BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Gas Company (U 904 G), on Behalf of its Customers, for Approval of Gas Line Extension Allowances.	A.25-07-001 (Filed July 1, 2025)

OPENING BRIEF OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G)

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Pursuant to Rule 13.12 of the California Public Utilities Commission's (Commission or CPUC) Rules of Practice and Procedure, and the Assigned Commissioner's Scoping Memo and Ruling dated October 14, 2025, Southern California Gas Company (SoCalGas) hereby submits this Opening Brief in support of its Application.

I. INTRODUCTION

In this proceeding, SoCalGas seeks Commission approval of gas line extension allowances for eight qualifying non-residential renewable natural gas (RNG) refueling station projects, an updated non-residential allowance multiplier, related tariff clarifications, and associated cost-recovery mechanisms. As demonstrated by the evidentiary record, each customer application satisfies the Commission-established criteria under Decision (D.) 22-09-026.[1] The Application also reasonably proposes mechanisms to ensure that any approved allowances are subject to true-up, limited to actual project costs, and recovered in rates in a manner that is transparent, equitable, and protective of ratepayers (i.e., financially neutral or beneficial).[2] Accordingly, and as explained below, the Commission should approve the Application in full and grant the relief requested.

II. BACKGROUND

On September 15, 2022, the Commission issued D.22-09-026 adopting the Energy Division's staff proposal to eliminate gas line extension allowances effective July 1, 2023.[3]

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[1] The record developed here provides the Commission with its first opportunity to apply that framework to concrete, customer-submitted projects. *See* Pacific Gas and Electric Company, Applications 24-07-002 and 25-07-002, withdrawn.

[2] Ex. SCG-04 (Morris) at JM-2-3.

[3] D.22-09-026 at 81.

However, D.22-09-026 established an exception process directing the investor-owned gas utilities to file an annual application with the Commission, on behalf of its customers, by July 1st of every year, to seek approval for gas line extension allowances for specific, unique non-residential projects that meet the three criteria established in the decision.[4] The Commission's decision to prescribe a regular, annual filing deadline reflects an expectation that qualifying projects will continue to come forward and be evaluated on a case-by-case basis, not an intent to discourage applicants or impose an unattainable standard. This proceeding is significant because it will inform how the Commission implements the project-specific gas line extension allowance framework adopted in D.22-09-026.[5]

III. APPROVALS REQUESTED AND OVERVIEW OF SELECTED PROJECTS

Pursuant to the decision's mandate, on July 1, 2025, SoCalGas filed this Application, on behalf of its customers, requesting approval for (1) gas line extension allowances for nine projects, (2) an update to the non-residential gas line extension allowance multiplier to 3.1, (3) updates to SoCalGas's Tariff Rule Nos. 20 and 21 to clarify advanced payments, and (4) authorization to open a new balancing account to record associated revenue requirement. Prior to filing its Application, SoCalGas reviewed and evaluated 81 projects between July 2023 and March 2025 for eligibility against the three criteria adopted by the Commission in D.22-09-026.[6] Following the filing of the Application, one project (identified as Project F) was withdrawn by the customer due to cost and feasibility considerations.[7] The eight remaining projects, summarized in the table below, are non-residential RNG fueling stations serving existing heavy-duty transportation fleets, including refuse, recycling, and freight operations, that are characterized by high daily utilization, extended range requirements, significant payload and hydraulic loads, limited dwell time for refueling, and site-specific infrastructure constraints, such that currently available battery-electric or hydrogen technologies are not commercially or

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4 *Id.* at 81-82.

5 The record developed here provides the Commission with its first opportunity to apply that framework to concrete, customer-submitted projects. *See* Pacific Gas and Electric Company, Applications 24-07-002 and 25-07-002, withdrawn.

6 Ex. SCG-01 (Morris) at JM-2.

7 Ex. SCG-04 (Morris) at JM-1.

operationally feasible for the proposed uses at this time.[8] Each project involves a customer-specific request for a gas line extension allowance to support RNG fueling infrastructure that enables the displacement of diesel fuel in transportation applications.[9] The new estimated gas line extension allowances for the eight remaining customer projects total approximately $4.2 million.[10] Following a three-year true-up period for each customer project and payment of the allowance to the customer, the Application proposes that SoCalGas will record the actual revenue requirement in a new balancing account. The total forecasted revenue requirement for the customer projects' is $14.9 million over the useful life of the assets.[11]

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[8] *See* Ex. SCG-02 (Legner) at JL-6-19 (Public Version); see also Ex. SCG-05 (Legner) at JL-10-11.

[9] *See* Ex. SCG-02 (Legner) at JL-2-4; see also Ex. SCG-02-WP (Legner) at SCG-02-WP-001-019 (Public Versions).

[10] Ex. SCG-04 (Morris) at JM-1.

[11] This illustrative revenue requirement is based on the original nine customer projects. The actual revenue requirement will reflect the lower of the verified project costs or final allowance for each remaining project. Ex. SCG-03 (Yu, Becerra, and Cortez) at RMY-MEB-JLC-3; Ex. SCG-03-WP (Becerra).

Project ID[12]	Project Type[13]	End Use[14]	Criterion 1: Demonstrable Greenhouse Gas (GHG) Reduction[15]	Criterion 2: Consistency with California Climate Goals[16]	Criterion 3: No Feasible Alternatives[17]
A	RNG fueling station	Heavy-duty transportation	Annual lifecycle GHG emission reductions of 2,377 metric tons of carbon dioxide equivalent (CO_2e)	Aligns with California's climate goals including SB 32, CARB's Scoping Plan, and both federal and state clean air quality standards. Provides GHG emission reductions via the use of RNG; provides air quality improvements by reducing criteria pollutants such as NOx; supports hard-to-abate transportation sector – specifically heavy-duty trucks – being transitioned from diesel to RNG; and supports infrastructure development that enables broader adoption of clean fuel technologies as	The RNG fueling station is required to support the operation of the customer's core business. Trucks require fuel for testing and delivery, and CNG/RNG is the only compatible fuel. There are no other technological alternatives to provide onsite fueling for these vehicles.

[12] Project identifiers are used in place of project names to preserve customer confidentiality.

[13] Ex. SCG-02 (Legner) at JL-2 (Public Version).

[14] *Id.* at JL-6-19.

[15] *Id.* at JL 2-19 (using the Standard Lifecycle GHG Emission Reduction Methodology).

[16] *Id.*

[17] *Id.*

Project ID[12]	Project Type[13]	End Use[14]	Criterion 1: Demonstrable Greenhouse Gas (GHG) Reduction[15]	Criterion 2: Consistency with California Climate Goals[16]	Criterion 3: No Feasible Alternatives[17]
				well as the development of RNG production facilities.	
B	RNG fueling station	High-utilization fleet operations (public buses and public refueling station)	Annual lifecycle GHG emission reductions of 3,172 metric tons of CO_2e	Aligns with California's climate goals, including SB 32, CARB's Scoping Plan, and both federal and state clean air quality standards. Provides GHG emission reductions through the use of RNG in place of diesel; provides air quality improvements by reducing criteria pollutants such as NOx; supports infrastructure development that enables broader adoption of clean fuel technologies as well as the development of RNG production facilities; supports regional collaboration, as neighboring cities with fleets will also benefit from the upgraded station and access to low carbon fuel; and enables continued use and accessibility of low-carbon RNG for public transportation and school fleets.	The customer will transition to either electric or hydrogen by 2040. The existing CNG fleets, with significant useful life remaining, will be served by the RNG fueling station to enable continuity of service and support current regional transportation needs. CNG is critical for emergency preparedness in the event of grid-related outages or for long duration trips that other technologies may not be able to support.
C	RNG fueling station	Heavy-duty commercial logistics	Annual lifecycle GHG emission	Aligns with California's climate goals, including SB 32, CARB's Scoping Plan, and both federal and	The fueling station will serve heavy-duty RNG industrial fleets. Range limitations of battery electric vehicles

Project ID[12]	Project Type[13]	End Use[14]	Criterion 1: Demonstrable Greenhouse Gas (GHG) Reduction[15]	Criterion 2: Consistency with California Climate Goals[16]	Criterion 3: No Feasible Alternatives[17]
		operations and public-access fueling station	reductions of 15,343 metric tons of CO_2e	state clean air quality standards. Provides GHG emission reductions through the use of RNG in heavy-duty trucking; provides air quality improvements by reducing criteria pollutants such as NOx; supports infrastructure development that enables broader adoption of clean fuel technologies as well as the development of RNG production facilities; and supports industry collaboration to meet sustainability targets, including the customer's transport partners' goal of achieving a 30% reduction in GHG emissions across their value chains.	and refueling infrastructure for hydrogen eliminate these options as viable alternatives.
D-1	RNG fueling station	Heavy-duty fleet operations (waste collection)	Annual lifecycle GHG emission reductions of 37,075 metric tons of CO_2e	Align with California's climate goals, including SB 32, SB 1383, CARB's Scoping Plan, and both federal and state clean air quality standards. Provides GHG emission reductions through the use of RNG; provides air quality improvements by reducing criteria pollutants such as NOx; supports infrastructure development that enables broader	RNG fueling station is the only feasible alternative for a fleet of CNG vehicles. There are no Hydrogen fuel cell refuse trucks available for this end use. EV solutions lack necessary range stemming from high ancillary hydraulic loads required by business operations.

Project ID[12]	Project Type[13]	End Use[14]	Criterion 1: Demonstrable Greenhouse Gas (GHG) Reduction[15]	Criterion 2: Consistency with California Climate Goals[16]	Criterion 3: No Feasible Alternatives[17]
				adoption of clean fuel technologies as well as the development of RNG production facilities; and diverts organic waste from landfills for use in compost and RNG fueling, consistent with SB 1383 requirements.	
D-2	RNG fueling station	Heavy-duty fleet operations (waste collection)	Annual lifecycle GHG emission reductions of 13,903 metric tons of CO_2e	Align with California's climate goals, including SB 32, SB 1383, CARB's Scoping Plan, and both federal and state clean air quality standards. Provides GHG emission reductions through the use of RNG; provides air quality improvements by reducing criteria pollutants such as NOx; supports infrastructure development that enables broader adoption of clean fuel technologies as well as the development of RNG production facilities; and diverts organic waste from landfills for use in compost and RNG fueling, consistent with SB 1383 requirements.	RNG fueling station is the only feasible alternative for a fleet of CNG vehicles. There are no Hydrogen fuel cell refuse trucks available for this end use. EV solutions lack necessary range stemming from high ancillary hydraulic loads required by business operations.
E	RNG fueling station	Bulk waste hauling heavy-duty operations.	Annual lifecycle GHG emission reductions of	Aligns with California's climate goals, including SB 32, SB 1383, CARB's Scoping Plan, and both federal and state clean air quality	The facility will serve the customer's existing fleet of CNG vehicles requiring CNG or RNG fuel. There exists no alternative to provide onsite

Project ID[12]	Project Type[13]	End Use[14]	Criterion 1: Demonstrable Greenhouse Gas (GHG) Reduction[15]	Criterion 2: Consistency with California Climate Goals[16]	Criterion 3: No Feasible Alternatives[17]
			33,765 metric tons of CO_2e	standards. Provides GHG emission reductions through the use of RNG from dairy and landfill sources; provides air quality improvements by reducing criteria pollutants such as NOx; supports infrastructure development that enables broader adoption of clean fuel technologies as well as the development of RNG production facilities; and promotes sustainable waste transport and recycling that diverts green and organic waste from landfills, consistent with SB 1383 requirements.	fuel for these vehicles. The facility will also allow near term conversion of existing diesel fleet as Battery EVs and Fuel Cell EVs are not yet feasible for their heavy-duty operations due to high upfront costs, limited infrastructure, restricted range, and extended refueling times.
G	RNG fueling station	Public refueling station	Annual lifecycle GHG emission reductions of 6,649 metric tons of CO_2e	Aligns with California's climate goals, including SB 32, CARB's Scoping Plan, and both federal and state clean air quality standards. Provides GHG emission reductions through the use of RNG; provides air quality improvements by reducing criteria pollutants such as NOx; supports infrastructure development that enables broader adoption of clean fuel technologies as well as the development of RNG	The fueling station is designed to serve existing fleets of public RNG vehicles. There is no other technological solution or fuel that can serve this function. The RNG station will compliment other public onsite fueling options, including renewable biodiesel and EV charging.

Project ID[12]	Project Type[13]	End Use[14]	Criterion 1: Demonstrable Greenhouse Gas (GHG) Reduction[15]	Criterion 2: Consistency with California Climate Goals[16]	Criterion 3: No Feasible Alternatives[17]
				production facilities; and expands access to low-carbon fueling options to include RNG fueling in combination with onsite renewable biodiesel and EV charging.	
H	RNG fueling station	Public refueling station	Annual lifecycle GHG emission reductions of 7,930 metric tons of CO_2e	Aligns with California's climate goals, including SB 32, CARB's Scoping Plan, and both federal and state clean air quality standards. Provides GHG emission reductions through the use of RNG in heavy-duty trucking; provides air quality improvements by reducing criteria pollutants such as NOx; supports infrastructure development that enables broader adoption of clean fuel technologies as well as the development of RNG production facilities; and provides a significant customer investment in RNG infrastructure and partnerships with biogas developers.	The fueling station will serve as a public fueling station for existing heavy duty RNG vehicles. No fueling alternative could be installed to serve this purpose.

IV. STATUTORY AND REGULATORY FRAMEWORK

In D.22-09-026, the Commission eliminated gas line extension allowances for all customer classes effective July 1, 2023, as part of the State's broader decarbonization efforts.[18] At the same time, the Commission expressly recognized that limited, project-specific exceptions may be appropriate for unique non-residential projects that provide environmental or financial benefits.[19] To that end, D.22-09-026 established an annual application process under which investor-owned gas utilities may seek Commission approval of gas line extension allowances on behalf of customers that satisfy three criteria: (1) the project demonstrates a reduction in GHG emissions; (2) the gas line extension is consistent with California's climate goals, including those articulated in Senate Bill (SB) 32 (Pavley, 2016); and (3) the project applicant demonstrates that there are no feasible alternatives to the use of natural gas, including electrification.[20]

SB 32, which amended the California Global Warming Solutions Act of 2006, requires statewide GHG emissions reductions of at least 40% below 1990 levels by 2030.[21] The Commission has recognized that achieving these targets will require near-term emissions reductions across multiple sectors, including hard-to-decarbonize segments of transportation, while longer-term zero-emission technologies continue to mature.[22] D.22-09-026 reflects this balanced approach by authorizing case-by-case review of non-residential projects that demonstrably advance climate objectives.[23]

Finally, this a ratesetting proceeding.[24] As such, SoCalGas bears the burden of establishing affirmatively the reasonableness of all aspects of its requests herein by a preponderance of the evidence.[25] The preponderance of the evidence burden of proof is usually defined "in terms of probability of truth, e.g., 'such evidence as, when weighed with that

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[18] D.22-09-026 at 81.

[19] *Id.* at 56-58.

[20] *Id.* at 80.

[21] Health & Safety Code §38566; SB 32 (Pavley, 2016).

[22] D.22-09-026 at 55–56 and n.108.

[23] *Id*. at 56-58, 80-82.

[24] Assigned Commissioner's Scoping Memo and Ruling (Douglas) at 6, 9 (October 14, 2025).

[25] D.14-06-007 at 12-13.

opposed to it, has more convincing force and the greater probability of truth.'"[26] In other words, SoCalGas "must present more evidence that supports the requested result than would support an alternative outcome."[27]

V. ISSUES SCOPED INTO THIS PROCEEDING

The following issues were scoped into this proceeding by the Assigned Commissioner's Scoping Memo and Ruling and are therefore properly before the Commission for resolution here.[28]

A. Whether the Proposed Projects Satisfy the Criteria in D.22-09-026

1. The Projects Demonstrate a Reduction in Greenhouse Gas Emissions

D.22-09-026 requires that each project seeking a non-residential allowance exception "show a demonstrable reduction in greenhouse gas emissions."[29] SoCalGas satisfies that standard by presenting a uniform standard lifecycle GHG emission reduction methodology grounded in the California Air Resources Board's (CARB) Low Carbon Fuel Standard (LCFS) regulatory inputs and applying that methodology project-by-project using estimated annual RNG throughput provided in the customer applications.[30] The workpapers quantify project-specific annual lifecycle reductions with an aggregate estimated annual lifecycle reduction of 120,214 metric tons of CO_2e across all remaining projects (see section III. table above for per project reductions).[31]

Cal Advocates argues that SoCalGas's GHG estimates are "unsubstantiated" and "speculative" because they depend on customers' forecasts of RNG use, customers' ability to procure RNG, and assumptions SoCalGas allegedly does not verify; Cal Advocates therefore contends the record fails to "demonstrate that these projects will lead to GHG reductions."[32] These critiques, however, effectively seek to impose requirements beyond D.22-09-026. As Mr.

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[26] *Id.* at 13 (citations omitted).

[27] *Id.* at 15.

[28] Assigned Commissioner's Scoping Memo and Ruling (Douglas) at 2-3 (October 14, 2025).

[29] D.22-09-026 at 82.

[30] Ex. SCG-02 (Legner) at JL-2-4; Ex. SCG-02-WP (Legner) at SCG-02-WP-001-019 (Public Versions).

[31] *Id.*

[32] Ex. CALPA-01 (Zhang) at 1-3-5.

Legner explains in his rebuttal testimony, D.22-09-026 does not require the additional qualitative/quantitative showings Cal Advocates proposes; rather, it requires a demonstrable showing that the projects will lead to reductions, which SoCalGas provides through a standardized, policy-rooted lifecycle methodology applied consistently across projects.[33] Furthermore, RNG fueling stations in California are strongly incentivized to procure and dispense 100% RNG because doing so enables them to generate, maximize, and monetize credits under CARB's LCFS, as Mr. Legner noted.[34] In fact, 99% of all on-road fuel used in natural gas vehicles (NGVs) in California is now RNG, as station operators have no economic rationale to dispense conventional fossil natural gas when RNG yields significantly greater LCFS credit revenue.[35] Therefore, based on the standardized LCFS-grounded methodology and the project-specific calculations in the record, the Commission should find that the proposed projects satisfy D.22-09-026's requirement of a demonstrable reduction in greenhouse gas emissions.

2. The Projects Are Consistent with California's Climate Goals

D.22-09-026 requires that a project seeking a non-residential gas line extension allowance demonstrate consistency with California's climate goals, including those articulated in SB 32.[36] SB 32 mandates reducing statewide GHG emissions to at least 40% below 1990 levels by 2030, a target the Commission has recognized will require near-term emissions reductions across multiple sectors, including hard-to-decarbonize segments of transportation.[37] The proposed projects here satisfy this requirement by enabling the displacement of diesel with RNG in heavy-duty transportation applications where zero-emission alternatives are not yet commercially feasible at scale. As Mr. Legner explains in his testimony, RNG produced from organic waste streams can achieve substantial lifecycle GHG reductions—often carbon-negative—while also mitigating short-lived climate pollutants such as methane, directly advancing California's climate objectives in the near term.[38]

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33 Ex. SCG-05 (Legner) at JL-8-9.

34 *Id.* at JL-9.

35 *Id.*

36 D.22-09-026 at 82.

37 Health & Safety Code §38566; D.22-09-026 at 55-56.

38 Ex. SCG-02 (Legner) at JL-5.

Sierra Club argues that the projects are inconsistent with California's climate goals because they rely on gas infrastructure and allegedly delay electrification of the transportation sector.[39] This argument again seeks to impose requirements beyond D.22-09-026. The Commission expressly declined to adopt an electrification-only mandate or categorical prohibition on non-residential gas projects, instead authorizing a case-by-case review of projects that deliver demonstrable climate benefits while longer-term zero-emission solutions mature.[40] As Mr. Legner explains in rebuttal, the customer projects involve existing fleets, duty cycles, and operational constraints—such as range requirements and high hydraulic loads—that preclude immediate electrification, making RNG a near-term, emissions-reducing alternative rather than an obstacle to California's climate goals.[41] Sierra Club also relies on the Commission's 2019 and 2024 General Rate Case (GRC) decisions to argue that approval of the proposed projects would be inconsistent with California's climate goals.[42] That reliance is misplaced. As Ms. Morris explains in her rebuttal testimony, the GRC proceedings addressed system-wide planning and ratemaking issues applicable to SoCalGas's broader operations and do not alter or supersede the project-specific exception framework the Commission adopted in D.22-09-026 for SoCalGas's customers.[43]

Cal Advocates argues the projects are inconsistent with California's climate goals because they do not include a plan to transition to zero-emission technologies and therefore conflict with the State's zero-emission vehicle (ZEV) objectives reflected in Executive Orders N-79-20 and N-27-25.[44] As Mr. Legner explains, California's medium- and heavy-duty ZEV targets are framed "where feasible," key regulatory implementations remain in flux, and it is therefore premature to treat the executive orders as imposing an immediate prohibition on RNG use in hard-to-decarbonize transportation applications.[45] Cal Advocates' attempt to convert those longer-term targets into an immediate, threshold disqualifier is inconsistent with the

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[39] Ex. SC-01 (Vespa and Belcher) at 4-5.

[40] D.22-09-026 at 56-58.

[41] Ex. SCG-05 (Legner) at JL-3-4.

[42] Ex. SC-01 (Vespa and Belcher) at 4-6.

[43] Ex. SCG-04 (Morris) at JM-4.

[44] Ex. CALPA-01 (Zhang) at 1-6.

[45] Ex. SCG-05 (Legner) at JL-9-11.

Commission's chosen approach in D.22-09-026, which preserves a limited exception pathway for projects that deliver demonstrable, near-term emissions reductions while zero-emission technologies and infrastructure continue to mature.[46]

Hence, based on the record demonstrating substantial estimated lifecycle GHG emission reductions, diesel displacement in hard-to-electrify transportation uses, and alignment with SB 32's near-term emissions-reduction objectives, the Commission should find that the proposed projects are consistent with California's climate goals and satisfy D.22-09-026's second eligibility criterion.

3. The Project Applicants Have Demonstrated There Are No Feasible Alternatives to Natural Gas

D.22-09-026 requires that a project seeking a non-residential gas line extension allowance demonstrate that there are no feasible alternatives to the use of natural gas, including electrification.[47] The record demonstrates that each project applicant satisfied this requirement by providing project-specific evidence addressing existing fleets, duty cycles, operational constraints, infrastructure limitations, and technology availability. As Mr. Legner's testimony explains, the proposed projects involve heavy-duty transportation applications—including refuse collection, recycling, and long-haul or high-utilization fleet operations—that present operational characteristics such as high hydraulic loads, extended daily range requirements, limited dwell time for charging, and reliance on existing compressed natural gas (CNG) fleets with remaining useful life.[48] For these use cases, currently available battery-electric or hydrogen alternatives are not economically or commercially feasible at scale due to range limitations, payload impacts, infrastructure constraints, and lack of commercially available vehicle platforms capable of meeting operational needs.[49]

Cal Advocates argues that the projects fail to demonstrate the absence of feasible alternatives because applicants did not include plans to transition to zero-emission technologies or timelines to retire natural gas equipment.[50] That argument imposes a requirement not found in

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[46] D.22-09-026 at 56-58.

[47] *Id.* at 82.

[48] Ex. SCG-02 (Legner) at JL-6-19 (Public Version).

[49] *Id. See also* Ex. SCG-02-WP (Legner) at SCG-02-WP-020-081 (Public Version).

[50] Ex. CALPA-01 (Zhang) at 1-6-10.

D.22-09-026. In fact, D.22-09-026 does not require applicants to submit future electrification plans; it requires a demonstration that no feasible alternative exists for the project at the time of review. As Mr. Legner explains in rebuttal, feasibility must be evaluated based on current technology availability and operational constraints, not speculative future developments.[51]

Sierra Club similarly contends that electrification or other zero-emission alternatives should be deemed feasible based on statewide policy goals and longer-term targets, and urges the Commission to deny allowances on that basis.[52] The Commission expressly rejected that approach in D.22-09-026, declining to adopt categorical electrification mandates and instead directing a case-by-case assessment of feasibility for specific projects.[53] As the record reflects, the proposed projects involve operational realities that preclude immediate electrification, making RNG a near-term, emissions-reducing alternative rather than an obstacle to California's long-term transition.[54]

Thus, based on the project-specific evidence in the record demonstrating the infeasibility of electrification and other alternatives for the uses at issue, the Commission should find that the project applicants have satisfied D.22-09-026's requirement to demonstrate no feasible alternatives to natural gas.

B. Whether the Application Complies with D.22-09-026 Requirements

The Application complies with all applicable requirements established in D.22-09-026, which eliminated gas line extension allowances as a general matter while authorizing a limited, annual application process for project-specific non-residential allowances implemented in a ratepayer-protective manner.[55] Consistent with that framework, the Application presents individualized requests subject to strict cost caps, post-installation verification, and recovery limited to actual, Commission-approved amounts, and does not seek categorical exemptions or blanket treatment. The Application also complies with D.22-09-026's directive to update non-residential gas line extension allowance calculations using current, Commission-authorized

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51 Ex. SCG-05 (Legner) at JL-11-12.

52 Ex. SC-01 (Vespa and Belcher) at 6-7.

53 D.22-09-026 at 56-58.

54 Ex. SCG-05 (Legner) at JL-5.

55 D.22-09-026 at 81-82.

methodology. As reflected in the evidentiary record, SoCalGas will update the non-residential allowance multiplier to reflect current inputs and methodologies, ensuring that any approved allowances are calculated consistently with Commission direction and accurately reflect present-day conditions.[56] Additionally, this issue is not in dispute: the parties have stipulated that, if the Commission approves the projects presented in this proceeding, the proposed multiplier of 3.1 is appropriate based on current methodology.[57] Accordingly, the Commission should find that the Application complies with the requirements set forth in D.22-09-026.

C. Whether the Proposed Tariff Clarifications are Reasonable

SoCalGas proposes targeted clarifications to Tariff Rule Nos. 20 and 21 to implement the allowance exception framework adopted in D.22-09-026 by requiring advance payment of actual project costs for all customers, including those seeking allowance exceptions.[58] This proposal is reasonable because it directly reflects the Commission's determination that new gas line extensions initiated after July 1, 2023, must not expose ratepayers to upfront cost risk, preserves cost-causation principles, and ensures that any allowance ultimately granted is based on demonstrated usage and limited to actual project costs.[59] The clarifications also promote transparency and consistent administration by avoiding disparate treatment of similarly situated customers and by clearly specifying payment and reconciliation requirements. Importantly, the reasonableness of the proposed clarifications to Tariff Rule Nos. 20 and 21 is not in dispute: the parties have stipulated that, if the Commission approves the projects presented in this proceeding, the requested tariff clarifications are reasonable.[60] Thus, the Commission should approve SoCalGas's proposed tariff clarifications as just and reasonable and necessary to effectuate D.22-09-026.

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[56] Ex. SCG-01 (Morris) at JM-2-7; *see also* Ex. SCG-04 (Morris).

[57] Ex. SCG-06 (Joint Case Management Statement and Notice of Satisfaction of Rule 13.9 Compliance Requirement) at 2.

[58] Ex. SCG-01 (Morris) at JM-4-6.

[59] D.22-09-026 at 81-82; Ex. SCG-04 (Morris) at JM-2-4.

[60] Ex. SCG-06 (Joint Case Management Statement and Notice of Satisfaction of Rule 13.9 Compliance Requirement) at 2.

D. Whether Creation of a Balancing Account is Reasonable

The use of a two-way Gas Line Extension Allowance Balancing Account (GLEABA) is reasonable and consistent with Commission ratemaking principles because it ensures that any differences between forecasted and actual revenue requirements associated with approved gas line extension allowances are fully reconciled. Under a two-way structure, both over-collections and under-collections are tracked and returned or recovered, thereby preserving ratepayer neutrality and preventing either the utility or customers from bearing costs not authorized by the Commission.[61] A two-way balancing account is particularly appropriate here because allowance-related costs are contingent, project-specific, and subject to a three-year post-installation true-up before any allowance amount is determined.[62] By design, the GLEABA records only the actual revenue requirement associated with Commission-approved allowance amounts, capped at actual project costs and based on demonstrated usage, and reconciles those amounts through established advice-letter processes subject to Commission review.[63] Notably, neither Cal Advocates nor Sierra Club have offered evidence that substantively addresses the proposed two-way balancing account. Therefore, because the evidentiary record incontrovertibly demonstrates so, the Commission should find that the proposed two-way balancing account is reasonable and approve its use to record and reconcile authorized gas line extension allowance revenue requirements.

E. Whether the Proposed Revenue Requirement is Reasonable

The proposed revenue requirement associated with the gas line extension allowances is reasonable because recovery is limited, deferred, and implemented only after verification of actual costs and usage. Under SoCalGas's proposal, no revenue requirement is recorded or recovered upfront. For each approved project, SoCalGas first applies the required three-year post-installation true-up, during which actual customer usage is measured, and the allowable gas line extension allowance amount is finalized. The allowance amount is capped at actual project costs and limited to the amounts authorized by the Commission in this proceeding.[64] Only after

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

[62] Ex. SCG-04 (Morris) at JM-2-4.

[63] Ex. SCG-03 (Yu, Becerra, and Cortez).

[64] D.22-09-026 at 81–82; Ex. SCG-04 (Morris) at JM-2-3.

completion of that true-up would SoCalGas calculate the actual revenue requirement associated with the approved allowance amount.[65] Once the true-up is complete, SoCalGas would record the resulting revenue requirement in the GLEABA and seek recovery through an advice letter, using Commission-authorized cost allocation and revenue requirement methodologies applicable at the time of recovery.[66] This approach ensures that ratepayers fund only actual, verified, and Commission-approved costs, and only after project performance has been demonstrated. Furthermore, the reasonableness of the proposed revenue requirement is not in dispute: the parties have stipulated that, if the Commission approves the projects presented in this proceeding, the associated revenue requirement is reasonable and justified for rate recovery.[67] Accordingly, the Commission should authorize recording of the revenue requirement for future Commission consideration for implementation.

F. Whether the Application Aligns with the Commission's ESJ Action Plan

Sierra Club argues that the Application does not align with the Commission's ESJ Action Plan because approval of limited gas line extension allowances for non-residential projects would perpetuate fossil fuel infrastructure in disadvantaged communities and delay the transition to electrification or other zero-emission alternatives.[68] These arguments mischaracterize both the purpose of the ESJ Action Plan and the framework the Commission adopted in D.22-09-026. The ESJ Action Plan does not establish an independent or threshold eligibility requirement for gas line extension allowance exceptions, and the Commission expressly declined to adopt categorical prohibitions for projects located in environmental and social justice communities or electrification-only mandates in D.22-09-026.[69] The Application presents project-specific requests submitted by customers in good faith and in accordance with the stated decision. SoCalGas has evaluated these requests individually based on defined criteria, with strict cost caps, post-installation verification, and no upfront ratepayer allowances.

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65 Ex. SCG-04 (Morris) at JM-2-3.

66 Ex. SCG-03 (Yu, Becerra, and Cortez) at RMY-MEB-JLC-2–3; D.17-06-015 at 131.

67 Ex. SCG-06 (Joint Case Management Statement and Notice of Satisfaction of Rule 13.9 Compliance Requirement) at 2.

68 Ex. SC-01 (Vespa and Belcher) at 1-4, 8-9.

69 D.22-09-026 at 57.

As explained in testimony, these proposed projects do align with the objectives of the ESJ Action Plan by enabling the use of 100% RNG in non-residential transportation applications that are difficult to electrify in the near term, supporting near-term GHG reductions and localized air-quality benefits while remaining consistent with California's climate goals and the Commission's ESJ framework.[70] Relative to diesel, RNG refueling stations paired with certified near-zero engines provide substantial and immediate reductions in nitrogen oxides (NOx), particulate matter (PM), and climate-forcing emissions—benefits that are particularly critical in disadvantaged communities that face disproportionate air pollution burdens from heavy-duty transportation and freight movement. By delivering measurable air quality and public-health improvements, these projects advance multiple ESJ Action Plan goals related to improving local air quality and public health (ESJ Goal 2) and increasing climate resiliency in ESJ Communities (ESJ Goal 4).[71]

RNG fueling infrastructure also supports broader State climate and air quality objectives. As discussed in testimony, commercially available RNG-fueled near-zero engines offer a cleaner alternative to diesel and can be deployed today in communities adjacent to ports, goods-movement corridors, and industrial hubs.[72] South Coast Air Quality Management District's (AQMD) 2022 Air Quality Management Plan underscores that on-road mobile sources are a dominant contributor to regional NOx and PM emissions, and highlights that both zero-emission technologies and the cleanest available combustion technologies—where zero-emission options are not yet feasible—are needed to achieve attainment.[73] Recent data, addressed in Mr. Legner's rebuttal testimony, confirm that near-zero engines achieve NOx reductions exceeding 90% compared to diesel engines.[74] By locating RNG refueling infrastructure in disadvantaged communities, these projects help reduce localized pollution

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70 Ex. SCG-01 (Morris) at JM-1; Ex. SCG-04 (Morris) at JM-4-6.

71 CPUC, *ESJ Action Plan Version 2.0* at 23-24 (April 7, 2022), *available at:* https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf.

72 Ex. SCG-04 (Morris) at JM-5.

73 South Coast AQMD, *2022 Air Quality Management Plan* at ES-2, 8-2 (December 2, 2022), *available at*: https://www.aqmd.gov/docs/default-source/clean-air-plans/air-quality-management-plans/2022-air-quality-management-plan/final-2022-aqmp/final-2022-aqmp.pdf?sfvrsn=edcebd61.

74 SCG-02 (Legner) at JL-6-7 (Public Version).

exposure, enhance climate resilience, and provide equitable access to cleaner transportation technologies. Denying communities these immediate, available emission-reduction tools would unnecessarily delay public-health benefits.

Therefore, Sierra Club's objections do not provide a basis to deny relief. The Application is consistent with both the Commission's ESJ Action Plan and the balanced, evidence-based approach adopted in D.22-09-026.

VI. CONCLUSION

For the reasons set forth above, and based on the full record, SoCalGas respectfully requests that the Commission fully approve the Application.

Respectfully submitted,

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