

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Application of Southern California Gas Company (U 904 G), San Diego Gas & Electric Company (U 902 G), and Southwest Gas Corporation (U 905 G) to Establish Hydrogen Blending Demonstration Projects.

Application 22-09-006
(Filed September 8, 2022)

PROTEST OF THE UTILITY REFORM NETWORK

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PROTEST OF THE UTILITY REFORM NETWORK

On March 1, 2024, Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Pacific Gas and Electric Company (PG&E), and Southwest Gas Corporation (Southwest Gas) (collectively, the Joint Utilities) filed an amended application seeking Commission approval of various “hydrogen blending” demonstration projects by each utility. The *Ruling on Responses/Protests to Amended Application and Prehearing Conference* issued on March 12, 2024, set April 19, 2024 as the due date for protests to the amended application. The Utility Reform Network (TURN) submits this protest to the amended application.

I. Grounds of the Protest And Issues To Be Considered

A. The Commission Must Address All Well-Supported Criticisms and Concerns Raised by Other Parties Regarding the Proposed Projects.

The Commission needs to first determine whether to authorize the Joint Utilities to pursue the hydrogen blending demonstration projects as ratepayer-funded activities. TURN has reviewed the protest the Sierra Club filed in response to the initial application, and believes it raises a number of valid and deeply concerning issues that may warrant denying ratepayer funding of any amount for these projects.¹ TURN understands that the Sierra Club is likely to present similar concerns in a protest to the Amended Application.

¹ Sierra Club Protest (October 12, 2022).
<https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M497/K621/497621760.PDF>

B. The Utility-Proposed Ratemaking Must Be Modified To Provide For Effective Review Necessary to Determine Whether Above-Authorized Costs are Reasonable Prior to Permitting Rate Recovery of Such Costs.

If the Commission authorizes any ratepayer-funded spending on any of these demonstration projects, it must establish appropriate review for the associated costs such that the utilities' ratepayers are only required to bear costs the Commission determines to be reasonable. Each of the utilities has proposed ratemaking that would be subject to a two-way balancing account (a new Hydrogen Blending Demonstration Project Balancing Account, with subaccounts that would cover different types of costs, such as costs of the "project" itself as distinct from "administrative" costs that include the independent review and report preparation). But to the extent the recorded costs exceed the amount the Commission authorizes as reasonable at this time, there would be no effective review of those above-authorized costs. SoCalGas, SDG&E, and PG&E each proposes to have whatever amount is recorded in the balancing account flow through the end-of-year advice letter through which a number of balancing accounts are added to the authorized revenue requirement for the following year.² Southwest Gas appears to propose a similar approach, but does not mention a specific update filing that might serve as the vehicle for making the annual adjustments described in its testimony.³ There appears to be no limit to the amount that could be recorded

² SoCalGas proposes to recover the project costs through its annual Regulatory Accounts Balance update filing. Chapter 6, p. 1. SDG&E proposes to recover the project costs through its Annual Regulatory Accounts Update Filing, although capital assets would be included in a future general rate case. Chapter 7, pp. 1-2. PG&E proposes to recover the project costs through its Annual Gas True-Up advice letter. Chapter 9, p. 2.

³ Chapter 8, pp. 1-3.

for the costs and recovered in this manner. Each utility estimates a significant revenue requirement for its proposal.⁴ As PG&E states in its testimony,

Because this Project is a pilot in an emerging technology and represents a new type of work for PG&E, it is more difficult to estimate associated project costs than for work that PG&E performs regularly in the ordinary course of business. As a result, Project costs may be higher or lower than originally forecast.⁵

To the extent the Commission chooses to rely on a balancing account or similar ratemaking device to permit the utilities the opportunity to achieve rate recovery of amounts that are higher than originally forecast, it must also adopt ratemaking that will ensure those amounts are themselves reasonable. The end-of-year advice letter does not provide for the level of review that constitutes an assessment of cost reasonableness; it is more in the nature of an annotated invoice. For projects such as these proposed demonstration activities, more is required to make a meaningful determination of reasonableness.

Therefore, the Commission should recognize that an issue within the scope of this proceeding is the appropriate ratemaking to adopt to ensure that only reasonable costs are included in the authorized revenue requirement and thereby eligible for rate recovery. TURN submits that for a new activity such as the proposed gas blending projects, the reasonableness review of recorded amounts of above-authorized costs should take place in an application setting. Should the Commission choose to rely on the advice letter process, it must require a Tier 3 advice letter such that the review occurs subject to Commission approval (rather than staff approval).

⁴ The amounts range from approximately \$10 million for Southwest Gas to approximately \$95 million for PG&E, although the PG&E figure includes a capital revenue requirement that would likely continue past 2036, the end of the period PG&E used for its forecast.

⁵ Chapter 9, p. 2.

II. Effect of the Application on the Protestant

TURN is a non-profit consumer advocacy organization and has a long history of representing the interests of residential and small commercial customers of California's utility companies before this Commission. TURN's articles of incorporation specifically authorize our representation of the interests of residential customers. The instant application will have a direct effect on the interests of each of the four gas utility's residential and small commercial ratepayers, whose interests TURN represents, to the extent it seeks authorization to require those ratepayers to pay costs that are not just and reasonable for the provision of safe and reliable gas service by each of the Joint Utilities.

III. Proposed Categorization, Need for Evidentiary Hearings, and Proposed Schedule

The Joint Utilities propose that this application be categorized as ratesetting, and "anticipate that evidentiary hearings will not be necessary."⁶ TURN agrees that ratesetting is the appropriate category for this proceeding. However, TURN believes based on the degree of factual dispute that was displayed in the original protests submitted in response to the original application that it is reasonable to assume that evidentiary hearings will be required. The Joint Utilities anticipate a need for both intervenor and rebuttal testimony, both of which suggest material that would identify and respond to factual disputes, and further suggests at least the potential need for evidentiary hearings.

IV. Conclusion

TURN looks forward to further discussing these issues at an upcoming prehearing conference.

⁶ Amended Application, p. 26.

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Respectfully submitted,

By: _____ /s/ _____

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