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R2001007

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Establish Policies, Processes, and Rules to Ensure Safe and Reliable Gas Systems in California and perform Long-Term Gas System Planning.

Rulemaking 20-01-007

**ASSIGNED COMMISSIONER'S RULING SCHEDULING PHASE 3
PREHEARING CONFERENCE AND PROVIDING
JOINT AGENCY STAFF GAS TRANSITION WHITE PAPER AND
DRAFT PHASE 3 SCOPE AND SCHEDULE FOR PARTY COMMENT**

Summary

As reflected in the schedule issued in my Phase 2 Scoping Memo and Ruling, issued on August 1, 2023, I am currently considering what the goals, scope and schedule should be for Phase 3 of this proceeding.

Attachment A to this ruling contains a joint agency¹ staff Gas Transition White Paper (White Paper) that reflects contributions by other state agencies and frames long-term considerations potentially in scope for the proceeding. Parties may serve and file comments on any aspect of this White Paper no later than March 28, 2024. Party comments on the White Paper are limited to 15 pages.

Section 8.1 of this ruling contains a draft Phase 3 scope and schedule. Parties may serve and file comments regarding this draft scope and schedule no later than March 13, 2024, responding to the questions contained in Section 8.2.

¹ California Public Utilities Commission (Commission or CPUC), California Energy Commission (CEC) and California Air Resources Board (CARB).

Party comments on the draft Phase 3 scope and schedule are limited to five pages.

This ruling also schedules a Phase 3 prehearing conference (PHC) for March 19, 2024 at 1 p.m. The PHC will be held virtually. A subsequent notice will provide the public Webex login and phone call-in information. Parties interested in speaking during the PHC shall identify a single representative and shall email the representative's name, title, phone and email to James Donovan (James.Donovan@cpuc.ca.gov) and Nicholas Bonino (Nicholas.Bonino@cpuc.ca.gov) no later than March 13, 2024, using the subject line "R.20-01-007 PHC Speaker."

Party comments in response to this ruling and the PHC discussion will inform the Phase 3 Scoping Memo for this proceeding.

1. Background

On December 14, 2023, this proceeding adopted Decision (D.) 23-12-003, which addressed Phase 2 issues regarding transmission pipelines and natural gas storage facilities. D.23-12-003 followed on D.22-12-021, issued in December 2022, which adopted a General Order instituting reporting and review of certain gas infrastructure projects. This proceeding can now start addressing the necessary elements of decarbonization of the gas system, including long-term planning.

In December 2022, an assigned Administrative Law Judge (ALJ) ruling issued a staff proposal identifying two possible steps to facilitate "pruning" of the gas distribution system. The staff proposal recommended that, first, each gas utility's geographic service area could be divided into five "tranches," with efforts to decommission gas mains and services and replace them with electrification or other alternatives (decarbonization alternatives) focused on each tranche in turn. Secondly, the staff proposal suggested that the Commission

could create a process to review proposed gas distribution infrastructure investments, such as the replacement of Aldyl-A plastic gas mains and services serving a set of adjacent buildings and consider whether decarbonization alternatives should be pursued instead. The staff proposal received extensive comment. I have reviewed and appreciate party comments in this area but intend to gather more information before returning to address the staff proposal at a later date.

As a new Commissioner at this Commission and new to this proceeding, I spent much of 2023 reviewing the procedural history of Rulemaking (R.) 20-01-007 to familiarize myself with this issue area. Working with Commission staff, I also coordinated with the other key state agencies with jurisdictional responsibilities over long-term gas planning, namely the CEC and CARB.

Subsequent sections of this ruling introduce the joint agency staff White Paper, introduce potential Phase 3 issues and present a draft Phase 3 scope and schedule for party comment. Before doing this, the next section summarizes this Commission's role and interagency roles and coordination activities regarding long-term gas planning.

2. The Commission's Role in Broader Context

Ongoing coordination amongst this Commission, the CEC and CARB will form a cornerstone of achieving California's climate goals while maintaining access to reliable and affordable energy. The CARB's 2022 Scoping Plan identifies a technical path forward for the natural gas sector that focuses on building electrification. Many interlocking decisions of agencies, customers and businesses are needed to bring that path to fruition. As part of this, the CEC and

CARB have jurisdiction to set building and appliance standards that protect Californians' health and safety and have already acted in this regard.²

This Commission oversees investor-owned utilities, including their planning, rates and ratepayer-funded programs. Thus, the Commission's role in this space includes implementing utility planning, ratemaking, and subsidy and marketing programs in furtherance of state climate policy. While some of these activities are already under way across other proceedings, there remain considerable opportunities to achieve cost savings and improve equity. Further, these efforts will benefit from involving the gas customer, recognizing that customer choice about what type of fuel (e.g., electric or natural gas) powers appliances in their homes and businesses will influence the rate of progress towards climate goals.

In short, this proceeding must be informed by – and help inform – the relevant work of the joint agencies identified below. The joint agencies' respective and central responsibilities are indicated below:

² CARB, "2022 State Strategy for the State Implementation Plan" at 102, September 2022, available as of February 9, 2024 at: ww2.arb.ca.gov/sites/default/files/2022-08/2022_State_SIP_Strategy.pdf. CARB, "2022 Scoping Plan for Achieving Carbon Neutrality" (Scoping Plan) at 75-79 and 211-215, December 2022, available as of February 9, 2024 at: ww2.arb.ca.gov/sites/default/files/2023-04/2022-sp.pdf. See also CARB, "Zero-Emission Appliance Standards" webpage, available as of February 9, 2024 at: <https://ww2.arb.ca.gov/our-work/programs/zero-emission-appliance-standards>. CEC, "Building Energy Efficiency Standards" webpage, available as of February 9, 2024 at: <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards> (standards encoded in Title 24). CEC, "Appliance Efficiency Regulations – Title 20" webpage, available as of February 9, 2024 at: <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards>.

CPUC
<p>The CPUC regulates investor-owned utility services, expenditures, and rates, with the goal of protecting consumers, safeguarding the environment, and assuring Californians' access to safe, reliable, and affordable energy. Relevant authorities include approving utility rate structures and cost allocations, establishing safety and reliability standards, and overseeing utility programs and pilots to incentivize and enable a gas transition. This work is spread across various proceedings, including general rate cases, the Long-Term Gas Planning Rulemaking, and the Building Decarbonization Rulemaking.</p>
CEC
<p>As the lead agency on statewide energy planning and policy, the CEC's role includes overarching forecasting and analysis related to gas planning topics. The primary venues for this work are the Integrated Energy Policy Report, which provides an assessment of major energy trends and issues facing California's electricity, gas, and transportation fuel sectors, and the CEC's Proceeding on Gas Decarbonization. The CEC administers incentive programs that support the gas transition, including nearly \$1 billion for electric heat pumps for low-income and disadvantaged communities, through the Equitable Building Decarbonization Program. The CEC also administers relevant clean energy research and development programs and develops energy efficiency standards for buildings and appliances.</p>
CARB
<p>CARB is the lead agency for climate change programs and oversees all air pollution control efforts in California to attain and maintain health-based air quality standards. CARB leads the Scoping Plan process, which outlines pathways and actions to achieve the state's climate targets such as economy-wide carbon neutrality and reducing emissions 85 percent below 1990 levels by 2045 per Assembly Bill (AB) 1279. The Scoping Plan is updated at least once every five years, and the 2022 Scoping Plan Update provides a planning framework for aligning the gas system with the State's overall climate targets and air pollution mandates.</p>

3. Joint Agency Staff Gas Transition White Paper

In recognition of the close coordination required to manage the transition of California's natural gas system, joint agency staff have since early 2022

collaborated to develop a joint agency staff White Paper. The purpose of the White Paper is to frame issues and questions of relevance to R.20-01-007 in the context of coordinated interagency action to achieve California's climate goals.

The White Paper clearly describes the scale and importance of the anticipated natural gas transition in California, noting that:

Fossil gas heats our homes and buildings, powers our industrial and agricultural sectors, and produces electricity – but at a cost to climate and public health. Today, fossil gas is a key pillar of the State's energy system. In fact, the State consumes about 2,131 trillion British thermal units (BTU) of fossil gas per year, more than twice the 904 trillion BTU it consumes in electricity [footnote omitted]. However, achieving California's ambitious climate targets, including the goal of economy-wide carbon neutrality by 2045 [footnote omitted], requires a monumental shift away from this fossil fuel.³

The White Paper suggests that this transition away from fossil gas, while necessary and beneficial in many ways, presents risks that must be anticipated and managed to the extent possible through this Commission's authority and through strategic interagency planning and coordination:

The transition off fossil gas poses risks to affordability, safety, reliability, and the gas workforce: The transition away from fossil gas must balance these risks and protect vulnerable residents.⁴

This Commission has a key role in managing the gas transition and its attendant risks and opportunities in the context of the Commission's responsibilities as the regulator of investor-owned utility services, expenditures, and rates. At a high level, the focus of Phase 3 of R.20-01-007 must be to begin to identify short-, medium-, and long-term mechanisms for managing the gas transition in support of this Commission's statutory obligations of protecting

³ Attachment A, Gas Transition White Paper at 7.

⁴ Attachment A, Gas Transition White Paper at 7.

consumers, safeguarding the environment, and assuring Californians' access to safe, reliable, and affordable energy. In so doing, this Commission must continue to work closely with the joint agencies and other state, local and federal agency partners to both inform this proceeding and to provide guidance to other entities with regulatory, analytical or program administration roles. The goal will be to work together to implement California's decarbonization goals in a way that "reduc[es] reliance on fossil gas while mitigating potential negative impacts to California's residents, businesses, and workforce."⁵

Parties are invited to comment on any aspect of the White Paper attached to this ruling as Attachment A no later than 35 days from issuance of this ruling. Party comments will inform development of the Phase 3 scope and schedule as well as future phases of this proceeding.

4. 2022 CARB Scoping Plan

In December 2022, CARB finalized the 2022 Scoping Plan (Scoping Plan).⁶ The Scoping Plan "lays out the sector-by-sector roadmap for California, the world's fifth largest economy, to achieve carbon neutrality by 2045 or earlier, outlining a technologically feasible, cost-effective and equity-focused path to achieve the state's climate target."⁷ The Scoping Plan sets out the work needed to fight climate change in a manner responsive to statutory GHG targets and timetables.

The "Scoping Plan Scenario" selected as the basis of the Scoping Plan achieves greenhouse gas (GHG) emission reductions that exceed the levels expected based on existing policies and represented in the "Reference Scenario,"

⁵ Attachment A, Gas Transition White Paper at 6.

⁶ Scoping Plan.

⁷ *Id* at ES-1.

also discussed in the plan.⁸ Achieving the Scoping Plan Scenario would keep California on track to meet the Senate Bill (SB) 32 GHG reduction targets in 2030 and to become carbon neutral no later than 2045.⁹ The Scoping Plan Scenario also would achieve the AB 1279 target of GHG emission levels 85 percent below 1990 levels by 2045 and identifies a need to accelerate the 2030 target to 48 percent below 1990 levels.¹⁰

The Scoping Plan identifies a wide-ranging set of “Actions” to reduce GHG emissions across different AB 32 GHG Inventory Sectors in furtherance of achieving the Scoping Plan Scenario. These include decarbonization (particularly electrification) of new and existing residential and commercial buildings and an increased supply of low carbon fuels, including renewable natural gas, for buildings and industry. The discussion of Key Sectors in Chapter 4 of the Scoping Plan identifies more specific strategies for success and metrics that were incorporated in the Scoping Plan Scenario.¹¹

The Scoping Plan includes Appendix F, which is focused on building decarbonization – with a major focus on electrification – because the electrification of new and existing buildings “provides one of the most technologically feasible paths to reduce building-related emissions.”¹² The CEC has also highlighted the role of building electrification in their 2021 Integrated

⁸ *Id.* at 63.

⁹ *Id.* at 70.

¹⁰ *Id.* at 71.

¹¹ *Id.* at 213-215.

¹² Appendix F to 2022 Scoping Plan at F-1. Appendix F available as of February 9, 2024 at: <https://ww2.arb.ca.gov/sites/default/files/2022-11/2022-sp-appendix-f-building-decarbonization.pdf>.

Energy Policy Report¹³ and studied its potential in their building decarbonization assessment conducted pursuant to AB 3232 (Friedman 2018).¹⁴

As discussed in the White Paper, the Scoping Plan Appendix F states that:

It is important to emphasize that the transition necessarily involves many actors and will require a coordinated and thoughtful strategy across local, state, and federal levels of government with close attention to equity, a process that will extend well beyond this appendix. Successfully decarbonizing buildings will require a range of policies, including workforce development, supportive rate design, grid readiness, incentives, contractor and consumer awareness, and appliance and building standards, including zero-emission [footnote omitted] standards, among others.¹⁵

While the focus of Appendix F is to evaluate actions to accelerate building electrification, the Scoping Plan makes note of the transition risks also discussed in the White Paper, including the high costs of these measures and the wide range of potential for households and businesses to experience costs or savings from the transition. In particular, the Scoping Plan notes that:

Low-income, disadvantaged, and comparatively under-resourced households and communities may face more significant challenges to decarbonizing at the pace that California's climate goals would require. Careful policy development, planning, and program design can mitigate potential unintended adverse consequences, including higher energy cost burdens, unmanageable retrofit expenses,

¹³ CEC, "Final 2021 Integrated Energy Policy Report Volume I, Building Decarbonization," available as of January 8, 2024 at: [2021 Integrated Energy Policy Report \(ca.gov\)](https://www.energy.ca.gov/data-reports/reports/building-decarbonization-assessment).

¹⁴ AB 3232 (Friedman, Chapter 373, Statutes of 2018) requires the CEC to prepare a Building Decarbonization Assessment, in consultation with the CPUC, CARB, and the California Independent System Operator. See CEC, "Building Decarbonization" webpage, available as of February 9, 2024 at: <https://www.energy.ca.gov/data-reports/reports/building-decarbonization-assessment>. For a short summary, see CEC, "AB 3232 and the California Building Decarbonization Assessment" Fact Sheet, available as of February 9, 2024 at: https://www.energy.ca.gov/sites/default/files/2021-08/AB3232_Building_Decarbonization_Assessment_Factsheet_ADA.pdf.

¹⁵ Appendix F to Scoping Plan at F-1.

disproportionate legacy fossil gas system cost burdens, and housing insecurity. The potential need for funding support likely far surpasses resources that the State can provide.¹⁶

In addition, the Scoping Plan Scenario reflects numerous assumptions about adoption rates of building decarbonization measures and other decarbonization policies. Differences between target and actual adoption rates could result in differing effects on gas demand, gas infrastructure requirements, GHG emissions and gas rates. Planning will need to account for these uncertainties.

Phase 3 of this proceeding is an opportunity for the Commission to take up issues raised by CARB in its Scoping Plan and facilitate progress towards achieving Scoping Plan goals that are within this Commission's scope of responsibilities and this proceeding. This includes issues raised in the Scoping Plan sector analysis and in Appendix F. This also includes evaluating the potential infrastructure, customer, rate and other implications of meeting or deviating from the decarbonization milestones set out in the Scoping Plan Scenario and ways of managing this transition. The need for a gas transition flows from implementation of California's statutory targets to reduce GHG emissions and fight climate change as reflected in CARB's Scoping Plan.

5. Long-Term Gas Transition Planning Approaches

Utilities and utility commissions around the United States are beginning to plan for gas decarbonization policies. Given the long-term nature of the planning needed in this proceeding, it is worthwhile at this juncture to take a step back and consider which approaches will produce the gas transition planning process that California needs. To begin this process, we intend to

¹⁶ *Id.* at F-22.

schedule one or more workshops on this topic during Phase 3 and welcome party comments regarding long-term planning options that may be feasible for this proceeding in response to this ruling.

Long-term gas planning efforts must rest on data and analysis. Therefore, identifying, prioritizing, assembling, storing and using gas data will be crucial to our long-term planning efforts. Additional Phase 3 activities could include consideration of gas data availability, use cases and the needs of different stakeholders. I envision Phase 3 will include decisional guidance to utilities in this area as well as, potentially, establishing an ongoing gas data and planning working group.

Parties to this rulemaking are engaged in a variety of research, pilots and other activities that are relevant to long-term planning. However, much of this work remains external to, and therefore invisible to, this proceeding. An additional work area that I envision for Phase 3 includes discussing these efforts occurring outside of this proceeding and identifying potential processes to bring the results of party and stakeholder work around long-term gas planning into this proceeding.

6. Potential Interim Action Options and Related Cost Recovery and Ratemaking Options

Studying options for and beginning to implement long-term planning processes will take time. As we conduct this work, there may be opportunities in the meantime for interim utility actions to facilitate customers' voluntary decarbonization efforts. These may include steps such as:

- Requiring gas utilities to offer a decarbonization-and-gas-decommissioning option to property owners whose gas services are scheduled to be replaced, subsidized up to the cost of the avoided gas service pipe replacement costs;

- If adjacent property owners consent, increasing the available subsidy up to the cost of the avoided gas service and main pipe replacement costs if both are avoided;
- Developing a means to inform local contractors of available funds and coordinate layering with other funding sources;
- Developing a fully subsidized decarbonization-and-gas-decommissioning option for all property owners whose gas services and mains, and possibly other gas equipment, are scheduled to be replaced, if the scheduled replacement is forecast to cost at least \$100,000¹⁷ (or some other predetermined cost) for each property and the subsidization would cost less than that, and determining how utilities should report and fund such programs; and/or
- Proposing how building electrification program funding or non-ratepayer funds can be leveraged to achieve ratepayer cost savings, such as by concentrating it where later gas system investments can be avoided.

¹⁷ If this step is taken, the actual dollar threshold, if any, would be determined within this proceeding. One hundred thousand dollars is given as an example option as this exceeds the usual per-service costs to replace mains and services but is much lower than the usual cost savings in PG&E's existing Alternative Energy Program. Usual costs for mains replacement can be around \$17,000 to \$25,000 per service for Aldyl-A and steel pipeline replacement, as reported in General Rate Cases and in data supplied for this proceeding. See Exhibit SCG-09-CWP, "Capital Workpapers to Prepared Direct Testimony of Amy Kitson / Travis T. Sera on Behalf of Southern California Gas Company", submitted in SoCalGas General Rate Case Application (A.).22-05-015 for years 2024-2027 at 43; see also "Pacific Gas and Electric Company 2023 General Rate Case Exhibit (PG&E-3), Gas Operations Workpapers Supporting Prepared Testimony Chapters 2-5, Vol 1 of 4," at 4-27 through 4-30. For both utilities, see also "Supplemental Data" submitted May 20 and November 4, 2022, available as of February 9, 2024 at: <https://www.cpuc.ca.gov/industries-and-topics/natural-gas/long-term-gas-planning-rulemaking>. PG&E's Alternative Energy Program focuses on rarer and larger cost savings opportunities, often involving larger customers and avoiding replacement of high-pressure regulator (HPR) stations as well as pipelines, and its projects have, on occasion, saved more than \$1 million for a single project: See Gridworks, "PG&E's Alternative Energy Program," slide 9, available as of February 9, 2024 at: https://gridworks.org/wp-content/uploads/2022/04/9.15.21_Gridworks_PGE-Alt-Energy_V4-2-2.pdf.

Work to consider interim actions and related work to consider cost recovery and ratemaking options could in this way comprise a potential third track of Phase 3 that could be conducted concurrently to Tracks 1 (focusing on Scoping Plan Scenarios) and 2 (focusing on potential long-term gas planning approaches), as discussed above. I also propose below a Track 4 to consider a similar set of issues to those included in Track 3 but addressing the medium- to long-term rather than shorter term actions.

7. Related Commission Proceedings and Other Work

The Commission is working to coordinate activities in this proceeding with many other related activities. Since gas system decarbonization will primarily rely on customers transitioning from the use of gas to other energy sources, primarily electricity, building decarbonization opportunities are closely tied to electrification. The Commission has an open proceeding, R.19-01-011, addressing building decarbonization. We note the following additional activities, within and outside the Commission, which may relate to policy development, planning or funding building electrification and/or gas decommissioning:

- a. Energy efficiency and fuel substitution¹⁸ activities authorized in R.13-11-005, including the Zonal Equity Electrification Pilot (ZEEP) Program,¹⁹ proposed by Pacific

¹⁸ “Fuel substitution” involves projects where all or a portion of the existing energy use is converted from one CPUC-regulated fuel to another CPUC-regulated fuel, most often substituting electricity for natural gas. Geothermal heating equipment is a potential fuel substitution option as it uses electricity to operate. Fuel substitution measures are distinct from fuel switching measures, which involve non-utility fuels such as propane or fuel oil. See CPUC Building Decarbonization website information, available as of February 14, 2024 at: <https://www.cpuc.ca.gov/about-cpuc/divisions/energy-division/building-decarbonization/fuel-substitution-in-energy-efficiency>.

¹⁹ Great Work Energy LLC, “Energy Efficiency Independent Evaluators’ Semi-Annual Report on the Local Zonal Equity Electrification Pilot Solicitation Reporting Period: April 2023 through
Footnote continued on next page.

- Gas and Electric Company (PG&E) to focus on gas decommissioning opportunities within disadvantaged communities, within the energy efficiency equity programs;
- b. The winter gas price spike investigation proceeding, Investigation (I.) 23-03-008;
 - c. The gas and electric utility risk-based decision-making proceeding, R.20-07-013;
 - d. The Electrification Impact Studies undertaken through the high distributed energy resources proceeding, R.21-06-017;²⁰
 - e. The CEC's Integrated Energy Policy Report, including its demand forecasts and projected fuel substitution adoption rates;
 - f. PG&E's Alternate Energy Program,²¹ which pursuant to the PG&E 2023 General Rate Case Decision D.23-11-069²² will receive funding that PG&E originally proposed for certain gas infrastructure programs;
 - g. The PG&E workshop on coordinating customer electrification with opportunities to reduce gas system

September 2023," in "Semi-Annual IE Report April 2023 through September 2023 – Pacific Gas and Electric Company," at 42-55, available as of February 9, 2024 at: <https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=522005917>.

²⁰ R.21-06-017, "Assigned Commissioner's Amended Scoping Memo and Ruling" schedule at 9-10, available as of February 9, 2024 at: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M516/K786/516786462.PDF>.

²¹ This program is discussed in PG&E, "Pacific Gas and Electric Company's Opening Comments on Administrative Law Judge's Ruling Directing Parties to File Comments on Staff Gas Infrastructure Decommissioning Proposal," February 24, 2023 as well as in Gridworks, "PG&E's Alternative Energy Program," available as of February 9, 2024 at: https://gridworks.org/wp-content/uploads/2022/04/9.15.21_Gridworks_PGE-Alt-Energy_V4-2-2.pdf.

²² D.21-06-021, "Decision on Test Year 2023 General Rate Case for Pacific Gas and Electric Company" at 223, 785-786 and 860, available as of January 16, 2024 at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M520/K896/520896345.pdf>.

- investments also ordered in D.23-11-069, which will be noticed to this proceeding;²³
- h. CEC-funded ongoing research projects on a potential gas decommissioning-and-electrification statewide pilot site selection tool,²⁴ pilot sites and approaches in Northern California,²⁵ and pilot sites and approaches in Southern California;²⁶
 - i. The four CEC-funded Advanced Energy Communities projects in Oakland, Richmond, Lancaster, and unincorporated Los Angeles County;²⁷
 - j. PG&E, Southern California Gas Company and San Diego Gas & Electric Company Gas Research and Development Plans, overseen by this Commission;²⁸

²³ *Id* at 903-904.

²⁴ CEC and DNV GL USA, Incl, Public Interest Research (PIR) contract PIR-21-002, available as of February 9, 2024 at: <https://www.energy.ca.gov/filebrowser/download/4000>.

²⁵ CEC and Energy and Environmental Economics, Inc. (E3), contract PIR-20-009, available as of February 9, 2024 at: <https://www.energy.ca.gov/filebrowser/download/3496>. Project materials, including “Interim Report” and “Benefit-Cost Analysis,” available as of February 9, 2024 at: Gridworks, “CEC Gas Decommissioning Northern California Pilot,” <https://gridworks.org/initiatives/gas-decommissioning/>.

²⁶ CEC and RAND Corporation, Inc., contract PIR-20-008, available as of February 9, 2024 at: <https://www.energy.ca.gov/es/filebrowser/download/3511>.

²⁷ Oakland: UC Berkeley California Institute for Energy and Environment, “EcoBlock: Strategies for a Resilient and Carbon Neutral Future, available as of February 14, 2024 at: <https://ecoblock.berkeley.edu/>; Lancaster and Richmond: ZNE Alliance, “Advanced Energy Communities,” available as of February 9, 2024 at <https://www.znealliance.org/aec>; Basset Avocado Heights Advanced Energy Community in Los Angeles County, available as of February 14, 2024 at <https://advancedenergycommunity.org/>.

²⁸ Regarding oversight of SoCalGas/SDG&E Plan, *see* D.19-09-051, available as of February 9, 2024 at: docs.cpuc.ca.gov/PublishedDocs/Published/G000/M316/K704/316704666.PDF.

Regarding oversight of PG&E Plan, *see* D.23-11-069, available as of February 9, 2024 at: docs.cpuc.ca.gov/PublishedDocs/Published/G000/M520/K896/520896345.pdf.

- k. The mobile home electrification potential initiative proposed in proceeding R.18-04-018;²⁹
- l. CARB's development of zero-emission standards for space and water heaters sold in California beginning in 2030;³⁰ and
- m. Application (A.) 22-03-008, PG&E's pilot program for electrification for California State University Monterey Bay.

8. Comments on Draft Phase 3 Scope and Schedule

Below I outline my current thinking regarding the Phase 3 scope and schedule. Parties may serve and file comments regarding the draft Phase 3 scope and schedule below and respond to the questions contained in Section 8.2 no later than March 13, 2024.

We also schedule a Phase 3 PHC for March 19, 2024, at 1 p.m. The PHC will be held virtually. A subsequent notice will provide the public Webex login and phone call-in information. Parties interested in speaking during the PHC shall identify a single representative and shall email the representative's name, title, phone and email to (James.Donovan@cpuc.ca.gov) and Nicholas Bonino (Nicholas.Bonino@cpuc.ca.gov) no later than March 13, 2024, using the subject line "R.20-01-007 PHC Speaker." PHC speakers will receive a Webex panelist link and must use this link to access the PHC no later than 12:30 p.m.

²⁹ CPUC Energy Division Staff, "R.18-04-018 Phase 2B Staff Proposal," available as of February 9, 2024 at: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M515/K355/515355350.PDF>. Issued via "Administrative Law Judge's Ruling Distributing Staff Proposal and Setting a Schedule for Further Activities on Electric Service Standards," available at: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M515/K526/515526700.PDF>.

³⁰ CARB, "Zero-Emission Appliance Standards" webpage, available as of February 9, 2024 at: <https://ww2.arb.ca.gov/our-work/programs/zero-emission-appliance-standards>.

8.1. Draft Phase 3 Scope and Schedule

Draft Phase 3 Scope:

I envision the below four tracks to proceed concurrently, not sequentially:

- 1) Issue Area 1 (Track 1): Gas Transition Scenario Analysis
 - a. Should the Commission consider directing gas and dual-fuel utilities to develop gas transition scenarios³¹ reflecting the CARB 2022 Scoping Plan? Should the Scoping Plan Scenario discussed in the 2022 Scoping Plan, which reflects implementation of measures to achieve statutory GHG reduction requirements, be the central focus of such an effort?
 - b. Should the gas transition scenarios developed by the utilities include:
 - i. Differences in adoption rates of building decarbonization measures and other decarbonization policies for the residential, commercial, industrial and power generation sectors and their effect(s) on aspects of the gas system (e.g., gas demand, infrastructure requirements, rates and GHG emissions)?
 - ii. Differences in how strategies that facilitate fuel substitution are implemented (i.e., building decarbonization that is more or less geographically targeted)?
 - iii. Information on how low carbon fuels can be used and the extent to which the infrastructure for each of these fuels is part of the regulated utility system?
 - c. How and on what timeframe could scenarios be developed and reviewed? What guidance should the Commission give to gas and dual fuel utilities regarding

³¹ Gas transition scenarios refers to management requirements for the gas system assuming the electrification and electric appliance targets included in the 2022 Scoping Plan are met, not actions needed to meet those electrification/appliance targets.

use or implementation of such gas transition scenarios? For example, should the Commission direct the gas and dual fuel utilities to utilize CEC's demand scenarios in these scenarios or to separately develop their own gas transition scenarios?

- d. What metrics and/or milestones should the Commission adopt to assess progress against the Scoping Plan scenario and how should they be used?
- 2) Issue Area 2 (Track 2): Long-Term Gas Transition Planning Approaches
- a. What are the long-term gas planning approaches, methodologies and objectives that the Commission consider to inform and operationalize the upcoming gas transition? Are there examples from other jurisdictions that could be informative? What guidance should the Commission provide on long-term gas planning?
 - b. Should the Commission require gas and electric utilities to share information with each other and coordinate on long-term planning? How can this best be achieved?
 - c. To what extent can gas and electric planning be integrated to facilitate decarbonization activities and mitigate potential risks (e.g., electric and gas reliability issues, commodity price spikes) during the Gas Transition?
 - d. How should the Commission take into account the use of natural gas by noncore customers including electric generators?
 - e. Which entities and stakeholders need gas data to support the gas transition? How would such entities and stakeholders use and access gas data? What gas data use cases should be the priorities to develop and why? What data is already assembled that could be leveraged to support priority analyses? What additional data should be gathered?
 - f. What technical issues could arise as gas flow volumes decline on trunk transmission or distribution lines?

What other technical issues or constraints should be considered in long-term planning?

- g. How should the Commission leverage existing party and stakeholder research, implementation and coordination efforts related to gas planning and the gas transition, and encourage further such efforts? What activities are parties or other stakeholders conducting that could inform the Commission's long-term gas planning efforts?
- 3) Issue Area 3 (Track 3): Opportunities for Interim Action
- a. What are the shorter-term interim actions that could be taken to reduce system costs and facilitate decarbonization? Should the Commission provide guidance in this area?
 - b. How should such interim actions be identified, prioritized, reviewed, approved and reported on? What review criteria should interim actions meet?
 - c. How can work on interim actions be structured to advance the Commission's Environmental and Social Justice (ESJ) Action Plan goals?³²
 - d. What are the forecast costs or cost savings of such actions? How can interim action steps be designed to reduce costs for ratepayers? How should related cost allocation or ratemaking occur?
 - e. What are the sources of ratepayer or non-ratepayer funds that could be leveraged to support interim actions? What type of Commission guidance, if any, would be needed to enable this?

³² See ESJ Action Plan Version 2.0, available as of January 9, 2024 at: <https://www.cpuc.ca.gov/ESJactionplan/>.

- 4) Issue Area 4 (Track 4): Reducing Gas System Costs, Avoiding Stranded Assets and Maintaining Reliability, Safety, and Gas Commodity Cost Containment as well as Related Revenue Requirement and Ratemaking Implications
- a. What are the medium- to long-term options for reducing gas system costs and avoiding stranded assets while maintaining reliability, safety, and gas commodity cost containment?
 - b. How should medium- to long-term actions taken to reduce costs or avoid stranded assets be structured to advance the Commission's ESJ Action Plan goals?
 - c. Should the Commission provide guidance on ratemaking options to support the gas transition? What type of guidance should the Commission provide? How should Commission guidance be structured to support affordability, safety and reliability, and advance the Commission's ESJ Action Plan goals?
 - d. Should the Commission provide guidance on the depreciation of gas assets during the gas transition?
 - e. Should the Commission consider providing guidance or best practices for changes to both gas and electric rates to support the gas transition, given that both will be affected by gas demand transitioning to electric demand?
 - f. Should, and if so how should, building electrification programs initiated outside this proceeding be leveraged to support medium- to long-term actions to reduce system costs? What other ratepayer or non-ratepayer funds could be leveraged and what type of Commission guidance, if any, would be needed to enable this?

Draft Phase 3 Schedule

Event	Date
Party comments on questions contained in Section 8.2 of this ruling	20 days from issuance of ruling
Phase 3 PHC	March 19, 2024, at 1 p.m.
Party comments on joint agency staff White Paper (Attachment A to this ruling)	35 days from issuance of this ruling
Issuance of Phase 3 Scoping Memo and questions regarding issues for party comment	April 2024
One or more workshops on Phase 3 issues and other proceeding activities	TBD
Proposed decision(s) on Phase 3 issues	2025 - 2026

8.2. Questions for Party Comment Regarding Draft Phase 3 Scope and Schedule

Parties may serve and file comments regarding the draft Phase 3 scope and schedule and respond to the questions below no later than March 13, 2024.

- a. Are the issue areas and issues listed in Section 8.1 appropriate to form the basis of Phase 3 of this proceeding? Should consideration of some issues be delayed to later phases? Are there any scope issues missing? Explain your responses.
- b. How should consideration of Phase 3 issues be sequenced? What proceeding activities should be scheduled to consider each issue area or issue (*i.e.*, workshops, party comments, working groups, etc.)?
- c. Should Phase 3 work be conducted in one track with work tackled sequentially? Or should Phase 3 work be

conducted in four tracks, with work in different areas proceeding roughly in parallel?

IT IS RULED that:

1. A Phase 3 PHC is scheduled for March 19, 2024, at 1 p.m. The PHC will be held virtually. A subsequent notice will provide the public Webex login and phone call-in information.
2. Parties interested in speaking during the PHC shall identify a single representative and shall email the representative's name, title, phone and email to (James.Donovan@cpuc.ca.gov) and Nicholas Bonino (Nicholas.Bonino@cpuc.ca.gov) no later than March 13, 2024, using the subject line "R.20-01-007 PHC Speaker." PHC speakers will receive a Webex panelist link and must use this link to access the PHC no later than 12:30 p.m.
3. By March 13, 2024, parties may serve and file comments on the questions included in Section 8.2 regarding the draft Phase 3 scope and schedule contained in Section 8.1 of this ruling. Comments on the draft Phase 3 scope and schedule are limited to five pages.
4. By March 28, 2024, parties may serve and file comments on any aspect of the joint agency staff Gas Transition White Paper, attached to this ruling as Attachment A. Party comments on the White Paper are limited to 15 pages.

Dated February 22, 2024, at San Francisco, California.

/s/ KAREN DOUGLAS

Karen Douglas
Assigned Commissioner

ATTACHMENT A

**JOINT AGENCY STAFF
GAS TRANSITION WHITE PAPER**