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

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

Application 25-04-006  
(Filed April 16, 2025)

**SMALL BUSINESS UTILITY ADVOCATES PREHEARING CONFERENCE  
STATEMENT REGARDING THE APPLICATION OF SOUTHERN  
CALIFORNIA GAS COMPANY FOR ADOPTION OF A  
MICROGRID OPTIONAL TARIFF**

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June 4, 2025



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**I. INTRODUCTION**

Pursuant to Rule 7.2 of the California Public Utilities Commission’s (“CPUC” or “Commission”) Rules of Practice and Procedure (“Rules”), Small Business Utility Advocates (SBUA) respectfully submits this Prehearing Conference Statement regarding the Application of Southern California Gas Company for Adoption of a Microgrid Optional Tariff, Application (A.) 25-04006 (Application). SBUA’s May 15, 2025, Motion For Party Status was unopposed and was granted on June 3, 2025. This Statement is in furtherance of the purposes of the Commission’s required Prehearing Conference in this proceeding.

In its Application, the Southern California Gas Company (SoCalGas), a regulated natural gas utility, proposes to establish a new Microgrid Optional Tariff (MOT) that it asserts is related to both backup power and the state’s electrification ambitions. SoCalGas is asking the Commission to approve its plan to design, engineer, procure, construct, own, operate, and/or maintain microgrid facilities, both behind-the-meter (BTM) and off-grid,

for eligible existing and prospective non-residential customers.<sup>1</sup> Under its proposal, SoCalGas's customers would be charged a regular service fee under a contract term that it negotiates with each of its customers (Application at 1).

SBUA herein provides a review of the key elements of the Application along with a review of the key elements of the Application's supporting testimony, observations as to concerns that the Commission may have with the Application as it currently stands, and a set of suggestions for modifications to improve the Application. SBUA also identifies issues for this proceeding to consider in its scope. Lastly, SBUA proposes a proceeding schedule.

## **II. REVIEW OF THE APPLICATION'S ELEMENTS**

### **A. Application Description**

As set forth in its filed Application, SoCalGas seeks the following:

1. SoCalGas proposes an optional microgrid tariff premised on its planning, designing, engineering, procurement, construction, ownership, operation, and maintenance of a microgrid for each existing and prospective non-residential customer in its service territory (p.1).
2. Customers would pay for the microgrid pursuant to a regular service fee based on all costs associated with the microgrid, as negotiated with SoCalGas: the fee would include, but would not be limited to, capital-related costs including return, operations and maintenance costs, and administrative costs (p.1).
3. Each microgrid would be customized to meet the customer's specific needs, such as energization for new electric demand and for back-up generation (BUG) to ensure reliability and uninterruptible energy (p.2).
4. In addition to the above, the microgrids could be engineered to provide electricity either behind-the-meter (BTM) or entirely off-grid (p.2).
5. SoCalGas proposes to develop "neutral scripts" in answering MOT inquiries that would provide information regarding other service options (p.5).
6. SoCalGas contends that the microgrids could assist with local electrical grid reliability and reduce grid upgrade costs and electricity costs (p.6).

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<sup>1</sup> SoCalGas's Application also alternately proposed that the customer may own or, as it expressed in its May 29, 2025 Reply to Protests and Responses, "SoCalGas can elect to have customers own the MOT facilities" (p.3).

7. SoCalGas contends that the microgrids can provide near-term solutions to support the state's decarbonization goals (p.7-8).
8. SoCalGas contends that the microgrids could use clean technologies and/or renewable fuels (p.7-8).
9. SoCalGas contends its microgrid may provide potential for reduced emissions (p.7-8).

**B. Testimony of SoCalGas's Jawaad Malik**

1. Asserts the MOT would lead to customers receiving more consistent electricity costs (p.2).
2. Asserts the MOT is for "commercial and industrial customers" (p.2).<sup>2</sup>
3. States that the "Microgrids can provide power at all hours" (p.4).<sup>3</sup>
4. Confirms that the microgrids would provide power when there is an inability to immediately obtain grid interconnection and for back-up generation and for islanding when grid electricity is unavailable (p.5-8, 9-14).
5. Observes that the installation of diesel backup generation increased 22% between 2018 and 2021, increasing air pollution particulates (p.15, 17).
6. Asserts that solar photovoltaic generation could be part of microgrid power generation (p.16).
7. Asserts that public policies such as SB1339 support microgrids (p.18).
8. States that "The OIR [R1909009] has focused on the acceleration of resilience projects, revised electric service rules, the development and implementation of the Microgrid Incentive Program (MIP), suspension of the Capacity Reservation component of the Standby Tariff charge for microgrids, and the creation of a Multi-Property microgrid tariff for the electric IOUs. All of these changes were made in an effort to make it easier for developers to integrate microgrids into the electric grid, both for in front and behind-the-meter microgrids. The MOT provides a simple option for customers to have microgrids built onsite" (p.18).

**C. Testimony of SoCalGas's Armando Infanzon**

1. Confirms that SoCalGas would handle everything, including building and operating the microgrid and negotiating separately for the cost with each customer, which can be any non-residential customer, and it can be either off-grid or behind the meter (p.2).
2. Observes that as of October 2024, there were 1100 microgrids in the US with 5.3GW capacity, with 50% using natural gas (p.10-11).

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<sup>2</sup> SBUA notes that the Application does not identify a customer size definition and simply states "non-residential customers." Presumably this includes small commercial customers.

<sup>3</sup> SBUA notes that this confirms the microgrids are not being offered solely for backup generation or any other limited purpose.

3. Asserts that SoCalGas would use third-party engineering, procurement, and construction of the microgrids (p.23-25).
4. Asserts that SoCalGas would provide 60-day usage reports to the Commission as to “total energy generated by MOT facilities” (p.25).
5. Cites to the 2021 MCubed Report regarding emissions from diesel backup generators (p.27).
6. States that regarding interconnection responsibility, “the MOT will work closely with the customer to manage all these activities” (p.29).<sup>4</sup>

#### **D. Testimony of SoCalGas’s Victor Garcia**

1. States that SoCalGas would use direct tracking of associated costs (p.1).
2. States that SoCalGas would use a tracking and balancing account "to track GRC-related costs" (p.2).
3. States that SoCalGas is currently using an internal tracking order to track costs associated with the MOT proposal (p.3).

### **III. CONCERNS REGARDING THE SOCIALGAS APPLICATION**

California will decarbonize. SoCalGas is a natural gas distribution utility that seeks to ensure its present and future sales horizons. SoCalGas’s Application seems analogous to what stock traders call a hedge straddle, meaning that it can both protect and profit from either direction that a market changes. SoCalGas will maintain its present exclusive utility service providing natural gas use for residential use, business use, industrial use, and grid-based electrical energy generation, although these markets will wane over time due to decarbonization. Therefore, SoCalGas now wants to move into the distributed energy business by providing all non-residential customers with natural gas for non-grid-based electrical energy generation.

SBUA recognizes that other parties have presented arguments regarding SoCalGas’s Application. While SBUA may support some of those arguments, SBUA would be wasteful of Commission resources to duplicate those arguments here. Instead, SBUA will present below a series of unique and beneficially impactful arguments. SBUA will first list below certain new concerns with the Application. Then, SBUA will identify how

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<sup>4</sup> This statement suggests that the customer would have ultimate responsibility to obtain MOT interconnection.

SoCalGas's Application could be modified to provide useful solutions for customers and for the state.

1. Nothing in the Application supports SoCalGas's arguments that its microgrids would use clean fuel or renewable energy. For SoCalGas to posit that "California's decarbonization goals are also supported by the *option* to have MOT facilities use renewable energy" (p.2, emphasis added) is mere unsupported argument. Nothing in the Application nor in the supporting testimony presents a basis to believe that such an option is preferred, promoted, or likely to be forthcoming from a natural gas distribution utility.

2. Nothing in the Application supports SoCalGas's arguments that its microgrids would lead to a cleaner environment. For SoCalGas to posit that "The MOT *could* help reduce the environmental footprint of this electric generation" (p.7, emphasis added) is mere unsupported argument. Nothing in the Application identifies the fuels that would be used for the MOTs, and neither the Application nor its supporting testimony compares the environmental impact of its MOTs with the environmental footprint of California's grid electricity (as of 2023, 56% of California's grid electricity was emissions-free<sup>5</sup>, and SB100 requires California's electrical grid to be 0% emissions by 2045). Nothing in the Application nor in the supporting testimony presents a basis to believe that the environmental impact of SoCalGas's proposed microgrid designs are likely to be less environmentally impactful compared to the grid electricity mandated by law to become emissions-free.

3. Nothing in the Application actually supports SoCalGas's arguments that its microgrids would lead to reduced electricity rates for ratepayers. The Application argues that "Microgrids could also reduce broader ratepayer costs by avoiding or delaying the need for certain infrastructure expansions and upgrades" (p.7). To the contrary, there is a better argument that BTM and off-grid microgrids for certain (often high-consumption) non-residential customers would steepen common grid-electricity ratepayer-base costs borne by the remaining ratepayer-base. Such common costs include nuclear

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<sup>5</sup> <https://www.energy.ca.gov/data-reports/energy-almanac/california-electricity-data/2023-total-system-electric-generation>.

decommissioning charges, wildfire fund charges, wildfire hardening charges, reliability services charges, and recovery bond charges borne on a per-kilowatt-hour basis among all grid-electricity ratepayers. The departing load of the prospective SoCalGas MOT non-residential customers would move these customers' common costs to the ratepayer-base that do not have access to SoCalGas's proposed style of BTM or off-grid electricity generation.

4. Nothing in the Application actually supports SoCalGas's arguments that its microgrids would lead to more energy price certainty for its MOT customers. The Application argues that among the benefits of the MOT is "A solution that can address affordability concerns by providing price certainty and may mitigate increases in electric ratepayer costs for new infrastructure" (p.5). While SoCalGas would negotiate each customer price independently (and, presumably, could choose to absorb fuel price swings), there is a better argument that grid electricity costs are more stable than the cost of the natural gas likely to fuel the proposed MOTs: in just the past five years, natural gas prices have varied about 400%.<sup>6</sup>

5. There is no meaningful support for the Application citation to SB1339 for the contention that "state laws explicitly support the adoption of microgrids" (p.3) in the context of SoCalGas's proposed microgrids. This is because SB1339 does not discuss natural gas-powered microgrids. Moreover, the contention is undercut by D.24-11-004, which is restrictive of utility creation of microgrids, and D.22-03-006, which expressly denied SoCalGas's prior distributed energy proposals.

6. Contrary to SoCalGas's arguments regarding the unreliability of the electric grid (p.5-6), grid reliability has increased over the past five years due to greater energy generation, due to greater energy storage, due to implementation of the Strategic Reliability Reserve, due to the extension of the Diablo Canyon Power Plant, due to

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<sup>6</sup> <https://www.eia.gov/dnav/ng/hist/n3035ca3m.htm>.

improved agency forecasting and coordination, due to coordination with regional power authorities, and due to system hardening measures.<sup>7</sup>

7. The Application's proposed microgrids necessarily lock in huge amounts of capital expenditure monies, therefore locking in both SoCalGas and its MOT customers regardless of the cost of microgrid fuel. The Commission has a fundamental obligation to ensure that electricity is safe, reliable, and reasonable in price for California customers. The Commission should be concerned not only that this MOT proposal would be detrimental to the interests of those ratepayers, including small business customers, who would be left responsible for a larger share of the state's electrical grid ratepayer-based common costs (as argued in #3 above), but furthermore, those customers who get locked into the MOTs may not understand or appreciate that California's electricity system has already absorbed rate increases that are now built into the rate system. Therefore, there is a better argument that rate increases will reduce over time due to the implementation of the energy storage, system hardening, and ever-decreasing renewable energy generation costs. The MOT customers will have sunk their capital expenditure monies into microgrids and be deprived of the safety, reliability, and reasonableness in the price of grid-based electrical energy.<sup>8</sup>

8. Nothing in the Application demonstrates how the MOT will accommodate small commercial customers, despite SoCalGas' broad claim to serve all "non-residential customers." The MOT's reliance on individualized contract negotiations, bespoke third-party engineering, and vague creditworthiness requirements imposes structural barriers that may effectively exclude small businesses from participation.

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<sup>7</sup> <https://www.energy.ca.gov/news/2025-05/california-energy-leaders-report-progress-grid-reliability-ahead-summer-2025#>.

<sup>8</sup> In California, the cost of solar energy contracts (the main driver of renewable energy in California), has been consistently decreasing for decades: <https://emp.lbl.gov/news/berkeley-lab-s-latest-utility-scale-1>.



#### **IV. PROPOSALS TO IMPROVE THE SOCALGAS APPLICATION**

1. SoCalGas should set up a separate entity to ensure accounting is not confused between this distinct microgrid enterprise and all SoCalGas General Rate Case monies, other operations within SoCalGas, or any public monies or ratepayer monies.

2. SoCalGas should modify its Application to enable its microgrids to serve as BUG for all circumstances where its customers may not be able to receive grid electricity, in accordance with D.25-01-038.

3. SoCalGas should modify its Application to enable its microgrids to provide all needed electricity for its customers until such time as its customer is grid interconnected, in accordance with D.25-01-038.

4. SoCalGas should modify its Application to enable its microgrids to provide electricity to the grid during times of grid stress, as determined by the California Independent System Operation and/or the local electricity utility.

5. SoCalGas should modify its Application to measure and report each customer's use of its MOT electricity, in order that the customer can be assessed per-kWh costs in support of those "common costs" that are tallied on each customer's bill as would have been paid had that customer taken that kWh amount from the grid. This would ensure that there is continued pooled support for the safety, reliability, and billing fairness related to these common costs. The exact determination of such common costs should be a focus of this proceeding. SBUA opines that these common costs should be unrelated to generation, distribution, transmission, power charge indifference adjustment, and CPUC elective program charges such as the public purpose program charge, competition transition charge, and the energy cost recovery amount. These common costs should include tariffs for nuclear decommissioning, wildfire fund charge, wildfire hardening charge, reliability services, and recovery bond charge/recovery bond credit.

6. SoCalGas should modify its Application to ensure meaningful access for small commercial customers by offering streamlined and standardized contracts, engineering assistance, and tailored credit terms specifically designed for this customer class.

## **V. PREHEARING CONFERENCE ISSUES**

SBUA agrees with Cal Advocates' identification of issues to address in this proceeding, and adds the following:

1. Whether SoCalGas should modify its Application to enable its microgrids to serve as BUGs for all circumstances where its customers may not be able to receive grid electricity, in accordance with D.25-01-038.

2. Whether SoCalGas should modify its Application to enable its microgrids to provide all needed electricity for its customers until such time as its customer is grid interconnected, in accordance with D.25-01-038.

3. Whether SoCalGas should modify its Application to enable its microgrids to provide electricity to the grid during times of grid stress, as determined by the California Independent System Operation and/or the local electricity utility.

4. Whether SoCalGas should modify its Application to measure and report each customer's use of its MOT electricity, in order that the customer can be assessed per-kWh costs in support of those "common costs" that are tallied on each customer's bill as would have been paid had that customer taken that kWh amount from the grid.

a. How to ensure that there is continued pooled support for the safety, reliability, and billing fairness related to grid.

b. How to determine the exact definition of such "common costs."

c. How to separate "common costs" unrelated to generation, distribution, transmission, power charge indifference adjustment, and CPUC elective program charges such as the public purpose program charge, competition transition charge, and the energy cost recovery amount, but include tariffs for nuclear decommissioning charges, wildfire fund charges, wildfire hardening charges, reliability services charges, and recovery bond charges (or recovery bond credits).

5. Whether SoCalGas should modify its Application to ensure meaningful access for small commercial customers.

## VI. PROCEDURAL ISSUES

This section addresses the procedural issues of categorization, need for hearings, issues to be addressed, and proposed schedule.

### A. Categorization

For the presumed modified SoCalGas Application, SBUA supports the categorization of the proceeding as “Ratesetting” pursuant to Rule 1.3(g) because the Application requests the establishment of a new tariff and new accompanying rates.

### B. Evidentiary Hearings May Be Needed.

SBUA requests that the Commission include evidentiary hearing dates in the adopted schedule. Premised on the proposed proceeding issues identified here, evidentiary hearings are likely to be needed and should be accounted for in the proceeding schedule.

### C. Proposed Schedule

SBUA requests that the Commission adopt an appropriate schedule that provides all parties adequate time to evaluate the presumed modified Application issues, conduct discovery, prepare testimony, and prepare briefs. Due to the nature of the proposed modifications to the Application as set forth here, there are several unknowns that make setting a schedule challenging for this proceeding, including assessing the time required for discovery. SBUA argues that SoCalGas’ proposed schedule is too compressed to be conducive for stakeholder participation, especially in comparison to the resources available to SoCalGas.

Based on the foregoing, SBUA recommends the following schedule:

EVENT	SCG PROPOSED DATE	SBUA PROPOSED DATE
Prehearing conference	July 15, 2025	July 23, 2025
Opening intervenor testimony	October 15, 2025	October 2025

Concurrent rebuttal testimony	November 14, 2025	November 2025
Evidentiary hearings (if needed)	December 2025	January 2026
Opening briefs	January 2026	March 2026
Reply briefs	February 2026	April 2026

The schedule for this proceeding can be further addressed at the prehearing conference after the parties have had more time to evaluate the Application and such Protests, Responses, and PHC Statements as may bear upon the proceeding schedule. SBUA will participate in any meeting or Commission efforts to develop a mutually agreeable procedural schedule.

## **VII. CONCLUSION**

SBUA seeks to provide guidance in support of SoCalGas's voluntary modification of its Application. Alternately, SBUA seeks to provide insight in support of the Commission's direction to SoCalGas to modify its Application. SBUA will fully participate in all aspects of this important proceeding.

Dated: June 4, 2025

Respectfully submitted,

By: /s/ Jennifer Weberski

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