

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



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In The Matter of the Application of
Southern California Gas Company (U 904
G) for Authorization to Implement Revenue
Requirement for Costs to Enable
Commencement of Phase 2 Activities for
Angeles Link.

Application 24-12-011

**COMMENTS OF THE CALIFORNIA STATE PIPE TRADES COUNCIL ON THE
PROPOSED DECISION**

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SUMMARY OF RECOMMENDED CHANGES TO PROPOSED DECISION

- Approve SoCalGas' request for cost recovery for the Angeles Link Project Phase 2 Activities

TABLE OF AUTHORITIES

California Statutes

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THE PROPOSED DECISION**

Pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure, the California State Pipe Trades Council (CSPTC)¹ submits these comments on the Proposed Decision Denying Southern California Gas Company’s Request for Cost Recovery from Ratepayers for Phase 2 Activities for Angeles Link Project (PD).

I. INTRODUCTION

Without reaching the jurisdictional issues posed by the Commission in this phase of the proceeding, the PD prematurely and with prejudice denies SoCalGas’ application for \$266 million for the Angeles Link Project Phase 2 activities based on two main findings: (1) the Project is in the planning stage and may not become operational and dedicated to public use, and (2) SoCalGas has not identified ratepayers that would directly benefit from the Project and deviating from cost-

¹ United Association Local Union 250, which represents the piping trades in Los Angeles, Orange, Ventura, Santa Barbara, Riverside and San Bernardino counties, is not a party to this proceeding but fully supports the comments of the CSPTC.

causation principles for the Project is not warranted. Each of these findings is flawed. The Project's planning stage does not bar Commission approval of Phase 2 activities and the Project would benefit all ratepayers consistent with California's hydrogen policy.

The Commission should act within its authority to encourage, not discourage, utilities to advance state policy objectives for decarbonization. The Commission should revise the PD to approve recovery of costs (or at least most costs) for Angeles Link Phase 2 activities.

II. THE PROJECT'S PLANNING STAGE DOES NOT BAR THE COMMISSION FROM APPROVING PHASE 2 ACTIVITIES

The PD concludes that it cannot approve the Project because it is in the planning stage and not constructed, used and useful, or dedicated to the public. The PD is wrong. There are myriad examples where the Commission has put research and project development costs in rates. These include, for example, PG&E's Climate Protection Tariff, demand flexibility pilot projects managed by PG&E and SCE, and electric vehicle charging infrastructure.² The Electric Program Investment Charge (EPIC) is another example of the Commission exercising its authority to put public interest research and development costs in rates.

To fund EPIC, the Commission requires SDG&E, PG&E and SCE to collect a surcharge on customer bills. Surcharge revenue supports a wide range of clean energy research and development projects in California, including research to

² A.24-12-011, *Southern California Gas Company (U 904 G) Reply to Protests and Responses*, p. 11, Feb. 3, 2025.

facilitate the commercialization of emergent clean energy technologies and demonstration projects for these technologies:

EPIC drives innovation and advances science and technology in energy efficiency, load flexibility, renewable energy and advanced clean generation, transportation, grid transmission and distribution, and energy-related environmental protection, among other areas important to California's electricity system. EPIC is funded by a ratepayer surcharge from the state's investor-owned utilities and its investments deliver benefits back to ratepayers. EPIC is overseen by the California Public Utilities Commission (CPUC) and administered by the California Energy Commission (CEC) and investor-owned utilities. CEC-administered EPIC investments support applied research and development, clean energy demonstration and deployment projects, and market facilitation activities, that both benefit electricity ratepayers and lead to technological advancements that can help overcome key barriers to the state's statutory energy goals.³

The legality of funding EPIC through a surcharge absent explicit statutory authority was challenged and upheld in *Southern California Edison Co. v. Public Utilities Commission* (2014). The Court of Appeal held that the Commission's broad constitutional power over utility regulation and statutory authority to "do all things, whether specifically designated in [the Public Utilities Act] or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction,"⁴ empowered the Commission to establish and fund EPIC through a surcharge on customer rates.⁵

In reaching this conclusion, the Court reasoned that clean energy research and development funded through EPIC is "cognate and germane to the

³ CEC, *Commission Report: Electric Program Investment Charge 2023 Annual Report* p. iii (Apr. 2024), <https://www.energy.ca.gov/sites/default/files/2024-04/CEC-500-2024-028-CMF.pdf>.

⁴ Pub. Util. Code § 701.

⁵ *Southern California Edison Co. v. Public Utilities Commission* 227 Cal.App.4th 172, 187 (2014).

[Commission’s] inherent power to regulate and supervise utilities . . . and fix[] rates.”⁶ The Court further held that the Commission has explicit authority to authorize and fund EPIC because section 399.8 declares it “the policy of this state and the intent of the Legislature that prudent investments in energy efficiency, renewable energy, and research, development and demonstration shall continue to be made.”⁷ Absent a clear and explicit legislative prohibition, the Commission retains authority to do all things necessary and convenient in exercising its jurisdiction:

Given the PUC's vast, inherent power to take any action that is cognate and germane to utility regulation, supervision, and ratesetting, unless specifically barred by statute, ***there is no question that the PUC has the inherent authority to create EPIC and to impose fees necessary to carry out that program.*** EPIC directs electric utility corporations to ***invest in research into, and development of, renewable electric energy sources and technologies*** designed to lower costs, increase safety, and improve reliability of electricity service ***for the benefit of these corporations' own customers***, and fixes a surcharge on those same ratepayers to recover the cost.⁸

By analogy, this case equally allows the Commission to authorize rate recovery for Phase 2 studies that are designed to facilitate decarbonization for the benefit of all ratepayers consistent with policy directives and planning objectives identified by the Legislature in SB 1075, the Governor’s Hydrogen Market Development Strategy, CARB’s 2022 Scoping Plan, CEC’s 2023 IEPR, and the Commission’s own determination in Phase 1 that “***it serves the public interest for SoCalGas to***

⁶ *Id.*

⁷ *Id.* (citing Pub. Util. Code § 399.8(a)).

⁸ *SCE*, 227 Cal.App.4th, p. 187.

perform feasibility studies of the Project immediately.”⁹ Thus, the Commission can socialize Phase 2 costs to ratepayers.

Public Utilities Code sections 400.3, 399.8 and 701 as well as legislative intent language adopted in SB 1075 make clear that the Commission can approve SoCalGas’ application even though the Project is in the pre-construction phase. SB 1075 added section 400.3 to the Public Utilities Code, which states:

The commission, State Air Resources Board, and Energy Commission shall consider green electrolytic hydrogen an eligible form of energy storage and shall consider other potential uses of green electrolytic hydrogen in their decarbonization strategies. . . to reduce or eliminate emissions of greenhouse gases.¹⁰

CARB incorporated hydrogen gas into its 2022 Scoping Plan, calling for “accelerating the transition from combustion of fossil fuels to hydrogen” and identifying a need for “about 1,700 times the amount of current hydrogen supply” by 2045.¹¹ The CEC found that the state must significantly scale up hydrogen gas service as part of the state’s gas transition and that “delivery by pipeline may be the most feasible delivery pathway.”¹² In this context, the Commission has broad authority to and should explore opportunities to commercialize hydrogen utilities that would fall under its jurisdiction (*i.e.*, Angeles Link).

The meaning of Section 400.3 is increasingly clear when read in light of the findings and declarations of SB 1075, which state:

⁹ D.22-12-055, p. 16 (emphasis added).

¹⁰ Pub. Util. Code § 400.3.

¹¹ CARB, *2022 Scoping Plan for Achieving Carbon Neutrality* pp. 2, 9, 73-74, 77-78 88 (Nov. 2022), https://ww2.arb.ca.gov/sites/default/files/2022-12/2022-sp_1.pdf.

¹² CEC, *2023 IEPR* pp. 10, 63, 69 (Oct. 2023), <https://www.energy.ca.gov/data-reports/reports/integrated-energy-policy-report-iepr/2023-integrated-energy-policy-report>.

It is the intent of the Legislature to develop a leading green hydrogen industry in California in order to provide accelerated clean air, climate, and energy benefits, better integrate existing and new renewable resources into the electrical grid; support forest management, short-lived climate pollutant and waste management goals; create jobs; and provide new clean technology to decarbonize challenging sectors.¹³

Accordingly, the Legislature has conferred broad authority on the Commission, in addition to its powers over public utility regulation, to determine how to facilitate hydrogen gas infrastructure development in California consistent with explicit state policy goals to accelerate decarbonization, improve air quality, facilitate renewable energy integration, and create and protect quality jobs.¹⁴ The Commission can and should facilitate the development of Angeles Link consistent with this directive.

Sections 399.8 and 701 underscore the Commission’s authority to facilitate the development of clean energy resources, including hydrogen gas utility services.

Section 399.8 states:

In order to ensure that the citizens of this state continue to receive safe, reliable, affordable, and environmentally sustainable electric service, it is the policy of this state and the intent of the Legislature that ***prudent investments in energy efficiency, renewable energy, and research, development and demonstration shall continue to be made.***¹⁵

This language reinforces the Commission’s broad authority to facilitate investment in hydrogen gas utility services “to develop a leading green hydrogen industry in California.”¹⁶

¹³ SB 1075, § 1(b), 2022 Cal. Sess. (enacted) (emphasis added).

¹⁴ *Id.*

¹⁵ Pub. Util. Code § 399.8 (emphasis added).

¹⁶ SB 1075, § 1(b), 2022 Cal. Sess. (enacted).

Moreover, section 701 grants the Commission authority to “do all things, whether specifically designated in [the Public Utilities Act] or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction.”¹⁷ The California Supreme Court has interpreted this language to mean that when the Commission is granted authority to exercise a particular power, it also holds implied authority to act incidental to that power: “It is an elementary rule of law that the power to grant a particular relief carries with it all the incidental, necessary and reasonable authority to grant that which is less.”¹⁸

The Commission has explicit power to facilitate the development of emerging clean energy markets, including green hydrogen gas utilities that, once built, would be used and useful and dedicated to the public. The Commission can and should revise the PD to authorize SoCalGas’ application to recover costs to plan a hydrogen pipeline system.

III. THE PROJECT ALIGNS WITH STATE POLICY WHICH BENEFITS ALL RATEPAYERS

The PD finds that SoCalGas has not identified ratepayers that would directly benefit from the Project and deviating from cost-causation principles for the Project is not warranted. The Project will have broad public benefits. Where there are public policy costs, as is here, the Commission can and should depart from typical cost causation principles.

¹⁷ Pub. Util. Code § 701.

¹⁸ *Toward Utility Rate Normalization v. Pub. Utils. Comm’n*, 44 Cal. 3d 870, p. 878 (1988).

The Commission’s ratemaking authority under the California Constitution and Public Utilities Code is intentionally broad and has long been exercised to socialize costs where doing so advances broad public interests or systemwide benefits.¹⁹ The Commission has repeatedly approved broad cost recovery for programs supporting research and development, renewable procurement, and other public purpose initiatives, even when benefits to customers may be diffuse or indirect.²⁰

The Commission has also departed from standard cost-causation principles numerous times and determined that such departures were just and reasonable under the circumstances.²¹ These departures highlight the Commission’s immense flexibility to tailor ratemaking to the factual and policy contexts before it. This enables the Commission to set rates in light of evolving circumstances to advance state public policy goals.

The public policy objectives identified in SB 1075 supports approving cost recovery for Phase 2 activities because they are in the public interest. SB 1075 states the intent of the Legislature “to develop a leading green hydrogen industry in California” in order to (1) accelerate clean-air, climate, and energy benefits; (2) integrate renewable resources into the grid; (3) support forest-management and short-lived climate-pollutant goals; (4) create and protect quality jobs; and (5)

¹⁹ CSPTC Opening Br., pp. 12-15.

²⁰ *Id.*

²¹ TURN Opening Br., pp. 13-16.

deploy new clean technologies to decarbonize hard-to-electrify sectors.²² Angeles Link project would advance these policy goals.

Angeles Link could deliver significant, meaningful clean energy and air quality benefits across Southern California. Hydrogen can facilitate decarbonization by displacing fossil fuels in hard-to-electrify sectors, including in industrial applications, dispatchable gas generation and heavy-duty transportation.²³ SoCalGas estimates that full project implementation could avoid 4.5 to 9 million metric tons of CO₂.²⁴ The project would also reduce NO_x emissions by 3,800 to 5,200 tons per year, yielding measurable air quality and public health benefits in regions of Southern California that continue to fail federal air quality standards:

The NO_x and Air Emissions Assessment . . . showed that in 2045 the Angeles Link system could result in a reduction of up to 5,200 tons per year of NO_x emissions, primarily due to fuel displacement in the mobility sector. This value is equivalent to approximately 90% of the NO_x reductions that the South Coast Air Quality Management District has proposed to be achieved by 2037 for total stationary (i.e., not mobile) commercial and large combustion source NO_x control measures in their 2022 Air Quality Management Plan.²⁵

Many of these air quality improvements will accrue in disadvantaged communities in the South Coast Air Basin.²⁶

²² SB 1075, § 1(b), 2022 Cal. Sess. (enacted).

²³ See Angeles Link Phase 1 Studies Consolidated Report pp. 4-5 (Dec. 2024), <https://www.socalgas.com/sites/default/files/alproject/Angeles-Link-Phase-1-Consolidated-Report.pdf>; SoCalGas Opening Br., pp. 19-20; see also CARB, 2022 Scoping Plan for Achieving Carbon Neutrality pp. 2, 73-74, 77-78 88 (Nov. 2022), https://ww2.arb.ca.gov/sites/default/files/2022-12/2022-sp_1.pdf.

²⁴ See Angeles Link Phase 1 Studies Consolidated Report pp. 4, 15-17 (Dec. 2024), <https://www.socalgas.com/sites/default/files/alproject/Angeles-Link-Phase-1-Consolidated-Report.pdf>.

²⁵ *Id.*, p. 15.

²⁶ *Id.*

Further, Angeles Link can enhance grid reliability and renewable integration by converting surplus renewable energy into hydrogen for long-duration storage and dispatchable generation.²⁷ This capability would help the state meet reliability needs during peak and extreme-weather events while facilitating deeper renewable penetration.²⁸

Angeles Link is also projected to generate roughly 53,000 direct construction positions and 75,000 total jobs.²⁹ These positions support California's commitment to ensure that the state's decarbonization efforts expand, rather than erode, opportunities for skilled gas utility and pipe trades workers. By creating a pathway for existing workers to apply their expertise in constructing, operating, and maintaining energy infrastructure and by creating new clean energy careers, Angeles Link will help ensure that California's energy transition is equitable and inclusive, consistent with SB 1075's mandate to create and protect quality jobs.

The Legislature could not have been clearer. SB 1075 provides explicit policy direction to support hydrogen infrastructure and market development. That is more than sufficient to justify socializing Phase 2 costs across SoCalGas's rate base in the public interest.

²⁷ See Angeles Link Phase 1 Final Demand Study pp. 12-15 (Dec. 2024), https://www.socalgas.com/sites/default/files/alproject/Angeles-Link-Phase-1-Final-Demand-Study.pdf?utm_source=chatgpt.com.

²⁸ *Id.*

²⁹ See Angeles Link Phase 1 Workforce Planning & Training Evaluation Final Report p. 41 (Dec. 2024), <https://www.socalgas.com/sites/default/files/alproject/Angeles-Link-Phase-1-Final-Workforce-Planning-&-Training-Evaluation.pdf>.

IV. CONCLUSION

California law and policy leave no ambiguity: the development of green hydrogen infrastructure is central to achieving the state's air quality, decarbonization, clean energy and workforce objectives. Authorizing cost recovery for Phase 2 work is consistent with these objectives and would be a proper exercise of the Commission's ratemaking authority. Accordingly, the Commission should revise the PD to approve SoCalGas' request for Phase 2 cost recovery.

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Respectfully submitted,

/s/

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APPENDIX A

PROPOSED CHANGES TO FINDINGS OF FACT AND CONCLUSIONS OF LAW

Findings of Fact

1. SoCalGas did not accept IIJA funding for the development of the Project.
2. The projected cost of Phase 2 Activities has increased from \$92 million to \$266 million since SoCalGas initially proposed the Project.
3. SoCalGas ~~did not~~ sufficiently identifyied its natural gas ratepayers that might receive direct benefits as end users for the Project as required in D.22-12-055.
4. The Project is not yet constructed, used and useful, or dedicated to the public.
5. ~~Because the renewable hydrogen Project is in the planning stage, there is uncertainty about the Project's costs, construction, how the Project will develop, and delivery of benefits to SoCalGas natural gas ratepayers, including accelerating clean-air, climate, and energy benefits, integrating renewable resources into the grid, supporting short-lived climate-pollutant goals, creating and protecting quality jobs, and deploying new clean technologies to decarbonize hard-to-electrify sectors.~~

Conclusions of Law

1. It is reasonable to approve ~~deny~~ SoCalGas' request to implement a revenue requirement for the cost of Phase 2 Activities.
2. It is reasonable to move to Phase 2B of ~~close~~ this proceeding.