pumps in existing buildings, which will displace the need for gas heating, do not appear accounted for in AAFS 3 and provide additional certainty that the forecasted level of gas demand reductions under AAFS 3 will materialize. Given that significant advances in building electrification are reasonably likely to occur, the *de minimis* reductions in gas demand under AAFS Scenario 2 are extremely unrealistic. Accordingly, the CEC should not allow AAFS Scenario 2 to be used for gas planning purposes.

As the CEC recognized in its 2021 IEPR, "[o]ne of the challenges in long-term [gas] planning is to strike a balance between" reliability and "[m]inimizing the potential for stranded investments in the gas system, along with explicitly addressing equity issues."[7] Use of AAFS 2 to determine the need for new capital investments in the gas system does not strike this balance. The failure to properly account for demand reductions from decarbonization policies that are reasonably likely to occur when proposing major new capital investments in the gas system significantly increases the risk these investments will quickly become stranded assets and harms the communities where they are proposed. For example, Southern California Gas Company ("SoCalGas") is currently proposing to significantly expand a gas compressor station in a disadvantaged community directly across from an elementary school in the City of Ventura.[8]

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[6] *Presentation – 2023 IEPR Forecast Overview* at Slide 6.
[7] Final 2021 Integrated Energy Policy Report, Vol III at 6.
[8] A.23-08-019, Application of Southern California Gas Company for a Certificate of Public Convenience and Necessity for the Ventura Compressor Station (Aug. 24, 2023), https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M518/K988/518988977.PDF. Note that not all parties

The total revenue requirement for the proposed project is $1.783 billion and would not be paid off until 2083.[9] To justify project need, SoCalGas is pointing to its gas demand forecast in the CGR, which relies on AAFS Scenario 2 and forecasts minimal declines in demand.[10] The result is a costly, oversized project that threatens the health and safety of the surrounding community.

The Ventura Compressor Station is a single project. Continued application of CGR demand forecasts to justify new capital investments in the gas system runs the risk of creating billions of dollars in stranded assets and localized harms. The affordability and equity consequences of allowing gas utilities to continue to use overly conservative gas demand forecasts are severe and especially galling in the wake of $300 average gas bills for SoCalGas customers last January.[11] It is long past time for California to stop talking about the need for gas system planning and do something about it. In the 2023 IEPR, the CEC must follow through on its observations in the 2021 IEPR and both assume control of gas demand forecasting for gas system planning and apply AAFS 3 to that forecast.

Thank you for your consideration of these comments.

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signed on to these comments are parties to the Ventura Compressor Station proceeding at the CPUC but remain concerned about the broader implications of gas demand forecasts on vulnerable populations.

[9] *Id.* at 123.

[10] *Id.* at 20; *2022 California Gas Report*, at 128 (2022), https://www.socalgas.com/sites/default/files/Joint_Utility_Biennial_Comprehensive_California_Gas_Report_2022.pdf..

[11] Cal. Pub. Utils. Comm'n, En Banc: Current Gas Mkt. Conditions and Impacts of Gas Prices on Elec., at Slide 9 (Feb. 7, 2023), available https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/meeting-documents/20230207-en-banc/gaselectricpricesenbanc_masterdeck-2022-02-07.pdf?mc_cid=b0810386e9&mc_eid=d5db04ef47.

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