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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Investigation on the
Commission's Own Motion into
Natural Gas Prices During Winter
2022-2023 and Resulting Impacts to
Energy Markets.

Investigation 23-03-008

**ASSIGNED COMMISSIONER'S SECOND AMENDMENT TO SCOPING MEMO
AND RULING AND PROVIDING WINTER 2024-2025 GAS OUTLOOK**

This Assigned Commissioner's Ruling (ACR) is a second amendment to the Scoping Memo and Ruling issued on September 5, 2023 (Scoping Memo). This ACR further updates the proceeding schedule (last amended May 13, 2024) and provides information compiled by the Commission's staff about the winter 2024-2025 gas outlook in Attachment A. All other events and dates included and ordered in the Scoping Memo remain in effect and unchanged. Parties may, but are not required to, file and serve comments that offer clarifications or corrections to the winter 2024-2025 gas outlook in Attachment A by Friday, November 15, 2024. Comments shall be no more than three pages and shall not include attachments.

1. Procedural Background

On September 5, 2023, the Commissioner issued a Scoping Memo identifying ten issues for consideration and scheduling a workshop for fall 2023. On May 13, 2024, the Commission issued a first amendment to the Scoping Memo to amend the proceeding schedule and invite parties to comment on

potential mitigation measures. The amended proceeding schedule noted that Energy Division staff would issue Parts 1 and 2 of their investigative White Paper during the summer of 2024.

On July 2, 2024, the Administrative Law Judge admitted Part 1 of the White Paper into the record and invited party comments. Energy Division staff reviewed these comments and is conducting additional responsive research. The Energy Division will address some parties' comments and provide their analysis of winter 2022-2023's gas and electric market dynamics and utilities' incentive mechanisms in Part 2 of the White Paper. As such, Energy Division staff anticipate finalizing Part 2 of the White Paper in the first or second quarters of 2025. The Administrative Law Judge will release Part 2 of the White Paper through a ruling and invite parties to comment according to the updated proceeding schedule below.

2. Updated Proceeding Schedule

This ACR updates the proceeding schedule to reflect new dates regarding Part 2 of the White Paper and commenting opportunities. Aside from these additions, all other events and dates in the Scoping Memo proceeding schedule remain unchanged.

Updates and additions to the proceeding schedule:

| Event | Date |
|--|-------------------|
| Comments on winter 2024-2025 gas outlook | November 15, 2024 |
| Ruling Seeking Comments on White Paper: Part 2 | Q1-Q2 2025 |
| Opening Comments on White Paper: Part 2 Due | TBD |
| Reply Comments on White Paper: Part 2 Due | TBD |

IT IS RULED that:

1. The proceeding schedule included in the Scoping Memo and Ruling issued on September 5, 2023, and amended on May 13, 2024, is further updated by this second amendment, as set forth above and adopted.
2. All other events and dates included and ordered in the Scoping Memo and Ruling dated September 5, 2023, as amended on May 13, 2024, shall remain in effect and unchanged.
3. Parties may, but are not required to, file and serve comments that offer clarifications and corrections to the winter 2024-2025 gas outlook in Attachment A by Friday, November 15, 2024. Comments shall be no more than three pages and shall not include attachments.

Dated November 4, 2024, at San Francisco, California.

/s/ KAREN DOUGLAS

Karen Douglas
Assigned Commissioner

ATTACHMENT A
WINTER 2024-2025 GAS OUTLOOK

Heading into winter 2024-25, natural gas prices remain low nationally. Last year's mild winter resulted in national storage levels that were 41 percent above the five-year average in March.¹ By October 9, 2024, national storage levels had declined to 5 percent over average,² putting a bit more pressure on prices compared to earlier in the year. However, at slightly higher prices, producers who have curtailed their operations may return to production,³ potentially increasing supply and keeping a lid on prices. In its Winter Fuels Outlook 2024-25, the U.S. Energy Information Administration (EIA) predicts that natural gas consumption will be slightly higher than last year due to colder weather but that prices will be a bit lower, especially in the West, where natural gas bills are expected to be 6 percent below last year.⁴ The average futures price for the winter months (November-March) is currently 38.6 percent lower than

¹ EIA Natural Gas Weekly for the week ending March 20, 2024:
https://www.eia.gov/naturalgas/weekly/archivenew_ngwu/2024/03_21/.

² EIA Natural Gas Weekly for the week ending October 9, 2024:
<https://www.eia.gov/naturalgas/weekly/>.

³ Reuters, "US natgas output to decline as demand hits record high in 2024, EIA says," October 8, 2024: <https://www.reuters.com/markets/commodities/us-natgas-output-decline-demand-hits-record-high-2024-eia-says-2024-10-08/>.

⁴ EIA Short-Term Energy Outlook, Winter Fuels Outlook 2024-25, October 8, 2024:
<https://www.eia.gov/outlooks/steo/report/perspectives/2024/10-winterfuels/article.php#naturalgas>.

this time last year at the Southern California Gas Company's Citygate and 33.9 percent lower at the Pacific Gas and Electric Company's Citygate.⁵

While the expectation is that gas prices will be relatively stable this winter, there are some moderate risks related to international events. According to the International Energy Agency, one of the key uncertainties ahead of winter is the expiration of transit and interconnection deals between Russia and Ukraine at the end of 2024. If these deals are not renewed or replaced, flows of Russian gas to Europe via Ukraine are expected to end, causing upward pressure on international liquified natural gas (LNG) markets in January 2025.⁶ The war in the Middle East also poses some risks to international LNG flows. With U.S. exports continuing to grow,⁷ world markets for LNG will continue to have an impact on U.S. gas prices. However, that impact is limited by the physical capacity of U.S. LNG export facilities.

On July 31, 2024, PG&E filed its Updated Peak Day Supply Application with the CPUC, identifying a storage withdrawal capacity shortfall of approximately 193 MMcfd for the winter of 2024-25.⁸ Although this shortfall is not expected to affect PG&E's ability to meet customer demand under a 1-in-10 peak day scenario, it may impact its ability to maintain the reserves needed for the Inventory Management and Reserve Capacity functions approved in the 2019

⁵ Futures price percentages are based on proprietary data from Natural Gas Intelligence.

⁶ IEA, "Global Gas Security Review 2024," October 2024, p. 24:
<https://iea.blob.core.windows.net/assets/fa115714-f9f8-4727-8520-5e8b5ca265ad/GlobalGasSecurityReview2024.pdf>.

⁷ EIA Short-Term Energy Outlook, October 8, 2024:
<https://www.eia.gov/outlooks/steo/report/natgas.php>.

⁸ Application, A.24-07-020:
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M536/K706/536706078.PDF>.

Gas Transmission and Storage Decision.⁹ As such, there is some risk to prices if an unplanned transmission outage occurs this winter and storage withdrawal capacity is reduced.

On October 30, 2024, the California Energy Commission hosted a staff workshop to present the outlook for natural gas reliability for the winter months of 2024-25, the Winter 2024-25 Gas System Reliability Assessment. A recording of the event and the presentations are available on the California Energy Commission's website.¹⁰

⁹ PG&E's 1-in-10 peak day demand forecast approved in D.19-09-025 as part of its Natural Gas Storage Strategy (NGSS) includes an Inventory Management function of 300 million cubic feet per day (MMcfd) and a Reserve Capacity function of 250 MMcfd. The Inventory Management function serves to balance daily variations in demand, and the Reserve Capacity function is designed to provide an emergency intraday supply of natural gas in case of a significant, unplanned equipment outage or other supply problem.

¹⁰ Staff Workshop on Winter 2024-25 Gas Reliability:
www.energy.ca.gov/event/workshop/2024-10/staff-workshop-winter.