

Exhibit No.: _____
Application: A.22-09-015
Witness: Edwin Harte
Chapter: 20

PREPARED REBUTTAL TESTIMONY OF
EDWIN HARTE
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

(HYDROGEN FUELING STATION RATE)

July 28, 2023

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1 **CHAPTER 20**

2 **PREPARED REBUTTAL TESTIMONY OF EDWIN HARTE**

3 **(HYDROGEN FUELING STATION RATE)**

4 **I. INTRODUCTION**

5 The purpose of this rebuttal testimony on behalf of Southern California Gas Company
6 (SoCalGas) is to address and rebut certain arguments and recommendations contained in the
7 direct testimonies of:

- 8 • The Public Advocates Office of the California Public Utilities Commission (Cal
9 Advocates) as submitted by Scott Logan, served on June 12, 2023.
- 10 • The Utility Reform Network (TURN) as submitted by Jaime McGovern, served
11 on June 22, 2023.
- 12 • Southern California Generation Coalition (SCGC) as submitted by Catherine E.
13 Yap, served on June 12, 2023.

14 In my rebuttal testimony, I will address challenges by various intervenors that have no
15 merit, including the assertion of several parties that have objections they raised in other
16 regulatory proceedings which are relevant to this proceeding. For the reasons stated herein and
17 in my Direct Testimony, these arguments should be rejected, and the Commission should
18 approve the proposed new, pilot hydrogen fueling station rate set forth and discussed in my
19 Direct Testimony.¹

20 **II. BACKGROUND**

21 As set forth in my Direct Testimony, SoCalGas is seeking the authority to offer a new
22 pilot hydrogen fueling station rate that will allow SoCalGas to offer hydrogen fuel to the general
23 public at utility-owned hydrogen fueling stations. This request is supported by prior CPUC
24 precedent, and is consistent with significant actions from federal, state, and local agencies
25 supporting zero emission vehicles and associated fueling infrastructure. SoCalGas is not seeking
26 authority to construct and operate public access hydrogen fueling stations in this proceeding.

¹ Given the volume of the various arguments, positions, and proposals raised by intervenors, Applicants have prioritized which issues to address in rebuttal testimony. Silence on any issue should not be construed as agreement with, or non-opposition to, that issue, as Applicants reserve the right to address additional issues not specifically mentioned in this rebuttal testimony at a later opportunity, such as evidentiary hearings and briefs.

1 Rather, the new pilot hydrogen fueling station rate is a companion request to SoCalGas’s 2024
2 General Rate Case (A.22-05-015) proposal that will allow SoCalGas to offer retail hydrogen fuel
3 to the general public if and when the Commission provides the authority to construct and operate
4 public access hydrogen fueling stations in the SoCalGas 2024 General Rate Case.

5 SoCalGas is committed to supporting California's environmental and climate goals. To
6 help the State achieve these goals, SoCalGas is working on low emission vehicle initiatives,
7 including the development of the new pilot hydrogen fueling station rate. The Commission has
8 the oversight authority to leverage SoCalGas’s expertise and assist the State to rapidly advance
9 the development of clean energy solutions in California.

10 By authorizing the proposed tariff, SoCalGas can help the State achieve its time-sensitive
11 environmental and climate goals. Delaying the implementation could result in missed
12 opportunities to deliver affordable, reliable zero emission vehicle benefits to ratepayers.

13 **III. TURN AND CAL ADVOCATES’ ARGUMENTS AGAINST THE NEW PILOT**
14 **HYDROGEN FUELING STATION RATE ARE PRIMARILY FOCUSED NOT**
15 **ON THE RATE ITSELF (THE SUBJECT OF MY TESTIMONY) BUT ON**
16 **WHETHER THERE SHOULD BE HYDROGEN REFUELING STATIONS**
17 **(WHICH IS NOT THE FOCUS OF MY DIRECT TESTIMONY)**

18 Cal Advocates argues that it “opposes the establishment of the HRSBA, as it opposes the
19 expense request for hydrogen refueling stations in the SoCalGas GRC.”² TURN advances a
20 similar argument in its testimony, arguing that it “opposes SCG’s proposed hydrogen fueling
21 station rate in this proceeding because TURN opposes SCG’s proposal to build, own, and operate
22 hydrogen refueling stations. Beyond TURN’s general opposition to the adoption of a hydrogen
23 fueling station rate, TURN takes no position at this time on the details of SCG’s proposed rate
24 design.”³

25 SoCalGas proposed the Hydrogen Refueling Station Balancing Account (HRSBA) in a
26 separate proceeding, the SoCalGas 2024 General Rate Case (A. 22-05-015, Exhibit SCG-38).
27 The purpose of the HRSBA “is to record the O&M and revenue associated with the operation of
28 utility-owned, public access hydrogen refueling stations.”⁴ Because my testimony does not

² Cal Advocates Report (Logan) at 1–5:20-22.

³ Ex. TURN-02 (McGovern) at 25:4-7.

⁴ A. 22-05-015, Revised Prepared Direct Testimony of Rae Marie Yu, Ex. SCG-38-R-E at RMY-20:3-5.

1 contain a proposal for the HRSBA, but, rather, is for a proposed rate design, the arguments of
2 Cal Advocates and TURN should be disregarded as irrelevant. Even more, it bears emphasizing
3 that TURN itself notes that it does not even take a position on the proposed rate design.

4 SoCalGas has requested authority to construct and operate public access hydrogen
5 fueling stations in the SoCalGas 2024 General Rate Case. Any arguments in favor of or in
6 opposition to the authority to construct and operate hydrogen fueling stations should be
7 expressed in the SoCalGas 2024 General Rate Case and not in the SoCalGas and SDG&E 2024
8 Cost Allocation Proceeding.

9 Because TURN “takes no position at this time on the details of SCG’s proposed rate
10 design,”⁵ TURN has made no arguments in opposition to the hydrogen fueling station rate and
11 any other arguments are not relevant to this proceeding, are out of scope and should be rejected.

12 **IV. SCGC’S ARGUMENTS AGAINST THE NEW PILOT HYDROGEN FUELING**
13 **STATION RATE ARE PRIMARILY FOCUSED NOT ON THE RATE ITSELF**
14 **(THE SUBJECT OF MY TESTIMONY) BUT ON WHETHER THE**
15 **COMMISSION SHOULD CONSIDER COMPLIMENTARY PROPOSALS**
16 **AND/OR COMPETITION IN AN UNDERSERVED MARKET**

17 SCGC opposes SoCalGas’s proposed hydrogen fueling station rate in this proceeding.
18 SCGC argues it is “inappropriate to create a rate for a service that has not been approved by the
19 Commission” and then recommends “the Commission deny the proposal for hydrogen fueling
20 rates” and “require the Applicants to file a separate application for authority to provide hydrogen
21 production facilities and fueling stations.”⁶ Further, SCGC states the proposed hydrogen fueling
22 rate “would subsidize the hydrogen fueling activities”⁷ and “undermine the competitive viability
23 of independent hydrogen fueling stations.”⁸

24 First, SCGC asserts that considering complimentary requests for a related utility proposal
25 is inappropriate but did not provide a rationale for this position. On the contrary, it is entirely
26 appropriate and reasonable to consider capital funding requests within the SoCalGas General
27 Rate Case proceeding as well as new rate proposals within the SoCalGas and SDG&E 2024 Cost
28 Allocation proceeding. SoCalGas has requested authority to construct and operate public access

⁵ Ex. TURN-02 (McGovern) at 25:4-7.

⁶ Ex. SCGC-01 (Yap) at 29:12-15.

⁷ *Id.* at 28:15-16.

⁸ *Id.* at 29:3-4.

1 hydrogen fueling stations in the SoCalGas 2024 General Rate Case. SoCalGas states in
2 testimony that “this proceeding complements the request in the 2024 SoCalGas GRC by
3 requesting authority to offer a new pilot hydrogen fueling station rate, G-FCEV, at utility-owned
4 public access hydrogen fueling stations.”⁹ Requiring SoCalGas to a) wait for the final decision
5 within the SoCalGas General Rate Case proceeding before filing a proposed retail rate at the next
6 applicable SoCalGas & SDG&E Cost Allocation proceeding; or b) file a separate application to
7 address both hydrogen station capital and rate requests could delay implementation for years and
8 is an inefficient use of resources. SoCalGas’s complimentary proposals enables the Commission
9 to review both requests in a timely fashion which is important given the critical need, expressed
10 by policymakers, to address zero emission vehicle infrastructure challenges, regional air
11 pollution and climate change. Timely review also allows state policymakers and customers to
12 begin receiving the proposed service and realizing the associated benefits sooner. SCGC’s
13 proposal does not align with Commission or state policy and should be rejected.

14 Secondly, SCGC objects to ratepayer subsidy of hydrogen fueling activities. The
15 Commission has established precedent of authorizing ratepayer subsidies for other types of zero
16 emission vehicle infrastructure. As stated in direct testimony (Ch. 12, Harte), “SoCalGas
17 proposes to set the G-FCEV rate at the level required to collect the total estimated incremental
18 operating costs (less LCFS credit revenue) as well as 50% of the illustrative capital costs”¹⁰ and
19 “[n]otably, this approach is more conservative than the treatment of capital costs for similar
20 electric vehicle charging infrastructure projects authorized under Decision (D.) 18-01-024.
21 D.18-01-024 authorized utilities to rate-base the capital costs of electrical vehicle charging
22 infrastructure projects and recover those costs from all ratepayers.”¹¹ SCGC’s position is
23 inconsistent with Commission precedent and should be rejected.

⁹ Applicants’ Ch. 12 (Harte) at 1:12-14.

¹⁰ *Id.* at 8:12-14.

¹¹ *Id.* at 9, n.21.

1 Lastly, SCGC incorrectly asserts that the “Applicants’ approach would undermine the
2 competitive viability of independent hydrogen fueling stations.” SCGC states, “[t]here are
3 already over 30 hydrogen fueling stations currently in the SoCalGas service territory with more
4 than another 20 stations currently undergoing development.”¹² However, as stated in testimony
5 (Ch. 12, Harte), in 2018 the state of California directed “that all State entities work with the
6 private sector and all appropriate levels of government to spur the construction and installation of
7 200 hydrogen fueling stations...by 2025.”¹³ This hydrogen fueling station goal supported the
8 state’s goal to “to put at least 5 million zero-emission vehicles on California roads.”¹⁴

9 Further, “meeting this goal will be extremely challenging” since “As of September 12,
10 2022, there were only fifty-five (55) retail, public access hydrogen fueling stations operating in
11 the state of California.”¹⁵ The most recent hydrogen fueling station update from the California
12 Fuel Cell Partnership indicates there are fifty-eight (58) retail, public access hydrogen fueling
13 stations operating in the state of California and thirty-one (31) of those within the SoCalGas
14 service territory.¹⁶ These stations are simply not sufficient to meet California hydrogen refueling
15 infrastructure goals and serve the growing demand for hydrogen fuel. As described in testimony,
16 the 2021 California Energy Commission (CEC) AB 8 report on hydrogen fueling stations states
17 “The need for a reliable hydrogen supply and reliable stations also presents a barrier to
18 widespread FCEV commercialization and deployment, as does expanded geographic coverage of
19 the stations. FCEV adoption may increase at a higher pace when these barriers are addressed.”¹⁷

20 Furthermore, the U.S. Department of Energy (DOE) recognizes that increased hydrogen
21 refueling infrastructure is needed to accelerate adoption of FCEVs. Specifically, DOE states,
22 “The availability of stations providing reasonably priced hydrogen in places where vehicles will

¹² Ex. SCGC-01 (Yap) at 29:4-5.

¹³ Applicants’ Ch. 12 (Harte) at 1:18-2:2.

¹⁴ State of California, *Executive Order B-48-18* (January 26, 2018), available at:
<https://www.library.ca.gov/wp-content/uploads/GovernmentPublications/executive-order-proclamation/39-B-48-18.pdf>.

¹⁵ Applicants’ Ch. 12 (Harte) 2:17-3:1.

¹⁶ California Fuel Cell Partnership, *California Fuel Cell Partnership Hydrogen Station List* (May 22, 2023), available at: https://cafcp.org/sites/default/files/h2_station_list.pdf.

¹⁷ Applicants’ Ch. 12 (Harte) at 4:9-12.

1 be deployed remains a key challenge to the adoption of this technology.”¹⁸ The SoCalGas
2 service territory covers an area of around 24,000 square miles.¹⁹ Adding utility-owned hydrogen
3 fueling stations to augment 30+ stations serving such a large geographic area is urgently needed
4 to provide the general public with greater access to refueling infrastructure. This can help
5 accelerate adoption of FCEVs and the growth of the zero-emission vehicle market, not cause a
6 competitive disadvantage.

7 Since 2018, the state has established even more ambitious zero emission vehicle and
8 infrastructure goals. For example, Executive Order N-79-20 was signed on September 23, 2020
9 and stated “It shall be a goal of the State that 100 percent of in-state sales of new passenger cars
10 and trucks will be zero-emission by 2035” and “...100 percent of medium- and heavy-duty
11 vehicles in the State be zero-emission by 2045 for all operations where feasible and by 2035 for
12 drayage trucks...” and “The...Public Utilities Commission...shall use existing authorities to
13 accelerate deployment of affordable fueling and charging options for zero-emission vehicles...”²⁰
14 Further, on April 28, 2023, CARB approved the Advanced Clean Fleets Regulation that is
15 designed to “accelerate a large-scale transition to zero-emission medium- and heavy-duty
16 vehicles” for “fleets performing drayage operations, those owned by state, local, and federal
17 government agencies, and high priority fleets.”²¹

18 According to the U.S. Department of Transportation, in March of 2023 there were over
19 31.4 million vehicles registered in the state of California.²² Based on Executive Order N-79-20,
20 the goal of the state is to transition this entire population of vehicles to zero emission vehicles,
21 which far exceeds the original goal of 5 million zero-emission vehicles. This six-fold increase
22 will require additional zero emission refueling and recharging options, including hydrogen

¹⁸ U.S. Department of Energy, *Alternative Fuels Data Center*, available at:
https://afdc.energy.gov/fuels/hydrogen_infrastructure.html.

¹⁹ SoCalGas, *Company Profile*, available at: <https://www.socalgas.com/about-us/company-profile>.

²⁰ State of California, *Executive Order N-79-20* (September 23, 2020), available at:
<https://www.gov.ca.gov/wp-content/uploads/2020/09/9.23.20-EO-N-79-20-Climate.pdf>.

²¹ California Air Resource Board (CARB), *Advanced Clean Fleets Regulation Summary* (May 17,
2023), available at: <https://ww2.arb.ca.gov/resources/fact-sheets/advanced-clean-fleets-regulation-summary>.

²² U.S. Department of Transportation – Federal Highway Administration, Policy and Government
Affairs, Office of the Highway Policy Information, *Highway Statistics Series* (March 2023), available
at: <https://www.fhwa.dot.gov/policyinformation/statistics/2021/mv1.cfm>.

1 fueling stations. Because the state is unlikely to meet the 200 hydrogen fueling station goal by
2 2025 and the goals for transitioning to and fueling zero emission vehicles have already increased
3 dramatically, it is critical that the Commission approve the new, pilot hydrogen fueling station
4 rate and act to increase the number of zero emission vehicle fueling station options, including
5 hydrogen fueling stations, in order to meet the state's ambitious air pollution and climate change
6 goals.

7 This concludes my prepared rebuttal testimony.