

California's gas system has to get safer and smaller at the same time.

SoCalGas alone serves 21.1 million people, yet state policy is engineered to shrink gas throughput while safety and integrity spending keeps climbing. Every replacement mile, every decarbonization zone, and every winter price shock reshuffles the projects on your list. Invizion helps gas utilities re-sequence a capital portfolio in a click — and defend every decision.

21.1M¹

Consumers served by SoCalGas through 5.9 million meters — the largest natural gas distribution utility in the US.¹

\$1.6B²

CPUC penalty against PG&E after the 2010 San Bruno pipeline explosion that killed eight people.²

~90%³

Share of California's natural gas imported from out of state — leaving bills exposed to price spikes.³

68 Bcf⁴

Working-gas capacity now restored at Aliso Canyon, the field at the center of the 2015–16 blowout.⁴

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THE CALIFORNIA LANDSCAPE

Four forces are moving your project list at once

None of these is theoretical, and none of them waits for your next budget cycle. Together they mean the gas capital plan you approved last year may already be the wrong plan.

INTEGRITY & SAFETY

Aging pipe, and a very expensive memory

On September 9, 2010, a 1956-vintage PG&E transmission line with defective welds ruptured in San Bruno, killing eight people and destroying dozens of homes; the CPUC imposed a \$1.6 billion penalty and total costs approached \$2.26 billion²

That event reset the safety bar for the whole state. PG&E's gas system alone spans about 40,000 miles of distribution main and more than 6,000 miles of transmission pipe, and every mile carries records-management, testing, and replacement obligations that compete for the same capital⁵

DECARBONIZATION PRESSURE

The state is planning for less gas, not more

The CPUC's Long-Term Gas Planning rulemaking — opened as R.20-01-007 and continued under R.24-09-012 — is built on a blunt premise: "gas demand is declining as the state pursues greenhouse gas goals." The Commission is now designating Priority Neighborhood Decarbonization Zones and standing up SB 1221 pilots to take whole neighborhoods off the gas system⁶

Yet more than 11.4 million California households still rely on natural gas.⁷ Planning to shrink throughput while keeping a shrinking system safe and affordable is the stranded-asset problem in real time — and it lands squarely on the long-horizon capital plan.

SUPPLY & PRICE VOLATILITY

A system that imports almost everything it burns

California imports roughly 90% of its natural gas, so a cold snap and a pipeline outage can detonate a bill. In January 2023, wholesale prices jumped about 63% even as national prices fell by half; one typical Southern California household saw a \$68 bill hit \$330, and the CPUC accelerated roughly \$1.3 billion in Climate Credit relief.³

The Aliso Canyon storage field — restored to 68 Bcf of working capacity after its blowout — remains critical to L.A.-basin reliability even as the state debates closing it.⁴ California burns about 1.94 trillion cubic feet of gas a year, roughly 567 billion for power generation alone.⁸

CAPITAL RECOVERY & RATES

No automatic surcharge — every dollar goes through a rate case

Unlike states with a standing gas infrastructure surcharge (ISRS, DSIC, GSEP), California recovers gas capital almost entirely through periodic General Rate Cases at the CPUC.⁹ SDG&E's Test Year 2024 case alone set a base revenue requirement of about \$2.7 billion.¹⁰

That means safety, replacement, and decarbonization spending must all be justified in the same forum against an affordability backdrop where a single winter already pushed bills to breaking point.³ When priorities shift mid-cycle, the plan you filed is the plan you have to defend.

WHO MOVES CALIFORNIA'S GAS

Three large investor-owned LDCs, plus a handful of municipal systems

Almost every gas customer in California is served by one of four CPUC-regulated investor-owned utilities. A small number of city-owned gas departments round out the map and answer to their own councils instead.

Investor-owned gas LDCs

Rates & capital recovery regulated by the CPUC

Southern California Gas (SoCalGas) 21.1M consumers · 5.9M meters · largest US gas LDC

Pacific Gas & Electric (PG&E) ~4.2M gas customers · ~40,000 mi of distribution mains

San Diego Gas & Electric (SDG&E) 905,000+ gas meters · 4,100 sq mi

Southwest Gas ~200,000 California customers · Barstow, Victorville, Big Bear, Tahoe

SoCalGas and SDG&E are both Sempra utilities; together with PG&E they serve the overwhelming majority of California's gas load

Municipal & publicly owned gas

Governed by city councils, not CPUC rates

Long Beach Utilities One of the largest city-owned gas systems in the US

City of Palo Alto Utilities Municipal gas alongside electric, water & fiber

Other municipal gas departments A small set of city systems outside CPUC rate jurisdictions

Municipal systems set their own rates and capital budgets locally — but they face the same aging pipe, safety mandates, and decarbonization pressure as the big three.

Every capital dollar has to be defensible

Whether the question comes from the Commission or a city council, it is the same one: why this project, why now, why at this cost?

California Public Utilities Commission (CPUC) regulates the rates, capital recovery, and safety of the investor-owned gas utilities — PG&E, SoCalGas, and SDG&E⁹

Capital recovery runs through General Rate Cases not a standing infrastructure surcharge. SDG&E's Test Year 2024 case set a base revenue requirement of roughly \$2.7 billion — a reminder that approvals are contested, not automatic¹⁰

Post-San Bruno safety programs — including PG&E's pipeline records, testing, and replacement obligations — are recovered and scrutinized through these same proceedings after a \$1.6 billion penalty reset the state's expectations²

Long-Term Gas Planning (R.20-01-007 → R.24-09-012) is now shaping how declining throughput, decommissioning, and cost recovery get treated across every future filings⁶

Where the capital actually comes from

California gas utilities do not lean on a rich stream of federal gas grants — most capital is rate-based. The constraint is not access to money; it is which projects can be justified, and in what order.

Rate-base recovery is the main engine. Capital enters rates through GRCs — SDG&E's Test Year 2024 base revenue requirement alone was about \$2.7 billion — so portfolio prioritization, not grant-hunting, is where the leverage is¹⁰

PHMSA NGDISM grants: \$1 billion over five years (\$200M/year under the Bipartisan Infrastructure Law) for distribution modernization — a channel aimed largely at municipal systems like Long Beach and Palo Alto rather than the big investor-owned LDCs¹³

Ratepayer relief mechanisms such as the accelerated California Climate Credit — roughly \$1.3 billion during the January 2023 price spike — shape the affordability ceiling every capital request runs into.³

CALIFORNIA'S GAS, IN BRIEF

Questions California gas leaders are asking

Short, sourced answers — the same facts we dig into with utilities looking at their capital programs.

Who is California's largest natural gas utility?

SoCalGas, which serves 21.1 million consumers through about 5.9 million meters and is the largest natural gas distribution utility in the United States. PG&E and SDG&E serve most of the rest of the state.

What is the CPUC's "Future of Gas" proceeding?

It is the Long-Term Gas Planning rulemaking — opened as R.20-01-007 and continued under R.24-09-012 — built on the premise that gas demand is declining as California pursues its climate goals. It is now designating Neighborhood Decarbonization Zones and SB 1221 pilots to move whole neighborhoods off gas.

Why did California gas bills spike in early 2023?

California imports roughly 90% of its gas, so a cold snap plus reduced supply sent wholesale prices up about 63% while national prices fell by half. Some typical Southern California bills roughly quintupled — one went from \$68 to \$330 — and the CPUC accelerated about \$1.3 billion in Climate Credit relief.

What happened at Aliso Canyon, and is it still open?

The 2015–16 Aliso Canyon blowout released about 97,100 tonnes of methane and relocated some 2,824 households. The field remains operational and has been restored to roughly 68 Bcf of working capacity, though its long-term future is still contested.

How do California gas utilities recover infrastructure costs?

Almost entirely through periodic General Rate Cases at the CPUC rather than an automatic infrastructure surcharge. SDG&E's Test Year 2024 case set a base revenue requirement of about \$2.7 billion, and safety, replacement, and decarbonization spending all compete inside that same forum.

How does Invizion help California gas utilities plan capital?

Invizion is scenario-based capital portfolio optimization for utilities. It lets you model how a decarbonization zone, a safety mandate, a rate-case outcome, or a price shock reshuffles your whole project list, re-sequence the portfolio automatically, and keep a defensible record of every decision for the CPUC or your board.

REFERENCES

Sources

Every figure in this briefing is tied to a primary or authoritative source.

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ABOUT INVIZION

Capital program optimization for utilities

Invizion is a purpose-built capital lifecycle management platform for utilities. It integrates budgeting, CIP, scenario analysis, and funding-source tracking in one system — so utilities can re-sequence a capital portfolio in a click and demonstrate audit-ready, defensible decisions to regulators, boards, and rating agencies.

See how utilities keep capital plans current and defensible with Invizion.

Explore Invizion →