

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

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

A.24-12-011
(Filed December 20, 2024)

**REPLY BRIEF OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)
ON PHASE 2A ISSUES OF LAW AND POLICY**

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TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PHASE 2A ISSUES.....	3
	A. Issue 1: Should the Commission consider the SoCalGas Phase 2 Application before reviewing the SoCalGas Phase 1 Compliance Application?	3
	B. Issue 2: Should the Project be treated as a pipeline as defined by Public Utilities Code Section 227? If so, should SoCalGas be treated as a pipeline corporation with consideration to Pub. Util. Code Section 228?	4
	C. Issue 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?	6
	1. The Statutory Text Is Clear; There Is No Need To Refer To Extrinsic Aids.	7
	2. The Decisions Cited By Indicated Shippers And Air Products Do Not Support Reading Beyond The Plain Text Of A Statute Where There Is No Ambiguity.	8
	3. The Commission Need Not Wait Until Angeles Link Is Constructed To Determine It Is Subject To Its Jurisdiction.....	23
	D. Issue 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?	25
	1. Clean Renewable Hydrogen Can Play A Key Role in Decarbonizing California’s Energy System.	27
	2. Allocating Phase 2 Costs To Ratepayers, Or A Subset Of Ratepayers, Is Consistent With Cost Causation Principles.....	29
	3. Allocating Phase 2 Costs To Ratepayers, Or A Subset Of Ratepayers, Would Not Cause Unfair Competition.....	40
	4. Phase 2 Consists Of O&M Costs, To Which the “Used and Useful” Doctrine Does Not Apply.....	42
	E. Issue 5: Does the Commission have jurisdiction over the Project?	43
III.	CONCLUSION.....	45
	APPENDIX A.....	A-1

TABLE OF AUTHORITIES

COURT CASES

Allen v. Railroad Commission,
179 Cal. 68 (1918) 44

Almond Alliance v. Fish & Game Com.,
79 Cal.App.5th 337, 353 (2022)..... 23

Byers v. Board of Supervisors,
262 Cal.App.2d 148, 155 (1968) 23

Calaveras Tel. Co. v. Pub. Utilities Comm’n,
87 Cal.App.5th 793, 808 (2022) 9, 10

City of Torrance v. Southern Cal. Edison Co.,
61 Cal.App.5th 1071, 1088 (2021)8, 11

Curle v. Superior Court,
24 Cal.4th 1057, 1063 7

Diamond Multimedia Sys., Inc. v. Superior Court,
19 Cal.4th 1036 (1999) 7

Gray Cary Ware & Freidenrich v. Vigilant Insurance Co.
114 Cal.App.4th 1185, 1190 (2004)..... 8

Greyhound Lines, Inc. V. Public Utilities Commission,
68 Cal.2d 406, 413 (1968) 44

Lungren v. Deukmejian,
45 Cal.3d 727, 735 (1988) 9

North American Title Co. v. Superior Court,
17 Cal.5th 155, 169 (2024) 7

Pacific Gas and Elec. Co.,
40 CPUC 2d 722 (1991)11

People v. Coronado,
12 Cal.4th 145, 151 (1995) 7

Richfield Oil Corp. v. PUC,
54 C2d 419 (1960)11

Richfield Oil Corp. v. PUC,
55 C2d 187 (1961)11

Santa Clara Valley Transp. Auth. v. Pub. Utilities Comm’n,
124 Cal.App.4th 346, 362 (2004) 10

Sierra Club v. Superior Court,
57 Cal.4th 157, 166 (2013) 9

<i>Southern California Edison Co. v. Public Utilities Commission</i> , 227 Cal.App.4th 172, 187 (2014)	32
<i>Yucaipa Water Co. V. Public Utilities Commission</i> , 54 Cal.2d 823, 827 (1960)	44

OTHER AUTHORITIES

Commission Rules of Practice and Procedure, Rule 1.1	17
Commission Rules of Practice and Procedure, Rule 13.2	1
D.04-05-061	38
D.04-10-039	24
D.06-05-016	43
D.06-07-029	34
D.06-12-029	45
D.06-12-032	32
D.06-12-040	43
D.07-09-020	38
D.09-12-014	43
D.13-09-045	12, 13
D.13-12-040	37
D.14-06-029	31
D.15-07-001	38
D.20-02-045	33
D.20-08-035	14
D.20-10-026	43
D.21-01-018	33
D.22-11-040	35
D.22-12-007	38
D.22-12-021	15
D.22-12-055	37, 40
D.23-04-040	39
D.24-01-032	33
D.24-08-064	34
D.24-12-074	38

D.84-09-089	31
D.91-07-018	10
D.92059	10, 11, 22
Pub. Util. Code § 365.1(c)	35

STATUTES AND LEGISLATION

CA Constitution Article XII § 3	19
Pub. Res. Code § 3007	20
Pub. Util. Code § 5353	13
Pub. Util. Code § 1201	10
Pub. Util. Code § 1202	10
Pub. Util. Code § 207	4
Pub. Util. Code § 216	21, 4
Pub. Util. Code § 216(c)	11
Pub. Util. Code § 216(f)	11, 21, 23
Pub. Util. Code § 222	passim
Pub. Util. Code § 227	1, 4, 5
Pub. Util. Code § 228	2, 4, 5, 11
Pub. Util. Code § 275.6	9
Pub. Util. Code § 365.1(c)	34
Pub. Util. Code § 399.12(h)(3)(A)(iii)	21
Pub. Util. Code § 400	20
Pub. Util. Code § 400.2	20
Pub. Util. Code § 400.3	20
Pub. Util. Code § 451	30
Pub. Util. Code § 454.8	42
Pub. Util. Code § 5	18
Pub. Util. Code § 5351	13
Pub. Util. Code § 5360	13
Pub. Util. Code § 5381	13
Pub. Util. Code § 701	30
Pub. Util. Code § 740.8	37
Public Resource Code § 3007	20

Senate Bill 614.....	18
Senate Bill 695 (2025-2026).....	34

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Pursuant to Rule 13.2 of the Rules of Practice and Procedure (Rules) of the California Public Utilities Commission (Commission or CPUC) and the Assigned Commissioner’s Scoping Memo and Ruling dated July 31, 2025 (Scoping Memo), Southern California Gas Company (SoCalGas) hereby submits this Reply Brief on the Phase 2A issues of law and policy identified in the Scoping Memo.

I. INTRODUCTION

SoCalGas appreciates the opportunity to address party positions in opening briefs on the five Phase 2A issues. The opening briefs demonstrate there are numerous areas of consensus among the 14 parties: the rules of statutory construction guide the interpretation of the text of statutes;¹ Angeles Link should not be treated as a “pipe line” pursuant to Pub. Util. Code § 227² and, accordingly, SoCalGas should not be considered a “pipeline corporation” pursuant to §

¹ Air Products and Chemicals, Inc. (Air Products) Opening Brief at 16; First Public Hydrogen Authority (First Public) Opening Brief at 7, n.17; Indicated Shippers Opening Brief at 31.

² All statutory references herein are to the Public Utilities Code unless otherwise identified.

228;³ hydrogen is a gas;⁴ ratemaking is a matter of policy;⁵ the Commission’s jurisdiction over Angeles Link is a matter of law;⁶ and clean renewable hydrogen could help decarbonize the State’s energy use.⁷

Of course, there are also differences among the parties on matters of procedure, policy, and law. SoCalGas addresses contrary party arguments in turn herein, but does not repeat the extensive analysis from its Opening Brief, where SoCalGas applies the canons of statutory construction and other applicable law, and long-standing Commission policy, to conclude that the following are the correct answers to the questions posed in the Scoping Memo:

1. Should the Commission consider the SoCalGas Phase 2 Application before reviewing the SoCalGas Phase 1 Compliance Application?

The Commission should advance both the Phase 1 and Phase 2 proceedings concurrently given the important and time-sensitive issues raised in each proceeding.

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?

No. As a matter of law, Angeles Link is not a “pipe line” because Angeles Link is intended to carry only gaseous hydrogen, not “crude oil or other fluid substances;” accordingly, SoCalGas is not a “pipeline corporation.”⁸

³ See California State Pipe Trades Council (CSPTC) Opening Brief at 8; First Public Opening Brief at 6; Indicated Shippers Opening Brief at 8; Sierra Club and The California Environmental Justice Alliance (Sierra Club /CEJA) Opening Brief at 9; Southern California Generation Coalition (SCGC) Opening Brief at 2.

⁴ CSPTC Opening Brief at 10; Environmental Defense Fund (EDF) Opening Brief at 8, First Public Opening Brief at 7; Sierra Club/CEJA Opening Brief at 11; SCGC Opening Brief at 6.

⁵ Air Products Opening Brief at 21; CSPTC at 15; Sierra Club/CEJA Opening Brief at 21; Utility Workers Union of America, AFL-CIO, Local 483 (UWUA Local 483) Opening Brief at 4.

⁶ Air Products Opening Brief at 22-23, First Public Hydrogen Authority Opening Brief at 2-11, Indicated Shippers Opening Brief at 28-37, Public Advocates Office Opening Brief at 11, Sierra Club/CEJA Opening Brief at 25-28.

⁷ California Hydrogen Business Council (CHBC) Opening Brief at 4; CSPTC Opening Brief at 15, EDF Opening Brief at 5; Green Hydrogen Coalition (GHC) Opening Brief at 2.

⁸ Both the Scoping Memo and Pub. Util. Code § 228 use the term “pipeline” as one word, while § 227 uses “pipe line” as two words. For consistency, this brief uses the term “pipeline” hereafter.

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?

Yes. As a matter of law, Angeles Link is a “gas plant” because Angeles Link will transport gaseous hydrogen for “light, heat, or power” in California; accordingly, and because SoCalGas intends to utilize Angeles Link to perform services for the public for compensation, SoCalGas is a “gas corporation.”

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?

Yes. Consistent with the public utility model and broad ratepayer benefits, it is reasonable for ratepayers, or a subset of ratepayers, to be responsible for the costs of Phase 2 activities. Which ratepayers should be responsible should be determined in a later phase of this proceeding, in conjunction with a review of the pertinent facts.

5. Does the Commission have jurisdiction over the Project?

Yes. As a matter of law, Angeles Link is a “gas plant” and SoCalGas is a “gas corporation” and “public utility” that is subject to the jurisdiction of the Commission pursuant to §§ 207 and 216 because Angeles Link will be an open-access pipeline system dedicated to public use and SoCalGas intends to seek compensation for its use based on tariffs approved by the Commission.

None of intervenors’ arguments in their opening briefs—many of which ignore the rules of statutory construction and applicable law—warrant a different outcome;⁹ accordingly, SoCalGas urges the Commission to issue a proposed decision consistent with SoCalGas’s Opening Brief.

II. PHASE 2A ISSUES

A. Issue 1: Should the Commission consider the SoCalGas Phase 2 Application before reviewing the SoCalGas Phase 1 Compliance Application?

Eight parties appear to support sequencing the Phase 1 reasonableness review and Phase 2 revenue requirement proceedings such that one application is considered before the

⁹ An Executive Summary is provided at Appendix A.

other, with many parties suggesting the Phase 1 reasonableness review occur first.¹⁰ For the reasons identified in SoCalGas’s Opening Brief,¹¹ SoCalGas maintains that the proceedings need not be sequenced and instead should appropriately be considered concurrently, based on the important issues raised in each separately filed application.¹² Additionally, the Assigned Commissioner’s Scoping Memo and Ruling issued in A.25-06-011 since the filing of opening briefs calls for testimony to be served in that proceeding within sixty days of a final decision in this proceeding.¹³ It is noteworthy that discovery in A.25-06-11 is not stayed. Thus, it appears that both proceedings should advance concurrently as much as possible.

B. Issue 2: Should the Project be treated as a pipeline as defined by Public Utilities Code Section 227? If so, should SoCalGas be treated as a pipeline corporation with consideration to Pub. Util. Code Section 228?

Almost all parties briefing this issue (CSPTC, SCGC, Sierra Club/CEJA, Indicated Shippers, First Public, and Air Products) agree that Angeles Link would not be a “pipe line” as

¹⁰ CHBC Opening Brief at 3; CSTPC Opening Brief at 6-8; (EDF) Opening Brief at 2; Green Hydrogen Coalition (GHC Opening Brief at 2-3; The Public Advocates Office (Cal Advocates) Opening Brief at 5-6; Sierra Club/CEJA Opening Brief at 2-6; SoCalGas Opening Brief at 23-24; UCAN Opening Brief at 4-6; UWUA Local 483 Opening Brief at 4.

¹¹ SoCalGas Opening Brief at 23-24.

¹² SoCalGas Opening Brief at 2, 23-24 (review of the Phase 1 application promptly and implementing reasonable costs in rates benefits ratepayers because interest and under collections are minimized).

¹³ At a minimum, a determination on the hydrogen jurisdiction issue is essential to both proceedings. It is logical to delay A. 25-06-011 until that issue is resolved; thereafter, both applications should be considered concurrently.

defined by § 227¹⁴ and, accordingly, SoCalGas should not be treated as a pipeline corporation pursuant to § 228.^{15, 16, 17} SoCalGas agrees with this ultimate conclusion.

UCAN is the lone intervenor who asserts that Angeles Link should be treated as a § 227 pipeline.¹⁸ UCAN provides no authority whatsoever to support its theory. Moreover, UCAN appears to interpret the text of the statute but does not apply the rules of statutory construction and, in fact, ignores the plain language in § 227: a “pipe line” only carries “crude oil or fluid substances except water.” As detailed in SoCalGas’s Opening Brief, Angeles Link is only intended to carry gaseous hydrogen.

Though they ultimately conclude that Angeles Link should not be treated as a pipeline, SoCalGas disagrees with Indicated Shippers’ and Air Products’ tortured logic to support their interpretations of §§ 227 and 228.¹⁹ Both parties look beyond the plain language of § 227 to argue that “fluid substances” really means only fossil-based substances.²⁰ But the Legislature could not have intended in § 227 for “fluid substances” to refer only to fossil-based fluid

¹⁴ Pub. Util. Code § 227 provides: “Pipe line” includes all real estate, fixtures, and personal property, owned, controlled, operated, or managed in connection with or to facilitate the transmission, storage, distribution, or delivery of crude oil or other fluid substances except water through pipe lines.

¹⁵ Pub. Util. Code § 228 provides: “Pipeline corporation” includes every corporation or person owning, controlling, operating, or managing any pipeline for compensation within this state.

“Pipeline corporation” shall not include a corporation or person employing landfill gas technology and owning, controlling, operating, or managing any pipeline solely for the transmission or distribution of landfill gas or other form of energy generated or produced therefrom.

¹⁶ CSPTC Opening Brief at 8; SCGC Opening Brief at 6; Sierra Club/CEJA Opening Brief at 9-10; Indicated Shippers Opening Brief at 8; Air Products Opening Brief at 9-10.

¹⁷ SoCalGas does not agree with Sierra Club/CEJA’s rationale for why Angeles Link would not be considered a pipeline pursuant to § 227; they use a similar rationale for why Angeles Link would not be considered a “gas plant” pursuant to § 221, and SoCalGas addresses their comments there.

¹⁸ UCAN Opening Brief at 6-7.

¹⁹ Indicated Shippers appears to argue that the Commission’s historical interpretation of pipelines pertained to the transport of fossil fuels, recites the speculation of parties in A.22-02-007 that Angeles Link might transport hydrogen derived from fossil fuels, provides a definition of fossil fuel, and finally concludes that it would be illogical for Angeles Link to be treated as a pipe line because it would not transport fossil fuel. Indicated Shippers Opening Brief at 9-10. Air Products conducts a similarly labored analysis, referring to the plain text of the statute and the Commission’s historical interpretation thereof, but then unnecessarily provides extrinsic historical references and other extraneous references to manifest ambiguity into § 227 that simply is not there. Air Products Opening Brief at 9-14.

²⁰ Both parties employ similar tactics to support their interpretations of Pub. Util. Code §§ 221 and 222 to answer Issue 3, and SoCalGas addresses their arguments in turn below.

substances; if it had, then there would have been no need for the statutory exclusion of water, which is a fluid substance but not fossil-based. The canons of statutory construction do not allow an interpretation of a statute that contradicts the explicit text of a statute or renders explicit text absurd.²¹

C. Issue 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?

All parties briefing this issue—except for Indicated Shippers, Air Products, and First Public—agree that gaseous hydrogen is a gas and accordingly Angeles Link should be treated as a gas plant pursuant to the plain text of § 221²² and, concomitantly, SoCalGas should be treated as a gas corporation pursuant to § 222.²³ These parties include CSPTC, SCGC, UCAN,²⁴ EDF, and Sierra Club/CEJA (although, as discussed in Section IV.C.2 below, Sierra Club/CEJA’s agreement is nuanced).

²¹ *People v. Coronado*, 12 Cal.4th 145, 151 (1995) (an attempt to interpret a statute that ignores the statute’s plain meaning is not valid and risks “an interpretation that would lead to absurd consequences”).

²² Pub. Util. Code § 221 provides: “Gas plant” includes all real estate, fixtures, and personal property, owned, controlled, operated, or managed in connection with or to facilitate the production, generation, transmission, delivery, underground storage, or furnishing of gas, natural or manufactured, except propane, for light, heat, or power.

²³ Pub. Util. Code § 222 provides: “Gas corporation” includes every corporation or person owning, controlling, operating, or managing any gas plant for compensation within this state, except where gas is made or produced on and distributed by the maker or producer through private property alone solely for his own use or the use of his tenants and not for sale to others.

“Gas corporation” shall not include a corporation or person employing landfill gas technology for the production of gas for its own use or the use of its tenants or for sale to a gas corporation or state or local public agency, except that if the gas produced is of such insufficient quality or heating value that it is unacceptable for introduction into the line, plant, or system of a gas corporation or state or local public agency, the person or corporation employing landfill gas technology may without becoming a gas corporation for purposes of this part sell the gas so produced to not more than four other corporations or persons.

²⁴ SoCalGas does not here address UCAN’s contentions regarding the best uses for clean renewable hydrogen as SoCalGas does not deem those to be responsive to the issues scoped in this phase. Nevertheless, to the extent that UCAN implies that hydrogen should not be considered a “gas” for purposes of jurisdiction because hydrogen can be used for purposes other than “for light, heat, or power,” SoCalGas points out that natural gas also can be used as a feedstock for other applications besides “light, heat, or power,” and there is no dispute that the Commission has jurisdiction over natural gas.

1. The Statutory Text Is Clear; There Is No Need To Refer To Extrinsic Aids.

Both Indicated Shippers and Air Products acknowledge that the canons of statutory construction govern the interpretation of statutes, yet both parties proceed to ignore the rules of statutory construction in an effort to suggest that § 221's reference to "gas" does not include clean renewable hydrogen and, instead, is limited to hydrocarbon or fossil-based gas.²⁵ Rather than acknowledge the plain and ordinary meaning of the term "gas"—the first rule of statutory construction—both parties resort to gymnastics worthy of the Olympics with references to century-old technology, legislative history, and inapt definitions and statutory schemes to distract from incontrovertibly clear statutory text. They fail to nail the landing, however; their approach obviously is not consistent with the rules of statutory construction, which do not sanction (a) skipping over the plain and commonsense meaning of the statutory text and instead relying exclusively on extrinsic aids, (b) advancing interpretations that would render other statutory provisions superfluous or absurd, or (c) rewriting the law or inserting language not used by the Legislature (e.g., adding the word "hydrocarbon") under the guise of construction. The first canon of statutory construction requires examining the text of the statute itself, giving it a plain and commonsense meaning unless the statute provides a specific definition.²⁶ If there is "no ambiguity in the language of the statute, then the Legislature is presumed to have meant what it said, and the plain meaning of the language governs."²⁷ "Where the statute is clear, courts will not interpret away clear language in favor of an ambiguity that does not exist."²⁸ "Only when the language of a statute is susceptible to more than one reasonable construction is it appropriate to turn to extrinsic aids, including the legislative history of the measure, to ascertain its meaning."²⁹

In the case of § 221, the term "gas" is not defined within the statutory framework, so it is to be given its plain, ordinary meaning. The statute conveys an intention for "gas" to be

²⁵ Air Products Opening Brief at 11; Indicated Shippers Opening Brief at 9.

²⁶ *North American Title Co. v. Superior Court*, 17 Cal.5th 155, 169 (2024); *Curle v. Superior Court*, 24 Cal.4th 1057, 1063 (2001). See also SoCalGas Opening Brief at 5-8.

²⁷ *People v. Coronado*, 12 Cal.4th 145, 151 (1995) (internal quotations and citations omitted).

²⁸ *Id.* (internal quotations and citations omitted).

²⁹ *Diamond Multimedia Sys., Inc. v. Superior Court*, 19 Cal.4th 1036 (1999); *North American*, 17 Cal.5th at 180-183 (consulting legislative history after reviewing plain language of statute to confirm interpretation).

construed inclusively and expansively. By expressly including both “natural” and “manufactured” forms—i.e., all types of gas—the statute disavows a narrow or technical reading and instead embraces a broad category of gaseous fuels used for light, heat, or power—regardless of origin or method of production. The statute excludes “propane” explicitly, and the canons of statutory construction, specifically *expressio unius est exclusion alterius*, provide that “where exceptions to the general rule are specified by statute, other exceptions are not to be implied or presumed.”³⁰ But this is exactly what Indicated Shippers, Air Products, and First Public attempt to do—manifest limitations into a statute notwithstanding clear, expansive statutory text.

Ironically, Indicated Shippers and Air Products dangle the veiled false threat that an interpretation of statutory text that differs from theirs would result in the Commission being overturned pursuant to the California Supreme Court’s recent *Center for Biological Diversity v. Pub. Util. Comm’n.* opinion.³¹ But *Center for Biological Diversity* is not implicated if the Commission interprets the relevant statutes consistent with the canons of statutory construction, as described and applied in SoCalGas’s Opening Brief,³² because it would result in a legally sound application of clear statutory text to the characteristics of Angeles Link. In the subsections below, SoCalGas addresses each of the many but obviously futile arguments of Indicated Shippers, Air Products, and First Public.

2. The Decisions Cited By Indicated Shippers And Air Products Do Not Support Reading Beyond The Plain Text Of A Statute Where There Is No Ambiguity.

Both Indicated Shippers and Air Products ask the Commission to limit the scope of its jurisdiction by reading into the statute words that are not there: “hydrocarbon” or “fossil-based.” However, the goal of statutory interpretation is “to ascertain the meaning of the words used, not to insert what has been omitted or otherwise rewrite the law to conform to an intention that has not been expressed.”³³ Indicated Shippers and Air Products attempt to narrow the term “gas” to

³⁰ *City of Torrance v. Southern Cal. Edison Co.*, 61 Cal.App.5th 1071, 1088 (2021).

³¹ Indicated Shippers Opening Brief at 35-36; Air Products Opening Brief at 12.

³² *Gray Cary Ware & Freidenrich v. Vigilant Insurance Co.*, 114 Cal.App.4th 1185, 1190 (2004) (citation omitted).

³³ *Id.*

less than its ordinary meaning and read into the statute a restriction of Commission jurisdiction to only “hydrocarbon gas,” a term that does not appear in the statute.

Right off the bat, Indicated Shippers flouts the canons of statutory construction, arguing that SoCalGas’s plain reading of the statute to conclude that “hydrogen is a gas, and therefore it automatically fits within the definition of gas plant” is “simplistic” and “contrary to legislative intent.”³⁴ But SoCalGas’s interpretation is consistent with applicable law: “[i]f the language [of a statute or constitutional provision] is clear and unambiguous there is no need for construction, nor is it necessary to resort to indicia of the intent of the Legislature.”³⁵ This is the first rule of statutory construction. It is also a quote from *Lungren v. Deukmejian*, which Indicated Shippers wrongly cites for the proposition that legislative intent must be considered when interpreting a statute.³⁶ That decision does not support the mandatory examination of legislative intent when statutory text is unambiguous, as it is here. *Lungren* involved a very different scenario than the present: the text of the constitutional provision at issue there was reasonably susceptible to two different interpretations when the text was given its plain meaning.³⁷ Accordingly, it was consistent with the rules of statutory construction to then look to extrinsic aids to determine what was intended to be conveyed.³⁸ The same is true of *Calaveras Tel. Co.*, which Air Products cites for the same proposition;³⁹ before turning to extrinsic aids to guide interpretation of § 275.6, the Court in that case first found that the statutory text was ambiguous, i.e., reasonably susceptible to more than one interpretation, on the issue of whether the general grants of authority encompass the specific authority to impute an affiliate’s broadband income when determining a telephone

³⁴ Indicated Shippers Opening Brief at 12.

³⁵ *Lungren v. Deukmejian*, 45 Cal.3d 727, 735 (1988). Consistent with the canons of statutory construction cited by SoCalGas in its Opening Brief, *Lungren* also recognizes that the words of a statute must be construed in context of other provisions of the statute, and provisions relating to the same subject matter must be harmonized to the extent possible. *Id.*

³⁶ Indicated Shippers Opening Brief at 12-13.

³⁷ *Lungren*, supra, 45 Cal.3d at 733.

³⁸ Similarly, *Sierra Club v. Superior Court*, which Indicated Shippers also cites, is likewise distinguishable from this circumstance. It, too, recognizes that “*If the statutory language permits more than one reasonable interpretation*, courts may consider other aids, such as the statute's purpose, legislative history, and public policy.” *Sierra Club v. Superior Court*, 57 Cal.4th 157, 166 (2013) (emphasis added).

³⁹ Air Products Opening Brief at 11.

company's rates and subsidy.⁴⁰ Air Products' reliance on *Santa Clara Valley Transp. Auth. v. Pub. Util. Comm'n.* is similarly distinguishable from the present case.⁴¹

There is no ambiguity here; the plain meaning of § 221 is crystal clear: a “gas plant” includes “all real estate, fixtures, and personal property, owned, operated or managed in connection with or to facilitate the production, generation, transmission, delivery... or furnishing of gas, natural or manufactured, except propane, for light, heat, or power.”⁴² There is no need to refer to anything beyond the explicit text of the statute given its clarity. Indicated Shippers claims it cannot find legislative intent for clean renewable hydrogen to be considered a “gas, natural or manufactured.” But that is not the right question. Indicated Shippers cannot create vagueness where there is none. In any event, Indicated Shippers also does not point to any legislative intent for clean renewable hydrogen *not* to be considered a “gas, natural or manufactured.” There is no lawful basis for Indicated Shippers to “find” anything outside the statute since the text is clear when given its ordinary meaning. Air Products similarly argues that “manufactured gas” has “historically been used to refer only to hydrocarbon gases” but provides no citation.⁴³

Indicated Shippers' references to D.91-07-018⁴⁴ and D.92059 similarly do not support its interpretations, although those decisions do support the proposition that statutes should be read

⁴⁰ *Calaveras Tel. Co. v. Pub. Util. Comm'n.*, 87 Cal.App.5th 793, 808 (2022).

⁴¹ *Santa Clara Valley Transp. Auth. v. Pub. Util. Comm'n.*, 124 Cal.App.4th 346, 362 (2004) (finding statutory language ambiguous in light of conflicting provisions in the statutory scheme overall, namely whether the Commission's §§ 1201 and 1202 rail crossing jurisdiction applies to the light rail crossings of a public transit district organized pursuant to § 100000, et seq.). In the present case, there are no conflicting statutes in the statutory scheme. Nevertheless, it is noteworthy that this Court, too, acknowledges extrinsic aids are only appropriate when statutory text is ambiguous: “In construing a statute, our first task is to look to the language of the statute itself. When the language is clear and there is no uncertainty as to the legislative intent, we look no further and simply enforce the statute according to its terms. Additionally, however, we must consider the [statutory language] in the context of the entire statute and statutory scheme of which it is a part. We are required to give effect to statutes according to the usual, ordinary import of the language employed in framing them.” *Id.* at 359 (internal quotations and citations omitted).

⁴² Pub. Util. Code § 221.

⁴³ Air Products Opening Brief at 16. In any event, as discussed *infra*, the Commission has rejected mere history as a bound on its jurisdiction.

⁴⁴ Indicated Shippers errs in conflating §§ 221 and 222 (regarding “gas plant” and “gas corporation”) with § 216 (regarding public utilities and the Commission's jurisdiction thereover). Indicated Shippers Opening Brief at 13. While determinations that a facility is a gas plant and an owner/operator is a gas corporation impact whether an entity should be treated as a public utility

consistently with the rules of statutory construction.⁴⁵ In D.91-07-018, the Commission merely acknowledged that a compressed natural gas (CNG) fueling station was no more a gas plant subject to the Commission’s jurisdiction than a gasoline fueling station would be; it had nothing to do with interpretation of the word “gas.” In fact, in that decision the Commission rejected just the type of reading Indicated Shippers hopes to impose here, determining that reading the word “power” to encompass CNG would be an inappropriate expansion of the plain text of the statute.⁴⁶ This same sound logic also prevails in D.92059, where, as SoCalGas notes in its Opening Brief,⁴⁷ the Commission refused to read into § 221 an exception for butane that was not provided in the text of the statute.^{48, 49} These rationales apply here with equal force: the Commission should not stretch § 221 beyond the plain meaning of the text, nor should it read into § 221 any limitation not found there. Ironically, this is just what Indicated Shippers and Air Products attempt to do here: simultaneously stretching “gas, natural or manufactured” beyond the plain meaning in an attempt to create vagueness, and then reading in a limitation on

subject to the Commission’s jurisdiction, § 216 also has independent requirements to be a regulated public utility. In any event, the statute in question in D.91-07-018 was not § 216(b), which is at issue here, but rather § 216(c), which preserves Commission jurisdiction in the case of “sales for resale.” Indeed, § 216 has been amended multiple times by the Legislature to address the “sale for resale” issue, including to exclude CNG and hydrogen fueling stations from being considered regulated public utilities. *See, e.g.*, Pub. Util. Code § 216(f).

⁴⁵ Indicated Shippers Opening Brief at 13.

⁴⁶ D.91-07-018 at 58 (*Re Pacific Gas and Elec. Co.*, 40 CPUC 2d 722 (1991)) (emphasis added) (“Under these statutes [PUC §§ 221 and 222] a fleet operator owning a CNG pump for its own fleet clearly does not fall within the statute. *And we believe it is expanding the meaning of words to an unnecessary degree to equate the word “power” in Section 221 to include CNG which is sold in a manner similar to the retail sale of gasoline for vehicles.* After all, we do not believe anyone would seriously contend that a gas station operator is a “pipeline corporation” subject to our jurisdiction merely because he has pipes in his station which deliver “fluid substances except water through pipe lines.” (PU Code §§ 227 and 228; cf. *Richfield Oil Corp. v. Pub. Util. Comm’n.*, 54 C2d 419 (1960), and 55 C2d 187 (1961).) We have expressed our support for S.B. 547 which specifically exempts retail sales of CNG for use as a motor vehicle fuel.”

⁴⁷ SoCalGas Opening Brief at 13.

⁴⁸ D.92059 at 4-5 (*Re SoCal Edison Co.*, 4 CPUC 2d 156 (1980)). This is consistent with the rules of statutory construction: where exceptions to a general rule are specified by statute, other exceptions are not to be implied or presumed. *See also City of Torrance v. Southern Cal. Edison Co.*, 61 Cal.App.5th 1071, 1088 (2021) (“Under the familiar rule of construction, *expressio unius est exclusio alterius*, where exceptions to the general rule are specified by statute, other exceptions are not to be implied or presumed.”) (internal quotations and citations omitted).

⁴⁹ As described below, the Commission's narrow reading of the propane exemption in D.92059 actually supports finding that hydrogen is a gas pursuant to § 221.

Commission jurisdiction that is simply not there. Nowhere does the statute state that it permits only regulation of “hydrocarbon” or “fossil-based” gas. Accepting Indicated Shippers’ and Air Products’ strained interpretation would result in adjudicatory overreach—reading a limitation into a statute where there is none—and, as predicted by the canons of statutory construction, would lead to absurd results: the Commission has (and had, as SoCalGas notes in its Opening Brief⁵⁰) jurisdiction over pipelines that transport fossil-based hydrogen, but the Commission would not have jurisdiction over pipelines that transport clean renewable hydrogen.⁵¹ This would effectively remove the Commission from its proper role in shepherding the clean energy transition by effectuating the policies of the State as expressed in the 2022 CARB Scoping Plan.⁵² It would also result in an additional absurdity because it would seemingly limit the Commission’s current jurisdiction to “gray” or “blue” hydrogen produced from natural gas, while green hydrogen would lie outside the Commission’s purview. Nowhere does the statute say this. As discussed in the section below, the statute should not be construed to produce an absurd result.

a. Intervenor’s Overly Narrow Reading Would Result In Absurd Consequences.

Equally unconvincing are the contentions of Indicated Shippers, Air Products, and First Public that the Commission’s jurisdiction is limited because it has only regulated hydrocarbon gases to date.⁵³ The Commission has already rejected the notion that its regulation must be frozen in time without regard to changing technologies. In D.13-09-045, the Commission considered if and how its existing jurisdiction over “charter-party carrier of passengers” pursuant

⁵⁰ SoCalGas Opening Brief at 3, 16-20.

⁵¹ This is a particularly curious argument to be made by Air Products given that it does not transport clean renewable hydrogen but rather grey hydrogen. Air Products Protest at 9; SoCalGas Reply to Protests at 2, n.2.

⁵² CARB, *2022 Scoping Plan for Achieving Carbon Neutrality* (November 16, 2022) (2022 CARB Scoping Plan), available at: <https://ww2.arb.ca.gov/resources/documents/2022-scoping-plan-documents>.

⁵³ Air Products Opening Brief at 14; Indicated Shippers Opening Brief at 19; First Public Opening Brief at 8. Moreover, Air Products is simply wrong to assert that “[i]n an era where coal and crude oil were gasified to light streets and heat homes, the California legislature certainly did not contemplate that hydrogen would be a regulated ‘gas.’” Air Products Opening Brief at 15. As SoCalGas describes in its Opening Brief, at the time that the Legislature enacted the Public Utilities Act, the predominant “gas” being provided in Southern California contained a high percentage (upwards of 40 or 60 percent) of hydrogen. SoCalGas Opening Brief at 14-15.

to Pub. Util. Code §§ 5360⁵⁴ and 5381⁵⁵ applied to transportation network companies (TNCs), namely companies like UberX and Lyft that provide prearranged transportation services for compensation using an online-enabled application or platform to connect passengers with drivers using their personal vehicles.⁵⁶ In that situation, too, the Commission had never regulated a TNC until it applied the facts to its existing statutory authority and determined that, pursuant to the plain meaning of the statute, TNCs were subject to its regulation. No legislation was required, even though the Commission had not previously regulated TNCs, because the Commission’s existing authority already reached them. The Commission declared: “We deem it inconsistent with our grant of authority over transportation services to be barred from regulating a transportation service provided by TNCs based on the means of communication used to arrange the service”⁵⁷ and accordingly determined, “[i]t is reasonable to conclude that TNCs are charter party passenger carriers, and therefore we will exercise our existing jurisdiction over these services pursuant to Article XII of the California Constitution and the Passenger Charter-party Carriers’ Act, PU Code § 5351 *et seq.*”⁵⁸

The same analysis applies here because, pursuant to the terms of the existing statute, hydrogen is a gas, natural or manufactured, that is not propane and is used for light, heat, or power. Accordingly, Angeles Link should be treated as a gas plant (and, as described in Issue 5 below, SoCalGas should be treated as a gas corporation public utility because it will own and operate Angeles Link, a non-discriminatory open access pipeline dedicated to public use for the transport of clean renewable hydrogen gas). It is not relevant that the Commission has not yet exercised its jurisdiction over a gas plant transporting clean renewable hydrogen—this same argument, had it been accepted, would have prevented the Commission from asserting its existing jurisdiction over TNCs, as well as a host of other now-commonplace fuels and public

⁵⁴ “Subject to the exclusions of Section 5353, ‘charter-party carrier of passengers’ means every person engaged in the transportation of persons by motor vehicle for compensation, whether in common or contract carriage, over any public highway in this state.” Pub. Util. Code § 5360.

⁵⁵ “To the extent that such is not inconsistent with the provisions of this chapter, the commission may supervise and regulate every charter-party carrier of passengers in the State and may do all things, whether specifically designated in this part, or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction.” Pub. Util. Code § 5381.

⁵⁶ D.13-09-045 at 18-21.

⁵⁷ *Id.* at 14.

⁵⁸ *Id.* at 66-67 (FOF 16); *see also id.* at 70-71 (COL 4, 6).

utility services that came into existence or use after 1911, like renewable natural gas (RNG), biomethane, and even battery storage.

Moreover, as discussed in SoCalGas’s Opening Brief,⁵⁹ a review of the Commission’s General Orders confirms that the Commission has long interpreted the statutory term “gas” in a manner that encompasses hydrogen. Air Products misleadingly states that GO 58-A “defines manufactured gas as that manufactured from oil or coal.”⁶⁰ The actual definition of “gas” in GO 58-A is “any combustible gas or vapor, or combustible mixture of gaseous constituents, used to produce heat by burning. *It shall include, but shall not be limited to,* natural gas, gas manufactured from coal or oil, gas obtained from biomass or from a land fill, or a mixture of any or all of the above.” In addition, prior versions of the General Order used even more expansive language, defining “manufactured gas” as “any gas produced by any generating or processing equipment, exclusive of ‘hydrocarbon gas.’”⁶¹ This confirms that the Commission has traditionally interpreted the term “gas” to be broader than Air Products’ preference of “hydrocarbon gases.”⁶²

Indicated Shippers also claims “the Commission has appropriately, explicitly declined”⁶³ to include hydrogen infrastructure projects within the ambit of the new GO 177, which requires regulated gas corporations to file for a CPCN prior to commencing construction of gas infrastructure meeting certain criteria. Air Products concurs that “the Commission expressly

⁵⁹ SoCalGas Opening Brief at 15.

⁶⁰ Air Products Opening Brief at 17.

⁶¹ Cal. Pub. Util. Comm'n., D.24827 (May 31, 1932).

⁶² Air Products also cites to SoCalGas's and PG&E's gas tariffs to argue that the “gas supplied today by the State's gas utilities is hydrocarbon gas.” Air Products Opening Brief at 15. Air Products ignores that new types of gas service may be offered, existing tariffs can be modified, and new tariffs can be adopted. Indeed, in September 2020, the Commission adopted a standard RNG interconnection tariff to allow for service of gas from biomethane or other renewable sources. *See* D.20-08-035, Decision Adopting the Standard Renewable Gas Interconnection Tariff (September 4, 2020). In addition, the tariff—as well as the tariffs cited in Air Products' Opening Brief—defines gas broadly to include more than “hydrocarbon gas”: “[a]ny mixture of combustible and non-combustible gases used to produce heat by burning that can be accepted into a Utility pipeline without any compromise to operational safety or integrity. It shall include, but not be limited to, natural gas, renewable gas, Biomethane, manufactured gas, or a mixture of any or all of the above.” *Id.*, Attachment A at 6-7 (emphasis added).

⁶³ Indicated Shippers Opening Brief at 14.

declined to include hydrogen infrastructure projects within the scope of the GO.”⁶⁴ Although not relevant to the interpretation of §§ 221 and 222, it is incorrect to ascribe any explicit intent on the part of the Commission regarding its jurisdiction over hydrogen infrastructure in that GO as the decision adopting GO 177 finds as a matter of fact, “This decision *does not address* whether hydrogen gas infrastructure projects should be covered by the adopted GO.”^{65, 66} As a result, their argument fails.

b. Draft Legislation Does Not Circumvent The Plain Meaning Of Enacted Law.

Indicated Shippers, Air Products, and First Public⁶⁷ each claim the Legislature declined to give the Commission jurisdiction over Angeles Link.⁶⁸ Collectively, they cite three pieces of draft legislation that have not been enacted: Senate Bill (SB) 733 (2021-2022), Assembly Bill (AB) 324 (2023-2024), and SB 804 (2025-2026). But draft legislation is not law and does not alter the plain meaning of long-standing statutes. In any event, the cited draft legislation would not support the parties’ positions because they are not related to the issues at hand. Both SB 733 and AB 324 contemplated establishing renewable gas (i.e., biomethane and renewable hydrogen) procurement goals as they relate to blending those gases into the existing natural gas system. While both of these bills mention renewable hydrogen, neither of them pertains to gas plant or

⁶⁴ Air Products Opening Brief at 13.

⁶⁵ D.22-12-021 at 91 (Finding of Fact (FOF) 21).

⁶⁶ First Public correctly acknowledges that GO 177 does not address hydrogen gas infrastructure. First Public Opening Brief at 10.

⁶⁷ First Public appears to raise this legislation relative to Issue 5 and the Commission’s jurisdiction over Angeles Link. First Public Opening Brief at 4-5.

⁶⁸ Indicated Shippers Opening Brief at 15; Air Products Opening Brief at 12-13; First Public Opening Brief at 4-5. SoCalGas does not here address the unsupported narrative in these parties’ briefs regarding SoCalGas’s role in the legislation; however, SoCalGas notes that the last draft of SB 804 includes a carve-out that exempts existing hydrogen pipelines in California, including those owned and operated by Air Products, from its safety regulation.

gas corporation status, nor jurisdiction over infrastructure dedicated to transporting only renewable hydrogen.^{69, 70}

The parties' reliance on SB 804 is misguided as well. SB 804 is also draft legislation that was held at the end of this legislative session and was never enrolled or presented to the Governor. Its scope is limited to the topic of *safety*, seeking to add a chapter to the Government Code entitled "Hydrogen Pipeline Safety Act;" and, perhaps most importantly, the bill explicitly includes a carve-out preserving Commission authority: ***"This chapter does not limit the authority of the Public Utilities Commission to regulate the rates, services, or safety practices of a public utility subject to its jurisdiction pursuant to Section 216 of the Public Utilities Code. If there is a conflict between a provision of this chapter and a provision adopted by the commission, the more protective provision shall apply."***⁷¹ In other words, even if enacted (which has not occurred), this bill would have no impact on the Commission's existing jurisdiction. Indeed, the draft legislation seems to assume that the Commission has full authority under present statutes to regulate hydrogen pipelines (of course, the pipelines would have to meet the other requirements for jurisdiction, discussed in Issue 5 in SoCalGas's Opening Brief, as well).

First Public's reliance on the June 25, 2025 Assembly Analysis for SB 804 suffers from similar flaws. There is no basis for the Commission to consider it. If the Commission is inclined to consider it, however, SoCalGas notes that providing the Office of the State Fire Marshal (OSFM) with "explicit regulatory authority" should not be misconstrued to mean *sole* regulatory

⁶⁹ If anything, if the Commission were to determine that draft legislation could in fact inform interpretation of existing statutes, the bills demonstrate that the Legislature considers hydrogen to be a "gas," just like other renewable gases. Moreover, the Commission's efforts on these fronts pre-date both bills. See R.13-02-008, Order Instituting Rulemaking to Adopt Biomethane Standards and Requirements, Open Access Rules, Enforcement Provisions (Biomethane OIR), Assigned Commissioner's Scoping Memo and Ruling (July 15, 2018) ("[i]n accordance with Section 399.24 and with Executive Order B-48-18 issued on January 26, 2018, it is my future intention to consider issues within this, or a successor proceeding, that pertain to the safe, cost-effective development of other renewable gases, such as renewable hydrogen.").

⁷⁰ Accepting Intervenors' arguments in this regard would also mean that the failure of the Legislature to adopt a procurement standard for biomethane and RNG through either of these bills means the Legislature also declined to give the Commission jurisdiction with respect to biomethane and RNG—which is clearly not the case. See, e.g., R.13-02-008, Biomethane OIR.

⁷¹ See SB 804 (Archuleta, 2025) available at: https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=202520260SB804.

authority.⁷² Although not mentioned by First Public, the Assembly Analysis acknowledges that, if enacted, the legislation would grant “regulatory authority to the OSFM for dedicated hydrogen pipelines, *specifically around safety standards and their enforcement*” and that, along with PHMSA, the CPUC, and OSFM, “[s]everal other state agencies also play roles in regulating intrastate pipelines.”⁷³ (Similarly, PHMSA also issues safety standards for *natural gas* pipelines, which the Commission implements for intrastate pipelines—and which clearly do not limit the Commission’s jurisdiction over natural gas.) First Public’s quote from the Assembly Analysis is particularly misleading. Bolded here are the terms that First Public excluded from its quotation from the Assembly Analysis: “***While*** hydrogen pipelines are not explicitly an existing authority of the CPUC, ***the CPUC’s jurisdiction over gas utilities positions it as a potential regulator for hydrogen infrastructure as the industry evolves and gas utilities expand into this space.***”⁷⁴ Compare First Public’s representation of that quote in its opening brief: “hydrogen pipelines are not explicitly an existing authority of the CPUC.”^{75, 76} Even more, a subsequent Assembly Floor Analysis states, “Earlier versions of this bill tasked the CPUC with developing safety standards for dedicated hydrogen pipelines. This approach seems consistent with the CPUC’s existing jurisdiction over gas pipelines, as hydrogen, generally, is a gas.”⁷⁷ But all of this is only relevant

⁷² First Public Opening Brief at 5 (quoting June 25, 2025 Assembly Analysis).

⁷³ Analysis of SB 804, Assembly Committee on Utilities and Energy (Hearing Date June 25, 2025) at 6, *available at*: https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202520260SB804 (emphasis added).

⁷⁴ First Public Opening Brief at 5; *cf.*, Analysis of SB 804, Assembly Committee on Utilities and Energy (Hearing Date June 25, 2025) at 6 (emphasis added to language omitted from the Motion’s quotation), *available at*: https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202520260SB804.

⁷⁵ First Public Opening Brief at 5.

⁷⁶ SoCalGas notes throughout where parties cite authorities for propositions that simply are not supported by those authorities, or provide quotes that are misleading because they are incomplete or exclude relevant context. SoCalGas leaves it to the Commission to determine whether any of these instances require further action under Rule 1.1.

⁷⁷ Analysis of SB 804, Assembly Floor Analysis (September 2, 2025) at 2, *available at*: https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202520260SB804.

if the Commission relies on analyses of draft legislation to interpret statutes (which it should not and need not do).⁷⁸

c. References To Extraneous Definitions Of “Gas” Are Neither Relevant Nor Persuasive.

Indicated Shippers and Air Products raise a number of unfocused arguments by referencing still more extrinsic aids—this time extraneous definitions of “gas”—to distract from clear statutory text.⁷⁹ However, this, too, is inconsistent with applicable law. The statutes placed at issue by the Scoping Memo are found in Chapter 1 of Part 1 of Division 1 of the Public Utilities Code—the “General Provisions and Definitions.” Had the Legislature intended for other sources to guide interpretation of the Public Utilities Code, it would have said so. But the Legislature did the opposite: § 5 instructs, “[u]nless the provision or the context otherwise requires, the definitions, rules of construction, and other general provisions contained in Sections 1 to 22, inclusive, and definitions of the Public Utilities Act (Chapter 1 (commencing with Section 201) of Part 1 of Division 1), shall govern the construction of this code.” Words that are

⁷⁸ SoCalGas notes that SB 614, a bill concerning safety oversight of carbon dioxide pipelines that was recently signed into law by Governor Newsom after the opening briefs were filed, is distinguishable from SB 804 based on the unique attributes of carbon dioxide, which is typically transported in a supercritical state having attributes of both a liquid and a gas. Among other things, SB 614 amends the Elder California Pipeline Safety Act of 1981, which imposes various requirements related to the regulation of intrastate pipelines used for the transportation of hazardous or highly volatile liquid substances, to expand the definition of “pipeline” from intrastate pipelines used for the transportation of “hazardous liquid substances or highly volatile liquid substances” to also include carbon dioxide. SB 614 also amends Government Code section 51010 to grant the Office of the State Fire Marshal exclusive safety regulatory and enforcement authority over intrastate carbon dioxide pipelines, as well as hazardous liquids pipelines. This is consistent with PHMSA’s proposal earlier this year to regulate all carbon dioxide pipelines under its Part 195 “hazardous liquids” regulations for regulatory efficiency and at the urging of operators. (See U.S. DOT, PHMSA, Notice of Proposed Rulemaking, Pipeline Safety: Safety of Carbon Dioxide and Hazardous Liquid Pipelines (Docket No. PHMSA-2022-0125, available at <https://www.phmsa.dot.gov/sites/phmsa.dot.gov/files/2025-01/PHMSA%20Notice%20of%20Proposed%20Rulemaking%20for%20CO2%20Pipelines%20-%202137-AF60.pdf>). Consistent with the fact that, unlike hydrogen, a pipeline transporting carbon dioxide could not be deemed to be a gas plant pursuant to Pub. Util. Code § 222 given that carbon dioxide is not used for light, heat, or power, the September 12, 2025 Senate Floor Analysis for SB 614 indicates that “CPUC’s existing authority does not extend to intrastate CO2 gas pipelines.” Refer to Senate Floor Analysis (September 12, 2025), available at: https://leginfo.legislature.ca.gov/faces/billAnalysisClient.xhtml?bill_id=202520260SB614#.

⁷⁹ SoCalGas notes that the undue emphasis on the specific type of gas at issue (not even that it is hydrogen, but rather that it is *clean renewable* hydrogen) reflects ideological opposition rather than principled statutory interpretation or reason.

not defined in the Code should be construed according to their plain, commonsense meaning consistent with the statute and statutory framework.

Instead, Air Products supplies a definition of “gas” from the *Gas, American Dictionary and Cyclopedia*, which was last published in 1900.⁸⁰ But § 221 does not refer to or incorporate this definition. Nor is it relevant, as the statute conveys on its face a clear intent to apply to any gas used for light, heat, or power, with only propane expressly excluded. Section 221 is consistent with the Constitutional grant of authority to the Commission pursuant to Section 3 of Article XII, Public Utilities:

*Private corporations and persons that own, operate, control, or manage a line, plant, or system for the transportation of people or property, the transmission of telephone and telegraph messages, or the production, generation, transmission, or furnishing of heat, light, water, power, storage, or wharfage directly or indirectly to or for the public, and common carriers, are public utilities subject to control by the Legislature. The Legislature may prescribe that additional classes of private corporations or other persons are public utilities.*⁸¹

It is noteworthy that the Constitution itself does not identify any commodity or class of commodities subject to the Commission’s jurisdiction; instead, it broadly confers public utility status on private companies providing a system to or for the public based on the functionality of the system, namely, for “heat, light, water, power, storage, or wharfage.” For purposes of governance and regulation, the Public Utilities Code, enacted by the Legislature, categorizes the types of entities that could provide the constitutionally specified functionality—there are “pipeline corporations,” “gas corporations,” “electrical corporations,” and “water corporations.” This framework does not expand the constitutional grant of authority to the Commission—it merely organizes it. Accordingly, reading a limitation into § 221 that is not found in the text based on the type of gas at issue imposes an artificial boundary on the Commission’s authority that is inconsistent with its constitutional mandate. For this reason, First Public, too, is wrong that the statutory definitions provided in the Public Utilities Code do not encompass hydrogen.⁸²

Further, as noted in Section C.2.a, above, applying Air Products’ proffered definition would exclude many of today’s commonplace fuels and public utility services, including LNG,

⁸⁰ Air Products Opening Brief at 15, n.35.

⁸¹ CA Constitution art XII § 3.

⁸² First Public Opening Brief at 7.

RNG, and biomethane. The statute forecloses such narrowness. Section 221’s text is, consistent with the constitutional grant, broad by design, and the Commission’s modern practice reflects that breadth. Importing a 1900 encyclopedia definition to narrow “gas” 125 years later would contravene how the Commission has long administered its jurisdiction under the statute. That approach should be rejected.

Indicated Shippers turns to Public Resource Code § 3007, which defines “gas” as “any natural hydrocarbon gas coming from the earth.”⁸³ But this definition is hopelessly irreconcilable with § 221 because it limits gas to natural gas coming from the earth while § 221 explicitly and inclusively also contemplates manufactured gas. The illogic is compounded because propane also does not fit the definition provided in Pub. Res. Code § 3007 as it is not a natural gas coming from the earth, so there would be no need for the explicit exemption for propane if the definition of § 3007 were controlling. Accepting Indicated Shippers’ interpretation would make the statute internally inconsistent; accordingly, this interpretation is flatly inconsistent with application of the canons of statutory construction.

Indicated Shippers violates the canons of statutory construction by ignoring the statutory framework, looking to § 400.2’s definition of “green electrolytic hydrogen” to argue clean renewable hydrogen cannot be considered a gas pursuant to § 221.⁸⁴ But that definition, which merely specifies what production methods are allowed for hydrogen to be considered “green electrolytic,” provides on its face that it is a limited definition “[f]or the purposes of this article,” i.e., Chapter 2.3, “Electrical Restructuring,” Article 17, “Clean Energy and Pollution Reduction.” It does not amend or limit § 221 or pertain to gas plants or gas corporations at all. Indicated Shippers also conveniently omits discussion of the use of “hydrogen” elsewhere in Article 17. Article 17 requires the Commission to take certain actions “in furtherance of meeting the state’s clean energy and pollution reduction objectives,” including “[consideration of] green electrolytic hydrogen [as] an eligible form of energy storage” and “[consideration of] other potential uses of green electrolytic hydrogen.”⁸⁵ This statutory mandate demonstrates the Legislature’s

⁸³ Indicated Shippers Opening Brief at 17-18.

⁸⁴ *Id.* at 18-19.

⁸⁵ Pub. Util. Code, §§ 400, 400.3.

acknowledgement that the Commission already has jurisdiction over public utility activities related to green hydrogen.

Indicated Shippers and Air Products further point to § 399.12(h)(3)(A)(iii),⁸⁶ which is also in Chapter 2.3, “Electrical Restructuring,” in Article 16, “California Renewables Portfolio Standard Program.” It is no surprise that this section separately mentions “natural gas or hydrogen derived by reformation of a fossil fuel” because it pertains to the allowable percentages of “nonrenewable fuels” in electricity generation eligible for renewable energy credits. Intervenors omit the full clause at issue, however, which refers to “nonrenewable fuels” as including “natural gas or hydrogen derived from reformation of a fossil fuel” for purposes of Article 16. Notably, this statute does not pertain to “clean renewable hydrogen” in any way, nor does it have any bearing on the definitions of “gas” or “gas plant.” Rather, the language provides necessary detail on the particular type of hydrogen that is considered nonrenewable in the renewable energy credit context (as compared to the clean renewable hydrogen proposed to be transported by Angeles Link). It is anomalous that Indicated Shippers and Air Products would choose to highlight this statute given that, under their own proposed construction of “gas” as referring only to hydrocarbon gases, the reference to “hydrogen derived by reformation of a fossil fuel” would be surplusage—a result the rules of statutory construction do not sanction.

Finally, both Indicated Shippers and Air Products also refer to § 216(f), which exempts entities owning or operating facilities that “sell [] compressed natural gas or hydrogen at retail to the public for use only as motor vehicle fuel” from regulation as “public utilities” simply by virtue of such ownership or operation, as indicating legislative intent to exclude hydrogen from the Commission’s jurisdiction.⁸⁷ However, as SoCalGas explains in its Opening Brief, excluding hydrogen fueling stations, along with CNG fueling stations, from being regulated as public utilities solely based on that retail function actually demonstrates that the Legislature considers CNG and hydrogen facilities to be gas plants pursuant to § 221. Otherwise, there would have been no need to create an exemption for CNG and hydrogen fueling stations under § 216.⁸⁸

⁸⁶ Indicated Shippers Opening Brief at 19; Air Products Opening Brief at 16, n.38. While Indicated Shippers refers to § 399.12(h)(1)(3)(A)(iii), SoCalGas understands Indicated Shippers to intend to refer to § 399.12(h)(3)(A)(iii).

⁸⁷ Indicated Shippers Opening Brief at 19; Air Products Opening Brief at 16, n.40.

⁸⁸ SoCalGas Opening Brief at 13.

Importantly, the Legislature did not amend § 221 to exclude hydrogen from consideration as a natural or manufactured gas—as the Legislature did to effectuate an exclusion for propane.

Indeed, the specific exemption of propane from the definition of “gas” demonstrates the Legislature’s intent to capture broadly all gases that fit within section 221, *except* propane.⁸⁹ As noted in SoCalGas’s Opening Brief, the Commission has interpreted this carve-out strictly, holding that other gases that may be similar to propane are not exempt.

d. Policy And Practical Considerations Confirm That “Gas” Is Appropriately Interpreted To Include Hydrogen.

The California Supreme Court recently recounted that, while not necessary, reference to “policy interests and practical considerations” is appropriate to confirm statutory interpretation.⁹⁰ Here, there are important policy reasons and practical considerations why an interpretation that supports Commission jurisdiction over hydrogen transportation infrastructure that is dedicated to public use is the correct one. As the regulator of investor-owned public utilities, including investor-owned gas corporations,⁹¹ in the State, the Commission should, through exercise of its existing jurisdiction, have a key role in the oversight of hydrogen transportation infrastructure that is intended to serve the public—as Angeles Link would. Exercising jurisdiction over investor-owned open access utility hydrogen transportation projects dedicated to public use would support building out the budding clean renewable hydrogen economy at scale and in an organized fashion to achieve State goals.⁹² If accepted by the Commission, the Intervenor’s arguments that clean renewable hydrogen can never be jurisdictional would exclude the investor-owned public utilities that transport much of the gas used in the State today for electricity

⁸⁹ D.92059 (*In re SoCal Edison Co.*, 4 CPUC 2d 156 (1980)).

⁹⁰ *North American Title Co. v. Superior Court*, 17 Cal.5th 155, 183-187 (2024). Note, policy interests and practical considerations were not referenced to guide or alter the interpretation of the statute itself. Rather, the canons of statutory construction should be followed.

⁹¹ SoCalGas reminds that the nature of the gas at issue is not the sole criterion for the Commission’s jurisdiction. The other elements are described in detail in SoCalGas’s Opening Brief in discussion on Issue 5. Applying those criteria, Angeles Link would be regulated by the Commission, but a merchant pipeline owned and operated by Air Products would not (because it is not dedicated to public use). Similarly, municipal entities are also generally not subject to the Commission’s jurisdiction.

⁹² See, e.g., GO-Biz, *Draft Hydrogen Market Development Strategy* (June 2025) at 9, available at: <https://business.ca.gov/wp-content/uploads/2025/07/H2WebsiteStrategy.pdf> (“Today’s market is built on 1-to-1 take-or-pay contracts. Our goal is to move from 1- to-1 contracts to a many-to-many arrangement that enables both newcomers and incumbents to participate.”).

generation from the energy transition.⁹³ Not relying at least in part on the public utility model may make California’s 2045 net-zero goal unattainable. A lack of Commission oversight could also result in an inefficient and disorganized build-out. The Commission should decline to adopt this position.

Accordingly, even if the Commission were to accept Air Products’ and Indicated Shippers’ contentions that the term “gas” is ambiguous in § 221—which it should not for all the reasons stated above—it should liberally construe the statute to ensure the Legislature’s aims are met.⁹⁴ A broad reading of the term “gas” is necessary to avoid arbitrarily restricting the terms of the statute contrary to the Legislature’s intent. As described in SoCalGas’s Opening Brief,⁹⁵ the Legislature intended “gas” in § 221 to be construed broadly and include hydrogen. This has been repeatedly affirmed by the Legislature’s narrow exemption for propane in § 221 (and the Commission’s strict interpretation of the propane exemption), discussed in Section C.2.c, above; the Legislature’s exemption for hydrogen fueling stations only in § 216(f), discussed in Section C.2.c, above; and the Commission’s longstanding interpretations in its General Orders, discussed in Section C.2.a, above. A broad reading is also necessary to avoid the absurd results discussed throughout Section C.2, above.

3. The Commission Need Not Wait Until Angeles Link Is Constructed To Determine It Is Subject To Its Jurisdiction.

Sierra Club/CEJA essentially ask the Commission not to answer the jurisdictional question now; nevertheless, their interpretation of §§ 221 and 222 is consistent with SoCalGas and the other parties identified above. Sierra Club/CEJA agree that “[r]enewable hydrogen is a gas that can be used for heat or power,” and thus Angeles Link would be a “gas plant” “*if SoCalGas progressed past the engineering and design work it has proposed in this application.*”⁹⁶ SoCalGas agrees that Angeles Link has not progressed past engineering and

⁹³ SoCalGas Opening Brief at 22.

⁹⁴ *Byers v. Board of Supervisors*, 262 Cal.App.2d 148, 155 (1968) (“Where the terms of a statute are ambiguous, doubtful, or susceptible of different constructions, liberty of construction is justified, within a fair interpretation of its language, to accomplish its apparent objects and purposes.”); *see also Almond Alliance v. Fish & Game Com.*, 79 Cal.App.5th 337, 353 (2022) (liberally construing statute to effectuate the purpose of the statute).

⁹⁵ SoCalGas Opening Brief at 14-15, 18-19.

⁹⁶ Sierra Club/CEJA Opening Brief at 11.

design work.⁹⁷ If SoCalGas seeks a certificate of public convenience and necessity (CPCN) for Angeles Link, it will be presented to the Commission for review as a defined project.

But parsing the various development phases for purposes of determining whether a project ultimately will result in a “gas plant” is unnecessary for answering the questions posed here.⁹⁸ The question does not ask whether the Phase 2 development activities proposed to be conducted for Angeles Link should be treated as a gas plant; it asks whether Angeles Link should be treated as a gas plant. In any event, the Phase 2 activities do not drive the determination of whether Angeles Link should be treated as a gas plant. SCGC seemingly acknowledges this fact by agreeing that Angeles Link would be a gas plant and SoCalGas would be a gas corporation “upon construction and operation.”⁹⁹ Sierra Club/CEJA’s position that it is premature to determine that Angeles Link is a gas plant does nothing but kick the proverbial can down the road, without reason or benefit.¹⁰⁰

Moreover, the Commission has previously addressed a similar situation, albeit one where the jurisdictional entity opposed the Commission’s jurisdiction.¹⁰¹ In *In re Sound Energy Solutions*, Sound Energy Solutions complained that the Commission had prematurely determined that it was subject to the Commission’s jurisdiction before it had engaged in any activity that would qualify it as a public utility under California law. The Commission acknowledged “the ‘chicken or egg’ dilemma” that necessarily occurs pre-construction, i.e., before an application for a CPCN is presented, and noted that it would presume the project would provide public utility service upon completion.¹⁰² Indeed, the Commission stated that Sound Energy Solutions was a public utility because it was holding itself out to provide service to the public. That same type of presumption would be appropriate here because, unlike Sound Energy Solutions, SoCalGas is

⁹⁷ The question in Issue 3 asks if the “*project*” “*should*” be treated as a gas plant.

⁹⁸ This is particularly so because Issues 2 and 3 aim to inform the analysis of Issue 5, namely, whether Angeles Link is subject to the Commission’s jurisdiction and not operational questions such as reasonableness of costs or proposed tariffs.

⁹⁹ SCGC Opening Brief at 6.

¹⁰⁰ First Public similarly seeks to delay deciding now whether Angeles Link is subject to the Commission’s jurisdiction. First Public Opening Brief at 10-11. SoCalGas notes that, among the benefits of promptly establishing jurisdiction, are that the Commission could order activities such as stakeholder engagement.

¹⁰¹ SoCalGas Opening Brief at 17, n.66.

¹⁰² D.04-10-039 at 26 (*In Re Sound Energy Solutions, Inc.*, 2004 WL 2610071).

submitting Angeles Link to the jurisdiction of the Commission. Sierra Club/CEJA also do not challenge that Angeles Link, once constructed and operational, would and should be regulated by the Commission.¹⁰³ Even more, the language of § 221 indicates no intent to restrict Commission jurisdiction only to “projects” at a certain stage of development. For example, § 221 specifically includes “personal property” and not just capital investments. And it also uses the very expansive language “in connection with or to facilitate” rather than a phrase that would suggest it intends to include only functioning facilities, such as “*used for* the production, generation, transmission” Accordingly, the Commission should avoid unnecessary delay and determine now that Angeles Link should be treated as a gas plant.

D. Issue 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?

As described in SoCalGas’s Opening Brief, the Commission should find it is reasonable for ratepayers, or some subset thereof, to pay for Phase 2 activities for Angeles Link as a matter of law and policy in light of the longstanding public utility model and Angeles Link’s broad public and ratepayer benefits in support of State policy.¹⁰⁴ In Phase 2B, intervenors and the Commission will have ample opportunity to address the reasonable amount of those costs, the appropriate form of revenue collection, and cost allocation among ratepayers.

Several intervenors oppose allocating Phase 2 costs to ratepayers, arguing it would violate cost-causation principles¹⁰⁵—even though the Commission does not view “cost causation” so narrowly as to only ascribe “cause” to end users. Many of these same parties also acknowledge that some number of current natural gas customers will likely take hydrogen service.¹⁰⁶ Thus, even taking a narrow view of cost causation, Issue 4 can clearly be answered in the affirmative.

¹⁰³ Sierra Club/CEJA Opening Brief at 11.

¹⁰⁴ SoCalGas Opening Brief at 20-23.

¹⁰⁵ *See, e.g.*, Air Products Opening Brief at 18-21; First Public Opening Brief at 14; Indicated Shippers Opening Brief at 22-25; Public Advocates Office’s Opening Brief at 7-10; Sierra Club/CEJA Opening Brief at 14-24; UCAN Opening Brief at 10-13.

¹⁰⁶ *See* Sierra Club/CEJA Opening Brief at 15; EDF Opening Brief at 9; First Public Opening Brief at 14; The Utility Reform Network (TURN) Opening Brief at 6.

Intervenors also cite the “used and useful” doctrine, contending that Phase 2 costs should not be recovered until Angeles Link is placed into service¹⁰⁷—even though Phase 2 costs consist only of operating and maintenance (O&M) costs. While SoCalGas does not consider these issues to be responsive to the threshold issue scoped, SoCalGas briefly addresses each of these points below. Indeed, issues related to SoCalGas’s specific cost allocation and recovery proposal appropriately should be considered in Phase 2B after a factual evaluation of the activities for which the costs will be incurred and the benefits to be accrued.¹⁰⁸ That SoCalGas cites Commission precedent that is consistent with its cost recovery proposal, and intervenors cite Commission precedent that they purport is not consistent with SoCalGas’s cost recovery proposal, underscores the importance of determining cost allocation in connection with the specific facts of the proposal. Here, that will occur in Phase 2B.

For purposes of Phase 2A, the Scoping Memo asks not how costs should be allocated or when they should be recovered, but only the threshold question of whether it is “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.” As noted above, the details of precisely *who* should pay and *when* should be addressed in Phase 2B.¹⁰⁹ Cost allocation is a fact-intensive element of ratemaking that depends on the nature of the underlying activities, the specific costs for which recovery is sought, and analysis of the benefits of the activities at issue. Parties may take different positions on how costs should be allocated, and the Commission can and should consider those proposals in Phase 2B.¹¹⁰

¹⁰⁷ See, e.g., Indicated Shippers Opening Brief at 25-27.

¹⁰⁸ This includes arguments from TURN regarding allocation of costs among customer classes, which raise factual questions suited for Phase 2B. TURN Opening Brief at 9-10, 22-23. In any event, while Angeles Link would support hard-to-electrify noncore sectors, as detailed in SoCalGas's Responses to the September 22, 2022 Administrative Law Judge Email Ruling Directing SoCalGas to Address Questions in A.22-02-007 (Sept. 30, 2022), SoCalGas has identified both core and noncore customers who could potentially switch to clean renewable hydrogen as a cleaner energy alternative.

¹⁰⁹ See, e.g., Air Products’ Opening Brief at 19 (“the precise beneficiaries can be defined at a later phase of this proceeding . . .”). Phase 2B is also the appropriate venue to address arguments around federal funding. E.g., Indicated Shippers Opening Brief at 27-28.

¹¹⁰ For example, CHBC indicated that it supports allocating Phase 2 costs across “a broad spectrum of customer classes,” but noted that “[i]f it becomes clear that the project only benefits one set of customer classes, the Commission can recharacterize who will bear the cost in a later ruling in the process.” CHBC Opening Brief at 7-8.

1. Clean Renewable Hydrogen Can Play A Key Role in Decarbonizing California's Energy System.

In answering the very limited question posed in Issue 4, the Commission should start with the fact that most parties seem to agree that hydrogen offers a key decarbonization solution for California.¹¹¹ This is certainly the position of the State: CARB's Scoping Plan calls for "accelerating the transition from combustion of fossil fuels to hydrogen" and identifies the need to add "about 1,700 times the amount of current hydrogen supply" by 2045.¹¹² This policy backdrop underscores the need to move forward with Phase 2 of Angeles Link to provide a decarbonization solution for existing, and future, ratepayers.¹¹³ This first-of-its-kind proposal requires commensurate action by the Commission to approve a just and reasonable forecast to advance important State policies while maintaining affordability.

As described below, it is in ratepayers' interests for SoCalGas to conduct Phase 2 activities so Angeles Link can be presented to the Commission as a defined project for review to determine, among other things, continued alignment with the State's goals. California's commitment to advancing clean renewable hydrogen in the State was just recently reaffirmed. In the face of the federal government canceling its contractual commitment to provide up to \$1.2 billion in federal funding for the Alliance for Renewable Clean Hydrogen Energy Systems (ARCHES), ARCHES has emphasized: "California has signaled continued support for hydrogen projects as well as ARCHES' commercial evolution, recognizing that state investment in market-

¹¹¹ See CHBC Opening Brief at 4, CSPTC Opening Brief at 15, EDF Opening Brief at 5, and GHC Opening Brief at 2. One exception appears to be Cal Advocates, who argues that SoCalGas has "fail[ed] to refute the [CEC]'s statements that green hydrogen is a nascent technology that is still in the research and development stage." Cal Advocates Opening Brief at 7. Cal Advocates cites to a CEC EPIC Interim Investment Plan but fails to provide a date or link. It appears this statement was from a 2021 EPIC Interim Investment Plan—which predates the Angeles Link Phase 1 Studies, ARCHES, the CEC's Clean Hydrogen Program, and even the CEC's 2023 Integrated Energy Policy Report, which identifies clean renewable hydrogen's potential to support electric generation, transportation electrification, and industrial decarbonization. See Application at 16-17, 63.

¹¹² 2022 CARB Scoping Plan at 9.

¹¹³ TURN argues that there is no "legislative directive" ordering construction of Angeles Link. TURN Opening Brief at 19. However, as described in the Application, clean firm resources, like the clean renewable hydrogen that would be provided via Angeles Link, are needed to meet the State's legislative decarbonization mandates. See, e.g., Application at 57-59. And, as discussed herein, the Commission need not wait for a legislative mandate to act.

making infrastructure delivers greater economic returns.”¹¹⁴ Governor Newsom also reinforced California’s commitment to clean renewable hydrogen in his response to the news:

*Clean renewable hydrogen deserves to be part of California’s energy future—creating hundreds of thousands of new jobs and saving billions in health costs. We’ll continue to pursue an all-of-the-above clean energy strategy that powers our future and cleans the air, no matter what DC tries to dictate.*¹¹⁵

ARCHES has also emphasized the speed with which it can now move forward: “We are in a new phase in which we can move faster on commercial agreements and project delivery. ARCHES will focus on facilitating marketplace transactions that lead to more and faster Final Investment Decisions (FID) and generate actual revenue for partners. We plan to work with partners to access streamlined contracting, transparent pricing mechanisms, and direct connections to buyers.”¹¹⁶ Accordingly, Angeles Link remains vital to the success of the clean renewable hydrogen economy.¹¹⁷

Angeles Link can and should be an integral part of California’s decarbonized energy future, helping to scale the clean renewable hydrogen economy, and the time to advance Angeles Link to Phase 2 is now. Whether the Commission authorizes the cost allocation method

¹¹⁴ Arches H2, *Year in Review: Letter from Leadership*, available at: <https://archesh2.org/year-in-review/>.

¹¹⁵ State of California – Office of Governor Gavin Newsom, *Governor Newsom Statement on Trump Administration’s Decision to Cut Hydrogen Hub Funding* (October 1, 2025), available at: <https://www.gov.ca.gov/2025/10/01/governor-newsom-statement-on-trump-administrations-decision-to-cut-hydrogen-hub-funding/>.

¹¹⁶ Arches H2, *Year in Review: Letter from Leadership*, available at: <https://archesh2.org/year-in-review/>.

¹¹⁷ Cal Advocates argues that SoCalGas has failed to identify a “specific need” for Angeles Link or specific hydrogen generation facilities or customers who would connect to Angeles Link. Cal Advocates Opening Brief at 7. As described in the Application, the availability of open-access, connective pipeline infrastructure like Angeles Link would help create and grow the hydrogen system, and the Phase 1 Studies indicate that Angeles Link, as currently envisioned, is viable, with significant demand estimated for SoCalGas’s service territory and sufficient water, land, and technology resources available for third parties to produce enough clean renewable hydrogen to meet the throughput scenarios currently assumed to be delivered by Angeles Link. SoCalGas intends to continue to work with ARCHES to identify where Angeles Link can provide these necessary connections. In any event, Cal Advocates’ concerns regarding “need” are questions of fact for Phase 2B. But to indulge Cal Advocates, at the prehearing conference in this proceeding, SCGC stated that “members of SCGC are potential customers of a pipeline such as hydrogen – such as Angeles Link if it were to be constructed” and “SCGC’s members include electric generators that would be potential customers of Angeles Link if it were built.” Prehearing Conference Transcript (March 14, 2025) at 59:19-22 and 36:14-15.

proposed by SoCalGas—\$0.35 per month for the average residential customer bill for three years—or another allocation method altogether, authorizing a revenue requirement through this proceeding to advance this long-lead time utility project to Phase 2 will position the State to realize its goals. Rejecting any revenue requirement at all could jeopardize the availability of a scalable and affordable method of transporting clean renewable hydrogen when it is most needed—when California needs to play all its cards to meet its ambitious decarbonization targets.¹¹⁸ Any delay in deploying clean technologies such as Angeles Link risks making California’s 2045 net-zero goal unattainable. There is limited downside: the Commission can prioritize affordability through the allocation method it orders, and only Phase 2 activities would be approved—the Commission will be able to weigh in again if Angeles Link is presented to move forward as a defined project.

Although cost allocation recommendations are really only relevant to Phase 2B issues, SoCalGas responds to intervenors’ many arguments to assure the Commission there is no basis to rule prematurely that no ratepayers nor subset of ratepayers should be responsible for the costs of Phase 2 activities. The Commission should proceed with its normal factual evaluation to determine ratepayer responsibility consistent with § 451’s just and reasonable standard in Phase 2B, just as it does for other cost recovery applications.

2. Allocating Phase 2 Costs To Ratepayers, Or A Subset Of Ratepayers, Is Consistent With Cost Causation Principles.

Some intervenors argue that granting SoCalGas’s requested revenue requirement in Phase 2B would violate cost causation principles. They incorrectly assume the Commission has and should apply a rigid rule regarding cost causation: that only customers who directly request and use a service should bear its costs. But the Commission does not rigidly adhere to such a narrow view—especially in the context of the State’s decarbonization goals and efforts.¹¹⁹ The Commission has broad statutory authority to set rates and allocate costs so long as they are just

¹¹⁸ For the same reason, the Commission should reject TURN’s argument that the Commission should approve a memorandum account in lieu of a revenue requirement. See TURN Opening Brief at 7-8.

¹¹⁹ For the same reason, the Commission should not entertain some intervenors’ arguments that the Commission should defer recovery of costs until the ultimate Angeles Link end users or customers are known. See TURN Opening Brief at 6-7; UCAN Opening Brief at 7.

and reasonable.¹²⁰ As described in this section, in the electric rate context, the Commission has long recognized that just and reasonable rate design requires a broader set of principles. These even include certain subsidies that support explicit State policy goals like decarbonization and energy system reliability.

Angeles Link Phase 2, as a proposal to support the State’s decarbonization goals, is similarly well-suited for this type of approach. The purpose of Phase 2 is not to study and develop a pipeline system to deliver conventional energy. Rather, the purpose of Phase 2 is to study and develop a pipeline system to transport *decarbonized* energy. The need for decarbonized energy arises from State mandates and the collective interest of all SoCalGas ratepayers in a cleaner energy system. The “cause” of Phase 2, then, is not just the energy demand needs of end users—it is the need for as much of that energy to be as decarbonized, affordable, and reliable as is reasonably possible, particularly for the hard-to-electrify sector that would not otherwise decarbonize.¹²¹ That need is appropriately shared by the State and SoCalGas ratepayers. Therefore, allocating Phase 2 costs to ratepayers—or a subset of them—is consistent with the cost causation principle, even if it were to be viewed narrowly (which, as described herein, the Commission does not).¹²²

In any event, Phase 2 activities include identifying with more granularity end users who could take service from Angeles Link. Future phases, after end users are identified, may warrant different treatment, but Phase 2 is fundamentally a public policy-driven investment for a decarbonized energy system and all the benefits that would bring, including economic and public health benefits. Accordingly, broad cost allocation of the costs of Phase 2 activities would be consistent with the cost causation principle.

¹²⁰ See, e.g., Pub. Util. Code § 701 (“The commission may supervise and regulate every public utility in the State and may do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction.”); Pub. Util. Code § 451 (costs incurred by customers must be “just and reasonable”).

¹²¹ In the context of decarbonization, even end user demand for *decarbonized* energy is ultimately driven by State policy and societal benefits. Otherwise, the end user would merely use what is already available.

¹²² A proposal’s nexus to decarbonization alone would not be sufficient for approval, of course. The Commission would still have to conduct a review to confirm prudence and reasonableness.

a. The Commission Has Broad Ratemaking Authority To Support Ratepayer And Societal Benefits

While some intervenors cite instances where the Commission has declined to broadly allocate costs of specific proposals, these examples do not reflect a prohibition or legal restriction on the Commission’s ability to craft appropriate ratemaking that accounts for a project’s broad benefits, even if not all ratepayers are end users.¹²³ Indeed, the Commission has approved broad cost allocation in light of corresponding broad ratepayer and societal benefits—including greenhouse gas (GHG) emissions reductions, energy system resiliency, and researching and supporting the market for new technologies—especially where, “[a]bsent public support, the market would, from a societal standpoint, under-invest in these technologies.”¹²⁴

The authority of the Commission to exercise its broad ratemaking authority based on public benefits has been upheld by the Court of Appeal. The Commission ordered broad allocation of costs of Electric Program Investment Charge (EPIC), which supports a wide range of clean energy research and development projects in California, through a surcharge.¹²⁵ The Commission reasoned that broadly allocating costs that benefit ratepayers through clean energy advancement is appropriate as a matter of policy. The legality of the cost allocation method ordered was challenged, and the Court of Appeal upheld the EPIC surcharge, affirming that the Commission’s broad constitutional power over utility regulation and statutory authority to “do all

¹²³ Intervenor’s cited decisions are distinguishable and, at best, merely underscore that cost causation is fact-dependent and each specific situation must be examined. For example, none of the cited cases involved situations where the activities at issue were demonstrated to result in quantifiable decarbonization, air quality, and public health benefits. Other citations are more egregious; for example, Air Products cites D.84-09-089 for the proposition that “ratepayers are required to bear only the reasonable costs of those projects which provide direct and ongoing benefits,” but fails to disclose that the decision addressed when it is appropriate to recover costs for an *abandoned plant*. Air Products Opening Brief at 20. Air Products and Indicated Shippers both cite D.14-06-029, but only for select quotes about cost causation generally, ignoring the portion of the decision that addresses acceptable cross-subsidies that “appropriately support explicit state policy goals.” Air Products Opening Brief at 18; Indicated Shippers Opening Brief at 22. Likewise, both Air Products and Indicated Shippers cite *Order Instituting Rulemaking on the Commission’s Own Motion to Conduct a Comprehensive Examination of Investor Owned Electric Utilities’ Residential Rate Structure, the Transition to Time Varying and Dynamic Rates, and Other Statutory Obligations*, R.12-06-013 (June 21, 2012), but do not grapple with the portions of that Order that discuss costs that are socialized across current residential rates “to achieve explicit goals of the Legislature and Commission.” Air Products Opening Brief at 19; Indicated Shippers Opening Brief at 22.

¹²⁴ D.06-12-032 at 15.

¹²⁵ CSPTC Opening Brief at 12-15.

things, whether specifically designated in [the Public Utilities Act] or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction” empowered the Commission to establish and fund EPIC.¹²⁶ The Court identified just one limitation—a statutory prohibition: “Given the PUC’s vast, inherent power to take any action that is cognate and germane to utility regulation, supervision, and ratesetting, *unless specifically barred by statute*, there is no question that the PUC has the inherent authority to create EPIC and to impose fees necessary to carry out that program.”¹²⁷ Here, there is no statutory prohibition barring the Commission from ordering broad allocation of costs for Phase 2 of Angeles Link.

The Commission has similarly exercised its constitutional authority to allocate costs broadly in light of broad benefits in other instances as well. For example, in D.06-12-032, the Commission approved, in part, Pacific Gas and Electric Company’s (PG&E) application to establish its voluntary Climate Protection Tariff program in which PG&E customers could elect to pay a monthly premium to offset the GHG emissions associated with their electricity usage.¹²⁸ The Commission authorized PG&E to recover administrative costs for the program from all ratepayers, noting that “ratepayers will be facilitating voluntary actions by others that result in significant public benefits,” including “direct GHG benefits, in the form of actual GHG emission reductions achieved via offsets procured on behalf of program participants, co-benefits derived from the offset projects themselves, and educational benefits associated with informing customers of the dangers of global warming and what actions will be necessary in a carbon constrained world.”¹²⁹ The Commission likened the program to “other programs that offer substantial public benefits, including energy efficiency, the Self Generation Incentive Program (SGIP), and the California Solar Initiative (CSI),”¹³⁰ where “[o]ne of the core rationales for

¹²⁶ *Southern California Edison Co. v. Pub. Util. Comm’n.*, 227 Cal.App.4th 172, 187 (2014). Sierra Club/CEJA seek to distinguish EPIC on the grounds that EPIC was designed to deliver ratepayer benefits. Sierra Club/CEJA’s entire argument is based on the false premise that Angeles Link would not offer such broad benefits. As described herein and in the Application, Angeles Link would benefit all ratepayers. In any event, factual matters like weighing of benefits is best suited for Phase 2B.

¹²⁷ *Id.* at 187 (emphasis added).

¹²⁸ D.06-12-032 at 2.

¹²⁹ *Southern California Edison Co. v. Pub. Util. Comm’n.* at 14.

¹³⁰ SGIP, which provides incentives to support existing, new, and emerging distributed energy resources, demonstrates that in some instances, it can be appropriate to have broad funding for a program at its inception and later develop a new cost allocation once the program is farther along. SGIP costs were initially allocated across all customer classes on an equal cents per therm (ECPT) basis, but, over

ratepayer support in the context of these programs is that the public benefits derived from the deployment of energy efficiency and distributed generation exceed the private benefits.”¹³¹

The concept that broader rate recovery may be appropriate for projects and programs that offer public or societal benefits has been applied in more recent Commission decisions as well, as identified in the Application.¹³² For example, in D.24-01-032, the Commission authorized PG&E and Southern California Edison Company (SCE) to expand their electric demand flexibility pilot projects and explained that “[e]xpanded pilot implementation costs should be recovered from all bundled and unbundled customers.”¹³³ The Commission recognized that even though they did not participate in the pilot programs, “[n]on-participating ratepayers will benefit from the system reliability contributions of the pilot and the learnings from the pilot evaluation reports.”^{134, 135} Moreover, reasonable costs of the Mobilehome Park Utility Conversion Program are similarly allocated broadly, even though the safety improvement activities at issue concern the service of relatively few end users.¹³⁶

time, shifted to an allocation based on program participation. Importantly, the Commission did not order any *refund* of costs previously allocated in accordance with the ECPT methodology, implicitly recognizing that while the costs were previously appropriately allocated, a change was appropriate for the next phase of the program. D.20-02-045 at 55-56; *see also* TURN Opening Brief at 18-19 (recognizing the Commission’s authority and willingness to change cost allocation for different phases of a program). This example is relevant here, where SoCalGas has proposed a cost allocation for Phase 2 costs, not for the costs of all of Angeles Link if ultimately approved and constructed. See Application at 92 (“SoCalGas proposes this cost allocation methodology solely for the Phase 2 activities covered in this Application; as Angeles Link advances and specific end users are identified, it may become appropriate to allocate costs in a more targeted manner in the future.”).

¹³¹ *Id.* at 15.

¹³² Application at 17-18, n.56.

¹³³ D.24-01-032 at 55.

¹³⁴ *Id.*

¹³⁵ Likewise, in D.21-01-018, the Commission authorized PG&E, San Diego Gas & Electric Company (SDG&E), and SCE to jointly develop a statewide microgrid incentive program to support vulnerable communities impacted by grid outages. D.21-01-018 at 55-70, 108 (COL 19). The Commission determined that the costs of the projects, about \$200 million, should be allocated to “all distribution customers of the relevant IOU,” because the program would advance “microgrid technology for climate response resiliency” and “lessons learned from these incentive programs [would] inform future regulatory action to the benefit of all ratepayers.” *Id.* at 63-64. Here, too, the direct and indirect benefits of advancing Angeles Link are extensive and justify broad allocation of costs across customer classes.

¹³⁶ *See* D.14-03-021 at 77 (OP 8) (ordering cost recovery of the pilot program through distribution rates paid by all distribution customers), D.20-04-004 at 123 (retaining the cost recovery method adopted in D.14-03-021 for the 10-year program). Note that D.14-03-021 concludes as a matter of law that

The Commission has also found that broad cost allocation is appropriate when needed to support new generation resources in order to meet forecasted demand and promote system reliability. In D.06-07-029, the Commission approved a cost allocation methodology (CAM) to allocate costs incurred by IOUs to procure new resources for region-wide grid reliability benefitting all customers in the IOU's service territory, including customers of direct access providers and community choice aggregators. This approach was subsequently endorsed via legislation (SB 695), making such allocation mandatory under Pub. Util. Code § 365.1(c). Recently, the Commission again affirmed that broadly allocating "initial investment" costs across ratepayers can support affordability and market transformation for emerging technologies, recognizing that "early IOU ratepayer investments authorized via Commission-authorized centralized procurement in solar, wind, and battery storage helped bring down the cost of those technologies in California and worldwide."¹³⁷

These examples confirm that, when appropriate, the Commission has broadly allocated the costs of projects and programs with public interest benefits to all benefiting customers, particularly when utility investment can support complex market transformation, affordability, reliability, and decarbonization needs. Importantly, these decisions confirm that, contrary to intervenors' positions, there is no upfront legal bar to the Commission ordering broad cost allocation, and certainly not before assessing the facts to determine an appropriate cost allocation methodology.

Sierra Club/CEJA and TURN attempt to distinguish several of the above-cited examples. First, Sierra Club/CEJA argue that several of the examples approved "spending that delivered both climate and ratepayer benefits."^{138, 139} But, as described below, these are precisely the

the Commission's authorization of "beyond the meter" construction is "not inconsistent with the *Consumer Lobby* test's requirement that exercise of the Commission's broad authority 'be cognate and germane to the regulation of public utilities.'" D.14-03-021 at 72 (COL 11) (internal citation omitted).

¹³⁷ D.24-08-064 at 38.

¹³⁸ Sierra Club/CEJA Opening Brief at 20-22.

¹³⁹ Cal Advocates cites to Resolution G-3601, where the Commission denied SoCalGas's request to fund RD&D for clean off-road transportation. Cal Advocates Opening Brief at 8. Cal Advocates fails to note, however, that projects seeking funding were required to align with the RD&D criteria set forth in § 740.1. See Resolution G-3601 at 25-26. There is no similar limitation here. In any event, the Commission has authorized RD&D programs in similar research areas with similar benefits. See, e.g., Resolution G-3592 (approving CEC program to address barriers and stimulate early markets by

benefits of Angeles Link—decarbonization, improved air quality and public health, and increased energy system reliability and resiliency. Next, Sierra Club/CEJA and TURN point to examples where the Commission implemented cost allocation pursuant to a legislative mandate.¹⁴⁰ The fact that the Legislature has seen fit to mandate broad cost recovery in certain instances merely underscores that broad allocation is good policy when projects or programs offer broad ratepayer benefits. As illustrated above, however, there are instances where the Commission need not wait for the Legislature to act. The Commission can determine broad cost allocation is appropriate under its existing authorities, absent conflicting statutes. Indeed, there are instances where the Legislature has acted after the Commission to largely codify the determinations of the Commission.¹⁴¹ Here, along with other State and policy needs described in the Application and above, the needs described by CARB, including for dedicated hydrogen pipelines in the 2030s, is more than sufficient for the Commission to act with purpose.¹⁴²

TURN argues that Angeles Link is also distinguishable from precedent because it “will provide a new service that is not connected to existing utility electric or natural gas service” and allegedly would not provide “system-wide” benefits.¹⁴³ However, TURN ignores the explanations in the Application that hydrogen can be a key, integrated element of the energy system by providing clean firm dispatchable power and could promote the overall affordability and reliability of the energy transition—which is inextricably linked to existing utility electric and natural gas service.¹⁴⁴ And, as recognized in UWUA Local 483’s Opening Brief, Angeles Link can support the existing natural gas system by maintaining workforce stability and

improving the cost-effectiveness and performance of hydrogen refueling infrastructure for heavy transport, funded by a surcharge on all natural gas customers).

¹⁴⁰ *Id.* at 21-22; TURN Opening Brief at 16.

¹⁴¹ *See, e.g.*, Resolution E-3238 (establishing the Catastrophic Emergency Memorandum Account framework in 1991 following the Loma Prieta earthquake, which framework was later codified by the Legislature in 1994 in § 454.9); Pub. Util. Code § 365.1(c) (addressing the Commission’s CAM mechanism first established in D.06-07-029).

¹⁴² *See* 2022 CARB Scoping Plan at 78 (“In the 2030s, biomethane is blended into the fossil gas pipeline. Renewable hydrogen is also blended into the fossil gas pipeline at 7 percent by energy (approximately 20 percent by volume), ramping up between 2030 and 2040. In the 2030s, dedicated hydrogen pipelines are constructed to serve certain industrial clusters.”)

¹⁴³ TURN Opening Brief at 16, 19.

¹⁴⁴ *See, e.g.*, Application at 2, 13-17, 75-78.

experience in the energy transition.¹⁴⁵ TURN also argues that some examples of broad cost allocation involved pilots or small programs.¹⁴⁶ Despite the size of the programs at issue, the policy rationale behind those decisions still stands, however—broad allocation is a key tool that the Commission uses when appropriate to promote public interest benefits and policy objectives.^{147, 148}

In this case, as demonstrated in the Application and prepared testimony, conducting Phase 2 activities would advance pursuit of the many public interest benefits and core State policy objectives that could ultimately be provided by Angeles Link, including promoting California’s decarbonization goals while enhancing the reliability and resiliency of the energy system, significant GHG reductions, improved air quality and resulting public health benefits, new jobs and economic benefits, and continued stakeholder engagement and educational benefits associated with further study and development of Angeles Link.¹⁴⁹

Intervenors also identify other benefits. CHBC describes how a decarbonized energy system that includes hydrogen reduces costs overall compared to an all-electric system.¹⁵⁰ UWUA Local 483 explains how Angeles Link can support the existing natural gas system by maintaining workforce stability and experience in the energy transition.¹⁵¹ Green Hydrogen Coalition (GHC) notes that “Pipeline transport is the lowest cost form of transporting large volumes of energy for long distances, far more cost effective than transporting hydrogen by truck or rail,” and, even more, that “The volume of fossil fuel use... the state seeks to displace cannot be solely replaced with clean hydrogen by truck or rail fuel delivery in a cost effective and

¹⁴⁵ UWUA Local 483 Opening Brief at 6-7.

¹⁴⁶ TURN Opening Brief at 16-17.

¹⁴⁷ See Application at 92.

¹⁴⁸ TURN also argues that the extent of potential customer participation in a program has been a relevant factor impacting cost allocation decisions. TURN Opening Brief at 17-19. As discussed above, however, while Angeles Link would support hard-to-electrify noncore sectors, SoCalGas has identified that core and noncore customers could take hydrogen service, and all customers would benefit from Angeles Link's broad ratepayer benefits.

¹⁴⁹ Application at 33-54.

¹⁵⁰ CHBC Opening Brief at 4-5; *see also* GHC Opening Brief at 5 (“The common carrier pipeline will help reduce the levelized cost of hydrogen over time.”).

¹⁵¹ UWUA Local 483 Opening Brief at 6-7. Notably, this benefit would accrue to all gas ratepayers, including those who will not be able to transition to hydrogen or electricity.

scalable way;” accordingly, GHC concludes it is reasonable for ratepayers to cover the costs of Angeles Link Phase 2 activities “because of the unique economic benefits from the pipeline’s installation and operation.”¹⁵² These benefits would accrue to all ratepayers, including current residential gas ratepayers.¹⁵³

Public Utilities Code § 740.8 specifically defines ratepayer interests as including more reliable or less costly service, improvement in energy efficiency of travel, reduction of health and environmental impacts from air pollution, reduction of GHGs, increased use of alternative fuels, and creation of high-quality jobs or other economic benefits, including in disadvantaged communities. While § 740.8 speaks specifically to the low-emission vehicle context, the Commission has cited to § 740.8 to support its decision in other related situations, like SoCalGas’s Biogas Conditioning Services tariff decision, where the Commission held that it “may evaluate the [application] in consideration of the public interest set forth in the Commission’s Mission Statement, as well as the comparable ratepayer interests specified in Pub. Util. Code section 740.8. These interests include health and environmental benefits, greenhouse gas emission reductions, and increased use of alternative fuel.”¹⁵⁴ Those same ratepayer interests are also worthy of consideration here.

b. The Phase 1 Decision Does Not Restrict Cost Allocation For Phase 2.

Some intervenors imply that D.22-12-055 (Phase 1 Decision) proscribes broad rate allocation for Phase 2 activities. While the Phase 1 Decision identifies a non-exhaustive list of the beneficiaries of Phase 1 activities, the Phase 1 Decision also provides: “[w]e also note that

¹⁵² Green Hydrogen Coalition Opening Brief at 4 (citing § 740.8 benefits) (internal quotations and citations omitted).

¹⁵³ *Cf.* EDF Opening Brief at 10 (alleging no benefits to residential gas customers); Sierra Club/CEJA at 13. With respect to TURN’s allegation that no core customers will ever take hydrogen service (TURN Opening Brief at 1, 10), SoCalGas notes that, while Angeles Link is focused on delivering hydrogen to hard-to-electrify sectors like power generation, transportation, and industry, there are other applications of hydrogen that customers in the future may wish to explore, such as microgrids or linear generators. Some intervenors, like EDF, express concerns about affordability and rate impacts on residential gas customers. As described in the Application at 88-89, the per-customer rate impact of Phase 2 costs is modest—\$0.35 per month for the average residential customer over three years—especially when considering the long-term benefits of decarbonization, improved air quality, and energy system reliability and resiliency. *See* UWUA Local 483 Opening Brief at 5.

¹⁵⁴ D.13-12-040 at 24.

beneficiaries of Phase One activities may be different from beneficiaries of Phase Two or Phase Three activities.”¹⁵⁵ Thus, the Phase 1 Decision expressly, and appropriately, deferred Phase 2 cost allocation to Phase 2 (and the Scoping Memo defers it to Phase 2B). Similarly, some intervenors suggest that the Commission’s disallowance of certain hydrogen-related costs in SoCalGas’s most recent General Rate Case (GRC) is somehow determinative here. But the GRC decision specifically acknowledges Angeles Link as a separate proposal that would appropriately be separately considered.¹⁵⁶ Further, since the GRC, SoCalGas finalized the Phase 1 studies, which, as described in the Application, evidence the many ratepayer and public benefits associated with Angeles Link.¹⁵⁷

c. The Commission Allows Cross-Subsidies That Support State Policy Goals When Appropriate.

Some intervenors also raise concerns that the proposed Phase 2 revenue requirement would be inconsistent with cost causation principles by constituting a cross-subsidy.¹⁵⁸ Even if that were the case, it would not be a bar to considering a revenue requirement in Phase 2B. Although the Commission has historically “emphasized cost-causation” in setting rates, the Commission has also recognized that “[i]n recent years, changes in energy use to protect the environment have become increasingly important.”¹⁵⁹ As a result, as EDF and TURN recognize,¹⁶⁰ the Commission may allow “for certain subsidies to promote certain societal programs” or “support explicit state policy goals.”¹⁶¹ This policy is reflected in the Commission’s recently updated “Electric Rate Design Principles,” which explain that “Rates

¹⁵⁵ D.22-12-007 at 55.

¹⁵⁶ D.24-12-074 at 930-931, 938.

¹⁵⁷ Application at Sections III, IV.

¹⁵⁸ Air Products Opening Brief at 21; Sierra Club/CEJA Opening Brief at 16; EDF Opening Brief at 9; Indicated Shippers Opening Brief at 21-22, Cal Advocates Opening Brief at 9; TURN Opening Brief at 6; UCAN Opening Brief at 7.

¹⁵⁹ D.15-07-001 at 2.

¹⁶⁰ EDF Opening Brief at 10; TURN Opening Brief at 12-13.

¹⁶¹ EDF Opening Brief at 8, 28. Just as with cost-causation, the Commission has acknowledged that “cross-subsidies exist, and in many instances, do serve the public good.” D.04-05-061 at 24. As one example, for many years, the Commission set telephone rates in a manner that was deliberately designed so that certain services, like long-distance service, would cross-subsidize other services, like basic local service. D.07-09-020 at 3.

should avoid cross-subsidies *that do not transparently and appropriately support explicit state policy goals.*”¹⁶² By advancing the design of infrastructure and conducting other programmatic activities, such as workforce training and risk management, for a system that would deliver clean renewable hydrogen at scale, Phase 2 activities would advance key State policy goals expressed by CARB, the CEC, multiple Governors, and the Governor’s Office of Business and Economic Development (GO-Biz).^{163, 164} The Commission is empowered to support these goals by advancing Angeles Link to Phase 2. In Phase 2B, the Commission should leverage the public utility model in this instance to advance the State’s decarbonization goals, just as it does on the electric side.

¹⁶² D.23-04-040 at 20 (emphasis added). Sierra Club/CEJA allege that the CARE program was the only state policy goal identified in the Principles. Sierra Club/CEJA Opening Brief at 23. This is a red herring; the decision expressly provides that the “Commission retains the option to approve certain rate cross-subsidies to promote its policy goals” without limiting those goals to one particular program. D.23-04-040 at 19.

¹⁶³ See e.g., 2022 CARB Scoping Plan at 9 (highlights the value and the critical role of clean fuels, such as a biomethane and clean hydrogen and the need for carbon management to reach carbon neutrality GHG emission targets); Letter from Governor Newsom to Director Myers, GO-Biz, dated August 3, 2023 (noting that the State needs to “scale up” the clean renewable hydrogen market “1,700 times by 2045 to meet our carbon neutrality goal”); Governor Brown, Executive Order B-48-18 (directing that all State entities work with the private sector to put at least five million zero-emission vehicles on California’s roads by 2030 and spur the construction and installation of 200 hydrogen refueling stations); CEC, 2023 Integrated Energy Policy Report at 91-92 (concluding that the state should continue to support hydrogen research and development projects “that advance the science and address commercial barriers to production of clean and renewable hydrogen and related use in the electricity, transportation and industrial sectors”); GO-Biz, *Draft Hydrogen Market Development Strategy* (June 2025), available at: <https://business.ca.gov/wp-content/uploads/2025/07/H2WebsiteStrategy.pdf> (outlining path to jumpstart the hydrogen market in California and stating “We all need to jump in together for the system to work”). Nevertheless, EDF contends that “there is no statutory mandated goal when it comes to hydrogen pipeline transport.” EDF Opening Brief at 10. The Commission should wholly reject EDF’s premise—these myriad examples demonstrate that the State has a clear policy supporting hydrogen investments for the energy transition.

¹⁶⁴ Sierra Club/CEJA raise concerns that subsidies could lead to overbuilding. Sierra Club Opening Brief at 19. But that is not a concern here. With respect to non-discriminatory open-access pipelines dedicated to the public for the purpose of transporting clean renewable hydrogen, SoCalGas is not aware that anyone has proposed such a pipeline for Central and Southern California. With respect to Angeles Link specifically, SoCalGas notes that Phase 2 activities are intended to continue to define Angeles Link with further studies, including demand, that would allow Angeles Link to be right-sized but still scalable. In any event, the Commission would have an opportunity to review Angeles Link if and when it is proposed as a defined project for a CPCN for continued alignment with State goals and needs.

Finally, some intervenors assert that the Commission should defer recovery of costs until the ultimate Angeles Link end users or customers are known.¹⁶⁵ This may be an appropriate cost recovery mechanism for a future phase; however, as described throughout, all ratepayers benefit from the Phase 2 activities proposed in the Application. Given the decarbonization, air quality, grid reliability, workforce, and economic benefits that Angeles Link could provide in addition to delivery of clean renewable hydrogen to end users, it is in SoCalGas’s ratepayers’ interests – both existing and future ratepayers – for SoCalGas to develop Angeles Link and present it as a defined project for the Commission to consider in the future for a CPCN. Moreover, ratepayers also benefit from the stakeholder engagement activities proposed for Phase 2. From a policy perspective, it is appropriate for ratepayers, or a subset of ratepayers, to pay for Phase 2 activities that are being pursued for their benefit.

3. Allocating Phase 2 Costs To Ratepayers, Or A Subset Of Ratepayers, Would Not Cause Unfair Competition.

Some intervenors allege that authorizing a revenue requirement for Phase 2 activities for Angeles Link could provide SoCalGas with a competitive advantage over other unidentified market participants.¹⁶⁶ To SoCalGas’s knowledge, no one else has proposed an open-access, clean renewable hydrogen pipeline system dedicated to public use comparable to Angeles Link. Contrary to intervenors’ unsupported assertions of unfair competition, continuing work on Angeles Link will help develop the clean renewable hydrogen market and encourage investment, as recognized in the Phase 1 Decision.¹⁶⁷ Because clean renewable hydrogen producers and end-users need the certainty of reliable and affordable transportation infrastructure, planning for such a project would not limit growth or competition in the clean renewable hydrogen market. In fact, the Phase 1 Decision explains, “because its results [of the Phase 1 Studies] will be public, the feasibility study has the potential to *foster* competition in the emerging hydrogen industry.”¹⁶⁸ The Phase 1 Studies are publicly available, and the results of Phase 2 activities will be publicly available, too, in particular if and when SoCalGas applies for a CPCN for Angeles Link.

¹⁶⁵ TURN Opening Brief at 7; UCAN Opening Brief at 7.

¹⁶⁶ *See, e.g.*, Air Products Opening Brief at 21-22; TURN Opening Brief at 19.

¹⁶⁷ D.22-12-055 at 29, 58.

¹⁶⁸ *Id.* at 35 (emphasis added), 65 (FOF 28), 69 (COL 9).

Applying the Commission’s rationale in the Phase 1 Decision to Phase 2 results in the same conclusion: competition is not stifled, but rather is fostered, by authorizing a revenue requirement for SoCalGas to conduct Phase 2 activities.

Nevertheless, to the extent the Commission is inclined to consider whether authorizing a revenue requirement for Phase 2 activities provides SoCalGas an unfair advantage over other market participants, it is crucial that the Commission consider record evidence—not merely generalized allegations—in making a determination, i.e., this should occur, if at all, in Phase 2B. Evaluating intervenors’ claims of unfair competition and competitive advantage would benefit from record evidence related to market size, market share, market participants, barriers to entry, economic harm, etc. At first blush, it is difficult to see how authorization of a revenue requirement for Phase 2 activities could provide SoCalGas with a competitive advantage, particularly given currently known facts, e.g., CARB’s call to increase clean renewable hydrogen in the State 1,700 fold by 2045, CEC’s estimation that 1.8 MMTPY of clean renewable hydrogen would be needed to displace fossil fuel in electric generation by 2045, and Air Products’ provision of only about 30 miles of gray hydrogen pipeline after over 40 years of business in California.¹⁶⁹ Indeed, Air Products’ admission that it uses natural gas to produce hydrogen at its production facilities in California raises the question whether Air Products and SoCalGas (whose Angeles Link pipeline would transport clean renewable hydrogen) could even be considered to be in the same market.¹⁷⁰ Moreover, Air Products’ product offering is a merchant pipeline, i.e., not an open-access pipeline, whereas Angeles Link would provide non-discriminatory open access via a pipeline dedicated to public use. Simply put, there is no evidence of any competitor to Angeles Link.

¹⁶⁹ Air Products Protest at 9.

¹⁷⁰ Air Products’ Protest updates information provided in its protest in A.22-02-007, 27 miles of hydrogen pipeline. Cf. Protest of Air Products, A.22-02-007 at 2 (March 17, 2022), available at: <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M460/K301/460301926.PDF>. Another update in Air Products’ current protest is elimination of all language regarding Air Products’ plans related to “green hydrogen.” Air Products’ previous filing stated, “Air Products has also recently announced the world’s largest green hydrogen project—a \$5 billion project that will deploy nearly five times more electrolyzer capacity than had been installed globally at the time the project was announced.” *Id.* This proposal is no longer mentioned for reasons that remain unclear. Additionally, earlier this year Air Products cancelled green hydrogen projects, including in California. <https://www.airproducts.com/company/news-center/2025/02/0224-air-products-to-exit-three-us-based-projects>.

Sierra Club/CEJA cite *Clean Energy Fuels Corp. v. Pub. Util. Comm'n.* to argue that SoCalGas should be precluded from using non-hydrogen customer funds for Angeles Link.¹⁷¹ In that case, actual non-utility competitors challenged the proposal. Here, no genuine competitor to Angeles Link has announced itself. Further, this Application only concerns Phase 2 activities, whereas the *Clean Energy Fuels* case addressed costs of existing services provided via a tariff. While hydrogen supplied by Angeles Link ultimately would be a tariffed service, that is outside the scope of this Application. Accordingly, intervenors' unsubstantiated arguments regarding competition do not establish as a matter of law that ratepayers or a subset thereof should not be responsible for the costs of Phase 2 activities.

4. Phase 2 Consists Of O&M Costs, To Which the “Used and Useful” Doctrine Does Not Apply.

Certain intervenors contend that SoCalGas's cost recovery proposal violates the “used and useful” doctrine.¹⁷² Determining whether Phase 2 activities should be treated as O&M or capital requires reference to facts, which is to occur in Phase 2B. Accordingly, SoCalGas only addresses intervenors' arguments here briefly.¹⁷³ Phase 2 activities are O&M costs (i.e., a straight pass-through with no rate of return for the utility), and thus it is not appropriate to require Angeles Link to be used and useful prior to seeking cost recovery for Phase 2. The accounting treatment is in line with the guidance from Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) regarding first-mover projects like Angeles Link.¹⁷⁴

¹⁷¹ Sierra Club/CEJA Opening Brief at 24.

¹⁷² Noting without any citation that the “used and useful” doctrine arises out of § 454.8, Indicated Shippers contends that “ratepayers should only be required to bear the reasonable costs of those projects which provide direct and ongoing benefits, or are used and useful in providing adequate and reasonable service to the ratepayers.” This is wrong on its face as it would never allow a utility to recover O&M costs. It is also contrary to Commission precedent. In any event, § 454.8, which is triggered when the Commission finds a project is used and useful (which is typically when it is placed in service) is not implicated here because Phase 2 costs are appropriately categorized as O&M. Indicated Shippers further argues that “Courts have articulated that ‘an expenditure for an item may be included in a public utility’s rate base only when the item is ‘used and useful’ in providing service.” Indicated Shippers Opening Brief at 25-27. But SoCalGas has not proposed to add forecasted Phase 2 costs to ratebase; indeed, the costs of Phase 2 are O&M.

¹⁷³ See, e.g., TURN Opening Brief at 8-9.

¹⁷⁴ See FASB ASC section 360-10 (Impairment or Disposal of Long-Lived Assets) for capitalization guidance when acquiring property, plant and equipment, section 450 (Contingencies) for accounting guidance regarding uncertain events, and section 730 for Research and Development. See also Ernst & Young Global Limited (EY), *Financial Reporting Developments – Impairment or Disposal of Long*

Moreover, the Commission has traditionally “afforded itself a measure of flexibility in its authority to grant interim rates”¹⁷⁵ and has authorized recovery of front-end engineering design (FEED) and preconstruction stakeholder costs—like those proposed here—for other potential projects evaluated by investor-owned utilities.¹⁷⁶ For example, in authorizing recovery of a portion of feasibility, FEED, and permitting assessment costs for the Hydrogen Energy California project, the Commission rejected claims that the FEED costs that SCE planned to incur were “project development” costs,¹⁷⁷ given the novelty of the proposed project. Rather, the Commission noted that the studies were “necessary to determine whether there is a project at all.”¹⁷⁸ The same applies here—Angeles Link cannot be a defined project, if at all, until Phase 2 activities are completed. It may be appropriate to treat future costs differently, but that determination cannot and should not be made now.

E. Issue 5: Does the Commission have jurisdiction over the Project?

The detailed analysis in SoCalGas’s Opening Brief, as further explained in Section IV.C herein, demonstrates Angeles Link is a gas plant as defined by § 221 and SoCalGas is a gas corporation as defined by § 222. And, as described in the Application, Angeles Link would be dedicated to public use. As a result, the Commission has jurisdiction over Angeles Link.¹⁷⁹

Some intervenors assert that it is premature to determine that Angeles Link will be dedicated to public use. Although explicit intent of dedication is not required under the law, SoCalGas notes that it has been holding Angeles Link out as a pipeline dedicated to public use for years in public filings and press releases—ever since SoCalGas filed A.22-02-007 to request

Lived Assets (August 2025), available at: <https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/technical/accountinglink/documents/ey-frdbb1887-08-27-2025.pdf>.

¹⁷⁵ D.06-12-040 at 24.

¹⁷⁶ *See, e.g.*, D.06-12-040 (authorizing interim recovery of preconstruction costs for the Coastal Water Project); D.09-12-014 (authorizing recovery of portion of feasibility study, FEED, and permitting assessment costs for the Hydrogen Energy California project). For example, the Commission has granted interim relief to: (1) promote fairness to both the utility and the public; (2) reduce the potential for rate shock; (3) preserve the financial integrity of a utility, minimize costs incurred by ratepayers and ensure rate stability; and (4) smooth rate recovery. “[A]ny one of these factors may be sufficient for the Commission to grant relief.” D.20-10-026 at 25-26.

¹⁷⁷ D.06-05-016 at 53.

¹⁷⁸ D.09-12-014 at 17, 33.

¹⁷⁹ Because Angeles Link would be a public utility asset, the Commission also has jurisdiction over the Phase 2 Application pursuant to § 701; however, SoCalGas does not address § 701 here.

approval of the Angeles Link Memorandum Account in February 2022, which acknowledged SoCalGas’s intention to serve multiple end users in the Los Angeles Basin and Southern California.¹⁸⁰ One need only consult the Commission’s docket to know this is true. As to parties who cite *Allen v. Railroad Commission* for the proposition that dedication is not presumed “without evidence of unequivocal intent,”¹⁸¹ these numerous and unequivocal statements clearly suffice. Indeed, no party points to any case where an entity holding itself out as offering public utility service, and wanting to be regulated as a public utility, was found by the Commission to have lacked sufficient representations to demonstrate dedication to public use. Further, the California Supreme Court has made clear that it would be “inappropriate to extend [the dedication test’s] restraining power further than logic and precedent require.”¹⁸²

Indicated Shippers cites *Yucaipa Water Co. v. Pub. Util. Comm’n.* to support its claim that “SoCalGas’s verbal promise in its pleadings is insufficient for a dedicated to public use finding.”¹⁸³ *Yucaipa* says no such thing. In fact, *Yucaipa* found a water pipeline to be dedicated to public use *despite* the water corporation’s claims it was not. *Yucaipa* does not address a situation where, like here, a public utility plans a public utility asset and commits to dedicating it to public use. Additionally, *Yucaipa* also explains that dedication “may also be shown by implication” and “may clearly be inferred.”¹⁸⁴ Indicated Shippers does not present this portion of the case.

Contrary to First Public’s claims, reaching a legal determination that the Commission has jurisdiction over Angeles Link would not raise notice or due process concerns.¹⁸⁵ The Application does not ask the Commission to develop “rules” governing hydrogen at large; instead, this is a narrow question of law dealing with one specific proposed facility. Answering

¹⁸⁰ SoCalGas also made clear in Phase 1 that “Angeles Link is envisioned as a non-discriminatory, open-access pipeline system dedicated to public use[.]” See, e.g., SoCalGas, Angeles Link Phase 1 Studies Consolidated Report at 3, available at: <https://www.socalgas.com/sites/default/files/alproject/Angeles-Link-Phase-1-Consolidated-Report.pdf>.

¹⁸¹ Indicated Shippers Opening Brief at 33 (citing *Allen v. Railroad Commission*, 179 Cal. 68 (1918)).

¹⁸² *Greyhound Lines, Inc. v. Pub. Util. Comm’n.*, 68 Cal.2d 406, 413 (1968).

¹⁸³ Indicated Shippers Opening Brief at 33 (citing *Yucaipa Water Co. V. Pub. Util. Comm’n.*, 54 Cal.2d 823, 827 (1960)).

¹⁸⁴ *Yucaipa*, 52 Cal.2d at 828.

¹⁸⁵ First Public Opening Brief at 11-12.

First Public's questions related to hydrogen regulation more broadly is not part of the scope of Phase 2A, nor are answers to those questions necessary for the Commission to grant the relief sought in the Application.¹⁸⁶

Finally, EDF's argument that the affiliate transaction rules prevent the Commission from asserting its existing jurisdiction over Angeles Link are inapposite.¹⁸⁷ These arguments fail to recognize that SoCalGas has maintained consistently, and repeats in the Application, that Angeles Link is intended to be open access and dedicated to public use and thus does not constitute an unregulated line of business. At the appropriate time, SoCalGas may seek a tariff to govern Angeles Link. It is premature to seek a tariff at this time, while Angeles Link is still being developed. Moreover, the affiliate transaction rules specifically authorize utilities to provide existing products and services pursuant to a tariff, as well as offer new products and services on a tariffed basis.¹⁸⁸ In any event, the affiliate transaction rules have no bearing on the question of whether the Commission has jurisdiction over Angeles Link.

III. CONCLUSION

SoCalGas appreciates the advancement of this proceeding and the opportunity to brief the important issues raised in the Scoping Memo. SoCalGas herein has addressed each of the arguments of intervenors to demonstrate that the answers offered to the scoped questions in its Opening Brief are the legally sound ones (a summary of the contentions and responses is

¹⁸⁶ First Public asks, for example, "How is 'clean renewable hydrogen' defined?" First Public Opening Brief at 12. This is a question the Commission answered in 2022. *See* D.22-12-057.

¹⁸⁷ EDF Opening Brief at 12-13.

¹⁸⁸ D.06-12-029, Appendix A-3 at § VII.C.

provided in Appendix A). Accordingly, SoCalGas respectfully requests a proposed decision consistent with its Opening Brief.

Respectfully submitted,

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APPENDIX A

APPENDIX A

Executive Summary

1. The Commission should advance both the Phase 1 and Phase 2 proceedings concurrently given the important and time-sensitive issues raised in each proceeding.

- While many parties propose sequencing the proceedings, their opening briefs pre-date the issuance of the Assigned Commissioner’s Scoping Memo and Ruling in A.25-06-011, which sets a schedule that requires direct testimony sixty days after a final decision in Phase 2A of this proceeding and does not stay discovery. Accordingly, both proceedings should proceed concurrently.

2. As a matter of law, Angeles Link should not be treated as a “pipe line” because Angeles Link is intended to carry only gaseous hydrogen, not “crude oil or other fluid substances” that must be carried in order to meet the statutory definition of a “pipe line”; accordingly, SoCalGas should not be considered a “pipeline corporation.”

- UCAN is the only party contending Angeles Link should be treated as a “pipe line;” however, UCAN does not apply the canons of statutory construction in reaching its conclusion, nor does it cite to any Commission or other precedent that would support its theory.
- The theory advanced by Air Products and Indicated Shippers that “fluid substances” refers only to fossil-based substances is unconvincing, particularly because it is contrary to the statute’s explicit recognition that water—which is not a fossil-based substance—is a fluid substance.

3. As a matter of law, Angeles Link should be treated as a “gas plant” because hydrogen is a gas and Angeles Link will transport gaseous hydrogen for “light, heat, or power” in California; accordingly, and because SoCalGas intends to utilize Angeles Link to perform services for the public for compensation, SoCalGas should be treated as a “gas corporation” for purposes of its planning and eventual operation of Angeles Link.

- Applying the canons of statutory construction requires the Commission to reject intervenors’ attempts to simultaneously stretch the reference in § 221 to “gas, natural or manufactured” beyond its plain meaning to manifest vagueness, then

reading in a limitation not contained in the statutory text that “gas” refers only to “hydrocarbon” or “fossil-based” gas:

- Consistent with the first of the rules of statutory construction, “gas” should be given its ordinary meaning, which is not limited to “hydrocarbon” or “fossil-based” gas;
- Reading words into the text of § 221 that do not appear there (e.g., “hydrocarbon” or “fossil-based”) would violate the rules of statutory construction and result in appealable legal error;
- It would violate the rules of statutory construction to read into a statute that identifies an exception (here, for “propane”) another exception that is not found in the text (as claimed by intervenors, any gas that is not “hydrocarbon” or “fossil-based” gas, such as clean, renewable, and decarbonized gases);
- Consistent with the rules of statutory construction, and the cases cited by intervenors, extrinsic aids need not be consulted to guide interpretation of § 221 because it is not ambiguous on its face; and
- Draft legislation does not circumvent the plain meaning of enacted law, but even if it did, the draft legislation intervenors cite does not support their arguments to artificially restrict the definition of “gas.”
- Accepting intervenors’ arguments would lead to absurd results:
 - Under intervenors’ proposed construction, the Commission does not have jurisdiction over Angeles Link because it proposes to transport clean renewable hydrogen, but the Commission would have jurisdiction if Angeles Link were proposed to transport fossil-based hydrogen;
 - Limiting the Commission’s constitutional and statutory grants of jurisdiction to technologies and products at the time of enactment would freeze the Commission’s authority in the past and bring into question the Commission’s current regulation of liquefied and compressed natural gas as well as decarbonized gases, such as renewable natural gas and biomethane, and even regulation of transportation network companies such as UberX and Lyft;
 - The definition of “gas” offered by intervenors are inappropriate to guide interpretation of § 221.

- Accepting intervenors’ arguments would run counter to the Commission’s broad Constitutional authority and the Commission’s own general orders:
 - Limiting the Commission’s jurisdiction based on the type of gas Angeles Link is proposed to transport imposes an artificial boundary that is not found in the Constitution, which does not mention “gas” at all in its grant of jurisdiction to the Commission. The Constitution defines public utilities subject to the Commission’s jurisdiction based on their functionality, i.e., private entities that own, operate, or control “a line, plant, or system for... the production, generation, transmission, or furnishing of heat, light, water, power, storage, or wharfage.”
 - The Commission’s GO 58-A defines gas as “any combustible gas or vapor, or combustible mixture of gaseous constituents, used to produce heat by burning. *It shall include, but shall not be limited to,* natural gas, gas manufactured from coal or oil, gas obtained from biomass or from a land fill, or a mixture of any or all of the above.”
- The Commission has previously announced its jurisdiction well before a project was fully constructed, recognizing that the “chicken and egg” issue necessarily presented called for a presumption. This remains even more true when the owning entity submits to public utility jurisdiction rather than contesting it.

4. Consistent with the public utility model and broad ratepayer benefits, it is reasonable for ratepayers, or a subset of ratepayers, to be responsible for the costs of Phase 2 activities. Which ratepayers should be responsible should be determined in a later phase of this proceeding, in conjunction with a review of the pertinent facts.

- Contrary to the limitations intervenors seek to impose on the Commission, the Court of Appeal has recognized the Commission’s broad power to do all things necessary and convenient in the exercise of its power to take any action that is cognate and germane to utility regulation, supervision, and ratesetting “unless specifically barred by statute.”
- The Commission should reject intervenors’ attempts to force a narrow view of cost-causation on the Commission, particularly when it comes to activities prompted by the need to decarbonize. The Commission has historically viewed

cost-causation as narrowly or broadly as appropriate for the circumstances then considered, i.e., it is a fact-based determination.

- Even a narrow view of cost causation supports responding to this question in the affirmative: many intervenors acknowledge that some subset of current natural gas customers will likely take service from Angeles Link.
- While not ripe for adjudication in this phase of this proceeding, SoCalGas’s cost allocation proposal is consistent with the cost-causation principle: the need to study and advance a decarbonized energy transportation solution arises from State mandates and the collective need of all ratepayers for a decarbonized energy system; the need is not simply the traditional energy demands of end users.
- Indeed, the Commission expressly allows cross-subsidies that support explicit state policy goals when appropriate.
- The Commission has not historically required legislation to approve broad cost allocation in light of corresponding broad ratepayer and societal benefits.
- The “used and useful” doctrine has no applicability to the proposed Phase 2 activities as they are appropriately characterized as operating and maintenance costs, consistent both with accounting standards and Commission precedent.
- Allocating the costs of Phase 2 more broadly than just potential end users would not cause unfair competition, particularly as no competitor has yet emerged (e.g., Air Products is not a competitor based on its use of natural gas to produce hydrogen and its provision of merchant, rather than open-access, pipeline).

5. As a matter of law, Angeles Link is a “gas plant” and SoCalGas is a “gas corporation” and “public utility” that is subject to the jurisdiction of the Commission pursuant to §§ 207 and 216 because Angeles Link will be an open-access pipeline system dedicated to public use and SoCalGas intends to seek compensation for its use based on tariffs to be approved by the Commission.

- Intervenors’ spurious doubts that Angeles Link will in fact be dedicated to public use need not delay a determination that Angeles Link is subject to the Commission’s jurisdiction.

6. Intervenor point to no case where an entity holding itself out as offering public utility service that sought to be regulated by the Commission was rejected for lack of sufficient representations to demonstrate dedication to public use.
- The Commission should recognize that Angeles Link has been held out to be a regulated line of business, to be governed by a Commission-approved tariff at the appropriate time, and accordingly should reject the notion that the affiliate transaction rules bar the Commission from asserting its existing jurisdiction over Angeles Link.