



Strategies for a Sustainable Natural Gas Future

**Commissioner Dian M. Grueneich
California Public Utilities Commission
July 26, 2005**

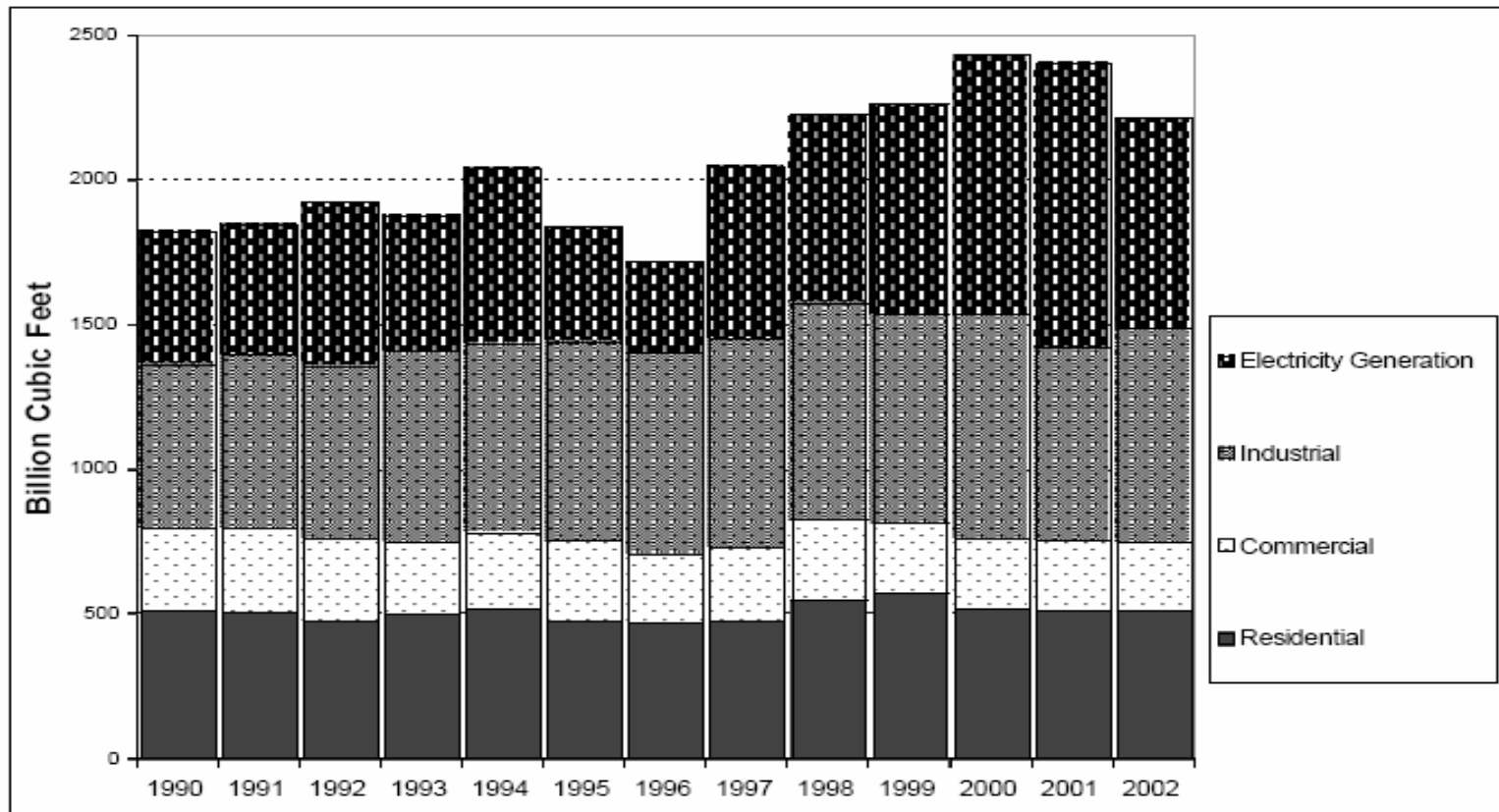


Background¹

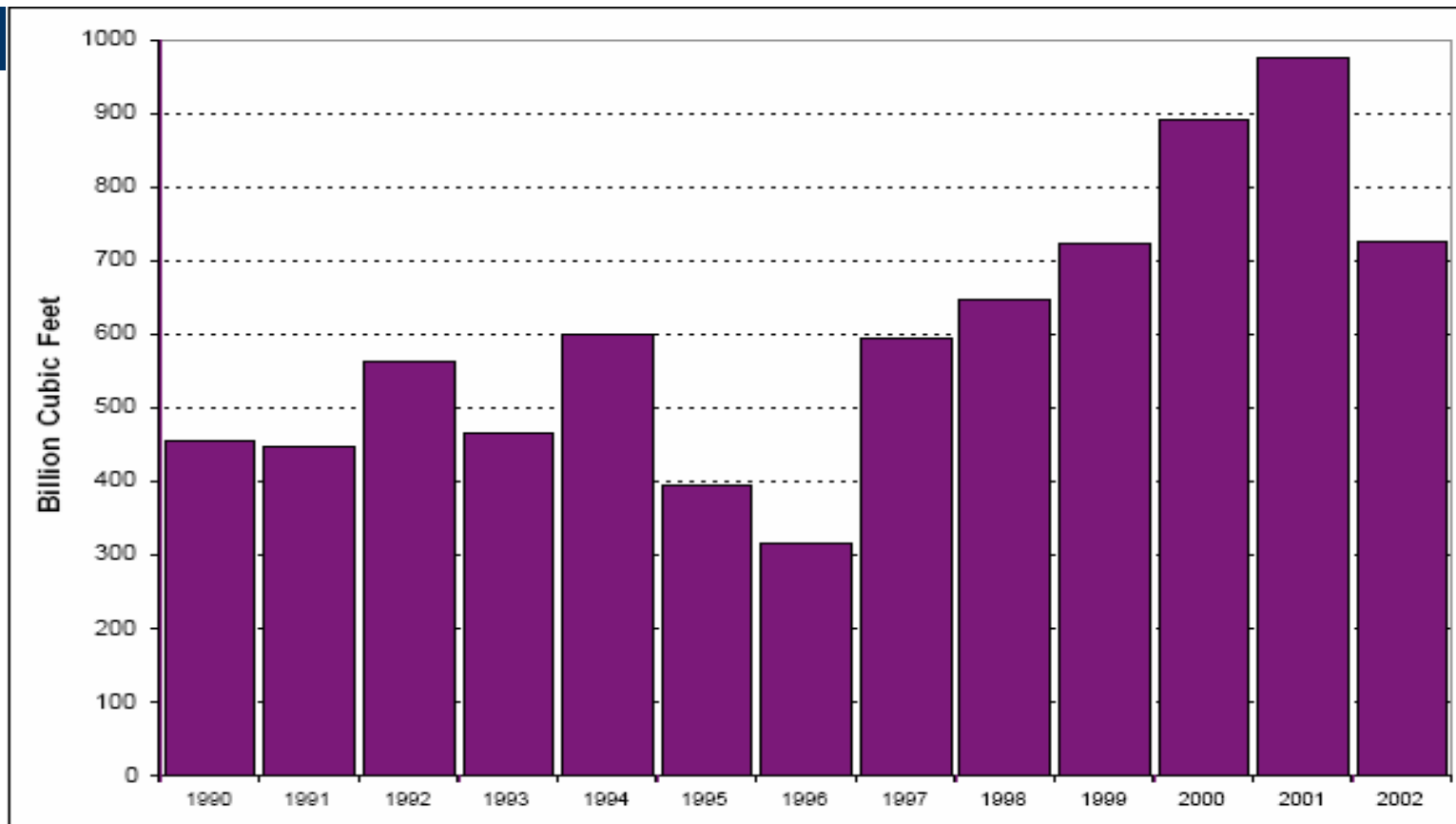
- California's total annual natural gas consumption is 2.2 trillion cubic feet – 10th largest consumer in the world
- Demand by sector:
 - Commercial: 11%
 - Residential: 23%
 - Industrial: 32%
 - Electricity Generation: 33%
- California imports approximately 85 percent of its natural gas supply
- Prices have risen dramatically since the 1990's – from \$2-\$3 range to above \$5 today.

¹ The information in this presentation is from the California Energy Commission (www.energy.ca.gov) unless otherwise noted.

Natural Gas Demand in California



Electricity Sector Natural Gas Usage



California's Energy Efficiency Programs

- California Building and Appliance Standards
 - 2005 Standards projected to result in savings of 0.1 million cubic feet per year
 - Standards updated every three years
- CPUC Energy Efficiency Programs
 - 2006-2008 Program Year Applications¹
 - proposed natural gas programs could result in savings of 122 MMth/yr
 - Proposed electricity programs could result in savings of 7,443 GWh/yr
 - equal to 3 major power plants
- PUC Demand Response Program
 - Savings of 2450 MW of Peak Demand in Summer 2005

¹ Source: Natural Resources Defense Council

Energy Efficiency Goals and Funding

- **September 2004 decision set annual EE savings goals for the next 10 years**
 - Total Cumulative Savings Goal of 444 MMth/yr by 2013
 - 2006-2008 programs exceed CPUC's savings goal for natural gas by 4% and savings goal for electricity by 9%.
- **Funding Increase Approved:** CPUC increased energy efficiency funding beginning in program year 2004 by instructing the utilities to integrate cost effective EE programs into resource planning

Result:

- EE statutory Public Goods Charge funding:
Approximately **\$289 million/year.**
- Additional EE Utility Procurement funding approved:
\$110 million in 2004 and \$135 million in 2005

Renewable Portfolio Standard

- RPS Statute requires IOUs, ESPs, and CCAs to achieve a portfolio of 20% renewables by 2017
- 2003 Energy Action Plan accelerated the 20% goal to 2010
- Governor's Climate Change Initiative calls for 33% by 2020

Liquefied Natural Gas

- CPUC Policy to encourage development of new supply sources, including environmentally-sensitive LNG facilities
- Decision 04-09-022 – Requires Gas Utilities to offer Open Access Tariffs to all new sources, including LNG
- Jurisdiction: State must have a role in siting decisions
 - California engaged in litigation over proposed off-shore facility in Long Beach
 - Energy Bill gives FERC exclusive jurisdiction

California's Draft Energy Action Plan II

“To ensure reliable, long-term natural gas supplies to California at reasonable rates, the Agencies must first work to reduce or moderate demand for natural gas. Because natural gas is becoming more expensive, and because electricity demand growth is expected to be met significantly by increases in natural gas-fired generation, reducing consumption of electricity and diversifying electricity generation resources are major elements of any plan to mitigate natural gas supply problems. The State must also promote infrastructure enhancements, such as additional interstate pipeline capacity and increased use of in-state storage, and seek to diversify our supply sources, including access to liquefied natural gas (LNG) facilities on the west coast.”

The full text of the Energy Action Plan II can be found at www.cpuc.ca.gov

EAP II Action Items for Natural Gas

- Adopt additional natural gas efficiency programs and standards to reduce the reliance on natural gas for various end uses.
- Establish a program to encourage solar hot water heating to reduce the reliance on natural gas for water heating.