

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



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Application of SOUTHERN
CALIFORNIA GAS COMPANY (U 904
G) for Authority to Establish a
Memorandum Account for the Angeles
Link Project.

Application 22-02-007
(Filed February 17, 2022)

**REPLY COMMENTS OF THE UTILITY CONSUMER'S ACTION NETWORK TO THE
OPENING COMMENTS OF THE ENVIRONMENTAL DEFENSE FUND, PROTECT
OUR COMMUNITY'S FOUNDATION AND THE PUBLIC ADVOCATES**



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I. Introduction

As per the schedule established by Administrative Law Judge Elaine Lau September 28 email ruling, the Utility Consumer’s Action Network (“UCAN”) submits its Reply Comments to the Opening Comments filed by the Environmental Defense Fund, Protect Our Community’s Foundation and The Public Advocates.

**II. THE ENVIRONMENTAL DEFENSE FUND PROPERLY IDENTIFIES THE
SPECULATIVE NATURE OF SOCALGAS’ ANSWERS TO JUDGE LAU’S
QUESTIONS**

The Environmental Defense Fund’s (“EDF”) Opening Comments to Southern California Gas Company (“SoCalGas”) answers to the questions posed by Judge Lau highlight SoCalGas’ frequent reference to the uncertainty regarding the future of its proposed Angeles Link hydrogen pipeline project. The EDF’s Opening Comments note (p. 1) that SoCalGas posits that future demand and usage of pipeline-supplied hydrogen gas is dependent on “...many factors, including routing, technical advancement, national, state, and local policy considerations, time and cost.” (Quoting SoCalGas’ Responses at p. 4.) In highlighting SoCalGas’ repetition of this phrase in its answers to Judge Lau’s questions, EDF properly focuses on the contingent and tentative character of SoCalGas’ application; a pattern that vagueness and uncertainty that is evident in all of SoCalGas’ responses to Judge Lau’s questions. UCAN shares EDF’s concerns about the lack of definition and direction in A.22-02-007. To rectify the lack of clarity in A.22-02-007, EDF urges the Commission to require SoCalGas “...to provide a complete analysis of each of these issues to the Commission.”¹ As EDF notes, if SoCalGas were to build the Angeles Link project

¹ EDF’s Opening Comments, p. 2.

and hydrogen demand failed to materialize, it would likely result in “bridge to nowhere.”² UCAN is deeply concerned about this scenario particularly since establishing a memorandum account for the Angeles Link project would make SoCalGas’ existing customers the “deep pocket” guarantors of utility expenditures on a project that may end up being little used, or that may be rendered irrelevant by technological advancements. In particular, the rapid deployment (and the declining cost) of battery technology may make hydrogen-based technologies obsolescent by the time the Angeles Link project became operational.

To address the speculative nature of SoCalGas’ response to the ALJ’s questions, EDF proposes that the Commission “...may take two approaches with this information: (1) accord all of the unsubstantiated information no weight; or (2) view the information as the outermost band of hypothetical use of the Angeles Link without regard to reality.”³ EDF goes on to urge the Commission to give SoCalGas additional guidance to reduce the level of uncertainty associated with this project.

While UCAN appreciates EDF’s views on SoCalGas’ answers, it disagrees with EDF’s seeming willingness to give memorandum account status to the Angeles Link project if SoCalGas provides more detailed information about its proposal. The better course for the Commission would be to follow EDF’s first proposal to give SoCalGas’ speculative information no weight and to recognize that SoCalGas’ has failed to meet its burden of proof necessary to justify the creation of a memorandum account for this project. Simply put, A.22-02-007 should be recognized as a collection of speculative information—information that includes a huge degree of uncertainty about project design, routing, the availability of adequate supplies of green hydrogen, and SoCalGas’ application and answers are characterized by a lack of clarity about the identity of possible end users (aside from the Los Angeles Department of Water & Power). Moreover, the potential cost of the Angeles Link is currently unknown. While UCAN recognizes some degree of uncertainty is inevitable when a new form of utility service is being proposed, nonetheless, given the potential exposure of SoCalGas’ existing ratepayers as the deep pocket guarantors of SoCalGas’ proposed memorandum account—a liability that will likely be more than \$1 billion, the Commission should decline SoCalGas’ request for a memorandum account for A.22-02-007. Viewed properly, A.22-02-007 should be consider as an aspirational dream by

² *Id.*

³ *Id.*, p. 3

a utility seeking a new line of business in an era of declining natural gas demand and usage. The Angeles Link Application is far too incomplete and speculative to justify establishing a memorandum account for this possible new form of utility service.

The Commission should not be in the business of sanctioning aspirations and speculative ventures into new types of utility service that may or may not have end use customers once the project is completed. If SoCalGas wants to become a hydrogen purveyor in the Los Angeles Basin it should pursue that venture through an un-regulated affiliate, not by bootstrapping its status as an incumbent natural gas utility to foreclose the possibility that a competitive market for hydrogen might develop in the Los Angeles Basin.⁴ As the filings of Air Products earlier in this proceeding indicate, competitive alternatives to traditional utility service for hydrogen do exist in Southern California. The Commission should not substantially hinder (if not wholly squelch) this nascent competitive market by approving SoCalGas' request for memorandum account treatment for the Angeles Link project.

III. THE PUBLIC ADVOCATES' OPENING COMMENTS ILLUSTRATE THE LACK OF UNDERLYING EVIDENCE BEHIND APPLICATION 22-02-007

The Public Advocates' Opening Comments on SoCalGas' answers to Administrative Law Judge Lau's questions properly observe that SoCalGas' responses to these queries lack any type of a proper evidentiary basis.⁵ In particular, SoCalGas' contention that 50% of its existing noncore customers would take green hydrogen should be recognized as wholesale speculation, not fact. Utility service is fundamental to the continued operation of California's economy. End users of energy provided by Commission-regulated public utilities is premised on the understanding that a utility has an obligation to serve its customers. If built as SoCalGas proposes, the Angeles Link would offer service to a very limited subset of SoCalGas' existing customer base. This fact alone should give the Commission pause in considering whether A.22-02-007 merits memorandum account treatment.

⁴ In many respects what SoCalGas is proposing with A.22-02-007 is inconsistent with the traditional notion of what constitutes public utility service. If built as SoCalGas proposes, the Angeles Link would not be able to offer utility service to the vast majority of SoCalGas' existing customers because those customers do not possess appliances or equipment that can use hydrogen. Instead, the potential service that Angeles Link might be able to provide would likely be largely limited to a limited subset of SoCalGas' existing industrial customers. A better analogy to the type of service the Angeles Link could potentially provide would be that of a petroleum product pipeline which operates as a common carrier to a very limited group of end users, i.e., something other than what is commonly thought of as a Commission-regulated public utility.

⁵ Public Advocates Opening Comments, p. 2.

As the Public Advocates note in their Opening Comments, SoCalGas' answers to Judge Lau's questions do not contain any specific data about how many of its noncore customers would switch their operations to use green hydrogen delivered to their premises via the Angeles Link.⁶ While it is unrealistic to expect SoCalGas to offer contracts to review at this stage of the proceeding, SoCalGas offers only conjecture and speculation about the potential market for green hydrogen in the Los Angeles Basin—nothing concrete. Conjecture and speculation cannot be the basis on which to accord memorandum account status to the Angeles Link.

IV. THE PROTECT OUR COMMUNITIES FOUNDATION'S OPENING COMMENTS ILLUSTRATE THE INACCURACY OF SOCALGAS' FORECASTS OF GREEN HYDROGEN DEMAND

The Protect Our Communities Foundation ("PCF") Opening Comments illustrate the inadequacies of both A.22-02-007 and SoCalGas' responses to Judge Lau's questions. For example, PCF's Opening Comments (pp. 2-3) refute SoCalGas' claim that the Angeles Link would facilitate the closure of the Aliso Canyon underground storage facility-- a facility that is scheduled to close in 2027--well before any segment of the Angeles Link could be built. As PCF correctly notes, Aliso Canyon will be replaced by increased energy efficiency, the proliferation of energy storage technology, and renewable energy projects not by green hydrogen transported through the Angeles Link.

UCAN shares PCF's skepticism about the viability of hydrogen-based transportation applications. As PCF notes on p. 6, electric vehicles not only have far outpaced the adoption of hydrogen-based cars and trucks, but electric recharging facilities are much more widely available than hydrogen stations. Outside of California, no other state has retail hydrogen refueling facilities. Similar to A.22-02-007 itself, the prospect of hydrogen-powered vehicles being widely used in the U.S. is a matter of conjecture and speculation, not fact. It is inappropriate to establish a memorandum account for an aspiration that is not based on concrete reality.

The PCF's Opening Comments, p. 8, also note that if the Angeles Link project were built, and only one or two customers surfaced willing to take hydrogen service, SoCalGas' existing ratepayers would likely be asked to shoulder the cost of paying for this little-used service. Existing natural gas customers should not be asked to potentially subsidize what is likely to be—at best—a niche service to a limited subset of end users.

⁶ *Id.*, p. 3

In its deliberations regarding A.22-02-007 the Commission should be mindful that hydrogen production and consumption is not environmentally benign. Leaks from hydrogen pipelines will exacerbate global warming.⁷ Hydrogen, as the smallest molecule in the universe, is not only highly volatile but also requires highly specialized materials to prevent leaks—the need to use these specialized materials will add to the cost of the Angeles Link making hydrogen less competitive with electricity. PCF notes that existing sources of hydrogen are four times as costly as natural gas.⁸ The Foundation also notes (p. 8) that hydrogen combustion creates nitrous oxide pollution, a potent greenhouse gas. In addition, it is far from clear that Southern California’s Air Quality Management District would approve new point sources of nitrous oxide emissions.

V. CONCLUSION

The various advocate organizations discussed above (along with UCAN) have demonstrated that A.22-02-007 is properly characterized as an aspirational goal of SoCalGas’ management; a management team that is concerned about the projected rapid erosion of its core natural gas utility operations. Instead of specifically answering Judge Lau’s questions, SoCalGas’ answers offer vague speculation about possible future uses for utility-provided green hydrogen served via pipelines. SoCalGas’ contention that approving memorandum account status for A.22-02-007 will facilitate the closure of the Aliso Canyon underground storage facility is demonstrably false. Moreover, SoCalGas has not only failed to identify more than one customer for green hydrogen, but it has also relied upon conjecture about possible technological advances that may not come to pass as justification for this project. Green hydrogen may have a future role in California’s evolving green economy, but SoCalGas’ existing customers should not be put in the position of the deep pocket guarantors of the cost of this project. To date, SoCalGas has not even identified a possible producer of green hydrogen. Constructing the Angeles Link will require significant greenhouse gas emissions. A.22-02-007 should be denied by the Commission.

⁷ Protect Our Communities Foundation Opening Comments, p. 8.

⁸ *Id.*

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Respectfully submitted,

By: _____/s/_____

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