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

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) for Authorization to Recover Costs Recorded in Its Angeles Link Memorandum Account.	Application 25-06-011 (Filed June 12, 2025)

RESPONSE OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) TO ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING PARTY RESPONSES TO QUESTIONS

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Southern California Gas Company (SoCalGas) hereby submits its response to the Administrative Law Judge's (ALJ) Ruling Requesting Party Responses to Questions dated May 29, 2026.

I. INTRODUCTION

Through this Application, SoCalGas seeks authorization to recover the costs recorded in the Angeles Link Memorandum Account (ALMA) for the completed Angeles Link Phase 1 activities, comprising $24.3 million in operating and maintenance (O&M) costs and a total requested revenue requirement of $24.7 million. This Application concerns recovery of completed Phase 1 feasibility study and activity costs expressly authorized by Decision (D.) 22-12-055 (Phase 1 Decision), not prospective funding for future project-development activities. The issues presented here therefore differ fundamentally from those addressed in D.26-04-034 (Phase 2A Decision) concerning Phase 2 of Angeles Link.

As set forth in detail below, recovery of the Phase 1 costs is just and reasonable, and the California Public Utilities Commission (Commission or CPUC) can and should authorize that recovery in this proceeding. The Commission expressly authorized and directed the Phase 1 activities in D.22-12-055 based on the substantial public interest benefits they were expected to provide, imposed a $26 million cost cap and detailed compliance requirements, and directed SoCalGas to seek recovery in a subsequent application subject to an after-the-fact reasonableness review—precisely the showing SoCalGas has made in this Application. Nothing in the Phase 2A Decision, which denied a prospective revenue requirement for approximately $266 million of new Phase 2 activities, alters that recovery framework for the completed Phase 1 feasibility studies at issue in this proceeding.

As demonstrated herein, ratepayer recovery of the Phase 1 costs is just and reasonable because the Commission expressly authorized those activities based on the substantial public interest benefits they were expected to provide, and because those benefits were realized through completion of the Phase 1 activities. Because all ratepayers benefit, SoCalGas proposed in its Application to allocate the Phase 1 costs across all ratepayers using the equal cents per therm (ECPT) methodology; however, even if recovery were limited to the direct beneficiaries identified in D.22-12-055, those costs could appropriately be recovered from SoCalGas's non-core retail and core Natural Gas Vehicle (NGV) customers.[1] The appropriate time for recovery is now, and the Commission should evaluate SoCalGas's compliance with the requirements of D.22-12-055 and the reasonableness of the Phase 1 activities in this proceeding.

In addition, the Commission need not reach the broader question of whether it has jurisdiction over Angeles Link to authorize cost recovery here. Under Public Utilities Code Section 701, the Commission has authority to review and authorize the revenue requirement associated with costs recorded in the ALMA, and it may resolve that narrower and sufficient question without deciding project jurisdiction. Further, SoCalGas proposes that the proceeding continue on the schedule adopted in the September 29, 2025 Scoping Memo, with the triggering event for the first milestone adjusted to the ruling resolving the questions now before the Commission.

II. BACKGROUND

On February 17, 2022, SoCalGas filed Application (A.) 22-02-007 requesting authority to establish a memorandum account to record the costs of planning Angeles Link, envisioned as a first-of-its-kind, non-discriminatory, open-access pipeline system dedicated to public use for the transport of clean renewable hydrogen to end users across Central and Southern California, including the Los Angeles Basin.

On December 15, 2022, the Commission issued the Phase 1 Decision, approving establishment of the ALMA and authorizing SoCalGas to record up to $26 million in incremental Phase 1 costs—including stakeholder engagement and engineering, design, and environmental

[1] Specifically, electric generation, non-core commercial, non-core industrial, industrial refinery, and core customers on the NGV rate.

feasibility studies—based on its conclusion that "the public interest is served if SoCalGas studies whether Angeles Link is feasible, cost-effective, and viable."[2] The Phase 1 Decision established the framework under which SoCalGas could later seek recovery, requiring SoCalGas to satisfy the conditions in Ordering Paragraph (OP) 3 and to demonstrate that the recorded costs and activities meet, at a minimum, the project-specific standards in OP 5, and directing that SoCalGas "shall file for recovery of these costs in a separate application."[3]

Consistent with the Phase 1 Decision, SoCalGas joined the Alliance for Renewable Clean Hydrogen Energy Systems (ARCHES) in support of California's application for federal funding under the Infrastructure Investment and Jobs Act,[4] which led to Angeles Link's inclusion in California's successful hydrogen hub application to the U.S. Department of Energy (DOE), established the ALMA by Tier 1 advice letter, and commenced the Phase 1 feasibility studies in January 2023. SoCalGas completed Phase 1 within approximately twenty-four months and under the authorized cost cap, culminating in the publication of over a dozen technical studies, a Framework for Affordability Considerations (Affordability Framework), and an Environmental and Social Justice Community Engagement Plan (ESJ Plan) in December 2024.

On December 20, 2024, SoCalGas filed A.24-12-011 (Phase 2 Application), seeking authority to implement a revenue requirement of approximately $266 million for Phase 2 activities, including a 30 percent front-end engineering and design (FEED) study and additional stakeholder engagement. On June 12, 2025, SoCalGas filed this Application (A.25-06-011), seeking recovery of the Phase 1 costs recorded in the ALMA.

On September 29, 2025, the assigned Commissioner issued a Scoping Memo and Ruling that keyed this proceeding's schedule to a decision in the Phase 2 Application. On April 30, 2026, the Commission issued the Phase 2A Decision, denying SoCalGas's request for ratepayer cost recovery of Phase 2 activities, and on May 1, 2026, the ALJ suspended the schedule in this

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2 D.22-12-055 at 68 (Conclusion of Law (COL) 4).

3 *Id.* at 52 ("To receive recovery of the Phase One costs recorded in the Angeles Link Memo Account, SoCalGas shall file for recovery of these costs in a separate application, demonstrating that the costs and activities recorded in the account meet, at a minimum, the additional project-specific standards set forth above in this decision.")

4 *Id.* at 33 ("Because of the importance of the federal funding opportunity to the public interest, we require SoCalGas to join other entities that are members of the Alliance for Renewable Clean Hydrogen Energy Systems (ARCHES) in support of the State of California's application for the federal funding provided through the IIJA").

proceeding. Following issuance of the Phase 2A Decision and suspension of the procedural schedule, the ALJ issued a ruling directing parties to address specific questions. SoCalGas's responses to those questions are provided below.

III. RESPONSES TO QUESTIONS

1. Is it just and reasonable for ratepayers, or a subset of ratepayers, to be responsible for the costs of Phase 1 Activities?

Yes, it is just and reasonable for ratepayers to be responsible for the costs of Phase 1 activities because the Commission expressly authorized those activities based on the substantial public interest benefits they were expected to provide and because those benefits were ultimately realized.

a. If yes, please provide the specific subset of ratepayers that benefit from Phase 1 Activities and those that should be responsible for the costs.

All ratepayers benefit from Phase 1 activities, and SoCalGas therefore proposed, and continues to support, allocation of the Phase 1 costs across all ratepayers. The Commission authorized the Phase 1 activities because they were expected to generate broad public interest benefits extending well beyond any future hydrogen end users, and many of those benefits were realized through completion of the Phase 1 activities, which included publication of the studies, robust stakeholder engagement, information-sharing, and policy development enabled by those activities. Accordingly, allocation of Phase 1 costs across all ratepayers is reasonable. However, even if the Commission were to limit cost recovery to the direct beneficiaries identified in D.22-12-055, recovery from those customers would remain justified. Those direct beneficiaries are SoCalGas's non-core retail and core NGV customers, who, at a minimum, should be responsible for the Phase 1 costs.

In D.22-12-055, the Commission determined that it served the public interest for SoCalGas to "immediately"[5] undertake the Phase 1 feasibility studies and authorized SoCalGas to record up to $26 million in costs for later review and recovery. The public interest benefits identified by the Commission in D.22-12-055 included the immediate benefits of conducting the studies themselves and positioning California for federal funding and the benefits associated with a potential hydrogen pipeline. Indeed, the Commission found that "[w]hile no project is before

[5] D.22-12-055 at 63 (Finding of Fact (FOF) 13).

us now, we agree that initiating the feasibility studies, which is a predicate to the Angeles Link Project, serves the public interest by supporting the opportunity to bring hydrogen at scale, thus lowering the cost of hydrogen and creating economic opportunities and new jobs."[6] D.22-12-055 further provided that:

- "The Angeles Link Project has the potential to bring public interest benefits to the state and especially the Los Angeles area, because clean renewable hydrogen has the potential to decarbonize the state's and the Los Angeles Basin's energy use and bring economic opportunities and new jobs to the Los Angeles region."[7]
- "Investing in the Angeles Link Project serves the public interest by potentially bringing hydrogen at scale to lower the costs of hydrogen and creating economic opportunities and new jobs."[8]
- "The data and analyses that SoCalGas plans to share with stakeholders resulting from its Phase One studies should be beneficial to the development of the clean renewable hydrogen industry and thus serve the public interest."[9]
- “The Angeles Link Project could help position California to receive federal funding provided through the [Infrastructure Investment and Jobs Act (IIJA)]"[10]
- “Because of these potential public interest benefits, the confluence of current events, including recent federal legislation, regional initiatives, and local interests, it serves the public interest for SoCalGas to perform feasibility studies of the Project immediately.”[11]

The Commission found that the studies themselves served the public interest because they would generate information, advance hydrogen policy development, support stakeholder engagement, and position California to take advantage of federal funding opportunities. Phase 1 delivered each of those benefits. The Commission’s rationale for authorizing Phase 1 activities was not limited to the possibility that Angeles Link might ultimately be constructed. In fact, in D.22-12-055 the Commission adopted a cautious, phased approach designed to protect ratepayers, providing that it would review the results of the Phase 1 feasibility studies before

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6 *Id.* at 29.

7 *Id.* at 61 (FOF 1).

8 *Id.* at 62 (FOF 3).

9 *Id.* (FOF 7).

10 *Id.* (FOF 10).

11 *Id.* at 16.

SoCalGas could record costs for any subsequent phase—an approach the Commission found "better protects ratepayers and is preferable."[12]

The broad benefits through Phase 1— publicly available research advancing the hydrogen industry and its emerging role in decarbonization, economic development, and job creation; positioning California for federal funding; and transparent stakeholder engagement—are not limited to potential hydrogen end users. Instead, they accrued broadly to ratepayers and the public at large and were realized through completion of the Phase 1 studies, publication of the study results, development of the Affordability Framework and ESJ Plan, participation in ARCHES, and extensive stakeholder engagement.

- *Phase 1 Studies.* Collectively, the Phase 1 studies—spanning demand, production planning, safety, pipeline design, routing, environmental analysis, economics, workforce planning, and more—advanced understanding of how clean renewable hydrogen ecosystems could be developed to support current gas customers in deeply decarbonizing and meeting the state's climate objectives. Among other findings, the studies quantified Angeles Link's potential to deliver significant greenhouse gas reductions, NOx reductions, and the creation of thousands of jobs in the region. This body of work was itself a core benefit of Phase 1 because it produced the information necessary to inform rapidly evolving state and stakeholder decision-making on whether and how to further invest in clean renewable hydrogen infrastructure in service of those customers' needs. In addition, during the development of the Phase 1 studies, the workshops, quarterly reports, and stakeholder engagement helped inform hydrogen policy development and shaped the ARCHES process.
- *Publicly Available Data Advancing Hydrogen Development.* SoCalGas made all Phase 1 study data publicly available, and the work has already been leveraged for broader technical and policy analysis across California—including being cited as a case study in the California Air Resources Board's Senate Bill (SB) 1075 Technical Analysis Workshop[13] and in a University of California, Los Angeles (UCLA) study on the water footprint of hydrogen production.[14] These contributions to statewide hydrogen policy development are precisely the outcome D.22-12-055 envisioned when it found that sharing

[12] *Id*. at 22.

[13] Energy & Environmental Economics (E3), *CARB Public Workshop Materials: Analysis of Hydrogen in California for Senate Bill 1075 Report* (February 25, 2025), *available at:* https://ww2.arb.ca.gov/sites/default/files/2025-02/sb-1075-workshop-022525-presentation-e3.pdf.

[14] UCLA Luskin Center for Innovation, *Exploring the Water Footprint of "Green" Hydrogen for Power Generation in California* (April 2025), *available at:* https://innovation.luskin.ucla.edu/wp-content/uploads/2025/04/Exploring-the-Water-Footprint-of-Green-Hydrogen-for-Power-Generation-in-CA.pdf.

Phase 1 results "will benefit both the public and parties interested in the emerging clean renewable hydrogen marketplace."[15]

- *Positioning California for Federal Funding.* The Commission found that "[t]he Angeles Link Project could help position California to receive federal funding provided through the IIJA"[16] and, because of the importance of that opportunity, required SoCalGas to join ARCHES. To support the success of the California Hydrogen Hub, during the Phase 1 time period, SoCalGas coordinated with ARCHES, and Angeles Link was included in ARCHES' April 2023 application to DOE. SoCalGas's Angeles Link segments comprised over 76% of the pipeline infrastructure detailed by ARCHES for the hub in its application. The two segments would have been connected by the broader Angeles Link system. Additionally, ARCHES had formed working groups to gather sector insights to provide a foundation for the State's forthcoming Hydrogen market strategy. Subsequently, in October 2023, the DOE selected the CA Hydrogen Hub to receive up to $1.2 billion in federal funding, which resulted in a $12.6 billion cooperative agreement.
- *Transparent Stakeholder Engagement.* SoCalGas conducted numerous planning advisory group (PAG) and community based organization stakeholder group (CBOSG) meetings,[17] exceeding the minimum frequency required in response to stakeholder demand, and engaged DAC and ESJ communities, labor groups, environmental organizations, ratepayer advocates, and industry representatives. This engagement benefited the public broadly by making certain that diverse interests were heard and by building a transparent foundation for hydrogen policy development in California. Beyond Angeles Link itself, the Phase 1 stakeholder engagement process has yielded a broader public benefit: it established a replicable model for comprehensive, inclusive stakeholder engagement that can inform and shape engagement best practices in other proceedings and processes.[18]

The Commission need not conclude that every SoCalGas customer would ultimately take hydrogen service from Angeles Link to authorize recovery of Phase 1 costs. The Phase 1

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15 D.22-12-055 at 58.

16 *Id.* at 62 (FOF 10).

17 SoCalGas held 27 meetings and workshops with PAG and CBOSG members, as well as more than 30 one-on-one meetings with members to solicit feedback on the studies and stakeholder engagement process.

18 *See* Angeles Link Phase 1 Quarterly Report (Q4 2024), Appendix 4 (PAG and CBOSG Meeting Transcript) at 103 (statement of Michael Colvin, Environmental Defense Fund: "I think the power of the PAG has been, since we had the phase one decision, but before we launched into phase two, is amazing dialogue. We are going to be going into this really understanding with all the caveats what your studies did, why making sure the scope of those studies were accurate, it's been extraordinarily productive."), *available at:* https://www.socalgas.com/sites/default/files/Q4-2024-Angeles-Link-Phase1-Quarterly-Report-Appendices.pdf.

activities generated broad public-interest benefits that accrued well beyond future hydrogen end users. For these reasons, SoCalGas proposed and continues to support broad cost allocation via ECPT methodology. The Commission has authorized ECPT allocation for analogous public-goods programs whose benefits extend beyond direct service recipients, including the CARE program (recovered from all customers through the Public Purpose Program Surcharge) and the System Reliability Memorandum Account (which benefits a subset of customers but is spread over all customers on a per-therm basis).[19] This methodology reduces the burden on any one class of customers and recognizes the public interest benefits received from Phase 1. Broad allocation also imposes only a minimal impact: under ECPT, the average residential bill would increase by approximately $0.11 per month for one year (totaling $1.32), and the average CARE customer bill by approximately $0.06 per month.[20]

Nevertheless, even if the Commission were to focus solely on direct beneficiaries as defined in D.22-12-055, recovery from the subset of ratepayers who could potentially take hydrogen service is justified. D.22-12-055 found that the direct beneficiaries of Phase 1 activities are "1) the existing ratepayers who can potentially take service of the hydrogen gas from Angeles Link Project as an alternative source of carbon-free energy and 2) future customers taking service from the Angeles Link Project."[21] The Commission's identification of direct beneficiaries can be viewed as establishing a minimum set of customers from whom Phase 1 costs may reasonably be recovered; it need not limit recovery to those customers. Indeed, the Commission expressly deferred the allocation determination to this proceeding, stating that "[t]he set of benefiting ratepayers will be determined when SoCalGas files for cost recovery."[22]

The Phase 1 Demand Study identified both existing and future SoCalGas ratepayers who would be potential end-users of Angeles Link. Existing ratepayers include "power generation facilities, industrial customers such as metal fabrication shops, food and beverage manufacturing/processing facilities, stone/glass/cement facilities, pulp and paper, chemicals, mobility customers such as bus fleet operators and other heavy-duty vehicle operators that take

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19 Prepared Direct Testimony of Jenny Chhuor and Michael W. Foster, Chapter 6 – Revenue Requirement, Cost Recovery and Rates (June 12, 2025) at JC-MWF-5.

20 *Id.* at JC-MWF-1, 7.

21 *See* D.22-12-055 at 68 (FOF 47).

22 *Id.* at 22.

service from SoCalGas CNG stations, and refineries, among others." Future potential ratepayers "include non-utility served heavy-duty vehicle operators, commercial harbor craft operators, ocean-going vessel operators, and locomotive operators."[23] Accordingly, if the Commission determines that only direct beneficiaries as defined in D.22-12-055 should be responsible for Phase 1 costs, then costs should be allocated to SoCalGas's non-core retail and core NGV customers. If recovered from these customers over 12 or 24 months, the typical impacted customer rates would increase by approximately 0.6 cents per therm or 0.3 cents per therm, respectively. For reference, under SoCalGas's original cost allocation proposal, the increase would be approximately 0.3 cents per therm across all customer classes for 12 months.

Thus, whether the Commission evaluates Phase 1 through the lens of the broad public interest benefits identified in D.22-12-055 or through the narrower lens of the direct beneficiaries identified in that decision, recovery of Phase 1 costs is just and reasonable. To the extent parties disagree regarding the appropriate allocation methodology, those issues can be litigated by the parties and resolved by the Commission in this proceeding.

b. If yes, when would be an appropriate time for cost recovery from ratepayers for Phase 1 Activities?

The appropriate time to review and authorize recovery of the Phase 1 costs is now. In D.22-12-055, the Commission established a clear framework for the Phase 1 activities. The Commission authorized SoCalGas to undertake specified feasibility studies, authorized the recording of those costs in the ALMA, imposed a cost cap, required SoCalGas to provide periodic reporting, and directed SoCalGas to seek cost recovery through a subsequent application. The Commission further specified the showing SoCalGas would be required to make before recovery could occur (see Response 1.c). Those requirements have been satisfied.

The Phase 1 Activities were completed in December 2024. SoCalGas thereafter filed this Application seeking recovery of the recorded costs and demonstrating compliance with the requirements established in D.22-12-055. The Commission therefore need not decide whether Angeles Link will ultimately be constructed, whether it will enter service, or whether it will become a used-and-useful utility asset. The question presented by this Application is the question contemplated by D.22-12-055 pursuant to its phased approach: whether the Phase 1

[23] Angeles Link Phase 1 Demand Study Final Report – December 2024 at 18.

costs were incurred within the scope of the Commission's authorization and whether those costs were reasonable and prudent in light of the facts known at the time. Because they were, recovery should be authorized.

Nothing in the Phase 2A Decision altered the recovery framework established in D.22-12-055 or created a categorical rule that all Angeles Link costs may only be recovered if and when the project is constructed, dedicated to public use, and used and useful. The Phase 2A Decision addressed a fundamentally different request.[24] There, SoCalGas sought authorization for a prospective revenue requirement associated with approximately $266 million of new Phase 2 Activities, including a 30 percent front-end engineering and design (FEED) study and additional stakeholder engagement activities. The Commission denied that request based on the particular record developed in that proceeding, including the increase in projected study costs, affordability concerns, the absence of anticipated federal funding offsets, and continuing uncertainty regarding the project's future.

This Application presents none of those issues. Instead, SoCalGas seeks recovery of approximately $24.7 million of completed Phase 1 feasibility study costs that the Commission expressly authorized SoCalGas to record in the ALMA pursuant to D.22-12-055, subject to a later reasonableness review. Accordingly, the relevant inquiry in this proceeding is whether the recorded costs were incurred consistent with the Commission's authorization and whether those costs were reasonable and prudent when incurred. The relevant inquiry is not whether Angeles Link has been constructed or is presently providing utility service. Reading the Phase 2A Decision to impose such a requirement would effectively rewrite D.22-12-055 and eliminate the cost recovery pathway the Commission established for the Phase 1 activities.

Moreover, the Commission has long recognized that the reasonable costs of feasibility studies may be recovered regardless of whether the underlying project has been constructed, placed into service, or ultimately proceeds to development.[25] Such activities are valuable

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[24] Notably the Phase 2 proceeding did not include Phase 1 cost recovery within its scope; the two proceedings were not consolidated; and D.22-12-055 established the requirements governing Phase 1 cost recovery before SoCalGas commenced Phase 1 activities.

[25] *See, e.g.*, D.09-12-014 (authorizing Southern California Edison (SCE) to recover up to $17 million in Phase 1 feasibility study costs and up to $13 million in Phase 2 FEED costs associated with the Hydrogen Energy California (HECA) project); D.08-04-038 (approving SCE's request to conduct a feasibility study for a Clean Hydrogen Power Generation Plant and rejecting the argument that study

because they generate information necessary for utility planning and informed Commission decision-making. Their recoverability does not depend upon the eventual construction of the project being studied. The Commission's treatment of hydrogen feasibility study expenditures in the Hydrogen Energy California proceeding illustrates this principle.[26] There, the Commission authorized recovery of costs incurred to evaluate and develop a potential hydrogen project before the project was constructed or became operational. The recoverable item was not a used and useful utility asset. Rather, it was the reasonable cost of studies and analyses undertaken to determine whether the project should move forward and to provide information necessary for future utility and regulatory decisions.

The same principle applies here. The Phase 1 Activities consisted of feasibility studies, engineering analyses, stakeholder engagement, environmental and permitting assessments, market analyses, technical evaluations, and related work that the Commission expressly directed SoCalGas to undertake. The purpose of those activities was to generate information regarding the feasibility, costs, benefits, and public interest implications of Angeles Link, and more broadly, to be beneficial to the development of the clean renewable hydrogen industry and thus serve the public interest. That information was developed and delivered exactly as contemplated by D.22-12-055.

Further, the costs at issue are O&M costs associated with completed feasibility study activities. SoCalGas is not seeking to place an asset into rate base. Rather, SoCalGas seeks recovery of the reasonable costs of completed feasibility work that the Commission authorized and directed it to perform. The traditional "used and useful" principle[27] is therefore inapplicable. That doctrine generally governs whether utility plants may be included in rate base and earn a return from customers.[28] The Phase 1 activities did not create a utility plant; they generated

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costs should not be recovered until after a plant begins commercial operation); D.07-03-013 (authorizing Pacific Gas and Electric Company (PG&E) to record up to $14 million in costs for a renewable energy feasibility study, and noting that "cost recovery should […] be predicated on PG&E prudently managing and conducting the study regardless of study results"); D.06-12-040 (authorizing California-American Water Company (Cal-Am) to recover preconstruction costs, including environmental studies, permitting, and engineering services, prior to a Certificate of Public Convenience and Necessity (CPCN) being issued).

[26] *See generally,* D.09-12-014.

[27] Pub. Util. Code § 1005.5(d).

[28] D.11-05-018.

information. The relevant question is whether the costs of generating that information were reasonably and prudently incurred, not whether a future project arising from that information is used and useful. D.22-12-055 itself confirms this distinction. The decision authorized SoCalGas to record Phase 1 costs in the ALMA and directed SoCalGas to seek recovery through a later application subject to a reasonableness review. The decision did not condition recovery on a future showing that Angeles Link had become used and useful. Had the Commission intended to impose such a requirement, it could have done so. It did not.

Further, the Phase 2A Decision itself recognized that the Commission may make exceptions to the general "used-and-useful" rule, where doing so is in the public interest. This proceeding presents exactly such circumstances. The costs were incurred pursuant to Commission authorization, remained below the Commission-approved cap, were prudently incurred, and produced information and public interest benefits that the Commission specifically sought when it approved the Phase 1 Activities. Denying recovery under these circumstances would undermine and be inconsistent with the regulatory framework established in D.22-12-055 and penalize SoCalGas for undertaking the very work the Commission directed it to perform.

In any event, the used and useful principle does not bar recovery here because of the Commission's long-recognized exception—the abandoned project doctrine. The Commission has recognized that the abandoned project doctrine may apply where circumstances warrant, if the utility demonstrates that the project was prudently pursued and abandoned during a period of great uncertainty or dramatic and unanticipated change.[29] In applying that standard, the Commission examines whether the utility exercised reasonable managerial skill both in pursuing the project and in abandoning it.[30]

That doctrine confirms, rather than undermines, recovery here, because the abandoned project doctrine ultimately turns on the same prudent manager standard that governs this request: whether the utility acted reasonably, based on the facts known at the time. The core premise of the abandoned project doctrine is that the fact a project does not ultimately enter service does not, standing alone, establish that all related costs must be disallowed. Instead, the Commission examines the circumstances existing when the costs were incurred and determines whether the

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[29] *See e.g., Re Pacific Gas and Electric Company (D.83-12-068)*, 14 CPUC 2d 15 (1983).

[30] *See e.g., Re Southern California Gas Company (D.84-09-089),* 16 CPUC 2d 205 (1984) and *Re Southern California Edison Company (D.96-09-039)*, 68 CPUC 2d 25 (1996).

utility's actions were reasonable and prudent. The Commission has applied that approach flexibly and equitably. It has allowed recovery where projects were reasonably pursued and later abandoned because of economic volatility, regulatory uncertainty, fuel-supply or environmental changes, lack of need, financing impediments, partner default, or other dramatic and unanticipated changes.[31]

The Phase 1 activities and associated costs satisfy that standard. The Commission itself authorized the Phase 1 Activities in D.22-12-055, established and expanded the scope of work and stakeholder engagement process, imposed a cost cap, required periodic reporting, authorized memorandum account treatment, and directed SoCalGas to return in a subsequent application for recovery subject to reasonableness review. SoCalGas then performed the feasibility work within that Commission-approved framework and under the authorized cost cap, and completed the Phase 1 Activities before seeking recovery.

Subsequently, in the Phase 2A Decision, the Commission identified changed or uncertain circumstances bearing on whether further ratepayer funded project development should proceed, including a lack of federal funding offsets, affordability concerns, and uncertainty regarding whether the Project will be constructed. Against that backdrop, and consistent with the Phase 2A Decision's denial of Phase 2 cost recovery, SoCalGas's decision not to continue advancing Angeles Link is evidence of the staged reevaluation and disciplined project management that abandoned project doctrine requires. Those facts demonstrate reasonable managerial skill: identification of relevant risks, analysis of alternatives and feasibility issues before any construction commitment, staged evaluation of whether the project should proceed, cost control through a Commission-imposed cap, periodic reporting and review, and a prudent decision not to incur additional development costs after the Phase 2A Decision determined that Phase 2 cost recovery was not warranted at this time.

For all of these reasons, the Commission should authorize recovery of the Phase 1 costs in this proceeding.

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[31] *See e.g., Re Pacific Gas and Electric Company (D.83-12-068)*, 14 CPUC 2d 15 (1983); *Re Southern California Gas Company (D.84-09-089)*, 16 CPUC 2d 205 (1984)*, Re Southern California Edison Company (D.84-12-068),* 16 CPUC 2d 721 (1984); *Re Southern California Edison Company (D.96-09-039)*, 68 CPUC 2d 25 (1996); *Re San Diego Gas & Electric Company (D.90405*) (1979), and *Re Southern California Gas Company (D.92497)* (1980).

c. *Does the Commission need to consider compliance with D.22-12-055's requirements and reasonableness of costs for Phase 1 Activities? If so, when?*

The Commission must consider compliance with D.22-12-055's requirements and should do so in this proceeding. The Commission established a specific regulatory framework in D.22-12-055—SoCalGas was directed to perform defined Phase 1 activities, subject to cost controls, reporting requirements, stakeholder engagement obligations, and after-the-fact reasonableness review. SoCalGas relied on that framework in undertaking the authorized work.

As described in Response 1.b., in D.22-12-055, the Commission did not merely permit SoCalGas to record costs, it authorized SoCalGas to undertake the Phase 1 feasibility studies and created the detailed framework governing how those specific Phase 1 costs would be tracked and ultimately recovered. That framework set forth the precise mechanism for later recovery: SoCalGas "shall file for recovery of these costs in a separate application, demonstrating that the costs and activities recorded in the account meet, at a minimum, the additional project-specific standards set forth above in this decision."[32] That is what SoCalGas has done in filing A.25-06-011.

The Commission's framework was deliberate and detailed. It reflected extensive briefing and the Commission's own balancing of ratepayer protections against the public interest benefits it found Phase 1 Activities could deliver. The resulting structure was the Commission's chosen approach to protect ratepayers while enabling the feasibility work it determined to be in the public interest. As explained in Response 1.b., the Commission did not condition recovery on Angeles Link being constructed, operational, or used and useful; it conditioned recovery on SoCalGas demonstrating that the Phase 1 planning process met the specific standards the Commission articulated and that the costs were incurred prudently and reasonably.

D.22-12-055 established the requirements under which SoCalGas could later seek recovery of costs recorded in the ALMA. Specifically, SoCalGas must demonstrate the conditions set forth in OP 3[33] are met and recorded costs and activities address the project-

[32] D.22-12-055 at 52.

[33] *Id.* at 73-75 (OP 3).

specific standards provided in OP 5.[34] Together, these represent the framework the Commission designed for cost recovery of costs recorded in the ALMA. SoCalGas satisfied both OPs in full.

OP 3 required SoCalGas to: (a) restrict feasibility studies to clean renewable hydrogen that does not use fossil fuel in its production process; (b) limit costs to Phase 1 activities under a $26 million cap; (c) study a localized hydrogen hub solution aligned with IIJA specifications; (d) join ARCHES in support of California's federal funding application prior to recording any Phase 2 costs; (e) conduct quarterly stakeholder engagement meetings including with DAC and ESJ community-based organizations; (f) exclude public outreach costs; (g) exclude costs for engaging public officials or legislators; and (h) submit quarterly reports to the Commission with unredacted data, findings, and stakeholder feedback.[35] SoCalGas complied with each of these directives:

- The Phase 1 studies focused exclusively on clean renewable hydrogen produced with a carbon intensity not exceeding the federal standard and without any fossil fuel in its production process.
- Phase 1 costs totaled $24.3 million—under the authorized $26 million cap—and SoCalGas did not file for the authorized 15% increase.
- The analysis of alternatives included evaluation of a localized hydrogen hub, along with other decarbonization alternatives such as electrification.
- SoCalGas joined ARCHES in October 2022, and Angeles Link was included in ARCHES' successful April 2023 application to the U.S. Department of Energy, which resulted in a $12.6 billion cooperative agreement with up to $1.2 billion in federal funding for the California Hydrogen Hub.
- SoCalGas engaged with the Commission's Energy Division to establish a stakeholder engagement framework and set of procedures to compensate CBOSG members for their participation in the Phase 1 process[36] and SoCalGas had continued engagement with Energy Division throughout Phase 1 to refine the stakeholder engagement process.
- SoCalGas conducted quarterly PAG and CBOSG meetings—and in response to stakeholder requests for more engagement, increased the frequency of meetings and extended the Phase 1 schedule to allow for additional stakeholder participation.
- No public outreach or public relations costs were recorded to the ALMA.

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[34] *Id.* at 75 (OP 5).

[35] *Id.* at 73-75 (OP 3).

[36] *Id*. at 78 (OP 8(c)).

- No costs for engaging public officials or legislators were recorded.
- Quarterly reports were submitted to the Commission's Deputy Executive Director for Energy and Climate Policy, made publicly available, and included stakeholder feedback and SoCalGas's responses thereto.

OP 5 required SoCalGas to demonstrate, at a minimum, how the planning process: (a) addressed affordability concerns; (b) considered impacts to disadvantaged communities and environmental justice concerns; (c) considered California environmental law and public policies; (d) gathered and addressed stakeholder concerns; and (e) considered and evaluated Project alternatives, including a localized hydrogen hub or other decarbonization options, their costs, and their environmental impacts.[37] SoCalGas's Application and supporting testimony directly address each of these standards:

- *Affordability*: SoCalGas developed a Phase 1 Affordability Framework, incorporating stakeholder feedback, that addressed affordability concerns and identified potential strategies for future phases. The Cost Effectiveness Study evaluated hydrogen versus non-hydrogen alternatives and pipeline delivery versus other methods.
- *Disadvantaged Communities and ESJ*: SoCalGas developed an ESJ Plan with stakeholder input, engaged the CBOSG on a quarterly basis (with compensation to participating CBOs), and considered impacts to disadvantaged communities throughout the Phase 1 studies.
- *California Environmental Law and Public Policies*: The Phase 1 studies considered consistency with California's decarbonization goals, including the CARB 2022 Scoping Plan, CAISO Electric Transmission Outlook, and CEC Integrated Energy Policy Report.
- *Stakeholder Concerns*: The four-milestone engagement structure allowed stakeholders to provide input at each critical juncture—initial scopes, methodology, preliminary findings, and draft studies. All feedback was documented in quarterly reports and incorporated as appropriate.
- *Project Alternatives*: SoCalGas conducted an Alternatives Study and Cost Effectiveness Study evaluating a localized hydrogen hub, electrification, and other decarbonization options and their comparative costs and environmental impacts.

Notably, for Phase 1 cost recovery, OP 3 and 5 set requirements focused on process and compliance—whether SoCalGas adhered to the cost cap, restricted studies to clean renewable hydrogen, conducted quarterly stakeholder engagement, submitted public reports, and whether the planning process addressed affordability, considered impacts to disadvantaged communities,

[37] *Id.* at 75 (OP 5).

gathered stakeholder input, and evaluated alternatives. For Phase 2, OP 6 requires something different: the substantive findings and results from those studies—identification of demand and end uses, identification of ratepayers who would be end-users, evaluation of cost-effectiveness against alternatives, and the like. Phase 1 cost recovery thus does not depend on Angeles Link's ultimate viability or the studies' substantive conclusions—it depends on whether SoCalGas complied with the conditions for recording costs and conducted the studies reasonably. That is a standard SoCalGas has met. Moreover, SoCalGas relied on that framework—expending resources, engaging contractors, conducting studies, convening stakeholders, and coordinating with ARCHES—all in compliance with the Commission's directives. To now deny recovery would undermine the very framework the Commission established.

2. Please explain whether it is necessary for the Commission to reach the issue of jurisdiction over the Angeles Link Project in this proceeding based on your previous responses.

It is not necessary for the Commission to reach the broader question of whether it has jurisdiction over the Angeles Link in order to authorize cost recovery in this proceeding. The jurisdictional inquiry properly before the Commission is narrower: whether the Commission has authority to determine whether SoCalGas may recover the revenue requirement associated with costs recorded in the ALMA. That authority exists under Public Utilities Code section 701, which authorizes the Commission to "supervise and regulate every public utility in the State" and to "do all things" necessary and convenient in the exercise of that power and jurisdiction. The Commission has repeatedly construed section 701 broadly where the authority exercised is "cognate and germane" to utility regulation and does not conflict with an express statutory limitation.[38]

This proceeding falls squarely within that section 701 authority. SoCalGas is a Commission-regulated public utility, and the relief requested in this Application is authorization to recover costs recorded in a Commission-authorized memorandum account. The Commission's review of a public utility's accounts, revenue requirement, cost recovery, and rate allocation is plainly cognate and germane to utility regulation. The Commission therefore can grant, deny, or modify the requested revenue requirement without deciding whether Angeles Link is itself jurisdictional infrastructure.

[38] *See, e.g.,* D.11-05-049 at 14; D.03-06-075 at 4.

Moreover, the Joint PHC Statement confirms that this narrower framing is appropriate and was recognized by the majority of the parties in this proceeding. The Joint Parties[39] provided that the Commission's jurisdiction over Angeles Link was being briefed in A.24-12-011 and that, if jurisdiction is resolved in A.24-12-011 in a manner that would also resolve the question of jurisdiction in this proceeding, then jurisdiction need not be further considered in this proceeding.[40] However, the parties provided that if jurisdiction is to be considered in this proceeding, the question could be framed in one of two ways.[41] A majority of the Joint Parties—SoCalGas, Air Products, EDF, First Public H2, IS, SCGC, SC, Cal Advocates, UCAN, and UWUA Local 483—provided that the question could be framed as whether the Commission has jurisdiction to authorize the revenue requirement sought in the Application.[42] Accordingly, the Commission need not decide project jurisdiction in this proceeding.[43] It may instead resolve the narrower and sufficient question whether, under section 701, it has authority to review and authorize the requested revenue requirement for costs recorded in the ALMA.

3. Please provide a proposed schedule for the remainder of this proceeding based on your previous responses. Please include whether evidentiary hearings are necessary.

SoCalGas proposes that this proceeding continue on the schedule adopted by the Assigned Commissioner in the September 29, 2025 Scoping Memo and Ruling, with one adjustment to the triggering event for the first milestone. As adopted, the Scoping Memo ties the service of intervenors' prepared direct testimony to "60 days from Phase 2A Final Decision in

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[39] SoCalGas; Air Products and Chemicals, Inc. (Air Products); California Environmental Justice Alliance (CEJA); Environmental Defense Fund (EDF); First Public Hydrogen Authority (First Public H2); Indicated Shippers (IS); Southern California Generation Coalition (SCGC); Sierra Club (SC); the Public Advocates Office (Cal Advocates); the Utility Reform Network (TURN); Utility Consumers' Action Network (UCAN); and Utility Workers Union of America, AFL-CIO, Local 483 (UWUA Local 483). The only current active party not included in the Joint PHC Statement filed on August 28, 2025, was the California Hydrogen Business Council (CHBC), which had not yet been granted party status at that time; CHBC was subsequently granted party status on September 5, 2025.

[40] Joint Prehearing Conference Statement of Applicant SoCalGas and Other Parties to the Proceeding (August 28, 2025) (Joint PHC Statement) at 2.

[41] (1) Whether the Commission has jurisdiction over Angeles Link, as currently described in the Application; (2) Whether the Commission has jurisdiction to authorize the revenue requirement sought in this Application. *See* Joint PHC Statement at 3.

[42] *Id*. at 2-3.

[43] The issue of whether the Commission has jurisdiction over Angeles Link itself was extensively briefed in Phase 2; however, the Commission declined to render a decision on that issue.

A.24-12-011," with each subsequent milestone keyed off of that event. SoCalGas proposes that the triggering event for the first milestone be the ruling resolving the questions presently before the Commission. Specifically, SoCalGas proposes that intervenors' prepared direct testimony be served 60 days from that ruling, and that the remainder of the schedule proceed from that date using the same intervals adopted in the Scoping Memo.

SoCalGas further notes that a settlement conference could help narrow or resolve one or more of the issues in this proceeding.[44] Accordingly, SoCalGas has included a milestone for a settlement conference in the proposed schedule above.

Event	**Date**
Opening Comments On Ruling Questions	June 30, 2026
Reply Comments On Ruling Questions	July 16, 2026
Settlement Conference	July 2026
Intervenors' Prepared Direct Testimony Served	60 days from Ruling resolving the questions presently before the Commission
Prepared Rebuttal Testimony Served	45 days after Intervenor Testimony
Deadline To Serve And File A Motion Requesting An Evidentiary Hearing	14 days after Rebuttal Testimony
Status Conference	To be determined
Evidentiary Hearing	To be determined
Opening Briefs	To be determined
Reply Briefs	To be determined
Proposed Decision (PD)	No later than 90 days after submission
Commission Decision	No sooner than 30 days after PD

SoCalGas emphasizes that no further delay is warranted. This Application was filed on June 12, 2025—over one year ago—and parties have conducted discovery during the intervening period. The parties should accordingly be prepared to proceed to intervenor testimony without delay once the Commission rules on the questions presently before it.

As stated in the Application, SoCalGas anticipates that evidentiary hearings may be necessary. Consistent with the Scoping Memo, any party that believes a hearing is required should file and serve a motion in accordance with the schedule, identifying the material issues of disputed fact, the evidence it proposes to introduce, and a proposed hearing schedule.

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[44] SoCalGas has reached out to parties and is working on scheduling a settlement conference the week of July 6.

4. Please provide explanation for any other determinations in D.26-04-034 that should be considered in this proceeding.

SoCalGas does not believe there are any additional determinations in the Phase 2A Decision that require separate consideration beyond those discussed above. As explained above, the Phase 2 proceeding did not include Phase 1 cost recovery within its scope; the two proceedings were not consolidated; and D.22-12-055 established the requirements governing Phase 1 cost recovery before SoCalGas commenced Phase 1 activities. To now deny recovery by imposing new requirements that appear nowhere in D.22-12-055 would undermine the very framework the Commission established in D.22-12-055.

IV. CONCLUSION

SoCalGas appreciates the opportunity to provide these responses to the ALJ's Questions.

Respectfully submitted,

By: *\/s/ Setareh Mortazavi*
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