

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



FILED

11/27/24

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A2209006

Application of Southern California Gas Company
(U 904 G), San Diego Gas & Electric Company
(U 902 G), Pacific Gas and Electric Company
(U 39 G), and Southwest Gas Corporation
(U 905 G) to Establish Hydrogen Blending
Demonstration Projects.

A.22-09-006
(Filed September 8, 2022)

JOINT PROPOSED LIST OF ISSUES FOR SCOPING MEMO

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November 27, 2024

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

Application of Southern California Gas Company (U 904 G), San Diego Gas & Electric Company (U 902 G), Pacific Gas and Electric Company (U 39 G), and Southwest Gas Corporation (U 905 G) to Establish Hydrogen Blending Demonstration Projects.

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JOINT PROPOSED LIST OF ISSUES FOR SCOPING MEMO

Pursuant to the Administrative Law Judge’s Ruling Denying Motion to Dismiss dated October 28, 2024 (the Ruling), Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Pacific Gas and Electric Company (PG&E), and Southwest Gas Corporation (Southwest Gas) (collectively, Joint Applicants) and Air Products and Chemicals, Inc. (Air Products), California Hydrogen Business Council (CHBC), Climate Action Campaign (CAC), Coalition for Renewable Natural Gas (RNG Coalition), Environmental Defense Fund (EDF), Green Hydrogen Coalition (GHC), Leadership Counsel for Justice and Accountability (LCJA), Orange Cove United (OCU), Public Advocates Office at the California Public Utilities Commission (Cal Advocates), Sierra Club, Southern California Edison (SCE), Southern California Generation Coalition (SCGC), Small Business Utility Advocates (SBUA), The Utility Reform Network (TURN), Utility Consumer’s Action Network (UCAN), and Wild Tree Foundation (Wild Tree) (collectively including the Joint Applicants, the Parties), hereby submit this Joint List of Proposed Issues for Scoping Memo (Proposed List).¹

I. PROPOSED ISSUES

The Joint Applicants’ Proposed Issues:

The Joint Applicants identify the following issues:

¹ Pursuant to Rule 1.8(d) of the Commission’s Rules of Practice and Procedure, SDG&E has been authorized to submit this Joint Prehearing Conference Statement on behalf of the Parties.

- a. Whether the Joint Applicants' proposed program budgets, technical and operational details, revenue requirements, and cost recovery mechanism, are "just and reasonable, efficient, and cost-effective" as set forth in D.21-07-005;
- b. Whether the Joint Applicants' proposed projects are consistent with the guidance in D.22-12-057; and
- c. Whether the Joint Applicants' proposal to create a two-way balancing account (the Hydrogen Blending Demonstration Project Balancing Account (HBDPBA)) to track and recover the estimated costs to implement the proposed projects and to record their proportional share of the cost allocation for any shared plans, studies, and reporting required by D.22-12-057, should be approved.

The Joint Applicants object to the intervenors' efforts to expand the scope of these proceedings to include approximately 39 issues (including sub-issues) as unnecessary, improper, and contradictory to the ALJ's Ruling Denying Motion to Dismiss dated October 28, 2024. First, expanding the enumerated scope of these proceedings in a manner that requires the Commission to specifically address 39 separate issues is wholly unnecessary and inefficient. Many of the issues raised by intervenors are already covered by the broader issues proposed by the Joint Applicants and therefore it is unnecessary for the Scoping Memo to list out the 39 separate issues that intervenors seek to explore. Doing so risks converting an otherwise simple and straightforward proceeding into an unnecessarily complicated and burdensome one.

Second, many of the issues proposed by the intervenors attempt to include "requirements" or "mandates" upon the Joint Applicants that do not exist and that have been expressly rejected by the ALJ's Ruling Denying Motion to Dismiss. For example, the Ruling made clear that D.22-12-057 did not "require" the projects to use "clean renewable hydrogen"² or that the projects be in a "closed system."³ The intervenors completely ignore the ALJ's Ruling in proposing scoping issues that contradict the law of the case.

² Ruling at p. 8 ("And ultimately, the evidentiary record of this proceeding may support the necessity to do so, but at this stage of the proceeding all that can be said is there is no order to be found in any of the Ordering Paragraphs (OP) of D.22-12-057 to the effect that the Joint Applicants must expressly affirm in their Amended Joint Application that they intend to use clean, renewable hydrogen in all the individual projects.").

³ Ruling at p. 10 ("The parties vigorously debate the meaning of "closed system," and its opposite, "open system." Whatever the meaning ascribed to this distinction, it remains beyond dispute that none of the Ordering Paragraphs in D.22-12-057 direct the Joint Applicants to affirm in the Amended Joint Application that all their proposed projects will be "closed" or that none of them will be "open.")

Sierra Club, SCGC, OCU/LCJA, TURN, UCAN, EDF, Air Products, and CAC’s Proposed Issues:

Sierra Club, SCGC, OCU/LCJA, TURN, UCAN, EDF, Air Products, and CAC agree that the Joint Applicants’ proposed issues should be included in the scope of this proceeding and also identify the following additional issues, which are largely consistent with the Joint Intervenors’ proposed issues in the June 2024 Amended Prehearing Conference Statement in this docket. The Joint Intervenors provide detail on each proposed scope issue for the convenience of the Commission:

a) Whether the Amended Application and each Project is consistent with Commission and State policy regarding gas planning, decarbonization, and affordability.

The Joint Intervenors anticipate material disputed facts will arise regarding whether each Project addresses:

- Affordability;
- State decarbonization plans, policies and priorities;
- Long-term planning for utility natural gas infrastructure;⁴
- Optimal uses for clean renewable hydrogen consistent with state policy;
- Existing law and Commission rulings and orders; and
- Customer demand for hydrogen blending and other hydrogen solutions.

b) Whether the Amended Application and each Project complies with prior Commission direction, requirements, and guidance.

This includes:

- i. Whether the Amended Application complies with the requirement in D.22-12-057 to use “clean renewable hydrogen.”
- ii. Whether the Amended Application complies with the requirement in D.22-12-057 to evaluate hydrogen injection blends “between 0.1 and five percent, and between five and twenty percent.”
- iii. Whether the Amended Application complies with the requirement in D.22-12-057 to propose projects in either a closed system or a mock-up of a real-world system using typical equipment and materials found in California’s gas infrastructure.
- iv. Whether each Project “present[s] a program to address necessary research and demonstration that is just and reasonable, efficient, and cost-effective” as required

⁴ See Rulemaking (R.) 24-09-012.

by D.21-07-005, and whether each Project complies with Public Utilities Code Sections 451 and 740.1. Specifically, whether the Amended Application:

- Addresses gaps in existing research regarding hydrogen blending including the Hydrogen Blending Compendium Report directed by D.22-12-057, due December 19, 2024;
- Is duplicative of other Projects or existing research;
- Is the most cost-effective use of research funds;
- Gathers data that will provide sufficient support for the adoption of a hydrogen blending standard;
- Gathers data that is timely and appropriate for the intended purpose; and
- Researches strategies that are likely to result in a cost-effective decarbonization solution.

c) Whether each Project provides adequate technical and operational details and adequately addresses and mitigates risks and safety concerns.

This includes:

- Whether the Joint Applicants have identified all applicable federal, state, and local safety regulations;
- Whether the Joint Applicants' Project designs adequately take into account existing and ongoing hydrogen research, development, and demonstration activities, and
- Whether safety lessons learned from other jurisdictions that use hydrogen blending are reflected in the Projects.
- Whether the differences in infrastructure in California compared to other jurisdictions are adequately considered in this context.
- Whether the testing protocols are adequate given the possibility and severity of risks of hydrogen blending.

Sierra Club anticipates material disputed facts will arise regarding:

- Air quality, environmental, health and safety, and property damage risks;
- Greenhouse gas emissions impacts of the Projects;
- Leakage, both with regard to hydrogen and methane;
- Hydrogen procurement; and
- Stakeholder engagement, feedback, and concerns, including whether the utilities have misled stakeholders and the Commission with regard to the Projects and their potential impacts and whether the communities impacted have been provided a meaningful opportunity to consent.⁵
- Whether the status of the gas infrastructure and gas appliances implicated in the pilot have been adequately considered and monitored for hydrogen blending.

⁵ The Joint Applicants object to the use of the phrase “misled stakeholders and the Commission” as argumentative and improper for a scoping memo.

- d) Whether each Project is consistent with the Commission’s Environmental and Social Justice (ESJ) Action Plan and adequately considers the impact on disadvantaged communities or environmental impacts.**
- e) Whether the proposed costs, cost allocation, and cost recovery mechanisms for each Project are just and reasonable.**

Specifically:

- Whether each Project complies with statutory requirements, including Public Utilities Code Sections 451 and 740.1;
- Whether “the Joint Utilities have made every reasonable attempt to use existing and other funds before requesting new funds” pursuant to D.21-07-005;
- Whether each Project’s proposed costs, including contingency factors, are just and reasonable;
- Whether each Project’s proposed cost allocation is just and reasonable and consistent with cost causation principles; and
- Whether each Project’s proposed cost recovery mechanisms (including balancing account treatment) are just and reasonable and allow for adequate Commission oversight.

Contrary to the Joint IOUs’ assertions, each proposed scope item is warranted as the Amended Application presents a portfolio of novel projects with unknown health and safety impacts, an estimated total revenue requirement over \$200 million,⁶ and an as yet unvetted proposed “decarbonization strategy.”⁷

Further, the Joint Applicants misinterpret the ALJ’s Ruling Denying Motion to Dismiss, which neither limited the scope of this proceeding nor absolved the Joint Applicants of any requirements in D.22-12-057. The Ruling anticipated parties would have the opportunity to submit evidence on the use of clean renewable hydrogen⁸ and explicitly found experimentation

⁶ Joint Amended Application of Southern California Gas Company (U 904 G), San Diego Gas & Electric Company (U 902 G), Pacific Gas and Electric Company (U 39 G), and Southwest Gas Corporation (U 905 G) to Establish Hydrogen Blending Demonstration Projects (Mar. 1, 2024) (Amended Application) at p. 17–18.

⁷ Amended Application at 2.

⁸ Ruling at p. 8 (“There is certainly a detailed description in D.22-12-057 of what the Commission believes are the characteristics of ‘clean renewable hydrogen.’ And ultimately, the evidentiary record of this proceeding may support the necessity to do so, but at this stage of the proceeding all that can be said is there is no order to be found in any of the Ordering Paragraphs (OP) of D.22-12-057 to the effect that the Joint Applicants must expressly affirm in their Amended Joint Application that they intend to use clean, renewable hydrogen in all the individual projects.”) (footnote omitted).

in a closed system is “a matter for litigation in a later stage of the proceeding.”⁹ On the “closed” vs “open” distinction, the ruling was procedural, not substantive. It ruled that the Joint Applicants were not required, in the Amended Joint Application, to affirm all projects as “closed.”¹⁰ The ruling did not rule on the substantive requirements of the proposed projects. Importantly, the “ruling does not interpret the terms ‘open’ and ‘closed.’”¹¹

Cal Advocates’ Proposed Issues:

Cal Advocates agrees with the above list of issues and in addition identifies the following:

- a. Whether ratepayers or Applicants will be responsible for unanticipated costs flowing from the pilot projects during and after project completion including, but not limited to, damage to or loss of warranties to appliances and damage or other impacts to distribution infrastructure.**

On page 2 supra, the Joint Applicants object to the intervenors’ efforts to expand the scope of these proceedings to include approximately 39 issues “...as unnecessary, improper, and contradictory” to the ALJ’s Ruling. Cal Advocates concurs with the analysis provided by the intervenors detailed on pages 3-6 supra and requests these issues, in addition to the issue raised by Cal Advocates, be included in the scoping memorandum for this proceeding.

Wild Tree’s Proposed Issues:

Wild Tree proposes the following issues:

- a) Whether the Amended Application and each Project is just and reasonable and consistent with Commission and State policy regarding decarbonization and affordability.
- b) Whether the Amended Application and each Project complies with the requirements in D.22-12-057.
- c) Whether the safety precautions and other technical and operational details planned by the Joint Applicants for each Project are sufficient to protect public safety.
- d) Whether each Project is consistent with the Commission’s Environmental and Social Justice (ESJ) Action Plan.
- e) Whether the proposed costs, cost allocation, and cost recovery mechanisms for each

⁹ *Id.* at p. 11.

¹⁰ *Id.* at p. 10.

¹¹ *Id.* at p. 11.

Project are just and reasonable.

Small Business Utility Advocates' Proposed Issues:

SBUA is concerned that the pilots be designed to consider the safety and functionality of blended hydrogen in commercial applications, such as, for instance, commercial building heating, restaurant/food service and drycleaning. SBUA considers the Joint Intervenors and Wild Tree issues to generally be appropriate for consideration in this proceeding but that such sub-issues are also capable of being addressed within the broader scope of issues proposed by Joint Applicants. In the interest of clarity, SBUA in particular supports the inclusion of Joint Intervenors' proposed issue (c) in place of and as superior to Joint Applicants' proposed issue (a). SBUA recommends the addition of the following bullet points within Joint Intervenors' proposed issue (c):

- How Joint Applicants will assess the safety and usability of hydrogen blending for small commercial customers.
- How Joint Applicants will obtain feedback from customers on their experience, including commercial customers.
- How blending infrastructure could be sited and designed to target specifically those pipeline segments least likely to be decommissioned, thereby avoiding contributing to the stranded asset problem.

Additionally, while cost allocation is included within Joint Applicants' proposed issue (a), SBUA perceives that, in contrast to Joint Applicants' combined formulation, the record and party argument may be clearer if the issue of fair and just cost allocation is presented as a separate issue distinct from the reasonableness of the pilots themselves. SBUA supports the formulation of Wild Tree's proposed issue (e) or Joint Intervenors' proposed issue (e) for this purpose. In addition to the material factual issues identified by other parties, SBUA anticipates these additional specific factual disputes:

- The need for pilot projects rather than less expensive laboratory testing of pipe components and appliances.
- Whether pilot projects include sufficient and representative small commercial customers to determine the efficacy, convenience and safety of blended hydrogen for this customer class.

