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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

In the Matter of the Application of SOUTHERN CALIFORNIA GAS COMPANY (U904G) for Authorization to Recover Costs Recorded in Its Angeles Link Memorandum Account.	Application 25-06-011

THE PUBLIC ADVOCATES OFFICE REPLY COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING PARTY RESPONSE TO QUESTIONS

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I. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits these reply comments pursuant to the *Administrative Law Judge's Ruling Requesting Party Response to Questions* (ALJ Ruling), issued on May 29, 2026.[1] Cal Advocates submits these comments to address parties' comments.

The Commission should deny Southern California Gas Company's (SoCalGas) request to recover the costs recorded in the Angeles Link Memorandum Account (ALMA) because SoCalGas fails to show that it is just and reasonable to recover Phase 1 costs from ratepayers, or any subset thereof. This denial would be consistent with the Commission's finding in D.26-04-034, where the Commission denied SoCalGas' request to recover Phase 2 costs from ratepayers because SoCalGas similarly failed to clearly identify ratepayers who would directly benefit from the Project.[2]

II. DISCUSSION

A. SoCalGas has not satisfied the cost causation principles articulated in D.22-12-055.

SoCalGas claims that the issues presented in this Phase 1 Application "differ fundamentally from those addressed in D.26-04-034 (Phase 2 Decision) concerning Phase 2 of Angeles Link."[3] SoCalGas is incorrect. In D.22-12-055, the Commission determined that a fundamental issue that SoCalGas must confront is the cost causation principle.[4] In the Phase 2 Decision, the Commission affirmed that the cost causation

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[1] *Administrative Law Judge's Ruling Requesting Party Response to Questions*, May 29, 2026 (ALJ Ruling).

[2] Decision (D.) 26-04-034, *Decision Denying Southern California Gas Company's Request for Cost Recovery from Ratepayers for Phase 2 Activities for Angeles Link Project,* May 7, 2026, at 14.

[3] *Response of Southern California Gas Company (U 904 G) to Administrative Law Judge's Ruling Requesting Party Responses to Questions*, June 30, 2026 (SoCalGas Response to ALJ Ruling) at 1.

[4] D.22-12-055, *Decision Approving the Angeles Link Memorandum Account to Record Phase One Costs*, December 20, 2022, at 22 and 35.

principle is fundamental and applies to both the Phase 1 and Phase 2 proceedings.[5] Thus, the fundamental issue presented here is whether SoCalGas, as a threshold matter, satisfies the Commission's cost causation principle articulated in D.22-12-055; it does not.

In D.22-12-055, the Commission explicitly states that "[u]nder the cost causation principle, rate recovery from all ratepayers would not be appropriate."[6] The Commission also states that "only the set of ratepayers who can potentially take service of clean renewable hydrogen from the Project are likely to benefit from the Angeles Link Memo Account."[7] The Commission further states that "the set of benefitting ratepayers will be determined when SoCalGas files for cost recovery."[8] In its request for cost recovery, SoCalGas ignores the Commission's cost causation principle. Instead, SoCalGas primarily requests that the costs recorded for Phase 1 Activities be allocated to all of its customers.[9] The Commission should deny SoCalGas' request for three reasons.

First, as explained above, the Commission already determined that recovery from all ratepayers would be inappropriate.[10] Second, in the Phase 2 Decision, the Commission denied SoCalGas' request to recover costs from all its ratepayers for Phase 2 because SoCalGas did not clearly identify the ratepayers that directly benefit from the Project to justify cost recovery.[11] The Commission states:

> We find that requiring ratepayers to bear costs for the Project would be inconsistent with the cost causation principles

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[5] D.26-04-034 at 15, "We note that D.22-12-055 articulates well-established principles of cost causation and ratepayer benefits, and their application to a request for cost recovery for Phase 1 . . . In this Decision denying the application, we find that these principles of cost causation and ratepayer benefits articulated [in] D.22-12-055 apply to Phase 2 Activities and for consideration of cost recovery of Phase 2 Activities."

[6] D.22-12-055 at 22.

[7] D.22-12-055 at 22.

[8] D.22-12-055 at 22.

[9] SoCalGas Response to ALJ Ruling at 4.

[10] D.26-04-034 at 15, citing to D.22-12-055 at 22, "For Phase 1 Activities, in D.22-12-055, the Commission has already determined that 'under the cost causation principle, rate recovery from all ratepayers would not be appropriate . . . only the set of ratepayers who can potentially take service of clean renewable hydrogen from the Project are likely to benefit from the Angeles Link Memo Account.'"

[11] D.26-04-034, Findings of Fact (FOF) 4 at 25.

> articulated in the D.22-12-055 and other precedent recognizing that in general 'ratepayers are required to bear only the reasonable costs of those projects which provide direct and ongoing benefits.'[12]

Thus, the Commission determined that, under the cost causation principle, SoCalGas must identify the customers who will directly benefit from the Project. The Commission confirmed that SoCalGas cannot simply claim broad benefits and attempt to allocate the Project's costs to all its ratepayers. The same principle applies in this proceeding.

Third, SoCalGas' attempt to justify its request on the basis that the Phase 1 feasibility studies provide broad benefits and serve the public interest[13] is unsubstantiated and contradicted by the evidence in this proceeding. Specifically, SoCalGas claims that the Phase 1 studies were "necessary to inform rapidly evolving state and stakeholder decision-making" on hydrogen investments.[14] However, SoCalGas only makes reference to two occasions where the studies were cited.[15] SoCalGas points to the Senate Bill (SB) 1075 Technical Analysis Workshop and a University of California, Los Angeles Luskin Center for Innovation report (UCLA study) that cite to SoCalGas' feasibility studies.[16] The SB 1075 presentation makes one minor reference to SoCalGas' feasibility studies, so it is unclear how, or to what extent, the feasibility studies were relied upon.[17] The UCLA study notes that SoCalGas' analysis was limited to SoCalGas's service area in Southern California, while the UCLA study analyzed the whole state.[18] The UCLA study states

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[12] D.26-04-034 at 14.

[13] SoCalGas Response to ALJ Ruling at 8.

[14] SoCalGas Response to ALJ Ruling at 6.

[15] SoCalGas Response to ALJ Ruling at 6.

[16] SoCalGas Response to ALJ Ruling at 6.

[17] *See* 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.

[18] UCLA Luskin Center for Innovation, *Exploring the Water Footprint of "Green" Hydrogen for Power*

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that this difference made it "difficult to compare results" and the analyses were not comparable.[19] The UCLA study further states that SoCalGas' report "does not account for the water consumed by the energy source powering the hydrogen production process, which can significantly affect the water footprint."[20] The UCLA study's critiques demonstrate limited utilization of studies that accrued $24.7 million in costs, and do not support SoCalGas' claim that the studies provide broad benefits to SoCalGas' ratepayers.

SoCalGas also claims that its stakeholder engagement process yielded broad public benefit by ensuring community voices were heard and establishing a replicable model for comprehensive, inclusive stakeholder engagement that can shape best practices in other proceedings and processes.[21] However, stakeholder engagement alone is not sufficient to constitute a public benefit. Community-based organization stakeholder group (CBOSG) members have raised concerns regarding SoCalGas' lack of proper consideration within the community engagement process, some formally withdrawing from the CBOSG.[22] Further, much of the literature developed during the Phase 1 Activities is specific to the Angeles Link Project,[23] whereas those that have the potential to be generalized have not been broadly used in the consideration of hydrogen policy, as

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Generation in California, April 2025, (UCLA Study) at 11, available at: https://innovation.luskin.ucla.edu/wpcontent/uploads/2025/04/Exploring-the-Water-Footprint-of-Green-Hydrogen-for-Power-Generationin-CA.pdf.

[19] UCLA Study at 11, available at: https://innovation.luskin.ucla.edu/wpcontent/uploads/2025/04/Exploring-the-Water-Footprint-of-Green-Hydrogen-for-Power-Generationin-CA.pdf.

[20] UCLA Study at 11, available at: https://innovation.luskin.ucla.edu/wpcontent/uploads/2025/04/Exploring-the-Water-Footprint-of-Green-Hydrogen-for-Power-Generationin-CA.pdf.

[21] SoCalGas Response to ALJ Ruling at 7.

[22] Protect Playa Now, Food & Water Watch, Communities for a Better Environment, and Physicians for Social Responsibility – Los Angeles submitted a letter to the Commission and SoCalGas on December 17, 2024, formally withdrawing from the CBOSG.

[23] Working papers specific to the Angeles Link Pipeline development include the EJS Community Engagement Plan, Environmental Analysis, Evaluation of Applicable Safety Requirements, Feasibility and Permitting Analysis, Hydrogen Leakage Assessment, Preliminary Routing and Configuration Analysis, Water Resources Evaluation, and Workplace Planning and Training Evaluation.

discussed above. Finally, stakeholder engagement is a common practice in both private and public planning.[24] Here, the Commission ordered the stakeholder engagement process for the Angeles Link Phase 1.[25] Thus, the stakeholder process is not a benefit that resulted from the Phase 1 Activities, but rather the Commission directed the stakeholder process to facilitate transparency and input from broader interest groups. Neither of these purported benefits meets the burden required for SoCalGas to recover costs broadly from all ratepayers.

The Commission requires SoCalGas to satisfy the cost causation principle. Since SoCalGas ignores this threshold requirement to ALMA cost recovery and fails to demonstrate which subset of customers would benefit from the Project and Phase 1 Activities, the Commission must deny SoCalGas' Phase 1 Application.

B. SoCalGas has not demonstrated direct ratepayer benefits from the Phase 1 Activities to justify cost recovery from any subset of ratepayers.

SoCalGas' primary position is that the costs for the Phase 1 Activities should be allocated to all its customers. As a secondary position, SoCalGas claims the cost of the Phase 1 Activities should be allocated to the subset of existing and future non-core retail and core natural gas vehicle (NGV) customers who could directly benefit from hydrogen service.[26] This is the first reference to potential direct beneficiaries in this or the Phase 2 proceeding.[27] SoCalGas argues that the Commission previously identified this subset of ratepayers and established the minimum set of customers from whom SoCalGas can recover costs.[28] SoCalGas' secondary position is unsupported by the record. The

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[24] *See* California Environmental Quality Act, 2026 CEQA Statute & Guidelines § 21003.1. ENVIRONMENTAL EFFECTS OF PROJECTS; COMMENTS FROM PUBLIC AND PUBLIC AGENCIES TO LEAD AGENCIES; AVAILABILITY OF INFORMATION at 3, available at https://www.califaep.org/docs/CEQA_Handbook_2026_rev031926_Updated.pdf.

[25] D.22-12-055, Ordering Paragraph 3(e) at 74.

[26] SoCalGas Response to ALJ Ruling at 8-9.

[27] D.26-04-034, FOF 4 at 25.

[28] SoCalGas Response to ALJ Ruling at 8.

Commission did not affirm that these groups are beneficiaries of the Project, much less find that they constitute the minimum group of beneficiaries. SoCalGas' claim that the Commission already identified the customers who will benefit from the Project is also inconsistent with the Commission's determination that SoCalGas must satisfy the cost causation principles. In D.22-12-055, the Commission states that "only the set of ratepayers who can potentially take service of clean renewable hydrogen from the Project are likely to benefit from the [ALMA]. The set of benefiting ratepayers will be determined when SoCalGas files for cost recovery."[29] If the Commission already determined the specific customers who would benefit from the Project, there would be no reason to direct SoCalGas to satisfy cost causation and identify the customers who will benefit from the Project and Phase 1 Activities in this proceeding. SoCalGas' interpretation of D.22-12-055 is inconsistent with logic and with the clear language of D.22-12-055.

As discussed above, it is unjust and unreasonable to recover costs associated with Phase 1 Activities from ratepayers, or any subset thereof. Having failed to show which ratepayers would directly benefit from the Project in Phase 2, SoCalGas improperly attempts to do so now. SoCalGas' proposal demonstrates a disregard for Commission orders and customer affordability, and the Commission should deny SoCalGas' request to recover the costs for its Phase 1 Activities.

1. The Commission's authorization of the ALMA did not guarantee cost recovery.

SoCalGas asserts that ratepayer recovery of the Phase 1 costs is just and reasonable because the Commission authorized SoCalGas to record those Phase 1 Activities in D.22-12-055. That is incorrect. In D.22-12-055, the Commission states that recovery of costs recorded in the ALMA is not guaranteed and SoCalGas must first satisfy the cost causation requirement.[30]

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[29] D.22-12-055 at 22.

[30] D.22-12-055 at 24.

Nonetheless, SoCalGas goes even a step further and asserts that even though it is no longer pursuing the Project,[31] it is entitled to recover costs under the abandoned project doctrine.[32] SoCalGas argues that the abandoned project doctrine applies "if the utility demonstrates that the project was prudently pursued and abandoned during a period of great uncertainty or dramatic and unanticipated change."[33] Again, this is incorrect. The abandoned project doctrine does not apply in this case because SoCalGas has not demonstrated that it prudently pursued the Project and abandoned it due to "great uncertainty or dramatic and unanticipated change."[34] Indeed, the doctrine cannot apply here because the Commission's decision to deny cost recovery of Phase 2 costs is not an unanticipated change. SoCalGas decided not to pursue the Project after the Commission issued the Phase 2 Decision denying cost recovery for Phase 2.[35] SoCalGas claims that the Phase 2 Decision identifies changed or uncertain circumstances, including the lack of federal funding offsets, affordability concerns, and uncertainty over whether the Project will be constructed.[36] However, as the record shows, these are not unanticipated changes. SoCalGas declined federal funding for the Project at its own volition.[37] Having done so, SoCalGas then sought to place the total cost burden of the Project (from the Phase 1 studies to the proposed Phase 2 work, and the expected cost to construct) on ratepayers.

SoCalGas did not abandon the Project due to "great uncertainty or dramatic and unanticipated change,"[38] but rather due to actions that were entirely within SoCalGas's own control. Therefore, the abandoned project doctrine does not apply and the

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[31] SoCalGas Response to ALJ Ruling at 13.

[32] SoCalGas Response to ALJ Ruling at 12.

[33] SoCalGas Response to ALJ Ruling at 12.

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

[35] SoCalGas Response to ALJ Ruling at 13.

[36] SoCalGas Response to ALJ Ruling at 13.

[37] D.26-04-034 at 13.

[38] *See* D.26-04-034 at 12.

Commission should deny SoCalGas' request to recover Phase 1 costs, consistent with its decision in D.26-04-034.

C. Public Utilities Code Section 701 alone does not authorize SoCalGas' request for cost recovery.

SoCalGas argues that the jurisdictional question at issue is narrow and involves whether the Commission has jurisdiction to authorize recovery of the costs recorded in the ALMA.[39] SoCalGas also argues that Public Utilities Code Section 701 grants the Commission authority to authorize cost recovery in this proceeding.[40] Those arguments are circular and in conflict. If the Commission finds that it has the power under Section 701 to grant cost recovery, then the Commission effectively is finding that it has jurisdiction in this proceeding. Section 701 states, "the commission may supervise and regulate every public utility in the State and may do all things … which are necessary and convenient in the exercise of such power and jurisdiction." While Section 701 provides the Commission with broad regulatory authority, that authority is limited to the supervision and regulation of public utilities within its jurisdiction.[41] Since the question of whether the Commission has jurisdiction over the Project is still unsettled, the Commission should not invoke Section 701 in this proceeding without a thorough legal analysis that first settles the jurisdiction question. As Cal Advocates has argued before, SoCalGas fails to satisfy the threshold issues of cost causation and, therefore, it has failed to meet its burden and the Commission does not need to make a determination on jurisdiction.

III. CONCLUSION

Cal Advocates appreciates this opportunity to provide reply comments on the ALJ Ruling and requests that the Commission deny SoCalGas' request to recover the Phase 1 costs from ratepayers, as discussed above. Specifically, the Commission should find that

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[39] SoCalGas Response to ALJ Ruling at 17.

[40] SoCalGas Response to ALJ Ruling at 17.

[41] Pub. Util. Code Section 701.

SoCalGas failed to identify the specific ratepayers who will directly benefit from the Project and the feasibility studies. Therefore, the Phase 1 Activities should not be recovered from ratepayers, or any subset thereof.

Respectfully submitted,

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