
PUBLIC UTILITIES COMMISSION505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

March 20, 2026

Agenda ID #24102
Ratesetting~~TO PARTIES OF RECORD IN APPLICATION 24-12-011:~~

~~This is the proposed decision of Administrative Law Judge Joanna Perez-Green. 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 April 30, 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 to the proceeding may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure (Rules).~~

~~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:nd3~~

~~Attachment~~

Decision PROPOSED DECISION OF ALJ PEREZ-GREEN (Mailed 3/20/2026)

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
Implement Revenue Requirement for
Costs to Enable Commencement of
Phase 2 Activities for Angeles Link.

Application 24-12-011

**DECISION DENYING SOUTHERN CALIFORNIA GAS COMPANY'S
REQUEST FOR COST RECOVERY FROM RATEPAYERS
FOR PHASE 2 ACTIVITIES FOR ANGELES LINK PROJECT**

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**DECISION DENYING SOUTHERN CALIFORNIA GAS COMPANY'S
REQUEST FOR COST RECOVERY FROM RATEPAYERS
FOR PHASE 2 ACTIVITIES FOR ANGELES LINK PROJECT**

Summary

This decision denies the application of Southern California Gas Company requesting \$266 million of cost recovery from natural gas ratepayers for Phase 2 Activities related to the Angeles Link Project.

This proceeding is closed.

1. Background

On February 17, 2022, Southern California Gas Company (SoCalGas) filed Application (A.) 22-02-007 (Phase 1 Application) requesting the authority to establish a memorandum account to record the costs of planning a potential project, the Angeles Link Project (Project). SoCalGas proposes to ~~build~~[develop](#) dedicated hydrogen pipelines, including transmission pipelines, to deliver renewable hydrogen gas¹ into the Los Angeles Basin to support hydrogen end users.² SoCalGas stated that this Project could advance the State's clean energy policy objectives of decarbonization and clean air goals by bringing renewable hydrogen to the Los Angeles Basin as an energy source for "hard-to-electrify" industries, electric generation, and heavy-duty transportation sector and as a potential substitute for natural gas supplied by Aliso Canyon. SoCalGas outlines the following phases of the Project, which did not include construction: Phase 1 – feasibility study, Phase 2 – front end engineering and design (FEED) study, and Phase 3 – [development of an application for a](#) Certificate of Public Convenience and Necessity (CPCN). The Angeles Link Project Phase 1 Demand

¹ Renewable hydrogen gas for the Project is hydrogen gas, not blended with natural gas.

² [Phase 1 Application at 1-2.](#)

Study indicates that the Project could supply hydrogen for power generation, industrial uses and transportation applications,²³ but does not identify specific ratepayers.

On December 20, 2022, the Commission authorized SoCalGas to establish the Angeles Link Memorandum Account (Memo Account) to record Phase 1 Activities costs in Decision (D.) 22-12-055. D.22-12-055 provided multiple minimum compliance requirements if SoCalGas were to seek recovery for Phase 1 Activities and continue to Phase 2. D.22-12-055 authorized cost recording only “if the Project is restricted to only transport hydrogen that does not use any fossil fuel in its production process.”³⁴ In D.22-12-055, the Commission determined that it was premature to address jurisdiction. D.22-12-055 required SoCalGas to join other entities that were 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 Infrastructure Investment and Jobs Act (IIJA) prior to receiving authority to record any Phase 2 costs.

On December 20, 2024, SoCalGas filed A.24-12-011 (Phase 2 Application) requesting authorization to implement revenue requirement for costs to enable the commencement of Phase 2 Activities of the Project. SoCalGas proposes

²³ “The Demand Study has 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 service from SoCalGas [clean natural gas] CNG stations, and refineries, among others. Future potential ratepayers, who are not currently served by SoCalGas and could benefit from Angeles Link, include non-utility served heavy-duty vehicle operators, commercial harbor craft operators, ocean-going vessel operators, and locomotive operators.” Demand Study at page 18.

³⁴ D.22-12-055 Finding of Fact (FOF) 36 at 66.

Phase 2 Activities include the completion of a 30% FEED study and further stakeholder engagement from Phase 1 Activities. SoCalGas requests authority to establish a two-way balancing account and for the Commission to implement a revenue requirement based on forecasted cost requirements of \$266 million for Phase 2 Activities. In the Phase 2 Application, SoCalGas noted that it declined IIJA funding for ARCHES. In the Phase 1 Activities High-Level Economics Analysis and Cost Effectiveness Study (Cost Effectiveness Study), SoCalGas estimates that the Project would be cost effective for certain end uses including “long-haul transportation, retrofitted gas-fueled generation facilities, and certain industrial end uses” and carbon capture and sequestration.⁴⁵

By January 23, 2025, responses and protests were filed by Air Products and Chemicals, Inc. (Air Products); California Environmental Justice Alliance and Sierra Club (jointly CEJA/Sierra Club); California Hydrogen Business Council (CHBC); City of Long Beach (Port of Long Beach); Coalition of California Utility Employees and California State Pipe Trades Council (jointly CUE/CSPTC); Environmental Defense Fund (EDF); Green Hydrogen Coalition (GHC); Indicated Shippers; the Public Advocates Office at the California Public Utilities Commission (Cal Advocates); Southern California Generation Coalition (SCGC); and Utility Consumers’ Action Network (UCAN). On January 29, 2025, Indicated Shippers filed an amended protest to the Phase 2 Application.

On February 13, 2025, motions for party status were granted for Utility Workers of America, Local 483 (UWUA Local 483), the Port of Los Angeles (Port

⁴⁵ Phase 2 Application at 41.

of LA), the California Manufacturers & Technology Association (CMTA), and The Utility Reform Network (TURN).⁵⁶

On February 3, 2025, SoCalGas filed a reply to the responses and protests to the Phase 2 Application.

A prehearing conference was held on March 14, 2025.

On June 12, 2025, SoCalGas filed A.25-06-011 (Phase 1 Compliance Application) requesting authorization to recover costs recorded in its Angeles Link Memorandum Account for Phase 1 Activities.

On July 31, 2025, the ~~Commission~~[assigned Commissioner](#) issued a scoping memo and ruling (Scoping Memo) bifurcating the Phase 2 proceeding to first consider threshold questions of law and policy in Phase 2A before considering Phase 2B.

On August 25, 2025, an ALJ ruling ~~granting~~[granted](#) party status to First Public Hydrogen Authority (First Public H2) and Foothill Transit.

On September 3, 2025, opening briefs were filed by Air Products, Cal Advocates, CEJA/Sierra Club, CHBC, CSPTC, EDF, First Public H2, GHC, Indicated Shippers, SCGC, SoCalGas, TURN, UCAN, and UWUA Local 483.

On October 17, 2025, reply briefs were filed by Air Products, Cal Advocates, CEJA/Sierra Club, CHBC, CSPTC, EDF, GHC, Indicated Shippers, SCGC, SoCalGas, TURN, and UCAN.

1.1. Submission Date

This matter was submitted on October 17, 2025, upon filing of reply briefs.

⁵⁶ Motions for party status were filed by UWUA Local 483 on January 16, 2025, Port of Los Angeles on January 21, 2025, CMTA on January 29, 2025, and TURN on February 12, 2024.

2. Issues Before the Commission

The Scoping Memo bifurcated the Phase 2 proceeding to first consider threshold issues of law and policy in Phase 2A before considering whether Phase 2B is needed. Based on this decision's resolution of Phase 2A threshold issues, the issues of Phase 2B need not be addressed, and it is reasonable to close this proceeding.

The Phase 2A threshold issues, which are limited to matters of law and policy, to be determined or otherwise considered in this decision are:

1. Should the Commission consider the SoCalGas Phase 2 Application before reviewing the SoCalGas Phase 1 Compliance Application?
2. Should the Project be treated as a pipeline as defined by Public Utilities Code (Pub. Util. Code) Section 227? If so, should SoCalGas be treated as a pipeline corporation with consideration to Pub. Util. Code Section 228?
3. Should the Project be treated as a gas plant as defined by Pub. Util. Code Section 221? If so, should SoCalGas be treated as a gas plant corporation with consideration to Pub. Util. Code Section 222?
4. Is it reasonable for ratepayers, or a subset of ratepayers, to be responsible for the costs of Phase 2 Activities, as a matter of law and policy?
5. Does the Commission have jurisdiction over the Project?

3. Order of Review of Applications

Air Products, Cal Advocates, CEJA/Sierra Club, EDF, Indicated Shippers, TURN, and UCAN support the application review of Phase 2A before Phase 1 Compliance. The rationale is based on the interrelated and relevant issues in both proceedings. Additionally, parties argue that Phase 1 Compliance Application must happen before Phase 2B to ensure compliance with D.22-12-055 for Phase 1 Activities that will influence Phase 2 Activities.

Parties that prefer a review of the Phase 1 Compliance Application first included CHBC, GHC, SoCalGas, and UWUA Local 483. These parties support

the approach that the applications could run concurrently without delay. SoCalGas indicated that the phases are independent. No party argues that it is necessary for the Commission to first review the Phase 1 Compliance Application before addressing Phase 2A threshold issues in the Phase 2 Application.

We agree with Air Products, Cal Advocates, CEJA/Sierra Club, EDF, Indicated Shippers, TURN, and UCAN that the Commission can address Phase 2A before the Phase 1 Compliance Application. We note that D.22-12-055 requires that the Phase 1 studies get a proper review⁶⁷ as they would impact the need for and scope of Phase 2 Activities. We find that it is reasonable to review the Phase 2A threshold issues in the Phase 2 Application before the Commission resolves the Phase 1 Compliance Application.

4. Reasonableness of Cost Recovery from Ratepayers

SoCalGas requests authorization to implement a revenue requirement from ~~all of~~ its current natural gas ratepayers in a two-way balancing account for Phase 2 Activities. SoCalGas proposes that the timing for authorization of the request is appropriate based on ~~their~~^{its} determination that Phase 1 Activities have been completed. SoCalGas states that investor-owned utilities may recover reasonable expenditures to serve the public.⁷~~In its application, the~~⁸ The utility argued that it would be reasonable to ~~immediately~~ recover costs from all⁹ or a subset¹⁰ of its ratepayers for potential and indirect societal benefits of the Project. SoCalGas intends “to transport hydrogen gas to consumers who wish to utilize

⁶⁷ D.22-12-055 Conclusion of Law 39 at 72.

~~⁷ SoCalGas Opening Brief at 20.~~

⁸ SoCalGas Opening Brief at 20.

⁹ Phase 2 Application.

¹⁰ SoCalGas Opening Brief at 3.

clean renewable hydrogen in their operations as a substitute for natural gas or other fuels – including power generation, industrial uses, heavy-duty transportation, transit agencies” among other possibilities.⁸¹¹

The parties supporting cost recovery from all or a ~~portions~~subset of ratepayers for the cost of Phase 2 Activities include GHC, CHBC, CSPTC, SCGC, and UWUA Local 483. Air Products, Cal Advocates, CEJA/Sierra Club, EDF, First Public H2, Indicated Shippers, TURN, and UCAN oppose cost recovery from ratepayers for this application.

While parties generally agree about the possibility of indirect societal benefits of hydrogen such as reduced greenhouse gas emissions, improved air quality and consequent health benefits, and workforce transition, party positions differed on the direct benefits to ratepayers that could be provided by the Project and/or Phase 2 Activities. SoCalGas, CHBC, CSPTC, GHC, SCGC, and UWUA Local 483 attribute many potential indirect societal benefits to the Project.

GHC and UWUA Local 483 argue that the Phase 2 Activities would directly benefit Californians with workforce transition.⁹¹²

In briefs, Air Products, Cal Advocates, CEJA/Sierra Club, First Public H2, TURN, and UCAN reject that the Project will directly benefit SoCalGas natural gas ratepayers.⁴⁰¹³ TURN states “core residential or commercial customers will obtain no direct benefits from the hydrogen pipeline.”⁴⁴¹⁴ Cal Advocates notes that SoCalGas fails to identify specific customers who would directly benefit

⁸¹¹ SoCalGas Opening Brief at 21, see also footnote 2 (describing potential future end users of hydrogen delivered by Angeles Link).

⁹¹² GHC Reply Brief at 5-6 and UWUA Local 483 Opening Brief at 4.

⁴⁰¹³ Opening briefs of Air Products at 20-21, Cal Advocates at 9, CEJA/Sierra Club at 2, First Public H2 at 13, TURN at 23, and UCAN at 10.

⁴⁴¹⁴ TURN Opening Brief at 23.

from the Project.¹²¹⁵ CEJA/Sierra Club concur that SoCalGas does not identify ratepayers that would justify cost recovery.¹³¹⁶

Parties disagreed on whether to allow cost recovery for Phase 2 Activities. SoCalGas supports cost recovery as a matter of standard utility practice of taking on “business, financial, and regulatory risks in their service of the public for the long term.”¹⁴¹⁷ In briefs, SoCalGas and supporting parties argue that the societal benefits justify cost recovery. GHC and CSPTC state that indirect benefits are sufficient to authorize recovery.¹⁵¹⁸ Air Products, Cal Advocates, CEJA/Sierra Club, TURN, and UCAN disagree that the potential indirect benefits are sufficient for cost recovery.¹⁶¹⁹ Furthermore, Air Products, Cal Advocates, CEJA/Sierra Club, EDF, First Public H2, Indicated Shippers, TURN, and UCAN note that D.22-12-055 requires SoCalGas to identify ratepayers who would receive direct benefits ~~to the ratepayers~~ from whom the project’s costs could be recovered.¹⁷ Many parties note that if a hydrogen pipeline were paid for by natural gas ratepayers, it would not provide direct benefits and would lead to cross subsidization.¹⁸²⁰

Air Products, Cal Advocates, CEJA/Sierra Club, EDF, First Public H2, Indicated Shippers, TURN, and UCAN argue that cost recovery from ratepayers

¹²¹⁵ Cal Advocates Opening Brief at 9.

¹³¹⁶ CEJA/Sierra Club Opening Brief at 9.

¹⁴¹⁷ SoCalGas Opening Brief at 20.

¹⁵¹⁸ Reply briefs of CSPTC at 20 and GHC at 5.

¹⁶¹⁹ Air Products Opening Brief at 21, Cal Advocates Reply Brief at 7, CEJA/Sierra Club Opening Brief at 21, EDF Opening Brief at 10-11, TURN Opening Brief at 12-15, and UCAN at Reply Brief at 7.

¹⁷ ~~D.22-12-055-OP-6(e).~~

¹⁸²⁰ Opening briefs of Air Products at 21, Cal Advocates at 9-10, CEJA/Sierra Club, and TURN at 6-7.

is unreasonable based on principles of cost causation and direction provided in D.22-12-055.¹⁹²¹ EDF doubts the potential Project benefits to ratepayers would support cost allocation.²⁰²² These parties contend that the Project will not provide direct benefits to SoCalGas' natural gas customers.

SoCalGas and CSPTC claim that the Commission has broad authority over and has approved project and programs that did not align strictly with cost causation principles based on broad societal benefits.²¹²³ In opening briefs, TURN argues that the scenarios in which the Commission has allocated costs broadly among different customer classes or different load serving entities – and arguably has departed from cost causation principles – have “addressed programs or costs whose underlying goal was to provide utility gas or electric service by constructing or financing new central (renewable or zero carbon) or distributed generation resources, financing projects associated with electric demand reductions, or connecting customers to the existing grid.” Furthermore, TURN identifies three general categories in which they fall into: (1) projects or programs required by the legislature, (2) the allocation of costs among competing electricity commodity service providers reflecting the system-wide reliability benefits provided by generation or demand response resources, and (3) for small/pilot projects that would not significantly impact rates.²²²⁴ TURN argues the Phase 2 Application is not consistent with these precedents.

¹⁹²¹ Opening briefs of Air Products at 18, Cal Advocates at 7-8, CEJA/Sierra Club at 12-17, EDF at 9, First Public H2 at 13-14, Indicated Shippers at 23, and TURN at 12; and UCAN Reply Brief at 7.

²⁰²² EDF Opening Brief at 10.

²¹²³ SoCalGas Phase 2 Application at 92 and CSPTC Reply Brief at 20.

²²²⁴ TURN Opening Brief at 16-17.

Cal Advocates, CEJA/Sierra Club, EDF, ~~and~~ TURN, and UCAN express concern over the Project's impacts on affordable rates.²³²⁵ EDF indicates that without certainty of the Project providing ratepayer benefit, approving funding of the Project would not support affordability.²⁴²⁶ TURN recommends that the Commission uphold affordable rates in compliance with cost allocation principles in Pub. Util. Code Section 739.6.²⁵²⁷ EDF notes that broad statewide benefits of cost and climate-effective decarbonization pathways are based on SoCalGas' analysis provided and recommends that the analysis be done by the Commission before considering cost allocation across all of the utility's ratepayers.²⁶²⁸

Cal Advocates and CEJA/Sierra Club are concerned that the Project, which is in the planning stage, may not be constructed nor dedicated to public use.²⁷²⁹ TURN recommends that if the Commission were to consider cost allocation to ratepayers, it should direct the utility to record costs in a memorandum account for "future cost recovery when the project is used and useful."²⁸³⁰

SoCalGas argues that the proposed revenue requirement would improve affordable rates by avoiding interest payments among other things.²⁹³¹ TURN

²³²⁵ Opening briefs of Cal Advocates at 2-3, CEJA/Sierra Club at 13, EDF at 10, ~~and~~ TURN at 6, and UCAN at 11-12.

²⁴²⁶ EDF Opening Brief at 10.

²⁵²⁷ TURN Opening Brief at 13.

²⁶²⁸ EDF Opening Brief at 11.

²⁷²⁹ Opening briefs of Cal Advocates at 11 and CEJA/Sierra Club at 18.

²⁸³⁰ TURN Opening Brief at 3.

²⁹³¹ Phase 2 Application at 91.

disagrees that this will be a net benefit to ratepayers “as compared to a memorandum account for subsequent reasonableness review.”³⁰³²

We determine that it is not reasonable for SoCalGas to recover the cost of Phase 2 Activities from its natural gas ratepayers in A.24-12-011.

First, we agree with Cal Advocates, CEJA/Sierra Club, and TURN that the Project remains in the planning stage, and may not be constructed, used and useful, nor dedicated to public use. We also observe that projected cost for Phase 2 Activities increased significantly from \$92 million in the Phase 1 Application to \$266 million ~~between the filing of the Phase 1 Application and the~~ in the Phase 2 Application. With large increases in the projected costs of the studies alone, we share the concerns of Cal Advocates, CEJA/Sierra Club, EDF-~~and~~, TURN, and UCAN about the Project’s costs and impact on affordable rates. The initial projected costs were significant ~~enough~~ in the Phase 1 Application ~~that~~ and the Commission directed ~~the~~ SoCalGas to apply for IIJA funding with the intention of offsetting the financial impact of the Project on ratepayers.³¹ ~~While~~ ³³ SoCalGas ~~ultimately~~ stated that it declined federal funding because the additional cost of complying with regulations accompanying those federal funds would not be in the ratepayers’ interest,³² ~~it also means that there~~.³⁴ There are no federal funds to offset the proposed ~~project~~. project’s cost. Air

³⁰³² TURN Opening Brief at 8.

³¹ ~~D.22-12-055 FOF 11 at 63.~~

³³ D.22-12-055 FOF 11 at 63.

³² ~~Phase 2 Application at 32.~~

³⁴ Phase 2 Application at 32.

Products notes that the Commission often requires “utility facilities be “used and useful” before costs can be recovered from ratepayers.”³⁵

Given these uncertainties, we find that it is not reasonable to approve cost recovery from ratepayers for the Phase 2 Activities before the Project is constructed, dedicated to public use, and demonstrated to be used and useful to ratepayers.

Second, we also agree with parties including Cal Advocates, CEJA/Sierra Club, and TURN that SoCalGas has not clearly identified ratepayers that would directly benefit from the Project to justify approval of cost recovery in the Phase 2 Application. It is undisputed that the Project would not serve hydrogen to the vast majority of SoCalGas natural gas ratepayers, and would not connect to SoCalGas’s existing natural gas distribution system. We find that requiring ratepayers to bear costs for the Project would be inconsistent with the cost causation principles 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.”³³³⁶

Third, we agree with parties that cost causation principles are relevant to this proceeding. We agree with TURN that there have been certain circumstances where the Commission has allocated costs broadly, and find that considerations which may have justified allocating costs broadly in other proceedings are not present here. We agree with Air Products, Cal Advocates, CEJA/Sierra Club, EDF, First Public H2, Indicated Shippers, TURN, and UCAN that D.22-12-055 directed SoCalGas to identify ratepayers that would receive direct benefits from

³⁵ Air Products at 20-21.

³³³⁶ D.84-09-089 at 71-72.

the project and established cost causation principles in application for cost recovery. In comments on the proposed decision, SoCalGas argues that there is a failure to distinguish why Phase 2 could not depart from cost causation guidance issued in D.22-12-055. 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. For a Phase 2 application, D.22-12-055 requires SoCalGas to provide findings and results including the “identification of the ratepayers who would be end-users, including current natural gas customers and future customers.”³⁷ D.22-12-055 relates direct benefits for ratepayers in relation to customers taking service of the Angeles Link Project.³⁸ In this Decision denying the application, we find that these principles of cost causation and ratepayer benefits articulated D.22-12-055 apply to Phase 2 Activities and for consideration of cost recovery of Phase 2 Activities.

We agree with parties that a memorandum account is the appropriate tracking mechanism for Phase 2 Activities. For the 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.”³⁴³⁹ The Commission required tracking in a memorandum account and for SoCalGas to file an application if the utility were to seek cost recovery so that the Commission could review Phase 1 Activities compliance and reasonableness of costs for ratepayers. The Commission indicated ~~similar expectations for~~

³⁷ D.22-12-055 Ordering Paragraph 6(c).

³⁸ D.22-12-055 FOF 47 at 67.

³⁴³⁹ D.22-12-055 at 22.

~~tracking costs~~ that if SoCalGas was authorized to track costs for Phase 2 Activities it should do so in the same memorandum account ~~for Phase 2 Activities.~~³⁵ 40

Additionally, “The commission shall establish rates using cost allocation principles that fairly and reasonably assign to different customer classes the costs of providing service to those customer classes, consistent with the policies of affordability...”³⁶41

We therefore deny cost recovery for Phase 2 Activities from ratepayers. This decision does not preclude SoCalGas from filing another application to commence Phase 2 Activities. For consideration of cost recovery of Phase 2 Activities, the Commission must determine that the Project complies with the Commission’s cost causation principles, and that the Project is used and useful.

~~We agree that the Commission has authority to approve projects and programs that do not strictly align with cost-causation principles and that we have done so under certain circumstances, in our discretion. We agree with TURN that deviating from cost-causation principles is not warranted for this Project and therefore decline to allocate costs broadly for the Project’s Phase 2 Activities.~~

~~We therefore deny cost recovery for Phase 2 Activities from ratepayers.~~

5. Jurisdiction

We find that it is premature to make a determination on jurisdiction for this application based on the sections below.

³⁵ ~~D.22-12-055 at 52.~~

⁴⁰ D.22-12-055 at 52.

³⁶41 Pub. Util. Code Section 739.6.

5.1. Project Treatment as a Pipeline Under Pub. Util. Code Section 227 and Pipeline Corporation Under Pub. Util. Code Section 228

Parties generally do not support the treatment of the Project as a pipeline as defined by Pub. Util. Code Section 227 nor the utility as a pipeline corporation under Pub. Util. Code Section 228 for varying reasons.

Most parties³⁷⁴² agree that addressing whether the definition in Pub. Util. Code Section 227 of “fluid substances” that pass through pipelines applies to hydrogen gas would be contested. SoCalGas, CSPTC, First Public H2, Indicated Shippers, and SCGC state that the Angeles Link Project should not be treated as a pipeline because, as proposed, the Project would transport hydrogen gas, not liquified hydrogen which would not qualify as a fluid substance under Pub. Util. Code Section 227.³⁸⁴³ Air Products and Indicated Shippers argue that Commission jurisdiction over pipelines has been limited to crude oil and other fossil fuels.³⁹⁴⁴ UCAN argue that fluid substance may include hydrogen.⁴⁰⁴⁵ CEJA/Sierra Club argue that the interpretation of fluid substances might include gaseous fluids,⁴¹⁴⁶ and that without dedicated utility the matter is premature.⁴²⁴⁷

Air Products, First Public H2, and Indicated Shippers argue that treating the Project as a pipeline would not align with the intent of the legislature and

³⁷⁴² Opening briefs of Air Products, CSPTC, EDF, First Public H2, Indicated Shippers, SCGC, SoCalGas, and UCAN.

³⁸⁴³ Opening briefs of SoCalGas at 10, CSPTC at 9, First Public H2 at 7, Indicated Shippers at 9, and SCGC at 2.

³⁹⁴⁴ Opening briefs of Air Products at 9 and Indicated Shippers at 9.

⁴⁰⁴⁵ UCAN Reply Brief at 5.

⁴¹⁴⁶ CEJA/Sierra Club Opening Brief at 7-8.

⁴²⁴⁷ CEJA/Sierra Club Reply Brief at 6.

Commission.⁴³⁴⁸ Indicated Shippers and EDF suggests that the Commission could exert its authority over the pipelines which would be followed by legal appeals.⁴⁴⁴⁹ If the Commission were to consider its authority over hydrogen pipelines and pipeline corporations, EDF, First Public H2, GHC, Indicated Shippers, and UCAN recommend that it be done through a rulemaking, not this application. First Public H2 and GHC propose that the Commission narrowly determine jurisdiction over the Phase 2 Activities in this application rather than the entire Project.⁴⁵⁵⁰

Some parties argue that determining jurisdiction is premature until the pipeline is constructed, used and useful, and dedicated to public use.⁴⁶⁵¹ Cal Advocates and CEJA/Sierra Club⁴⁷⁵² reference the Richfield case in which the Supreme Court addressed the statutory definition of pipelines to apply only to utilities that have dedicated their property to public use.⁴⁸⁵³ TURN and CEJA/Sierra Club note that the Project is currently in the planning stages and therefore neither used and useful nor dedicated.⁴⁹⁵⁴

We agree that we need not reach the question of whether the Project is subject to the Commissions pipeline jurisdiction. Notably, SoCalGas does not seek to develop the Project as a “pipe line” as defined by Pub. Util. Code

⁴³⁴⁸ Opening briefs of Air Products at 11, First Public H2 at 7, and Indicated Shippers at 10.

⁴⁴⁴⁹ EDF Reply Brief at 7 and Indicated Shippers Opening Brief at 16.

⁴⁵⁵⁰ First Public H2 Opening Brief at 4 and GHC Reply Brief at 7.

⁴⁶⁵¹ Opening briefs of CEJA/Sierra Club at 9-10, 26 and TURN at 8.

⁴⁷⁵² Cal Advocates Reply Brief at 13-14 and CEJA/Sierra Club Opening Brief at 9-10, 26-27.

⁴⁸⁵³ *Richfield Oil Corp. v. Public Utilities Com.*, 54 Cal. 2d 419, 431 (1960).

⁴⁹⁵⁴ CEJA/Sierra Club Opening Brief at 10 and TURN Reply Brief at 8.

Section 227, in the capacity of a “pipeline corporation” as defined by Pub. Util. Code Section 228.⁵⁰⁵⁵

We agree with Cal Advocates, CEJA/Sierra Club, and TURN that the Project is in the planning stages and may not become operational, used and useful, and dedicated to public use.

~~We disagree that it is reasonable to assert authority narrowly over Phase 2-Activities. Parties are interested in approving this phase of the Project so that costs may be recovered from ratepayers, the reasonableness of which is denied in the previous section.~~

Because we are ~~not approving cost recovery~~denying this application, it is unnecessary to determine whether the Project would fall within the Commission’s pipeline jurisdiction. We therefore find that it is premature to determine whether the project falls under Pub. Util. Code Section 227 and Section 228 at this time.

5.2. Project Treatment as a Gas Plant Under Pub. Util. Code Section 221 and Gas Plant Corporation Under Pub. Util. Code Section 222

SoCalGas, CSPTC, SCGC, and UWUA Local 483 support the treatment of the Project as a gas plant and SoCalGas as a gas plant corporation. Air Products, Cal Advocates, CEJA/Sierra Club, EDF, First Public H2, and Indicated Shippers generally oppose such treatment of the Project.

Party interpretation of the application of Pub. Util. Code Section 221 and Section 222 to hydrogen differ. CSPTC and SoCalGas support hydrogen being included broadly under Pub. Util. Code Section 221 as “gas, natural or

⁵⁰⁵⁵ This is somewhat analogous to the situation in *Richfield*, wherein the Court declined to determine whether the reference to “fluid” in Pub. Util. Code Section 227 encompasses gas.

manufactured”⁵¹⁵⁶ and “gas use for light, heat or power.”⁵²⁵⁷ Air Products, First Public H2, Indicated Shippers disagree that hydrogen is included as a gas under Pub. Util. Code Section 221 and raise further doubt over the historical context.⁵³⁵⁸

SoCalGas proposes that the Project be treated as a gas plant as the utility intends to transport hydrogen gas⁵⁴⁵⁹ and that it may operate as a gas plant corporation. SoCalGas, CSPTC, SCGC, UWUA Local 483 state that the Project may function as a gas plant and the utility under Pub. Util. Code Section 221 and Section 222 dependent on Commission authority.⁵⁵⁶⁰ EDF believes the Commission may exert authority over the Project as a gas plant based on statute.⁵⁶⁶¹

SoCalGas ~~indicates~~argues that once a CPCN is filed and authorized by the Commission, the Project ~~may~~should be considered as a gas plant. As noted above, Air Products, First Public H2, and Indicated Shippers contest whether the hydrogen would qualify under the statutory definition of a gas plant under Pub. Util. Code Section 221. CEJA/Sierra Club argue that a CPCN serves as an intention for a future gas plant but is not enough for consideration as a would be ~~a~~-constructed project.⁵⁷⁶² Air Products, Cal Advocates, CEJA/Sierra Club, Indicated Shippers, and UCAN counter that the project must be beyond the

⁵¹⁵⁶ Opening briefs of CSPTC at 9 and SoCalGas at 11.

⁵²⁵⁷ Opening briefs of CSPTC at 9 and SoCalGas at 13-14.

⁵³⁵⁸ Opening briefs of Air Products at 14-17, First Public H2 at 8, and Indicated Shippers at 12-13.

⁵⁴⁵⁹ SoCalGas Opening Brief at 10.

⁵⁵⁶⁰ Opening briefs of SoCalGas, CSPTC, SCGC, and UWUA Local 483.

⁵⁶⁶¹ EDF Opening Brief at 8.

⁵⁷⁶² CEJA/Sierra Club Opening Brief at 19.

planning phase and used and useful before it can be treated as a gas plant.⁵⁸⁶³
 CEJA/Sierra Club offer that the Project could be treated as a gas plant if built.⁵⁹⁶⁴

In its Application, SoCalGas states that the Project will be dedicated to public use.⁶⁰⁶⁵ Cal Advocates and CEJA/Sierra Club state that intention to dedicate to public use does not comply with the dedication principle.⁶¹⁶⁶ CEJA/Sierra Club indicate a project may be considered compliant to the dedication principle when a project is operational and held out to public use.⁶²⁶⁷

~~We agree with parties that the project must be constructed, used and useful and dedicated to public use before being considered as a gas plant.~~

Because we are ~~not approving cost recovery~~denying this application, it is unnecessary to determine whether the Project would fall within the Commission's gas plant jurisdiction. We therefore find that it is premature to determine whether the project under Pub. Util. Code Section 221 and Section 222 at this time.

6. Summary of Public Comment

Rule 1.18 of the Commission's Rules of Practice and Procedure (Rules) 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(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

⁵⁸⁶³ Opening briefs of Air Products at 19-20, Cal Advocates at 11, CEJA/Sierra Club at 26, Indicated Shippers at 26; and UCAN Reply Brief at 6.

⁵⁹⁶⁴ CEJA/Sierra Club Opening Brief at 11.

⁶⁰⁶⁵ Phase 2 Application at 3.

⁶¹⁶⁶ Cal Advocates Opening Brief at 13 and CEJA/Sierra Club Reply Brief at 21.

⁶²⁶⁷ CEJA/Sierra Club Opening Brief at 11.

Approximately 15 public comments were submitted using the Public Comment tab of the online Docket Card for this proceeding on the Commission's website. The comments oppose this application for the following reasons: increased/unaffordable rates, cost causation principles, and safety concerns about hydrogen pipelines.

7. Procedural Matters

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

8. Comments on Proposed Decision

The proposed decision of ALJ Perez-Green in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3. Comments were filed on ~~_____~~ April 9, 2026 by jointly Air Products and Indicated Shippers; Cal Advocates; CEJA/Sierra Club; CSPTC; EDF; Port of LA; SCGC; SoCalGas; TURN; UCAN; and UWUA Local 483, and reply comments were filed on ~~_____~~ by _____ April 14, 2026 by Air Products, Cal Advocates, CEJA/Sierra Club, SoCalGas, and UCAN.

This section summarizes the comments from parties thematically. Where relevant, changes have been made in the text of the decision.

Air Products, Cal Advocates, CEJA/Sierra Club, EDF, Indicated Shippers, TURN, and UCAN are in support of the proposed decision. Most parties do not oppose the proposed decision.

Cal Advocates proposes a FOF and COL on Project service and cost causation principles. We agree in general with the suggestions and add another FOF and COL.

UWUA Local 483 argues that SoCalGas is not requesting immediate rate collection from all of its ratepayers. We have amended the language.

SoCalGas, Port of LA, and SCGC request that the denial be without prejudice so as not to impact future and/or other efforts to bring clean renewable hydrogen, among other reasons. SoCalGas is concerned about this being precedential. SoCalGas is concerned that the Project studies will be halted. UCAN replies that the proposed decision denies recovery of ratepayer funds, but does not limit the use of shareholder funds. This proposed decision denies this application, A.24-12-011, but does not preclude the utility from filing another application for Phase 2 Activities in the future if it can demonstrate the requirements set out in D.22-12-055 and this decision.

EDF requests that the Commission provide guidance in this proposed decision on how utilities may advance hydrogen fuel. This decision is limited this application on the Phase 2 Activities in the Angeles Link Project.

Air Products/Indicated Shippers and CEJA/Sierra Club note that the proposed decision is consistent with the Commission's stance on fair market competition and suggests that the issue be addressed directly. EDF suggests additional language regarding affiliate transaction rules though making this determination may be premature for the proposed decision. We understand that this consideration is relevant to the Project and explicit in D.22-12-055. We intentionally limited the proposed decision to Phase 2A issues.

UWUA Local 483 argues that Pub. Util. Code Section 740.8 defines interest of ratepayers to include maintenance and creation of high-quality jobs. We clarify that Pub. Util. Code Section 740 pertains to research and development, which does not apply to this Project.

SoCalGas accepts the affordability-based outcome of the proposed decision. It also argues that the denial of the application is a policy choice limited to the issue of affordability. We decline to limit the decision in this manner.

SoCalGas argues that there is a failure to distinguish why Phase 2 could not depart from cost causation guidance issued in D.22-12-055. We disagree as addressed above.

SoCalGas argues that we deny authorization of Phase 2 Activities based on the Project not being used and useful. SoCalGas argues that the used and useful standard does not preclude cost recovery for reasonable planning, engineering, and development undertaken to advance projects that serve the public interest. We recognize that the Commission in certain circumstances could make an exception to the general rule that a project must be used and useful, as well as dedicated to public use before allowing recovery of costs in rates and that in doing so we must consider and find that such cost recovery is in the public interest of ratepayers. Based on the record of this Phase 2 Application, we cannot make a finding that such cost recovery is in the public interest.

SoCalGas raised concerns regarding language regarding the basis for denial on jurisdiction and CPCN, which we have addressed.

SoCalGas argues that the proposed decision unfairly makes a determination on cost allocation without due process to consider whether it is reasonable for ratepayers or a subset of ratepayers to be responsible for Phase 2 Activities, as a matter of law and policy. We disagree. The utility was informed that the Commission would be considering cost allocation to ratepayers in the scoping memo for this proceeding and D.22-12-055. SoCalGas had opportunities in its application and briefs to provide the necessary information to demonstrate that it could meet this requirement. In some instances, this decision cites

uncontested information put into the record by SoCalGas; this is neither unfair nor is it a violation of SoCalGas's due process interests.

UCAN suggested consideration of compensation for work on the Planning Advisory Group for Phase 1 Activities. We see this as appropriate to address in the proceeding on Phase 1 Compliance.

9. Assignment of Proceeding

Commissioner John Reynolds is the assigned Commissioner and Joanna Perez-Green is the assigned ALJ in this proceeding.

Findings of Fact

1. SoCalGas did not accept IIJA funding for the development of the Project.
2. ~~The~~SoCalGas' projected cost of Phase 2 Activities has increased from \$92 million in 2022 to \$266 million ~~since SoCalGas initially proposed the Project in~~ 2024.
3. The Project would not serve hydrogen to the vast majority of SoCalGas natural gas ratepayers and would not connect to SoCalGas's existing natural gas distribution system.
4. ~~3-~~SoCalGas did not ~~sufficiently~~ identify a sufficient core base of its natural gas ratepayers that might receive direct benefits as end users for the Project as required in D.22-12-055.
5. ~~4-~~The Project is not constructed, used and useful, or dedicated to the public.
6. ~~5-~~Because the renewable hydrogen Project is in the planning stage, there is uncertainty about the Project's costs, construction, how the Project will develop, and delivery of benefits to SoCalGas natural gas ratepayers.
7. D.22-12-055 identifies cost causation principles in relation to the Project and requests for cost recovery.

8. It is not reasonable to consider cost recovery from ratepayers or a subset of ratepayers for approved Phase 2 Activities until the Project is used and useful.

Conclusions of Law

1. It is reasonable to deny SoCalGas' request to implement a revenue requirement for the cost of Phase 2 Activities.

2. Cost causation principles in D.22-12-055 should apply in considering approval of Phase 2 Activities and related request for cost recovery.

3. It is not reasonable to consider cost recovery from ratepayers for the cost of Phase 2 Activities until the Project is used and useful.

4. ~~2-~~It is reasonable to close this proceeding.

O R D E R

IT IS ORDERED that:

5. Southern California Gas Company's request to implement revenue requirement for costs of the Phase 2 Activities for the Angeles Link Project is denied.

6. Application 24-12-011 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

Summary report:	
Litera Compare for Word 11.14.1.3 Document comparison done on Tue 4/28/2026 8:14:35 p.m.	
Style name: Default Style	
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Delete	198
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<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
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Format changes	0
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