

**STATE OF CALIFORNIA
STATE ENERGY RESOURCES CONSERVATION
AND DEVELOPMENT COMMISSION**

IN THE MATTER OF:

DECARBONIZING THE GAS SYSTEM

DOCKET No. 22-OII-02

ORDER INSTITUTING
INFORMATIONAL PROCEEDING

Order No. 22-0309-7

I. INTRODUCTION

As California decarbonizes its energy system, there are critical technical and policy issues related to the state's gas system that must be addressed. As part of the *2021 Integrated Energy Policy Report (2021 IEPR)*, the CEC conducted a comprehensive assessment of key gas issues related to gas system decarbonization. The *2021 IEPR* recommends the state develop a comprehensive, transparent interagency gas transition planning process to ensure a safe, reliable, and equitable transition away from fossil gas to achieve the state's long-term climate goals. In its role in gathering and analyzing critical energy system data to support energy policy development, the California Energy Commission (CEC) is launching an informational proceeding to engage state agencies and stakeholders in planning for the transition away from fossil gas and addressing the challenges the state faces in decarbonizing the gas system.

II. AUTHORITY

The CEC is required under Public Resources Code (PRC) Section 25301(a) to "conduct assessments and forecasts of all aspects of energy industry supply, production, transportation, delivery and distribution, demand, and prices." These assessments and forecasts are used to develop recommendations for energy policies that conserve state resources, protect the environment, provide reliable energy, enhance the state's economy, and protect public health and safety. To perform these assessments and forecasts, the CEC may require the submission of demand forecasts, resource plans, market assessments, related outlooks, individual customer historic electric or gas service usage, or both, and individual customer historic billing data, in a format and level of granularity specified by the CEC from electric and natural gas utilities, transportation fuel and technology suppliers, and other market participants. These assessments and forecasts are done in consultation with the appropriate state and federal agencies, including, but not limited to, the Public Utilities Commission, the Public Advocate's Office of the Public Utilities Commission, the State Air Resources Board, the Electricity Oversight Board, the Independent System Operator, and others. PRC Section 25302 requires the CEC to adopt an integrated energy policy report

(IEPR) that contains an overview of major energy trends and issues facing the state, including, but not limited to, supply, demand, pricing, reliability, efficiency, and impacts on public health and safety, the economy, resources, and the environment. The IEPR presents policy recommendations based on an in-depth and integrated analysis of the most current and pressing energy issues facing the state. These provisions of law give the CEC authority to collect the information necessary to address gas transition planning issues.

Vice Chair Siva Gunda shall be the Lead Commissioner for this Order Instituting Informational Proceeding (OIIP). PRC Section 25210 authorizes the CEC to hold any hearings, take other actions necessary, and conduct any investigations in any part of the State necessary to carry out its powers and duties, and further affirms that the CEC has the same powers as are conferred upon heads of departments of the State pursuant to Government Code section 11180 et seq. The CEC may exercise or further delegate these authorities pursuant to this OIIP as appropriate to collect the information identified in this Order.

III. NATURE AND PURPOSE OF THIS PROCEEDING

As California decarbonizes its energy system, the state faces rapidly emerging gas issues. These issues include declining long-term gas demand from building electrification, the critical interdependencies between the gas and electricity systems, and the potential role of renewable gas, renewable hydrogen, and other low carbon fuels and technologies. One of the overarching themes of the *2021 IEPR* is that to address these issues the state needs a comprehensive, inclusive, long-term gas planning process to ensure a safe, reliable, and equitable transition away from fossil gas. This OIIP launches a proceeding to continue the dialogue on gas transition topics and begin carrying out the *2021 IEPR* recommendations. It is intended to foster interagency collaboration with the California Public Utilities Commission, the California Air Resources Board, the California Independent System Operator, and other state agencies, as well as the various stakeholders with an interest in gas decarbonization issues.

As planning the gas system to meet greenhouse gas emission reduction goals is a long-term initiative, this will be a multi-year investigation to run parallel with and feed into the CEC's IEPR processes. The CEC also intends to launch phases within the OIIP to focus the proceeding's scope and to address new or emerging issues.

A. Scope of Phase 1 of this Proceeding

The *2021 IEPR* provides comprehensive assessments and forecasts of gas supply, demand, prices and rates, and infrastructure topics. The *2021 IEPR* also identifies areas where analytical improvements will be needed to provide a sound analytical framework to support long-term gas planning. This includes conducting technical assessments and forecasts for gas topics recommended in the *2021 IEPR*. This OIIP will begin implementing these *2021 IEPR* recommendations. Topics may include, but are not limited to:

1. Improving gas demand forecasts and long-term gas demand scenarios.
 - a. Develop gas demand forecasts at the granularity needed for gas system planning and reliability assessments.
 - b. Work with stakeholders to identify and develop assumptions for gas system planning (e.g., monthly, 1-in-10 cold winter extreme cold peak day, hourly).
 - c. Examine greenhouse gas emission implications of different gas demand scenarios.
2. Improving long-term gas price, rate, and revenue forecasts.
 - a. Develop and expand long-term rate forecasting models, tools, and techniques for examining stranded cost issues.
 - b. Work with stakeholders to develop assumptions and scenarios for long-term rate and revenue forecasts.
 - c. Continue improvements in price (commodity) forecasts.
3. Improving gas infrastructure assessments.
 - a. Verify utility gas infrastructure assessments and hydraulic modeling results.
 - b. Conduct independent hydraulic modeling of gas transmission and distribution system.
 - c. Work with stakeholders to develop assumptions and scenarios for gas system hydraulic modeling.
 - d. Conduct summer and winter reliability assessments.
4. Considering how electric planning can adequately capture interdependencies between the gas and electric system and extreme weather events.
5. Considering the role of renewable gas and renewable hydrogen delivered through the gas system, including sources, supplies, end-uses and other.
6. Other technical assessments and forecasts as needed for long-term gas system planning.

These specific topics may be added to or refined at the direction of the Lead Commissioner within the general scope of gas transition planning.

IV. HEARINGS AND WORKSHOPS

The Lead Commissioner will issue notices at least fourteen (14) days before the first hearing and ten (10) days in advance of any subsequent hearings and workshops and will identify at that time when written comments and/or testimony will be due, as well as the manner of the filing. Public comment will be allowed at all workshops and hearings.

V. PUBLIC PARTICIPATION

The CEC encourages public participation in this proceeding. Any person participating in a hearing or workshop shall be afforded reasonable opportunity to make oral comments. Petitions to intervene are not necessary.

To foster public participation in this proceeding, the Executive Director, in conjunction with the Public Advisor, shall ensure that information regarding this order and notices of hearings and workshops are distributed to all interested persons via the list serve and posted on the CEC website. To stay informed about this proceeding and receive documents and notices of upcoming workshops and hearings as they are filed, interested persons may subscribe to the proceeding list serve, which can be accessed here: https://ww2.energy.ca.gov/listservers/index_cms.html. The list serve sends out email notifications and direct links when documents and notices are filed in the proceeding docket.

For additional information about how to participate in this proceeding, please contact the CEC's Office of the Public Advisor, Energy Equity, and Tribal Affairs at (916) 957-7910, or via email at publicadvisor@energy.ca.gov.

Media questions should be directed to the CEC's Media Office by email at mediaoffice@energy.ca.gov.

The CEC therefore institutes an informational proceeding for Decarbonizing the Gas System and directs the Executive Director and staff to collect and evaluate the information needed to address the scope of the proceeding under guidance of the Lead Commissioner.

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IT IS SO ORDERED.

CERTIFICATION

The undersigned Secretariat to the CEC does hereby certify that the foregoing is a full, true, and correct copy of an Order duly and regularly adopted at a meeting of the California Energy Commission held on March 9, 2022.

AYE:

NAY:

ABSENT:

ABSTAIN:

Liza Lopez
Secretariat