

**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 No. 25-04-006  
(Filed April 16, 2025)

**SOUTHERN CALIFORNIA GAS COMPANY'S REPLY TO PROTESTS AND  
RESPONSES TO THE APPLICATION FOR ADOPTION OF A MICROGRID TARIFF**

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On April 16, 2025, Southern California Gas Company (SoCalGas) filed at the California Public Utilities Commission (CPUC) Application 25-04-006 for Adoption of a Microgrid Optional Tariff (Application). Pursuant to Rule 2.6 of the Commission’s Rules of Practice and Procedure (Rules), California Hydrogen Business Council (CHBC), Public Advocates Office (Cal Advocates), the Utility Consumers’ Action Network (UCAN), Southern California Generation Coalition (SCGC), and First Public Hydrogen Authority (FPHA) filed protests and responses to the Application. Small Business Utility Advocates (SBUA) and Bloom Energy Corporation (Bloom) filed motions for party status. In accordance with Rule 2.6(e), SoCalGas timely replies to the protests and responses.<sup>1</sup>

**I. INTRODUCTION**

The Microgrid Optional Tariff (MOT), as proposed in the Application, is a flexible program that is designed to meet a variety of customer needs, that would be funded by the customers opting into the program. The protests and response to the MOT reflect a range of perspectives, including support for the MOT’s potential to enhance energy resilience and decarbonization as expressed by the CHBC,<sup>2</sup> which are consistent with the letters of support

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<sup>1</sup> SoCalGas does not address here all of the points raised in the protests and response, but has focused on the few broader arguments raised. Not addressing an issue here does not indicate agreement with the points made.

<sup>2</sup> SoCalGas is a member of CHBC.

submitted with the Application.<sup>3</sup> Although some parties raise concerns, they largely focus on costs being confined to only enrolling customers, and arguments that the MOT should not be offered by SoCalGas. However, the MOT is designed to be funded by enrolled customers, and it can be offered in a way that addresses potential concerns regarding unfair competition – similar to optional tariff programs that the Commission has previously authorized. The protests do not raise any issues that would preclude the Commission from approving the Application.

## **II. DISCUSSION**

### **A. Costs of the MOT Will Be Borne Only by Enrolled Customers**

As stated in the Application and supporting testimony, the costs of the MOT will be borne by the customers who enroll in the tariff, and other gas ratepayers will not be funding the program.<sup>4</sup> Despite that, Cal Advocates, UCAN, and SCGC protest the Application on the grounds that program costs may still be paid by ratepayers.<sup>5</sup>

Cal Advocates argues that there is insufficient oversight by the Commission,<sup>6</sup> and UCAN claims that it “would be difficult for the Commission or stakeholders to audit”<sup>7</sup> SoCalGas. If the Commission requires additional oversight or controls or reporting with respect to the program, then it can consider that in the course of this proceeding.<sup>8</sup> Costs for this program will be tracked through internal orders specifically designated for MOT activities. Additional validation processes can be implemented to confirm that labor charges, along with any additional transactions (e.g. non-labor), are correctly recorded to the MOT internal orders. If the Commission wants further insight into program cost allocation, it can require reporting, which it has done with other utility programs.<sup>9</sup>

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<sup>3</sup> Prepared Direct Testimony of Armando Infanzon (Chapter 2) at Attachment A.

<sup>4</sup> Application at 1, 10-11; Prepared Direct Testimony of Victor R. Garcia (Chapter 3) at VRG-1–VRG-3.

<sup>5</sup> Cal Advocates Protest at 3; UCAN Protest at 3-4; SCGC Protest at 3-4.

<sup>6</sup> Cal Advocates Protest at 3.

<sup>7</sup> UCAN Protest at 3.

<sup>8</sup> Cal Advocates Protest at 3, 4.

<sup>9</sup> See D.15-10-049 at 125-126 (Ordering Paragraph (OP) 19; D.12-12-037 at 61 (Finding of Fact (FOF) 18).

Cal Advocates also argues that the MOT introduces financial risk to ratepayers if customers default on the payments for the microgrid facilities, if, for example, the MOT customer goes into bankruptcy.<sup>10</sup> Similarly, SCGC complains that the MOT “conflicts with containing the cost of capital needed to support safe and reliable natural gas storage and transportation,” and “the increased capital requirements on SoCalGas’s credit rating” would result in higher rates for SoCalGas customers.<sup>11</sup> Both Cal Advocates and SCGC raise concerns that suggest SoCalGas will be indiscriminate in providing the funding required for the MOT facilities. The MOT gives SoCalGas “complete discretion” on whether to have the MOT applicant own the infrastructure, and includes important provisions regarding the creditworthiness of any applicant whether or not the facilities are owned by the tariff applicant.<sup>12</sup> SoCalGas is not willing to make investments that might negatively impact its credit rating, and SoCalGas can elect to have customers own the MOT facilities or otherwise would implement specific credit requirements for the MOT customer to mitigate the potential risk. In the event SoCalGas does own all or a portion of the microgrid facilities, if a customer were to default, other gas ratepayers would not be responsible for the unrecovered cost. The risk and associated costs, if any, would be covered by shareholders. Notwithstanding, SoCalGas has included credit requirements in its Application that are consistent with its credit risk management practices that are intended to appropriately mitigate such risks.

Costs of the MOT will be covered by customers who elect to enroll in the program, and will not be allocated to ratepayers. Any guidance or reporting the Commission requires can be addressed in the course of this proceeding, and SoCalGas will prudently manage the program in a financially responsible manner.

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<sup>10</sup> Cal Advocates Protest at 4.

<sup>11</sup> SCGC Protest at 3-4.

<sup>12</sup> Application Attachment A at 1 (“Utility shall have complete discretion as to whether the MOT Facilities will be owned by Utility or Applicant.”); *id* at 6 (“The amount of credit required to establish or re-establish credit for MOT Services may be the full cost of the MOT Services consisting of the summation of the regular service fees for the duration of the term of the Agreement.”).

**B. Claims of Anti-Competitiveness Can Be Addressed by the Commission, and an Affiliate Is Not Required for the MOT**

The MOT is designed to help expand microgrid adoption in SoCalGas's service territory to help promote energy resiliency, reliability, and sustainability for opted-in tariffed customers. Microgrids have lower adoption than would be expected in SoCalGas's service territory,<sup>13</sup> and SoCalGas, as an established energy provider, could help expand the use of microgrids for non-residential facilities. SoCalGas's participation in this market would not be "anti-competitive," as Cal Advocates<sup>14</sup> and FPHA<sup>15</sup> claim. SoCalGas is permitted to provide tariffed services subject to CPUC approval.

Cal Advocates argues that SoCalGas's offering should be denied because SoCalGas's "dual role as a regulated utility and a market participant may suppress competition,"<sup>16</sup> while FPHA states that SoCalGas may have "unfair competitive advantages."<sup>17</sup> SoCalGas has provided similar programs to the MOT in the past, and not through an affiliate.<sup>18</sup> As mentioned above, SoCalGas has received approval for the Compression Services Tariff, Biogas Conditioning/Upgrading Services Tariff, and the Distributed Energy Resource Services Tariff which share some similarities to the MOT. During the proceedings concerning these tariffs, certain parties raised the issue of whether these tariffs were anti-competitive.<sup>19</sup> Ultimately, the Commission identified certain marketing requirements for the tariffs to address concerns of anti-

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<sup>13</sup> See Prepared Direct Testimony of Armando Infanzon (Chapter 2) at Attachment B.

<sup>14</sup> Cal Advocates Protest at 5, 7.

<sup>15</sup> FPHA Protest at 2, 6-11.

<sup>16</sup> Cal Advocates Protest at 5.

<sup>17</sup> FPHA Protest at 8.

<sup>18</sup> Oddly, FPHA suggests that this is only SoCalGas's second optional tariff. FPHA Protest at 7 ("SoCal Gas' previous tariff offering...."). SoCalGas has had many optional tariffs of a wide variety. See A.11-11-011 (Compression Services Tariff (CST)), A.12-04-024 (Biogas Conditioning & Upgrading Services (BCS) Tariff), A.14-08-007 (Distributed Energy Resources Services (DERS) Tariff), A.19-02-015 (Renewable Natural Gas Tariff (RNGT)).

<sup>19</sup> A.12-04-024, Protest of the Division of Ratepayer Advocates (DRA) (June 1, 2012) at 3; A.11-11-011, Protest of DRA (December 15, 2011) at 5-6; A.11-11-011, Protest of Clean Energy Fuels Corporation (December 15, 2011) at 3-9; A.11-11-011, Protest of Integrys Transportation Fuels (December 15, 2011) at 3-6; A.14-08-007 Protest of Shell Energy North America (September 12, 2014) at 4-7; A.14-08-007 Protest of the Office of Ratepayer Advocates (September 12, 2014) at 2-4; A.19-02-015, Protest of SFE Energy California (April 5, 2019) at 2, 5-6.

competitiveness and approved the tariffs.<sup>20</sup> These requirements include certain reporting obligations and the use of neutral messaging and scripts where the tariffs were offered.<sup>21</sup> Such requirements were deemed sufficient “to eliminate or mitigate any unfair advantage.”<sup>22</sup> For these programs, the Commission was not persuaded by arguments that SoCalGas should be required to offer the services through an affiliate.<sup>23</sup>

[B]ased on a review of past/recent Commission decisions in recent years, we are not convinced that there should be a blanket prohibition of utility owned facilities on or outside customer’s premises even it doesn’t appear to be a “logical extension” of utility service. For example, during the last several years, there are a few instances where the Commission has allowed utilities to own facilities on customer premises (e.g., distributed fuel cells, or distributed commercial solar). In this decision, we allow SoCalGas to design, own, operate, and install electric facilities on customer premises[.] [...] [T]he most salient issue is not whether utilities should be able to recover costs associated with ownership of facilities on customer premises via a regulated utility or unregulated affiliate[.]

The Commission’s findings on this issue were appealed by an intervenor and upheld by the California Court of Appeal.<sup>24</sup> These offerings are not, as Cal Advocates and FPHA suggest, only permitted through an affiliate or in extreme circumstances.

In addition to arguing that the MOT should only be offered through an affiliate, FPHA makes additional arguments that confuse existing law with respect to affiliate transactions and utility offerings. Stated briefly for the purpose of this reply, FPHA claims that “new ‘tariffed’

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<sup>20</sup> See, e.g., D.12-12-037 at 65-66 (OP 4-5) (Decision approving CST); D.15-10-049 (Decision approving DERS tariff) at 125 (OP 16, 17).

<sup>21</sup> D.12-12-037 at 61 (FOF 14); D.13-12-040 at 38 (OP 5); D.15-10-049 at 125 (OP 16-17).

<sup>22</sup> D.15-10-049 at 47.

<sup>23</sup> *Id.* at 31.

<sup>24</sup> *Clean Energy Fuels Corp. v. Public Utilities Com.*, 227 Cal. App. 4th 641, 644 (2014) (“We affirm the PUC’s decisions approving the Compression Services Tariff. The PUC’s decisions acknowledge SoCalGas’s monopoly status could provide it with unfair competitive advantages over nonutility enterprises, and therefore the PUC imposed several reporting, cost tracking, and marketing restrictions on SoCalGas to prevent it from unfairly competing. With those restrictions in place, the PUC determined the Compression Services Tariff does not provide SoCalGas unfair competitive advantages and PUC precedent supports adoption of the tariff. We conclude the evidence in the record and the PUC’s findings support those determinations and the PUC’s rejection of Clean Energy’s unregulated affiliate proposal.”).

services are occasionally permitted by the Commission, [but] these offerings are extremely limited and are subject to a balancing test that weighs heavily against services unless there is an overriding public policy interest or legislative mandate counterbalancing the presumption against new utility services.”<sup>25</sup> It is unclear what this “balancing test that weighs heavily against services” is that FPHA refers to. Regardless, as discussed above, several new tariffed services have been approved by the Commission concerning similar types of services as that proposed in the MOT. FPHA goes on to argue that utilities can only offer services with “minimal or no incremental capital, business risk, and management control.”<sup>26</sup> FPHA appears to misread D.97-12-088. This limitation identified by the Commission is specific to “Products and services which are offered on a non-tariffed basis....”<sup>27</sup> The MOT is offered as a new *tariffed* product or service and the discussion cited by FPHA is irrelevant to this proceeding.<sup>28</sup>

### **C. The MOT Is Not Outside of The CPUC’s Jurisdiction**

UCAN argues that the MOT should not be considered because the offering is “behind the-meter,” and therefore it is “outside the Commission’s jurisdiction.”<sup>29</sup> UCAN makes this overbroad statement without citing any authority.<sup>30</sup> It is unclear what UCAN means by this blanket statement. The MOT offering is consistent with other applications by SoCalGas where the Commission has approved utility facilities on customer premises.<sup>31</sup> These were approved despite arguments by parties that the facilities were “behind-the-meter.”<sup>32</sup> UCAN’s claim is not a basis for dismissing the Application.

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<sup>25</sup> FHPA Protest at 7.

<sup>26</sup> *Id.* at 9 (citing D.97-12-088 at 79).

<sup>27</sup> *Id.*

<sup>28</sup> See D.13-10-042 at 16-17 (“Finally, Clean Energy argues that allowing SoCalGas to provide Compression Service rather than requiring the service be provided through an affiliate is inconsistent with Commission precedent. [...] Clean Energy is mistaken.[...] Among other things, Rule VII.C allows a utility to offer for sale products and services that are offered on a tariffed basis.”) (Citations omitted).

<sup>29</sup> UCAN Protest at 2-3.

<sup>30</sup> *Id.*

<sup>31</sup> D.15-10-049 at 29, 117 (Conclusion of Law (COL) 8).

<sup>32</sup> *Id.* at 27.

### III. CONCLUSION

WHEREFORE, SoCalGas respectfully requests that the Commission approve the Application in its entirety.

Respectfully submitted,

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