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December 23, 2022

President Alice Reynolds
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102-3298

Re: Continuing Coordination on Federal Funding Opportunities in the Infrastructure Investment and Jobs Act of 2021

Dear President Reynolds:

Thank you for your letter dated November 28, 2022, regarding continuing coordination on federal funding opportunities available to California electric and gas investor-owned utilities (IOUs) in the Infrastructure Investment and Jobs Act of 2021 (IIJA). Southern California Gas Company (SoCalGas) appreciates the California Public Utilities Commission's (CPUC) interest in our plans with respect to grants to be made available under the IIJA and is pleased to see the CPUC's interest in developing guidance to support the IOUs' (and the State's) ability to submit competitive project applications to the U.S. Department of Energy (DOE).

In our response below, we provide feedback on issues identified in your letter that we hope the CPUC's guidance will address, so that applicants can move expeditiously to meet fast-approaching DOE deadlines. We also provide project specific information, as requested.

I. SoCalGas Comment on Federal Funding Award Process Issues

1. Match-funding or cost-sharing requirements.

Accessing federal funds may help alleviate projected upward rate pressure on energy bills, accelerate improvements to the reliability and resiliency of our energy systems, and help achieve the State's ambitious climate change goals. However, funding opportunities made available through the IIJA generally include cost sharing provisions that require grantees and sub-grantees to provide match funding to support the proposed projects.

The following CPUC actions or activities could assist the IOUs, including SoCalGas, as they pursue IIJA funding and navigate cost-sharing requirements:

- Clarifying cost recovery processes and timing for utility contributions that are required for matching purposes.
- Public advocacy through, for example, letters of support to the State Legislature, Governor's office, or other state or federal agencies (including DOE), expressing CPUC support for the utilities participating in and accessing these opportunities and highlighting how utilities can play pivotal roles in facilitating the clean energy transition.

2. Treatment of tax liability for federal funding awarded.

SoCalGas is primarily exploring IJA funding opportunities as part of a group in which the State or other entities are the primary applicant. In these instances, SoCalGas may pursue funding as a sub-grantee or project team member.

Grants or awards of federal funding will be taxable for both federal and state income tax purposes, unless a specific statutory or administrative exception applies that exempts the grant/award (or grantee/awardee) from taxation. There are no such exceptions that currently apply to DOE grants available under the IJA. Accordingly, under current law, IJA grants will be taxable to SoCalGas for federal and state income tax purposes.

Guidance from the CPUC would be helpful to confirm utilities receiving awards, whether through direct grants, subgrants, or members of a project team, may recover the taxes incurred on the award (or portion thereof actually received) via the appropriate regulatory mechanism (e.g., cost of service, revenue requirement, a memorandum account, or through some other mechanism).

3. Ensuring that each proposed project is competitive in the DOE application process.

SoCalGas appreciates the CPUC's interest in supporting the IOUs' ability to craft competitive applications for DOE funding. **Given the scope of this inquiry, SoCalGas prioritizes the need for expeditious processing of regulatory requests to align with timelines established by DOE (and the Alliance for Renewable Clean Hydrogen Energy Systems or ARCHES, where applicable).** It is important that the CPUC be flexible in adjusting to timelines imposed by DOE and ARCHES on a program-by-program basis. Such an approach will help project applicants to have timely resolution on issues that may affect the application process (e.g., those raised above regarding match funding, cost sharing, and the treatment of tax liability).

In addition, addressing the following issues over the longer term will be critical to successful implementation of these projects. SoCalGas recognizes that resolution of these issues is unlikely as part of the CPUC's Q1-Q2 2023 actions to support utility efforts to obtain federal funding, but are important for the Commission's overall support of their success:

- **Authorization:** Prioritizing timely authorizations for projects included as part of IJA funding requests.

- **Rights-of-Way:** Encouraging policies and/or authorizations to leverage existing IOU-held rights-of-way (ROW) for hydrogen pipelines and carbon management infrastructure development. For example, the DOE Carbon Dioxide Infrastructure Finance and Innovation (CIFIA) transport loan program gives priority to projects that can use existing ROW for new carbon dioxide (CO₂) pipelines.¹
- **Permitting:** Streamlining permitting processes for proposed projects, including setting timing expectations.
- **Common-Carrier/Open-Access Infrastructure Framework:** Providing recommendations, guidance, or policy statements encouraging utility-scale, common-carrier infrastructure. For example, common-carrier hydrogen pipelines that serve a variety of end users can promote price transparency and competition, reduce transportation costs, and minimize the environmental footprint associated with building new pipeline systems. Likewise, the DOE CIFIA Loan Program supports common carrier CO₂ transport.² The DOE has commented that facilitating common carrier CO₂ transport infrastructure “requires Federal, state, and local government support.”³

4. Tracking and oversight of awarded funding to ensure reductions in costs to utility customers.

SoCalGas respectfully requests the CPUC allow utilities flexibility to set up tracking and oversight processes that demonstrate awarded funding is resulting in a reduction in costs to utility customers. For example:

- To reduce redundancy or added costs, Commission tracking and oversight requirements should, to the extent feasible, be consistent with federal requirements.
- For the hydrogen hub, SoCalGas has certain quarterly reporting requirements as part of the decision for Angeles Link that may serve as an appropriate means to communicate how awarded funding can offset costs to utility customers.⁴

5. Any other regulatory issues necessary to support the electric and gas IOUs’ abilities to apply for the federal funding.

State regulatory guidance should complement federal agencies’ activities in support of a clean fuels regional/national network. Certain IJJA program applications require existing state regulatory authority or a plan for future regulatory authority over the project(s)

¹ See U.S. Department of Energy, CIFIA Program Guide: CIFIA Loans for Carbon Dioxide Transportation Infrastructure, OMB Control No. 1910-5134 (October 5, 2022) (“*CIFIA Program Guide*”), available at: https://www.energy.gov/sites/default/files/2022-10/LPO_CIFIA_Guidance_Document_FINAL_2022.10.05_0.pdf, at 9.

² The DOE program defines a “Common Carrier” as a “[t]ransportation infrastructure operator or owner that publishes a publicly available Tariff containing the just and reasonable rates, terms, and conditions of nondiscriminatory service, and holds itself out to provide transportation services to the public for a fee.” 42 U.S.C. § 16371(2).

³ See *CIFIA Program Guide* at 5.

⁴ D.22-12-055, p. 49, p. 71

proposed in the applications. For example, the DOE CIFIA Program requires applicants to “publish a publicly available Tariff with just and reasonable rates, terms, and conditions for nondiscriminatory CO2 transportation service” and “demonstrate how [the applicant] satisfies the definition of “Common Carrier.” Clarification of the Commission’s role with respect to CO2 pipeline ownership, authorization, and tariffs would make utility applications for CIFIA funds more attractive.

In general, CPUC and state agency policy statements, guidance, or decisions that are supportive of regional/national networks for both clean renewable hydrogen and carbon management solutions help support stronger applications for federal funding.

6. Ensuring the project applications are in alignment with California state goals.

Clean hydrogen and carbon capture, utilization, and storage (“CCUS”) have been recognized as important pathways to help the State achieve carbon neutrality; therefore, CPUC guidance should encourage an array of projects that are inclusive of all fuels and technologies that will help achieve California’s state goals, including clean renewable hydrogen and carbon management. California has adopted ambitious climate goals of achieving 40% below 1990 greenhouse gas emission levels by 2030 and carbon neutrality by 2045. Projects that align with these goals, and the plans that the State has adopted to pave the way for achieving them (e.g., the 2022 CARB Scoping Plan Update), should be encouraged. Clean renewable hydrogen and carbon management are key strategies for achieving decarbonization. Implementing these solutions will require new infrastructure and modifications to existing facilities. Consideration should be given to the benefits that federal funding could bring in providing relief for bill impacts, helping improve the affordability of a clean energy future.

II. SoCalGas Project Specific Information

Below, SoCalGas provides information related to potential projects for which the Company is considering that may be eligible for IJJA funding. Generally, SoCalGas is focused on opportunities related to hydrogen and carbon management. Responses to each question are provided below; unless separated by subject matter area, the responses address both hydrogen and carbon management.

In addition to the opportunities described below, SoCalGas is closely monitoring DOE’s issuance of new Funding Opportunity Announcements (FOAs) and filing deadlines. We will continue to assess potential opportunities to pursue funding that could help us build important energy infrastructure at a reduced cost to our customers. We will also continue to identify potential sources of matching/contributing funds as we refine our project scopes and explore alignment with federal and state funding opportunities. SoCalGas can provide additional information to CPUC staff if it pursues any opportunities that are not identified in this letter.

1. Specific DOE programs SoCalGas is and is not planning to apply for and why.

SoCalGas provides the following list of opportunities responsive to this question. However, as we engage with stakeholders and review FOAs as they are released, SoCalGas will continue to evaluate alignment of FOAs with planned projects and objectives.

IJJA Program	FOA #	Total Program Funding Available	Apply
Clean Hydrogen Manufacturing, Recycling, and Electrolysis	RFI # DE-FOA-0002698	\$1 billion for electrolysis \$500 million for clean hydrogen manufacturing and recycling	No At this time, SoCalGas is focused on hydrogen transport infrastructure and is not actively exploring a direct role in hydrogen manufacturing and recycling nor electrolysis processes.
Regional Clean Hydrogen Hubs	DE-FOA-0002779	\$8 billion	Yes SoCalGas intends to participate in the State's application seeking federal funding through ARCHES, which was identified by the Governor's Office of Business and Economic Development as the entity that will submit a unified California Hydrogen Hub submission to DOE.
Carbon Capture Technology Program, Front-End Engineering Design for CO2 Transport	DE-FOA-0002730	\$92 million over 5 years; individual awards up to \$3 million	Yes, in 2023 SoCalGas is planning engagement for 2023 to follow-on to efforts completed under the CarbonSAFE initiative.
Carbon Storage Assurance Facility Enterprise (CarbonSAFE): Phases III, III.5 and IV.	DE-FOA-0002711	\$2.5 billion over 5 years	TBD SoCalGas is pursuing Phase II Funding, which was not funded as part of IJJA. Phase II is funded using annual appropriations. SoCalGas may apply to additional funding opportunities via future phases of CarbonSAFE supported by IJJA.
Regional Direct Air Capture (DAC) Hubs	DE-FOA-0002735	\$3.5 billion	Yes SoCalGas is in discussions with a consortium of stakeholders and

			intends to pursue Regional DAC Hub funding as part of this group.
Carbon Capture Demonstration Projects Program	DE-FOA-0002738	\$189 million, one time	No At this time, SoCalGas is focused on CO2 transport infrastructure.
Regional Initiative to Accelerate Carbon Capture, Utilization, and Storage Deployment	DE-FOA-0002799	\$20 million, individual awards up to \$2.5 million	TBD SoCalGas is in active discussions about potential collaboration on this initiative.
Carbon Utilization Program	DE-FOA-0002895 or DE-FOA-0002829	TBD	TBD SoCalGas is assessing this opportunity.
Carbon Dioxide Transportation Infrastructure Finance and Innovation (CIFIA)	DE-FOA-0002894	\$2.1 billion	TBD SoCalGas is assessing this opportunity.

Why is SoCalGas planning to apply?

With existing relationships to its customers (including power generation, industrial and commercial end users), a workforce dedicated to safety, and a regulatory framework that promotes a transparent and robust stakeholder process serving the public interest, SoCalGas can help California pursue federal funding opportunities, including the opportunity to build America’s largest clean renewable hydrogen hub and establish common carrier CO2 pipeline infrastructure.

With respect to hydrogen, SoCalGas is well-positioned to help develop critical connective infrastructure for the California clean renewable hydrogen hub and proposes, where possible, to leverage its decades of experience, skilled workforce, and existing infrastructure to develop a utility-scale, common-carrier pipeline transportation system. Efforts are already underway to make the Los Angeles Basin a regional green hydrogen hub through ARCHES, in which SoCalGas is participating, as described below and pursuant to the Commission’s direction in A.22-02-007. As described in SoCalGas’s application and briefing in A.22-02-007, the need for green hydrogen in the Los Angeles Basin—and, therefore, the need for a transportation system to deliver it—is well established. For example, the National Renewable Energy Laboratory’s (“NREL”) “LA100: The Los Angeles 100% Renewable Energy Study” (“LA100 Study”) found that generating electricity within the Los Angeles Basin using renewably-derived fuels, like

hydrogen, is a necessary component of reaching Los Angeles’ goal of 100% renewable energy by 2045.⁵ Likewise, in its recently released draft Climate Action Plan, Los Angeles County calls for replacing “all off-road equipment and off-road vehicles (including locomotives) with electric, green hydrogen, or other zero-emission engine technologies.”⁶ To this end, and as described further below, SoCalGas has proposed a green hydrogen transportation system—the Angeles Link—that could link proposed clean renewable hydrogen production centers, storage sites, and demand centers in Southern California such as the Port of Los Angeles, the Port of Long Beach, industrial facilities, electricity generators, and heavy-duty refueling infrastructure. As part of the CPUC’s decision approving a memorandum account to track costs of Phase One of Angeles Link, the Commission has required SoCalGas to “study the feasibility of a localized clean renewable hydrogen hub solution located in the Los Angeles Basin, with hydrogen generation and end users in close proximity.”⁷ SoCalGas will continue to work closely with ARCHES and other stakeholders to share information that may serve useful in development of an ARCHES-led hub.

SoCalGas is also well-positioned to build a new common-carrier CO₂ pipeline transportation system that can be used to support the deployment of carbon management solutions that help achieve the state’s goal of economywide carbon neutrality by 2045. CARB’s 2022 Scoping Plan Update acknowledged that a diverse set of technologies and solutions will be needed to decarbonize. Carbon management solutions can support achievement of these goals for sectors that may otherwise be difficult to decarbonize.

2. Provide details about projects proposed for each grant and loan, including the cost range for each project.

SoCalGas is considering several categories of projects that would potentially be eligible for federal funding under the IIIA programs identified above. Below, we provide information on the various initiatives that we plan to pursue; however, it is important to note that project scoping and development is still in progress as we weigh which opportunities allow SoCalGas to engage in the most effective and impactful way for our customers.

Clean Renewable Hydrogen Pipelines

The DOE’s Regional Hydrogen Hub Funding effort seeks to support projects that demonstrate the production, processing, delivery, storage, and end use of, clean hydrogen through regional clean hydrogen hubs. As described in A.22-02-007, activities in support

⁵ NREL, *The Los Angeles 100% Renewable Energy Study, National Renewable Energy Laboratory Executive Summary*, NREL/TP-6A20-79444, March 2021, at 10, 12, available at: <https://www.nrel.gov/docs/fy21osti/79444-ES.pdf> [nrel.gov].

⁶ County of Los Angeles County, 2045 Draft Climate Action Plan, April 2022, at 3-9, available at: https://planning.lacounty.gov/site/climate/wp-content/uploads/2022/04/LA_County_2045_CAP_Public_Draft_April_2022.pdf [planning.lacounty.gov]; *Id.* at 3-29 (Implementing Action T6.7 calls on Los Angeles County to “Increase the use of green hydrogen vehicles.”).

⁷ Proposed Decision in A.22-02-007 (Dec. 15, 2022), at p. 43.

of the Angeles Link Project can help position California to receive funds through the IJJA. In D.22-12-055, SoCalGas was directed to join the State in its application for the federal funding, and to study as part of Phase One, the feasibility of a localized clean renewable hydrogen hub solution in the Los Angeles Basin. SoCalGas continues to participate in ARCHES-led working groups and develop project submission proposals that can help advance the hydrogen network in California. As directed by the Commission, to the extent ARCHES obtains any federal funding that is allocated to Angeles Link, those funds shall offset the costs of the project.

Carbon Management

SoCalGas is exploring opportunities to construct, own and operate CO₂ pipelines in its service territory with an initial focus on Kern County. The IJJA funding for carbon management is split over several initiatives that prioritize different aspects of the Carbon Management value chain, including capture (both Direct Air Capture (DAC) and point source capture), transport, storage, and utilization. To advance our work in this area, SoCalGas is actively exploring several different IJJA funding and collaboration opportunities. In addition to the broad reaching impact of supporting decarbonization of the region, focusing on Kern County would also facilitate decarbonization of SoCalGas' operations at its compressor stations located in the San Joaquin Valley.

In its pending Test Year 2024 GRC, SoCalGas has requested \$6.655 million for Carbon Capture, Utilization and Sequestration Front-End Engineering Design (CCUS FEED) studies for CO₂ pipelines to support the development of carbon management solutions in Southern California. This effort aligns well with the IJJA "Carbon Capture Technology Program, Front-End Engineering Design (FEED) for Carbon Dioxide Transport" funding opportunity (DE-FOA-0002730), and SoCalGas intends to seek funding through that program in 2023 as a primary applicant. If SoCalGas receives an award for this project, it would offset the cost of these studies as proposed in our GRC request.

In addition, although SoCalGas does not have any specific applicable projects at this time, SoCalGas is interested in applying to federal funding opportunities as a sub-applicant⁸ in areas that prioritize capture, including a DAC hub, storage, and utilization (DE-FOA-0002735, DE-FOA-0002799, DE-FOA-0002895, DE-FOA-0002829).

Through the Direct Air Capture (DAC) Hub effort, SoCalGas is engaged in consortium discussions to determine possible opportunities for providing CO₂ pipeline service that facilitate scaling of the DAC Hub.

SoCalGas has applied for federal funding as a sub-applicant in DOE's separate CarbonSAFE program. Through the CarbonSAFE program, DOE is providing \$2.5B for

⁸ Applications submitted as a sub-applicant imply that SoCalGas will not be the primary recipient of funding from DOE. In these instances, SoCalGas may be one of several participants in a project; SoCalGas would have a limited role in the overall project scope, and would apply to another party (the primary applicant) to secure a proportionate share of the overall project's funding.

carbon storage projects focused on storing at least 50MT of emissions (total) over 30 years (DE-FOA-0002711). This funding is being rolled out in phases over 5 years. On September 15, 2022, SoCalGas applied as a sub-applicant with a consortium for a feasibility study of a carbon management system in Kern County, under Phase II of the CarbonSAFE program. This phase of the program is funded by annual DOE appropriations; however, the DOE has made IJA funding available for later phases. SoCalGas is awaiting award notification on Phase II, and may consider applications for future CarbonSAFE phases (funded through IJA).

Through the “Carbon Capture Technology Program, Front-End Engineering Design (FEED) for Carbon Dioxide Transport” DOE has allocated a total of \$92 million for 6 or more projects per year over 5 years (FOA-0002730). Individual project awards can be in the range of \$750K to \$3M and require a 20% cost share. Applicants will propose to execute and complete FEED studies for a commercial-scale open access or common carrier CO₂ pipeline system, capable of transporting anthropogenic CO₂ from one or more carbon capture sources to one or more carbon sinks. SoCalGas intends to apply for funding in 2023.

3. Identify any applicable CPUC, CEC, or other programs that may provide match funding for the project(s) identified.

As discussed in Section 5 below, SoCalGas has sought authorization for funding for some projects via its GRC requests, and has an approved memorandum account to track the costs of activities for Phase One of Angeles Link. Such funds could be used as match funding to support SoCalGas or State of California applications for federal funding. Funds received as a result of applications to the federal government would reduce the cost of these projects to SoCalGas customers.

SoCalGas is monitoring various CEC, Federal, Department of Transportation, and State programs for potential match funding for proposed projects. For example, opportunities may be available through the CEC’s Electric Program Investment Charge (EPIC) Program or the Commercialization Industrial Decarbonization Program; SoCalGas is assessing the scope of this program to gauge alignment and timing with proposed projects. SoCalGas is also assessing the CEC’s Clean Hydrogen Program, which may provide up to \$100 million in financial incentives to eligible in-state hydrogen projects for the demonstration or scale-up of production, processing, delivery, storage, or end use of hydrogen. Financial incentives provided may be used as matching funds by selected entities that have received a federal hydrogen hub grant. (Note that this program is still under development and the CEC has not yet adopted parameters for distributing program funding.) Likewise, the CEC’s Carbon Removal Innovation Program may provide \$100 million in match funding in support of carbon removal projects receiving grants from the federal government and non-profit foundations. (Note that this program is still under development and the CEC has not yet adopted parameters for distributing program funding.) SoCalGas will continue to monitor developments with these programs to determine the extent to which the scope aligns with SoCalGas’s planned activities.

4. Explain how the proposed project(s) maps to existing state priorities, including electric and gas customer rate and bill reductions, safety improvements, reliability enhancements and greenhouse gas emission reductions.

SoCalGas's proposed projects align with numerous existing state priorities related to electric and gas customer rates, safety improvements, reliability enhancements and greenhouse gas emission reductions.

Clean Renewable Hydrogen Pipelines

Clean renewable hydrogen has the potential to serve as a zero-carbon replacement that helps further California's ambitious carbon reduction goals. Clean renewable hydrogen's role in the energy system has been acknowledged by State and local agencies. For example, the California Air Resources Control Board's ("CARB") 2022 Scoping Plan considers identifies clean renewable hydrogen as a necessary component of its pathway to carbon neutrality.⁹ CARB explained that "[d]ecarbonizing the electricity sector is a crucial pillar"¹⁰ of meeting California's climate goals and "[h]ydrogen produced from renewable resources and renewable feedstocks can serve a dual role as a low-carbon fuel for existing combustion turbines or fuel cells, and as energy storage for later use."¹¹ CARB notes that to make the clean energy transition possible, the state "must build the clean energy production and distribution infrastructure for a carbon-neutral future," including "transitioning existing energy production and transmission infrastructure to produce zero carbon electricity and hydrogen."¹² Similarly, the CEC has found "[a]s intermittent renewable resources such as wind and solar become a larger proportion of grid-connected resources, ramping needs will increase, and hydrogen has the potential to help support grid reliability."¹³ In this way,¹⁴ replacing natural gas currently used for electric system reliability with clean fuels, like clean renewable hydrogen, could support the electric grid and fill the gaps created by daily and hourly solar and wind generation intermittency with a clean energy profile in accordance with the State's decarbonization goals.

As discussed in the Commission's decision approving the Angeles Link Memorandum Account, the Commission found that the Angeles Link Project could potentially help decarbonize the State's and Los Angeles Basin's energy use.¹⁵ In particular, the Commission recognized that "clean renewable hydrogen ... is one of the only few viable carbon-free energy alternatives for hard-to-electrify industries, electric generation, and the heavy-duty transportation sector."¹⁶ Further, Neil Navin's testimony in I.17-02-002

⁹ CARB, Final Draft 2022 Scoping Plan, at 64, available at: <https://ww2.arb.ca.gov/sites/default/files/2022-11/2022-sp.pdf>.

¹⁰ *Id.* at 199.

¹¹ *Id.* at 204.

¹² *Id.* at 9.

¹³ CEC, Commission Report Draft 2022 Integrated Energy Policy Report Update, CEC Docket No. 22-IEPR-01, TN No. 247338, at 79, available at: <https://efiling.energy.ca.gov/GetDocument.aspx?tn=247338>.

¹⁴ *Id.* at 80.

¹⁵ *Ibid.*

describes in detail how Angeles Link could reduce reliance on natural gas, promote reliability, and offer affordability benefits to customers, in alignment with State goals and policies. With respect to safety, Phase One of Angeles Link will include assessing safety requirements applicable to a clean hydrogen pipeline project, as well as identifying high-level long-term system and operational requirements, including meeting identified safety and reliability requirements. Clean renewable hydrogen pipelines could also potentially service hydrogen refueling stations, advancing State vehicle emissions goals.

Carbon Management

With respect to CCUS, Governor Gavin Newsom, in a letter to the California Air Resources Board in July 2022, wrote that, “there is no path to carbon neutrality without carbon capture and sequestration.” CARB’s 2022 Scoping Plan Update identifies the need for CCUS in supporting State carbon neutrality goals and sets the ambitious goal of removing 20 million metric tons of CO₂ by 2030 and 100 million metric tons of CO₂ by 2045. The CARB plan references statutes, executive orders, and other directions including AB 197 which directs emissions reductions for sources covered by AB 32 inventory and SB 596 which reduces demand for fossil energy, and GHGs, along with an improvement of air quality. Scenarios include CCS on a majority of petroleum refining operations by 2030, beginning in 2028, and CCS on 40% of stone, clay, glass and cement operations by 2030 and on all facilities by 2045.

As discussed in Armando Infanzon’s testimony in SoCalGas’s 2024 GRC proceeding, “CCUS would be an essential technology solution needed to meet California’s 2045 decarbonization targets.” Additionally, as explained in the 2024 GRC testimony of Naim Jonathan Peress and Michelle Sim, AB 32, SB 32, and Executive Order B-55-18 promote the development and examination of CCUS solutions.

- 5. Explain if the project is related to existing CPUC-authorized funding or cost recovery requests and whether the project has already been CPUC-approved. If funding has not yet been approved, explain how the project contributes to cost reductions for ratepayers.**

Clean Renewable Hydrogen Pipelines

On December 15, 2022, in A.22-02-007, the Commission approved the Angeles Link Memorandum Account to record the costs of performing Phase One feasibility studies for the Angeles Link Project, up to a cap of \$26 million with the option for an increase of up to 15 percent. The decision (D.22-12-055) allows SoCalGas to record the costs of these activities; recovery of the costs would be subject to one or more future proceedings for cost recovery. The decision explains that granting the memorandum account “can benefit ratepayers and serves the public interest. The Project has the potential to help decarbonize the state’s and the Los Angeles Basin’s energy use and position the State for federal

funding.”¹⁶ Because of the “importance of the federal funding opportunity to the public interest,” the Commission required SoCalGas to “join other entities that are members of [ARCHES] in support of the State of California’s application for federal funding provided through the IJA” prior to proceeding to subsequent phases of the project.¹⁷ The Commission also required that any federal funding, including any federal tax credit or incentives, resulting from the Angeles Link project must offset the costs recorded in the memorandum account (e.g., offsetting costs that could be sought to be recovered from ratepayers).¹⁸

Carbon Management

SoCalGas has requested funding to support CO₂ pipeline studies and efforts. Specifically, the CarbonSAFE Phase II effort utilizes GRC Test Year 2019 operation and maintenance funding. As described above, SoCalGas’ GRC 2024 Test Year request includes \$6M for the Carbon Capture, Utilization and Sequestration Front-End Engineering Design (CCUS FEED) study (which could potentially be offset by up to \$3M in DOE FEED funding if an award is granted to SoCalGas, or through funds obtained via CarbonSAFE Phase III).

6. Identify if any proposed projects are in state-designated disadvantaged communities or on Tribal lands.

Clean Renewable Hydrogen Pipelines

SoCalGas has not yet proposed specific project locations or routes for hydrogen transport infrastructure. SoCalGas is currently evaluating, and would continue to evaluate in collaboration with ARCHES, potential routing configurations and geographic scope to connect multiple hydrogen demand centers, supply centers and storage sites identified by ARCHES. As part of the Angeles Link project, as required by the Commission, SoCalGas will identify and invite participation from community-based organizations, including disadvantaged communities and environmental social justice communities, that may potentially be impacted by the project.¹⁹

Carbon Management

SoCalGas’ engagement on Carbon Management solutions is currently, primarily focused in Kern County, which is categorized in CalEnviroScreen 4.0 as a disadvantaged community. With guidance from California State University Bakersfield (CSUB)—a Hispanic Serving Institution—the project team will seek meaningful input from surrounding disadvantaged communities, with the goal of addressing their needs and concerns during the design, planning, and construction process. As SoCalGas considers its

¹⁶ D.22-12-055 at 26-27.

¹⁷ *Id.* at 33.

¹⁸ *Ibid.*

¹⁹ D.22-12-055 at 38, 47.

potential engagement in other carbon management projects, SoCalGas will investigate whether the projects would impact disadvantaged communities or tribal lands.

7. Explain the coordination and outreach that has already been done with other stakeholders on these projects.

Clean Renewable Hydrogen Pipelines

Over the past year, SoCalGas has conducted a variety of planning, coordination, and outreach activities, including:

- Meeting with numerous regional stakeholders to discuss what a regional clean hydrogen transmission system could entail, specifically in Southern California.
- Engaging in statewide meetings with the Governor’s Office of Business Development (GOBIZ), ARCHES, and other stakeholders as part of the collective California Hydrogen Hub effort.
- Engaging in hydrogen-related collaboration with a number of relevant stakeholders, including hydrogen producers, potential end users such as the Port of Los Angeles, electric utilities, environmental groups, technical experts, and HyDeal LA.
- Engaging with leading research institutions, including the University of California (UC) Irvine and UC Davis.

As a participant in the ARCHES network, SoCalGas also continues to seek to be supportive of stakeholder outreach in accordance with guidance ARCHES provides.

SoCalGas intends to continue broad engagement with the organizations mentioned above and other organizations—including government agencies such as the CEC, CARB, and the South Coast Air Quality Management District—while ramping up outreach to community-based organizations representing local residents and businesses, communities with environmental justice concerns, disadvantaged communities, tribal communities, and community-based organizations that support or work with disadvantaged and/or tribal communities, including as required by the Commission’s recent decision on the Angeles Link Memorandum Account.

SoCalGas has also worked closely with regional labor unions, and foresees leveraging a long, cooperative history and labor union partnerships to support project development and high-quality, competitive, and living-wage jobs in the region.

Additionally, SoCalGas is engaging some of our largest customers as part of a Customer Decarbonization Council that brings together industrial and commercial customers to discuss their decarbonization goals and needs. This dialog allows our current customers to have a voice in their engagement with SoCalGas as we seek to provide decarbonized solutions, including hydrogen.

Finally, with respect to the Angeles Link project, SoCalGas is establishing a Planning Advisory Group for technical advice and collaboration on project design and development and to hold quarterly stakeholder engagement meetings as the project proceeds, including at the end of each phase and once preferred routes are identified.²⁰ The Company will submit quarterly reports to the CPUC and the public regarding project status and updates. SoCalGas will make copies of the reports publicly available on its website. In addition, earlier in 2022, as part of SoCalGas robust stakeholder outreach activities, webinars were held in May and July, with content published on SoCalGas's website for greater awareness of progress related to Angeles Link activities²¹.

Carbon Management

With respect to CarbonSAFE, SoCalGas is supporting stakeholder engagement efforts led by CSUB. SoCalGas is also engaged in dialogues regarding the Regional (DAC) hub. The DAC hub initiative includes a diverse group of stakeholders that is actively engaged in this discussion, including research institutions, industry, community partners, academia, and national labs.

Conclusion

Thank you for the opportunity to share information regarding SoCalGas' planned projects that align with federal funding opportunities. SoCalGas is committed to providing solutions in support of California's clean energy future and pursuing opportunities that could help reduce the cost of this transition for our customers. We look forward to continuing to work with the CPUC to develop solutions that address the considerations we have raised above. If additional discussion on any of the information we have provided would be of interest to you or your staff, please let me know.

Sincerely,

/s/ Maryam S. Brown

Maryam S. Brown
President
Southern California Gas Company

²⁰ See D. 22-12-055 at 77-78.

²¹ <https://www.socalgas.com/sustainability/hydrogen/angeles-link/webinars>