STATE OF CALIFORNIA GAVIN NEWSOM

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

FILED
09/24/26
08:16 AM
A2507001

September 24, 2026 **Agenda ID #24550**
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 25-07-001:

This is the proposed decision of Administrative Law Judge Shannon Clark. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 29, 2026, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC:cg7
Attachment

Decision **PROPOSED DECISION OF ALJ SHANNON CLARK**
(Mailed 09/24/2026)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U 904 G), on Behalf of its Customers, for Approval of Gas Line Extension Allowances.	Application 25-07-001

DECISION GRANTING APPLICATION IN PART AND DENYING APPLICATION IN PART

TABLE OF CONTENTS

DECISION GRANTING APPLICATION IN PART AND DENYING APPLICATION IN PART

Summary

This decision grants in part and denies in part the application of Southern California Gas Company (SoCalGas) on behalf of its customers, for approval of gas line extension allowances. This decision also approves SoCalGas' request to revise Tarriff Rule Nos. 20 and 21, SoCalGas' update to the non-residential gas line extension allowance multiplier of 3.1, and SoCalGas' request to establish a two-way balancing account to track costs associated with approved gas line extension allowances. Finally, this decision approves the calculation of SoCalGas' forecasted revenue requirement, but directs SoCalGas to update its revenue requirement calculations to account for the fact that only five of the original nine projects are approved by this decision.

Application 25-07-001 is closed.

1. Factual and Procedural Background

1.1. Decision 22-09-026

California Public Utilities Commission (Commission) Decision (D.) 22-09-026 eliminated gas line extension allowances for all customers in all customer classes effective July 1, 2023, as a part of the Commission's rulemaking to support the decarbonization of buildings in California. The decision also established an application process for specific, unique, non-residential projects where a gas line extension allowance may still be warranted.[1] As a part of this application process, D.22-09-026 directs the investor owned utilities to file an annual application by July 1 of each year that includes all projects requesting a gas line extension allowance that meet the requirements set forth in the decision.

[1] D.22-09-026 at 56.

1.2. SoCalGas' Application

On July 1, 2025, Southern California Gas Company (SoCalGas) filed the instant application on behalf of its customers, requesting approval for (1) gas line extension allowances for nine renewable natural gas refueling station projects, (2) an update to the non-residential gas line extension allowance multiplier of 3.1, and (3) updates to SoCalGas's Tariff Rule Nos. 20 and 21 to clarify advanced payments. In addition, SoCalGas requested authorization to create a new Gas Line Extension Allowance Balancing Account to record the actual revenue requirement for recovery in rates.

The application estimates the gas line extension allowances for the nine customer projects total approximately $6.656 million. Under SoCalGas' proposal, following a three-year post-installation true-up period for each customer project during which actual customer usage is measured, the allowable gas line extension allowance amount will be finalized and paid to the customer. The actual revenue requirement will then be recorded in the new balancing account and SoCalGas would seek recovery through an advice letter. The total forecasted revenue requirement for the nine original customer projects' allowances is $14.9 million over the useful life of the assets.

Following SoCalGas' submission of the application, two of the nine original projects (Projects C and F) withdrew their applications, leaving seven proposed projects remaining.[2]

On August 4, 2025, the Public Advocates Office at the Commission (Cal Advocates) and Sierra Club both filed timely protests to SoCalGas' application. On August 14, 2025, SoCalGas filed a timely reply to the protests.

[2] SoCalGas Exhibit SCG-04 at JM-1; SoCalGas Exhibit SCG-02S at JL-1-JL-2.

A pre-hearing conference was held on September 4, 2025. Following the pre-hearing conference, on October 14, 2025, the Assigned Commissioner's Scoping Memo and Ruling was filed, which adopted the scope for the proceeding and set forth a schedule for the proceeding.

On November 14, 2025, Cal Advocates and Sierra Club both served opening testimony.

On December 17, 2025, SoCalGas served rebuttal testimony.

On January 21, 2026, after no requests for evidentiary hearings were filed, the assigned Administrative Law Judge (ALJ) issued a ruling requesting motions to admit testimony and documents into evidence. On January 30, 2026, SoCalGas, Cal Advocates, and Sierra Club all filed motions to admit testimony and other documents into evidence. SoCalGas also filed a motion for leave to file certain exhibits under seal. On February 9, 2026, SoCalGas filed an objection to the admission of certain testimony into evidence by Sierra Club.

On February 11, 2026, the ALJ overruled SoCalGas' objections and admitted all testimony and documents into evidence. The ruling also granted SoCalGas' motion for leave to file exhibits under seal.

On February 27, 2026, the parties filed opening briefs. On March 20, 2026, the parties filed reply briefs.

On April 23, 2026, the ALJ issued a ruling reopening the record and setting a schedule for supplemental testimony.

On May 18, 2026, SoCalGas served supplemental testimony.

On June 2, 2026, Sierra Club served rebuttal testimony to SoCalGas' supplemental testimony.

On June 10, 2026, Sierra Club and SoCalGas filed motions to admit the supplemental testimony. SoCalGas also filed a motion for leave to file a confidential exhibit under seal and a joint statement on behalf of both parties stipulating that no further briefing was needed.

On June 22, 2026, the assigned ALJ issued a ruling granting Sierra Club and SoCalGas' motions to admit supplemental testimony into evidence, and granting SoCalGas' motion for leave to file a confidential exhibit under seal.

1.3. Submission Date

This matter was submitted on June 22, 2026 upon admission of Sierra Club's and SoCalGas' supplemental testimony.

2. Issues Before the Commission

The issues to be determined or otherwise considered are:

1. Whether the proposed projects in the application meet the requirements listed in D.22-09-026 to receive a gas line subsidy:
   a. The project shows a demonstrable reduction in greenhouse gas (GHG) emissions;
   b. The project's gas line extension is consistent with California's climate goals, including those articulated in Senate Bill (SB) 32 (Pavley, 2016); and
   c. The project applicant demonstrates that it has no feasible alternatives to the use of natural gas, including electrification.
2. Whether the application complies with the requirements set forth in D.22-09-026, including but not limited to, an update to the non-residential gas line extension allowance calculations based on current methodology;
3. Whether the proposed clarifications to Tariff Rule Nos. 20 and 21 are reasonable;
4. Whether the creation of a balancing account to record costs is reasonable;
5. Whether the revenue requirement is reasonable; and

6. Whether the application aligns with the goals of the Commission's Environmental and Social Justice Action Plan.

3. Gas Line Extension Allowance

D.22-09-026 sets forth three criteria that proposed projects must meet in order to receive a gas line extension allowance: (1) the project shows a demonstrable reduction in GHG emissions, (2) the project's gas line extension is consistent with California's climate goals, including those articulated in SB 32, and (3) the project applicant demonstrates that it has no feasible alternatives to the use of natural gas, including electrification. We discuss whether the seven proposed projects in the application meet these requirements below. Ultimately, we find that five of the proposed projects (Projects A, B, D-1, D-2, and E) meet the criteria to receive a gas line extension allowance.

3.1. Demonstrable Reduction in Greenhouse Gas Emissions

3.1.1. SoCalGas' Contentions

SoCalGas contends that all seven proposed renewable natural gas (RNG) refueling station projects demonstrate a reduction in GHG emissions. In order to demonstrate emissions reductions, SoCalGas uses a "Standard Lifecycle GHG Emission Reduction Methodology," (Methodology) which calculates the emissions reduced from the use of RNG to displace diesel fuel.[3] Specifically, the Methodology uses the low carbon fuel standard (LCFS) credits or deficits calculation, which represents the total LCFS credits generated (a zero or positive value) in metric tons of carbon dioxide equivalent (CO_2e).[4] Using the

---

[3] SoCalGas Exhibit SCG-02 at JL-2.

[4] The LCFS is one of California's key programs identified in the Assembly Bill 32 Scoping Plan to reduce GHG emissions and is designed to decrease the carbon intensity of California's transportation fuel pool. The LCFS operates by assessing the GHG emissions associated with the production, transportation, and use of a given fuel over its lifetime. The carbon intensity

Footnote continued on next page.

Methodology, SoCalGas states that the each project will have the following reduction in GHG emissions:[5]

Project Identifier	Average Estimated Annual Lifecycle GHG Emissions Reductions (metric tons CO_2e)
A	2,377
B	3,172
D-1	37,075
D-2	13,903
E	33,765
G	6,649
H	7,930

3.1.2. Intervenors' Contentions

Cal Advocates argues that SoCalGas' purported GHG reductions are unsubstantiated, and therefore that SoCalGas has failed to demonstrate that these projects will lead to GHG reductions. Specifically, Cal Advocates argues that the customer applicants' estimates of annual RNG consumption are likely inaccurate, meaning that the total GHG emissions reductions from the projects may be less than SoCalGas' estimates.[6] Cal Advocates states that SoCalGas failed to provide additional evidence to verify customer estimates. Additionally, Cal Advocates highlights SoCalGas' acknowledgement that several of the projects involve public compressed gas refueling stations that possess an "inherent level

---

scores for each fuel are compared to a benchmark that declines each year; low carbon fuels below the benchmark generate credits, higher intensity fuels generate deficits. (*See* California Air Resources Board, *Low Carbon Fuel Standard*, *available at* https://ww2.arb.ca.gov/our-work/programs/low-carbon-fuel-standard/about; *See* also Cal. Code Regs., tit. 17 § 95486.1.)

[5] SoCalGas Exhibit SCG-02 at JL-4.

[6] Cal Advocates Exhibit CalAdv-01 at 1-3-1-4.

of uncertainty regarding customer volume and consumption patterns."[7] According to Cal Advocates, this means SoCalGas "likely miscalculates RNG usage, and thus, GHG reductions."[8]

Further, Cal Advocates asserts that SoCalGas' GHG reduction calculations are dependent on the customers being able to secure an adequate supply of low-carbon RNG.[9] Should the customers not be able to secure sufficient low-carbon RNG, then, Cal Advocates argues, "the projects' emissions will be higher, either because the vehicles may need to use fossil gas or because the procured RNG will have a higher carbon intensity than [SoCalGas's estimates]."[10] Cal Advocates argues that because SoCalGas does not provide evidence that the projects will be able to acquire an adequate amount of RNG, SoCalGas has not substantiated its GHG reduction calculations, and therefore it has not demonstrated that the projects will result in GHG emissions reductions.

Finally, both Cal Advocates and Sierra Club argue that because Projects G and H are public RNG fueling stations "needed to serve the existing market of [compressed natural gas (CNG)] vehicles," that it is not clear how any diesel is being displaced, nor how SoCalGas' stated GHG emissions reductions will be achieved.[11]

---

[7] *Id*. at 1-4.

[8] *Ibid*.

[9] *Id*. at 1-4-1-5.

[10] *Id*. at 1-5.

[11] *See* Cal Advocates Opening Brief at 9 (citing SoCalGas Exhibit SCG-05 at JL-110); Sierra Club Reply Brief at 5.

3.1.3. Discussion

We find that SoCalGas has sufficiently demonstrated that the projects will reduce GHG emissions. SoCalGas' calculations demonstrate that the projects will displace diesel, resulting in GHG emissions reductions using a methodology aligned with the well-established LCFS program. While we acknowledge customers' estimates of their RNG usage are just that – estimates – we do not believe that this undermines the reasonableness of SoCalGas' GHG reduction calculations. We agree with SoCalGas that there is an "inherent level of uncertainty regarding customer volume and consumption patterns."[12] We do not find that it was unreasonable for SoCalGas to rely on the customers' estimates of their RNG consumption to generate the GHG reduction estimates; indeed, we do not see how else SoCalGas could have procured that information.

Moreover, we note that D.22-09-026 does not specify an amount by which GHG emissions must be reduced, only that the project must demonstrate a reduction. Because of this, we are not persuaded by Cal Advocates' concerns that SoCalGas' calculations may be based on inaccurate estimates or on amounts of low carbon RNG that customers may not be able to sufficiently procure. We find that the record demonstrates that these projects, by displacing diesel, will result in GHG emissions reductions.

Finally, we are not persuaded by Cal Advocates' and Sierra Club's concerns that Projects G and H will not displace diesel because they are public RNG fueling stations that will serve existing RNG vehicle users. We are persuaded that, generally, building a new public RNG fueling station increases the market for RNG vehicles by making refueling those vehicles more

---

[12] Cal Advocates Exhibit CalAdv-01 at 1-4.

accessible.[13] Therefore, we find that while Projects G and H will serve existing RNG vehicles, they will also likely serve new RNG vehicles that otherwise would have relied on diesel, resulting in GHG reductions.

For these reasons, we find that the seven customer projects meet the requirement to demonstrate GHG reductions. However, we do note that this finding is underpinned by an important assumption: that there is no other feasible, less carbon-intensive alternative to diesel fuel other than RNG. We discuss this issue in more detail below in section 3.3.

3.2. Consistency with California Climate Goals

3.2.1. SoCalGas' Contentions

SoCalGas argues that the seven customer RNG fueling station projects are all consistent with California climate goals, including SB 32, which mandates a 40% reduction in GHG emissions below 1990 levels by 2023, and the goals articulated in Executive Orders N-79-20 and N-27-25, which aim for 100% of medium- and heavy-duty vehicles in the state to be zero emission by 2045 for all operations where feasible.[14] SoCalGas argues that RNG fueling station projects are consistent with state climate goals because RNG has significant climate benefits, including reducing GHG emissions by up to 80% compared with diesel.[15] SoCalGas further argues that constructing RNG fueling stations can also encourage the development of in-state RNG production facilities, in line with the goals of SB 1383 and the California Air Resources Board's (CARB) Short-Lived

---

[13] SoCalGas Exhibit SCG-02 at JL-16-JL-18.

[14] *Id*. at JL-4; SoCalGas Exhibit SCG-05 at JL-9; *see* also Executive Order (EO) N-79-20 at 2; EO N-27-25 at 2.

[15] SoCalGas Exhibit SCG-02 at JL-5.

Climate Pollutant Reduction Strategy.[16] SoCalGas further states that replacing diesel with RNG can result in air quality improvements, including reducing emissions of nitrogen oxides (NOx) and particulate matter.[17]

SoCalGas argues that near-zero emission technologies and renewable fuels, like RNG, are integral to California's decarbonization goals.[18] As an example, SoCalGas notes that last year the LCFS program reduced the carbon intensity of California's fuel mix by almost 13% through the displacement of diesel with cleaner alternatives.[19] SoCalGas argues that RNG projects enable near-term decarbonization during California's transition period, especially in sectors like medium- and heavy-duty transportation, where immediate electrification is impractical.[20]

3.2.2. Intervenors' Contentions

Sierra Club argues that long term investments in refueling stations for methane-burning vehicles are inconsistent with California's climate goals, which require transitioning the transportation sector to zero-emissions vehicles.[21] In support of this argument, Sierra Club cites to D.22-09-026, which rejected a request for a blanket exemption for facilities enabling the use of RNG, stating, "[o]ur priority in the long term is to move away from fossil fuels altogether,

---

[16] *Ibid*.

[17] *Id*. at JL-6.

[18] SoCalGas Exhibit SCG-05 at JL-10.

[19] *Ibid*. (citing California Air Resources Board, *CARB updates the Low Carbon Fuel Standards to increase access to cleaner fuels and zero emission transportation options*, (Nov. 2024), *available at:* https://ww2.arb.ca.gov/news/carb-updates-low-carbon-fuel-standard-increase-access-cleaner-fuels-and-zero-emission.)

[20] *Id*. at JL-10-JL-11.

[21] Sierra Club Opening Brief at 9.

including in the transportation sector, as opposed to supporting less harmful fossil fuels."[22]

Sierra Club also argues that investing in RNG fueling stations now risks making those refueling stations stranded assets as the state does fully transition to zero-emissions vehicles.[23] Sierra Club asserts that concerns about stranded asset risks have formed the basis for the Commission's prior rejections of continued ratepayer investment in fossil fuel burning facilities, including the Commission's rejection of SoCalGas' request to recover costs for new RNG refueling stations in its 2024 general rate case (GRC) decision.[24]

Cal Advocates argues that all the projects but one, Project B, fail to include a timeline or plan to transition away from RNG to electric or other zero-emissions vehicles, and so the projects are not consistent with the state's climate goal to transition to a zero-emission transportation sector.[25] Cal Advocates also argues that because SoCalGas did not demonstrate the projects will reduce GHG emissions, the projects cannot be said to be consistent with the state's broader goal to reduce GHG emissions.[26]

3.2.3. Discussion

We find that SoCalGas has demonstrated that the seven customer projects are consistent with California's climate goals. Both the California Air Resources Board (CARB) and the Commission have acknowledged that fuels like RNG

---

[22] *Ibid.* (citing D.22-09-026 at 81-82 at Ordering Paragraph (OP) 2).

[23] *Id*. at 11.

[24] *Ibid*. (citing D.24-12-074 at 620).

[25] Cal Advocates Opening Brief at 12-13.

[26] *Ibid*. Because this decision finds in the prior section that SoCalGas demonstrated that the projects will reduce GHG emissions, we do not address this argument further.

provide important GHG reductions in this interim period, where full electrification is not yet possible.[27] D.22-09-026 specifically states that "even though electrification is our preferred option, we recognize that for now, RNG plays an important role in reducing GHG emissions."[28]

The seven projects in this application are all CNG refueling stations that dispense 100% RNG for commercial vehicles in the hard-to-decarbonize medium- and heavy-duty vehicle sector, fulfilling the role that D.22-09-026 contemplates.[29] We do note however, that our finding that these projects are consistent with California climate goals is dependent on there being no other feasible zero emissions alternatives to RNG, which we discuss in section 3.3 below.

We are not persuaded by Cal Advocates' argument that SoCalGas must demonstrate a timeline or plan for projects to transition to electric or other zero-emissions vehicles to demonstrate consistency with California's climate goals. While this demonstration may be a part of a project's discussions on how they are consistent with California's climate goals, D.22-09-026 does not mandate it from every project that applies for this exception. Instead, D.22-09-026 clearly mandates that projects must demonstrate that there is no other feasible alternative to the use of natural gas, which would require consideration of electric or zero-emissions alternatives.

We acknowledge Sierra Club's concerns that any longer-term investment in natural gas could result in a stranded asset before the end of the asset's life because of electrification. The Commission in D.22-09-026 also expressed

---

[27] *See* SoCalGas Exhibit SCG-05 at JL-10, n. 42; D.22-02-025.

[28] D.22-09-026 at 55, n. 108.

[29] *See* Application at 1; SoCalGas Exhibit SCG-05 at JL-10-JL-11.

concerns over stranded assets and declined to create a blanket subsidy for categories of natural gas projects on that basis.[30] However, the Commission still acknowledged that that, despite the stranded asset risks, there "may be limited circumstances where gas line extensions for some non-residential projects can be beneficial," and created this application process for select projects that meet minimum criteria on that basis.[31] Therefore, in line with the findings of D.22-09-026, stranded asset concerns do not merit denying the seven projects in this application, if they meet the requirements set forth in D.22-09-026.

3.3. Demonstration of No Feasible Alternative to Natural Gas

We examine each of the proposed customer projects separately below.[32] We find that Projects A, B, D-1, D-2 and E demonstrate that no other alternatives to natural gas are feasible, and therefore successfully meet all requirements set forth in D.22-09-026 to receive a gas line extension allowance.

3.3.1. Project A

The customer proponent behind Project A operates a business that requires fuel for testing and delivery of heavy-duty trucks to end use customers, and CNG/RNG is the only compatible fuel for those trucks.[33] The customer states

---

[30] D.22-09-026 at 51.

[31] *Id*. at 56.

[32] Both intervenors argue generally that the projects should have explored renewable diesel as a feasible alternative to natural gas, as it has a lower carbon intensity than fossil-CNG. We are not persuaded by this argument and therefore do not consider it below. The record reflects that RNG has a lower carbon intensity than renewable diesel. (*See* SoCalGas Exhibit SCG-01 at JL-3 [stating that the carbon intensity of bio-CNG is -187.09 gCO_{2e}/MJ]; *see* also Cal Advocates Opening Brief at 17 [citing the carbon intensity of renewable diesel as 81.81 gCO_{2e}/MJ].) We do not find it within the intent of D.22-09-026 to require a demonstration that a project considered more carbon intense alternatives to natural gas.

[33] SoCalGas Exhibit SCG-02 at JL-8. Per the ALJ's February 11, 2026 Ruling Granting SoCalGas' Motion for Leave to File Under Seal, and to preserve the confidentiality of the customer

Footnote continued on next page.

that the RNG fueling station proposed by Project A would provide the customer's business a long-term, onsite solution to fuel vehicles for testing and delivery.[34] Currently, the customer brings RNG from mobile storage tanks from offsite.[35] In the absence of this fueling station, the customer stated it would likely consider relocating its operation out of California.[36]

Cal Advocates argues that SoCalGas provides no evidence that the customer considered any other alternatives to natural gas.[37] Cal Advocates argues that the gas line allowance exemption created by D.22-09-026 is intended to be limited only to "specific, unique non-residential" projects, and that the Project A is not entitled to an allowance simply because its proponents chose to pursue a business centered around natural gas.[38]

Sierra Club argues that Project A has a feasible alternative to a gas line extension allowance in that it can continue to bring in RNG from offsite.[39] And while the customer states that it would consider relocation without the installation of the RNG fueling station, Sierra Club notes that the customer does not state whether relocation is dependent on receiving a gas line extension allowance.[40]

---

proponent of Project A, this decision does not describe the specific business that the customer operates.

[34] SoCalGas Exhibit SCG-02 at JL-8.

[35] *Ibid*.

[36] *Ibid*.

[37] Cal Advocates Exhibit CalAdv-01 at 1-7.

[38] Cal Advocates Opening Brief at 14 (citing D.22-09-026 at OP 3).

[39] Sierra Club Opening Brief at 13-14.

[40] *Id*. at 14.

We find that SoCalGas has successfully demonstrated that Project A has no feasible alternative to natural gas. The Project A customer's business completely depends on using CNG/RNG to test and deliver heavy-duty trucks — no other fuel would be able to meet the needs of their business. We therefore agree with Project A's determination that it is not feasible for them to completely change the nature of its business.

We find this evidence more persuasive than Sierra Club's argument that the customer's continued retrieval of RNG from offsite is a feasible alternative. The customer has stated that it would consider relocating out of state rather than continue bringing in RNG from offsite. Based on this statement and absent additional facts, we can reasonably conclude that there's no feasible alternative. We therefore find that Project A meets the requirements for demonstrating no feasible alternative to natural gas.

3.3.2. Project B

Project B would upgrade and expand the current capacity of an existing RNG fueling station, which is currently several years beyond its useful life, to support the customer's fleet of RNG-powered buses.[41] The customer will transition to electric or hydrogen by 2040 to meet state mandates, however, the existing CNG bus fleets served by this station still have significant useful life remaining in the interim.[42] Additionally, even as they transition fleet buses to electric in the years to come, the customer will still rely on some RNG fleet vehicles in the event of grid-related outages or for longer duration trips that other technologies may not be able to support.[43]

---

[41] SoCalGas Exhibit SCG-02 at JL-8.

[42] *Ibid*.

[43] *Ibid*.

Sierra Club argues that Project B has not demonstrated the infeasibility of other options because it does not indicate the number of RNG buses in its fleet or their remaining useful life.[44] Sierra Club also reiterates its concerns about stranded asset risks should Project B be approved for a gas line extension allowance.[45] Cal Advocates takes a position that Project B may meet the requirement to demonstrate the infeasibility of other options based on the supporting evidence provided for this project and does not provide any arguments for why this project specifically does not demonstrate the infeasibility of alternatives to natural gas.[46]

We find that Project B successfully demonstrates that there are no feasible alternatives to natural gas. The record reflects that the customer considered electricity and hydrogen bus alternatives and has developed a plan to transition its fleet to zero-emissions buses by 2040. In the meantime, however, the customer states that Project B still has significant useful life remaining in its current fleet of buses, and a need to continue operating them.

We disagree with Sierra Club that Project B has not demonstrated the infeasibility of alternatives because we do not have specific information about its current RNG fleet. The record adequately demonstrates the infeasibility of other options until 2040. Regarding Sierra Club's reiterated stranded asset concerns, we refer back to our discussion in the prior section and note again that this issue was already addressed and considered by D.22-09-026 in establishing this application process.

---

[44] Sierra Club Opening Brief at 14.

[45] *Ibid*.

[46] Cal Advocates Opening Brief at 14.

We therefore find that Project B has successfully demonstrated that it has no other feasible alternatives to natural gas.

3.3.3. Projects D-1 and D-2

Projects D-1 and D-2 are submitted by the same customer, a recycling collection company.[47] Both projects are RNG refueling stations that would serve the customer's refuse-collecting trucks.[48] The testimony provided by SoCalGas states that the customer considered alternatives to RNG and ruled them out because 1) there are no hydrogen fuel cell refuse collection trucks currently on the market, and 2) "the [electric vehicle (EV)] options offer limited range stemming from high ancillary hydraulic loads required to lift and compact refuse."[49]

In supplemental testimony provided by SoCalGas,[50] the customer elaborates that for Project D-1, the average refuse truck travels about 104 miles per day, and that for D-2, the average refuse truck travels about 170 miles per day.[51] The customer explains that after evaluating battery electric vehicle (BEV) refuse truck models from Battle, Mack, OshKosh, and Peterbilt, and consulting with agencies and competitors, the customer found that BEV refuse truck ranges are limited to 80-120 miles per charge.[52] The customer states that for Project D-1,

[47] SoCalGas Exhibit SCG-02 at JL-11-JL-12.

[48] *Id*. at JL-12.

[49] *Id*. at JL-13.

[50] In a ruling dated April 23, 2026, the assigned ALJ directed SoCalGas to provide supplemental testimony to support the contention that BEV options offered limited range stemming from high hydraulic loads and provide data, calculations, and other evidence in support of their statement. We consider here only supplemental testimony that falls within the scope of this ruling.

[51] SoCalGas Exhibit SCG 02S at Attachment A, p. 1.

[52] *Ibid*.

this range falls short of daily route requirements and for Project D-2, these ranges are not sufficient to provide enough buffer to accommodate route demands and operational needs.[53] The customer states that these route limitations are compounded by limitations in payload. The customer states that BEV refuse trucks are limited to approximately 8 tons of payload, whereas RNG-fueled trucks can carry up to 12 tons.[54]

Cal Advocates argues that Projects D-1 and D-2 did not provide sufficient data or evidence on the BEV trucks that were explored/tested or on the range necessary for business operations.[55] Sierra Club further disputes that BEV alternatives would be infeasible for Projects D-1 and D-2, providing examples of electric refuse trucks on the market with larger maximum payload capacities and higher daily ranges that it argues would meet Projects D-1 and D-2's needs.[56]

After reviewing the record, we find that Projects D-1 and D-2 have sufficiently demonstrated that there are no feasible alternatives to natural gas. The record reflects that the customer considered the ranges and hydraulic load requirements of several models of refuse electric trucks and consulted with agencies and competitors that have used electric refuse trucks to inform a conclusion that electric trucks cannot meet the customer's daily range or payload needs.

---

[53] *Id*. at Attachment A, p. 1-2.

[54] *Id*. at Attachment A, p. 2.

[55] Cal Advocates Exhibit CalAdv-01 at 1-8. We note these concerns were raised prior to the submission of supplemental testimony and that Cal Advocates did not serve rebuttal testimony to the supplemental testimony.

[56] See Sierra Club Exhibit SC-02 at 7-8 (citing several class 8 electric refuse trucks that advertise maximum payload capacities of approximately 12.75 and 20.5 tons); *see also* Sierra Club Exhibit SC-01 at 6-7 (citing electric refuse truck models with daily ranges including 80-120 miles per charge and up to 100 on-the-job miles).

We are not persuaded by Sierra Club's arguments that certain electric refuse trucks could meet Project D-1 and D-2's range and payload capacity needs. The record reflects that the customer considered a reasonable range of BEV models and that evidence, as well as the customer's expertise in its own business, supports that these models are not sufficient to meet the Projects' needs. Moreover, we note that the range estimates for the BEV truck models that Sierra Club cites are essentially the same as the BEV truck range estimates provided by the customer.

Therefore, we find that SoCalGas has successfully demonstrated that Projects D-1 and D-2 have no feasible alternative to natural gas.

3.3.4. Project E

The customer proponent of Project E hauls millions of pounds of metal, equipment, and solid waste materials annually, including biodegradable waste that is diverted from landfills.[57] Project E is a fueling station that will serve the customer's existing fleet of CNG vehicles.[58] The customer states that BEVs and fuel cell EVs are not yet feasible for heavy duty trucking due to high upfront costs, limited infrastructure, restricted range and extended refueling times.[59]

In SoCalGas' supplemental testimony, the customer elaborates that its daily trucking routes range from 280 to 550 miles, but that BEV trucks have a limited reported range of 150 to 250 miles when operating at the gross vehicle weight rating required by their operations.[60] The customer states that the Peterbilt 579EV has a maximum range of 200 miles with a 500-kWh battery, but

---

[57] SoCalGas Exhibit SCG-02 at JL-14.

[58] *Ibid.*

[59] *Id*. at JL-15.

[60] SoCalGas Exhibit SCG-02S, Attachment B at 1.

notes that under real-world conditions, the range of heavy-duty BEV trucks is between 100 and 150 miles considering terrain, payload, weather conditions, and driver behavior.[61] The customer also states that increased upfront purchase costs, the limited availability of BEV charging infrastructure, and constraints on on-site vehicle storage present additional barriers to fleet adoption.[62]

Sierra Club disputes that BEV trucks have too limited a range for the customer's needs, quoting BEV truck models with a range of 400 to 500 miles based on speed, and charging times under an hour.[63] Sierra Club also disputes that BEV heavy duty trucks are cost prohibitive. Sierra Club notes that there are numerous purchase incentives in California for zero-emission medium- and heavy-duty vehicles, including the Clean Truck and Bus Voucher Incentive Project.[64] Sierra Club further argues that while upfront costs of zero-emissions trucks are currently higher than diesel alternatives, CARB has found that the overall total cost of ownership is lower for zero emissions vehicles, due in part to lower fuel costs and reduced maintenance costs.[65] Both intervenors argue that SoCalGas fails to provide adequate evidence or information to support that BEV trucking options are infeasible.[66]

We find that SoCalGas has adequately demonstrated that Project E has no feasible alternative to natural gas. The record reflects that the customer compared its own range requirements with the ranges of BEV trucks and found

---

[61] *Ibid*.

[62] *Id*. at Attachment B, p. 1-2.

[63] Sierra Club Exhibit SC-02 at 8.

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

[65] *Id*. at 4-5.

[66] *See* Sierra Club Exhibit SC-01 at 6; Cal Advocates Exhibit CalAdv-01 at 1-8.

that the ranges of BEV trucks fall short of its needs. Moreover, the customer also noted several additional barriers to the adoption of BEV trucks for its needs, including upfront costs, limited availability of charging infrastructure, and vehicle storage constraints.

We are not persuaded by Sierra Club's arguments that there are other BEV truck models that advertise higher range maximums that could accommodate the customer's needs. As the customer describes, when operating at the gross vehicle weight rating that its operations require, BEV trucks have a much lower reported range than their maximums. [67] The record reflects that BEV truck ranges are further reduced by other variables such as terrain, weather conditions and driver behavior. [68] Nor are we persuaded by Sierra Club's arguments that purchase incentives and lower maintenance costs would make BEVs feasible for Project E. While these incentives and reduced costs may make BEVs more affordable than they would be otherwise, they do not necessarily mean that they make utilizing BEVs feasible for Project E's operations.

We therefore find that SoCalGas has sufficiently demonstrated that Project E has no feasible alternatives to natural gas.

3.3.5. Projects G and H

Projects G and H are both public fueling stations. Project G will offer several fueling options, including hydrogen, renewable biodiesel, RNG, and BEV charging stations.[69] Project H will serve exclusively heavy duty RNG vehicles.[70] We consider them both together because SoCalGas offers the same basis for both

---

[67] SoCalGas Exhibit SCG-02S, Attachment B at 1.

[68] *Ibid*.

[69] SoCalGas Exhibit SCG-02 at JL-16.

[70] *Id*. at JL-17-JL-18.

projects as to why no other alternative to natural gas is feasible. Specifically, SoCalGas' testimony states that because both projects are designed to serve as a fueling station for RNG vehicles, no other solution or fuel could serve this purpose.[71] In its rebuttal testimony, SoCalGas also states that "Projects G and H are public RNG fueling stations needed to serve the existing market of CNG vehicles on the road today…."[72]

As with other projects, the intervenors dispute that SoCalGas has successfully demonstrated that other options are infeasible. Cal Advocates argues that SoCalGas provides no evidence that other alternatives were considered, that the exemption authorized in D.22-09-026 is meant to be limited to "specific, unique non-residential" projects, and that Projects G and H are not entitled to a subsidy simply because their business centers around natural gas.[73]

We find that SoCalGas fails to demonstrate that Projects G and H have no feasible alternatives to natural gas. The record reflects that no evidence was provided to support that alternatives to renewable natural gas were infeasible. While SoCalGas does state that the Projects G and H are needed to serve the existing market of CNG vehicles, the record provides no evidence to support that there is a particular market demand for RNG in the area of Projects G and H, especially given that Project G is also providing hydrogen fuel and BEV charging options. Accordingly, we are not persuaded by SoCalGas' claim of infeasibility.

We emphasize that our decision today is limited to finding that Projects G and H failed to adequately *demonstrate* that alternatives were infeasible, and makes no finding as to whether alternative fuels are in fact, feasible for the

[71] *Id*. at JL-17, JL-19.

[72] SoCalGas Exhibit SCG-05 at JL-5, JL-11.

[73] Cal Advocates Opening Brief at 14.

projects. Further, our decision does not preclude the proponents of Projects G and H from reapplying for the subsidy. Should Projects G and H reapply, they should provide a demonstration of infeasibility, such as evidence to support the claim that the stations are needed to serve the existing market of CNG vehicles. This evidence could include, for example, information on the nature of the demand for natural gas-powered vehicles traveling in the area of the public fueling station, the availability of nearby natural gas fueling stations, or an assessment or declaration from the customer, based on its business expertise, of the market need for the proposed RNG fueling station.

4. Compliance with All Requirements in D.22-09-026, Including an Update to Non-Residential Gas Line Extension Allowance Calculations

D.22-09-026 directs each IOU to include an update to the non-residential gas line extension allowance calculations based on the existing methodology for the calculation of gas line subsidies.[74] SoCalGas states that it reviewed the factors used to determine non-residential allowances and identified changes that exceeded the five percent threshold for adjustment according to the methodology authorized by the Commission in D.07-07-019 and SoCalGas Rule No. 20, Section H.2.[75] These updates included revised values for both the multiplier and the Cost-of-Service factor, the latter of which was approved in SoCalGas Advice Letter 6483-G.[76]

The multiplier, as defined in SoCalGas Rule No. 20, Section I, is used to determine non-residential allowances by applying a net revenue-based factor to

[74] D.22-09-026 at 57 and OP 2.

[75] SoCalGas Exhibit SCG-01 at JM-5.

[76] *Ibid*.

net revenues from non-residential customers.[77] The net revenues exclude costs related to fuel, transmission, storage and other non-extension expenses.[78] The multiplier is determined by dividing the total of average allowances per rate class by the total revenue requirement per rate class.[79] According to SoCalGas, using updated data from SoCalGas' 2024 GRC and Cost Allocation Proceeding, in conjunction with the approved Cost-of-Service factor, SoCalGas calculated an updated multiplier of 3.1.[80]

The parties stipulate that if the Commission approves the projects presented in the application, the proposed multiplier of 3.1 is appropriate. After reviewing the materials in the record, we find that SoCalGas complied with D.22-09-026's directive to update the non-residential gas line extension allowance calculations and approve the proposed updated multiplier of 3.1.

SoCalGas argues that its application complies with all other applicable requirements established in D.22-09-026. SoCalGas states that the application presents individualized requests subject to strict cost caps, post-installation verification, and recovery limited to actual Commission-approved amounts, and does not seek categorical exemptions or blanket treatment.[81]

Sierra Club argues that SoCalGas' application is an improper effort to apply a blanket exemption to CNG refueling station projects that the Commission rejected in D.22-09-026.[82] Sierra Club asserts that rather than

---

[77] *Id*. at JM-6.

[78] *Ibid*.

[79] *Ibid*.

[80] *Id*. at JM-6-JM-7.

[81] SoCalGas Opening Brief at 6.

[82] Sierra Club Opening Brief at 7.

presenting "specific unique" circumstances as required by D.22-09-026, SoCalGas presents one unified explanation of the alleged climate benefits of RNG, as well as a universal explanation for the no feasible alternative requirements.[83]

We do not find Sierra Club's assertions persuasive. We find that the application presents evidence for each application on an individual basis. The fact that all of the projects happen to be RNG fueling stations, without more, does not contravene D.22-09-026's requirements.

We therefore find that SoCalGas' application complies with all applicable requirements in D.22-09-026 for the projects that meet the criteria set forth in that decision (projects A, B, D-1, D-2, and E).

5. Proposed Clarifications to Tariff Rule Nos. 20 and 21

SoCalGas proposes to revise Tariff Rule Nos. 20 and 21, which govern gas main and gas service extensions, to require advance payment of actual project costs for all customers, including those granted gas line extension allowances.

Prior to the Commission's elimination of gas line extension allowances in D.22-09-026, any approved allowance was deducted from the customer's total project cost.[84] If the estimated costs exceeded the estimated allowance, the customer was responsible for the remaining balance at the time of contract execution.[85] If a customer failed to take service or utilize the contracted load within three years of the ready-to-serve date, a reconciliation bill was issued based on actual revenues generated from the installed equipment.[86]

---

[83] *Id*. at 6-7.

[84] SoCalGas Exhibit SCG-01 at JM-4.

[85] *Ibid*.

[86] *Id*. at JM-4-JM-5.

With the implementation of D.22-09-026, SoCalGas states that it contractually requires customers submitting new gas line extension applications to pay the full estimated cost of the project in advance.[87] With the changes SoCalGas proposes, Tariff Rule Nos. 20 and 21 would be updated to incorporate this requirement into SoCalGas' tariffs. SoCalGas proposes that any allowance approved by the Commission—up to the actual project cost—should be applied after a three-year period post-installation true up period, consistent with its practices prior to D.22-09-026.[88] During the three-year true up, SoCalGas would measure actual customer usage, allowing the final gas line extension allowance amount to be finalized.[89]

SoCalGas argues that amending Tariff Rule Nos. 20 and 21 to require advance payment of actual project costs for all customers, including those seeking allowance exceptions, mitigates the risk of over- or under- charging customers and aligns with the Commission's determination in D.22-09-026 that new gas line extensions must not expose ratepayers to upfront cost risk.[90] The parties stipulate that if the Commission approves the projects presented in the application, the clarifications sought to Tariff Rule Nos. 20 and 21 are reasonable.[91]

We agree that requiring customers seeking a gas line extension to bear the entire up-front costs of the extension and only applying the refund for any approved allowances after the allowance has been finalized post-installation

---

[87] *Id*. at JM-5 (citing SoCalGas Form 3905-D Sample Form Line Extension Contract at Section I).

[88] *Id*. at JM-5.

[89] SoCalGas Opening Brief at 8.

[90] *Id.* at 7 (citing D.22-09-026 at 81-82); *see also* SoCalGas Exhibit SCG-01 at JM-5.

[91] Joint Case Management Statement filed January 16, 2026 at 2.

period will reduce possible risks to ratepayers and therefore find SoCalGas' proposal to be reasonable. We authorize SoCalGas to revise Tariff Rule Nos. 20 and 21 to require advance payment of actual project costs for all customers and to clarify that any approved allowances – up to actual project costs – will only be applied to customers following a three-year post-installation true up period. SoCalGas shall file a Tier 2 advice letter within 30 days to implement the revisions consistent with this decision. The advice letter shall clearly identify the specific changes to the language of Tariff Rule Nos. 20 and 21, and shall explain how the specific changes are consistent with this decision.

6. Creation of Balancing Account

6.1. Parties Contentions

SoCalGas proposes to establish the Gas Line Extension Allowance Balancing Account (GLEABA). SoCalGas states that the GLEABA will be an interest-bearing two-way balancing account that will record the incremental revenue requirement associated with any gas line extension allowances the Commission approves through this application.[92] According to SoCalGas' proposal, the actual revenue requirement will be recorded to the GLEABA following a three-year post installation true up period for recovery in rates using the Equal Percentage of Authorized Margin cost allocation methodology, consistent with the allocation of current base margin pursuant to D.24-07-009.[93]

SoCalGas argues that the creation of the GLEABA is reasonable because it will fully reconcile any differences between the forecasted and actual revenue requirements associated with the approved gas line extension allowances.[94]

---

[92] SoCalGas Exhibit SCG-03 at RMY-MEB-JLC-1.

[93] *Ibid.*; Application at 3-4.

[94] SoCalGas Opening Brief at 8.

SoCalGas further argues that a two-way balancing account is particularly appropriate here because allowance-related costs are contingent, project-specific, and subject to a three-year post-installation true-up before any allowance amount is determined.[95]

Cal Advocates argues that the Commission should require that SoCalGas record costs associated with any approved gas line extension allowances in an existing account, rather than creating a new balancing account.[96] Specifically, Cal Advocates notes that, pursuant to the most recent SoCalGas GRC, SoCalGas has already created the Gas Line Extension Balancing Account (GLEBA) to account to track savings from the elimination of line extension subsidies ordered in D.22-09-026.[97] Cal Advocates argues that utilizing an existing account, such as the GLEBA, is more efficient and avoids the proliferation of balancing accounts that can make tracking a utility's recorded costs more difficult.[98]

SoCalGas disputes that the existing GLEBA account is appropriate for tracking the incremental costs associated with the allowances approved by this proceeding. SoCalGas argues that the GLEBA is structured to record refunds tied to previously authorized revenue requirements, and that it is not designed — as the new proposed GLEABA would be — to track new, incremental costs arising from Commission-approved allowances authorized outside of a GRC.[99] SoCalGas contends that using the GLEBA to record costs arising from approved

---

[95] *Ibid*. (citing SoCalGas Exhibit SCG-04 at JM-2-4).

[96] Cal Advocates Opening Brief at 18.

[97] *Ibid.* (citing D.24-12-074 at 1091).

[98] *Id*. at 18-19.

[99] SoCalGas Reply Brief at 14.

allowances would undermine transparency and obscure the accounting treatment of these costs.[100]

6.2. Discussion

We agree with SoCalGas that establishing a balancing account to track the costs associated with Commission-approved allowances is reasonable. Balancing accounts are appropriate for new, incremental costs that have been pre-authorized for recovery.[101] Additionally, we find that establishing a two-way balancing account here is reasonable as well. Two-way balancing accounts authorize a utility to collect more or less than the authorized revenue requirement for a given program depending on actual costs, and are intended to ensure that the utility does not make or lose money due to uncertainties.[102] Here, allowances are calculated based on anticipated revenue from the applicant, which is determined by factors such as equipment load, operating schedule, and the tariff under which the applicant is served.[103] Variations between estimated and actual equipment usage and other factors may result in changes to the final allowance amount that will be accounted for using a two-way balancing account. Moreover, we note that the final allowance amount is capped and cannot exceed the actual cost of the gas line extension.

Additionally, we are not persuaded that an existing balancing account is appropriate for recording new costs associated with approved allowances. The GLEBA established following the Commission's Test Year 2024 GRC is a one-way balancing account designed to track refunds from previously authorized

---

[100] *Ibid*.

[101] *See*, *e.g.*, D.15-10-032 at 21; D.17-06-015 at Finding of Fact 51.

[102] D.17-06-015 at 131.

[103] SoCalGas Exhibit SCG-01 at JM-4.

revenue requirements following the elimination of gas line extension allowances. In contrast, the new balancing account that SoCalGas proposes would track new costs authorized outside of a GRC.

Therefore, we authorize SoCalGas to establish a two-way balancing account to record the incremental revenue requirement associated with the gas line extension allowances approved by this decision. Within 30 days of this decision, SoCalGas shall file a Tier 1 advice letter to establish this two-way balancing account for recovery in rates as set forth in this decision.

Following the three-year post-installation period, SoCalGas shall calculate and finalize the actual gas line extension allowance for each approved project, to be capped at actual project costs, and record the resulting revenue requirement in the GLEABA. SoCalGas shall seek recovery of recorded costs in the GLEABA via an annual Tier 2 advice letter filing using Commission-authorized cost allocation and revenue requirement methodologies applicable at the time of recovery, until the capital assets are included in SoCalGas' next GRC. In its advice letter filing, SoCalGas shall explain in detail any differences between the estimated and final revenue requirement, including any differences between the calculation of the customer's estimated and actual revenue.

7. Revenue Requirement

SoCalGas states that the estimated gas line extension allowances for the nine projects that it included in the original application total approximately $6.656 million.[104] The total illustrative revenue requirement associated with the nine projects is $14.9 million over the useful lives of the assets.[105] The illustrative

[104] SoCalGas Exhibit SCG-03 at RMY-MEB-JLC-2.

[105] *Id*. at RMY-MEB-JLC-3.

revenue requirement accounts for the incremental capital expenditures for these nine projects up to the estimated gas line extension allowance for each project.[106] In addition to incremental capital expenditures, the revenue requirement also includes other costs required to support the investment, including taxes and franchise fees and uncollectibles (FF&U).[107] The forecasted revenue requirement was calculated using current, Commission-approved assumptions and methodologies set forth in SoCalGas' opening testimony.[108]

No party objected to the calculation of the forecasted revenue requirement, and intervenors stipulated that if the Commission approves the projects presented in the application, then the proposed revenue requirement is reasonable and justified for rate recovery.[109]

We find that SoCalGas' calculation of the original revenue requirement and the methodology it uses are reasonable. However, because this decision only approves allowances for projects A, B, D-1, D-2, and E, the calculations need to be updated. The total for the five approved allowances in this decision is approximately $2.894 million dollars, as opposed to the approximately $6.656 million originally calculated for all nine allowances.[110]

Within 30 days of this decision, SoCalGas shall file a Tier 2 advice letter re-calculating its forecasted revenue requirement for only the gas line extension allowances approved by this decision, using the same methodology as it used to calculate the original forecasted revenue requirement for the nine original

---

[106] *Id*. at RMY-MEB-JLC-2.

[107] *Ibid*.

[108] SoCalGas Exhibit SCG-03 at RMY-MEB-JLC-2-RMY-MEB-JLC-3.

[109] Joint Case Management Statement filed January 16, 2026 at 2.

[110] SoCalGas Exhibit SCG-01 at JM-3-JM-4.

projects. The advice letter shall describe its original calculation of the forecasted revenue requirement, as well as how it updated that calculation using the same methodology.

8. Alignment with Commission's Environmental and Social Justice Action Plan

8.1. Parties' Contentions

SoCalGas argues that the proposed projects align with the objectives of the of the Commission's Environmental and Social Justice (ESJ) Action Plan by enabling the use of RNG in non-residential transportation applications that are difficult to electrify in the near term.[111] SoCalGas elaborates that relative to diesel, RNG provides substantial and immediate reductions in NOx, particulate matter, and climate forcing emissions — benefits that are critically important in ESJ communities that face disproportionate air pollution burdens.[112] Specifically, SoCalGas states that by reducing air pollution and GHG emissions, the projects advance ESJ Action Plan Goal 2, related to improving local air quality and public heath, and ESJ Action Plan Goal 4, related to increasing climate resiliency in ESJ communities.[113]

Sierra Club argues that approving the gas line extension allowances for the projects proposed by SoCalGas would contravene the Commission's ESJ Action Plan by increasing air pollution in disadvantaged communities.[114] Sierra Club states that five of the remaining projects — Projects B, D-1, E, G, and H are all located in disadvantaged communities.[115] Sierra Club argues that the air quality

---

[111] SoCalGas Opening Brief at 10.

[112] *Ibid*.

[113] *Ibid*.

[114] Sierra Club Opening Brief at 14.

[115] *Id*. at 15.

impacts of methane-burning vehicle refueling stations are inconsistent with ESJ Action Plan Goal 2, which aims to improve local air quality.[116] Sierra Club also argues that while particle mass emitted from natural gas engines can be lower, they can emit more "ultrafine particles" that are harmful to human health.[117] Sierra Club further argues that the Commission has previously made findings that locating methane-burning vehicle refueling stations in disadvantaged communities is not consistent with the ESJ Plan.[118]

8.2. Discussion

We find that for the projects that meet the criteria set forth in D.22-09-026, (Projects A, B, D-1, D-2, and E), approval of gas line extension allowances is consistent with the Commission's ESJ Action Plan. These projects 1) have demonstrated that they will decrease GHG emissions, 2) are consistent with state climate goals, and 3) have demonstrated that there is no feasible alternative to natural gas. Therefore, we find that they will decrease air pollution and GHG emissions, as compared with diesel, and are thereby consistent with ESJ Action Plan Goals 2 and 4.

Crucial to our finding is that these projects have demonstrated that there is no feasible alternative to natural gas. This distinguishes this proceeding from other instances where the Commission has found that RNG refueling station projects in disadvantaged communities do run counter to the ESJ Action Plan. In those cases, there was no finding that there was no feasible alternative to natural

---

[116] *Id*. at 14-15.

[117] Sierra Club Exhibit SC-01 at 9.

[118] Sierra Club Opening Brief at 15 (citing D.24-12-074 at 621).

gas, and therefore, building RNG refueling stations could increase air pollution and GHG emissions relative to cleaner alternatives, like electricity.[119]

Moreover, we find that when compared to diesel, the record reflects that RNG has overall better air quality impacts and GHG reduction benefits. While we acknowledge that Sierra Club has identified instances where certain pollutants may be higher for natural gas, we find that the record establishes overwhelmingly that RNG fuel reduces numerous air pollutants compared with diesel, and has been a part of the state's strategy to achieving emissions reductions in the transportation sector on the way to reaching zero emissions.[120]

We therefore find that approval of gas line extension allowances for Projects A, B, D-1, D-2, and E is consistent with the Commission's ESJ Action Plan.

9. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(a) requires that all written public comment submitted prior to the submission of the proceeding are part of the administrative record of the proceeding. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

The Commission received 11 written comments on the Docket Card for this proceeding. Most of the comments asked the Commission to deny any rate increase. One comment emphasized the importance of embracing electrification.

---

[119] *See* D.24-12-074 at 621.

[120] *See* SoCalGas Exhibit SCG-02 at JL-4-JL-6; SoCalGas Exhibit SCG-05 at JL-6-JL-7; JL-9-JL-10.

10. Conclusion

This decision finds that Projects A, B, D-1, D-2, and E meet the requirements set forth in D.22-09-026, and grants SoCalGas' application on behalf of its customers for gas line extension allowances for those projects. The remaining requests for gas line extensions do not meet the minimum requirements for gas line extension allowances and are denied. This decision also approves SoCalGas' request to revise Tarriff Rule Nos. 20 and 21, SoCalGas' update to the non-residential gas line extension allowance multiplier of 3.1, and SoCalGas' request to establish a two-way balancing account to track costs associated with approved gas line extension allowances. Finally, this decision approves the calculation of SoCalGas' forecasted revenue requirement, but directs SoCalGas to update its revenue requirement calculations to account for the fact that only five of the original nine projects are approved by this decision.

11. Procedural Matters

This decision affirms all rulings made by the ALJ and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

12. Comments on Proposed Decision

The proposed decision of ALJ Shannon Clark in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on __________, and reply comments were filed on _____________ by ________________.

13. Assignment of Proceeding

Karen Douglas is the assigned Commissioner and Shannon Clark is the assigned ALJ in this proceeding.

Findings of Fact

1. SoCalGas submitted this application requesting 1) approval for nine customer projects to receive gas line extension allowances, 2) approval for the update to the non-residential gas line extension allowance multiplier of 3.1, 3) to establish a balancing account to track costs associated with approved customer gas line extension allowances, and 4) approval of updates to SoCalGas' Tariff Rule Nos. 20 and 21.
2. Projects C and F withdrew their applications after SoCalGas submitted its application.
3. RNG has a lower carbon intensity than traditional diesel fuel.
4. Using the Standard Lifecycle GHG Emission Reduction Methodology, SoCalGas demonstrates that Projects A, B, D-1, D-2, and E will reduce GHG emissions by replacing diesel fuel with RNG fuel.
5. RNG has air quality benefits when compared to diesel, including reducing emissions of NOx and particulate matter.
6. RNG provides important GHG reductions in the current interim period, where full electrification is not possible.
7. D.22-09-026 does not specify an amount by which GHG emissions must be reduced.
8. SoCalGas demonstrates that Projects A, B, D-1 D-2, and E are consistent with California's climate goals.
9. Project A operates a business that requires fuel for testing and delivery of heavy-duty trucks to end use customers, and CNG/RNG is the only compatible fuel for those trucks. Therefore, Project A's business depends on the use of CNG/RNG for fuel.

10. Project B has a plan in place to transition its fleet to zero-emissions buses by 2040.

11. Project B has significant useful life remaining in its current fleet of RNG buses and will need to continue operating them until it transitions its fleet to zero-emissions buses.

12. Projects D-1 and D-2 are RNG refueling stations that would serve refuse-collecting trucks that travel about 104 miles per day and about 170 miles per day respectively.

13. Given the hydraulic load and operational demands of the customer proponent of Projects D-1 and D-2, the record demonstrates that the current BEV refuse truck ranges are not sufficient for the customer's daily route requirements.

14. Project E is a fueling station that will serve the customer's existing fleet of CNG vehicles that haul metal, equipment, and solid waste materials.

15. Given the needs of the customer proponent of Project E, the record demonstrates that the current BEV truck ranges are insufficient.

16. The record does not support a finding that alternatives to natural gas are infeasible for Projects G and H.

17. Projects A, B, D-1, D-2, and E successfully demonstrate that there are no feasible alternatives to natural gas.

18. Projects A, B, D-1, D-2, and E meet the criteria set forth in D.22-09-026 to receive a gas line extension allowance.

19. Projects G and H do not meet the criteria set forth in D.22-09-026 to receive a gas line extension allowance because SoCalGas has not sufficiently demonstrated that these projects have no feasible alternative to natural gas.

20. SoCalGas updated the non-residential gas line extension allowance calculations, including the update to the non-residential gas line extension allowance multiplier of 3.1, in compliance with D.22-09-026.

21. For Projects A, B, D-1 D-2, and E, SoCalGas' application complies with all applicable requirements in D.22-09-026.

22. SoCalGas Rule Nos. 20 and 21 govern gas main and gas line extensions.

23. Requiring customers seeking a gas line extension to bear the entire up-front costs of the extension and only applying the refund for any approved allowances after the allowance has been finalized post-installation period will minimize risks to ratepayers.

24. Balancing accounts are appropriate for new, incremental costs that have generally been pre-authorized for recovery.

25. Two-way balancing accounts authorize a utility to collect more or less than the authorized revenue requirement for a given program depending on actual costs, and are intended to ensure that the utility does not make or lose money due to uncertainties.

26. Allowances are calculated based on anticipated revenue from the applicant, which is determined by factors such as equipment load, operating schedule, and the tariff under which the applicant is served.

27. Variations between estimated and actual equipment usage and other factors may result in changes to the final allowance amount that will be accounted for using a two-way balancing account.

28. The GLEBA established following the Commission's Test Year 2024 GRC is a one-way balancing account designed to track refunds from previously authorized revenue requirements following the elimination of gas line extension allowances.

29. The total illustrative revenue requirement associated with the nine projects is $14.9 million over the useful lives of the assets, which accounts for $6.656 million in estimated allowances for the nine projects and includes other costs required to support the investment, including taxes and FF&U.

30. The total estimated allowances for only the approved projects in this decision (Projects A, B, D-1 D-2, and E) is approximately $2.894 million.

31. Because Projects A, B, D-1 D-2, and E will decrease GHG emissions, be consistent with state climate goals, and have no feasible alternative to natural gas, approval of gas line extension allowances for these projects is consistent with ESJ Action Plan Goals 2 and 4.

Conclusions of Law

1. SoCalGas' request for Projects A, B, D-1 D-2, and E to receive gas line extension allowances should be approved.

2. SoCalGas' request for Projects G and H to receive gas line extension allowances should be denied without prejudice, allowing these projects to reapply if they choose.

3. SoCalGas' request to update to the non-residential gas line extension allowance multiplier of 3.1 should be approved.

4. SoCalGas' proposed revisions to Tariff Rule Nos. 20 and 21 to require advance payment of actual project costs of gas line extensions for all customers, included those granted gas line extension allowances, are reasonable.

5. SoCalGas should file a Tier 2 advice letter within 30 days of the effective date of this decision to revise Tariff Rule Nos. 20 and 21 to require advance payment of actual project costs for all customers and to clarify that any approved allowances – up to actual project costs – will only be applied to customers following a three-year post-installation true up period.

6. SoCalGas' request to establish a two-way balancing account to track costs associated with Commission-approved gas line extension allowances is reasonable.

7. SoCalGas should file a Tier 1 advice letter within 30 days of the effective date of this decision to establish a two-way balancing account to track costs associated with Commission-approved gas line extension allowances.

8. SoCalGas should file a Tier 2 advice letter within 30 days of the effective date of this decision to update its revenue requirement to reflect only the customer projects approved in this decision, using the same methodology as it used to calculate the original forecasted revenue requirement. The advice letter should describe its original calculation of the forecasted revenue requirement, as well as how it updated that calculation using the same methodology.

9. Following the recording of the actual revenue requirement in the GLEABA, SoCalGas should seek recovery via an annual Tier 2 advice letter filing using Commission-authorized cost allocation and revenue requirement methodologies applicable at the time of recovery, until the capital assets are included in SoCalGas' future GRC. In its advice letter filing, SoCalGas should explain in detail any differences between the estimated and final revenue requirement, including any differences between the calculation of the customer's estimated and actual revenue.

10. All rulings made by the ALJ and assigned Commissioner in this proceeding should be affirmed.

11. All motions not ruled on should be denied.

12. A.25-07-001 should be closed.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company's request for Projects A, B, D-1, D-2, and E to receive gas line extension allowances is approved.

2. Southern California Gas Company's request for Projects G and H to receive gas line extension allowances is denied without prejudice.

3. Southern California Gas Company's update to the non-residential gas line extension allowance multiplier of 3.1 is approved.

4. Southern California Gas Company shall file a Tier 2 advice letter within 30 days of the effective date of this decision to update Tariff Rule Nos. 20 and 21 to require advance payment of actual project costs for all customers and to clarify that any approved allowances – up to actual project costs – will only be applied to customers following a three-year post-installation true up period. The advice letter shall clearly identify the specific changes to the language of Tariff Rule Nos. 20 and 21, and shall explain how the specific changes are consistent with this decision.

5. Southern California Gas Company shall file a Tier 1 advice letter within 30 days of the effective date of this decision to establish a two-way balancing account to track costs associated with Commission-approved gas line extension allowances.

6. Southern California Gas Company shall file a Tier 2 advice letter within 30 days of the effective date of this decision to update its revenue requirement to reflect only the customer projects approved in this decision, using the same methodology as it used to calculate the original forecasted revenue requirement. The advice letter shall describe its original calculation of the forecasted revenue

requirement, as well as how it updated that calculation using the same methodology.

7. Following the recording of the actual revenue requirement in the Gas Line Extension Allowance Balancing Account, Southern California Gas Company shall seek recovery via an annual Tier 2 advice letter filing using Commission-authorized cost allocation and revenue requirement methodologies applicable at the time of recovery, until the capital assets are included in Southern California Gas Company's next general rate case application. In its advice letter filing, Southern California Gas Company shall explain in detail any differences between the estimated and final revenue requirement, including any differences between the calculation of the customer's estimated and actual revenue.

8. All rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding are affirmed.

9. All motions not ruled on are denied.

10. Application 25-07-001 is closed.

This order is effective today.

Dated ____________________________, at San Francisco, California