

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of Southern California Gas  
Company (U 904 G) for Adoption of a  
Microgrid Optional Tariff

Application 25-04-006

**PROTEST OF THE PUBLIC ADVOCATES OFFICE**

**RICHARD KHOE**

Supervisor

**ANTHONY ABI ABDALLAH**

Utilities Engineer

Public Advocates Office  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102  
Email: Richard.Khoe@cpuc.ca.gov  
Email: Anthony.Abiabdallah@cpuc.ca.gov

**MICHAEL EINHORN**

Attorney

Public Advocates Office  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102  
Telephone: (415) 703-4852  
Email: Michael.Einhorn@cpuc.ca.gov

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## I. INTRODUCTION

Pursuant to the Rule 2.6 of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure (Rules), the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) timely submits<sup>1</sup> this protest to the *Application of Southern California Gas Company (U 904 G) for Adoption of a Microgrid Optional Tariff* (Application).<sup>2</sup>

In its Application, Southern California Gas Company (SoCalGas) proposes a new Microgrid Optional Tariff (MOT) for non-residential customers.<sup>3</sup> For eligible customers under the MOT, SoCalGas would plan, design, engineer, procure, and construct the microgrid.<sup>4</sup> However, SoCalGas and MOT applicants would privately negotiate ownership and operation on a case-by-case basis.<sup>5</sup> SoCalGas would charge rates to MOT customers to cover “the full cost to plan, design, engineer, procure, construct, own, operate, and/or maintain the system, including a return.”<sup>6</sup> SoCalGas and MOT applicants would privately negotiate such rates based on each applicant’s unique circumstances and the costs of the MOT facilities.<sup>7</sup>

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<sup>1</sup> Cal Advocates’ protest is timely filed under Rules 1.15 and 2.6(a). The notice of the filing of the Application first appeared on the Commission’s Daily Calendar on Friday, April 18, 2025, accessed at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M564/K325/564325274.PDF>

<sup>2</sup> Application (A.) 25-04-006, *Application of Southern California Gas Company (U 904 G) for Adoption of a Microgrid Optional Tariff*, April 16, 2025 (Application).

<sup>3</sup> Application at 1.

<sup>4</sup> Application at 3; see also Application Exhibit SCG-02, *Chapter 2 Prepared Direct Testimony of Armando Infanzon on Behalf of Southern California Gas Company*, April 16, 2025, at AI-23 (Chapter 2 Testimony).

<sup>5</sup> Application, Attachment A (MOT Tariff) at Sheet 5 (Rates).

<sup>6</sup> Application at 3; Chapter 2 Testimony at AI-23.

<sup>7</sup> Application, Attachment A (MOT Tariff) at Sheet 5 (Rates).

In its application, SoCalGas asks the Commission to:

- Authorize SoCalGas' optional MOT for non-residential customers.<sup>8</sup>
- Authorize SoCalGas to privately establish rates that it will negotiate with MOT applicants.<sup>9</sup>
- Authorize SoCalGas to establish a MOT Balancing Account to credit ratepayers for any embedded costs that were previously authorized in SoCalGas' General Rate Case (GRC) for base business purposes but are incurred in association with MOT projects.<sup>10</sup>
- Authorize SoCalGas to establish a MOT Tracking Account which will allow SoCalGas to track the difference between the revenue collected from MOT services, and the actual operations and maintenance and capital revenue requirements associated with providing the MOT.<sup>11</sup>

SoCalGas states that under the MOT, all project costs would be recovered from the tariff customer with no subsidy from or exposure for ratepayers.<sup>12</sup> To the extent any embedded, ratepayer-funded costs (such as labor) are used in MOT projects, SoCalGas states that such costs will be tracked and refunded to ratepayers through the MOT Balancing Account.<sup>13</sup>

Cal Advocates supports SoCalGas's proposal to ensure that costs associated with the MOT should be borne by MOT customers and not ratepayers. However, SoCalGas' Application introduces unnecessary risk for ratepayers by using ratepayer-funded

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<sup>8</sup> Application at 3, 11.

<sup>9</sup> Application at 11.

<sup>10</sup> Application at 10; see also Application Exhibit SCG-03, *Chapter 3 Prepared Direct Testimony of Victor R. Garcia on Behalf of Southern California Gas Company*, April 16, 2025, at VRG-2 (Chapter 3 Testimony).

<sup>11</sup> Application at 10; Chapter 3 Testimony.

<sup>12</sup> Application at 3.

<sup>13</sup> Chapter 3 Testimony at VRG-2.

resources to support SoCalGas' proposed for-profit microgrid business. In addition, the Application raises issues about whether the MOT will ensure that the Commission can uphold its obligations to ensure public safety, reliability, and the reasonableness of rates.<sup>14</sup> For the reasons discussed below, Cal Advocates protests the Application to address potential financial risks and safeguard ratepayer interests.

## II. DISCUSSION

Cal Advocates protests SoCalGas' Application because it would unreasonably enable SoCalGas to use its public utility resources, funded by ratepayers through its GRC, to support SoCalGas' microgrid business venture and earn profits through privately set rates.<sup>15</sup> By diverting resources approved for regulated utility operations toward a commercial venture, SoCalGas' MOT conflates its utility obligations and its business interests. A clear separation between commercial endeavors and regulated utility functions is necessary to maintain oversight and accountability over the use of ratepayer funds and to avoid conflicts of interest.<sup>16</sup> Cal Advocates protests the Application, in part, because it allows a regulated utility to leverage ratepayer-funded resources to support a for-profit commercial business. Further, if SoCalGas intends to pursue commercial microgrid activities, those activities should be conducted through a separate affiliate.

Cal Advocates also protests the Application because it may introduce financial risks to ratepayers.<sup>17</sup> The Application does not provide sufficient detail on whether Commission oversight will be in place to ensure ratepayers are repaid accurately and timely. Without strict oversight and transparent verification, there is a risk that ratepayers will be under-credited or will subsidize portions of SoCalGas' microgrid

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<sup>14</sup> D.21-01-018 at 97-98, 106-107 (citing Pub. Util. Code Sections 218, 451, and 454.51); see also Pub. Util. Code. Sections 321.1(a), 591, 750, 961, 963, and 8371(d).

<sup>15</sup> Chapter 3 Testimony at VRG-2. SoCalGas will incur MOT related costs that may include embedded labor costs previously authorized in SoCalGas' GRC.

<sup>16</sup> See Pub. Util. Code section 451.

<sup>17</sup> Chapter 3 Testimony at VRG-2.

business. The risk is compounded by the fact that SoCalGas and MOT applicants would privately negotiate rates, without Commission approval or review.<sup>18</sup>

SoCalGas' MOT also introduces financial risk to ratepayers in the event that an MOT customer defaults on its payment obligation. For example, if a microgrid customer fails to pay – such as in the case of bankruptcy – the MOT's current provisions may not be sufficient to ensure that the Application does not shift the burden onto ratepayers.<sup>19</sup> Shifting these costs onto ratepayers would amount to an unjustified subsidy for a private business venture and would further exacerbate the affordability challenges faced by California utility ratepayers. In addition, the Application does not specify how SoCalGas would manage disputes or reconcile misallocated costs without using ratepayer-funded resources.

Decision (D.) 21-01-018, issued in the microgrid Rulemaking (R.) 19-09-009, states that microgrid rules, regulations, and policies must uphold the Commission's duties to ensure public safety, reliability, and the reasonableness of rates.<sup>20</sup> Cal Advocates protests the Application on the grounds that the Commission should consider whether SoCalGas' MOT prevents the Commission from upholding its obligations to regulate safety, reliability and reasonable rates. Under the MOT, SoCalGas and MOT applicants would privately negotiate rates based on each applicant's unique circumstances and the costs of the MOT facilities.<sup>21</sup> SoCalGas and MOT applicants would negotiate ownership on a case-by-case basis, and MOT applicants may operate and maintain portions of MOT facilities.<sup>22</sup> Thus, the Commission should consider whether the private rates and

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<sup>18</sup> Application, Attachment A (MOT Tariff) at Sheet 5 (Rates).

<sup>19</sup> Application, Attachment A (MOT Tariff) at Sheet 5 (“Upon early termination of the Microgrid Optional Tariff Services Agreement other than Utility’s default under the Microgrid Optional Tariff Services Agreement, Utility shall recover from Applicant an amount based on Utility’s unrecovered ownership and removal costs and any early-termination provisions in Utility’s subcontracts.”)

<sup>20</sup> D.21-01-018 at 94-98, 106-107 (citing Pub. Util. Code Sections 218, 451, and 454.51); see also Pub. Util. Code. Sections 321.1(a), 591, 750, 961, 963, and 8371(d).

<sup>21</sup> Application, Attachment A (MOT Tariff) at Sheet 5 (Rates).

<sup>22</sup> Application at 2 (The Application does not specify details of SoCalGas' microgrids so that the MOT can provide “choice and flexibility” and “customized solutions made to fit customers’ specific needs.”).

microgrid operation that SoCalGas proposes in its Application are consistent with Public Utilities Code 218 and Commission rules for co-located generation, wildfire safety, and ratemaking.<sup>23</sup>

In addition, Cal Advocates protests the Application because it creates barriers to entry for other potential microgrid developers within SoCalGas' service territory. SoCalGas can rely on ratepayer-funded resources already approved in its GRC, while competitors must raise their own capital and absorb full operational risk. SoCalGas' dual role as a regulated utility and a market participant may suppress competition and entrench SoCalGas' advantage in an emerging market.

Finally, Cal Advocates protests the Application on the grounds that SoCalGas does not provide sufficient information about its MOT microgrids.<sup>24</sup> For instance, the Application does not specify the types of technologies and fuels that MOT microgrids would utilize.<sup>25</sup> In addition, SoCalGas may deploy microgrids behind-the-meter or off-grid under the MOT.<sup>26</sup> Without such details, the Application does not provide sufficient information for the Commission to determine whether MOT projects will align with California's decarbonization goals or comply with Commission rules for co-located generation and load.<sup>27, 28</sup>

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<sup>23</sup> See, e.g. General Order 131-D; Tariff Rule 21; D.21-01-018 at 54, 97-98.

<sup>24</sup> Application at 2 (The Application does not specify details of SoCalGas' microgrids so that the MOT can provide "choice and flexibility" and "customized solutions made to fit customers' specific needs.").

<sup>25</sup> Application at 2.

<sup>26</sup> Application at 2.

<sup>27</sup> See D.21-01-018 at 54 ("microgrid commercialization involves many cross-over policy touchpoints. This includes customer generation policies like the Self Generation Incentive Program, the NEM interconnection policies under Rule 21, the wholesale distribution access tariff, the utilities' General Rate Case grid modernization plans, the development of tariffs under the Commission's integrated distributed energy resources proceeding, resource adequacy proceeding, and more broadly, across the Commission's decarbonization proceedings.").

<sup>28</sup> See D.21-01-018 at 97-98 (noting that certain parties do not "pay significant heed to the Commission's duties to assure the safety and reliability of proposed microgrids to the public/customers or their potential impacts on the state's electric grid and load serving entity accounting, state environmental mandates regarding long-term energy supply procurement, or the reasonableness of rates charged to relevant customers, all which are also of key concern to the Commission under California law.").

Moreover, the Application proposes that SoCalGas and MOT applicants would negotiate ownership and operational responsibilities on a case-by-case basis, and MOT applicants may operate or maintain parts of the microgrid.<sup>29</sup> This fragmented ownership and operational structure makes it unclear how safety standards will be enforced. In short, SoCalGas should not be exempt from state decarbonization goals or rules and regulations for electrical generation on the basis that it would be operating in the microgrid sphere.

### **III. ISSUES TO BE ADDRESSED IN THIS PROCEEDING**

Cal Advocates' initial review of the Application has identified some issues that the Commission should consider within the scope of this proceeding. Cal Advocates reserves the right to amend, supplement, or identify additional issues as Cal Advocates proceeds with discovery and analysis. Notwithstanding Cal Advocates' reservation to amend or identify additional issues, the following issues should be addressed within the scope of this proceeding:

- A. Whether it is appropriate for a regulated utility like SoCalGas to use its access to ratepayer-funded resources to support a for-profit commercial venture.
- B. Whether SoCalGas should establish a separate affiliate to manage its microgrid business.
- C. Whether the structure of the MOT introduces financial risks to ratepayers, including but not limited to:
  - a. Whether SoCalGas has proposed adequate and enforceable mechanisms to ensure that any use of ratepayer-funded resources is fully, accurately, and promptly credited back to ratepayers.
  - b. Whether the Commission will be required to dedicate additional regulatory resources to oversee and verify credits or refunds, and whether such oversight is a justifiable use of public resources for a primarily commercial venture.

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<sup>29</sup> Application, Attachment A (MOT Tariff) at Sheet 5 (Rates).

- c. Whether ratepayers may be required to subsidize the microgrid business if project costs are misallocated or if reimbursement mechanisms are unclear or ineffective.
  - d. Whether SoCalGas has proposed appropriate risk mitigation or insurance requirements to protect ratepayers from customer nonpayment and inadequate cost recovery.
  - e. Whether the privately negotiated rates that SoCalGas proposes customers could result in under-repayment to ratepayers, cross-subsidization, or inequitable pricing.
- D. Whether SoCalGas' dual role as a regulated utility and market participant creates barriers to entry or suppresses competition in the microgrid sector within its service territory.
- E. Whether the MOT prevents the Commission from upholding its duties to ensure public safety, reliability, and the reasonableness of rates, including, but not limited to:
- a. Whether the MOT is consistent with the Commission's microgrid rules in D.21-01-018 and D.24-11-004.
  - b. Whether the MOT is consistent with Public Utilities Code 218.
  - c. Whether the MOT is consistent with Commission rules for co-located generation and load.
  - d. Whether the MOT is consistent with the Commission's duties to assure the safety and reliability of proposed microgrids to the public/customers.

**IV. CATEGORIZATION OF PROCEEDING, NEED FOR HEARING, AND PROPOSED SCHEDULE.**

Cal Advocates agrees that this Application should be categorized as ratesetting. At this stage, it is too early to determine whether evidentiary hearings will be necessary. As noted above, this protest cannot address the full extent of the issues in this proceeding. Cal Advocates raises multiple issues that may require further investigation. Cal Advocates recommends that, if any party seeks hearings, the Assigned Administrative Law Judge require that Motions for Evidentiary Hearings be filed following rebuttal testimony. If evidentiary hearings are deemed necessary, the schedule



should be modified to allow sufficient time for discovery, testimony preparation, and hearing preparation.

Cal Advocates recommends that the Commission adopt a milestone-based schedule as shown below:

<b>EVENT</b>	<b>SoCalGas Proposal</b>	<b>Cal Advocates Proposal</b>
Application Filing Date	April 16, 2025	April 16, 2025
Responses/Protests Due	30 Days of Daily Calendar Notice	30 Days of Daily Calendar Notice
Replies to Responses and Protests	Within 10 days (See Rule 2.6)	Within 10 Days (see Rule 2.6)
Prehearing Conference	July 15, 2025	TBD
Scoping Memo	NA	TBD
Opening Intervenor Testimony	October 15, 2025	90 Days After Scoping Memo
Concurrent Rebuttal Testimony	November 14, 2025	120 Days After Scoping Memo
Meet and Confer per Rule 13.9	NA	10 calendar days after the submission of rebuttal testimony
Deadline to File Motions for Evidentiary Hearings	NA	15 Days After Rule 13.9 meet and confer
Evidentiary Hearings (if needed)	December 2025	To Be Scheduled by Administrative Law Judge
Opening Briefs	January 2026	45 Days After Evidentiary Hearings or Rebuttal Testimony
Reply Briefs	February 2026	30 Days After Opening Briefs

EVENT	SoCalGas Proposal	Cal Advocates Proposal
CPUC Issues Proposed Decision	May 2026	TBD
CPUC Issues Final Decision	June 2026	TBD

**V. CONCLUSION**

In order to enable the parties and the Commission to fully evaluate SoCalGas’ Application, Cal Advocates requests that the Commission include the issues identified in this protest within the scope of this proceeding. As discussed above, the Application raises concerns regarding the use of ratepayer-funded resources, potential barriers to fair competition in the microgrid market, the lack of clarity around safety and regulatory compliance, the introduction of financial risks to ratepayers, and consistency with existing rules and state goals. In addition, the Commission should include within the scope of this proceeding any additional issues that parties may identify after further investigation.

Respectfully submitted,

/s/ MICHAEL EINHORN  
Michael Einhorn  
Attorney

Public Advocates Office  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102  
Telephone: (415) 703-4852  
Email: Michael.Einhorn@cpuc.ca.gov

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