

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
(Filed April 16, 2025)

REPLY BRIEF OF THE UTILITY CONSUMERS' ACTION NETWORK (UCAN)



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Pursuant to Rule 13.12 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission” or “CPUC”) and Administrative Law Judge Atamturk’s E-mail ruling dated January 23, 2026,¹ the Utility Consumers’ Action Network (“UCAN”) respectfully submits its Reply Brief in the above-entitled proceeding.

I. INTRODUCTION

Opening Briefs were filed by UCAN, the Public Advocates Office (“CalAdvocates”), The Utility Reform Network (“TURN”), the Southern California Generation Coalition (“SCGC”), Small Business Utility Advocates (“SBUA”), Energy Pathways, LLC (“EP”), and the Southern California Gas Company (“SoCalGas”). The intervenors here are in agreement. Every party except for SoCalGas, the applicant, recommended that the Commission deny the application of Southern California Gas Company (U 904 G) for Adoption of a Microgrid Optional Tariff (“Application”).² After a thorough review, intervenors concluded that the Application requests a microgrid optional tariff (“MOT”) that violates California Public Utilities

¹ A.25-04-006, Email Ruling Modifying The Proceeding Schedule (January 23, 2026), <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M596/K270/596270156.PDF>.

² UCAN Brief at 1; Cal Advocates Brief at 2; TURN Brief at 2; SCGC Brief at 23; SBUA Brief at 9; EP Brief at 5.

Code Section 451 (i.e., just and reasonable rates),³ Section 454 (i.e., Commission approval of rates),⁴ and the Commission’s Affiliate Transaction Rules.⁵ Intervenors also determined that the MOT conflicts with California’s energy policies defined in California Public Utilities Code Section 454.53(a) (i.e., zero-carbon electric generation procurement policy),⁶ California Health and Safety Code Section 38562.2(c) (i.e., GHG-emissions policy),⁷ hampers the implementation of Public Utilities Code Section 451.9 (i.e., SB 1221 termination of obligation to serve gas in pilot zones),⁸ and conflicts with numerous Commission decisions.

Any one of these legal and regulatory misalignments would provide the Commission with grounds to deny the Application. In combination and aggregate, however, the evidence suggests that denial of the Application is the only reasonable action without wholesale revision to nearly every component of the Application-proposed MOT.

³ UCAN Brief at 6-7; Cal Advocates Brief 1-6; TURN 20-22; SCGC Brief 9-11; Pub. Util. Code Section 451 (“All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable. Every unjust or unreasonable charge demanded or received for such product or commodity or service is unlawful...”); Unless otherwise noted, all code references are to the California Public Utilities Code.

⁴ CalAdvocates 3-8; TURN 22-24; Pub. Util. Code Section 454 (“Except as provided in Section 455, a public utility shall not change any rate or so alter any classification, contract, practice, or rule as to result in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified...”).

⁵ Cal Advocates 14-17; TURN 24-34; D.06-12-029, https://docs.cpuc.ca.gov/PublishedDocs/WORD_PDF/FINAL_DECISION/63087.PDF; D.06-12-029, Attachment A-3, <https://docs.cpuc.ca.gov/PublishedDocs/PUBLISHED/GRAPHICS/63089.PDF>.

⁶ UCAN 22-24, 27-28; Pub. Util. Code Section 454.53(a), (“It is the policy of the state that eligible renewable energy resources and zero-carbon resources supply 90 percent of all retail sales of electricity to California end-use customers by December 31, 2035, 95 percent of all retail sales of electricity to California end-use customers by December 31, 2040, 100 percent of all retail sales of electricity to California end-use customers by December 31, 2045[.]”).

⁷ UCAN 3, 21, 27, 33; California Health and Safety Code Section 38562.2 “[i]t is the policy of the state to... [a]chieve net zero greenhouse gas emissions as soon as possible[.]”

⁸ UCAN 28-29; Pub. Util. Code Section 451.9 “((a) Notwithstanding Section 451, a gas corporation may cease providing service in an area within its service territory where a pilot project has been implemented pursuant to Section 663 if the commission determines that adequate substitute energy service is reasonably available to support the energy end uses of affected gas corporation customers...).”

II. THE COMMISSION SHOULD DENY THE APPLICATION BECAUSE THE MOT WOULD ALLOW SOCALGAS A COMPETITIVE ADVANTAGE AND VIOLATES THE AFFILIATE TRANSACTION RULES.

UCAN recommends denial of the Application on several grounds as noted in its opening brief including that the MOT would convey an unfair competitive advantage to SoCalGas. Related to the unfair competitive advantage, both Cal Advocates and TURN highlighted the conflict between the MOT and the Commission’s Affiliate Transaction Rules.⁹ The MOT would allow SoCalGas the unfair advantage of access to utility data and resources without consumer protections enforced by the Commission’s regulatory oversight. Moreover, this lack of regulatory oversight would occur without MOT customers’ knowledge. MOT customers would likely assume protections that the MOT circumvents. UCAN supports the conclusion of TURN and Cal Advocates that the MOT violates the Affiliate Transaction Rules.

UCAN’s focus on this “competitive advantage” consideration – consistent with the discussion on Affiliate Transaction Rules – spotlighted the unfair market possibilities. The competitive advantages that Sempra would gain in the microgrid market by offering microgrids through SoCalGas instead of through an affiliate are undeniable.¹⁰ UCAN proposed MOT revisions that would minimize the impact of the competitive advantage,¹¹ however, the only comprehensive way to avoid conflicts with the Affiliate Transaction Rules would be for the Commission to deny the Application.

An important consideration related to both competitive advantage and the Affiliate Transaction Rules is the puzzling question of why SoCalGas submitted the Application at all if it

⁹ Cal Advocates 14-17; TURN 24-34.

¹⁰ UCAN Brief, at 19, (See the first bullet point recommendation).

¹¹ *Ibid.*

believes that offering microgrids through SoCalGas does *not* convey a competitive advantage. There is nothing stopping Sempra from offering the exact product proposed by SoCalGas but simply offering microgrids through an affiliate rather than through SoCalGas. TURN noted that Sempra “could offer these individually negotiated contracts through an affiliate, giving it more autonomy and less oversight.”¹² UCAN agrees with TURN. The fact that Sempra could offer the individual MOT contracts through an affiliate, but instead chose to propose this offering through SoCalGas, suggests that Sempra believes the SoCalGas pathway offers a competitive advantage, just as most parties have concluded.¹³ Moreover, the Affiliate Transaction Rules appear designed to ban exactly the type of proposal submitted in the Application.

III. IF THE APPLICATION IS PARTIALLY GRANTED, THE COMMISSION SHOULD MAKE MODIFICATIONS TO THE MOT

UCAN, as well as other intervenors, provided overwhelming evidence supporting the rejection of the Application. And UCAN’s recommendation in its Opening Brief clearly expresses its preference that the Commission deny the Application outright. However, if the Application is granted with modification, then there are several critical modifications the Commission should make. UCAN proposed such modifications in its opening brief.¹⁴ Other parties also made reasonable suggestions for modifications. However, UCAN proposes small but meaningful revisions to two party-proposed modifications.

¹² TURN stated that the offering could be through SoCalGas, but UCAN assumes that TURN meant Sempra due to the reference to an affiliate.

¹³ UCAN Brief, at 19; Cal Advocates at 15; TURN at 35; SCGC at 17-18; SBUA at 5; EP at 6.

¹⁴ UCAN Brief, Section V, at 18-20.

A. All audits and other reviews of MOT proposals and documents should be reviewed by the Commission in an active proceeding.

TURN makes several recommendations regarding audits, disclosures, and other reviews including the following:¹⁵

- Require SoCalGas to present rate components, terms, and conditions for Commission review;
- Require an external audit of SoCalGas’s cost tracking and allocation methodology; and
- Expand MOT reporting to include revenue data, emissions impacts, and impacts on ratepayers.

UCAN supports these recommendations; however, each presentation of components, terms, data, methodology, and other items that require evaluation should be filed and reviewed within an active proceeding, preferably a proceeding dedicated exclusively to the MOT review process. If the work occurs outside a proceeding, the Commission will not receive the benefit of intervenors’ insight and expertise, which would reduce ratepayer protections.

B. The Commission should restrict the MOT to greenhouse-gas-free microgrid offerings.

UCAN’s Opening Brief references California Health and Safety Code §38562.2(c): “[i]t is the policy of the state to... [a]chieve net zero greenhouse gas emissions as soon as possible[.]”¹⁶ UCAN’s Brief also cites Section 454.53(a)

It is the policy of the state that eligible renewable energy resources and zero-carbon resources supply 90 percent of all retail sales of electricity to California end-use customers by December 31, 2035, 95 percent of all retail sales of electricity to California end-use customers by December 31, 2040, 100 percent of all retail sales of electricity to California end-use customers by December 31, 2045[.]¹⁷

¹⁵ TURN at 34.

¹⁶ UCAN Brief, at 21, quoting California Health and Safety Code §38562.2(c), https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=HSC§ionNum=38562.2.

¹⁷ UCAN Brief, at 22, quoting Public Utilities Code, § 454.53 (a), https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?sectionNum=454.53.&lawCode=PUC.

Moreover, UCAN’s brief established that numerous electric load-serving entities (“LSE”) in California and specifically LSEs providing electricity in SoCalGas’s service territory provide electricity with lower greenhouse gas (“GHG”) emissions than the goal established in 454.53(a).¹⁸ These facts led UCAN to propose the MOT modification “Require all MOTs to be GHG-free and particulate pollution free to align with California Energy Policy, to minimize the impacts on local communities, and to eliminate the conflict of interest [that] SoCalGas has regarding natural gas supply.”¹⁹ UCAN’s recommendation is clean, clear, and cogent.

Cal Advocates and SCGC also support emissions limits.²⁰ Cal Advocates stated that “the Commission should deny the Application because the MOT is inconsistent with Commission policies for gas reduction and decarbonization.”²¹ SCGC stated that it “supports exclusion of GHG omitting technologies from the scope of the MOT.”²²

Although, ultimately, consistent with UCAN’s and the other parties’ recommendations referenced above, TURN’s recommendation on emissions was less clear. TURN recommended “[l]imit[ing] the MOT to fuel types that reduce customers’ emissions.” TURN’s vague emissions limit would be difficult to monitor and difficult to enforce. For this reason, if the Commission grants the MOT in some form, it should adopt UCAN’s clear and enforceable ban on GHG emissions as a condition of the tariff approval.

¹⁸ UCAN Brief at 22-23.

¹⁹ UCAN Brief at 19.

²⁰ Cal Advocates Brief at 13-14; SCGC Brief at 21.

²¹ Cal Advocates Brief at 13.

²² SCGC Brief at 21.

IV. CONCLUSION

UCAN recommends the rejection of the Application on various grounds. The Application violates legal and regulatory requirements, conflicts with California energy policies, and diverts ratepayer-funded resources to serve SoCalGas shareholders. The Commission should deny the Application.

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