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# DISCUSSION ON MICROGRID OPTIONAL TARIFF APPLICATION

A.25-04-006

January 6, 2026



# Microgrid Optional Tariff (MOT) Overview

## **What is the MOT?**

- *A turn-key solution for behind-the-meter microgrid facilities, both grid-connected or off-grid solutions.*

## **Who Can Participate?**

- *All existing and prospective non-residential customers located in SoCalGas's service territory.*

## **What is the Ratepayer Impact?**

- *All MOT project costs, including program and customer development, will be funded by shareholders and recovered from the participating tariff customers with no subsidies from other ratepayers.*

## **What Technologies and Fuels Are Eligible?**

- *The proposed tariff is technology agnostic.*
- *Customers may choose their fuel of choice, allowing them to leverage existing options in the market and transition to cleaner fuels (such as RNG & hydrogen) in the future. Gas technologies could accommodate cleaner fuels.*

## **What is it NOT?**

- *MOT is NOT a community-based or in-front-of-the-meter microgrid service.*
- *MOT is NOT a service that sells electricity to customers or requires an electrical corporation designation.*

# Approval of MOT is Reasonable and in the Public Interest



## Aligns with CPUC Priorities

MOT aligns with key CPUC priorities, supporting:

- Improved resilience and reliability
- Energization of new electric load and electrification, including demand flexibility and load management
- Affordability (e.g. cost avoidance of electric infrastructure)



## Supports Microgrid Market Growth

MOT supports microgrid market competition and promotes customer choice



## Aligns with State Policy (SB 1339)

MOT helps reduce barriers to microgrid deployment without shifting costs to ratepayers



## Supports Economic Development

MOT supports CA economic growth by providing solutions for high energy demand sectors such as data centers and EV charging



## Supports CA's Decarbonization Goals

MOT provides a pathway to decarbonization by deploying renewable fuel-ready technology and supports electrification



# CPUC Has Clear Precedent that Shareholder Funded Tariffs Can Run Under Current Regulatory Model

## Compression Services Tariff (CST)

**Approval Date:** 12/27/12 (D.12-12-037)

**Sunset Date:** None

**Description:** A shareholder funded tariff allowing SCG to design, install, own, operate, and maintain gas compression facilities on customer premises for a monthly fee.

## Biogas Conditioning/Upgrading Services (BCS) Tariff

**Approval Date:** 12/23/13 (D.13-12-040)

**Sunset Date:** 12/23/23

**Description:** A shareholder funded tariff allowing SCG to design, install, own, operate, and maintain biogas conditioning and upgrading equipment on customer premises for a monthly fee.

## Distributed Energy Resources Services (DERS) Tariff

**Approval Date:** 10/26/15 (D.15-10-049)

**Sunset Date:** 10/26/25

**Description:** A shareholder funded tariff allowing SCG to design, install, own, operate, and maintain combined heat and power (CHP) and waste heat to power assets on customer premises for a monthly fee.

### Common Principles Embedded in MOT

- ✓ **Shareholder Funded:** SCG ratepayers do not bear costs to develop or implement tariffs or bear risk of under collections related to the tariffs
- ✓ **Neutral Marketing:** Tariffs are promoted on a competitively neutral basis with CPUC approved language
- ✓ **Pricing and Contract Term:** SCG charges a service fee, that recovers full project cost and utilizes an authorized rate of return model, over a contract term of typically 10-20 years
- ✓ **Optional:** Tariffs are fully elective, optional services and not tied to any other tariff or non-tariff services the customer may receive
- ✓ **Utility Connections:** Tariff customers are responsible for providing all utility service connections and commodity inputs

# Leveraging Models from Previously-Approved Ratepayer Tariffs, MOT Offers Appropriate Ratepayer and Market Protections

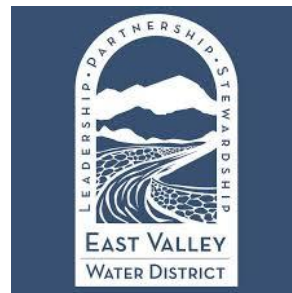
## MOT Safeguards Adequately Protect Ratepayers

- ✓ MOT costs will be covered by shareholders and MOT customers. Non-participating ratepayers will not subsidize or bear business risk from MOT.
- ✓ Any embedded costs and applicable overheads will be tracked for refund on an annual cadence, starting at program inception.
- ✓ SoCalGas will use established credit evaluation methodologies and criteria to mitigate financial risk.

## MOT Would Not Create Barriers or Suppress Competition

- ✓ SoCalGas will only use CPUC approved, competitively neutral scripts when promoting the MOT.
- ✓ Prospective MOT customers will be provided with a list of other known microgrid service providers who offer the same or similar service within SoCalGas's service territory.
- ✓ SoCalGas will not use bill inserts to market the MOT.
- ✓ SoCalGas will not tie the provision of the MOT to any other SoCalGas-provided service.
- ✓ MOT pricing will be based upon same ratemaking methodology as adopted for the previously-approved DERS Tariff.

# Multi-Sectoral Stakeholder Support for MOT



# Examples of Relevant Citations in SoCalGas Testimony

## Public Interest Benefits of MOT:

- MOT is a near-term solution to energize new electric demand (Prepared Direct Testimony of Jawaad Malik, pg. JM-5, lines 4-5)
- MOT can help customers address reliability and resilience needs (Prepared Direct Testimony of Jawaad Malik, pg. JM-13, lines 1-2)
- MOT will provide more price certainty for customers (Prepared Direct Testimony of Jawaad Malik, pg. JM-14, lines 1-3)
- MOT creates a pathway for customers to transition to clean fuels (Rebuttal Testimony, pg. IGM-22, lines 8-10).
- MOT provides customer choice, which helps to reduce microgrid deployment barriers consistent with SB 1339 goals (Rebuttal Testimony, pg. IGM-22, lines 6-7)

## MOT Alignment with Relevant Commission Decisions and Public Utilities Code:

- MOT is consistent with applicable requirements of D.21-01-018 and D24.-11-004 (Supplemental Testimony, pg. 2, lines 28-29)
- MOT is consistent with PUC Section 451. The costs for MOT customers will be just and reasonable; MOT is a voluntary tariff with a service fee calculation that has already been approved in previous shareholder tariffs. (Supplemental Testimony, pg. 3, lines 26-29 and Rebuttal Testimony, pg. IGM-27, lines 22-24)
- MOT is consistent with PUC Section 218. MOT is not offered in a way that would make SoCalGas or a MOT customer an “electrical corporation” (Supplemental Testimony, pg. 3, lines 23-25)

# Examples of Relevant Citations in SoCalGas Testimony (Continued)

## Ratepayers Safeguards Embedded into MOT:

- MOT project costs will be recovered from tariff customers with no subsidy from or business risk incurred by non-participating ratepayers (Prepared Direct Testimony of Armando Infanzon, AI-2, lines 20-21).
- A MOT Balancing Account will be created to credit ratepayers for any GRC embedded costs used in providing MOT (Prepared Direct Testimony of Victor Garcia, VRG-2, lines 13-14).
- A MOT internal order has already been created to track time and resources associated with developing the tariff (Prepared Direct Testimony of Victor Garcia, VRG-3, lines 9-10).

## Market Competition Safeguards Embedded into MOT:

- SoCalGas will use CPUC-approved competitively neutral scripts and marketing documents to inform customers of MOT (Rebuttal Testimony, IGM-16, lines 5-6).
- Prospective customers will be provided with a list of other known microgrid service providers (Rebuttal Testimony, IGM-16, lines 7-8).
- Periodic reports will be provided to CPUC to show equal treatment of SoCalGas's MOT and non-MOT customers (Rebuttal Testimony, IGM-16, lines 18-21).
- SoCalGas will not use bill inserts to promote the MOT (Rebuttal Testimony, IGM-16, line 22).
- SoCalGas will not tie the provision of the MOT to any other SoCalGas-provided service (Rebuttal Testimony, IGM-16, lines 23-24).
- SoCalGas will use the same ratemaking methodology as what was previously approved for the DERS Tariff (Rebuttal Testimony, IGM-27, lines 23-24).

## Stakeholder Support for MOT:

- A wide range of stakeholders have shown support for and interest in MOT (Application Attachment A and Rebuttal Testimony Attachment A)



**Thank You**