STATE OF CALIFORNIA GAVIN NEWSOM

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FILED
09/25/26
03:49 PM
A2504006

September 25, 2026

Agenda ID #24561
Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 25-04-010:

This is the proposed decision of Administrative Law Judge Nilgun Atamturk. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's October 29, 2026, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4).

/s/ MICHELLE COOKE
Michelle Cooke
Chief Administrative Law Judge

MLC: asf
Attachment

Decision **PROPOSED DECISION OF ALJ ATAMTURK (Mailed 9/25/2026)**

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

DECISION DENYING SOUTHERN CALIFORNIA GAS COMPANY'S APPLICATION FOR ADOPTION OF A MICROGRID OPTIONAL TARIFF WITHOUT PREJUDICE

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DECISION DENYING SOUTHERN CALIFORNIA GAS COMPANY'S APPLICATION FOR ADOPTION OF A MICROGRID OPTIONAL TARIFF WITHOUT PREJUDICE

Summary

This decision denies, without prejudice, Southern California Gas Company's (SoCalGas) request for authorization to offer the Microgrid Optional Tariff (MOT), primarily because SoCalGas has failed to meet its burden of demonstrating that the proposed tariff is reasonable and in the public interest.

The purpose of MOT was to enable the utility to design, build, own, operate, and maintain behind-the-meter and off-grid microgrid facilities within SoCalGas's service territory. Because the California Public Utilities Commission (Commission) denies SoCalGas's request, the Commission need not determine the program-design requirements that would apply if the MOT were approved.

This proceeding is closed.

1. Background

Section 1.1 summarizes Southern California Gas Company's (SoCalGas) Microgrid Optional Tariff (MOT) proposal, as presented in Application (A.) 25-04-006 (or Application) and testimony, Section 1.2 describes the procedural background.

1.1. Summary of the MOT Proposal

In A.25-04-006, SoCalGas seeks California Public Utilities Commission's (Commission) approval to offer an optional microgrid service to non-residential customers in its service territory. SoCalGas describes a microgrid as "a locally sited combination of energy generation that is also potentially paired with energy storage to serve the needs of a specific customer."[1] A microgrid may operate either connected to the broader electric grid or function independently from it.[2] SoCalGas notes:

> "While early microgrids started with relatively simple equipment that generated power using combined heat and power (CHP) and solar energy, today's microgrid facilities can be more complex and include a larger number of technologies. Nevertheless, most microgrids share four primary components: (1) energy generation, (2) energy storage, (3) energy management, and (4) load management."[3]

In its Application, SoCalGas proposes providing an optional service enabling the utility to "plan, design, engineer, procure, construct, own, operate, and/or maintain" behind-the-meter and off-grid microgrid facilities.[4] According to the Application, if authorized, MOT customers would have the flexibility to choose the fuel type that meets their needs, and the program will be funded by the customers who enroll in the program.[5] Some examples of technologies that

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[1] SoCalGas Opening Brief at 4.

[2] Microgrids are defined in California Public Utilities Code Section 8370(d):

"Microgrid" means an interconnected system of loads and energy resources, including, but not limited to, distributed energy resources, energy storage, demand response tools, or other management, forecasting, and analytical tools, appropriately sized to meet customer needs, within a clearly defined electrical boundary that can act as a single, controllable entity, and can connect to, disconnect from, or run in parallel with, larger portions of the electrical grid, or can be managed and isolated to withstand larger disturbances and maintain electrical supply to connected critical infrastructure.

[3] SoCalGas Opening Brief at 4.

[4] Exhibit (Ex.) SCG-01 at JM-1.

[5] Application at 2.

may be included in these microgrids are solar power, fuel cell, linear generator, battery storage, microgrid controller, and electrolyzer.[6]

As described in the Application, each microgrid project would be designed to address customers' needs, including supporting new electric demand, improving reliability, enhancing resilience, advancing sustainability goals, managing costs, or a combination of them.[7] SoCalGas states that it has received significant customer interest in microgrid solutions, pointing to 43 support letters, which prompted this Application.[8]

According to SoCalGas, key targets of this tariff would be commercial and industrial customers, including but not limited to data centers, electric vehicle charging, airports, critical facilities such as hospitals, wastewater treatment facilities, emergency services, and any other potential customers interested in more reliability and increased consistency in their energy costs.[9] The MOT would also be available to serve customers for separately metered service to common facilities at residential properties (e.g., swimming pools, recreation rooms, saunas, spas, etc.).[10]

Under the MOT, the service fee calculation would be project-specific and cover the full cost to plan, design, engineer, procure, construct, own, operate, and/or maintain the system including a return.[11] The components of the tariff

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[6] Ex.SCG-02 at AI-1.

[7] SoCalGas Opening Brief at 1-2.

[8] SoCalGas Opening Brief at 2.

[9] Ex.SCG-01 at JM-2.

[10] Ex.SCG-01 at JM-2.

[11] Ex.SCG-02 at AI-2.

service fee would be negotiated between the utility and the customer.[12] For example, if the tariff customer is the owner of the microgrid facility, the tariff service fee could include a build-and-transfer fee plus an ongoing operation and maintenance service fee. Service fees paid by each customer and terms of service would be governed by a specific agreement with each tariff customer.[13]

In its Application, SoCalGas states that it has created internal order numbers to track costs associated with developing the MOT program. These costs would only be recovered from MOT customers and/or shareholders. Costs for each project would be tracked to an appropriate internal order number(s).[14] To that end, SoCalGas requests to establish a balancing account to credit ratepayers for any general rate case embedded costs used in providing the tariff.[15] The costs that would be tracked include the following:[16]

- Labor overheads representing indirect costs associated with salaries paid to employees and are applied to internal labor and labor billed to other parties, which includes Payroll Tax, Incentive Compensation Plan, Workers' Compensation, Public Liability and Property Damage, Pension and Benefits, and Vacation and Sick, Non-Labor Overheads, and Purchasing.
- Administrative & General Overhead representing the cost of administrative and general support provided by functional areas such as Accounting and Finance, Human Resources, Information Technology, and Tax. The A&G overhead would be applied to all direct costs, both labor

[12] Ex.SCG-02 at AI-2.

[13] Ex.SCG-02 at AI-2.

[14] Ex.SCG-04 at 2.

[15] Ex.SCG-04 at 2.

[16] Ex.SCG-05 at IGM-5 and IGM-6.

and non-labor, and is currently 21.47 percent and 2.85 percent for O&M and capital, respectively.

- Fixed Cost Loader (FCL) representing costs for buildings, furniture, computer equipment, software, and miscellaneous equipment which may be used in providing the service to a third party. FCL would be applied to all total direct O&M costs, both labor and non-labor, and is currently percent.

SoCalGas summarizes the benefits of the proposed service as follows:

- A solution to support new electric demand and load growth from in critical market sectors
- Enhanced reliability and resilience for the electric grid and customers
- A solution that can address affordability concerns by providing more price certainty and may mitigate increases in electric ratepayer costs for new infrastructure
- Potential environmental benefits and support of customer sustainability goals
- Local community benefits such as backup power for critical facilities, jobs, and air quality improvements.[17]

SoCalGas commissioned a microgrid market study in late 2024 to assess the potential for behind-the-meter microgrids within its service territory.[18] The study, conducted by Verdant Associates, examined which customer sectors could benefit from microgrids. The main conclusion of the study was that there is untapped microgrid potential in SoCalGas's service territory, but wider adoption will likely require education, incentives, and financing support.[19] With that

[17] Ex.SCG-01 at JM-4 through JM-18.

[18] Ex.SCG-02 at AI-20.

[19] Ex.SCG-02 at AI-20 and AI-21.

objective, SoCal would plan to conduct outreach to potential MOT customers and expect potential MOT customers to have some of the following needs:

- Customers located in regions where the electric operator is unable to provide electric service in a timely manner;
- Customers located in regions with frequent or expected power outages and would benefit from the reliability and resilience provided by a microgrid;
- Customers with high energy demands located in regions with relatively high electricity rates, where a microgrid may provide economic benefits;
- Critical facilities that provide essential services to local communities.[20]

1.2. Procedural Background

On April 16, 2025, SoCalGas filed A.25-04-006.

On May 15, 2025, Resolution ALJ 176-3563 preliminarily determined that this proceeding was categorized as ratesetting.

The following parties filed protests or responses to the Application: California Hydrogen Business Council, First Public Hydrogen Authority, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates), Southern California Generation Coalition (SCGC), and the Utility Consumers' Action Network (UCAN). Agricultural Energy Consumers Association, Bloom Energy Corporation, Colusa Indian Energy, LLC (CIE), Energy Pathways, LLC (Energy Pathways), Small Business Utility Advocates (SBUA), and The Utility Reform Network (TURN) were granted party status in response to their motions. On May 29, 2025, SoCalGas filed a reply to protests and responses. On June 4, 2025, SBUA filed a Prehearing Conference Statement.

[20] Ex.SCG-02 at AI-23.

A prehearing conference (PHC) was held on July 14, 2025, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. On August 13, 2025, Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued.

SoCalGas served supplemental testimony on September 29, 2025.

Parties submitted prepared testimony on November 14, 2025, followed by the submission of rebuttal testimonies on December 15, 2025.

The parties submitted their Joint Report of Meet and Confer and List of Stipulated and Disputed Facts on January 15, 2026, reflecting the agreement of parties to waive hearings. Subsequently, the parties jointly filed a stipulated motion to identify and admit evidence in lieu of evidentiary hearings on February 6, 2026, which was granted by the ruling dated February 26, 2026.

Opening briefs were filed by Cal Advocates, Energy Pathways,[21] SBUA, SCGC, SoCalGas, TURN, and UCAN on March 18, 2026. Reply briefs were filed by SBUA, SoCalGas, TURN, and UCAN on April 17, 2026.

1.3. Submission Date

This matter was submitted on April 17, 2026, upon the receipt of reply briefs.

2. Commission Authority and Burden of Proof

Pursuant to Public Utilities Code Section 701, the Commission has broad regulatory jurisdiction over public utilities.[22] Section 701 provides:

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[21] Energy Pathways timely served its opening testimony but late-filed it on June 15, 2026. A ruling issued on June 12, 2026 authorized the acceptance of the late-filing.

[22] Unless otherwise specified, all section references are to the Public Utilities Code.

> 701. The Commission may supervise and regulate every public utility in the State and may do all things, whether specifically designated in this part or in addition thereto, which are necessary and convenient in the exercise of such power and jurisdiction.

Other statutes reinforce this broad authority. The jurisdiction of the Commission over the offering of new tariffed service by a regulated gas corporation is clear under Section 454:

> a. Except as provided in Section 455, no public utility shall 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.

As to the burden of proof, the Applicant, SoCalGas, bears the burden of establishing reasonableness of all issues within the scope of this proceeding as listed in Section 3 of this decision.

The Commission has held that the standard of proof the applicant must meet in rate cases is that of a preponderance of the evidence.[23] Preponderance of the evidence is usually defined "in terms of probability of truth, *e.g.* 'such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth."[24] The Commission has also explained that, under this standard, an applicant must present more evidence that supports the requested result than would support an alternative outcome.[25]

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[23] D.19-05-020 at 7; D.15-11-021 at 8-9; D.14-08-032 at 17.

[24] D.08-12-058 at 19, citing Witkin, Calif. Evidence, 4th Edition, Vol. 1 at 184.

[25] D.14-06-017 at 13.

3. Issues Before the Commission

Pursuant to the Scoping Memo, dated August 13, 2025, the issues to be determined or otherwise considered are:

1. Whether SoCalGas's request for approval of a MOT is reasonable and in the public interest.
   a. Whether it is appropriate for SoCalGas to use its access to ratepayer-funded resources to offer a MOT.
2. Whether SoCalGas's Application complies with the requirements of the Public Utilities Code and Commission decisions concerning 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 Decision (D.) 21-01-018 and D.24-11-004.
   b. Whether the MOT is consistent with Pub. Util. Code Section 218 and Section 451.
   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 and customers.
3. Whether the structure of the MOT impacts ratepayer costs and introduces financial risks to ratepayers, including but not limited to:
   a. Whether the proposed MOT avoids shifting costs to non-participating ratepayers.
   b. Whether the privately negotiated rates that SoCalGas proposes to customers could result in under-repayment to ratepayers, cross-subsidization, or inequitable pricing.
   c. 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.

   d. Whether SoCalGas has proposed appropriate risk mitigation or insurance requirements to protect ratepayers from customer nonpayment and inadequate cost recovery.

4. Whether the MOT includes adequate consumer protection measures and dispute resolution processes to ensure transparency, prevent misleading marketing, and provide clear recourse for participating customers, particularly those in disadvantaged and low-income communities.

5. Whether SoCalGas offering an electric utility-related product would impact the ratepayers in electric utilities and electric utility infrastructure projects that overlap with SoCalGas's service territory.

6. Whether SoCalGas's dual role as a regulated utility and market participant creates barriers to entry or suppresses competition in the microgrid sector within its service territory.

7. What would be the required modifications, if any, to SoCalGas MOT if the Application is granted?

8. What are the short- and long-term operational considerations and costs of the MOT?

   a. What technical/operational standards should apply to the microgrid systems developed under the MOT?

   b. What is the expected lifetime of the microgrid facilities?

   c. What is the process for determining what fuel types will be used in each application of the MOT, relative to the Net Energy Metering microgrid tariff rules discussed in D.21-01-018?

   d. Should the Commission limit what kinds of fuel can be used to power a potential future microgrid as part of the MOT tariff (e.g., by mandating the use of biomethane instead of fossil natural gas, etc.)?

e. Should the Commission put provisions in place to ensure that microgrid facilities built pursuant to the MOT demonstrate compliance with all applicable air quality standards pursuant to California Air Resources Board requirements?

f. Should the Commission put provisions in place to ensure that greenhouse gas (GHG) emissions from microgrid facilities built pursuant to the MOT are reduced over time?

9. Would approval of the MOT impact the Commission's efforts to implement zonal decarbonization projects in priority locations identified in the Commission's Long-Term Gas Planning Proceeding (Rulemaking 24-09-012) or otherwise prevent the retirement of gas pipelines?

10. Whether approval of the MOT would reduce wait times for new load interconnections and demand energization.

11. What reporting requirements should SoCalGas be subject to, if the MOT is approved?

12. Whether there are possible impacts on Environmental and Social Justice (ESJ) communities, including the extent of impacts in achieving the nine goals of the Commission's ESJ Action Plan, if SoCalGas's Application is granted?

Issues 7 and 11 are moot since the application is denied. Because the Application is denied, the Commission need not determine what operational requirements should apply under Issue 8. However, the record concerning operational considerations and costs remains relevant to whether SoCalGas has met its burden of demonstrating that the MOT, as proposed, is reasonable and in the public interest.

4. SoCalGas's Fails to Prove that the MOT is Reasonable or in the Public Interest

The first key issue in this proceeding is whether SoCalGas's request for approval of the MOT is reasonable and in the public interest, and whether it is appropriate for SoCalGas to use its access to ratepayer-funded resources to offer the MOT.

Upon review of the record, the Commission concludes that SoCalGas has not met its burden of proof under the preponderance of the evidence standard to demonstrate that the proposal is reasonable and serves the public interest. While the MOT's claimed benefits are speculative, there are potential financial, oversight, competitive, and environmental risks against which SoCalGas failed to demonstrate adequate protections. Relatedly, it is not appropriate for SoCalGas to use its access to ratepayer-funded resources to offer the MOT for the same reasons.

4.1. Party Positions on Whether the MOT is Reasonable and in the Public Interest

SoCalGas claims that the MOT is reasonable and in the public interest, because this service would give customers in its service area a new option to meet different energy needs, including reliability, resilience, support for high-demand facilities, environmental benefits, and cost certainty.[26] SoCalGas also claims broader benefits such as job creation and maintaining operations during power outages.[27]

With respect to the use of ratepayer funds, SoCalGas argues that it is appropriate for the utility to use ratepayer-funded resources to offer the optional

[26] Ex.SCG-04 at 1.

[27] Ex.SCG-04 at 1.

tariff, citing prior Commission decisions approving other utility services subject to safeguards.[28] According to SoCalGas, protections adopted in those decisions, such as cost tracking, transparency, and measures against cross-subsidization, could also apply to MOT. SoCalGas maintains that access to utility resources does not mean that the MOT-related costs would be passed on to ratepayers.[29]

Only two intervenors provided arguments in support of the Application.[30] Most intervenors raise similar concerns about the Application, including lack of details in the Application, claimed benefits without evidentiary support, potential financial risks to ratepayers, inadequate safeguards, unclear pricing structure, limited oversight opportunity, and increased natural gas use and associated GHG emissions. We summarize a few of these concerns below.

Cal Advocates argues that SoCalGas has not provided sufficient detail to justify the need for the MOT.[31] Some of the deficiencies identified by Cal Advocates include the following:

- Insufficient details about the benefits of the proposal and SoCalGas's capabilities in building microgrids.[32]

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[28] *See* D.15-10-049 (Distributed Energy Resources Tariff Final Decision), D.13-12-040 (Biogas Conditioning/Upgrading Services Tariff Final Decision), and D.12-12-037 (Compression Services Tariff Final Decision).

[29] Ex.SCG-04 at 1 and 2.

[30] The California Hydrogen Business Council filed a response supporting the Application but has otherwise not been active in the proceeding. Bloom Energy Corporation also expressed support for the Application in its motion for party status but has otherwise not been active.

[31] Ex.CA-01 at 1-1.

[32] Ex.CA-01 at 1-2.

- No defined role or value proposition for SoCalGas within the various possible microgrid activities such as design or engineering.[33]
- No specification of the types of microgrids that would be built.[34]
- Insufficient details about how the MOT would work at project level.[35]
- No defined design elements except for a few examples of the components that may be used.[36]
- No clear limits on microgrid size, efficiency, fuel type, leaving open a wide range of possibilities.[37]
- No target for number of critical facilities the MOT would serve.[38]

Cal Advocates contends that, although SoCalGas identifies several purported benefits of the MOT, it does not quantify those benefits, provide evidentiary support for benefits that may be quantifiable, or explain how the claimed benefits would be achieved.[39] According to Cal Advocates, "SoCalGas does not describe how it will design microgrids under the MOT to avoid grid upgrades."[40] Cal Advocates also argues that SoCalGas fails to show that the MOT will support California's decarbonization goals.[41] In Cal Advocates' view,

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33 Ex.CA-01 at 1-2.

34 Ex.CA-01 at 1-2.

35 Ex.CA-01 at 1-2.

36 Ex.CA-01 at 1-2.

37 Ex.CA-01 at 1-2.

38 Ex.CA-01 at 1-3.

39 Ex.CA-01 at 5-1.

40 Ex.CA-01 at 5-1 and 5-2.

41 Ex.CA-01 at 5-2 through 5-4.

SoCalGas does not adequately explain or quantify the MOT's claimed economic benefits.[42] It provides no dollar estimate of the economic benefits from faster energization, nor does it show that those benefits are not already being provided by the market.[43] Cal Advocates also finds SoCalGas's job-creation claims unsupported because it does not estimate the number or types of jobs or assess workforce availability.[44]

Regarding SoCalGas's access to ratepayer-funded resources, Cal Advocates argues that the proposal creates a financial risk for ratepayers because it would use ratepayer-funded staff, IT systems, facilities, and overhead to support a for-profit MOT business.[45] In Cal Advocates' view, this could divert resources away from services that directly benefit ratepayers.[46] Although SoCalGas proposes to reimburse ratepayers through a balancing account, Cal Advocates contends that the proposal lacks clear safeguards. It does not specify all resources that may be used, or provide a transparent method for assigning, tracking, and reviewing costs.[47] Cal Advocates further states that SoCalGas did not adequately answer requests for clarification on overhead cost assignment and that the proposed reporting and internal tracking would not allow regulators or stakeholders to verify the accuracy of reimbursements.[48] In Cal

[42] Ex.CA-01 at 1-3.

[43] Ex.CA-01 at 1-3.

[44] Ex.CA-01 at 1-3.

[45] Cal Advocates Opening Brief at 6.

[46] Cal Advocates Opening Brief at 6.

[47] Cal Advocates Opening Brief at 6.

[48] Cal Advocates Opening Brief at 6-7.

Advocates' view, key cost categories, particularly overhead expenses such as employee benefits and IT costs, are not clearly addressed in the application.[49]

Energy Pathways and Colusa Indian Energy focus on the current market needs and potential market advantage the proposal may give to SoCalGas. Energy Pathways argues that utility participation in competitive markets is appropriate only where there is a demonstrable market failure that competition cannot address. Energy Pathways argues that low market penetration does not establish market failure but instead indicates that the microgrid market remains in an early stage of commercial development.[50] Energy Pathways notes that independent developers are already serving a range of customers, offering different technologies, competitive pricing, and customer-aligned ownership models.[51] In Energy Pathways' view, the record does not show that customers are unable to obtain microgrid services without utility participation.[52]

Energy Pathways also argues that D.15-10-049 (DERS Tariff), D.13-12-040 (Biogas Tariff), and D.12-12-037 (Compression Services Tariff) cited by SoCalGas do not support approval of the MOT. According to Energy Pathways, these decisions addressed narrow technical services closely tied to the utility's gas system operations and limited customer segments.[53] In contrast, the MOT would involve integrated electrical, thermal, and control infrastructure serving

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[49] Cal Advocates Opening Brief at 7.

[50] Energy Pathways Opening Brief at 8; Ex.EP-02 at 11-12.

[51] Energy Pathways Opening Brief at 8.

[52] Energy Pathways Opening Brief at 8-9.

[53] Energy Pathways Opening Brief at 11.

commercial and industrial customers.[54] Energy Pathways therefore argues that those precedents do not extend to the MOT's scope or competitive effects.[55] It further states that while compressing gas or conditioning biogas involves traditional gas utility functions, designing, owning, and operating electrical microgrids for hospitals or data centers is materially different.[56]

Similar to other intervenors, SBUA argues that the application is not reasonable or in the public interest.[57] According to SBUA, SoCalGas fails to provide specific, enforceable commitments to GHG reductions, and instead relies on vague and unsupported statements about future fuel use.[58] SBUA states that the proposal lacks defined timelines, binding targets, or concrete transition scenarios, and alignment with California's decarbonization mandates. In SBUA's view, the proposal would fund natural gas infrastructure with ratepayer resources without ensuring measurable environmental benefits.[59] SBUA also raises concerns about SoCalGas's proposed use of customer data without adequate safeguards and contends that the MOT is designed to prolong natural gas use.[60]

SCGC argues that the MOT has significant shortcomings unless substantially modified.[61] SCGC contends that, because the Commission

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[54] Energy Pathways Opening Brief at 11.

[55] Energy Pathways Opening Brief at 11.

[56] Energy Pathways Opening Brief at 11.

[57] SBUA Opening Brief at 5.

[58] SBUA Opening Brief at 5-6; Ex.SBUA-01 at 6.

[59] SBUA Opening Brief at 6.

[60] SBUA Opening Brief at 5-7; Ex.SBUA-01 at 26-27.

[61] SCGC Opening Brief at 2; Ex.SCGC-01 at 2.

previously rejected SoCalGas' use of ratepayer funds for a microgrid project in D.24-12-074 (A.22-05-015), it should also deny the MOT.[62] According to SCGC, the proposal similarly seeks to fund microgrids that fall outside SoCalGas's core functions of providing natural gas service.[63]

SCGC also argues that using commercial paper interest rate for MOTBA balances would unfairly benefit SoCalGas and harm ratepayers.[64] According to SCGC, if MOT costs are recorded in a balancing account at the lower commercial paper rate, ratepayers would effectively provide below-market financing.[65] SCGC states that microgrid business may carry higher financing costs closer to SoCalGas's cost of equity or typical business loan rates.[66] Using a lower rate would therefore subsidize the MOT and give SoCalGas an unfair advantage over private competitors that must obtain market-rate financing.[67] For this reason, SCGC concludes that, if the MOT is approved, SoCalGas should compensate ratepayers using a higher, market-based interest rate to avoid subsidies and anti-competitive effects.[68]

TURN argues that SoCalGas has the burden to prove that the MOT is reasonable and serves the public interest, but has failed to do so on several grounds.[69] First, the proposal is not reasonable, because SoCalGas has not

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[62] SCGC Opening Brief at 5.

[63] SCGC Opening Brief at 5.

[64] SCGC Opening Brief at 8; Ex.SCGC-02 at 2-3.

[65] SCGC Opening Brief at 8; Ex.SCGC-02 at 2-3.

[66] SCGC Opening Brief at 8.

[67] SCGC Opening Brief at 8.

[68] SCGC Opening Brief at 7-8.

[69] TURN Reply Brief at 9.

demonstrated that the MOT would ensure just and reasonable rates.[70] According to TURN, the fact that MOT fees will be case-specific does not make them just and reasonable, as customized pricing could still be excessive or discriminatory.[71] Negotiated pricing may create additional concerns because of reduced transparency and the difficulty of regulatory review.[72] In addition, requiring MOT customers to cover the full cost of service addresses only the risk of underpricing and potential ratepayer subsidization but does not establish that the prices charged to MOT customers are themselves reasonable.[73]

Second, the proposal's claimed public benefits do not outweigh the likely harms.[74] TURN characterizes the claimed benefits as inadequately supported and unverifiable.[75] TURN argues that although onsite generation may improve reliability for participating customers, there is no evidence that these benefits would be widespread or sufficient to offset the proposal's risks or inconsistencies with California law and policy.[76] Claims regarding transition to lower carbon outcomes and reducing grid burden are also characterized as "poorly defined, remote, and unsupported by the record."[77] In some cases, TURN argues, the MOT could even increase emissions.[78]

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[70] TURN Reply Brief at 2-6, 9-10.

[71] TURN Reply Brief at 3-4; Ex.TURN-01 at 5.

[72] TURN Reply Brief at 4-5; Ex.TURN-01 at 9.

[73] TURN Reply Brief at 5.

[74] TURN Reply Brief at 10.

[75] TURN Reply Briefs at 10; Ex.TURN-01 at 6-7.

[76] TURN Reply Brief at 10.

[77] TURN Reply Brief at 11.

[78] TURN Reply Brief at 11; Ex.TURN-01 at 7-8.

TURN also questions the MOT as a response to reduce interconnection delays. Rather than advancing electrification, the proposal may push large customers off grid, using potentially fossil fuel-based generation, without ensuring emissions reductions.[79] Use cases, such as data centers, raise additional concerns regarding environmental impacts, local air quality, and the absence of clear public benefit.[80]

TURN further argues that SoCalGas's claims regarding affordable, transparent, and stable pricing are unsupported by the record.[81] The proposal contains no clear definition of affordability, no oversight mechanism to verify pricing claims, and relies on energy sources such as natural gas that are subject to price volatility.[82] TURN also contends that SoCalGas fails to address risks to nonparticipating ratepayers or provide sufficient safeguards to protect them.[83] In addition, TURN notes that SoCalGas opposes additional reporting requirements that could clarify tariff impacts on ratepayers.[84] Given the weak evidentiary support for the alleged benefits and the significant potential harms, TURN concludes that the MOT should not be considered in the public interest**.**[85]

Third, the general consumer interest is insufficient to justify approval.[86] Although SoCalGas claims that there is strong interest in microgrids, TURN

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[79] TURN Reply Brief at 11.

[80] TURN Reply Brief at 11.

[81] TURN Reply Brief at 12.

[82] TURN Reply Brief at 12-13, citing Ex.UCAN-01 at 3-4.

[83] TURN Reply Brief at 13.

[84] TURN Reply Brief at 13.

[85] TURN Reply Brief at 14.

[86] TURN Reply Brief at 9-10.

responds that general support for microgrids does not justify approval of the MOT.[87] TURN notes that many of the support letters submitted with the proposal often express broad support for microgrids generally, rather than support for the specific tariff elements, and some rely on environmental benefits that SoCalGas itself acknowledges are not guaranteed.[88] TURN argues that the Commission's primary responsibility is to protect ratepayers and avoid anti-competitive impacts, not to approve new business activities based solely on customer interest.[89] TURN also notes that SoCalGas has previously overstated consumer interest in optional tariffs, citing past programs that attracted little to no customer participation despite claims of customer need.[90]

TURN also argues that it is generally inappropriate for a regulated utility to use ratepayer-funded resources for a competitive side business like the MOT.[91] Even with proper cost tracking and crediting of ratepayer-funded resources using a balancing account, TURN contends that such arrangements raises concerns regarding interference with core utility functions, financial risks to ratepayers, and unfair competitive advantages over other companies.[92] Although the Commission has approved similar arrangements in limited cases such as the Distributed Energy Resources Services Tariff, TURN argues that those approvals

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[87] TURN Reply Brief at 14.

[88] TURN Reply Brief at 14 and 15.

[89] TURN Reply Brief at 15.

[90] TURN Reply Brief at 15; Ex.TURN-04 at 2; Ex.TURN-02 at 1-2.

[91] TURN Opening Brief at 17.

[92] TURN Opening Brief at 17.

were based on clear evidence of public benefit and strong safeguards.[93] According to TURN, SoCalGas has not provided comparable evidence for the MOT, relying instead on vague and unsupported claims.[94] TURN also points to past programs, such as the Biogas Conditioning Services tariff, which used ratepayers' resources but failed to attract customers, illustrating the risk of ineffective ventures.[95] TURN therefore concludes that, absent a strong showing of public benefit, the MOT should not be approved and that SoCalGas could instead pursue such activities through an affiliate.[96]

UCAN argues that SoCalGas failed to show how the MOT proposal would benefit ratepayers or serve the public interest.[97] UCAN criticizes SoCalGas for relying on vague language while opposing safeguards that would ensure public benefits, including limits on GHG emissions and fuel types.[98] UCAN further contends that the proposal conflicts with California's zero emissions policy because SoCalGas seeks flexibility to use natural gas, including renewable natural gas, without any restrictions.[99] As a result, UCAN concludes that the MOT is inconsistent with state energy policy and not in the public interest.[100]

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[93] TURN Opening Brief at 17.

[94] TURN Opening Brief at 18.

[95] TURN Opening Brief at 18; Ex.TURN-02 at 1; Ex.TURN-04 at 2.

[96] TURN Opening Brief at 19.

[97] UCAN Opening Brief at 3, citing Ex.SBUA-01 at 5; Ex.UCAN-01 at 14-15.

[98] UCAN Opening Brief at 3.

[99] UCAN Opening Brief at 3-4.

[100] UCAN Opening Brief at 4.

4.2. Discussion on Whether the MOT is Reasonable and in the Public Interest

The Commission finds the intervenors' arguments convincing and concludes that SoCalGas has not met its burden to demonstrate that the proposed MOT is reasonable and in public interest. Specifically, SoCalGas has failed to sufficiently demonstrate that:

1) The asserted benefits, including improved reliability, resilience, emissions reductions, job creation, cost certainty, and relief from grid restraints, are results reasonably estimated and expected from the tariff as designed.
2) The application includes enforceable performance standards, emissions requirements, pricing protections, or other conditions to ensure that the asserted benefits are reasonably likely to materialize.

While the benefits of the MOT are uncertain, the record identifies several potential risks. These include potential cross-subsidization by nonparticipating ratepayers, incomplete identification of utility costs, inadequate treatment of overhead and financing expenses, insufficient external review of cost tracking, potential diversion of personnel and other resources from core utility functions, and limited Commission oversight of individual project pricing and operation. The application also lacks an express and enforceable requirement that shareholders bear all losses arising from customer default, cost overruns, inadequate insurance, stranded assets, or other commercial risks.

SoCalGas heavily relies on prior Commission decisions authorizing SoCalGas to offer tariffs for distributed energy resources, biogas services, and compression services to justify the MOT.[101] According to SoCalGas, these decisions provide direct support for approval of the MOT. The Commission disagrees. As Cal Advocates explains, the facilities designed under the DERS Tariff would be relatively simple for proven and mature technologies with defined fuel type limitations and 20 MW capacity limits.[102] In contrast, the MOT could develop microgrid network systems that are larger and more complex than the generation technologies defined in the DERS Tariff. Furthermore, SoCalGas has not demonstrated whether the tariffs and services approved in the cited precedent produced successful outcomes, the pricing and cost-tracking mechanisms functioned effectively, safety was adequately maintained, or the services attracted any customers, with benefits accruing to participating and nonparticipating customers. The cited precedents involved narrowly defined services closely related to gas operations, such as gas compression, biogas conditioning, whereas a microgrid requires integrated electrical, thermal, storage, storage, control and system architecture. Those prior decisions therefore do not support authorization of a program of this scope. Given the potential size, complexity, and noncore nature of the proposed service, a more thorough project-specific review is needed in this case to protect safety, reliability, and nonparticipating customers.

Finally, given that the proposal is not in public interest, it is also not appropriate for SoCalGas to use ratepayer funded resources to offer the proposed MOT services. Such use may be permissible in limited circumstances

[101] SoCalGas Opening Brief at 11, referring to D.15-10-049 (DERS Tariff), D.13-12-040 (Biogas Tariff), and D.12-12-037 (Compression Services Tariff).

[102] Cal Advocates Opening Brief at 9.

when the utility demonstrates a clear public benefit and adopts enforceable safeguards that fully protects ratepayers and market competition. SoCalGas has not made that showing in this application.

5. Consistency or Compliance with Relevant Law

The second scoping memo issue is whether the Application complies with the requirements of the Public Utilities Code and Commission decisions concerning public safety, reliability, and the reasonableness of rates. Upon review of the record, due to the unknown nature of the projects which heavily depend on customer needs and preferences, the Commission cannot determine whether the MOT fully complies with the relevant law.

Overall, SoCalGas claims that the proposed tariff is consistent with D.21-01-018, D.24-11-004, Sections 218 and 451, to the extent they are applicable.[103] Intervenors strongly disagree. We will briefly summarize party positions on each sub-issue and provide our conclusions in Section 6.1 through Section 6.5.

5.1. Consistency with D.21-01-018 and D.24-11-004

D.21-01-018 adopted rules, tariffs, and related measures to support microgrid commercialization, applicable to Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (collectively, the large electric IOUs). The decision required the large electric IOUs to create or revise tariff rules so microgrids could be installed as special facilities, serve critical customers on adjacent parcels, and be offered under new microgrid tariffs. It also required the large electric IOUs to develop a Microgrid Incentive Program.

[103] SoCalGas Opening Brief at 12-13.

D.24-11-004 established implementation rules for the multi-property microgrid tariff model. The tariff applies to microgrids that are interconnected with the utility distribution system and serve retail customers across two or more properties in in the large electric IOUs' service territories.

SoCalGas maintains that its proposed MOT is consistent with any applicable requirements of D.21-01-018 and D.24-11-004.[104] According to SoCalGas, D.21-01-018 is directed at electric utilities and was not intended to restrict microgrid development by non-utility entities. Instead, the decision aimed to reduce barriers to microgrid development, support commercialization, and encourage partnership between utilities and developers. SoCalGas states that customers served under the MOT would remain subject to all applicable microgrid and interconnection rules.[105]

The utility further explains that the MOT would involve collaboration between the utility and customers to design microgrids tailored to specific needs.[106] In SoCalGas's view, the proposed tariff would complement, not duplicate existing electric utility microgrid tariffs, because the MOT would not be offered to multi-property customers and may include projects beyond the scope of the electric microgrid tariff established by D.21-01-018.[107] The utility also states that all projects would comply with relevant regulatory rules and interconnection requirements, that utilities would coordinate when necessary,

[104] Ex.SCG-04 at 2 and 3.

[105] SoCalGas Opening Brief at 12-13.

[106] Ex.SCG-04 at 3.

[107] Ex.SCG-04 at 3.

and that compliance with net energy metering would be assessed on a project basis.[108]

SoCalGas also argues that D.24-11-004 does not restrict, conflict with, or apply to the MOT.[109] That decision concerns a multi-property microgrid tariff for electric utilities, while the MOT would provide microgrid services only to individual customers. SoCalGas therefore concludes that D.24-11-004 is inapplicable to its proposal.[110]

Cal Advocates disagrees. It notes that D.21-01-018 recognizes the Commission's responsibility to ensure that reasonable rates, safety, and reliability for microgrids through its microgrid rules, regulations, tariffs, and policies.[111] Cal Advocates argues that the Application fails to provide the Commission oversight necessary to satisfy those responsibilities.[112] Because the project costs and key terms such as ownership, operation, and maintenance would be established through private negotiations, Cal Advocates contends that the Commission would have no reliable basis to review the rates and determine whether the costs are reasonable.[113] Cal Advocates further argues that SoCalGas has not provided the evidence, analysis, or safeguards necessary to show that

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108 Ex.SCG-04 at 3.

109 SoCalGas Opening Brief at 13.

110 SoCalGas Opening Brief at 13.

111 Cal Advocates Opening Brief at 2, citing D.21-01-018 at 64.

112 Cal Advocates Opening Brief at 2-3.

113 Cal Advocates Opening Brief at 4.

control, operation, and maintenance of its facilities will be just, reasonable, and safe.[114]

SBUA raises a separate concern based on D.24-11-004. It argues that SoCalGas, as a natural gas utility, cannot assume the role of an electric utility or electric micro-utility for purposes of owning, controlling, maintaining, or operating a microgrid. In SBUA's view, SoCalGas cannot act as an electric corporation or as a Commission-regulated electric utility through the proposed MOT.[115]

Based on the record, the Commission concludes that SoCalGas's proposal is not clearly prohibited by D.21-01-018 or D.24-11-004, but the proposal raises concerns. The proposal lacks the details, oversight mechanisms, and customer protections these decisions contemplate. For example, D.21-01-018 recognizes the Commission's responsibility to ensure just and reasonable rates. Specifically, the decision requires that microgrid rules ensure reasonable rates, safety, and reliability, including through the host electric utility's review and approval of microgrid system performance.[116] SoCalGas does not describe such a mechanism in its proposal. Under the proposal, project costs and key terms will be privately negotiated, which may prevent meaningful review of whether the terms are reasonable and prudent. The proposal does not establish clear tariff provisions identifying ownership, maintenance, control or what regulatory standards would apply to those functions. Although SoCalGas claims that the MOT is

[114] Cal Advocates Opening Brief at 9.

[115] SBUA Opening Brief at 5; Ex.SBUA-01 at 17.

[116] D.21-01-018 at 36.

complementary, the proposal does not sufficiently explain how it would avoid overlap, conflict, or inconsistent treatment with existing utility tariffs.

Although D.24-11-004 does not directly govern the proposed MOT, that decision reflects the Commission's concern about preventing cost shifting associated with microgrid service, including through the treatment of non-bypassable charges. Here, the MOT does not specify how to account for non-bypassable charges. Without a clear mechanism for assessing such charges against departing load, the proposal leaves open the possibility that costs could instead be shifted to other ratepayers.

Overall, because SoCalGas has not specified the projects it intends to undertake, the proposal lacks project-specific details. This uncertainty prevents us from assessing whether the MOT proposal is consistent with applicable microgrid requirements and contains adequate safeguards to address the cost-shifting, safety, reliability, and oversight concerns reflected in D.21-01-018 and D.24-11-004. The proposed annual reporting, which would occur annually after the service agreements are executed, would not provide the Commission with timely information to perform its oversight duties.

5.2. Consistency with Section 218

Section 218 defines an "electric corporation" subject to Commission regulation. In general, a person or a company qualifies as an electric corporation when it owns, controls, operates, or manages an electric plant for compensation. Section 218 excludes electricity that is "generated on or distributed by the producer through private property solely for its own use or for the use of its tenants and not for sale to others."[117] Section 218 also contains a narrower exception for cogeneration or non-conventional generation used solely for the producer's own use, its tenants' use, or sale to no more than two other persons or corporations on the same or immediately adjacent real property.

For microgrids, Section 218 determines when a private microgrid operator moves beyond self-supply and begins engaging in regulated utility activity. The statutory trigger is not the microgrid's footprint but whether power is sold or transmitted to others. That is, even a microgrid confined entirely to a single customer's property can trigger Section 218 if it is sized to produce electricity beyond the needs of the host such that the excess is sold or transmitted to others. Section 218 also contains exceptions, so the result can depend on the ownership structure, property boundaries, customer relationship, and whether the electricity is sold for compensation.

SoCalGas argues that Section 218 does not apply to MOT because the program is structured to fall within statutory exemptions from the definition of an electrical corporation. According to SoCalGas, the MOT would create behind-the-meter microgrids on customer property, with electricity generated solely for that customer's use. SoCalGas maintains that this conclusion would apply whether the facilities are owned by the customer or by SoCalGas because the electricity would not be sold or transmitted to other parties.[118]

To support its position, SoCalGas also relies on D.15-10-049, in which the Commission found that supplying natural gas used to generate electricity on a customer's property does not make SoCalGas an electrical corporation. SoCalGas

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[117] Section 218(a).

[118] SoCalGas Opening Brief at 13-14.

contends that its legal status would remain unchanged even if a customer interconnected with the grid and exported excess electricity. In that situation, the customer would be required to comply with applicable Net Energy Metering or other interconnection requirements. Accordingly, SoCalGas argues that no additional limitations on the MOT are necessary.[119]

In contrast, SCGC argues that the MOT could violate California law unless its scope is narrowly limited. SCGC contends that SoCalGas could be classified as an electric utility if it owns or operates microgrids that generate and sell electricity, potentially requiring SoCalGas to obtain a Certificate of Public Convenience and Necessity (CPCN).[120] To reduce this risk, SCGC recommends restricting MOT microgrids to only serve on site customer needs and prohibiting exporting electricity.[121]

Energy Pathways similarly argues that the MOT may conflict with applicable Commission decisions and Pub. Util. Code provisions.[122] Energy Pathways disputes SoCalGas's interpretation of Section 218 because the proposed tariff would authorize it to plan, design, engineer, procure, construct, own, operate, and maintain microgrid facilities that generate electricity for customer use. Energy Pathways maintains that whether or not SoCalGas characterizes this as gas utility service, the functional activity warrants careful legal analysis, not an assumption of compliance.[123]

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[119] SoCalGas Reply Brief at 2.

[120] SCGC Opening Brief at 9.

[121] SCGC Opening Brief at 10.

[122] Ex.EP-01 at 6.

[123] Energy Pathways Opening Brief at 12.

Based on the record, the Commission concludes that the MOT, as proposed, presents a risk of violating Section 218. Depending on the ownership structure, operation of the facilities, disposition of the electricity produced, and other project-specific facts, an individual MOT project could cause SoCalGas to fall within the definition of an electrical corporation under Section 218 and could implicate associated Commission authorization requirements. Whether the MOT implicates Section 218 therefore requires a project-specific analysis and should not be resolved through a blanket authorization based solely on SoCalGas's assertion of statutory compliance.

5.3. Compliance with Section 451

Section 451 requires that 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. Section 451 also requires utilities to provide adequate, efficient, just, reasonable, and safe service.

In SoCalGas's view, the MOT would comply with Section 451. SoCalGas argues that costs under the tariff would be just and reasonable because participation is voluntary, allowing customers to choose and work with SoCalGas on a microgrid solution that fits their needs and budget.[124] SoCalGas would use the same cost-of-service methodology approved in the DERS decision, covering full project costs, overheads, indirect charges, and an authorized return, while avoiding ratepayer subsidies.[125] In SoCalGas's view, because MOT projects

[124] Ex.SCG-04 at 3-4 and AI-23 and 24.

[125] SoCalGas Opening Brief at 14; Ex.SCG-05 at IGM-27.

may vary in ownership, operation, customer needs, and risk profile, a single standard rate would be impractical. Instead, each agreement would use a customized, objective, and non-discriminatory pricing, with a negotiated risk-adder where appropriate.[126]

In contrast, Cal Advocates argues that the proposed pricing method would not allow the Commission to determine whether the individual charges are just and reasonable. Because rates and contract terms would be privately negotiated and may remain confidential, the Commission would have no way to review or verify them.[127] Cal Advocates rejects SoCalGas's argument that voluntary participation is sufficient to establish reasonableness.[128] It maintains that a customer's agreement to a negotiated price does not eliminate the Commission's obligation under Section 451 to determine whether the utility's charges are just and reasonable.

With respect to safety and reliability requirements, Cal Advocates argues that the proposal fails to demonstrate that its services and facilities will be safe, reliable, and reasonable, as required by Section 451 and 8371(d).[129] [130] First, Cal Advocates argues that the proposal is vague and relies on privately negotiated, customized arrangements for services, equipment, and facilities.[131] Unlike prior approved tariffs, it lacks defined service models, technology specifications, fuel

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[126] SoCalGas Opening Brief at 14.

[127] Cal Advocates Opening Brief at 3-4; Ex.CA-01 at 4-1 and 4-2.

[128] Cal Advocates Opening Brief at 4.

[129] Section 8371(d) requires the Commission to develop rates and tariffs for microgrids to "ensur[e] that system, public, and worker safety are given the highest priority."

[130] Cal Advocates Opening Brief at 9.

[131] Cal Advocates Opening Brief at 9; Ex.CA-01 at 1-2.

limitations, or capacity constraints.[132] In Cal Advocates' view, this prevents the Commission from evaluating whether the resulting systems will meet safety and reliability standards, especially given the potential for large and complex projects.[133] Second, the Application does not establish adequate safeguards for ownership, operation, and maintenance. While SoCalGas asserts compliance with laws and general safety practices, it provides no detailed framework, enforceable standards, or oversight mechanism. This is particularly concerning given the scale and critical nature of proposed projects such as those serving hospitals and data centers.[134] Finally, Cal Advocates further questions whether SoCalGas has demonstrated sufficient experience to manage large-scale microgrids.[135] It contends that SoCalGas's prior projects were small, were not connected to the grid, and are not comparable to the significantly larger systems proposed under the MOT.[136] In its view, reliance on third-party contractors and general assurances of safety, without supporting evidence or contractual detail, is insufficient.[137] The application also fails to address risks associated with customer-owned and operated facilities.[138] Accordingly, this proposal lacks the specificity, evidence, and safeguards necessary for the Commission to ensure safe and reliable service.

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[132] Cal Advocates Opening Brief 9-10; Ex.CA-01 at 1-2.

[133] Cal Advocates Opening Brief at 10.

[134] Cal Advocates Opening Brief at 11.

[135] Cal Advocates Opening Brief at 11.

[136] Cal Advocates Opening Brief at 11-12; Ex.CA-01 at 4-3 and 4-4.

[137] Cal Advocates Opening Brief at 12.

[138] Cal Advocates Opening Brief at 12.

SCGC similarly argues that the MOT conflicts with Section 451 and recommends that any MOT pricing follow established ratesetting methods used in general rate cases to ensure charges remain reasonable.[139] Overall, SCGC concludes the MOT must be significantly constrained to comply with legal requirements.

TURN argues that SoCal has not demonstrated that its proposed MOT complies with Section 451.[140] TURN identifies two principal arguments SoCalGas relies on to support the utility's arguments: 1) fees will be project-specific and 2) they will cover full project costs.[141] TURN contends that neither point establishes that the resulting charges would be just and reasonable.[142] TURN argues that case-specific pricing does not inherently ensure fairness and may even introduce risks such as discrimination, predatory terms, or lack of transparency.[143] Similarly, covering full costs only sets a minimum price and does not prevent inflated or unnecessary charges.[144] In TURN's view, SoCalGas's reasoning is circular because it assumes without evidence that case specific pricing leads to just and reasonable outcomes.[145]

TURN also raises concern that customized contracts could shift costs to customers, especially because the MOT lacks Commission review of individual

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[139] SCGC Opening Brief at 11; Ex.SCGC-01 at 4-9.

[140] TURN Reply Brief at 2.

[141] TURN Reply Brief at 3.

[142] TURN Reply Brief at 3.

[143] TURN Reply Brief at 4.

[144] TURN Reply Brief at 5.

[145] TURN Reply Brief at 3.

agreements. Because the MOT does not require approval of each individual agreement, TURN argues that pricing and service terms could escape thorough regulatory examination.[146]

Similarly, UCAN argues that SoCalGas's proposal to privately negotiate rates without regulatory review prevents any determination of whether those rates are just and reasonable.[147] UCAN notes that under Section 451, all unjust or unreasonable rates are unlawful, and the responsibility to assess reasonableness rests with the Commission.[148] Agreeing with Cal Advocates and TURN, UCAN contends that SoCalGas's approach would obscure the rate structure from oversight, effectively allowing an unregulated business to operate within a regulated utility.[149] As a remedy, UCAN proposes that, at a minimum, the Commission require regular independent audits of SoCalGas' MOT accounting and operations, along with financial penalties for any identified errors or procedural irregularities.[150]

Overall, the record raises substantial questions concerning whether the MOT would comply with Section 451. The Commission concludes that SoCalGas has not demonstrated that the MOT, as proposed, would consistently produce just and reasonable rates or safe and reliable service. Voluntary participation and full cost recovery do not by themselves satisfy Section 451. The Commission would need clearer pricing methods, fully defined cost components,

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[146] TURN Reply Brief at 4-5.

[147] UCAN Opening Brief at 6, citing Ex.CA-01 at 4-1 and 4-2.

[148] UCAN Opening Brief at 6.

[149] UCAN Opening Brief at 6-7; Ex.UCAN-01 at 6.

[150] UCAN Opening Brief at 7.

nondiscrimination protections, safety and reliability standards, meaningful reporting requirements, and a process for reviewing individual agreements. Otherwise, the Commission would not have an adequate basis to determine whether the charges are just and reasonable.

Because the proposed reporting requirement would occur only once a year and only after the transactions and projects have occurred, the Commission would have no practical means to monitor compliance in real time or prevent unreasonable charges, discriminatory treatment, improper cost allocation, or other violations before customers or public are affected. Annual retrospective reporting may identify problems after the fact, but it does not provide an effective mechanism for verifying ongoing compliance with Section 451.

5.4. Consistency with Rules for Co-Located Generation and Load

SoCalGas states that all microgrid facilities developed under the MOT would comply with all applicable requirements under the Commission's Electric Rule 21, which governs the interconnection of generation facilities with an IOU's distribution system.[151] Where a participating customer seeks service under Rule 18 (Southern California Edison / Pacific Gas &Electric) or Rule 19 (San Diego Gas & Electric Company), SoCalGas states that it would confirm the eligibility requirements for participation with the relevant electric utility.[152] SoCalGas further explains that compliance with the net energy metering (NEM) requirements would be determined on a project-by-project basis and would

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[151] Ex.SCG-04 at 4.

[152] Ex.SCG-04 at 3.

depend on the combination of microgrid technologies used at the project site as requested by customers.[153]

SoCalGas also states that it would coordinate with electric utilities to support successful grid integration, operational capability, compliance with utility requirements, and cooperation among involved parties.[154] However, when TURN requested details regarding this collaboration, SoCalGas referred only to satisfying the minimum requirements for interconnection.[155] SoCalGas also confirmed that, as of the date of its response, it had not contacted any electric utility concerning the implementation of the MOT. [156]

Based on the record, the Commission finds that SoCalGas has not sufficiently demonstrated that the MOT would comply with Commission rules governing co-located generation and load, including Electric Rule 21 and the applicable utility tariffs. General commitments to comply with existing rules and meet minimum interconnection requirements do not establish how SoCalGas would coordinate project design, technical review, system protection, operating procedures, export limitations, or ongoing compliance with the Commission rules for co-located generation and load, such as Electric Rule 21 on interconnection requirements.

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[153] Ex.SCG-04 at 3.

[154] Ex.SCG-04 at 9.

[155] Ex.TURN-01 at 6; Ex. TURN-01-Atch06 at 25 states"…SoCalGas will provide the required project information to the electric utility such as size and location. Each electric utility can use this information to conduct their own assessment on how this may reduce their land-use requirements of electric infrastructure projects."

[156] TURN Opening Brief at 13; Ex.TURN-01 at 7.

As TURN pointed out, the lack of consultation with electric utilities is particularly significant and concerning because MOT projects may involve multiple technologies, customer load, grid interconnection, and possible electricity exports. These issues cannot be resolved only through a general statement that each project will comply with applicable requirements.

5.5. Safety and Reliability

SoCalGas asserts that it will maintain a safe and reliable operation by using third-party contractors who follow industry safety standards, along with conducting regular inspections, preventative maintenance, and system upgrades in compliance with all applicable regulations.[157] According to SoCalGas, MOT facilities would be designed in compliance with all applicable federal, state, and local requirements. These requirements would include standards related to electrical systems, structural integrity, emissions control, and worker safety.[158] SoCalGas states that qualified contractors would execute the work and that routine inspections, preventative maintenance, and system upgrades would be carried out to minimize outages and support operational efficiency.[159] SoCalGas relies on its experience with the Hydrogen Innovation Experience and maintains that this experience will support the administration of the MOT.[160]

Cal Advocates disputes whether SoCalGas has demonstrated sufficient experience to design, build, own, operate, and maintain the large microgrids

[157] Ex.SCG-04 at 4-5.

[158] Ex.SCG-04 at 5.

[159] Ex.SCG-04 at 5.

[160] Ex.SCG-04 at 4-5.

contemplated by MOT.[161] Cal Advocates explains that SoCalGas's seven microgrid research ventures are relatively small, are not interconnected with the grid and have capacities of less than 15 kilowatts (kW).[162] These projects are not comparable to the facilities that may be developed under the MOT, including microgrids serving data centers with loads that could reach 99 megawatts (MW).[163]

Energy Pathways raises similar concerns. Energy Pathways argues that SoCalGas's safety and reliability representations throughout its testimony rely on commitments to use third-party contractors who have a proven track record of success. In Energy Pathways' view, the Commission's obligation to assure safety and reliability of microgrids cannot be satisfied by a utility's promise to hire qualified contractors.[164] Energy Pathways adds that SoCalGas's relevant operational experience is limited to its Hydrogen Innovation Experience demonstration project, "a single facility that cannot establish an operational track record needed to justify a [Design-Build-Own-Operate-Maintain] authority across the full range of commercial and industrial microgrid applications the MOT contemplates."[165]

The Commission agrees with Cal Advocates and Energy Pathways. SoCalGas has not provided sufficient evidence supporting that its existing microgrid experience can be applied to the large commercial and industrial

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[161] Cal Advocates Opening Brief at 11.

[162] Cal Advocates Opening Brief at 12; Ex.CA-01 at 4-3 to 4-4.

[163] Cal Advocates Opening Brief at 12; Ex.CA-01 at 4-4.

[164] Energy Pathways Opening Brief at 13.

[165] Energy Pathways Opening Brief at 13.

facilities contemplated under the MOT. Its prior projects are limited in number, small in scale, and materially different from microgrids that may serve data centers, hospitals, or other critical facilities. Also, SoCalGas's proposed reliance on using qualified contractors does not substitute for a demonstrated operational record or defined safety and reliability program. SoCalGas fails to adequately identify in the Application technical standards, contractor qualification requirements, inspection procedures, operating protocols, emergency response requirements, maintenance responsibilities, among others.

Accordingly, the record does not establish that SoCalGas is presently qualified to receive unrestricted authority to design, build, own, operate, and maintain nonresidential microgrids. The difference between SoCalGas's limited experience and the scale and complexity of the proposed projects raises material safety and reliability concerns under Section 8371(d) which requires the Commission to develop rates and tariffs for microgrids to "ensur[e] that system, public, and worker safety are given the highest priority."

6. SoCalGas Does Not Establish that the MOT Has Sufficient Safeguards to Prevent Impact on Ratepayer Costs

A key issue in this proceeding is whether the structure of the MOT impacts ratepayer costs and introduces financial risks to ratepayers. This includes topics such as cost shifts to nonparticipating ratepayers, under-repayment, cross-subsidization, inequitable pricing, risk mitigation and insurance requirements. Upon review of the record, the Commission concludes that the MOT may create an unreasonable risk of cost shifting. The record does not establish that the proposed accounting, pricing, reporting, and risk controls are sufficient to protect nonparticipating ratepayers given the complexity and size of potential projects.

6.1. Party Positions on the MOT's Impact on Ratepayer Costs

SoCalGas asserts that the MOT will not shift costs to nonparticipating ratepayers, since all project costs will be paid by the participating customers.[166] It also explains that any existing cost tied to the program will be returned to ratepayers through a balancing account, ensuring no financial burden or risk is placed on others.[167] SoCalGas would track costs using established mechanisms, including separate order numbers and regulatory accounts, such that any General Rate Case (GRC)-embedded costs are refunded to ratepayers with interest.[168] SoCalGas adds that its project and program managers will review and validate embedded costs allocated to MOT internal orders.

Since the tariff is voluntary and involves negotiated agreements for nonresidential customers, SoCalGas maintains that pricing would be fair.[169] SoCal further notes that the decision of whether or not to have the microgrid owned by the utility is at the utility's discretion and this aspect allows SoCalGas

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[166] Ex.SCG-04 at 5.

[167] SoCalGas Opening Brief at 24 and Ex.SCG-04 at 5.

[168] SoCalGas explains that it would use "(1) direct charging, where the actual labor and non-labor spent in providing or supporting the MOT are recorded; and (2) allocation, where the costs associated with provision of labor and non-labor activities are determined by formula, such as percentage of some portion of direct costs." SoCalGas would also establish separate order numbers for each MOT project, and use the balancing account to credit ratepayers for any GRC embedded costs. In each annual October regulatory account balance update filing, SoCalGas would amortize the projected year-end balance effect January 1 of the following year.

[169] Ex.SCG-04 at 6.

to properly manage its capital investment risk.[170] SoCalGas highlights that it proposes to have controls and requirements in place to assess the creditworthiness and insurance coverage levels of potential MOT customers to mitigate risk.[171] The MOT applicant will have to meet creditworthiness requirement on an ongoing basis. SoCalGas states that its authorized 2024 GRC filing contains no requests for funding for the MOT activities and that future MOT costs and revenues will be excluded from GRC recovery.[172]

The intervenors contend that the proposed protections are insufficient. Cal Advocates argues that the MOT "fails to provide sufficient ratepayer protections."[173] TURN similarly contends that "[d]eploying GRC resources to support MOT customers would shift costs away from their approved purposes and could constrain the utility's ability to carry out authorized activities."[174] Several parties claim that the proposed MOTBA may not capture all the embedded costs, that the costs (including overheads) cannot be verified, or that there is insufficient detail on how costs will be tracked.[175]

According to Cal Advocates, the record indicates that SoCalGas could use ratepayer funded resources for MOT customers, including labor, overhead, IT

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[170] Ex.SCG-04 at 7.

[171] Ex.SCG-04 at 7, citing Application Attachment A at Sheet 6.

[172] In compliance with Ordering Paragraph 15 of D.15-10-049, SoCalGas created a MOT internal order on July 29, 2024 to track employee time and resources associated with developing the tariff proposal. Costs charged to the internal order will not be borne by ratepayers. Upon approval of this Application, the MOTBA will be credited for the balance recorded in the MOT internal order as of July 29, 2024, to refund such amount to ratepayers (Ex.SCG-03 at VRG-3).

[173] Ex.CA-01 at 2-1 to 2-2.

[174] Ex. TURN-01 at 3.

[175] Ex.CA-01 at 2-2 to 2-3; Ex. TURN-01 at 4; Ex.EP-01 at 10-11; Ex.CIE-01 at 5.

systems, admin support, buildings, and equipment. The use of those resources could shift them away from activities that benefit ratepayers.[176] Even though SoCalGas proposes to reimburse ratepayers, in Cal Advocates' view, the proposal lacks adequate safeguards to protect against SoCalGas's opportunity to access ratepayer funds.[177] It does not identify all ratepayer resources that may be used, does not provide a clear cost allocation method, and does not give Commission an opportunity to review those methods.[178] In Cal Advocates' view, annual reports and internal order numbers would not be sufficient because the Commission would lack project level details on labor, equipment, software and overhead costs. SoCal also does not explain how it would allocate shared overhead costs such as employee benefits, office space, and IT platforms.[179]

Cal Advocates also argues that the proposed MOT fails to adequately protect ratepayers from the risk of customer default.[180] While SoCalGas asserts that ratepayers will not bear project costs and requires customers to maintain insurance, it provides no enforceable mechanism to ensure that shareholders, rather than ratepayers, absorb any unrecovered costs arising from defaults or insufficient insurance coverage.[181] Additionally, the requirement that customers provide "adequate assurance" lacks defined standards, leaving the Commission

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[176] Cal Advocates Opening Brief at 6.

[177] Cal Advocates Opening Brief at 6; Ex.CA-01 at 2-1 to 2-4.

[178] Cal Advocates Opening Brief at 6-7; citing Ex.TURN-01 at 4.

[179] Cal Advocates Opening Brief at 6-7; Ex.CA-01 at 2-2; Ex.TURN-01 at 4-5.

[180] Cal Advocates Opening Brief at 7.

[181] Cal Advocates Opening Brief at 7-8.

unable to assess how SoCalGas will evaluate customer creditworthiness.[182] As a result, the Application does not establish sufficient protections against ratepayer exposure.

SCGC raises similar concerns regarding cost shifting and argues that costs related to customer acquisition, project development, financing, non-bypassable charges, may not be fully included in MOT pricing and could therefore be transferred to other customers.[183] SCGC also highlight capital costs, noting that using a low interest rate in balancing account would understate true financing costs and shift difference to ratepayers.

SCGC also objects to the use of privately negotiated rates without established cost-based ratemaking methods or Commission review.[184] SCGC recommends that the Commission direct that shareholders alone bear the risk for providing MOT services including the risks of customer nonpayment and inadequate cost recovery.[185]

TURN similarly argues that the MOT exposes ratepayers to financial risk because it relies on ratepayer funded resources, lacks adequate cost tracking, and operates as a commercial venture without sufficient oversight.[186] Although SoCalGas claims ratepayers will not bear costs, TURN points out that existing utility resources funded through prior rate cases are already being redirected to

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182 Cal Advocates Opening Brief at 8.

183 SCGC Opening Brief at 12-13; Ex.SCGC-01 at 3.

184 SCGC Opening Brief at 14.

185 SCGC Opening Brief at 16.

186 TURN Opening Brief at 5; Ex.TURN-01 at 5.

support the MOT, including IT systems, facilities, staff time.[187] Redirecting these resources away from core functions could impair essential operations and effectively shift costs onto ratepayers.[188]

TURN also contends that SoCalGas provided inconsistent and incomplete explanations of how costs will be tracked and reimbursed. In TURN's view, the proposal provides limited transparency and no detailed methodologies or supporting documentation.[189] TURN notes that SoCalGas initially indicated that it would track only labor costs, but later added overhead categories without clearly explaining the change.[190] TURN further argues that SoCalGas relies internal processes and managerial review rather than external oversight, creating a risk that not all costs will be properly identified or reimbursed.[191]

TURN also highlights that the MOT introduces business risks, including potential financial losses, without reliable mechanisms to ensure shareholders rather than ratepayers absorb those losses. These potential risks include customer default, stranded assets, and even indirect impacts such as increased financing costs.[192] According to TURN, these risks are compounded by the absence of Commission review of individual contracts and minimal reporting requirements proposed by SoCalGas.[193] Finally, TURN notes that transparency is very

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[187] TURN Opening Brief at 5; Ex.TURN-01 at 3.

[188] TURN Opening Brief at 5.

[189] TURN Opening Brief at 6.

[190] TURN Opening Brief at 7.

[191] TURN Opening Brief at 6.

[192] TURN Opening Brief at 9; Ex.TURN-01-Atch04 at 14; Ex.TURN-01 at 5.

[193] TURN Opening Brief at 10; Ex.TURN-01 at 5.

limited.[194] SoCalGas does not intend to submit individual contracts for regulatory review and would not report key details such as pricing, services, or customer impacts.[195]

UCAN similarly argues that the MOT proposal may shift several categories of costs onto nonparticipating ratepayers, including acquisition costs, application related expenses, and the development of employee expertise.[196] Although SoCalGas asserts that its cost tracking system will properly allocate expenses to MOT customers,[197] UCAN challenges this claim by pointing to a history of inaccurate or erroneous filings by Sempra utilities.[198] Based on these concerns, UCAN argues that, at a minimum, regular independent third party audits are necessary to ensure accurate cost allocation and accountability.

6.2. Discussion on the MOT's Impact on Ratepayer Costs

Based on the record, the Commission concludes that SoCalGas has failed to demonstrate that the MOT has adequate safeguards to prevent potential risks of cost shifting. The record does not establish that the proposed accounting, pricing, reporting, and risk controls are sufficient to protect nonparticipating ratepayers. The Commission is not persuaded that the proposal provides enough details to determine whether all direct, indirect, customer acquisition, project development, and financing costs are identified. The application also lacks an express and enforceable requirement that shareholders bear all losses arising

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194 TURN Opening Brief at 11.

195 TURN Opening Brief at 10; Ex.TURN-01 at 5.

196 UCAN Opening Brief at 7.

197 Ex.SCG-03 at 1.

198 UCAN Opening Brief at 7-15.

from customer default, inadequate insurance, stranded assets, or other commercial risks.

There is also an opportunity cost associated with assigning existing resources to MOT activities. Every minute of staff time spent on developing, marketing, administering, or supporting the MOT is the time that is not spent on performing the core utility functions for which those employees and resources were authorized and funded. Reimbursement of recorded labor costs does not necessarily remedy this concern because it may not account for delays, reduced staff availability, diminished service quality, or the need to redirect other employees to complete authorized work. SoCalGas has not demonstrated that MOT activities will not impair its ability to perform its core obligations or require ratepayers to fund replacement resources.

7. The Record Is Insufficient to Determine Whether the MOT Has Adequate Consumer Protection Measures and Dispute Resolution Processes

The Scoping Memo asks whether the MOT includes adequate consumer protection measures and dispute resolution processes to ensure transparency, prevent misleading marketing, and provide clear recourse for participating customers, particularly those in disadvantaged and low-income communities.

Upon review of the record, the Commission concludes that SoCalGas has failed to demonstrate that the MOT includes adequate consumer protection measures or any dispute resolution processes.

7.1. Party Positions on Consumer Protection Measures

SoCalGas states that it will take the following actions to ensure transparency and appropriate customer education:

- Use Commission approved competitively neutral scripts and Commission approved marketing-type documents to inform customers and help answer questions on MOT.
- Present MOT customers with a list of other microgrid service providers who offer the same or similar service.
- Have MOT customers sign a certification form stating the customer is aware of other service providers prior to signing any tariff contract with SoCalGas.
- Provide a public website dedicated to providing information on MOT on a nondiscriminatory basis and will use CPUC approved language to ensure neutrality. The website will include SoCalGas contact information for questions and issues that customers may have.
- Provide the MOT only to non-residential customers. [199]

SCGC contends that the MOT lacks consumer protection measures and a dispute resolution process, ensuring transparency and providing safeguards against misleading marketing.[200] Similarly, UCAN argues that the application lacks reasonable customer protection. UCAN claims that SoCalGas' application relies on vague and potentially misleading language, which, according to UCAN, could misinform future customers.[201]

7.2. Discussion on Consumer Protection Measures

The Commission finds that the application provides limited information regarding consumer protection and does not identify a dispute resolution process. Neither the applicant nor the intervenors developed the record sufficiently on this item.

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199 Ex.SCG-04 at 8.

200 SCGC Opening Brief at 16.

201 UCAN Opening Brief at 16-17.

8. SoCalGas Has Failed to Demonstrate that the MOT Will Not Adversely Impact Electric Utility Ratepayers

Another key issue in this proceeding is whether SoCalGas offering an electric utility-related product would impact the ratepayers in electric utilities and electric utility infrastructure projects that overlap with SoCalGas's service territory. The current record in this case does not establish the MOT would not adversely impact electric utility ratepayers.

8.1. Party Positions on the MOT's Impact on Electric Utility Ratepayers

SoCalGas argues that the MOT will benefit electric utility ratepayers because local energy generation from microgrids could reduce pressure on the grid, potentially delaying or avoiding costly infrastructure updates. Citing a study by Brattle, SoCalGas states that these benefits may lower overall system costs and provide additional benefits such as faster project development and possible emission reductions. It also notes that existing utility rules, such as standby fees and departing load charges, help protect ratepayers. In addition, all microgrid connections would be reviewed and coordinated with electric utilities to ensure smooth integration and avoid negative impacts on the grid.[202]

The intervenors, however, argue that the MOT could adversely affect electric utility ratepayers. Energy Pathways states that the deployment of behind-the-meter generation under the MOT would trigger standby charges and departing load charges and argues that SoCalGas does not address whether MOT customers would be subject to the same charges that customers using independent developers must pay. According to Energy Pathways, if MOT

[202] Ex.SCG-04 at 8-9.

customers are treated differently, the result would lead to a cost shift to electric utility ratepayers.[203] Energy Pathways therefore recommends that SoCalGas provide a detailed analysis of exposure from standby and departing load charges for MOT customers.[204]

SCGC similarly contends that the MOT would adversely impact electric utility ratepayers. SCGC agrees with TURN that customers leaving electric utilities for MOT would reduce the customer base, making it harder to recover fixed system costs.[205] Also, if MOT customers avoid non-bypassable charges, remaining customers would bear a larger share of public purpose charges. Finally, if MOT costs are not fully recovered, including an appropriate financing component, the shortfall would be shifted onto nonparticipating ratepayers.[206]

TURN states that SoCalGas "fails to acknowledge that the MOT could impose new harms on electric ratepayers and unnecessary complications on the rapidly transforming electric grid."[207] TURN explains that the electric utilities are engaged in multiple complex, overlapping projects to transform the grid, and that additional, unanticipated changes to electricity demand could further complicate those efforts.[208]

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[203] Energy Pathways Opening Brief at 15; Ex.EP-01 at 11-12.

[204] Energy Pathways Opening Brief at 16.

[205] Ex.TURN-01 at 7; SCGC Opening Brief at 17.

[206] SCGC Opening Brief at 17.

[207] TURN Opening Brief at 19.

[208] TURN Opening Brief at 19.

TURN further contends that, without proactive coordination, the MOT could increase costs for other electric ratepayers.[209] Departing electric load could undermine cost recovery by reducing the customer base over which fixed system costs are spread. For example, if SoCalGas provides a large, existing electric customer with an off-grid microgrid, that customer would no longer use electric utility infrastructure and stop contributing towards the costs of existing utility assets. If the electric utility had already made infrastructure investments to serve that customer's load, the remaining customers would bear those costs.

UCAN similarly argues that the MOT is structured to shift customers away from electric utilities toward natural gas based, behind the meter generation, which could reduce use of existing electric infrastructure and increase costs for remaining ratepayers.[210] UCAN is concerned that MOT customers might avoid paying required system charges, shifting those costs onto nonparticipating customers.[211]

8.2. Discussion on the MOT's Impact on Electric Utility Ratepayers

Based on the record, the Commission finds that SoCalGas has not demonstrated that the MOT would avoid potential adverse impacts on electric utility ratepayers. Although the MOT could potentially reduce grid demand and defer some infrastructure investments, those benefits remain uncertain because the application lacks information about project size, location, technology, customer participation, and expected effects on the grid. SoCalGas does not

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209 Ex. TURN-01 at 7.

210 UCAN Opening Brief at 17.

211 Ex.UCAN-01 at 12-13.

adequately address the intervenors' concerns regarding cost shifting, non-bypassable charges, and the effects of unanticipated load departure.

The introduction of new, large capacity microgrids for nonresidential customers could also create operational and planning complications for the electric grid. These concerns can be significant where the MOT may serve large load, such as data centers, whose demand may affect local grid conditions. If existing electric load departs utility service to participate in MOT, the reduction in the utility customer base could shift fixed system costs to other customers.

The record also raises concerns regarding the limited coordination between SoCalGas and the affected electric utilities. Given the size and the nature of the loads that may be served, early and substantial coordination would be necessary. The application does not adequately explain how this coordination would occur.

9. Record Is Insufficient to Determine Whether MOT Will Create Barriers to Entry

The Scoping Memo asks whether SoCalGas's dual role as a regulated utility and market participant creates barriers to entry or suppresses competition in the microgrid sector within its service territory. Upon review of the record, the Commission finds that the proceeding record is insufficient to establish that the contemplated projects would result in competitive harm. At the same time, the parties have identified concerns regarding customer information, marketing, and the use of utility resources. We therefore decline to make a definitive finding on the competitive effects of the tariff in this proceeding.

9.1. Party Positions on Barriers to Entry

SoCalGas argues that the MOT includes safeguards consistent with prior Commission decisions, addresses unmet demand, and would support development of a microgrid market without creating an unfair competitive advantage.[212]

According to SoCalGas, the MOT would be marketed in a competitively neutral manner through its website, making clear that other providers offer similar services. SoCalGas proposes to use Commission-approved neutral scripts and marketing materials, provide customers with a list of competing service providers, and require customers to acknowledge that alternative providers are available. SoCalGas also claims that, like earlier tariffs, the MOT would serve the public interest by addressing unmet demand, noting that microgrid adoption in the service area is currently low and that the tariff could help expand this underdeveloped market.[213]

SoCalGas rejects claims that its access to customer usage data would give SoCalGas an unfair advantage, adding that gas usage data is simply "not useful with respect to finding potential microgrid customers."[214] SoCalGas also argues that similar concerns were litigated in prior Commission proceedings, where the Commission found that access to customer information and utility reputation do not constitute unfair competitive advantage.[215]

SoCalGas also considers claims that it would benefit from balancing account interest rates, access to capital, or speculative avoidance of electric

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[212] Ex.SCG-04 at 9.

[213] Ex.SCG-04 at 9-10 and Ex.SCG-02 at AI-20.

[214] SoCalGas Reply Brief at 10.

[215] SoCalGas Reply Brief at 10-11 citing D.12-12-037 Finding of Fact 15 and 16. "SoCalGas's reputation with customers, for good or for bad, does not provide it with an unfair competitive advantage," and "SoCalGas's access to customer information does not provide it with unfair competitive advantage in the provision of compressed gas services because the customer information does not provide information on who would desire compressed gas services."

charges unfounded.[216] SoCalGas contends that established corporations have access to internal capital and that this is not unique to regulated utilities. In addition, SoCalGas considers claims that it may avoid non-bypassable charges or departing load charges, to be speculative.[217]

Cal Advocates, Energy Pathways, SBUA, SCGC, TURN, and UCAN raise concerns that SoCalGas' status as a regulated utility could provide advantages unavailable to independent developers. Cal Advocates emphasizes that SoCalGas has contact information for and existing relationships with all current gas customers in its service territory and potential MOT customers. Cal Advocates adds that SoCalGas has detailed information about customer gas consumption it can use to target outreach to customers most likely to benefit from gas-fueled microgrids. In contrast, competing microgrid companies would need to spend time and resources identifying potential customers, building trust, and creating platforms to market microgrid services.[218]

Energy Pathways also argues that SoCalGas could price MOT services based only on incremental costs above its already ratepayer-funded base and then credit the difference to the MOTBA through a self-reported process. In Energy Pathways' view, this arrangement would create a structural price advantage, not a temporary market condition that competition could correct over time.[219]

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[216] SoCalGas Reply Brief at 11.

[217] SoCalGas Reply Brief at 11.

[218] Cal Advocates Opening Brief at 17; Ex.CA-01 at 3-2.

[219] Energy Pathways Opening Brief at 16; Ex.EP-02 at 17-18.

SBUA similarly asserts that SoCalGas has unfair competitive and financial advantages. SBUA claims that SoCalGas inadequately addressed some party assertions about its competitive advantage and commits to a number of steps, including neutral scripts, reporting and only contacting non-residential customers. However, SoCalGas never committed to the recommendation to either obtain permission from each customer or forego access to its proprietary customer database.[220]

SCGC, UCAN, and TURN argue that stronger separation, cost tracking, pricing and reporting requirements are necessary to address the advantages associated with SoCalGas' utility status. SCGC emphasizes that SoCalGas must price services using full cost-based methodologies, consistent with prior Commission decisions, which SoCalGas has accepted.[221] However, concerns remain that SoCalGas has structural advantages as a regulated utility, such as existing customer relationships and brand trust, which private companies cannot match.[222]

SCGC and Energy Pathways also argue that SoCalGas may be able to avoid certain electric charges that other microgrid developers would not be able to avoid.[223] SoCalGas responds that these claims are speculative and maintains that SoCalGas is not aware of any charges that it will avoid, such as non-bypassable charges or departing load charges. It states that SoCalGas, in

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[220] SBUA Opening Brief at 7, citing Ex.SCG-05 at IGM-16.

[221] SCGC Opening Brief at 17-18.

[222] Ex.CIE-01 at 6; Ex.UCAN-01 at 9.

[223] SCGC Opening Brief at 14; Energy Pathways Opening Brief at 16.

partnership with the MOT customers, would comply with the relevant applicable tariffs, and pay any required charges.[224]

TURN raises concerns regarding SoCalGas' dual role as both a regulated utility and a participant in the microgrid market.[225] Many parties, including TURN, warn that SoCalGas could gain an unfair advantage by using resources tied to its regulated monopoly to compete in the microgrid market. Although rules such as the Affiliate Transaction Rules are designed to manage these conflicts, TURN asserts that SoCalGas does not meaningfully explain how its proposal would comply with those rules. Instead, SoCalGas briefly cites the DERS decision, arguing that such participation is acceptable with proper safeguards. TURN considers this response insufficient, because SoCalGas does not explain how its proposal would address risks like reduced competition or barriers to entry, or how market conditions are comparable to those in DERS case. TURN also highlights that the DERS decision relied on detailed market analysis and clear public benefits, which are lacking in this Application. Overall, TURN concludes that SoCal has not met its burden to address competitive concerns or justify its dual role.

9.2. Discussion on Barriers to Entry

Upon review of the record, the Commission finds that the proceeding record is insufficient to establish that the contemplated projects would result in competitive harm.

SoCalGas, as a regulated natural gas utility, has advantages over competing microgrid developers, and SoCalGas's proposal to use competitively

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224 SoCalGas Reply Brief at 12.

225 TURN Reply Brief at 7-8.

neutral marketing materials, disclosure of alternative service providers, full cost-based pricing, may not fully address the structural advantages rising from its status as a regulated utility. On the other hand, although the opposing parties identify credible concerns regarding SoCalGas's structural advantages as a regulated utility, those concerns remain speculative in the absence of detailed information about the existing supply of microgrid services, the number and capacity of competing developers, and the geographic and product markets they operate. The record also does not identify the anticipated number, size, location, and technology of contemplated MOT projects. Without this information, it is not possible to assess whether the MOT would displace projects that independent developers would otherwise perform, create barriers to entry, and affect market prices.

SoCalGas's proposed use of the third-party developers may reduce the risk of direct replacement and could create additional opportunities for independent developers. That would not completely eliminate competitive concerns if SoCalGas controls customer access, project referrals, pricing, or the selection of participating developers.

Due to insufficient record on this matter, the Commission cannot make a definitive finding on the competitive effects of the tariff in this proceeding.

10. Modifications

Scoping Memo Issue 7 asks what the required modifications would be, if any, to the MOT, if the Application is granted. Because the Application is denied, this issue is moot.

11. Operational Considerations and Costs

Another key issue in this case is the short-term and long-term operational considerations and costs of the MOT, including applicable technical/operational standards, expected lifetime of the facilities, fuel types, and other matters. Due to lack of details in the Application, the record is inconclusive on these issues. Many of the sub-issues are also moot, given that the Application is denied on other grounds. Nevertheless, the Commission summarizes the party positions or notes lack of them in the section below.

11.1. Party Positions on Operational Considerations and Costs

Technical and Operational Considerations

Regarding the issue of technical/operational standards applicable to the microgrid systems developed under the MOT, SoCalGas states that MOT would not require new technical or operational standards, beyond those established by organizations such as the Institute of Electrical and Electronics Engineers, National Fire Protection Association, and UL Solutions.[226] SoCalGas explains that the MOT facilities would comply with all applicable federal, state, and local requirements governing electrical systems, structural integrity, emissions, worker safety, building codes, and zoning.[227] SoCalGas also cites its experience developing Hydrogen Innovation Experience, as a source of relevant technical experience.

The Expected Lifetime of Microgrid Facilities

[226] Ex.SCG-04 at 10.

[227] Ex.SCG-05 at IGM 9-11.

SoCalGas states that microgrid facilities are "designed for a technical lifespan dependent on the specific components and technologies installed within the facilities and the effectiveness of maintenance and operation. Different components of the microgrid will have different useful lives. However, under MOT, the expected lifetime of the microgrid facilities on an accounting basis will be based on the duration of the microgrid agreement negotiated between the MOT customer and SoCalGas in order to ensure full cost recovery from the MOT customer. The duration of the agreements will be defined on a case-by-case basis."[228]

Intervenors did not provide detailed positions on these issues, however, several parties, including SCGC, TURN, and UCAN, suggested establishing a sunset date for MOT,[229] should the Commission grant the Application.

Process for Determining Fuel Types

The Scoping Memo asked what the process would be for determining the fuel types to be used in each application under the MOT, relative to the Net Energy Metering microgrid tariff rules discussed in D.21-01-018.

In response, SoCalGas stated that "[f]or MOT customers seeking NEM-eligibility, SoCalGas intends to design and develop MOT projects that comply with the rulings in D.21-01-018. Determining fuel type used in each application of the MOT will involve discussions with the MOT customer and allowing them to choose the fuel that best fits their needs. Customers could have different

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[228] Ex.SCG-04 at 11.

[229] SCGC Opening Brief at 22, TURN Opening Brief at 35, and UCAN Opening Brief at 20.

energy needs and resources, and the MOT would allow customers the choice of the best energy solution for them."[230]

This issue was not directly discussed by intervenors. The absence of a defined process for determining fuel types on a project-by-project basis reflects the broader vagueness throughout the MOT application.

Fuel Types

Another key issue in this case was whether the Commission should limit what kinds of fuel can be used to power a potential future microgrid as part of the MOT tariff (e.g., by mandating the use of biomethane instead of fossil natural gas, etc.).

SoCalGas notes that fuel choices would be determined in consultation with each customer, allowing them to select the option that best fits their specific energy needs.[231] SoCalGas maintains that under MOT fuel choice should not be preemptively limited. It argues that customers have diverse needs and constraints, including sustainability goals, reliability requirements, access to clean fuels, property characteristics, and economic resources.[232] Because not all customers can immediately use renewable fuels, SoCalGas recommends allowing flexibility in fuel choice to encourage broader adoption and avoid excluding certain users. It suggests revisiting fuel restrictions later, once the microgrid market has developed further.

Compliance with Air Quality Standards and GHG Emissions Reduction

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[230] Ex.SCG-04 at 11.

[231] Ex.SCG-04 at 11.

[232] Ex.SCG-04 at 12.

The Scoping Memo asked whether the Commission should put provisions in place to ensure that microgrid facilities built pursuant to the MOT demonstrate compliance with all applicable air quality standards pursuant to California Air Resources Board requirements. It also asked whether the Commission should put provisions in place to ensure that GHG emissions from microgrid facilities built pursuant to the MOT are reduced over time.

SoCalGas also argues that additional requirements concerning emissions are unnecessary because all projects must follow applicable California Air Resources Board (CARB) and local air district standards. SoCalGas maintains that it is too early to implement GHG emission related provisions since this could create barriers to microgrid adoption.[233]

SBUA argues that SoCalGas's refusal to limit fuel and generation options conflicts with the State's decarbonization goals, mandate, the long-term gas planning's (R.24-09-012) mandate to develop decarbonization projects and efforts to retire gas infrastructure.[234]

Energy Pathways states that the Commission should require binding emissions reduction milestones, independently verified compliance reporting, and technology transition requirements as conditions of any MOT approval.[235]

11.2. Discussion on Operational Considerations and Costs

Based on the record, the Commission concludes that the proposal lacks the information necessary for us to determine whether the microgrids built under

[233] Ex.SCG-04 at 12.

[234] SBUA Opening Brief at 6; Ex.SBUA-01 at 25-26.

[235] Energy Pathways Opening Brief at 22.

the proposal would be safe, reliable, and consistent with the State's GHG emission reduction objectives. The absence of operational cost analyses and lifecycle cost estimates prevents an evaluation of the proposal's economic and operational benefits.

The proposal also fails to establish specific technical and operational requirements. SoCalGas relies on general compliance with existing codes and standards but does not propose capacity limits, identify project specific fuel selection criteria, or explain how the facilities would be operated over their expected lifetimes. These omissions are concerning given the utility's limited experience with microgrids. The proposal also lacks a GHG reduction plan and emission reporting requirements. The utility also has not provided fuel transition scenarios or made firm commitments to reducing GHG emissions. Taken together, these deficiencies reflect a broader lack of specificity throughout the application.

12. Zonal Decarbonization

Scoping Memo asks whether the approval of the MOT would impact the Commission's efforts to implement zonal decarbonization projects in priority locations identified in the Commission's long-term gas planning proceeding (Rulemaking 24-09-012) or otherwise prevent the retirement of gas pipelines. Based on the record, the Commission concludes that SoCalGas has failed to meet its burden of demonstrating that the MOT would not present a risk of conflict with state decarbonization policy.

12.1. Party Positions on Zonal Decarbonization

SoCalGas argues that the MOT would not interfere with the Commission's zonal decarbonization efforts identified in the long-term gas planning proceeding (R.24-09-012). It emphasizes that the participation is voluntary, non-discriminatory, and would not change SoCalGas's obligation to provide standard utility services or comply with existing regulations. It also clarifies that MOT participants would not receive preferential access to utility services and that the program would not affect decisions about retiring gas infrastructure.[236]

SoCalGas further states that "Any natural gas infrastructure that SoCalGas puts in place would comply with any state requirements or Commission decisions regarding natural gas infrastructure. In addition, any such infrastructure would provide the added benefits of (1) being able to transition to less carbon intensive energy options, such as renewable natural gas or hydrogen, and (2) serving as a redundancy to provide additional energy resilience and reliability. The MOT is therefore consistent with any zonal decarbonization plans and provides long-term benefits regardless of the future energy landscape."[237]

Cal Advocate argues that SoCal has not shown that the proposal would advance California's decarbonization goals.[238] Although customers could choose renewable energy options, the MOT would also permit fossil fuel and other non - renewable options, including natural gas, and would not require customers to choose lower emission resources. As a result, the MOT could increase GHG emissions if customers choose natural gas, which can release methane and emits carbon dioxide when combusted. SoCalGas does not provide sufficient evidence that microgrids using renewable natural gas or renewable hydrogen would reduce emissions.

[236] Ex.SCG-04 at 13.

[237] SoCalGas Reply Brief at 10.

[238] Cal Advocates Opening Brief at 13; Ex.CA-01 at 5-2 and 5-3.

TURN similarly argues that the MOT could increase natural gas use, which may delay pipeline retirement and interfere with decarbonization efforts.[239] Because SoCalGas opposes restrictions on fuel types, TURN contends that microgrids under MOT are likely to rely on natural gas. TURN also notes that it will be difficult to assess these impacts due to limited reporting on fuel types and a lack of transparency regarding individual projects and contracts.[240]

Energy Pathways, UCAN, and SBUA argue that the MOT could continue the use of gas infrastructure in areas targeted for zonal decarbonization, and cause SoCalGas to commit capital to new natural gas assets.[241] Energy Pathways recommends that the Commission require SoCalGas to evaluate the geographic overlap between potential MOT customer locations and priority decarbonization zones identified in R.24-09-012 and prohibit MOT agreements in communities where gas infrastructure retirement is planned.[242]

UCAN argues that the MOT conflicts the implementation of SB 1221, which allows gas utilities to stop serving certain areas where alternative energy service is available. UCAN explains that if MOT microgrids rely on natural gas and the associated pipeline is later retired under a decarbonization plan, those microgrids may not be easily transitioned to electricity. This could hinder the Commission's broader efforts to phase out gas infrastructure. Because future decarbonization zones could be located anywhere in SoCalGas territory, UCAN

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[239] TURN Opening Brief at 19; Ex.TURN-01 at 8.

[240] TURN Opening Brief at 19.

[241] Energy Pathways Opening Brief at 23, SBUA Opening Brief at 6, and UCAN Opening Brief at 28.

[242] Energy Pathways Opening Brief at 22.

recommends rejecting the application or prohibiting MOT projects from connecting to gas pipelines.[243]

12.2. Discussion on Zonal Decarbonization

Based on the record, the Commission concludes that SoCalGas has failed to meet its burden of demonstrating that the MOT will not present a risk of conflict with state decarbonization policy. Although SoCalGas asserts that the MOT would not affect pipeline retirement decisions and that related gas infrastructure could later transition to lower carbon fuels, the proposal includes no binding fuel restriction, emission reduction requirement, geographic limitation, or reporting requirement sufficient to support those assurances. The MOT could therefore encourage investment in new natural gas infrastructure, prolong natural gas use, and complicate the Commission's future implementation of zonal decarbonization developed in R.24-09-012.

13. New Load Interconnections

Scoping Memo asks whether approval of the MOT would reduce wait times for new load interconnections and demand energization. Based on the record, the Commission concludes that SoCalGas has failed to meet its burden of demonstrating that MOT would reduce wait times for new load interconnections.

13.1. Party Positions on New Load Interconnections

SoCalGas argues that the MOT would provide customers microgrid-based energy solutions that could reduce wait times for supporting new load. It cites

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[243] UCAN Opening Brief at 28-29; Ex.UCAN-01 at 20-21.

examples to illustrate how on-site generation may allow customers to begin or expand operations without waiting for full upgrades or interconnection work.[244]

TURN disputes SoCalGas's claims, arguing that SoCalGas has not presented evidence showing that the MOT would materially reduce interconnection wait times.[245] According to TURN, the proposal only meets minimum coordination requirements and provides no evidence that it would meaningfully improve the interconnection process. TURN acknowledges that fossil fuel based microgrids might reduce the need for grid interconnection and reduce the queue, but argues that this approach conflicts with California's goal of promoting electrification.[246]

Energy Pathways states that SoCalGas' energization delay argument is overstated and does not justify monopoly market entry. According to Energy Pathways, the question is not whether microgrids reduce energization delays, but whether SoCalGas's monopoly entry into the microgrid market is necessary to capture that benefit for customers.[247]

UCAN also argues that the MOT would not improve interconnection speed because faster solutions already exist through batteries and independent microgrid providers with proven experience.[248] Instead, UCAN warns that the MOT could delay projects by inserting SoCalGas into the process as an intermediary that steers customers toward natural gas. UCAN is particularly

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[244] Ex.SCG-04 at 13-14.

[245] TURN Opening Brief at 19; Ex.TURN-01 at 6-7.

[246] TURN Opening Brief at 20.

[247] Energy Pathways Opening Brief at 23.

[248] UCAN Opening Brief at 29-30; Ex.UCAN-01 at 22.

concerned that SoCalGas would control early design decisions and potentially steer customers toward natural gas based solutions. According to UCAN, this structure could lead to prolonged negotiations, misaligned incentives, and suboptimal outcomes, where customers either lose time or accept inferior energy solutions. UCAN suggests the MOT functions more as "natural gas sales tool" than as a mechanism to improve interconnection or support clean energy.[249]

13.2. Discussion on New Load Interconnections

Based on the record, the Commission concludes that SoCalGas has not met its burden of demonstrating that the MOT would materially reduce energization or interconnection wait times. Although there may be circumstances in which onsite generation could allow customers to begin or expand operations before completion of electric system upgrades, it does not provide sufficient evidence that the MOT itself would accelerate interconnection or energization. SoCalGas also fails to establish that its participation as a utility is necessary to achieve these potential benefits, where similar solutions may be available from batteries or other providers. The record also raises concerns that SoCalGas's involvement could introduce additional steps or may steer customers toward natural gas-based solutions.

14. Reporting Requirements

Because the Application is not approved, the issue of reporting requirements is moot.

[249] UCAN Opening Brief at 31-32.

15. Possible Impacts on Environmental and Social Justice Communities

The Commission considers the proposed MOT's impact on ESJ communities, including the extent to which it furthers any of the nine goals of the Commission's ESJ Action Plan.

SoCalGas asserts that the MOT would support key goals of the ESJ, particularly Goals 2, 4, and 7, by promoting clean energy investments, improving climate resilience, and creating economic opportunities. SoCalGas also claims that microgrids could reduce emissions and improve public health by replacing diesel generators, enhance reliability for critical services in vulnerable communities, and generate local jobs.[250]

Colusa Indian Energy contends that, as proposed, the Application conflicts with California law, threatens Tribal sovereignty, and will significantly impede market fairness by authorizing SoCalGas to use ratepayer funded infrastructure and lower cost capital to compete with private industry as an electric service provider with perpetual ownership of behind-the-meter assets.[251]

CIE further argues that the MOT contains no binding Tribal consultation requirement and is inconsistent with the Commission's 2018 Tribal Consultation Policy and Executive Order B-10-11.[252] [253]

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[250] Ex.SCG-04 at 14-15.

[251] Ex.CIE-01 at 2.

[252] Ex.CIE-01 at 8.

[253] California Executive Order B-10-11 California Executive Order B-10-11 (2011) directs all state agencies and departments to "encourage communication and consultation with California Indian Tribes... [and] permit elected officials and other representatives of tribal governments to provide meaningful input into the development of legislation, regulations, rules, and policies on matters that may affect tribal communities."

CIE identifies several deficiencies in SoCalGas's consultation process. In CIE's view, SoCalGas filed the Application without consulting Tribal nations within its service territory, did not assess its impacts on Tribal energy development or jurisdiction, and proposed addressing Tribal engagement only after approval.[254]

Energy Pathways similarly argues that the MOT does not advance ESJ Action Plan and could displace Tribal and independent developers.[255] Energy Pathways states that "the MOT would likely foreclose or chill competitive market entry by Tribal and independent developers who already serve (and can expand service to) the very customer segments SoCalGas targets."[256]

Energy Pathways states that SoCalGas's supplemental testimony offers to add language about Tribal community engagement to the final tariff, which Energy Pathways deems insufficient. Energy Pathways clarifies that any approved MOT must include a binding, documented pre-project Tribal consultation requirement that satisfies the Commission's Consultation Policy and Governor's Executive Orders B-10-11 and N-15-19 before SoCalGas may execute an MOT agreement for any project that could affect Tribal lands, resources, or energy development interests.[257]

The Commission finds that SoCalGas has failed to demonstrate that the MOT would produce the claimed ESJ benefits. The Application provides no specific estimates of jobs, businesses served, emissions reductions, or public

[254] Ex.CIE-01 at 9.

[255] Energy Pathways Opening Brief at 25; Ex.EP-01 at 3.

[256] Ex.EP-01 at 3.

[257] Energy Pathways Opening Brief at 18.

health benefits. It also does not require renewable fuels or lower emissions, which weakens SoCalGas's claims under Goal 2 (Increase investment in clean energy resources to benefit ESJ communities, especially to improve local air quality and public health). Further, SoCalGas has failed to demonstrate that the MOT contains adequate protections against reducing economic opportunities for Tribal and independent developers, raising concerns under Goal 7 (Promote high road career paths and economic opportunity for residents of ESJ communities).

Based on the record, the Commission concludes that the claimed ESJ benefits are largely speculative. Because the application identifies no specific projects, measurable commitments, or enforceable requirements, SoCalGas has not demonstrated that the MOT would advance the ESJ Action Plan.

16. Summary of Public Comment

Rule 1.18 allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

Five members of the public submitted written comments. Those supporting the application argue that the optional tariff would improve energy reliability, resilience, and support economic activity, especially critical infrastructure like airports and industrial facilities. Supporters also highlight the role of flexible, customer-funded microgrids and emphasize technologies such as combined heat and power for efficiency and emissions reduction. At the same time, one organization raises concerns about fairness and stakeholder process, warning that allowing the utility to design, own, and operate microgrids could limit competition and calls for more transparency and broader participation in decision-making.

17. Procedural Matters

This decision affirms all rulings made by the Administrative Law Judge and assigned Commissioner in this proceeding. All motions not ruled on are deemed denied.

18. Comments on Proposed Decision

The proposed decision of ALJ Nilgun Atamturk in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on __________, and reply comments were filed on _____________ by ________________.

19. Assignment of Proceeding

Matthew Baker is the assigned Commissioner and Nilgun Atamturk is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. SoCalGas proposes an optional tariff service that would enable the utility to design, build, own, operate and maintain behind-the-meter microgrid facilities.

2. The asserted benefits of the MOT, including reliability, resilience, emissions reductions, job creation, cost certainty, and relief from grid restraints, are presented largely as possible outcomes rather than results reasonably estimated or quantified based on the tariff's design and planned projects.

3. There are no specific project-level details about the microgrids SoCalGas would build under the proposal, including limits on size, efficiency, fuel type, leaving open a wide range of choices.

4. The application does not include enforceable performance standards, emissions requirements, pricing protections, or other conditions to ensure that the asserted benefits are reasonably likely to materialize.

5. The MOT does not have any requirements concerning renewable fuel use, binding GHG emission reduction targets, or a defined timetable for reducing reliance on natural gas use.

6. There are potential risks associated with MOT, including cross-subsidization by nonparticipating ratepayers, incomplete identification of utility costs, inadequate treatment of overhead and financing expenses, insufficient external review of cost tracking, potential diversion of personnel and other resources from core utility functions, limited Commission oversight and no pre-approval process of individual project pricing and operation.

7. The application lacks an express and enforceable requirement that shareholders bear all losses arising from customer default, cost overruns, inadequate insurance, stranded assets, or other commercial risks.

8. MOT lacks sufficiently defined pricing, non-discrimination, and pre-service Commission review standards for customer-specific agreements.

9. SoCalGas has not demonstrated whether the tariffs and services approved in the cited precedent produced successful outcomes, the pricing and cost-tracking mechanisms functioned effectively, safety was adequately maintained, or the services attracted any customers, with benefits accruing to participating and nonparticipating customers.

10. SoCalGas has not adequately shown that utility participation is needed to correct a market failure in microgrid services.

11. D.21-01-018 recognizes the Commission's responsibility to ensure that reasonable rates, safety, and reliability for microgrids through its microgrid rules, regulations, tariffs, and policies.

12. The Application is not clearly prohibited by D.21-01-018 nor D.24-11-004, but it raises concerns.

13. The proposal does not establish clear tariff provisions identifying ownership, maintenance, control or what regulatory standards would apply to those functions.

14. The proposal does not sufficiently explain how it would avoid overlap, conflict, or inconsistent treatment with existing electric utility tariffs.

15. The proposal does not clearly describe how non-bypassable charges are to be accounted for.

16. The proposed annual reporting would occur annually after the service agreements are carried out.

17. SoCalGas expressed general commitments to comply with existing rules and meet interconnection requirements with no specific detail.

18. SoCalGas did not consult with electric utilities regarding the proposal.

19. SoCalGas' prior projects are limited in number, small in scale, and materially different from microgrids that may serve data centers, hospitals, or other critical facilities.

20. The proposed tariff is voluntary and involves negotiated agreements.

21. The MOTBA mechanism does not constitute adequate and enforceable protection of ratepayer-funded resources, and SoCalGas's self-reported cost allocation is structurally insufficient to prevent cross-subsidization of its competitive activities.

22. MOT may introduce business risks, including potential financial losses, customer default, stranded assets, and even indirect impacts such as increased financing costs.

23. SoCalGas proposes to use Commission approved competitively neutral scripts and Commission approved marketing-type documents to inform customers and help answer questions on MOT.

24. The Application does not provide a dispute resolution process.

25. SoCalGas proposed to market the MOT in a competitively neutral manner through its website, making clear that other providers offer similar services.

26. Intervenors have concerns regarding customer information, marketing, and the use of utility resources.

27. SoCalGas's status as a regulated utility could provide advantages unavailable to independent developers.

28. There is no detailed information about the existing supply of microgrid services, the number and capacity of competing developers, and the geographic and product markets they operate. The record also does not identify the anticipated number, size, location, and technology of contemplated MOT projects.

29. Under the MOT, customers could choose renewable energy options, but the MOT would also permit fossil fuel and other non-renewable options, including natural gas, and would not require customers to choose lower emission resources.

30. MOT could increase natural gas use.

31. The Application provides no specific estimates of jobs, businesses served, emissions reductions, or public health benefits. It also does not require renewable fuels or lower emissions.

Conclusions of Law

1. SoCalGas has not carried its burden of demonstrating that the proposed MOT tariff is reasonable and in the public interest.

2. It is not appropriate for SoCalGas to use its access to ratepayer-funded resources to offer MOT.

3. SoCalGas has not carried its burden of demonstrating that the proposal is consistent with California's decarbonization policies.

4. SoCalGas failed to demonstrate that the proposal contains the regulatory detail, oversight mechanisms, and customer protections D.21-01-018 and D.24-11-004 contemplate pertaining to public safety, reliability, and the reasonableness of rates.

5. Annual reporting would not provide the Commission with timely information to perform its oversight duties.

6. SoCalGas has not carried its burden of demonstrating that MOT, as proposed, avoids the risk of implicating Section 218. Whether an individual MOT project implicates Section 218 depends on the ownership structure, facility operations, disposition of the electricity produced, and other project-specific facts.

7. SoCalGas has not carried its burden of demonstrating that the proposed MOT tariff and associated rate methodology are just and reasonable under Sections 451 and 454.

8. SoCalGas has not sufficiently demonstrated that the MOT would comply with Commission rules governing co-located generation and load, including Electric Rule 21 and the applicable utility tariffs.

9. SoCalGas has not demonstrated that its existing microgrid experience can be applied to the large commercial and industrial facilities contemplated under the MOT.

10. SoCalGas has not demonstrated that the proposed accounting, pricing, reporting, and risk controls are sufficient to protect nonparticipating ratepayers.

11. SoCalGas has not demonstrated that MOT activities will not impair its ability to perform its core obligations or require ratepayers to fund replacement resources.

12. SoCalGas has not adequately demonstrated that MOT includes adequate consumer protection measures and dispute resolution processes to ensure transparency, prevent misleading marketing, and provide clear recourse for participating customers, particularly those in disadvantaged and low-income communities.

13. SoCalGas failed to demonstrate that MOT would not adversely impact the ratepayers in electric utilities and electric utility infrastructure projects that overlap with SoCalGas' service territory.

14. It is not possible to assess whether the MOT would displace projects that independent developers would otherwise perform, create barriers to entry, and affect market prices.

15. The record is inconclusive as to SoCalGas’s dual role as a regulated utility and market participant creating barriers to entry or suppressing competition in the microgrid sector within its service territory.

16. SoCalGas failed to demonstrate that the MOT would not conflict with or undermine the Commission's efforts to implement zonal decarbonization projects in priority locations identified in the Commission's Long-Term Gas Planning Proceeding (Rulemaking 24-09-012) or otherwise prevent the retirement of gas pipelines.

17. SoCalGas has failed to meet its burden of demonstrating that MOT would materially reduce wait times for new load interconnections.

18. SoCalGas fails to establish that its participation as a utility is necessary to achieve reduced wait times for new load interconnections, where similar solutions may be available from batteries or other providers.

19. SoCalGas has failed to demonstrate that the MOT would produce the claimed ESJ benefits.

20. The Southern California Gas Company's application for adoption of a Microgrid Optional Tariff should be denied.

O R D E R

IT IS ORDERED that:

1. Southern California Gas Company's application for adoption of a Microgrid Optional Tariff is denied without prejudice.

2. Application 25-04-006 is closed.

This order is effective today.

Dated ____________________, at San Francisco, California.