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BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) for Authority to Establish a Memorandum Account for the Angeles Link Project	Application 22-02-007 (Filed February 17, 2022)

SOUTHERN CALIFORNIA GAS COMPANY (U904G)
OPENING BRIEF

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SOUTHERN CALIFORNIA GAS COMPANY'S RECOMMENDATIONS

(Commission Rule of Practice and Procedure 13.12)

Southern California Gas Company ("SoCalGas") respectfully requests that the Commission find:

(1) SoCalGas's application ("Application") for authorization to establish the Angeles Link Project Memorandum Account ("Memo Account") is consistent with the requirements that are set forth in the Assigned Commissioner's Scoping Memo and Ruling and that the Commission has typically considered for memorandum account treatment.

(a) (a) To the extent establishment of an event of an exceptional nature outside of SoCalGas's control is a requirement, the Angeles Link Project's ("Project") costs are driven by climate change, which is not under any entity's total control and is an externality that affects the public interest. The Project is urgently needed to evaluate the development of green hydrogen to meet State decarbonization goals, and SoCalGas's proposed Phase 1-3 activities in support of the Project will further the opportunity for California to attract billions of dollars in federal hydrogen hub funds under the Infrastructure Investment and Jobs Act ("IIJA"). These climate change-driven opportunities affecting the public interest should not be forgone. Without authorizing this first, limited step of solely establishing a cost tracking method, this would signal to SoCalGas that much of the Phase 1 work should be delayed or halted.

(b) SoCalGas could not have reasonably foreseen Project costs, or the federal hydrogen hub funding opportunity, when it filed its last general rate case ("GRC") application in 2017 because no specific hydrogen energy transport system was contemplated at that time. Since 2017, green hydrogen technologies have advanced, a newly identified demand for green hydrogen in the Los Angeles Basin emerged, as well as billions of dollars in possible federal funding for hydrogen hubs and other projects under the IIJA.

(c) Project expenses are inappropriate for inclusion in SoCalGas's pending 2024 GRC application due to their nature, scope, and timing. SoCalGas anticipates incurring substantial costs before the Commission decides the 2024 GRC application. By the time the Commission acts on SoCalGas's 2024 GRC application, if this Application is approved, SoCalGas would be able to complete Phase 1 activities, including important stakeholder engagement and a report back to the Commission. Thus, asking for the Memo Account in SoCalGas's 2024 GRC application would result in unnecessary delay. Finally, a project of this magnitude warrants its own proceeding outside of the GRC.

(d) The proposed costs to be recorded in the Memo Account are substantial.

(e) Ratepayers will benefit from the Memo Account because the Commission's approval of the Memo Account will facilitate transparency and stakeholder engagement during the Project feasibility and planning process through the tracking and monitoring of preliminary Project activities and costs. Being in a better position to compete for IIJA funds is another obvious benefit for ratepayers. Given that approval of the Memo Account does not mean approval of any Project costs or their allocation among ratepayers, there is certainly no harm to ratepayers.

(2) Approving the Memo Account will not create unfair market competition or stifle innovation in hydrogen. On the contrary, it would help develop the emerging green hydrogen industry by kick-starting the feasibility analysis and planning of needed hydrogen infrastructure.

(3) The proposed Memo Account need not be capped at a certain amount or limited to costs incurred within a specified time period or for certain Project phases or activities because the Commission's approval of the Memo Account only provides SoCalGas with the ability to

track costs now; costs would be reviewed under applicable standards for reasonableness in a future proceeding(s) before recovery of any costs could occur.

(4) The Commission already has sufficient procedural safeguards that require any request for cost recovery to meet minimal standards of reasonableness. Before the Commission may authorize cost recovery, SoCalGas must demonstrate that recorded costs are just and reasonable. By establishing the Memo Account, the Commission does not predetermine the recoverability of any Project costs tracked therein. The only regulatory action to be taken by the Commission at this time is approval of a Memo Account to track Project study and public engagement costs.

(a) The Project planning process will consider and address impacts to disadvantaged and environmental justice communities, as well as other stakeholders' and interested parties' input, through a stakeholder outreach and engagement process, expert technical analysis and collaboration on environmental justice issues, and identification of preferred routing and design. SoCalGas will (1) establish a Planning Advisory Group for technical advice and collaboration on Project design and development, including on environmental justice issues; (2) hold public workshops as the Project proceeds, including at the end of each phase and once preferred routes are identified; and (3) submit interim reports to the Commission and the public regarding Project status and updates.

(b) California environmental law and policy support approval of the Memo Account because enabling the tracking of costs to study and gather stakeholder input on the feasibility of the Project would help the State meet legislative and executive branch decarbonization targets, particularly for hard-to-electrify sectors, and support state agencies in maintaining reliable services to California customers.

(5) SoCalGas will make public information developed from Phase 1 activities available as outlined below, including a report with results of Phase 1. SoCalGas will release this information even if Phase 1 results indicate that the Project is not feasible.

(6) Approval of the Memo Account itself will not result in adverse impacts to low-income and environmental justice communities. Transparency in the Project planning process and activities will benefit environmental justice communities and other stakeholders by providing meaningful engagement opportunities.

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) for Authority to Establish a Memorandum Account for the Angeles Link Project	Application 22-02-007 (Filed February 17, 2022)

SOUTHERN CALIFORNIA GAS COMPANY'S OPENING BRIEF IN SUPPORT OF ITS APPLICATION FOR AUTHORITY TO ESTABLISH A MEMORANDUM ACCOUNT FOR THE ANGELES LINK PROJECT

In accordance with Rule 13.12 of the California Public Utilities Commission's ("Commission" or "CPUC") Rules of Practice and Procedure and the requirements set forth in the Assigned Commissioner's Scoping Memo and Ruling ("Scoping Memo"), Applicant Southern California Gas Company ("SoCalGas" or "Company") hereby submits its opening brief in support of its Application for Authority to Establish a Memorandum Account for the Angeles Link Project ("Application"). The Memo Account would track the incremental costs associated with stakeholder engagement and engineering, design, and environmental work necessary to develop a first-of-its-kind potential project called the Angeles Link ("Project") to deliver renewable green hydrogen into the Los Angeles Basin and help the State achieve its critical greenhouse gas ("GHG") reduction targets and clean air goals.

"For any movement to gain momentum, one must start with a small action."[1] The Commission's approval of SoCalGas's Application will do one thing only: allow SoCalGas to track the incremental costs associated with the stakeholder engagement and engineering, design, and environmental work necessary to develop a potential project—the Angeles Link. Approval

[1] Adam Braun, Co-Founder & CEO of Climate Club, a company that seeks to reverse climate change by closing the gap between climate-related intentions and actions for companies and individuals.

of the Application does not pre-approve any costs for later rate recovery; it does not confirm the Commission's jurisdiction over the Project, as stated explicitly in the Scoping Memo; nor does it approve the Angeles Link Project itself, or any part thereof. These issues are not determined by approving the Application, and all interested parties retain their ability to be heard on any of these issues when the time is ripe; but that time is not now.

Approval of the Application is appropriate as a matter of law and policy because SoCalGas has met the Commission's criteria for approval of a memorandum account. SoCalGas has demonstrated that the costs sought to be tracked are not recoverable as part of SoCalGas's rate case, and the costs are substantial and not speculative. The Application makes an irrefutable prima facie case for each of these elements of the Commission's standard of review.

And approval now is more than appropriate—it is imperative. The purpose of the potential Angeles Link project is to deliver renewable green hydrogen into the Los Angeles Basin to help the State achieve its critical greenhouse gas reduction targets and clean air goals, specifically by addressing hard-to-electrify sectors. The Governor's Office, the California Air Resources Board, and other stakeholders all agree that the time for collective climate action is now. SoCalGas is well positioned to take a leading role in this effort focused on green hydrogen but further exploration of the Angeles Link Project cannot reasonably happen without approval of the memorandum account. Approval now matters more than ever, as the federal government looks to distribute significant funds—soon—within states positioning themselves as green hydrogen hub locations. California, its citizens, and utility ratepayers all stand to lose if the State is not prepared to obtain those funds, and even more so if California is not prepared to support planning efforts to achieve its climate goals. Approving the Application now is a critical first step.

I. NEW DEVELOPMENTS SINCE THE APPLICATION FILING FURTHER UNDERSCORE THE URGENT NEED FOR APPROVAL OF THE MEMO ACCOUNT

The Memo Account would accelerate "action to achieve a vision of California with a cleaner, more sustainable environment and thriving economy for our children."[2] This vision laid out by the California Air Resources Board ("CARB") just last month in its draft 2022 Scoping Plan Update ("Draft Scoping Plan Update") cannot be realized unless parties across California work together to achieve it. That work must start now. Governor Newsom was unequivocal in a recent speech: "We can't fight the climate crisis on our own – we need to work together with partners all across the globe to achieve humanity's most important task: saving our planet."[3] As a regulated utility that serves the public interest, with experience transporting gases hundreds of thousands of miles for over a century, there is no better partner to undertake the evaluation and planning of a project of this size and scale dedicated to public use. SoCalGas seeks only the accounting mechanism of a memorandum account in order to launch this transformative undertaking.

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[2] Cal. Air Resources Bd., *Draft Scoping Plan Update* (May 10, 2022), p. i, available at https://ww2.arb.ca.gov/sites/default/files/2022-05/2022-draft-sp.pdf. SoCalGas believes that there are very few facts required to support the granting of this Application and those are adequately supported by the verified Application, reply to protests, and briefing. If appropriate, the Commission should also exercise official notice pursuant to Rule 13.10 as to facts of common knowledge within its jurisdiction and facts not reasonably subject to dispute and capable of immediate and accurate determination from sources of reasonably indisputable accuracy. Cf. Cal. Evid. Code, § 452, subds. (g) and (h). To that end, SoCalGas requests that the Commission take official notice of the *Draft Scoping Plan Update*. See Cal. Pub. Util. Comm'n, *Decision on Definition and Attributes of Renewable Energy Credits for Compliance with the California Renewables Portfolio Standard*, D.08-08-028 (Aug. 21, 2008) (taking official notice of CARB's 2008 Draft Scoping Plan) see also Cal. Pub. Util. Comm'n, *Decision Granting a Certificate of Public Convenience and Necessity for the Tehachapi Renewable Transmission Project (Segments 4-11)*, D.09-12-044 (Dec. 24, 2009) (taking official notice of California Energy Commission's ("CEC") 2007 Strategic Transmission Investment Plan and 2005 Integrated Energy Policy Report).

[3] Governor Newsom, *At Summit of the Americas, California and Canada Partner to Advance Bold Climate Action* (June 9, 2022), available at https://www.gov.ca.gov/2022/06/09/at-summit-of-the-americas-california-and-canada-partner-to-advance-bold-climate-action/.

Achieving the State's goals against climate change will not be accomplished by a few large decisions. Instead, success will depend on innumerable smaller decisions that work together to accomplish those goals. These decisions will need to be made at every level. From individuals, to industry, to government, we all have a role to play.[4] The Application presents the Commission with the opportunity to make one such decision—a decision that permits SoCalGas to track its costs while undertaking a feasibility study and planning activities so that the Company and stakeholders can better understand how a utility-scale, green hydrogen pipeline dedicated to public use could ultimately make a crucial, cost-effective contribution in reducing carbon emissions and significantly improving regional air quality.

It is also important to remember what the Commission will <u>not</u> be deciding in granting this application. The Commission will <u>not</u> be deciding on any Project approvals for any phase, time period, or category of activity. The Commission will <u>not</u> be making a finding of reasonable conduct, preliminary or otherwise. The Commission's decision will <u>not</u> limit any party's ability to critique the Project or SoCalGas's planning and outreach efforts. The Scoping Memo was clear that the Commission will <u>not</u> be making any conclusion regarding cost allocation, cost recovery, or that the Project will be operated as a public utility or even within the Commission's jurisdiction but instead those issues will be determined at a later time. And the Commission's decision on the Memo Account Application will <u>not</u> place any limitations on other entities seeking to transport green hydrogen into the Los Angeles Basin.

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[4] This sentiment was echoed at the recent CEC IEPR Commissioner Workshop on Role of Hydrogen in California's Clean Energy Future. CEC Vice Chair Gunda stated "Climate change is real and it is here, and we all need to band together to accelerate our collective action to address that." Cal. Energy Comm'n, *IEPR Commissioner Workshop on Role of Hydrogen in California's Clean Energy Future* (June 21, 2022), recording available at https://energy.zoom.us/rec/play/4jkoWGXzvfYmRZDIBzKBA-i_YGJDInUHZucZgF4cVlypHRyXXWLzVvZ-wKqxgEWYPR77c1cOmwts1noL.tWRam1Uao76xqLRt?continueMode=true&_x_zm_rtaid=992YKJ0ITb2AX3nyRyiwtQ.1655961072496.698bccdad0023511c06cecbd1506565b&_x_zm_rhtaid=68.

As described below, the Commission's decision should be viewed in the urgent context of the moment and the significant opportunities before us. Policymakers at all levels of government are calling for action. The federal government is preparing to distribute $8 billion to develop hydrogen hubs in states that are meeting the moment. California has recently announced that it plans to vie for this funding, but many other states are fiercely competing for these same funds and positioning themselves for the green hydrogen hub designations. The feasibility and planning work that will commence when this Application is approved will further California's opportunity to secure these funds. The Commission should seize this moment, demonstrating that California is the leader in taking timely action against climate change, including hard-to-electrify sectors and clean fuels, and approve the Application.

A. Consensus on Green Hydrogen's Role in Decarbonizing the Economy Continues to Grow

SoCalGas's Application details the various international, national, state, and local level conclusions that green hydrogen will play a key role in reaching climate goals.[5] In the approximately four months since SoCalGas submitted its Application on February 17, 2022, the evidence has become even clearer. From the Intergovernmental Panel on Climate Change ("IPCC") to CARB to CEC to Los Angeles County, numerous entities have released new reports

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[5] See Application, pp. 7-20. The Application is incorporated by reference into this Opening Brief. SoCalGas requests that the Commission take official notice of the following documents cited in the Application: Cal. Energy Comm'n, *Draft 2021 Integrated Energy Policy Report, CEC-100-2021-001-V3* (Jan. 2022); IPCC, *Global Warming of 1.5°C. An IPCC Special Report on the impacts of global warming of 1.5°C above pre-industrial levels and related global greenhouse gas emission pathways, in the context of strengthening the global response to the threat of climate change, sustainable development, and efforts to eradicate poverty* (2018); IPCC, *Climate Change 2021: The Physical Science Basis, Working Group I contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, *Summary for Policy Makers* (Aug. 7, 2021) ; Governor Gavin Newsom and Filsinger Energy Partners, *California's Electricity System of the Future* (July 30, 2021); Cal. Energy Comm'n, *2021 SB 100 Joint Agency Report Achieving 100 Percent Clean Electricity in California: An Initial Assessment*, CEC-200-2021-001 (March 2021); Alex Hall, Neil Berg, Katharine Reich, *Los Angeles Region Report: California's Fourth Climate Change Assessment*, SUM-CCCA4-2018-007 (2018).

that come to the same conclusion: green hydrogen must be utilized at scale to meet our climate goals.

The IPCC was unequivocal in announcing the third installment of the IPCC Working Group III report, "Climate Change 2022: Mitigation of Climate Change" in April 2022: "**The evidence is clear: the time for action is now.**"[6] In the report, the IPCC concludes that hydrogen "holds significant promise"[7] for emissions reductions in "harder-to-electrify transport segments, such as heavy-duty vehicles, shipping and aviation",[8] that "[l]ow- or zero-carbon produced hydrogen...is likely to have a significant role in future energy systems,"[9] and that the use of alternative energy carriers such as hydrogen <u>is a key characteristic</u> shared across all scenarios that keep warming to below 2 degrees Celsius.[10]

In the United States, the Biden Administration, which calls clean hydrogen "a key part of the puzzle,"[11] has taken steps to deploy the IIJA's $9.5 billion for clean hydrogen programs, including $8 billion for at least four regional clean hydrogen hubs (e.g., "networks of hydrogen producers, consumers, and local connective infrastructure to accelerate the use of hydrogen as a clean energy carrier"[12]). The Commission has rightly recognized that the IIJA is "a one-time opportunity to benefit California utility customers and make critical grid and gas infrastructure

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[6] IPCC, IPCC Press Release (April 4, 2022), available at https://www.ipcc.ch/report/ar6/wg3/resources/press/press-release (emphasis in original).
[7] IPCC, *Climate Change 2022: Mitigation of Climate Change* (2022), p. 10-33, available at https://www.ipcc.ch/report/ar6/wg3/. SoCalGas requests that the Commission take official notice of the IPCC's *Climate Change 2022: Mitigation of Climate Change* (2022).
[8] *Ibid.*
[9] *Id*. at p. 6-58.
[10] *Id*. at p. 6-3.
[11] President Biden (@Potus), Twitter (June 12, 2022, 6:52pm), https://twitter.com/POTUS/status/1536164689536851968.
[12] U.S. DOE, *Nationwide Network of Regional Hydrogen Hubs Will Create Good-Paying Jobs and Jumpstart America's Clean Hydrogen Economy* (June 6, 2022), available at https://www.energy.gov/articles/doe-launches-bipartisan-infrastructure-laws-8-billion-program-clean-hydrogen-hubs-across (emphasis added).

investments" including to "improve the reliability and resiliency of our electric and gas systems, and achieve our ambitious climate change goals."[13] In particular, the Commission stated that the hydrogen hub funding is an opportunity that "align[s] with many our state's energy policies."[14] Earlier this month the U.S. Department of Energy ("DOE") released a Notice of Intent ("NOI") to fund the IIJA's $8 billion Regional Clean Hydrogen Hubs program.[15] The DOE Funding Opportunity Announcement ("FOA")—which will formally launch the competition for these substantial federal funds—is currently expected to be issued this fall.[16]

Earlier this month, President Biden also invoked the Defense Production Act to accelerate domestic production of five "key energy technologies,"[17] including electrolyzers and fuel cells.[18] The DOE noted that the action "supporting domestic supply chains for electrolyzers [and] fuel cells . . . will enhance national and energy security by reducing U.S. reliance on imported fossil fuels, particularly [from] Russia . . . and China. Consumers will benefit from

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[13] Alice Reynolds, President, CPUC, Letter Re: Infrastructure Investment and Jobs Act of 2021- Federal Funding Opportunities (January 24, 2022). SoCalGas requests that the Commission take official notice of President Reynolds' Letter Re: Infrastructure Investment and Jobs Act of 2021- Federal Funding Opportunities (January 24, 2022).
[14] *Ibid.*
[15] U.S. DOE, Notice of Intent No.: DE-FOA-0002768 (June 2, 2022),p. 1, available at https://oced-exchange.energy.gov/FileContent.aspx?FileID=72980077-30f7-4c57-b1e2-7b0bf8e52697. SoCalGas requests that the Commission take official notice of DOE's Notice of Intent No.: DE-FOA-0002768 (June 2, 2022).
[16] *Ibid.*
[17] U.S. DOE, President Biden Invokes Defense Production Act to Accelerate Domestic Manufacturing of Clean Energy (June 6, 2022), available at https://www.energy.gov/articles/president-biden-invokes-defense-production-act-accelerate-domestic-manufacturing-clean.
[18] Presidential Determination No. 2022-17, Presidential Determination Pursuant to Section 303 of the Defense Production Act of 1950, as amended, on Electrolyzers, Fuel Cells, and Platinum Group Metals (June 6, 2022). SoCalGas requests that the Commission take official notice of Presidential Determination No. 2022-17, Presidential Determination Pursuant to Section 303 of the Defense Production Act of 1950, as amended, on Electrolyzers, Fuel Cells, and Platinum Group Metals (June 6, 2022).

clean hydrogen's price stability relative to fossil fuels, cost reductions as the hydrogen economy scales up, and resilient domestic supply chains."[19]

Also this month, the DOE closed on a $500+ million loan guarantee to help finance the construction of the world's largest green hydrogen storage facility in the world, the Advanced Clean Energy Storage project in Utah. Secretary Jennifer Granholm stated: "Accelerating the commercial deployment of clean hydrogen as a zero-emission, long-term energy storage solution is the first step in harnessing its potential to decarbonize our economy, create good paying clean energy jobs and enable more renewables to be added to the grid."[20]

In California, just last month, CARB released its Draft Scoping Plan Update, in which it recognizes that in order to support the economy-wide transformation needed, "we must build the clean energy production and distribution infrastructure for a carbon-neutral future."[21] All four scenarios that CARB identified as a pathway to carbon neutrality contemplated green hydrogen as a necessary component across the economy.[22] The proposed scenario identified as preferred by CARB specifically provides:

- ***Transportation***: California will need 14 times the amount of hydrogen for transportation end uses compared to the business as usual scenario.[23]
- ***Industrial***: "Decarbonizing industrial facilities depends upon displacing fossil fuel use with a mix of electrification, solar thermal heat, biomethane, low- or

[19] U.S. DOE, *supra* note 17.
[20] U.S. DOE, *DOE Announces First Loan Guarantee for a Clean Energy Project in Nearly a Decade* (June 8, 2022), available at https://www.energy.gov/articles/doe-announces-first-loan-guarantee-clean-energy-project-nearly-decade.
[21] Cal. Air Resources Bd., *supra* note 2, at p. vi.
[22] Cal. Air Resources Bd., *supra* note 2, at p. 40.
[23] Cal. Air Resources Bd., *Draft Scoping Plan Update AB 32 GHG Inventory Sectors Modeling Data Spreadsheet* (2022), available at https://ww2.arb.ca.gov/sites/default/files/2022-05/2022-draft-sp-PATHWAYS-data-E3.xlsx.

zero-carbon hydrogen, and other low-carbon fuels to provide energy for heat and reduce combustion emissions."[24]

- ***Power Generation***: "Decarbonizing the electricity sector is a crucial pillar" [25] of meeting California's climate goals and "[h]ydrogen produced from renewable resources and renewable feedstocks can serve a dual role as a low-carbon fuel for existing combustion turbines or fuel cells, and as energy storage for later use."[26]
- ***Aviation***: 10% of aviation fuel demand is assumed to be met by electricity or hydrogen fuel cells by 2045.[27]
- ***Ocean Going Vessels***: 25% of ocean-going vessels are assumed to use hydrogen fuel cell electric technology by 2045.[28]
- ***Trains***: 100% of locomotive sales are projected to be zero emission by 2035, with line haul and passenger rail relying primarily on hydrogen fuel cell technology.[29]

The CARB Draft Scoping Plan Update also recognized the importance of ensuring California's workers are able to take part in the energy transition. "Transitioning of the existing skills and expanded workforce training opportunities in climate-related fields are critical for reducing harmful emissions in California's communities and will support workers transitioning to new, high-quality jobs."[30]

The CARB Draft Scoping Plan Update concluded that "[t]he solution will have to include transitioning existing energy production and transmission infrastructure to produce zero-carbon

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[24] Cal. Air Resources Bd., *supra* note 2, at p. 165.
[25] *Id*. at p. 159.
[26] *Id*. at p. 163.
[27] *Id*. at p. 58.
[28] *Id*. at p. 59.
[29] *Ibid.*
[30] Cal. Air Resources Bd., *supra* note 2, at p. 16.

electricity and hydrogen."[31] CARB is clear that we must "scal[e] up new options such as green hydrogen for hard to electrify end uses."[32]

At the June CEC IEPR Commissioner Workshop on the Role of Hydrogen in California's Clean Energy Future, there was broad consensus that green hydrogen has a role to play in decarbonizing California. CEC Vice Chair Gunda stated "while the future will see large amounts of electrification, there are sectors that are hard to electrify and keeping the electric grid reliable and affordable points to need for some level of clean molecules."[33]

Locally, Los Angeles County has also recognized the important role green hydrogen will play to meet its own 2045 carbon neutrality goal. In its recently released draft Climate Action Plan, Los Angeles County calls for replacing "all off-road equipment and off-road vehicles (including locomotives) with electric, green hydrogen, or other zero-emission engine technologies."[34]

And just last month, Governor Newsom's economic development office announced California's intention to work with stakeholders including Los Angeles "to leverage federal investment from the [IIJA] to establish an environmentally and economically sustainable and expanding renewable hydrogen hub."[35] Leaders across state government recognize the importance of green hydrogen and applauded the decision to create the renewable hydrogen hub:

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[31] *Id*. at p. vi.
[32] *Id*. at p. i.
[33] Cal. Energy Comm'n, *supra* note 4.
[34] Los Angeles County, *Draft Climate Action Plan* (April 2022),p. 3-9, available at https://planning.lacounty.gov/site/climate/wp-content/uploads/2022/04/LA_County_2045_CAP_Public_Draft_April_2022.pdf. Implementing Action T6.7 calls on Los Angeles County to "Increase the use of green hydrogen vehicles." *Id*. at p. 3-29. SoCalGas requests that the Commission take official notice of Los Angeles County's *Draft Climate Action Plan* (April 2022).
[35] Go-Biz, *California Formally Announces Intention to Create a Renewable Hydrogen Hub* (May 18, 2022), available at https://business.ca.gov/california-formally-announces-intention-to-create-a-renewable-

- **Dee Dee Myers, Director of GO-Biz and Senior Economic Advisor to Governor Newsom**: "California has the market experience, workforce talent, public and private investment base, and renewable resources to partner with the federal government to create an economically resilient, expanding hydrogen hub that helps accelerate national success. GO-Biz is leaning in on our deep experience with the hydrogen industry and working with multiple stakeholders to organize a statewide application aimed at one fundamental concept: getting to scale in California and beyond."[36]
- **Liane Randolph, California Air Resources Board Chair (and former CPUC Commissioner)**: "Our recently published draft Scoping Plan Update makes it clear that renewable hydrogen has an important role to play in reaching our economy wide climate and air quality targets. We are committed to collaborating with all stakeholders to continually improve our robust policy framework to enable rapid renewable hydrogen market development."[37]
- **David Hochschild, California Energy Commission Chair**: "The need for renewable hydrogen is clear, especially as we develop systems to store and use renewable electricity. We need federal, state, and private investment to accelerate

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hydrogen-hub/. Governor Newsom also "proposed direct investment in green hydrogen production, in addition to numerous pots of funding that can be leveraged to accelerate hydrogen market development, including zero-emission vehicle market acceleration, industrial decarbonization, and long duration energy storage" in the May revised budget. *Ibid*.

[36] *Ibid.* Gia Vacin of GO-Biz also spoke at the CEC IEPR Commissioner Workshop on the Role of Hydrogen in California's Clean Energy Future and indicated that 46 projects have expressed interest in collaborating with GO-Biz for the IIJA funding opportunity, representing 657,000 tons of hydrogen production per year, almost as much as is being consumed for in the entire United States for non-refining and ammonia production uses today. Cal. Energy Comm'n, *supra* note 4.

[37] Go-Biz, *supra* note 35.

market development to ensure we meet our carbon neutrality goals—and we are excited to work with stakeholders to build a world class hydrogen hub and believe that federal investments in green hydrogen in California will benefit the state and the nation."[38]

- **Clifford Rechtschaffen, CPUC Commissioner**: "The California Public Utilities Commission is committed to working with stakeholders to help define the role of investor-owned utilities in the hydrogen market ecosystem. Renewable hydrogen can play a variety of important roles in a decarbonized economy."[39]
- **Toks Omishakin, California State Transportation Agency Secretary**: "From public transit to long-haul trucking, low-cost, renewable hydrogen is one of the key components in our efforts to rapidly reduce pollution from the transportation sector. Hydrogen fuel cell vehicles of all types – including cars, heavy-duty trucks, buses, rail and watercraft – are an ideal complement to battery-powered vehicles as part of a diversified and sustainable transportation system. The hydrogen hub will help lower costs and accelerate California's transition to a zero-emission future."[40]

Approving the Angeles Link Project Memo Account is a first step to helping turn a green hydrogen vision into a reality for the Los Angeles Basin by breaking down one existing barrier to a decarbonized economy: transportation at scale of hydrogen from producer to end user. Approval of the Memo Account will launch a comprehensive evaluation of reliable and scalable delivery of green hydrogen for transportation, hard-to-electrify industry, and electric generation

[38] *Ibid.*
[39] *Ibid.*
[40] *Ibid.*

dedicated to public use. It will also send the right signal to the federal government that California is taking the first, necessary steps toward evaluating the technical, environmental, and stakeholder issues associated with a utility-scale green hydrogen project and put California in the best position to attract billions of dollars in highly competitive federal funding. As states across the U.S. vie for these funds, California must use every available resource and develop vital information about the potential engineering and design configurations for a Los Angeles Basin focused hub.

Against this backdrop, including the significant federal financial funding opportunities now before us, the Application is a timely and practical means to enable SoCalGas and stakeholders to begin studying how a utility-scale green hydrogen project can serve the public interest by engaging critical local and regional stakeholders and supporting current and future green hydrogen end users, including "hard-to-electrify" industries.[41] To that end, approval of the Memo Account Application is a necessary step forward to "help define the role of investor-owned utilities in the hydrogen market ecosystem."[42] As detailed below, SoCalGas has met the requirements to establish a memorandum account to track incremental costs in furtherance of this endeavor and therefore respectfully requests Commission approval.

II. AN AMPLE RECORD SUPPORTS APPROVAL OF THE APPLICATION

The Scoping Memo set forth six issues and eight sub-issues, which the Assigned Commissioner concluded were relevant to a Commission decision in this proceeding. While SoCalGas addressed many of these subjects in the Application and its brief in response to the

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[41] Cal. Air Resources Bd., *supra* note 2, p. 167 (e.g., "steel forging, glass manufacturing, and industries with calcination processes, such as manufacturing lime and cement"), as well as heavy duty transportation, aviation, marine shipping, trains, and electricity generation.
[42] Commissioner Rechtschaffen, *supra* note 39.

comments and opposition of Intervenors, the ALJ's Ruling Amending the Procedural Schedule suggested that SoCalGas's positions on some issues would benefit from further clarification. As the Applicant, SoCalGas welcomes the opportunity to make clear in this Opening Brief its position on all of the identified issues. For that reason, the remainder of the brief follows the order of issues set forth in the Scoping Memo. SoCalGas agrees with the statement in the Scoping Memo that "the issues to be considered in this proceeding can be resolved through opening and reply briefs,"[43] and providing this clarity does not change that conclusion. Testimony regarding the specified issues is unneeded because they present legal and policy considerations, administrative options for the Memo Account, and SoCalGas's plans for moving the Project forward.

The facts that support this Application are not in dispute: the cause and consequences of climate change are real and the window of opportunity to address them is rapidly closing; green hydrogen is now widely recognized as an important part of the solution; and substantial federal funding is newly available for hydrogen infrastructure proposals. In response to these incontestable facts, SoCalGas conceived of the Angeles Link project. Accordingly, SoCalGas requests that the Commission approve a Memo Account in which to record the substantial expenditures it expects to make to evaluate the Project's feasibility and bring it to a level of detail and specificity that will support a future application for a Certificate of Public Convenience and Necessity ("CPCN").

To grant this Application, the Commission does not need to resolve any factual disputes. Although the parties may have differing opinions on the issues presented, those opinions do not depend on conflicting factual allegations. Similarly, the parties have expressed different

[43] Scoping Memo, p. 8.

opinions as to how SoCalGas should plan the Project, how it should conduct stakeholder outreach, and who may benefit from the Project. These are forward-looking concerns and not factual disputes. Indeed, many of the issues raised by the parties are issues SoCalGas plans to address as part of upcoming Phase 1-3 activities. Further information on the work planned in Phases 1-3 is provided in **Attachment A**. As the Scoping Memo noted, "[T]he Project is still in the conceptual stage and details of the Project are not established."[44] SoCalGas submits that when the briefing is complete, the Commission will have an ample record on the issues in order to support approval of the Memo Account Application.

III. THE APPLICATION SATISFIES APPLICABLE COMMISSION STANDARDS FOR MEMORANDUM ACCOUNTS

The Scoping Memo asks whether the requested Memo Account "meet[s] the requirements the Commission has traditionally considered for approval of memorandum accounts?" SoCalGas's Application established consistency with the standards necessary to approve the Memo Account, as further detailed in the Reply to Protests. The following section elaborates on these points further as requested by the Scoping Memo.

A memorandum account is appropriate to facilitate the Commission's later consideration of recovery of recorded incremental costs based upon a showing of reasonableness at that time.[45] The Commission has approved memorandum accounts where (1) the costs are not recoverable as part of a general rate case ("GRC"), and (2) the costs are substantial and not speculative.[46] "[E]stablishing a memorandum account for a new and significant project is routine and

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[44] Scoping Memo, p. 8.

[45] Cal. Pub. Util. Comm'n, *Decision Approving Establishment of Arsenic Memorandum Account*, D.06-01-018 (Jan. 12, 2006), pp. 5-6.

[46] Cal. Pub. Util. Comm'n, *Alternate Decision Authorizing Establishment of Wildfire Expense Memorandum Account*, D.18-06-029 (June 22, 2018), p. 7.

noncontroversial, with important ratemaking consequences to be addressed in a subsequent proceeding."[47]

Indeed, there are decisions where the Commission has determined that the policy considerations alone merit establishment of a memorandum account. For example, the Commission authorized a memorandum account for SCE to track costs related to a feasibility study to evaluate carbon capture and sequestration ("CCS") associated with an Integrated Gasification Combined Cycle plant without any analysis of factors, finding that "the request is consistent with several State and Commission policies [related to long-term GHG reduction goals]."[48] Similarly, the Commission approved a memorandum account for PacifiCorp to track costs associated with the early retirement and decommissioning of a unit of a power plant, finding simply that the request "is consistent [with the] Commission's ratemaking policy, and its proposed memo account is necessary to record the costs associated with the retirement and decommissioning of Cholla Unit 4."[49]

As stated in SoCalGas's Reply to Protests, the factors identified in the Scoping Memo track Standard Practice U-27-W, applicable to water and sewer utilities, and which, by its express terms, does not apply to SoCalGas as a gas corporation.[50] The Commission routinely

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[47] Cal. Pub. Util. Comm'n, *Interim Decision Authorizing Memorandum Accounts and Interim Rate Increase Subject to Refund*, D.16-08-003 (Aug. 18, 2016), p. 3; see also Cal. Pub. Util. Comm'n, *Administrative Law Judge's Ruling Directing Parties to Meet and Confer and Setting Prehearing Conference*, A.15-06-013 (July 24, 2015), p. 3.

[48] Cal. Pub. Util. Comm'n, Resolution E-4227A (Feb. 20, 2009), p. 17.

[49] Cal. Pub. Util. Comm'n, *Decision Approving Establishment of Memorandum Account for Costs Associated with Retirement and Decommissioning of Cholla Power Plant Unit 4*, D.20-06-034 (June 25, 2020), p. 5.

[50] The Scoping Memo cites Decision (D.) 21-05-018, in which the Commission denied rehearing of its decision to deny California-American Water Company's request to establish a memorandum account for failure to satisfy the requirements of Standard Practice U-27-W. See Scoping Memo, p. 3 fn. 2 (citing D.21-05-018, p. 8). Under Standard Practice U-27-W, "[i]n order to qualify for memo account treatment, the costs must be due to events of an exceptional nature that: (a) are not under the utility's control, (b) could not have been reasonably foreseen in the utility's last general rate case, (c) and that will occur

has approved memorandum accounts for electric and gas utilities without reference to all of these factors, as described below. But even if some of the factors have not previously been applied to energy utilities, SoCalGas clearly has satisfied all of the Scoping Memo's requirements for a memorandum account to track incremental Project costs.

A. Project Expenses Are "Caused By an Event of an Exceptional Nature that Is Not Under the Company's Control"

As the IPCC recently acknowledged, climate change and its negative impacts are accelerating.[51] As discussed in the Application and Reply to Protests,[52] there can be no dispute that climate change is "an event of an exceptional nature" that is not within any entity's total control. More specifically, developments related to green hydrogen at the federal and regional levels that compel action now to meet decarbonization goals, are clearly events of an exceptional nature outside SoCalGas's control.

Climate change is an "exceptional event" that demands urgent action. Each successive report from the IPCC sounds a more alarming call to action with the most recent report identifying a narrow window in which to act to avoid the worst consequences.[53] "The magnitude

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before the utility's next scheduled rate case, (d) are of a substantial nature such that the amount of money involved is worth the effort of processing a memo account and (e) have ratepayer benefits." Standard Practice U-27-W, p. 6. The "exceptional events" factor is only a mandatory factor as applied to water and sewer utilities under Standard Practice U-27-W—not to gas corporations such as SoCalGas. Indeed, numerous Commission decisions authorizing memorandum accounts for electric or gas utilities never even cite or analyze this factor. ("All regulated water and sewer utilities . . . and the Division of Water and Audits . . . shall use these procedures"). *Id*. at p. 2. See also Reply to Protests, pp. 24-30.

[51] See IPCC, *Climate Change 2022: Impacts, Adaptation and Vulnerability* (February 2022), available at https://www.ipcc.ch/report/sixth-assessment-report-working-group-ii/; see also IPCC, *Climate Change 2022: Impacts, Adaptation and Vulnerability, Summary for Policymakers* (February 2022), available at https://www.ipcc.ch/report/ar6/wg2/downloads/report/IPCC_AR6_WGII_SummaryForPolicymakers.pdf. SoCalGas requests that the Commission take official notice of the IPCC's *Climate Change 2022: Impacts, Adaptation and Vulnerability* (February 2022) and *Climate Change 2022: Impacts, Adaptation and Vulnerability, Summary for Policymakers* (February 2022).

[52] See Application, pp. 3, 7-19; see also Reply to Protests, pp. 24-30.

[53] See IPCC, *Climate Change 2022 Summary for Policy Makers*, *supra* note 51; see also Cal. Energy Comm'n, *California's Fourth Climate Change Assessment, California's Changing Climate 2018, A*

and rate of climate change and associated risks depend strongly on near-term mitigation and adaptation actions, and projected adverse impacts and related losses and damages escalate with every increment of global warming (*very high confidence*).”[54] In an effort to mitigate the future impacts of climate change, California continues to accelerate its GHG goals, with a goal of attaining carbon neutrality statewide by 2045.[55] CARB’s Draft Scoping Plan Update sets forth a path to achieving carbon neutrality, and is the “most comprehensive and far-reaching Scoping Plan developed to date.”[56]

Further, there is an exceptional amount of momentum at the federal level to develop zero-carbon energy sources, and in particular green hydrogen for transportation, power generation, and industrial uses. The bipartisan Infrastructure Investment and Jobs Act became law in November 2021 and appropriates $9.5 billion for clean hydrogen research, development and demonstration programs—this development on its own is an event of exceptional nature that SoCalGas could not have reasonably forecast. Of this total, $8 billion is aimed at funding the development of four regional clean hydrogen hubs throughout the U.S. On June 6, 2022, DOE announced it is moving forward with putting this funding into action and intends to release a call

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Summary of Key Findings from California’s Fourth Climate Change Assessment, available at https://www.energy.ca.gov/sites/default/files/2019-11/20180827_Summary_Brochure_ADA.pdf. SoCalGas requests that the Commission take official notice of *California’s Fourth Climate Change Assessment, California’s Changing Climate 2018, A Summary of Key Findings from California’s Fourth Climate Change Assessment*.

[54] See IPCC, *Climate Change 2022 Summary for Policy Makers*, *supra* note 51, p. 16 (italics in original).

[55] Exec. Order No. B-55-18 (Sept. 10, 2018). Recognizing the need to achieve GHG emissions reductions more quickly, in July 2021, Governor Newsom directed the Commission and CARB to accelerate their efforts to achieve the State’s climate stabilization and GHG reduction goals, including to “identify a pathway for achieving carbon neutrality a full decade earlier than the existing target of 2045.” See Governor Gavin Newsom, Letter to Liane Randolph, Chair, CARB (July 9, 2021); Governor Gavin Newsom, Letter to Marybel Batjer, President, Cal. Pub. Util. Comm’n (July 9, 2021). SoCalGas requests that the Commission take official notice of Governor Newsom’s Letter to Liane Randolph, Chair, CARB (July 9, 2021) and Letter to Marybel Batjer, President, Cal. Pub. Util. Comm’n (July 9, 2021).

[56] Cal. Air Resources Bd., *supra* note 2, at p. 9.

for funding applications for Regional Clean Hydrogen Hubs in September or October 2022.[57] The hubs will support DOE's "Hydrogen Shot" program that seeks to lower the costs of clean hydrogen by approximately 80%, from around $5 per kilogram today to $1 per kilogram within one decade.[58]

A similar effort to reduce the cost of hydrogen is underway locally in the Los Angeles Basin. Los Angeles Department of Water and Power ("LADWP"), the largest municipally-owned utility in the nation, has recognized the importance of zero-carbon fuels like green hydrogen in providing firm generation and maintaining electric system reliability.[59] LADWP is transforming the Intermountain Power Project in Utah, which currently operates on coal, to operate on a blend of natural gas and green hydrogen, and eventually on 100% green hydrogen.[60] The new generation project, "IPP Renewed," is part of the Advanced Clean Energy Storage project which recently received a $504.4 million DOE loan guarantee.[61] The Advanced Clean Energy Storage project will be the largest green hydrogen storage facility in the world, and will use excess renewable energy to produce green hydrogen by electrolysis and store the green hydrogen in two 4.5 million barrel salt caverns, which will be deployed as fuel for the IPP Renewed project.[62]

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[57] U.S. DOE, *supra* note 12.
[58] See U.S. DOE, Office of Energy Efficiency & Renewable Energy, *Hydrogen Shot*, available at https://www.energy.gov/eere/fuelcells/hydrogen-shot.
[59] LADWP, Statement of Nancy Sutley, Senior Assistant General Manager of External and Regulatory Affairs and Chief Sustainability Officer of LADWP Before the House Select Committee on the Climate Crisis Hearing on "Keeping the Lights On: Strategies for Grid Resilience and Reliability," (Feb. 15, 2022), available at https://www.ladwpnews.com/statement-of-nancy-sutley-senior-assistant-general-manager-of-external-and-regulatory-affairs-chief-sustainability-officer-of-ladwp-before-the-house-select-committee-on-the-climate-crisis-hearing-on/.
[60] *Ibid.*
[61] U.S. DOE, *supra* note 20.
[62] *Ibid*.

LADWP also released a request for information in August 2021 seeking information on technologies related to green hydrogen to support the future electricity generating needs of Los Angeles. Demonstrating its commitment to development of green hydrogen, LADWP has participated with the Green Hydrogen Coalition and others, including SoCalGas, on HyDeal Los Angeles ("HyDeal LA"), a regional initiative to develop a hydrogen hub. HyDeal LA's primary initiative is to deliver hydrogen in the Los Angeles Basin at prices under $1.50 per kilogram by 2030. Phase 1 of the HyDeal LA initiative identified several key factors in achieving lower-cost hydrogen at scale, including that green hydrogen has the potential to accelerate the transition away from diesel and gas at and around the Ports of Los Angeles and Long Beach—which will also provide clean air benefits for communities of concern.[63]

Rising to meet the state, regional and federal goals of rapidly developing cost-effective, green hydrogen as a zero-carbon resource requires research, evaluation and collaboration across varied stakeholders. Approving a memorandum account for the Angeles Link is exactly the type of first step necessary to address the need for clean energy and climate change solutions that the Commission has previously cited as an affirmative reason to authorize a memorandum account for projects proposed by a utility. Indeed, the Commission approved a memorandum account for a feasibility study related to a Clean Hydrogen Generation Plant, citing the need to develop the

[63] Green Hydrogen Coalition, *HyDeal Los Angeles – Architecting the Green Hydrogen Ecosystem for a Deeply Decarbonized LA*, available at https://static1.squarespace.com/static/5e8961cdcbb9c05d73b3f9c4/t/629a6c7a92954477d59e8fa2/1654287487306/HyDealLAPhase1_Takeaways_202206.pdf.

technology,[64] and for a study to evaluate an Integrated Gasification Combined Cycle plant with carbon capture and storage, similarly citing the need to demonstrate the technology is feasible.[65]

In the limited instances where the Commission has considered this non-mandatory factor in evaluating gas and electric utility requests to establish a memorandum account, it has taken a broad and flexible view of what constitutes "events of an exceptional nature" and leaned favorably towards establishing a memorandum account where there were also strong policy considerations to do so. In one case, the Commission found Southern California Edison's ("SCE") Customer Service ("CS") Re-Platform project to be an "exceptional project" that met the requirements for a memorandum account.[66] The CS Re-Platform project was SCE's initiative—and the Commission still found it to be an "exceptional project" warranting a memorandum account.[67] Rather than adhering to a strict interpretation of the word

[64] Cal. Pub. Util. Comm'n, *Opinion Authorizing Southern California Edison Company to Perform a Feasibility Study of a Clean Hydrogen Generation Plant*, D.08-04-038 (Apr. 10, 2008), p. 10 ("[SCE] has explained how its study would serve to advance the development of both CHPG technology and carbon sequestration in particular types of geologic formations . . . As a result, we are convinced that approval of a study to aid in further developing these technologies is desirable.").

[65] Resolution E-4227A, *supra* note 48, pp. 2 ("If shown to be technically feasible and commercially reasonable, the [Hydrogen Energy California] facility, and potential other generation utilizing CCS technology, will be low-carbon, baseload-generation resources that will advance California's move toward reduced greenhouse gas emissions while producing reliable power within the state and with locally derived fuel sources."), 12 ("SCE has shown that it is necessary to provide a signal that there is sufficient interest in the project for HEI to proceed, therefore, SCE's participation in Phase I of the study is warranted.").

[66] Cal. Pub. Util. Comm'n, *Decision on Test Year 2018 General Rate Case for Southern California Edison Company*, D.19-05-020 (May 16, 2019), pp. 159-161. The CS Re-Platform project was "an initiative to replace SCE's core customer relationship and billing systems. The increasing risk and impact of customer service system failure is driving the need for the program." Cal. Pub. Util. Comm'n, *Southern California Edison Company's (U338-E) Notice of Ex Parte Communication*, A.16-09-001 (Nov. 7, 2017), p. A-2.

[67] In fact, SCE had proposed to include the CS Re-Platform expenses in its GRC proceeding, but due to uncertainty in the costs, investments, and schedule, the Commission directed SCE to track the costs in a memorandum account. D.19-05-020, *supra* note 66, p. 160. Similarly, when PG&E proposed to include its M&C Over-Pressure Protection program in its revenue requirement in a GRC proceeding, the Commission directed PG&E to track the program costs in a memorandum account, finding "that requiring PG&E to track capital expenditures for this program in a memorandum account is appropriate until a firmer understanding of necessary activities and projects and the associated project costs can be forecast

"exceptional," the Commission has rightly focused whether ratepayers would benefit from a better understanding of a worthwhile project's costs and forecasting accuracy. If an improved billing system may be considered an "exceptional project," then a memorandum account for the Angeles Link—which is uniquely positioned to respond to a distinct and present set of circumstances that call for urgent action to address climate change, improve regional air quality, advance California's net zero goals, increase use of clean fuels for hard-to-electrify sectors, help position California to obtain potentially billions of federal investment in a green hydrogen hub beginning as soon as next year, and create new jobs and economic benefits—more than satisfies this factor.

Similarly, the Commission has regularly authorized memorandum accounts for projects *proposed* by a utility and which the utility was not obligated to undertake. This is true even as to water utilities, where the Commission has authorized memorandum accounts even as it acknowledged that the costs to be incurred were under the control of the utility.[68] This was certainly the case when the Commission approved a memorandum account for SCE to record costs for a feasibility study to evaluate an Integrated Gasification Combined Cycle plant with CCS (the Hydrogen Energy California, or "HECA" project).[69] SCE proposed to undertake the

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with a reasonable degree of accuracy." Cal. Pub. Util. Comm'n, *Decision Authorizing PG&E 2019-2022 Revenue Requirement for Gas Transmission and Storage Service*, D.19-09-025 (Sept. 12, 2019), p. 111

[68] See Cal. Pub. Util. Comm'n, *California American Water Company Order Seeking Authorization to Establish the Leak Adjustments Memorandum Account to Track the Revenue Shortfalls Associated with Customer Billing Adjustments*, Resolution W-4951 (June 27, 2013), p. *4 (authorizing a memorandum account to track costs related to Cal-Am's billing adjustment program, even where the Commission found that "Cal Am does have control over the choice of whether to implement a discount program or not. . ."); see also Cal. Pub. Util. Comm'n, *Decision Approving the Sale of East Pasadena Water Company Utility Assets to California-American Water Company Inc*., D.21-08-002 (Aug. 5, 2021), pp. *21-22 (authorizing a memorandum account to track transaction costs related to the acquisition of East Pasadena Water Company, even though undertaking the transaction was entirely within Cal-Am's control, and noting that "the Commission is not rigidly bound to precedent but must instead consider each proceeding on its own merits as well as recent prior decisions").

[69] Res. E-4227A, *supra* note 48.

study to investigate CCS technology, in line with CARB's very first Scoping Plan, which cited "the need to pursue strategies such as CCS that will contribute to 'much deeper [GHG] reductions in the long term'" and called for more research into CCS technology.[70] The Commission's Resolution cites a series of State legislation and executive orders calling for policies to reduce GHG emissions,[71] and ultimately approved the memorandum account in part because "[t]he request is consistent with stated Commission and State policies recognizing the necessity to explore all feasible means of meeting long-term GHG reduction goals."[72] Further, "[the] aforementioned policies and the substantial scientific evidence in support of those policies suggest that ***prompt and decisive action*** on GHG emissions, such as this [HECA] feasibility study, is justified."[73] The justifications underpinning the Commission's approval of the HECA Memorandum Account are similar here—a utility-proposed study to investigate an emerging technology, which is consistent with numerous Commission and state policies, and would advance California's GHG reduction goals.

The Commission also approved memorandum accounts for costs associated with the elective early retirement of PacifiCorp's Cholla Unit 4.[74] PacifiCorp made its own determination, based on its updated Integrated Resource Plan analysis, that retiring Unit 4 earlier than planned would result in net customer benefits, and obtained a memorandum account to track the plant closure costs, despite being under no obligation to retire Unit 4 at that time. In a similar vein, the

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[70] *Id*. at p. 3, citing CARB Climate Change Proposed Scoping Plan (Dec. 2008), at p. 9.
[71] *Ibid*. (citing Assembly Bill (AB) 32, Senate Bill (SB) 1368, AB 1925, Energy Action Plan II, Executive Order (EO) S-3-05, and EO S-7-04).
[72] *Id*. at p. 14.
[73] *Id*. at pp. 14-15 (emphasis added).
[74] D.20-06-034, *supra* note 49.

Commission approved a memorandum account for PG&E to track costs for a proposed program to manage over-pressure events.[75]

In sum, the Commission is not required to consider the "exceptional events" factor here. Nevertheless, if the Commission chooses to do so, the expenses to be recorded in the Memo Account are indisputably related to "an event of an exceptional nature that is not under the Company's control." Indeed, given the exceptional acceleration of climate change, billions of dollars in federal funds are on the line to help meet this challenge in a timely manner and bring a green hydrogen hub to the Los Angeles Basin. The Governor has identified this exceptional opportunity as a state priority. The Commission has granted memorandum accounts for similar projects to study and potentially develop clean energy, and even for far less "exceptional events." The Commission has the authority to approve the memorandum account for the Project, and should exercise that authority here.

B. Project Expenses Could Not Have Been Reasonably Foreseen in SoCalGas's Last General Rate Case

"It is a well-established tenet of the Commission that ratemaking is done on a prospective basis."[76] Memorandum accounts are appropriate to track and record incremental costs that could not have been included in a utility's GRC given the timing of the utility's most recent GRC application.[77] As detailed in SoCalGas's Application and Reply to Protests,[78] SoCalGas filed its

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[75] D.19-09-025, *supra* note 67, at pp. 110-111 ("we find that requiring PG&E to track capital expenditures for this program in a memorandum account is appropriate until a firmer understanding of necessary activities and projects and the associated project costs can be forecast with a reasonable degree of accuracy").
[76] See Cal. Pub. Util. Comm'n, *In the Matter of the Application of Southern California Water Company for authority pursuant to Public Utilities Code Section 851 to sell, and, if necessary, lease back its headquarters property in Los Angeles, California (U 133 M)*, D.92-03-094 (March 31, 1992) 1992 Cal. PUC LEXIS 236, p. *7; see also Cal. Pub. Util. Comm'n, *Decision Authorizing Establishment of California Consumer Privacy Act Memorandum Account*, D.20-05-042 (June 5, 2020), p. 6.
[77] D.20-05-042, *supra* note 76, p. 6.
[78] See Application, pp. 40-42; see also Reply to Protests, pp. 30-31.

GRC application for Test Year 2019 ("2019 GRC") on October 6, 2017—over ***four years*** before SoCalGas filed the present Application. No specific hydrogen energy transport system project was contemplated at that time, nor were there billions of dollars in federal funding available for hydrogen hubs and other clean energy projects under the IIJA, which was not passed until 2021. As a result, SoCalGas did not include—and could not have included—the proposed Project costs as part of its last GRC application five years ago.

Further, since 2017, a newly-identified demand for green hydrogen, especially in the Los Angeles Basin, has emerged given the accelerated pace of climate change. For instance, as explained above, in May 2021, LADWP and others launched HyDeal LA to achieve at-scale green hydrogen procurement in the Basin by 2030. To that end, on August 5, 2021, LADWP issued Request for Information 8.5.21-POWER-SAL ("LADWP RFI") to obtain information about pathways to deliver green hydrogen into the Basin. The LADWP RFI explained that LADWP plans to retire up to 1,661 MW of once-through-cooling units by the end of 2029, creating a "need to build additional long-duration capacity within the Los Angeles Basin to avoid widespread blackouts during transmission outages due to wildfire, transmission line maintenance and upgrades, and other contingencies."[79] Given the City of Los Angeles' goal to be carbon-free by 2035, LADWP identified an opportunity for its Scattergood Generating Station to achieve green-hydrogen-based electricity generation before 2030.[80]

Moreover, recent federal actions demonstrate that the market for green hydrogen has emerged since SoCalGas filed its GRC application in 2017, including DOE's Hydrogen Shot summit (August/September 2021); the bipartisan IIJA, which mandates developing a National

[79] LADWP, RFI 8.5.21-POWER-SAL (Aug. 5, 2021), p. 2, available at https://www.rampla.org/s/opportunity-details?id=0066g00003Xo6F5AAJ. SoCalGas requests that the Commission take official notice of LADWP's RFI 8.5.21-POWER-SAL (Aug. 5, 2021).
[80] See Application, p. 17; see also LADWP, RFI 8.5.21-POWER-SAL, *supra* note 79, pp. 2, 5.

Hydrogen Strategy and Roadmap and allocates $9.5 billion for clean hydrogen programs, including $8 billion for regional clean hydrogen hubs (November 2021); and DOE's NOI to issue a FOA for the IIJA's hydrogen hubs program in fall 2022 (June 2022).[81]

SoCalGas seeks approval of a Memo Account with this newly-identified green hydrogen demand and federal funding opportunity in mind. There simply was no environment for a project of this scale and scope in 2017 for inclusion in the 2019 GRC.[82] Therefore, memorandum account treatment is appropriate.

C. Project Expenses Are Inappropriate for Inclusion in SoCalGas's Test Year 2024 General Rate Case

Although SoCalGas identified Angeles Link in its recently filed GRC application for Test Year 2024 ("2024 GRC application") as one of its hydrogen initiatives, SoCalGas does not seek recovery of Angeles Link incremental costs or approval of the Memo Account as part of the 2024 GRC.[83] As SoCalGas emphasized in its Application and Reply to Protests,[84] the Commission should not wait the several years it will take to approve SoCalGas's 2024 GRC application before it allows SoCalGas to track Project costs. SoCalGas needs the Memo

[81] See Section I *supra*.

[82] As SoCalGas explained in its Application, as part of the 2019 GRC, SoCalGas did request funding for the continuation of its RD&D program. See Application, p. 41. The RD&D program includes developing and testing new hydrogen-related technologies or conducting demonstration projects. *Ibid*. SoCalGas did not request funding in its RD&D program for feasibility and planning analysis related to specific new projects, such as studying the Angeles Link Project. *Ibid*. Indeed, the Project's planning activities would be incremental to any general research or the development of a new technology. Further, SoCalGas cannot re-allocate GRC-authorized RD&D funds to cover Project-related costs in lieu of a memorandum account because the enumerated activities for the RD&D program that the Commission approved did not encompass feasibility, scoping, and pre-FEED work for the physical construction of a proposed hydrogen transport system. See Reply to Protests, p. 30.

[83] See the following testimony in A.22-05-015: SoCalGas, Prepared Direct Testimony of Naim Jonathan Peress, 2024 General Rate Case (May 2022), p. NJP-13; see also Southern California Gas Company, Prepared Direct Testimony of Maryam Brown, 2024 General Rate Case (May 2022), p. MSB-12; see also Southern California Gas Company, Prepared Direct Testimony of Armando Infanzon, 2024 General Rate Case (May 2022), p. Al-2, fn 6.

[84] See Application, p. 42; see also Reply to Protests, pp. 31-33.

Account in order to track costs now or else much of the Phase 1 work could be delayed or halted. In addition, the unique nature and scope of this proposal lends itself to a stand-alone proceeding that maximizes opportunity for stakeholder input and involvement.

First, SoCalGas filed the 2024 GRC application on May 16, 2022.[85] However, the Commission likely will not decide the 2024 GRC application until late 2023 at the earliest. For SoCalGas's last GRC cycle, a final decision was not issued until September of the test year (2019). SoCalGas anticipates incurring substantial costs before the Test Year begins because it needs to commence work expeditiously to respond to California's growing climate emergency and to maintain energy system reliability.[86] Without a Memo Account, the State not only loses 18 to 24 months of time during which SoCalGas could make significant strides in Project assessment, as well as inform complementary proceedings such as the Commission's Senate Bill 380 Proceeding, I.17-02-002, it would also lose the opportunity to discuss this ongoing work as part of its application for IIJA federal hydrogen hub funds. Indeed, by the time the Commission acts on SoCalGas's 2024 GRC application, if the Application is approved by the end of this year, SoCalGas can complete Phase 1 activities, including pre-engineering, design, environmental review (including evaluation of hydrogen leakage assessments[87]), and important stakeholder engagement and its report back to the Commission.

Second, to have been able to include Angeles Link costs as part of the 2024 GRC, SoCalGas would have needed to provide specific details about the costs to be incurred in Test

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[85] See Cal. Pub. Util. Comm'n, *Application of Southern California Gas Company (U904G) for Authority, Among Other Things, to Update Its Gas Revenue Requirement and Base Rates Effective on January 1, 2024,* A.22-05-015 (May 16, 2022).
[86] See Application, § I.A.3.
[87] SoCalGas understands that Environmental Defense Fund ("EDF") will soon publish new research on hydrogen leakage over a few years to 100 years. SoCalGas looks forward to reviewing EDF's and other's research on the issue of hydrogen leakage.

Year 2024 and the three attrition years (2024 through 2028). That was not feasible here given that SoCalGas proposes to complete Phase 1 before 2024. Further, Phase 1's findings may influence the costs to be incurred in Phases 2 and 3 and whether Phases 2 and 3 should move forward at all. Thus, those costs cannot easily be forecasted and included in a GRC. In situations where a utility proposed costs that were not easily forecasted be included in a GRC, the Commission directed utilities instead to track the costs in a memorandum account.[88] Accordingly, it is more appropriate for SoCalGas to track Project costs in the Memo Account—not forecast them in a GRC.

Finally, as SoCalGas explained in its Reply to Protests, a project of this magnitude deserves its own proceeding, staff assessment, and public participation outside of the GRC.[89] Indeed, the Commission has previously approved memorandum accounts to record assessments and pre-construction costs of large capital projects separate from the GRC process.[90]

For example, in *Decision on Energy Utility Climate Change Vulnerability Assessments and Climate Adaptation in Disadvantaged Communities* (D.20-08-046), the Commission authorized utilities to establish memorandum accounts for the purpose of tracking costs directly related to climate adaptation vulnerability assessments.[91] In establishing the memorandum

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[88] D.19-05-020, *supra* note 66, pp. 148, 160-161 (in decision on GRC, establishing a memorandum account to track costs for future review; "[a]lthough we do not approve the expenses for the CS Re-Platform [as part of the GRC], we, also, have not disapproved of them. We have required the expenses to be tracked in a memorandum account."); see also D.19-09-025, *supra* note 67, p. 111 ("we find that requiring PG&E to track capital expenditures for this program in a memorandum account is appropriate until a firmer understanding of necessary activities and projects and the associated project costs can be forecast with a reasonable degree of accuracy").

[89] Reply to Protests, p. 31.

[90] See, e.g., Cal. Pub. Util. Comm'n, *Decision on Energy Utility Climate Change Vulnerability Assessments and Climate Adaptation in Disadvantaged Communities (Phase 1, Topics 4 and 5)*, D.20-08-046 (Sept. 3, 2020), pp. 52, 93; Resolution E-4227A, *supra* note 48; D.08-04-038, *supra* note 64.

[91] D.20-08-046, *supra* note 90, p. 52.

accounts, the Commission declined to specify the mechanism through which the utilities could seek funding for costs associated with measures identified as part of a vulnerability assessment process.[92] The Commission explained that "there are persuasive arguments in favor of and against including large projects in a GRC."[93] Although GRCs can provide "a good snapshot of spending an IOU anticipates over the subsequent years, if most of the spending is represented there," "separate applications [for large projects] can ensure that parties that do not typically participate in the GRC process nonetheless have the opportunity to weigh in on a subject that is important to them, without the added work of addressing the wide array of GRC issues."[94] Ultimately, the Commission found it inappropriate "to be prescriptive as to where [utilities] should seek funding" for the costs of particular climate adaptation measures.[95]

As in D.20-08-046, the Commission should approve the Memo Account for SoCalGas to track Angeles Link costs because it is not appropriate for SoCalGas to include Angeles Link costs in its current GRC proceeding. Not only does SoCalGas propose to incur substantial costs before Test Year 2024, but it is not possible to fully forecast Phase 2 or 3 costs for inclusion in the 2024 GRC application at this time because of the timing associated with the Phase 1 work that will inform the subsequent phases. Moreover, a separate proceeding for Angeles Link approvals and cost recovery will promote community and stakeholder engagement. The public and other stakeholders interested specifically in Angeles Link who typically do not have the resources to participate in GRCs would not need to become involved in the more complicated GRC process.

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[92] *Id.*, pp. 92-93.
[93] *Id.*, p. 92.
[94] *Id.*, pp. 92-93.
[95] *Id.*, p. 93.

In sum, Angeles Link costs are best tracked through a Memo Account approved in response to this Application. Deferring action to the conclusion of SoCalGas's 2024 GRC could cause years of delay for the Project while providing no ratepayer benefit.

D. Project Expenses Are Substantial in Nature

Memorandum accounts are appropriate if the costs to be recorded are not speculative and would be substantial.[96] The Commission has previously held that, where "costs could run into the millions," costs are considered "substantial."[97] As explained in the Application and Reply to Protests,[98] SoCalGas anticipates recording approximately $26 million in Phase 1 costs and $92 million in Phase 2 costs, with Phase 3 costs to be developed upon the refinement of Project scope in Phase 2. Notably, ***no Protest or Intervenor disputed that SoCalGas's estimated costs are substantial***.[99] The costs are substantial enough to warrant memorandum account treatment.

E. Ratepayers Will Benefit from Memorandum Account Treatment

As discussed in the Application and Reply to Protests,[100] ratepayers will benefit from memorandum account treatment of the costs associated with the important activities identified in the Application. The Scoping Memo asks the following specific questions on this subject:

1. Which are the existing ratepayers, if any, who are expected to benefit from the memorandum account treatment?
2. What are the potential benefits to existing ratepayers, if any?

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[96] D.18-06-029, *supra* note 46, p. 7; see also D.20-05-042, *supra* note 76, p. 8.
[97] See Cal. Pub. Util. Comm'n, *Decision Authorizing Establishment of California Consumer Privacy Act Memorandum Accounts*, D.19-09-026 (Sept. 16, 2019), pp. 9-10 ("The utilities have stated that the costs could be up to millions of dollars. . . . We also find, based on the representations of the utilities, that the costs could be potentially significant."); see also Resolution E-4227A, *supra* note 48 (authorizing Southern California Edison to record up to $30 million in a memorandum account for a California Integrated Gasification Combined Cycle study).
[98] See Application, pp. 39-40; see also Reply to Protests, p. 24.
[99] See Reply to Protests, p. 21 fn. 80.
[100] See Application, pp. 30-34, 42; see also Reply to Protests, pp. 36-43.

3. If no existing ratepayers will benefit from the activities/costs recorded in the memorandum account, is it reasonable to approve the application?

All of SoCalGas's existing ratepayers are expected to benefit from recording proposed costs and activities in the Memo Account. As the Scoping Memo correctly articulates, the question for the Commission at this stage is simply whether "memorandum account *treatment*" of the covered costs would benefit ratepayers. While SoCalGas believes that the Angeles Link as completed will ultimately benefit everyone affected by climate change including ratepayers, allocation of Angeles Link benefits among ratepayers and others is a separate question not at issue in this proceeding.[101] Instead, that question will be relevant in one or more future proceedings regarding cost recovery.

As discussed in the Application, approving the Memo Account would benefit all existing ratepayers because it will facilitate stakeholder engagement during the project feasibility and planning process by tracking and monitoring preliminary Project activities and costs.[102] The Commission has cited "increasing utility transparency" as a benefit to ratepayers when approving memorandum accounts.[103] As emphasized in the Scoping Memo, a memorandum account does not guarantee or even imply rate recovery.[104] Instead, it is an accounting instrument used to avoid potential retroactive ratemaking. By utilizing a memorandum account, the Commission retains flexibility regarding whether and how the costs are ultimately recovered. The Commission will have the benefit of seeing the activities tracked in the Memo Account and costs

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[101] See Scoping Memo, pp. 6-8.
[102] Application, p. 28.
[103] See Cal. Pub. Util. Comm'n, Res. W-4974 (March 27, 2014), p. 2 ("ratepayers will also benefit from the memorandum account treatment for these costs by increasing utility transparency through a formal review of these costs as such matters are not foreseeable at the time of the general rate case"); *see also* Resolution W-4951, *supra* note 68, p. 6.
[104] Scoping Memo, p. 7.

incurred prior to approving any rate recovery, and ratepayers will have the benefit of Project costs being correctly allocated for cost recovery. This transparency and clarity is a clear ratepayer benefit.

Further, the increased transparency described in the Application goes beyond the standard benefits of tracking costs in a memorandum account. For example, SoCalGas is committed to a stakeholder engagement process and regular reporting to the Commission and the public, so that work performed in the account is clearly scoped, transparent, and understandable. Indeed, SoCalGas recently held two informational webinars about Angeles Link on May 19 and May 31, 2022.[105] SoCalGas provided opportunity for broad public participation through noticing on this proceeding's service list and other communications channels such as paid social media advertisements in the SoCalGas service territory on Facebook, LinkedIn, and Twitter, emails to external stakeholders, and placing the information on the Angeles Link webpage (www.socalgas.com/angeleslink). This webpage communicates key Project proposal updates and includes an opt-in service list for periodic newsletters, the first of which was issued on June 9, 2022. Approving the Memo Account will facilitate this continued outreach.

Phases 1 and 2 of the Project are explicitly designed to seek stakeholder input, including from environmental justice communities, early in the project feasibility, planning, and development process.[106] Further, as discussed in Section VI, SoCalGas commits to making the Phase 1 results public so that ratepayers can benefit from the knowledge gained. Indeed, SoCalGas is planning a technical workshop to share information from its pre-feasibility scoping assessment (conducted prior to filing the Application as part of a broad assessment of potential

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[105] See SoCalGas, *Informational Webinar Presentation* (May 2022), available at https://www.socalgas.com/sites/default/files/2022-05/Informational%20Webinar%205.19.pdf.
[106] Application, pp. 23-27.

hydrogen transport options) and refined hydrogen demand scenario analysis (the first Phase 1 deliverable) next month. If the Memo Account is approved, SoCalGas also plans to commence a hydrogen locational demand study to analyze potential demand scenarios for types of offtakers; a water resources study assessing production areas to be studied in Phase 1; a hydrogen storage study to assess storage options for green hydrogen; and pipeline routing assessments.

The Commission has previously found that memorandum account treatment for costs to understand the feasibility and scope of a future project benefited ratepayers "by allowing [an] assessment to go forward at this time, but preserving the ability of the Commission to review the reasonableness of those costs prior to any recovery."[107] Similarly here, SoCalGas proposes to undertake initial studies to inform the public and the Commission whether the Project is feasible. As described in Section III.C, delaying these activities until the 2024 GRC is approved could substantially delay Project feasibility analysis and planning and development, and its ultimate climate and regional air quality benefits. Denying the use of a Memo Account could also undermine consideration for billions of dollars in IIJA federal funds for the region, which would have enormous benefit to ratepayers. Attracting hydrogen hub funds to California has clear ratepayer benefits.[108]

As explained in detail in the Reply to Protests,[109] memorandum account treatment also benefits ratepayers by avoiding the "chicken and the egg" problem that may otherwise occur. Parties sometimes argue that the type of activity at issue here, such as feasibility studies, should not be approved for rate recovery unless the utility can show that the ultimate project being

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[107] Cal. Pub. Util. Comm'n, *Decision Authorizing Establishment of the Catalina Water Utility Pipeline Assessment Memorandum Account*, D.21-02-009 (Feb. 11, 2021), p. 13.

[108] IIJA "opportunities … are of keen interest to California and align with many of our state's energy policies. … The CPUC views this as a one-time opportunity to benefit California utility customers." Alice Reynolds, *supra* note 13.

[109] See Reply to Protests, pp. 38-39.

studied will have particular benefits. Utilizing a memorandum account addresses this concern because the Commission will have the benefit of a compilation of timely information to inform a reasonableness determination prior to making any determination(s) on (a) whether any costs recorded in the Memo Account can be recovered and (b) any subsequent CPCN application to proceed with the Project. This is consistent with Commission precedent.

In A.07-05-020, SCE filed an application requesting authority to incur and recover the costs necessary to determine the feasibility of a Clean Hydrogen Power Generation ("CHPG") plant through a feasibility study, FEED Study, and permitting assessment. Opposing parties argued that SCE should not be permitted to undertake these activities unless SCE documented that the project was economically and technically feasible. The Commission disagreed, stating that "such documentation cannot be provided absent approval of the study."[110] The Commission concluded that memorandum accounts were the appropriate tool to use in that situation.

While SCE requested rate recovery for the full amount of the anticipated feasibility study up front, the Commission denied this request in part because it was not clear whether the results of the study would benefit others beyond California ratepayers. Instead, "to limit the potential regulatory lag time that may serve to hamper the overall goals of SCE to proceed with [the feasibility study]," the Commission, *sua sponte,* directed the establishment of two memorandum accounts. The Commission felt this result struck "the appropriate balance" in ensuring that ultimate costs would be borne by the appropriate parties. Similarly here, the activities to be undertaken and be recorded to the Memo Account will provide greater clarity on the end users of the Angeles Link Project and thus inform appropriate and equitable rate recovery and cost allocation solutions.

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[110] D.08-04-038, *supra* note 64, p. 10.

As discussed in the Application, a green hydrogen energy transport system into the Los Angeles Basin also would benefit ratepayers by providing a clean alternative fuel to help alleviate natural gas demand served by Aliso Canyon, supporting (along with other clean energy projects and reliability efforts, such as those being evaluated in I.17-02-002, the "SB 380 Proceeding") a path to its ultimate closure while maintaining energy system reliability. Conducting Project activities and the SB 380 Proceeding as two parallel processes would advance the Governor's request that the Commission expedite planning to permanently close Aliso Canyon.[111] So that the two processes complement each other, SoCalGas has proposed periodic updates to the Commission, which the Commission, in its discretion, could decide to utilize in the SB 380 Proceeding.

While it is clear that all existing ratepayers will benefit from memorandum account treatment, certain existing ratepayers will see direct benefits of the activities undertaken as part of the Memo Account. As discussed in Section I.A, many existing users of fossil gas infrastructure will need to transition to green hydrogen in order to meet California's climate goals. And while State agencies are studying many aspects of the transition to a green hydrogen economy, SoCalGas is unaware of any State efforts to study a tangible green hydrogen transport project's feasibility for hard-to-electrify sectors. As outlined above, green hydrogen is expected to be a preferred solution for the hard-to-electrify sector, including industrial and process heating, heavy duty transportation, and dispatchable power to support reliability. Many of these users are existing SoCalGas customers or rely on natural gas that SoCalGas delivers to

[111] Governor Gavin Newsom, Letter to Marybel Batjer, President, Cal. Pub. Util. Comm'n (Nov. 18, 2019). SoCalGas requests that the Commission take official notice of Governor Newsom's Letter to Marybel Batjer, President, Cal. Pub. Util. Comm'n (Nov. 18, 2019).

wholesalers. Thus, SoCalGas's proposed activities are well positioned to fill a knowledge gap that would not otherwise be explored and will complement other efforts around the State.

Additionally, all ratepayers will benefit from studying the Project's role in furthering the State's climate and air quality goals. As discussed above in Section I, policymakers across the State have identified green hydrogen as an integral component of meeting the State's climate goals. Additionally, the fuel switch to green hydrogen in heavy duty transportation can have significant air quality benefits.[112] For example, Angeles Link's green hydrogen could displace up to 3 million gallons of diesel fuel per day by replacing diesel-powered heavy-duty trucks with hydrogen fuel cell trucks, which could eliminate up to nearly 25,000 tons of smog forming NOx per year. Thus, ratepayers and all Californians will benefit from the knowledge gained and their engagement as part of the planned feasibility studies, preliminary FEED activities, and stakeholder outreach.

Finally, establishing the Memo Account is anticipated to be of great assistance in seeking IIJA hydrogen hub grant money and provide a stronger basis as to why California's application should be approved. HyDeal LA identified the need for utility-scale hydrogen and a backbone pipeline network.[113] Further studies, as contemplated under the Memo Account Application, will demonstrate commitment to achieving the goals of the IIJA. Obtaining a portion of the IIJA's $8 billion available for hydrogen hubs will undoubtedly benefit ratepayers. On the other

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[112] See Section VII, *infra*. See also South Coast Air Quality Management District ("SCAQMD"), *Draft 2022 Air Quality Management Plan ("AQMP")* (May 2022) (noting that hydrogen is a leading fuel for zero emission technology that has the potential to be adopted at scale by 2037. To that end, SCAQMD included a control measure that calls for the development of a work plan "to support and accelerate the deployment of zero emission infrastructure needed for the widespread adoption of zero emission vehicles and equipment" and called on stakeholders, including local utilities, to work together to support the work plan). SoCalGas requests that the Commission take official notice of SCAQMD's *Draft 2022 AQMP* (May 2022).

[113] Green Hydrogen Coalition, *supra* note 63, p. 2.

hand, denying the Application may signal that California is not taking sufficient action necessary to be successful in deploying green hydrogen, or at a large enough scale to significantly displace fossil fuels, and therefore diminish the potential that California receives a share or a more valuable share of the IIJA federal grant funding.

As to the Scoping Memo's final question regarding whether the Memo Account should be approved absent benefits to existing ratepayers, should the Commission find the record on existing ratepayer benefits not persuasive at this time, which we believe is not the case, the answer is nonetheless yes. While the potential climate benefits alone represent a substantial benefit to existing ratepayers, it is clear that approving the Memo Account certainly does no harm to existing ratepayers. Recorded costs will not be recovered from existing or future ratepayers without demonstrating that any requested cost recovery is just and reasonable to the Commission's satisfaction. Thus, even if the Commission does not agree at this time that existing ratepayers will benefit from the Memo Account, approving the Memo Account will do no harm to them. Rather, SoCalGas believes denying the Memo Account Application would hinder progress towards California's ability to meet its climate and air quality goals.

IV. APPROVING THE APPLICATION FOR A MEMO ACCOUNT WOULD NOT CREATE UNFAIR MARKET COMPETITION OR STIFLE INNOVATION IN HYDROGEN

A. A Memo Account to Study a Hydrogen Transport System Dedicated to Public Use Would Help Develop the Emerging Hydrogen Market

A memorandum account itself has no effect on competition. A memorandum account simply allows a utility to track costs. Authorization to record costs in a memorandum account does not authorize a project or recovery of its costs from any ratepayers. Recovery of any costs tracked in a memorandum account would be the subject of separate rate recovery proceedings or processes in which the utility has the burden of proving that the expenditures were just and reasonable and from whom those costs should be recovered. It is unclear how tracking costs, an accounting mechanism to avoid retroactive ratemaking, would confer any competitive advantage to SoCalGas. In fact, the feasibility assessment work, planning, and outreach for Angeles Link, which will start with approval of the Memo Account, would promote innovation and stimulate the market for green hydrogen.

1. The Project Would Promote Innovation

Approving a Memo Account for studying the Project would help to spur innovation in the energy industry while also helping the State achieve its GHG reduction targets. As CARB explained in its 2022 Draft Scoping Plan Update, "[i]t is important to recognize that ***we will need to build new energy production and distribution infrastructure,*** and repurpose existing ones, for clean technology and energy before we are able to phase down existing fossil sources."[114] For example, in 2020, approximately 48% of the State's electricity was generated from in-state power plants using natural gas,[115] including natural gas delivered by SoCalGas, and several gas-fired power plant operators have expressed an interest in converting their facilities to green hydrogen.[116] Therefore, enabling a public utility that currently delivers this gas to study how green hydrogen infrastructure can specifically contribute to the clean energy transition will help achieve the State's clean energy goals while maintaining energy reliability and good paying jobs. Indeed, reaching California's carbon neutrality goals requires "aggressive reduction of fossil fuels wherever they are currently used in California," which requires **"*scaling up new options such as green hydrogen*** for hard to electrify end uses and renewable gas where needed."[117]

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[114] Cal. Air Resources Bd., *supra* note 2, p. 219 (emphasis added).
[115] Application, p. 11 (citing Cal. Energy Comm'n, *2020 Total System Electric Generation*, available at https://www.energy.ca.gov/data-reports/energy-almanac/california-electricity-data/2020-total-system-electric-generation).
[116] Application, p. 17 (discussing LADWP's green hydrogen transition announcements).
[117] Cal. Air Resources Bd., *supra* note 2, Executive Summary.

These immensely important goals, of course, cannot be achieved without feasibility analyses, environmental review, appropriate planning, and stakeholder outreach. That is precisely what the Memo Account is designed to accomplish.

Indeed, approving the Memo Account will accelerate green hydrogen markets in California, which is indisputably necessary for the State to meet its climate goals.[118] For example, the State's electricity generators might conclude that access to a reliable source of green hydrogen is a prerequisite for refining the technology to convert existing natural gas power plants to green hydrogen-fueled turbines or fuel cells. At the same time, green hydrogen producers may be hesitant to evaluate or otherwise scale-up operations without knowing that a dedicated transportation system is in the planning process to move this green hydrogen to where it is needed. Approving a Memo Account would therefore catalyze stakeholders to work together in a transparent process to advance the State's clean energy goals.

Approving the Memo Account would encourage innovation in the green hydrogen industry by sending a signal to energy participants at every level that green hydrogen will play an important role in California's decarbonization. As CARB identified in its Draft Scoping Plan, California has "seen how quickly market barriers can be overcome in response to strong policy signals, as occurred in the solar panel and electric vehicle battery space."[119] California's now burgeoning solar energy market offers a useful point of comparison. Indeed, California's push toward solar energy began in earnest in the mid-2000s, with state efforts, like the California Solar Initiative, "support[ing] rapid growth of the distributed solar industry."[120] In 2006, only 660 GWh of in state electric generation was powered by solar, representing just 0.3% of the

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[118] *Id*. at pp. 58-59, 159-165.
[119] *Id.* at p. 19.
[120] *Id.* at p. 160.

state's total electric generation.[121] In 2020, solar accounted for 15.43% of California's in-state electric generation.[122] While the solar industry quickly evolved with the support of state initiatives, the change did not happen overnight, and the history of solar development in the State underscores the need for California to take prompt and definitive action on green hydrogen sooner rather than later. Approving the Memo Account presents a timely and important step and market signal in the future development of this critically needed source of renewable energy.

2. Connective Green Hydrogen Infrastructure, like Angeles Link, Will Expand Clean Energy Opportunities

The need for large-scale green hydrogen hubs, including transport systems, to develop the green hydrogen industry is underscored by the emphasis on these types of projects in the IIJA. As described in the announcement of DOE's June 6, 2022, Notice of Intent to fund the IIJA's $8 billion Regional Clean Hydrogen Hubs program, discussed in Section I, *supra*, these projects "***will create networks of hydrogen producers***, consumers, and ***local connective infrastructure to accelerate the use of hydrogen*** as a clean energy carrier."[123] As U.S. Secretary of Energy Jennifer Granholm explained, "Hydrogen energy has the power to slash emissions from multiple carbon-intensive sectors and ***open a world of economic opportunity to clean energy businesses and workers across the country***."[124]

The Angeles Link Project is precisely the type "connective infrastructure" that is necessary to achieve these goals.[125] More specifically, a utility-scale green hydrogen transportation system ultimately dedicated to public use, like Angeles Link, has the ability to

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[121] Cal. Energy Comm'n, *Electric Generation Capacity and Energy*, available at https://www.energy.ca.gov/data-reports/energy-almanac/california-electricity-data/electric-generation-capacity-and-energy.
[122] *Ibid*.
[123] U.S. DOE, *supra* note 12.
[124] *Ibid.* (emphasis added).
[125] *Ibid.*

facilitate a broader scope of potential hydrogen customers and increase the market for green hydrogen. Approving a Memo Account to evaluate the Project's feasibility and potential is a necessary and limited first step. If it ultimately leads to an open access model, like the current natural gas model—informed by a broad based stakeholder process— that would occur only after much further regulatory review and consideration by the Commission.[126] But, without approval of the Memo Account to explore the possibility of a utility-scale project, stakeholders would be deprived of the potential configurations, options, and demand scenarios for utility-scale hydrogen, among other key pieces of information to inform them on how to develop and invest in the green hydrogen economy.

In the Application, SoCalGas preliminarily identified multiple potential consumers in the Los Angeles Basin that would benefit from the type of public utility infrastructure SoCalGas is proposing to study.[127] For example, by 2035, LADWP estimates a need for up to 5,765 tonnes of hydrogen per year for its Harbor, Haynes, Scattergood, and Valley generating stations and by 2045 that estimate increases to 67,817 tonnes of hydrogen per year.[128] In addition to power generation, the Project, if ultimately approved, could transport hydrogen to other types of customers, like industrial uses, heavy-duty transportation, transit agencies, ports, marine transportation, aviation, and potentially for emergency/black-start power for essential or 24/7 facilities like hospitals, power plants, and data centers. Without an approved Memo Account,

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[126] See S&P Global, *As hydrogen economy matures, bilateral contracts are expected to become passé* (June 1, 2022) available at https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/energy-transition/060122-as-hydrogen-economy-matures-bilateral-contracts-expected-to-become-pass.
[127] See Memo Account Application, pp. 16-19.
[128] LADWP, *supra* note 79, p. 5.

industries may wait longer to realize green hydrogen in their operations as a substitute for natural gas or other fossil fuels.

At the other end of Angeles Link, approving the Memo Account would also be the first step to "open a world of economic opportunity" to green hydrogen producers.[129] SoCalGas is unaware of any hydrogen pipelines in California that are dedicated to public use—green or otherwise. This means that green hydrogen producers seeking to bring their product to market are limited in their options for distribution. If the Memo Account is approved, it would trigger planning and feasibility analysis that would stimulate a dialogue between hydrogen producers and users. Accordingly, because green hydrogen transportation infrastructure is a necessary prerequisite to developing the green hydrogen market for producers and end-users, planning and feasibility studies for such a project would not limit growth or competition in the green hydrogen market. To the contrary, approving the Memo Account application would facilitate innovation.

B. Approving the Memo Account Application Would Not Give SoCalGas a Competitive Advantage Over Unregulated Entities

1. Concerns Regarding Unfair Competition are Premature and Misplaced and Approving the Memo Account Would Not Affect Non-Utilities

As a threshold matter, any concerns that approving the Memo Account would result in unfair competition between SoCalGas and unregulated entities in the green hydrogen industry is premature and misplaced. As the Application explained, "SoCalGas acknowledges that authorization to record costs in the Memo Account ***does not authorize recovery of those costs***, which would be the subject of a separate rate recovery proceeding or process in which SoCalGas would have the burden of proving that the expenditures were reasonable."[130] Moreover, the

[129] See U.S. DOE, *supra* note 12.
[130] Application, p. 43.

Commission has made clear, recovery of costs tracked in a memorandum account "is not automatic."[131] Instead, "before a utility can recover in rates the costs recorded in the account, the utility must demonstrate the reasonableness of the costs."[132] Granting a memorandum account does "not prejudge whether, how, and to what extent [a utility] may recover the costs tracked in the [memorandum account]."[133] "Rather, it simply preserves [the utility's] ability to request further Commission consideration of the recoverability of such costs, without objection that might otherwise be asserted based on the retroactive ratemaking doctrine."[134] Here, approving the Memo Account would simply allow SoCalGas to track costs, without any guarantee of recovery, so that SoCalGas could potentially seek recovery for these costs in the future. "Granting a memo account does not guarantee recovery of any costs booked into the memo account," and SoCalGas will incur no financial benefit and no competitive advantage over unregulated entities if the Commission decides to do so here.[135]

SoCalGas is also unaware of any Commission decision denying the establishment of a memorandum account due to fears that doing so would prejudice a non-utility competitor in an emerging industry.[136] Here, if the Commission approves the Memo Account, simply allowing

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[131] D.06-01-018, *supra* note 45, p. 3; see also Cal. Pub. Util. Comm'n, *Decision Authorizing Memorandum Accounts to Track Legal and Regulatory Expenses*, D.10-04-001 (April 14, 2020), p. 17 ("Authorization of these memorandum accounts does not guarantee recovery of expenses booked to these accounts that have been otherwise authorized in rates or are imprudent or unreasonable.").
[132] Cal. Pub. Util. Comm'n, *Opinion Resolving Application*, D.04-03-039 (March 16, 2004), p. 39.
[133] Cal. Pub. Util. Comm'n, *Decision Approving an Effective Date for an Interim Memorandum Account*, D.19-01-019 (Jan. 10, 2019), p. 2.
[134] *Ibid.*
[135] *Id*. at pp. 2, 9.
[136] The only decision SoCalGas is aware of where the Commission found that a memo account gave utilities any kind of unfair competitive advantage is distinguishable from the facts here. In *In Matter of Application of Pac. Gas & Elec. Co*., D.97-08-056 (Aug. 1, 1997) 74 CPUC 2d 1, as part of the electric industry restructuring, the Commission eliminated Catastrophic Event Memorandum Accounts ("CEMAs") for electric generation-related costs for all utilities to avoid giving utilities a competitive advantage. Here, the Legislature passed a law (AB 1890) codifying the Commission's electric industry restructuring plan. As part of this restructuring and in accordance with the new law, the Commission

SoCalGas to track costs associated with the Project with no guarantee of recovery or Project approval does not impact the ability of unregulated entities to develop their own hydrogen-related projects. This includes unregulated entities who may fear that granting the Memo Account will subject them to Commission regulation. Indeed, as the Assigned Commissioner in this proceeding explained, "[f]or the Commission to grant the authority requested in the Application, which is for the establishment of a memorandum account, it is not necessary to resolve at this time the issue of whether the proposed Project is within the Commission's jurisdiction."[137] Therefore, the Commission's decision on the Memo Account will not affect whether hydrogen projects proposed by other non-utilities are subject to Commission jurisdiction either. As such, no party can reasonably claim that approving the Memo Account has any other effect other than to allow SoCalGas to record costs. That is hardly a competitive edge. To the contrary, approving the Memo Account Application will send a strong signal to the market about the scalability and commitment of California to developing a green hydrogen energy system at this time.

V. THE COMMISSION SHOULD NOT RESTRICT ACTIVITIES AND COSTS RECORDED BEYOND ESTABLISHED PARAMETERS

The Commission should authorize SoCalGas to record and track all Project-related expenses described in the Application because the Application satisfies Commission standards

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explained that it would "not permit allocations of generation cost to distribution customers." (*Id*. at p. *4.) Accordingly, the Commission eliminated the CEMAs for generation-related costs "so that these costs would not be recovered in distribution rates." (Cal. Pub. Util. Comm'n, *In Re Rulemaking on Commission's Proposed Pol'ys Governing Restructuring California's Elec. Servs. Indus. & Reforming Regul.*, D.99-03-061 (Mar. 18, 1999) 85 CPUC 2d 504, p.*5 [explaining the Commission's rationale in D.97-08-056].) In other words, the Commission saw no purpose for a memorandum account to track costs that it knew were unrecoverable based on the letter of the law. Unlike *In Matter of Application of Pac. Gas & Elec. Co*, the Commission has made no affirmative determination that hydrogen transportation costs are unrecoverable from any subset of ratepayers. As a result, this decision is inapplicable.

[137] Scoping Memo, p. 7.

for memorandum accounts. There is no reason for the Commission to impose additional limitations or exclusions beyond those described in the Application because establishing the Memo Account would not predetermine the recoverability of any Project costs tracked therein. Rather, the Memo Account would allow SoCalGas to track Project costs with a transparent mechanism and allow the Commission, at a later date, to determine the reasonableness and recoverability of any recorded costs. To that end, the Commission's standards of reasonableness will apply to separate and future cost recovery proceedings that are beyond the scope of this Memo Account proceeding.

A. As Proposed, the Memo Account Is Properly Limited

"[E]stablishing a memorandum account for a new and significant project is routine and noncontroversial, with the important ratemaking consequences to be addressed in a subsequent proceeding."[138] As explained in Section III above, memorandum account treatment is appropriate for all Project-related costs, unless "the costs are recoverable in a general rate case, the costs are not substantial, or the existence of the costs is speculative."[139] Because SoCalGas's Application meets these requirements, the Commission's inquiry should end for this proceeding, and the Commission should allow SoCalGas to record all Phase 1-3 costs in the Memo Account.[140] Thus, the Commission should not exclude certain costs or limit recorded costs to

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[138] D.16-08-003, *supra* note 47, p. 3 (granting utility's request to establish a memorandum account for $22 million of planning and engineering design costs for pipeline safety enhancement projects).
[139] D.18-06-029, *supra* note *46*, p. 7.
[140] *See id.* at pp. 2-10, 18 (holding that a memorandum account should not be limited to specific incidents or time periods if the applicant can show that all of the costs are not recoverable in a GRC, are substantial, and are not speculative).

certain time periods, phases, activities, or amounts based on additional considerations, as reasonableness will "be addressed in a future cost recovery proceeding."[141]

Further, the Commission has determined in other circumstances that all project-related costs should be recorded via "one ongoing" memorandum account rather than limit the account to certain time periods, phases, or activities because a single, ongoing account is less resource-intensive.[142] For example, the Commission approved PG&E's request to establish a Wildfire Expense Memorandum Account ("WEMA") to track PG&E's expenditures related to the 2015 Butte Fire as well as costs incurred for potential future fires.[143] TURN and ORA argued that the Commission should limit the WEMA to record PG&E's costs for the Butte Fire only, and exclude costs associated with potential future fires because they were uncertain.[144] The Commission rejected that argument, reasoning that "given the subsequent fire events in PG&E's territory, and California's acknowledgement of a significant increase in the risk for additional fire events, we find that the potential for significant fire-related costs is not speculative."[145] Further, the Commission found that using an ongoing memorandum account for all types of wild-fire related activities, in contrast to approving multiple time-specific or activity-specific accounts, would require less time, energy, and resources from the utility, Commission, and

[141] *Id.* at pp. 10, 18 (holding that specific criteria for rate recovery, such as incrementality, should be addressed in a future and separate cost recovery proceeding, rather than in the memorandum account proceeding); see also Cal. Pub. Util. Comm'n, *Order Instituting Rulemaking on the Commission's Own Motion to Adopt New Safety and Reliability Regulations for Natural Gas Transmission and Distribution Pipelines and Related Ratemaking Mechanisms*, D.12-04-021 (April 20, 2012), p. 7 ("The Commission will consider whether such properly recorded costs are reasonable and incremental as well as which costs, if any, may be recovered from ratepayers in revenue requirement at a later time[.]").
[142] D.18-06-029, *supra* note 46, pp. 2-8, 17-18.
[143] See *id* at pp. 1, 2-8.
[144] *Id.* at p. 3.
[145] *Id.* at pp. 7-8.

ratepayers.[146] Therefore, the Commission held that PG&E could establish one ongoing memorandum to track all costs related to the Butte Fire and any potential future fires.[147]

Similar to the WEMA case, the Memo Account would establish one memorandum account to track costs incurred during all three phases of the Project, rather than arbitrarily limit the costs to certain time periods, phases, or activities. Here, as in the WEMA case, SoCalGas's proposed costs satisfy the requirements for memorandum account treatment because they are incremental, substantial, and not speculative.[148] Therefore, there is no reason to impose additional limits on the Memo Account. Further, SoCalGas has committed to provide regular updates to the Commission as it refines Project design, which safeguards ratepayer and stakeholder interests as it creates touchpoints that allow for opportunities to evaluate the further recording of Project expenses, without imposing unnecessary constraints, or prematurely limiting areas of inquiry.[149] Given the protections in place following each phase, the Commission should authorize SoCalGas to track costs for the entire Project in the Memo Account.

In addition, there is no requirement that the tracked costs be subject to a pre-determined cap. Indeed, the Commission routinely approves memorandum accounts without caps or limits.[150] Caps may be appropriate for memorandum accounts that are established during GRC

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[146] *Id.* at pp. 6-8.
[147] *Id.* at pp. 8, 17-18.
[148] See Section III.D.
[149] Application, pp. 29-30.
[150] See, e.g., Cal. Pub. Util. Comm'n, *Resolution E-4687 PacifiCorp Request Authorization to Establish the Carbon Decommissioning Cost Memorandum Account (CDCMA)*, Resolution E-4687 (Jan. 20, 2015) (granting PacifiCorp's request to establish a memorandum account for an estimated $1.14 million in costs without specifying a cap on the amount of costs that could be recorded); D.12-04-021, *supra* note 141 (granting SDG&E's and SoCalGas's requests to establish memorandum accounts for an estimated $80 million of costs associated with the utilities' pipeline safety enhancement plans without specifying a cap on the amount of costs that could be recorded); D.18-06-029, *supra* note 46 (authorizing PG&E's request to record costs associated with potential future fires in a memorandum account without specifying a cap on the amount of costs that could be recorded); Cal. Pub. Util. Comm'n, Resolution E-4305 (Dec. 17, 2009) ("The Commission is concerned that the cost estimate is significantly high, but does not pass

proceedings to compare the utility's forecasted costs and actual costs, enabling the Commission to return any unused funds to ratepayers.[151] However, where a memorandum account is used to record incremental costs to preserve a utility's ability to seek cost recovery in a later ratemaking proceeding, a cap not only imposes an unnecessary and unneeded risk on the utility, but certain appropriate and reasonable work may not be able to be undertaken. Here, a cap would impose significant additional risk on SoCalGas for potential unreimbursed costs because SoCalGas could not later seek to recover even reasonable costs if they exceeded the cap – or would risk prematurely stopping Project activities to remain within the cap. Nor would a cap offer additional ratepayer protection. As explained above, all recorded costs are subject to subsequent reasonableness review, and SoCalGas's recovery would be limited to fair and justified rates, eliminating the need for a cap now.[152]

Because the Application satisfies the Commission's standards for a Memo Account as to each Project phase, the Commission should approve a Memo Account for Phases 1-3.

B. A Showing of "Minimal Standards of Reasonableness" Is Not Required for a Memo Account; the Commission Will Determine Reasonableness in Subsequent Cost Recovery Proceedings

While SoCalGas believes that all costs that would be recorded to the Memo Account would be "reasonable," the imposition of what the Scoping Memo calls "minimal standards of

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judgment on the costs at this moment. Instead, the Commission defers reasonableness analysis of the costs to a more suitable proceeding or at the time the costs are requested for recovery. The Commission acknowledges that there *are* costs related to these studies and allows *actual* study costs to be *recorded* in the [memorandum account].")

[151] See e.g., Pub. Util. Comm'n, *Opinion Authorizing An Increase In Rates, And Establishing Memorandum Accounts to Recover Costs Of A Generating Facility In Bear Valley Electric Service District*, D.05-04-016 (April 7, 2005), pp. 1-2.

[152] In a decision reviewing amounts already recorded in an existing memorandum account, the Commission explained that "[p]rotection is given to the ratepayers in the form of a reasonableness review ***when the dollars are transferred out of the memorandum account into ratebase***." Cal. Pub. Util. Comm'n, *Decision Determining Carrying Costs for Memorandum Account*, D.08-05-036 (May 29, 2008), p. 9 (emphasis added).

reasonableness"[153] for the Memo Account's tracked costs is unnecessary. As the Commission has repeatedly held, "tracking costs to a memorandum account does not create a presumption that those costs are appropriate for recovery."[154] Authorizing a memorandum account and identifying the costs to be recorded "does not pre-judge the reasonableness of these costs for rate recovery, for which [SoCalGas] must receive approval in a subsequent proceeding."[155]

Rather, a memorandum account "preserves the *opportunity* to seek recovery of [] costs *at a later date* without raising retroactive ratemaking issues."[156] "All costs recorded in [a memorandum account] are subject to a reasonableness review in a future formal proceeding initiated by [the utility]."[157] As part of the subsequent cost recovery review, the utility bears the burden of proving that "the costs have not been recovered through otherwise authorized rates; recovery of the types of costs recorded in the accounts . . . is reasonable; the utility acted prudently when it incurred these costs; and the level of costs is reasonable."[158] As such, the

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[153] Cal. Pub. Util. Comm'n, *Assigned Commissioner's Scoping Memo and Ruling*, A.22-02-007 (May 10, 2022), pp. 4-5 ("If the requested memorandum account meets the standards of approval, should the Commission require the following questions to be answered in any request for cost recovery to provide a foundation for minimal standards of reasonableness? Are there other questions not identified below that must be answered in any request for cost recovery to provide a foundation for minimal standards of reasonableness? a. How did the planning process consider the impacts to disadvantaged communities and address environmental justice and affordability concerns in the development of the Project? b. How did the planning process consider California environmental law and policies in the development of the Project? c. How did the planning process gather and address stakeholder concerns, such as source of green hydrogen and water, and the routes of the pipelines, including any proposals from Commission's Energy Division, in the process of developing its Project?").

[154] D.18-06-029, *supra* note 46, p. 10 (tracking costs to a memorandum account does not create a presumption that those costs may be recovered in rates and as such the Commission need not take further action to address incrementality).

[155] Resolution E-4687, *supra* note 150, p. 1; see also Cal. Pub. Util. Comm'n, *Review of California Pacific Electric Company, LLC (CalPeco) Request for Authorization to Establish a New Memorandum Account, Vegetation Management Memorandum Account (VMMA), To Record Its Vegetation Management Expenses*, Resolution E-4464 (May 10, 2012), pp. 8-9 ("the Commission is in no way pre-judging the reasonableness of the recovery of the costs booked in this account").

[156] Resolution E-4687, *supra* note 150, p. 5 (emphasis added).

[157] *Ibid.*

[158] Resolution E-4464, *supra* note 155, p. 8.

utility must "maintain detailed records of how these tracked costs were derived as to enable a determination of reasonableness by the Commission."[159]

SoCalGas does not request cost recovery in the Application.[160] SoCalGas simply requests authorization to establish the Memo Account to record Project costs. SoCalGas acknowledges that recording costs in the Memo Account does not automatically authorize recovery of those costs.[161] To SoCalGas's knowledge, establishing "minimum levels" of reasonableness has never been required in a Commission decision in order to qualify costs for inclusion in a memorandum account. To the contrary, Commission precedent shows that recording a cost in a memorandum account does not establish *any* level of reasonableness – "minimal" or otherwise.[162] In subsequent proceedings, SoCalGas will only recover costs that it demonstrates are reasonable. Setting "reasonableness" conditions in advance as part of Memo Account approval would be unprecedented and serve no purpose.

Nonetheless, SoCalGas understands and endorses the need to document how any recorded costs address the issues specified in the Scoping Memo for examination in a subsequent reasonableness review(s). Further, SoCalGas clearly understands that in such later reviews, the Commission and interested parties will be looking closely for evidence that SoCalGas has paid appropriate attention to all of the considerations mentioned in the Scoping Memo. Accordingly, in addition to the descriptions discussed in the Application and Reply to Protests, below

[159] See Resolution E-4687*, supra* note 150, p. 5.
[160] Application, p. 43.
[161] *Ibid.*
[162] See, e.g., Resolution E-4687, *supra* note 150, p. 5 ("All costs recorded in the [memorandum account] are subject to a reasonableness review in a future formal proceeding . . . . This Resolution does not prejudge what amounts recorded in the memorandum account PacifiCorp may recover in California customers' rates[.]").

SoCalGas discusses in more detail the work it intends to undertake during the feasibility and planning process in Phases 1-3 in each of the three areas highlighted by the Scoping Memo.

1. Impacts to Disadvantaged Communities/Environmental Justice and Affordability Concerns

As discussed further in Section VII, the planning process will consider and address impacts to disadvantaged and environmental justice communities through a robust and meaningful stakeholder outreach and engagement process, expert technical analysis and collaboration on environmental justice issues, and identification of preferred routing and design based on close evaluation of these and other environmental justice issues identified throughout the planning process and with stakeholder input.[163]

In addition, SoCalGas will research funding opportunities and collaborate with key stakeholders to alleviate affordability concerns.[164] SoCalGas has long recognized the importance of implementing programs to mitigate these issues.[165] SoCalGas is also actively participating in

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[163] Application, pp. 28-30; Reply to Protests, pp. 39-43.

[164] There is also evidence that hydrogen pipelines can be a cost-effective way to transport energy. A 2021 study concluded that the amortized cost of transporting energy via a hydrogen pipeline is approximately eight times less than the cost of transporting energy via electrical transmission lines. DeSantis et al., iScience Vol. 24, 103495, *Cost of long-distance energy transmission by different carriers* (December 17, 2021), available at https://www.sciencedirect.com/science/article/pii/S2589004221014668.

[165] As one example of SoCalGas's commitment to addressing affordability issues and its successful implementation of ratepayer programs, SoCalGas currently helps low income households save 20% on their monthly gas bill through its California Alternate Rates For Energy ("CARE") program. The CARE program is a low income energy rate assistance program established to provide a discount on energy rates to low income households with incomes at or below 200 percent of the federal poverty guideline. See Cal. Pub. Util., § 739.1. Under the CARE program, SoCalGas offers a 20% discount to qualifying households in order to lower their monthly gas bill. See SoCalGas, California Alternate Rates for Energy (CARE), available at https://www.socalgas.com/save-money-and-energy/assistance-programs/california-alternate-rates-for-energy. SoCalGas also provides economic relief to low-income communities through the following suite of programs: Arrearage Management Plan ("AMP"), Energy Services Assistance Program ("ESAP"), and Percent of Income Payment Plan ("PIPP"). See SoCalGas, *Affordability and the Energy System Transition*, slide 2, available at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/en-banc/niehaus-slides-v2-w-alt-image-and-link-text.pdf (AMP forgives past due arrearages for low-income participants in return for on-time payment of current monthly bills; ESAP treats over 126,000 homes with weatherization and energy efficiency measures;

the Commission's Affordability Rulemaking to help evaluate affordability proposals to control costs and mitigate both electric and natural gas rates.[166] To further protect ratepayer interests and address affordability concerns in connection with the Project, SoCalGas is exploring non-ratepayer funding opportunities, in collaboration with stakeholders. For instance, SoCalGas is collaborating with other stakeholders to apply for IIJA federal funds through the DOE's hydrogen hub program.[167] SoCalGas will continue to seek out opportunities as part of its effort to address environmental justice and affordability concerns during the Project's planning and development process.

In sum, the planning process will include stakeholder outreach, environmental review, technical studies, and important funding research that will consider and respond to environmental justice and affordability issues in the Project's planning.

2. California Environmental Law and Policies

Advancing California law and policies regarding climate change, GHG reductions, and air quality is central to this Project.[168] SoCalGas will conduct Phases 1-3 in compliance with, and considering, applicable climate and environmental laws and policies. SoCalGas has also proposed continuous interaction with State agencies and environmental groups through stakeholder outreach and the Planning Advisory Group.[169] Additional environmental analyses

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PIPP participants receive a monthly bill cap for current charges set at 4% of their household's monthly income and the cap for gas is 1% of annual income).

[166] See Cal. Pub. Util. Comm'n, *Affordability Rulemaking*, R.18-07-006, available at https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/affordability.

[167] As described above in Section I, the IIJA allocates $8 billion for development of at least four regional hydrogen hubs (e.g., networks of clean hydrogen producers, potential clean hydrogen consumers, and connective infrastructure in close proximity). Infrastructure Investment and Jobs Act, Pub. L. No. 117-58 (Nov. 15, 2021) § 40314, 135 Stat. 1008.

[168] Application, p. 7.

[169] The "Planning Advisory Committee" referenced in the Application is now referred to as the "Planning Advisory Group."

and considerations will necessarily be addressed in the CPCN application process proposed for Phase 3, which will address potential Project impacts, alternatives, and mitigation measures.

Throughout the planning process proposed in the Application, SoCalGas will identify potential green hydrogen production locations, pipeline routes, and customers that would benefit from the transportation and use of green hydrogen.[170] By identifying these opportunities and developing plans to implement the proposed Angeles Link project, SoCalGas can help the State implement its environmental laws and policies on climate change, decarbonization, air quality, and energy system reliability.[171]

3. Stakeholder Concerns Regarding Project Planning and Development

As described in the Application, SoCalGas understands that a broad range of stakeholders have an interest in the study and development of this Project, including potential end users, potential suppliers, environment and environmental justice community members, ratepayer advocates, union workforce, state agencies, and others.[172] Accordingly, as part of the Application, SoCalGas has proposed to implement a wide-reaching and transparent stakeholder engagement process throughout each phase of the Project.[173] The stakeholder process will allow SoCalGas to consider and respond to important issues, concerns, and viewpoints – including those identified in the Scoping Memo regarding workforce development, sources of green hydrogen and water, potential pipeline scenarios including pipeline routes, and any proposals from the Commission's Energy Division.[174]

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[170] See Application, pp. 21-23.
[171] *Id.* at pp. 30-34.
[172] Application, p. 23.
[173] Application, pp. 6, 23; Reply to Protests, pp. 41, 49.
[174] Application, pp. 4, 23, 29, 41.

As with the environmental justice issues discussed above and as described throughout this document, SoCalGas is committed to gathering and addressing stakeholder concerns through three primary tools: (1) stakeholder engagement via quarterly public webinars, town halls, and workshops to gather stakeholder feedback on Project planning, design, and development and to respond to key areas of concern; (2) interim reporting and updates to disseminate information to the Commission and the public regarding Project planning, design, and development through the Angeles Link website, published reports, and newsletters;[175] and (3) input from the Planning Advisory Group on key areas of stakeholder concern.[176] Each of these processes will feed into an iterative assessment and planning process that will consider stakeholder concerns.[177]

SoCalGas recognizes the critical importance of the issues and concerns raised by various stakeholders, including those the Scoping Memo identifies, and SoCalGas intends to fully consider them through its iterative, consultative processes.

VI. SOCALGAS IS COMMITTED TO SHARING THE RESULTS OF ITS ANALYSIS

The Scoping Memo asks whether SoCalGas should share all data and analyses gathered throughout the development of the Project with the Commission, other state agencies, stakeholders, and the public—and if so, how. As described in the Application and above, SoCalGas will share planning and technical information as part of the Planning Advisory Group,

[175] SoCalGas would provide copies of the reports to the service list for this Proceeding and make them publicly available on its website. Application, p. 30.
[176] "SoCalGas would use its best efforts to identify parties that would be appropriate participants on the Planning Advisory [Group] (including extending invitations to the CEC, CARB, and the Commission's Energy and Safety Divisions) and would coordinate with those parties to form and run the [Group] for the purpose of providing input to SoCalGas, on an advisory basis, regarding hydrogen market information and technical aspects of Project design and development." Application, pp. 29-30.
[177] *Id.* at pp. 39-43.

public workshops, and interim reports to the Commission and the public regarding Project status and updates.[178]

As described in the Application, Phase 1 of the Project would consist of refined supply, demand, pipeline configuration, storage analyses, and preliminary environmental review to support a pre-FEED analysis for options for the green hydrogen transport system.[179] SoCalGas recognizes that the Phase 1 activities will be of interest beyond Angeles Link, and that the information developed in Phase 1 will support the development of the green hydrogen economy more broadly. Thus, the results of the Project's activities will be made available. SoCalGas commits to releasing this information even if the Phase 1 results indicate that the Project is not feasible.

The Planning Advisory Group will serve as another means to inform the public about the Project. As envisioned by SoCalGas, the Planning Advisory Group will seek to collect and synthesize input from a wide array of stakeholders to inform SoCalGas on Project design related to (1) hydrogen market issues; (2) technical issues; (3) environmental impacts; and (4) environmental justice issues. While the precise makeup of the Planning Advisory Group is in progress, SoCalGas commits to invite stakeholders from government entities, environmental justice nonprofits, environmental nonprofits, labor groups, industry, academia, and ratepayer advocates. SoCalGas proposes that the Planning Advisory Group be led by a facilitator that has a reputation for consensus building. Bringing together a diverse set of viewpoints in a manner that leads to productive dialogue will be a key objective.

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[178] Some information may need to be redacted as confidential, such as proprietary, market sensitive, or trade secret information. If certain business confidential or trade secret information can be aggregated or anonymized, SoCalGas will endeavor to provide such information.
[179] Application, pp. 23-35.

The Planning Advisory Group meetings will be distinct from the public workshops where SoCalGas plans to provide more general updates about Project status and information learned to date. As described further in Section VII, SoCalGas is committed to undertaking this Project with equity and transparency as top priorities.

VII. THE PROJECT DEVELOPMENT PROCESS WILL CONSIDER AND ADDRESS IMPACTS TO LOW INCOME AND ENVIRONMENTAL JUSTICE COMMUNITIES

The Scoping Memo states that one of the issues to be resolved in this proceeding concerns what impacts the Memo Account could have on low income and environmental justice communities.[180] The transparency provided by the Memo Account, and SoCalGas's commitment to extensive stakeholder engagement activities, will directly benefit those communities that are most heavily impacted by fossil fuel-generated emissions and climate change impacts. In addition to the Project's inherent benefits of providing renewable, reliable energy solutions to the Los Angeles Basin, SoCalGas is committed to undertaking outreach to vulnerable and environmental justice communities in the Los Angeles Basin and along the identified Project route scenario(s) during the Project development process, consistent with Commission environmental justice policies and SoCalGas's own initiatives.

While the Memo Account itself will not affect low income and environmental justice communities—other than the positive benefits associated with advancing a renewable energy project and providing transparency to ratepayers—it is the first and essential step leading to a Project that will help to significantly decrease demand for natural gas, diesel, and other fossil fuels in the Los Angeles Basin, resulting in associated decreases in emissions from burning fossil

[180] Scoping Memo, p. 5.

fuels.[181] These emissions reductions from sources such as heavy-duty transportation will be particularly critical in addressing emissions-related health impacts, which are disproportionately borne by vulnerable and disadvantaged communities.[182] Studies show that Latinos, African-Americans, Asian-Americans, and low-income communities in California are exposed to greater levels of certain air pollutants such as particulate matter and NOx, and, in turn, suffer disproportionately from asthma-related burdens such as asthma attacks and emergency room visits.[183] These disproportionate impacts are particularly acute in the Los Angeles Basin. The South Coast Air Basin, which includes Orange County, and parts of Los Angeles, San Bernardino, and Riverside Counties, is consistently classified as having some of the worst air quality in the nation.[184]

The Project can help to alleviate many impacts to environmental justice communities by supplanting a portion of the existing fossil fuel use within the Los Angeles Basin in hard-to-electrify sectors. For instance, the Project could enable the heavy-duty trucking industry (which is especially committed to servicing the Ports of Los Angeles and Long Beach) to transition from diesel to green hydrogen fuel cells, displacing up to 3 million gallons of diesel fuel per day and eliminating the related emissions of criteria pollutants such as NOx and $PM_{2.5}$.[185] Similarly, the Project could facilitate the transition of natural gas-powered generating stations in the Los

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[181] See Section I, *supra*.
[182] See, e.g., U.S. Environmental Protection Agency, *Power Plants and Neighboring Communities*, available at https://www.epa.gov/airmarkets/power-plants-and-neighboring-communities.
[183] See Cal. Air Resources Bd., *Higher 'asthma burden' among minorities, low-income groups tied to increased exposure to air pollution*, (Oct. 13, 2013), available at https://ww2.arb.ca.gov/news/higher-asthma-burden-among-minorities-low-income-groups-tied-increased-exposure-air-pollution.
[184] Cal. Air Resources Bd., *CARB approves air quality plan for South Coast Air Basin ahead of 2023 clean-air deadline* (Dec. 12, 2019), available at https://ww2.arb.ca.gov/news/carb-approves-air-quality-plan-south-coast-air-basin-ahead-2023-clean-air-deadline.
[185] SoCalGas, *Angeles Link – Shaping the Future with Green Hydrogen*, https://www.socalgas.com/sustainability/hydrogen/angeles-link; Application, p. 29.

Angeles Basin to green hydrogen, leading to proportionate decreases in emissions from such facilities and alleviating related health impacts.[186] With respect to heavy duty transportation, by shifting to green hydrogen from higher polluting fuels, the Project could eliminate nearly 25,000 tons of smog-forming NOx and 14.3 million metric tons of CO_2 from the air annually—equivalent to taking 3.1 million cars off the road.[187] As stated in the Application, SoCalGas acknowledges that while hydrogen does not release any CO_2 emissions, hydrogen combustion (including specifically that associated with electric generation) may result in criteria air pollutant emissions, particularly NOx.[188] We are confident that as existing and emerging technologies that reduce NOx emissions advance, SoCalGas's electric generating unit customers using green hydrogen will be able to decrease their NOx emissions and stay well within permit conditions, and we will support those efforts.[189]

By supporting the transition to renewable in-Basin electricity generation, and providing much needed resiliency for California's electric grid, the Project can also increase climate resiliency in environmental justice communities. Added electrical grid resiliency will be all the more important as Californians are increasingly faced with both extreme heat and widespread power outages.[190] Factors such as poverty, linguistic isolation, housing insecurity, and the results of redlining policies are closely correlated with increased risk of heat-related illness and

[186] See, e.g., Application, p. 17.
[187] SoCalGas, *supra* note 185.
[188] Application, p. 29.
[189] Reply to Protests, p. 42.
[190] See, e.g., Courtney Friel and Carlos Saucedo, *Power shutoffs possible for Californians this summer*, KTLA (May 10, 2022), available at https://ktla.com/news/california/power-shutoffs-possible-for-californians-this-summer/; Anne C. Mulkern, *California Faces Summer Blackouts from Climate Extremes*, Scientific American (May 23, 2022), available at https://www.scientificamerican.com/article/california-faces-summer-blackouts-from-climate-extremes/.

death.[191] The Project's ability to provide renewable and climate-resilient power can complement recent state actions to improve grid reliability in the face of extreme heat events, thereby supporting heat-resilient communities.[192] As noted in NREL's "LA100: The Los Angeles 100% Renewable Energy Study," dispatchable power generation assets "form an insurance policy to keep the lights on when things go wrong, including bad weather, hot weather, and fires that take down transmission lines."[193]

Beyond these tangible benefits to environmental justice communities and the Los Angeles Basin writ large, SoCalGas is committed to engaging in outreach to and engagement with environmental justice and low income communities during each of the proposed three phases. Approving the Memo Account will make this critical stakeholder engagement transparent through tracking and monitoring of the initial Project activities and related costs.

Specifically, as discussed above in Sections V.B. and VI, SoCalGas is committed to establishing a Planning Advisory Group, holding periodic public workshops as the Project proceeds, including at the end of each phase and once preferred routes are identified, and submit interim reports to the Commission and the public regarding Project status and updates.[194] SoCalGas has also committed to holding "periodic touchpoints" that will allow community groups to provide feedback on the Project if the Application is approved.[195] This stakeholder

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[191] Cal. Nat. Resources Agency, *Protecting Californians from Extreme Heat: A State Action Plan to Build Community Resilience*, (Apr. 2022), pp. 1-2, available at https://resources.ca.gov/-/media/CNRA-Website/Files/Initiatives/Climate-Resilience/2022-Final-Extreme-Heat-Action-Plan.pdf.
[192] See *id.* at pp. 34-40.
[193] Jaquelin Cochran, and Paul Denholm, *The Los Angeles 100% Renewable Energy Study*, National Renewable Energy Laboratory, NREL/TP-6A20-79444 (March 2021), Executive Summary, p. 29, available at https://www.nrel.gov/docs/fy21osti/79444-ES.pdf. SoCalGas requests that the Commission take official notice of Cochran and Denholm's *The Los Angeles 100% Renewable Energy Study*, National Renewable Energy Laboratory, NREL/TP-6A20-79444 (March 2021).
[194] Application, pp. 29-30.
[195] Reply to Protests, p. 41.

engagement process will allow SoCalGas to account for and address potential Project impacts to environmental justice communities. Indeed, SoCalGas has already commenced stakeholder meetings, the first set of which took place via public webinars in May. During Phases 1 and 2, SoCalGas will continue to seek environmental justice community input regarding proposed pipeline routing scenarios, enabling SoCalGas to proactively address impacts to such communities from Project construction and operation.[196] Consistent with the Commission's General Order 156 supplier diversity goals for regulated IOUs, while SoCalGas has made important investments as part of its Diverse Business Enterprise program,[197] during Phase 2, SoCalGas plans to conduct additional analysis to identify supplier diversity opportunities for the Project.[198] In Phase 3, environmental justice considerations will be studied and addressed in the CPCN application for the Project.[199]

Throughout Phases 1-3, SoCalGas is also committed to supporting the goals of the Commission's environmental justice policies. The activities that would be undertaken as part of the Memo Account would be consistent with the goals of the Commission's Environmental and Social Justice Action Plan (the "Action Plan"), as updated in April 2022.[200] In providing the

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[196] Application, p. 26; Reply to Protests, pp. 37, 42.

[197] For example, in 2021, total spend with diverse businesses was $973 million with 577 different diverse suppliers. 42% of total purchases were with diverse suppliers. Over the last 5 years, SoCalGas has spent $3.9 billion with diverse business enterprises. See SoCalGas, *Supplier Diversity 2021 Annual Report* available at https://www.socalgas.com/sites/default/files/2021-02/SupplierDiversity_AnnualReport.pdf.

[198] Application, p. 26.

[199] SoCalGas will appropriately track such outreach and assessment activities and associated expenditures in accordance with established Commission precedent and with Commission and FERC accounting requirements. See Reply to Protests, pp. 49-50 (citing *Alaskan Northwest Natural Gas Transportation Co.*, 19 FERC ¶ 61,218, ¶ 61,429 (1982) ["Just and reasonable expenditures incurred to keep the general public informed on the progress of the project and other public relations activities are proper expenses to be borne by ratepayers . . ."].).

[200] See Cal. Pub. Utils. Comm'n, *Environmental and Social Justice Action Plan*, available at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf.

above-described environmental benefits and extensive outreach to environmental justice communities, SoCalGas's efforts will be informed by the nine goals set forth in the Action Plan, as described below:[201]

- **Goal 1: Consistently Integrate Equity and Access Considerations Throughout CPUC Proceedings.** Approving the Memo Account would enable stakeholder engagement through the tracking and monitoring of preliminary Project activities and costs. SoCalGas's proposed stakeholder process goes above and beyond that typically required for early stages of potential new projects.
- **Goal 2: Increase Investment in Clean Energy Resources to Benefit Environmental and Social Justice ("ESJ") Communities, Especially to Improve Local Air Quality and Public Health.** As described above, the Project would improve regional air quality by supporting the move from diesel combustion in heavy duty transportation and adoption of green hydrogen use in hard-to-electrify industrial sectors.[202] As discussed, these benefits are particularly valuable to the low income communities most heavily affected by fossil fuel-related emissions.
- **Goal 3: Strive to Improve Access to High-Quality Water, Communications, and Transportation Services for ESJ Communities.** As discussed, the Project would support the move from diesel combustion in heavy duty transportation and would explore whether green hydrogen could support new sources of clean transportation for vulnerable and environmental justice communities.

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[201] See *id.* at pp. 23-26.
[202] SoCalGas, *supra* note 185; Application, pp. 17, 29.

- **Goal 4: Increase Climate Resiliency in ESJ Communities.** Green hydrogen transportation infrastructure and hydrogen storage would facilitate in-Basin electricity generation and provide much needed resiliency for the State's electric grid, translating to climate resiliency in environmental justice communities.[203]
- **Goal 5: Enhance Outreach and Public Participation Opportunities for ESJ Communities to Meaningfully Participate in the CPUC's Decision-Making Process and Benefit from CPUC Programs.** As discussed, SoCalGas has committed to a robust stakeholder engagement process to address community concerns and gather input on potential impacts. SoCalGas will review and assess potential environmental justice concerns as part of its evaluation of potential system options in Phases 1 and 2, and will study environmental justice considerations in its CPCN application. As the Project progresses to an identified route and design, SoCalGas will engage and respond to community questions, concerns, and needs—including those expressed by vulnerable and environmental justice communities.
- **Goal 6: Enhance Enforcement to Ensure Safety and Consumer Protection for All, Especially for ESJ Communities.** Consumer protection for environmental justice and vulnerable communities is at the forefront of SoCalGas's commitment to transparency and stakeholder engagement for to this Project.
- **Goal 7: Promote High Road Career Paths and Economic Opportunity for Residents of ESJ Communities.** SoCalGas believes that an innovative energy infrastructure

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[203] The underground infrastructure for the Project would protect energy system resiliency by providing underground energy transportation services in wildfire-prone areas where overhead power lines could present increased fire risk. See, e.g., Cal. Governor's Office of Emergency Servs, *California Adaptation Planning Guide* (June 2020) p. A-12 to A-13, available at https://www.caloes.ca.gov/HazardMitigationSite/Documents/CAAdaptation-Planning-Guide-FINAL-June-2020-Accessible.pdf.

project, like the Project, can create new jobs and economic benefits for those in environmental and social justice communities. In fact, the nation's hydrogen industry has the potential to generate an estimated 700,000 jobs by 2030, providing continuing career opportunities for current, experienced gas system workers.[204]

- **Goal 8: Improve Training and Staff Development Related to Environmental and Social Justice Issues within the CPUC's Jurisdiction.** The scale of this Project, coupled with the Project's intended benefits for environmental justice communities, provides Commission staff with a unique opportunity to engage on environmental issues in the Los Angeles Basin. Staff training and development on environmental and social justice issues would also be supported through the collaborative stakeholder engagement process outlined above.
- **Goal 9: Monitor the CPUC's Environmental and Social Justice Efforts to Evaluate How They Are Achieving Their Objectives.** As discussed above, the Project's robust stakeholder engagement process and the benefits the Project would provide to environmental justice communities would help the Commission achieve its environmental and social justice objectives.

Beyond Project-specific public outreach and engagement efforts, SoCalGas is also committed to addressing environmental justice and sustainability issues at a Company-wide level. Among these efforts is SoCalGas's ASPIRE Sustainability Strategy, which is designed to strengthen the Company's goal of achieving net-zero GHG emissions by 2045. Further, pursuant to D.20-08-046, SoCalGas is preparing a Community Engagement Plan, which will discuss how

[204] U.S. DOE, *Hydrogen Shot Summit: John Kerry Opening Remarks* (Aug. 31, 2021), available at https://www.energy.gov/eere/fuelcells/hydrogen-shot-summit-john-kerry-opening-remarks-text-version#:~:text=There%20is%20nothing%20more%20important,Thank%20you.

the Company will promote equity in disadvantaged and vulnerable communities as part of SoCalGas's adaptation to climate change, so that these communities are not "left behind due to their inability to garner their own resources to fund related climate adaptation measures."[205] Consistent with D.20-08-046, SoCalGas will file its first Community Engagement Plan in 2024.[206] In preparing the Community Engagement Plan, SoCalGas is developing publicly-available maps that will identify disadvantaged and vulnerable communities in the company's service territory.[207] SoCalGas intends to use these maps in Phase 1 and 2 analyses on impacts to environmental justice and vulnerable communities, and to guide Project-related outreach to such communities.

Additionally, a significant component of SoCalGas's Research Development & Demonstration ("RD&D") program is supporting widespread access to clean, affordable, and reliable energy in environmental justice communities within SoCalGas's service territory.[208] In 2021, the RD&D Program, in coordination with the SoCalGas Regional Public Affairs group, conducted five community outreach sessions to facilitate a dialogue with leaders from community-based organizations from across the SoCalGas service territory.[209] Participants included El Concilio Family Services, Black Voice Foundation, Asian Youth Center, Community Action Partnership of Kern, UC Riverside, and CSU Los Angeles.[210] Based on the feedback received in these sessions, the RD&D Program launched an Equity Engagement Roadmap to identify specific activities that the RD&D Program will undertake to enhance the

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[205] D.20-08-046, *supra* note 90, pp. 109-110
[206] *Id.*, p. 74.
[207] *Id.*, p. 13.
[208] *See* Southern California Gas Company, Prepared Direct Testimony of Armando Infanzon, 2024 General Rate Case (May 2022), p. AI-51.
[209] *Ibid.*
[210] *Ibid.*

equity component of the program. SoCalGas will consider feedback received during RD&D activities in the Project planning process, and will continue to implement these environmental justice outreach programs—in addition to those directly related to the Project—throughout each phase of the Project.

Critically, as stated above, apart from the benefits associated with advancing a potential green hydrogen transport system and providing transparency to ratepayers and stakeholders, approving the Memo Account itself will have no negative impact on vulnerable and environmental justice communities. Rather, the Application only seeks approval to track Project costs, and does not now seek any cost recovery. Recording those costs in the Memo Account allows for a fair and accurate evaluation process for SoCalGas and concerned stakeholders.

VIII. CONCLUSION

For the reasons set forth above and in the Application, SoCalGas respectfully requests that the Commission move forward expeditiously and approve the Angeles Link Project Memo Account.

Respectfully submitted,

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ATTACHMENT A

PROPOSED MEMORANDUM ACCOUNT PHASES

Phase	Task
Phase 1: est. 12-18 months, $26M[1]	
Demand and supply analysis	o Refined assessment of expected green hydrogen demand o Identification of initial and subsequent end users in the Los Angeles Basin, including the anticipated timing for any necessary facility conversions to allow for the use of hydrogen as a fuel source o Refined assessment of potential sources of green hydrogen production to meet the identified demand
Environmental and real estate	o High-level, preliminary study of hydrogen storage options to facilitate system operability, processing, and reliability o Development of Project options and alternatives o Preliminary routing analyses, consisting primarily of desktop studies. Routing options to be studied include existing pipeline corridors or rights-of-way, other known existing rights-of-way, designated federal energy corridors, and the need for new rights-of-way ▪ The routing studies would evaluate operability technical considerations, major crossings, elevations, terrain types, and other potential geographic challenges and environmental permitting challenges, in order to identify up to two preferred routes o Preliminary environmental impact analyses, including direct impacts of pipeline, compressor station, and storage construction and indirect impacts associated with green hydrogen production and end uses o A high-level risk assessment and ability to permit analysis
Engineering and Design	o Pipeline sizing and design criteria (5% design) o Development of a safety requirement plan

[1] The cost estimates for Phase 1 and Phase 2 are "rough order of magnitude" classified by the Association for the Advancement of Cost Engineering ("AACE") as Class 5 conceptual cost estimates (-50%/+100%) as defined in AACE International Recommended Practice No. 18R-97. All estimates are based on Q3 2021 U.S. dollars. Estimated costs include anticipated third-party contractor, consultant and legal costs; Company labor; and contingency (20%) and indirect costs, including but not limited to Allowance for Funds Used During Construction, property tax, and labor overheads (35%). The estimates are limited to the activities described in the Application, and are based on actual preliminary engineering costs for previous SoCalGas major capital projects between 2016 and 2021, as adjusted to reflect the additional complexity inherent in the Project.

Phase	Task
	○ Identification of high-level long-term system and operational requirements, including meeting identified safety and reliability requirements
Costs	○ A high-level economic analysis of potential Project costs, procurement and execution logistics, schedule, and green hydrogen pricing (supportive of a Class 5 cost estimate for the Project)
Stakeholder engagement/external coordination	○ Stakeholder meetings and engagement ▪ First public webinars held in May 2022 ○ Develop and implement Planning Advisory Group (for technical advice and collaboration on project design and development) and periodic public workshops
Phase 2: est. 18-24 months, ~$92M	
Environmental and real estate	○ Identification of a preferred route(s) and more detailed routing analysis for the preferred route(s), to consider easements, geography, and environmental considerations ○ Desktop evaluation of environmental issues, including environmentally sensitive areas, cultural resources, environmental justice, water crossings, and other issues ○ Analysis of land rights and permitting strategy and alternatives ○ Option analysis and preferred option selection ○ Upon identification of preferred option, complete refined implementation plans, including: ▪ Refined environmental impacts analyses
Engineering and Design	○ Validation of constraints and requirements for basis of design, including design and capacity criteria ○ Validation of applicable safety and reliability requirements and a refined plan for complying with those requirements during project construction, operation, and maintenance ○ Refined analysis of hydrogen storage options to facilitate system operability, processing, and reliability ○ Option analysis and preferred option selection ○ Upon identification of preferred option, complete refined engineering and implementation plans, including: ▪ A FEED study for the preferred system design; and ▪ Refined risk assessment
Costs	○ Upon identification of preferred option, complete refined engineering and implementation plans, including: ▪ Refined cost and schedule estimates (Class 4 cost estimate or better)

Phase	Task
Stakeholder engagement/external coordination	○ Development and execution of a Project Outreach and Communication Plan ○ Continued stakeholder meetings and engagement
Procurement	○ Identify long-lead procurement risks ○ Upon identification of preferred option, complete refined implementation plans, including: ▪ A preliminary Project Execution Plan, including a contracting strategy, risk register, and material procurement plan; and ▪ Identification of supplier diversity opportunities
Phase 3: est. 18-30 months, costs to be refined upon results of Phases 1-2	
Environmental and real estate	○ Development of a Proponent's Environmental Assessment ○ Further refined climate impacts analysis ○ Preparation of CPCN application and other long-lead environmental permit applications
Engineering and Design	○ Further refined Project design and engineering drawings, specifications, and timelines ○ Updated safety requirement implementation plan for Project construction, operation, and maintenance
Costs	○ Further refined project costs in preparation for CPCN application
Stakeholder engagement/external coordination	○ Continued stakeholder meetings and engagement
Procurement	○ Updated/refined Project Execution Plan, refined contracting strategy, risk register and material procurement plan