

**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)

REPLY BRIEF OF SOUTHERN CALIFORNIA GAS COMPANY

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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 Reply 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 (Decision).¹ The Application also reasonably proposes mechanisms so 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

SoCalGas submits this Reply Brief to address arguments raised by the Sierra Club and the Public Advocates Office at the CPUC (Cal Advocates) that mischaracterize both the

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 *See* Pacific Gas and Electric Company, Applications 24-07-002 and 25-07-002, withdrawn.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.

Application and the Commission’s decision in D.22-09-026. Rather than engaging the project-specific exception framework the Commission adopted, intervenors largely seek to relitigate settled policy choices, impose new eligibility requirements not found in the Decision, or substitute their own policy preferences for the Commission’s adopted standard. For these reasons, and as explained below, the Commission should reject intervenors’ efforts to relitigate settled policy questions and approve the requests in the Application.

II. CAL ADVOCATES MISSTATES THE BURDEN OF PROOF

Cal Advocates asserts that “[w]here the Commission to [sic] entertains a reasonable doubt as to the utility’s position, the utility has not met its burden of proof.”³ Cal Advocates relies on language from D.18-10-019 to argue that SoCalGas necessarily fails to meet its burden of proof whenever the Commission “entertains a reasonable doubt” as to the utility’s position. That reading mischaracterizes D.18-10-019 by detaching the quoted sentence from the burden-shifting framework in which it appears.

As D.18-10-019 explains, the utility bears the ultimate burden of proof by a preponderance of the evidence.⁴ The Commission requires that utility applicants demonstrate with admissible evidence that the costs they seek to include in rates are just and reasonable, and has held that the applicable standard is preponderance of the evidence—i.e., evidence which, when weighed against opposing evidence, has more convincing force and the greater probability of truth.⁵ In short, the applicant must present more evidence supporting the requested result than would support an alternative outcome.⁶ Within that framework, intervenors bear a separate and distinct burden of production. Specifically, where an intervenor proposes a result different from that asserted by the utility, the intervenor must go forward with evidence explaining a counterpoint position.⁷ Only where that intervenor evidence, when weighed against the utility’s showing, causes the Commission to entertain reasonable doubt does the utility fail to meet its ultimate burden. Cal Advocates’ formulation does not reflect this framework and inaccurately

³ Cal Advocates Opening Brief at 3.

⁴ D.18-10-019 at 31 (citing D.87-12-067).

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

merges the intervenor’s burden of production with the utility’s burden of proof, and advocates for a “reasonable doubt” standard that has never been adopted by the Commission and lacks connection to the evidentiary record. D.18-10-019 does not hold that uncertainty, unresolved contingencies, or the absence of certainty is itself sufficient to defeat an application. That distinction is particularly important here, as D.22-09-026 adopts a project-specific, forward-looking framework evaluated based on the evidentiary record at the time of filing. Nothing in D.18-10-019 or D.22-09-026 requires SoCalGas to eliminate all uncertainty or to prove future outcomes with certainty.

III. SIERRA CLUB MISCHARACTERIZES THE APPLICATION AND D.22-09-026

A. SoCalGas Is Not Seeking a Categorical Exemption

Sierra Club’s assertion that SoCalGas seeks a categorical exemption for RNG refueling stations misstates both the Application and the exception framework the Commission adopted in D.22-09-026.⁸ In that Decision, the Commission eliminated generally available gas line extension allowances but expressly preserved a project-specific exception process for “specific, unique non-residential projects” that satisfy three defined criteria.⁹ The Commission directed the utilities to implement that framework through annual applications presenting individual customer projects for case-by-case review, rather than through blanket exemptions or class-wide relief.¹⁰ Consistent with that directive, the Application does not request uniform treatment for any category of facilities. Instead, it presents eight discrete, non-residential RNG refueling station projects, each submitted on behalf of a specific customer and supported by project-specific information.¹¹ The Application separately identifies each project’s location, construction scope, estimated costs, and anticipated operational characteristics, and asks the Commission to evaluate each request independently based on the evidentiary record developed for that project.¹² Nothing

⁸ See Sierra Club Opening Brief at 1-2, 6-8 (arguing that D.22-09-026 “specifically rejected a categorical exemption” for RNG/CNG (Compressed Natural Gas) refueling stations and asserting that the Application seeks approval for such projects as a category).

⁹ D.22-09-026 at 81-82.

¹⁰ *Id.* at 81-83.

¹¹ Application at 1-3; *see also* Ex. SCG-01 and Ex. SCG-01-WP (Morris); Ex. SCG-02 and Ex. SCG-02-WP (Legner)(Public Versions). Following the filing of the Application, one project (identified as Project F) was withdrawn by the customer; at the time of filing, there were nine projects presented.

¹² *Id.*

in the Application aggregates these projects, seeks advance approval for future projects, or proposes categorical treatment based on technology type. As explained in the rebuttal testimony of Jennifer Morris, the projects included in the Application are presented individually and are subject to all of the limiting conditions established in D.22-09-026. Any allowance approved would be subject to a post-installation true-up period, limited to actual project costs, and adjusted based on demonstrated usage.¹³ Those features are fundamentally inconsistent with a categorical exemption, which would, by definition, provide automatic or class-wide relief without regard to individual project performance or project-specific circumstances.

The Application also reflects the Commission's express expectation that utilities would bring forward individual projects through annual filings, notwithstanding declining to adopt categorical exemptions at the outset. D.22-09-026 expressly recognized that categorical exemptions could be revisited in the future, but in the interim directed the utilities to proceed through project-specific applications.¹⁴ SoCalGas followed that directive here by submitting eight distinct customer projects for Commission review, rather than attempting to relitigate the Commission's policy determination or obtain blanket relief.

Sierra Club's presentation of D.22-09-026 relies on selective excerpts that omit the Commission's express recognition that CNG, RNG, and hydrogen can be a preferred option over higher-emitting fuels.¹⁵ The Commission rejected categorical exemptions at the outset because it lacked record support to justify blanket treatment, and therefore adopted a project-specific application process rather than a categorical rule.¹⁶

Finally, the Application is structured to allow the Commission to evaluate each project independently, such that approval of any one project does not predetermine the outcome for any other project. Each request is supported by project-specific testimony addressing anticipated usage, feasibility of alternatives at the time of review, and compliance with the Commission's

¹³ Ex. SCG-04 (Morris) at JM-2-3.

¹⁴ D.22-09-026 at 58, 81-83.

¹⁵ See D.22-09-026 at 55-57 (recognizing CNG/RNG/hydrogen as a preferred option over "dirtier" fuels); see also Sierra Club Opening Brief at 1-3 (quoting electrification language while omitting the Decision's transitional framing).

¹⁶ See D.22-09-026 at 55-58 (declining categorical exemptions and adopting an application-based exception process for "specific, unique" non-residential projects).

adopted criteria.¹⁷ Viewed objectively, the Application implements the project-specific exception process the Commission adopted—it does not seek a categorical exemption from it.

IV. THE RECORD SATISFIES THE D.22-09-026 PROJECT-SPECIFIC CRITERIA

A. The Projects Demonstrate a Reduction in Greenhouse Gas Emissions

Intervenors argue that SoCalGas failed to demonstrate that the proposed projects will reduce greenhouse gas (GHG) emissions, but those claims mischaracterize both the governing standard and the evidentiary record.¹⁸ D.22-09-026 does not require absolute certainty regarding future emissions outcomes. Rather, it requires a showing—based on reasonable, project-specific information—that a proposed project is expected to reduce GHG emissions compared to the relevant baseline at the time of review.¹⁹ The record here satisfies that standard.

As explained in the testimony of Jason Legner, SoCalGas evaluated each project’s anticipated GHG impacts using a standardized, policy-based methodology designed to assess whether the proposed RNG refueling stations are expected to reduce emissions relative to a conventional diesel alternative.²⁰ That methodology applies consistent assumptions across projects and reflects Commission policy determinations regarding RNG use in non-residential transportation applications.²¹ Using customer-specific usage estimates and Commission-recognized emissions factors, SoCalGas calculated conservative GHG reduction values for each project on an individual basis.²² In fact, even in the unlikely scenario presented by Cal Advocates, that a customer may choose not to procure a specific low-carbon intensity (CI) Low Carbon Fuel Standard (LCFS)-certified renewable fuel, GHG emission reductions will still be realized under all RNG pathways.²³

¹⁷ Ex. SCG-02 and Ex. SCG-02-WP (Legner)(Public Versions); Ex. SCG-01 (Morris); Ex. SCG-04 (Morris) at JM-2-3.

¹⁸ See Sierra Club Opening Brief at 8-11 (arguing that SoCalGas failed to demonstrate that the proposed projects will reduce greenhouse gas emissions); Cal Advocates Opening Brief at 8-11 (arguing SoCalGas failed to demonstrate the factual basis for GHG-reduction claims).

¹⁹ D.22-09-026 at 51, 81-82.

²⁰ Ex. SCG-02 (Legner)(Public); Ex. SCG-05 (Legner) at JL-8-9.

²¹ Ex. SCG-02 (Legner)(Public); Ex. SCG-05 (Legner) at JL-8-9; *see also* Ex. SCG-02-WP (Legner)(Public).

²² Ex. SCG-02 and Ex. SCG-02-WP (Legner)(Public Versions).

²³ Ex. SCG-05 (Legner) at JL-9.

Contrary to intervenors' assertions, the use of customer-provided usage information and LCFS-accepted CI assumptions does not undermine the GHG showing.²⁴ D.22-09-026 contemplates that applications will be filed on behalf of customers and necessarily rely on customer-specific operational information. The Decision does not require utilities to independently audit or conclusively verify future fuel usage as a condition of approval. Rather, it requires utilities to demonstrate—based on reasonable assumptions and available information—that the project is expected to meet the Commission's criteria.²⁵ The record reflects that SoCalGas reviewed customer-provided data, applied a consistent analytical framework, and evaluated each project's GHG impacts accordingly.²⁶

Intervenors' critiques also improperly conflate the GHG criterion with broader policy objections to RNG or natural gas infrastructure.²⁷ The Commission considered and rejected categorical policy arguments of that nature in D.22-09-026, instead adopting a project-specific framework that evaluates anticipated emissions impacts on a case-by-case basis.²⁸ Here, the evidence shows that the proposed projects would displace higher-emitting fuels in applications that are difficult to electrify in the near term, resulting in net GHG reductions relative to the relevant baseline.²⁹ Intervenors' disagreement with the Commission's policy choices does not negate the substantial evidence supporting the GHG criterion for these projects.

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

Intervenors further argue that the proposed projects are inconsistent with California's climate goals, but those claims again reflect a misreading of both the governing decision and the

²⁴ See Cal Advocates Opening Brief at 8-10 (asserting SoCalGas relied on unverified customer usage estimates); *see also* Sierra Club Opening Brief at 13-14 (raising similar concerns regarding reliance on customer information).

²⁵ D.22-09-026 at 82.

²⁶ Ex. SCG-02 and Ex. SCG-02-WP (Legner)(Public Versions).

²⁷ *See* Sierra Club Opening Brief at 6-9 (arguing RNG refueling stations are inconsistent with climate policy); Cal Advocates Opening Brief at 12-13 (advancing broader policy objections under the guise of evidentiary deficiencies).

²⁸ D.22-09-026 at 57, 81-83.

²⁹ Ex. SCG-02 (Legner)(Public); Ex. SCG-01 (Morris).

record.³⁰ D.22-09-026 does not require a showing that a proposed project advances long-term, economy-wide decarbonization objectives in the abstract. Rather, the Decision requires a project-specific showing that the requested allowance is consistent with the Commission’s adopted climate policies as applied at the time of review, including whether the project is expected to reduce GHG emissions relative to the relevant baseline.³¹ As discussed above, the record satisfies that standard.

The Commission has recognized that certain non-residential transportation uses are difficult to electrify in the near term and that near-term emissions reductions in those sectors may be achieved through displacement of higher-emitting fuels.³² D.22-09-026 reflects that understanding by preserving a project-specific exception framework rather than adopting an electrification-only or technology-exclusive standard.³³ The proposed RNG refueling station projects fall squarely within that framework. As explained in SoCalGas’ testimony, the projects are designed to displace diesel use in heavy-duty transportation applications where zero-emission alternatives are not yet feasible at scale, resulting in near-term GHG reductions consistent with California’s climate objectives.³⁴ The Commission has also made clear that, in implementing its climate policies, *making renewable natural gas more affordable for ratepayers is a priority*, and that affordability considerations properly inform how near-term decarbonization strategies are evaluated.³⁵ Consistent with that guidance, the Commission may reasonably consider whether project-specific allowances support cost-effective emissions reductions during the transition period contemplated by D.22-09-026, while maintaining protections for ratepayers.

³⁰ See Sierra Club Opening Brief at 6-9 (arguing approval would undermine statewide climate goals and electrification policies); Cal Advocates Opening Brief at 12-13 (asserting projects conflict with climate policy objectives).

³¹ D.22-09-026 at 56-58, 81-83.

³² *Id.* at 57, 81-82; see also D.21-07-028 at 6, 21-22, 53-57 (recognizing near-term constraints on medium- and heavy-duty transportation electrification and adopting interim approaches to achieve emissions reductions).

³³ D.22-09-026 at 55-58, 81-82.

³⁴ Ex. SCG-02 and Ex. SCG-02-WP (Legner)(Public Versions).

³⁵ See Resolution G-3618 at 41, 53 (stating that “the Commission has provided guidance that making RNG more affordable for ratepayers is a priority”)(emphasis added).

Sierra Club also mischaracterizes SoCalGas' discussion of regulatory uncertainty as an attempt to override or undermine California's climate policies.³⁶ SoCalGas does not contend that federal actions displace the Commission's authority or alter the State's long-term decarbonization goals. Rather, the record reflects that evolving and unresolved federal actions affecting medium- and heavy-duty vehicle standards have created near-term uncertainty for fleet operators, which the Commission may reasonably consider when evaluating project-specific requests under D.22-09-026.³⁷ The Decision expressly preserves a project-specific exception framework to assess anticipated emissions reductions and feasibility of alternatives based on conditions at the time of review—not on speculative assumptions about future regulatory outcomes.³⁸ Nothing in the Application asks the Commission to depart from its adopted climate policies; it asks only that the Commission apply those policies as it directed in D.22-09-026.

Ultimately, intervenors' arguments improperly elevate general climate policy goals above the specific standard the Commission adopted in D.22-09-026. While Sierra Club and Cal Advocates emphasize long-term electrification pathways and broader decarbonization targets, the Commission expressly declined to require that all non-residential transportation projects await future technology deployment as a condition of allowance approval.³⁹ Instead, it adopted a pragmatic, project-specific approach that evaluates anticipated emissions impacts and feasibility of alternatives based on current conditions. The record evidence demonstrates that the proposed projects are consistent with that adopted approach.

Moreover, any allowance approved would be limited to actual project costs, subject to post-installation true-up, and based on demonstrated usage over a defined period.⁴⁰ Those limitations promote allowances being narrowly tailored, temporary in effect, and aligned with near-term climate benefits rather than speculative long-term assumptions. Intervenors' concern that approval would undermine California's climate goals is therefore unsupported by the record.

³⁶ Sierra Club Opening Brief at 10-11 (asserting SoCalGas relies on federal actions to undermine California climate policy).

³⁷ Ex. SCG-05 (Legner) at JL-9-11.

³⁸ D.22-09-026 at 81-83.

³⁹ D.22-09-026 at 57, 81-83. *See* Sierra Club Opening Brief at 7-12 (arguing projects should be denied in favor of electrification and zero-emission alternatives); *see also* Cal Advocates Opening Brief at 12-13 (raising similar concerns regarding long-term electrification objectives).

⁴⁰ Ex. SCG-04 (Morris) at JM-2-3.

In short, the proposed projects align with California’s climate policies as the Commission has chosen to implement them in D.22-09-026. Intervenors’ disagreement with those policy choices does not provide a basis to reject projects that meet the Commission’s adopted, project-specific criteria.

C. The Project Applicants Have Demonstrated There Are No Feasible Alternatives

Intervenors contend that the proposed projects fail to satisfy the “no feasible alternatives” criterion, asserting that zero-emission or other alternatives are available and should have been pursued instead of gas service.⁴¹ These arguments mischaracterize both the governing standard and the evidentiary record. D.22-09-026 does not require a showing that no alternative technology could ever serve the identified use, nor does it impose an electrification-only mandate. Rather, the Decision requires a project-specific assessment of whether feasible alternatives are available at the time of review, based on the information provided by the customer.⁴² Intervenors’ feasibility critiques effectively impose an unestablished evidentiary standard—demanding detailed fleet modeling, route-by-route operational studies, and total-cost-of-ownership analyses—far beyond what D.22-09-026 requires for a project-specific exception application.⁴³ D.22-09-026 requires a project-specific demonstration of infeasibility at the time of review, not an exhaustive showing that would make the exception process functionally unattainable.⁴⁴ The record here satisfies that standard.

As explained in the testimony of Jason Legner, the proposed RNG refueling station projects serve non-residential transportation applications—primarily heavy-duty and fleet uses—for which zero-emission alternatives are not yet feasible at scale.⁴⁵ These applications involve operational requirements, duty cycles, fueling intervals, and reliability needs that cannot be met

⁴¹ See Sierra Club Opening Brief at 13-14; Cal Advocates Opening Brief at 13-18.

⁴² D.22-09-026 at 57, 81-83.

⁴³ See Sierra Club Opening Brief at 13-14 (asserting the record lacks sufficient information to “verify” applicant feasibility claims and seeking additional operational detail); see also Cal Advocates Opening Brief at 13-18 (arguing customer attestations are insufficient and identifying additional data Cal Advocates contends is necessary).

⁴⁴ See D.22-09-026 at 81-83 (adopting a project-specific feasibility criterion evaluated based on current conditions and information available at filing); see also Ex. SCG-02 and Ex. SCG-02-WP (Legner)(Public Versions) (project-specific feasibility narratives and supporting workpapers).

⁴⁵ Ex. SCG-02 and Ex. SCG-02-WP (Legner)(Public Versions).

with currently available electric technologies under existing conditions.⁴⁶ While Sierra Club points to the general availability of electric vehicles and charging infrastructure in the abstract, it does not demonstrate that such alternatives are feasible for the specific customers, locations, and use cases presented here.⁴⁷ For example, Sierra Club asserts that Projects C, D2, and E do not provide sufficient information to determine infeasibility, citing a lack of detail regarding vehicle type and expected use requirements.⁴⁸ Sierra Club does not produce any evidence to counter SoCalGas'; rather, it merely challenges the evidence provided by SoCalGas. Moreover, the record demonstrates otherwise. Project C explicitly identifies 300 tractors and 450 trailers used for specialized long-distance industrial trucking.⁴⁹ Project D2 specifies industrial waste collection operations—which require high ancillary hydraulic loads—and documents 35 diesel trucks consuming over 350,000 gallons of fuel,⁵⁰ equivalent to approximately 44,000 miles per truck per year.⁵¹ Likewise, Project E reports approximately 60,000 miles annually per heavy-duty industrial truck.⁵² This information supports the customer's claims that the industrial use cases presented are likely to exceed the limited ranges offered by electric alternatives, including those referenced in Sierra Club's testimony.⁵³

Each customer has provided adequate, project-specific information to support their claims. Notably, neither Sierra Club nor Cal Advocates disputes any of the specific operational data, nor do they clearly demonstrate that the information provided fails to substantiate infeasibility in each specific real-world use case. Instead, the intervenors continue to request unreasonably exhaustive levels of detail beyond what has been provided by the customer or what is reasonable for the Commission to make a determination. Sierra Club also relies on broader arguments regarding total cost of ownership over a vehicle's lifetime to counter concerns about

⁴⁶ *Id.*

⁴⁷ *See* Sierra Club Opening Brief at 13-14.

⁴⁸ *Id.* at 13.

⁴⁹ Ex. SCG-02 (Legner)(Public).

⁵⁰ *Id.*

⁵¹ Assuming an average fuel economy of 4.4 miles per gallon for heavy-duty roll-off refuse trucks.⁵² Ex. SCG-02 (Legner)(Public).

⁵² Ex. SCG-02 (Legner)(Public).

⁵³ *See* Sierra Club Opening Brief at 13.

the high upfront costs of electric alternatives.⁵⁴ However, these arguments do not address the specific, immediate financial constraints faced by certain customers. Instead, they detract from and undermine the good-faith information provided by customers who are responding directly to the Commission's stated requirements.

Cal Advocates similarly argues that SoCalGas failed to demonstrate the absence of feasible alternatives, but its critique rests on a misreading of D.22-09-026.⁵⁵ The Decision does not require utilities to conclusively disprove the potential future viability of alternative technologies, nor does it require applicants to defer projects until speculative alternatives become commercially or operationally viable. Instead, it directs the Commission to evaluate feasibility based on current conditions and information available at the time the application is filed.⁵⁶ Intervenors' proposed standard would effectively nullify the exception framework by requiring applicants to await future technological development before seeking relief—an outcome the Commission expressly rejected.

The record also demonstrates that, in the absence of feasible zero-emission alternatives, the proposed projects would displace higher-emitting fuels in applications that are otherwise difficult to decarbonize in the near term. As discussed in Section IV.A, the projects are expected to reduce greenhouse gas emissions relative to diesel and, as discussed in Section IV.B, they are consistent with the Commission's adopted climate policies as applied to non-residential transportation uses.⁵⁷ Intervenors' policy disagreement with that framework does not establish that feasible alternatives exist for these projects today.

In short, the evidence shows that the project applicants evaluated available alternatives and demonstrated that none are feasible at the time of review for the identified uses. That is all D.22-09-026 requires. Intervenors' attempts to impose a stricter or forward-looking feasibility standard find no support in the Decision and should be rejected.

⁵⁴ *Id.*

⁵⁵ See Cal Advocates Opening Brief at 13-18.

⁵⁶ D.22-09-026 at 81-83.

⁵⁷ Ex. SCG-02 and Ex. SCG-02-WP (Legner)(Public Versions); see also Ex. SCG-05 (Legner).

V. THE APPLICATION ALIGNS WITH THE COMMISSION'S ENVIRONMENTAL AND SOCIAL JUSTICE ACTION PLAN

Sierra Club argues that the Application is inconsistent with the Commission's Environmental and Social Justice (ESJ) Action Plan, asserting that approval of limited gas line extension allowances for non-residential projects would perpetuate fossil fuel infrastructure in disadvantaged communities and delay the transition to zero-emission alternatives.⁵⁸ 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, nor does it impose categorical prohibitions on project approvals based on location or customer characteristics. In D.22-09-026, the Commission expressly declined to adopt categorical exclusions for projects located in environmental or social justice communities and instead preserved a project-specific exception framework that evaluates individual requests based on defined criteria and record evidence.⁵⁹ Intervenors' attempt to elevate the ESJ Action Plan into a standalone veto is therefore inconsistent with the Commission's decision.

As explained in the testimony, the Application presents project-specific requests submitted by customers in good faith and evaluated individually under the Commission's adopted criteria.⁶⁰ Each project is subject to strict limitations, including cost caps, post-installation true-up, and usage-based adjustments, so that any approved allowance is narrowly tailored and does not result in open-ended or preferential treatment.⁶¹ Nothing in the Application authorizes blanket relief.

Moreover, the record demonstrates that the proposed projects are designed to achieve near-term emissions reductions, including nitrogen oxides (NOx) and particulate matter (PM), in non-residential transportation applications that are difficult to electrify at this time.⁶² As

⁵⁸ See Sierra Club Opening Brief at 14-17 (arguing that locating methane-burning vehicle refueling stations in disadvantaged communities is inconsistent with the Commission's ESJ Action Plan).

⁵⁹ D.22-09-026 at 57, 81-83.

⁶⁰ Ex. SCG-01 (Morris) at JM-2-4; see also Ex. SCG-04 (Morris), Ex. SCG-05 (Legner), and Ex. SCG-02 and Ex. SCG-02-WP (Legner)(Public Versions).

⁶¹ Ex. SCG-04 (Morris) at JM-2-3.

⁶² Ex. SCG-02 (Legner)(Public).

highlighted in the rebuttal testimony of Jason Legner, CNG vehicles are required to meet strict federal and state emission standards, and when replacing older diesel trucks can cut NOx emissions by over 94% and PM2.5 by nearly 43%.⁶³ As discussed above, the projects are expected to displace higher-emitting fuels in heavy-duty and fleet uses, resulting in GHG reductions and localized air-quality benefits consistent with the Commission’s environmental and equity objectives.⁶⁴ Intervenors’ focus on long-term electrification pathways does not negate the Commission’s determination in D.22-09-026 that limited, project-specific exceptions may be warranted where they provide near-term benefits and satisfy the adopted criteria. Sierra Club claims that SoCalGas concedes real-world emissions are generally higher than certification standards for all combustion technologies, including CNG trucks.⁶⁵ However, this mischaracterizes SoCalGas’ comments which seek to clarify that, while real-world emissions may be higher than those measured under controlled laboratory conditions, progressively stricter emission standards drive substantial reductions in actual in-use emissions over time.⁶⁶ In fact, the record shows significant real-world reductions in NOx compared to diesel vehicles—up to 94% for low-NOx CNG engines.⁶⁷

Finally, approval of the Application does not foreclose future transitions or undermine the Commission’s broader ESJ goals. Any allowance approved would be limited to actual costs, subject to verification, and recovered transparently in rates.⁶⁸ These safeguards promote ratepayers—particularly those in disadvantaged communities—being protected from undue cost exposure while allowing the Commission to evaluate, on a project-by-project basis, whether an exception is reasonable under current conditions.

⁶³ Ex. SCG-05 (Legner) at JL-7 (Referencing Cavan McCaffery, Hanwei Zhu, Tianbo Tang, Chengguo Li, Georgios Karavalakis, Sam Cao, Adewale Oshinuga, Andrew Burnette, Kent C. Johnson, and Thomas D. Durbin, *Real-world NOx emissions from heavy-duty diesel, natural gas, and diesel hybrid electric vehicles of different vocations on California roadways*, ScienceDirect (Aug. 25, 2021) at 1, available at: <https://www.sciencedirect.com/science/article/abs/pii/S0048969721022956?via%3Dihub>).

⁶⁴ Ex. SCG-02 and Ex. SCG-02-WP (Legner)(Public Versions).

⁶⁵ See Sierra Club Opening Brief at 16.

⁶⁶ See Ex. SCG-05 (Legner) at JL-7.

⁶⁷ *Id.*

⁶⁸ Ex. SCG-04 (Morris) at JM-2-3.

In short, the Application aligns with the ESJ Action Plan as the Commission has chosen to implement it. Intervenor’s disagreement with the Commission’s policy choices does not provide a basis to reject project-specific requests that meet the standards adopted in D.22-09-026.

VI. ESTABLISHING A NEW BALANCING ACCOUNT IS REASONABLE AND NECESSARY

Cal Advocates argues that SoCalGas has not demonstrated the need for a new balancing account and contends that costs associated with any approved gas line extension allowances should instead be recorded in the existing Gas Line Extension Balancing Account (GLEBA).⁶⁹ This argument overlooks the different purpose and design of the existing account and mischaracterizes the nature of the costs at issue in this proceeding.

As established following the Commission’s Test Year 2024 General Rate Case (GRC), the GLEBA is a one-way balancing account designed to track savings resulting from the elimination of generally available gas line extension allowances and to return those savings to ratepayers.⁷⁰ The account is structured to record refunds tied to previously authorized revenue requirements; it was not designed to track new, incremental costs arising from Commission-approved allowances authorized outside of a general rate case. By contrast, the costs associated with the projects proposed in this Application are incremental to the revenue requirement authorized in the GRC. As explained in the direct testimony of Rae Marie Yu, any allowance approved in this proceeding would give rise to a new revenue requirement associated with specific, Commission-authorized projects that are not reflected in existing rates.⁷¹ Recording those incremental costs in the GLEBA would be inconsistent with the account’s purpose and would commingle fundamentally different categories of amounts—refunds on the one hand and new, authorized costs on the other—thereby undermining transparency and obscuring the accounting treatment of these costs.⁷²

⁶⁹ See Cal Advocates Opening Brief at 18–19 (arguing that SoCalGas has not justified creation of a new balancing account and that costs associated with any approved allowances should instead be recorded in the existing GLEBA).

⁷⁰ SoCalGas Advice Letter 6443-G at 2.

⁷¹ Ex. SCG-03 (Yu, Becerra, and Cortez) at RMY-MEB-JLC-1.

⁷² See GLEBA Preliminary Statement effective February 18, 2025, available at <https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=630>.

