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Commissioner	:	<u>Matthew Baker</u>
Admin. Law Judge	:	<u>Nilgun Atamturk</u>
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PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

**PREPARED DIRECT TESTIMONY
ON THE APPLICATION OF
SOUTHERN CALIFORNIA GAS COMPANY
FOR ADOPTION OF A
MICROGRID OPTIONAL TARIFF**

San Francisco, California
November 14, 2025

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1 **MEMORANDUM**

2 This testimony was prepared by the Public Advocates Office at the California
3 Public Utilities Commission (Cal Advocates) in response to the *Application of Southern*
4 *California Gas Company for Adoption of a Microgrid Optional Tariff*, Application (A.)
5 25-04-006. Southern California Gas Company (SoCalGas) requests that the California
6 Public Utilities Commission (Commission) authorize a Microgrid Optional Tariff
7 (MOT).¹ Under the MOT, SoCalGas proposes to offer an optional microgrid tariff
8 service to existing and potential non-residential customers in its service territory.²
9 Specifically, SoCalGas requests to charge customers a regular service fee under a
10 negotiated contract term for provision of custom designed microgrids.³ SoCalGas
11 proposes that it will privately negotiate contract terms with customers for the “planning,
12 designing, engineering, procuring, constructing, ownership, operation, and/or
13 maintenance” of a microgrid system.⁴

14 Juliet Walsh is the Cal Advocates witness for this testimony. The witness’s
15 prepared qualifications are contained in Appendix A of this report.
16

¹ Application (A.) 25-04-006, *Application of Southern California Gas Company (U 904 G) for Adoption of a Microgrid Optional Tariff*, April 16, 2025 (Application) at 1.

² Application at 1.

³ Application at 2-3, Attachment A (MOT Tariff).

⁴ Application at 1-3.

Chapter #	Description
1	SoCalGas Fails to Provide Sufficient Detail to Determine Reasonableness of its Proposal
2	The Microgrid Optional Tariff (MOT) Lacks Clear Boundaries and Places Risks on Ratepayers
3	SoCalGas's Proposal Would Suppress Competition
4	SoCalGas Does Not Ensure Just and Reasonable Rates, Safety, and Reliability
5	SoCalGas Does Not Prove Public Benefits of the MOT

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The Commission should deny SoCalGas’s Application to adopt an MOT. First, SoCalGas requests a large degree of discretion and flexibility in the MOT accompanied by a lack of details that collectively make the proposal impossible for the Commission to evaluate.

Second, SoCalGas fails to clearly separate regulated utility work from for-profit microgrid business in its MOT application, leaving ratepayer funds vulnerable. SoCalGas’s purported ratepayer protections are flawed and insufficient.⁸

Third, SoCalGas does not adequately address the competitive advantages its MOT creates. SoCalGas fails to show how its proposed MOT will benefit microgrid market development as opposed to stifling the competitive microgrid market in SoCalGas’s service territory. SoCalGas’s claims that its provisions address competition fail to adequately balance competitive advantages.²

² Supplemental Testimony at 8.

1 Fourth, SoCalGas fails to justify that its proposed MOT is just and reasonable
2 because it is unclear how the MOT will ensure reasonable rates, safety, and reliability in
3 the microgrid market.¹⁰ SoCalGas’s proposal to privately negotiate MOT rates and the
4 lack of detail SoCalGas includes on safety and reliability compliance will preclude
5 necessary Commission oversight and quality assurance.

6 Finally, SoCalGas’s lack of detail about the microgrids it will build under the
7 MOT make it impossible to determine whether and how the proposal is in the public
8 interest. SoCalGas claims that its proposed MOT will provide many benefits¹¹ but does
9 not provide evidence of these claims or describe how they will be achieved.

10 SoCalGas’s proposed MOT fails to adequately protect ratepayers, fails to provide
11 evidence of public benefit, and fails to provide sufficient detail about its proposed tariff.
12 Therefore, the Commission should deny SoCalGas’s Application to adopt an MOT.

¹⁰ Public Utilities (Pub. Util.) Code 451.

¹¹ Application at 2 (“Microgrids could also reduce broader ratepayer costs by avoiding or delaying the need for certain infrastructure expansions and upgrades.”); Application at 3 (“California’s decarbonization goals are also supported by the option to have MOT facilities use renewable energy.”).

1 **CHAPTER 1 : SOCALGAS FAILS TO PROVIDE SUFFICIENT DETAIL**
2 **TO DETERMINE REASONABLENESS OF ITS PROPOSAL**

3 **I. INTRODUCTION**

4 On April 16, 2025, Southern California Gas Company (SoCalGas) filed
5 Application (A.) 25-04-006. SoCalGas requests that the California Public Utilities
6 Commission (Commission) authorize a Microgrid Optional Tariff (MOT).¹² Under the
7 MOT, the company proposes to offer an optional microgrid tariff service to existing and
8 potential non-residential customers in its service territory.¹³

9 Specifically, SoCalGas proposes to charge customers a regular service fee under a
10 negotiated contract term for provision of custom designed microgrids.¹⁴ The contract
11 terms SoCalGas requests to negotiate could include the “planning, designing,
12 engineering, procuring, constructing, ownership, operation, and/or maintenance” of a
13 microgrid system.¹⁵ SoCalGas specifies that customers can select their own fuel type and
14 are not limited to using natural gas.¹⁶

15 On September 29, 2025, SoCalGas filed Supplemental Testimony responding to
16 the Scoping Memo from the Assigned Commissioner.¹⁷ In the Supplemental Testimony,
17 SoCalGas responds to all issues in the Scoping Memo but includes little additional
18 information beyond what it already discusses in its Application.¹⁸

19 SoCalGas fails to include adequate details in its MOT Application to justify the
20 need for the MOT, and its supplemental testimony does not cure the deficient
21 Application. Thus, SoCalGas does not demonstrate the MOT Application is in the public

¹² Application at 1.

¹³ Application at 1.

¹⁴ Application at 2.

¹⁵ Application at 1.

¹⁶ Application at 2.

¹⁷ In the Scoping Memo, the Assigned Commissioner requests that SoCalGas provide additional information on a series of issues; *Assigned Commissioner’s Scoping Memo and Ruling*, August 13, 2025, (Scoping Memo) at 2; Supplemental Testimony at 1.

¹⁸ Supplemental Testimony 1-15.

1 interest and does not threaten safety, reliability, or ratepayer funds. Because of this, the
2 Commission should deny the Application.

3 **II. DISCUSSION**

4 **A. SoCalGas Fails to Provide Adequate Detail in its Application**

5 SoCalGas provides little detail about the MOT including the benefits of the
6 proposal or SoCalGas’s capabilities in building microgrids. As a result, SoCalGas fails
7 to justify that its proposed MOT is just and reasonable.

8 SoCalGas’s MOT concept is vague and unduly broad. SoCalGas describes its
9 participation in the MOT process as any of the following microgrid development steps:
10 planning, design, engineering, procurement, construction, ownership, operation, and
11 maintenance.¹⁹ SoCalGas has proposed a broad sweep of potential activities and options
12 in which it may be involved and therefore has not identified or calculated the value that
13 any specific role SoCalGas would provide. SoCalGas does not provide justification for
14 such a great deal of discretion in the implementation of its MOT.²⁰

15 Further, SoCalGas does not describe what type of microgrids it will build under
16 the MOT. It provides very little detail about how the MOT will work at a project level.
17 SoCalGas explains that it will customize MOT microgrids to the needs of the customer,
18 including fuel.²¹ SoCalGas also states that the microgrids “will be composed of a
19 combination of energy production and storage technologies along with a control system
20 and the [necessary] ancillary equipment.”²² SoCalGas fails to provide any design
21 elements; rather, it lists a few examples of the components it *may* use. This means that
22 SoCalGas proposes the flexibility to design almost any type of microgrid. SoCalGas
23 could build microgrids of any size, efficiency, or fuel type, including or not including any
24 reliability or safety features.

¹⁹ Application at 1.

²⁰ Application Exhibit SCG-02, *Chapter 2 Prepared Direct Testimony of Armando Infanzon on Behalf of Southern California Gas Company*, April 16, 2025 (Chapter 2 Testimony) at AI-2-AI-3.

²¹ Application at 2.

²² Application at 4.

1 SoCalGas fails to sufficiently explain or quantify any benefits the MOT may
2 provide. SoCalGas argues that by quickly energizing data centers and electric
3 transportation facilities, the MOT will support economic development.²³ However,
4 SoCalGas does not discuss what types of economic benefits these types of energizations
5 can create, whether or how economic benefits are not already being achieved by the
6 market, or provide a dollar estimate to quantify them.

7 SoCalGas claims that the MOT will provide community benefits such as creating
8 jobs and making critical facilities more resilient.²⁴ However, it does not provide an
9 estimate of how many jobs it will create, what types of jobs, or whether there is sufficient
10 work force to fill these jobs. In addition, SoCalGas does not state that it will prioritize
11 critical facility resilience through this program or set a target for number of critical
12 facilities it will serve.

13 **B. SoCalGas Fails to Cure its Deficient Application with its** 14 **Supplemental Testimony**

15 The Assigned Commissioner’s Scoping Memo explains that SoCalGas’s
16 Application is insufficient and directs SoCalGas to provide Supplemental Testimony with
17 information on specific issues.²⁵ SoCalGas fails to fully answer the questions in the
18 Scoping Memo and does not cure its deficient Application.

19 Throughout the Supplemental Testimony, SoCalGas repeats, and often directly
20 quotes, information from its Application.²⁶ Otherwise, SoCalGas make conclusory

²³ Application at 6 (“By providing near term energy solutions to customers, including critical sectors such as data centers and the electrification of the transportation sector, MOT can also facilitate economic development in California.”).

²⁴ Application at 5.

²⁵ Scoping Memo at 5 (“Because the Application does not address all the issues listed above, I direct SoCalGas to serve supplemental testimony addressing them according to the schedule adopted in Section 4 of this ruling.”).

²⁶ Supplemental Testimony at 4-5 (“...As stated in the Prepared Direct Testimony 24 of Armando Infanzon (Chapter 2), ‘SoCalGas will work with third party contractors who have a proven track record of success...’ ‘MOT facilit[ies] will be designed in compliance with all applicable federal, state, and local codes...’); Supplemental Testimony at 7 (“...SoCalGas is proposing to have controls and requirements in place to assess the creditworthiness and insurance coverage levels of potential MOT customers to appropriately mitigate risk. As described in the MOT Application, ‘Applicant shall provide adequate

1 statements and gives general assurances that its MOT will comply with laws and
2 standards, but SoCalGas does not fully explain how or provide evidence that it will
3 follow through on these assurances.²⁷

4 For instance, Issue 3(a) in the Scoping Memo asks “whether the proposed MOT
5 avoids shifting costs to non-participating ratepayers.”²⁸ In its Supplemental Testimony,
6 SoCalGas simply responds that it will avoid cost-shifting and directly quotes its
7 Application.²⁹ SoCalGas fails to provide any additional information on protections for
8 ratepayers.

9 Another example is SoCalGas’s response to Issue 8(a) in the Scoping Memo,
10 which asks “what technical/operation standards should apply to the microgrid systems
11 developed under the MOT.”³⁰ In its Supplemental Testimony, SoCalGas states that it
12 does not anticipate needing to comply with any new technical or operational standards
13 but that it will comply with any that apply.³¹ SoCalGas then lists some organizations that
14 publish technical and operational standards and quotes from its Application and says it
15 will work with experienced contractors and comply with all laws in the implementation
16 of the MOT.³² Rather than identifying which technical standards will apply and precisely
17 how it will follow them, SoCalGas claims that it will determine which standards to

assurance acceptable to Utility...”).

²⁷ Supplemental Testimony at 3 (“SoCalGas would confirm that all microgrid facilities under MOT would follow all applicable requirements under the Commission’s Electric Rule 21.”); Supplemental Testimony at 3 (“The MOT is consistent with Public Utilities Code Section 218 in that the MOT is not offered in a way that would make SoCalGas or a MOT customer an “electrical corporation,” as defined in the statute.”).

²⁸ Scoping Memo at 3.

²⁹ Supplemental Testimony at 5 (“Yes. As proposed, the MOT avoids shifting costs to non-participating ratepayers. As indicated in the Prepared Direct Testimony of Armando Infanzon (Chapter 2), ‘the MOT project costs [will] be recovered from the specific tariff customer with no subsidy from or business risk borne by other ratepayers.’” Furthermore, as mentioned in the Prepared Direct Testimony of Victor R. Garcia (Chapter 3), any embedded cost associated with the MOT will be refunded to ratepayers via the MOT balancing account (MOTBA).”).

³⁰ Scoping Memo at 4.

³¹ Supplemental Testimony at 10.

³² Supplemental Testimony at 10-11.

1 follow later. SoCalGas aims to obtain approval to provide a service without fully
2 defining what that service is or how it will execute it.

3 In both its Application and Supplemental Testimony, SoCalGas fails to
4 demonstrate that it has designed a viable proposal. The Commission has no way of
5 knowing what the impacts of the MOT will be, including its costs and benefits for
6 ratepayers. In the absence of the information the Commission needs to properly assess
7 the MOT, the Commission should deny the Application.

1 **CHAPTER 2 : THE MOT LACKS CLEAR BOUNDARIES AND PLACES**
2 **RISKS ON RATEPAYERS**

3 **I. INTRODUCTION**

4 SoCalGas fails to clearly separate regulated utility work from for-profit microgrid
5 business, with the risk that SoCalGas can use ratepayer-funded resources to support the
6 microgrids business. SoCalGas claims ratepayers will not subsidize MOT work and
7 includes some provisions in its proposal that are meant to protect ratepayers, but they are
8 flawed.³³ In addition, SoCalGas chooses not to create an affiliate to conduct its
9 microgrid business, which could better protect ratepayers. Because of this, the
10 Commission should deny SoCalGas's application.

11 **II. DISCUSSION**

12 **A. SoCalGas's Proposed Cost Accounting Fails to Sufficiently**
13 **Protect Ratepayers**

14 SoCalGas argues the Commission should allow it to nest a for-profit business
15 inside its regulated utility work. But this represents a risk to ratepayers.

16 The Application fails to provide sufficient ratepayer protections. SoCalGas claims
17 that individual MOT customers will cover all the costs of the MOT and if SoCalGas uses
18 any overhead costs covered by its General Rate Case in MOT implementation, it will
19 reimburse ratepayers via a balancing account.³⁴ However, the Public Utilities Code
20 requires that regulated utilities provide safe and adequate service at just and reasonable
21 rates.³⁵ SoCalGas does not demonstrate that its proposed MOT complies with statute.
22 SoCalGas's proposed structure of running a for-profit business from within its regulated
23 utility business provides SoCalGas the opportunity to access ratepayer funding, and the

³³ Application at 3; Supplemental Testimony at 2, 6.

Application, Attachment A (MOT Tariff) at Sheet 3, Sheet 6.

³⁴ Chapter 2 Testimony at AI-2; Application Exhibit SCG-03, *Chapter 3 Prepared Direct Testimony of Victor R. Garcia on Behalf of Southern California Gas Company*, April 16, 2025, (Chapter 3 Testimony) at VRG-2.

³⁵ Pub. Util. Code 451.

1 Application fails to provide sufficient ratepayer protections. Therefore, the MOT could
2 unjustly and unreasonably deprive ratepayers of the benefit of their funding and may
3 require the utility to seek additional ratepayer funding. SoCalGas offers up three
4 insufficient safeguards and measures to protect customers that SoCalGas asserts will
5 ensure ratepayer funds are not used to support the MOT.³⁶ The three purported
6 safeguards SoCalGas includes are (1) a MOT Balancing Account (MOTBA), to track
7 ratepayer funds used in MOT business and credit them to ratepayers³⁷; (2) internal order
8 numbers to track costs associated with the MOT³⁸; and (3) periodic manager reviews of
9 MOT costs.³⁹

10 **MOTBA:** SoCalGas’s proposed nature of the MOTBA will make it difficult to
11 scrutinize use of ratepayer funds under the MOT. SoCalGas states: “The MOTBA will
12 be an interest-bearing account recorded on SoCalGas’s financial statements.”⁴⁰
13 SoCalGas states it will include the MOTBA on its financial statements, and proposes to
14 include some expenditures related to tariff administration, installation, and operations and
15 maintenance in annual reports.⁴¹ But without detailed knowledge of each MOT project,
16 employee time, and conversations with MOT customers and potential MOT customers,
17 the Commission and stakeholders will struggle to validate the MOTBA costs.

18 **Internal Orders:** The Commission and other stakeholders will also struggle to
19 evaluate whether certain MOT costs were excluded from the MOTBA. SoCalGas claims
20 internal orders will help it track project costs and reimburse ratepayers correctly.⁴² But

³⁶ Supplemental Testimony at 2, 6.

³⁷ Supplemental Testimony at 2 (“As stated in the MOT Application, SoCalGas requested to establish a balancing account to credit ratepayers for any general rate case (GRC) embedded costs used in providing the tariff.”).

³⁸ Supplemental Testimony at 2 (“Costs for each MOT project will be tracked to an appropriate internal order number(s) so that ratepayers will not bear those costs.”).

³⁹ Supplemental Testimony at 6 (“SoCalGas project and program managers will review and validate embedded costs allocated to MOT internal orders.”).

⁴⁰ Chapter 3 Testimony at VRG-2.

⁴¹ Chapter 2 Testimony at AI-25; Supplemental Testimony at 11.

⁴² Supplemental Testimony at 2.

1 internal orders cannot guarantee accurate reporting. Employees can make mistakes or
2 misuse internal orders while coding MOT costs, which the Commission and other
3 stakeholders will have no knowledge of. This means the Commission and other
4 stakeholders would have to drill into the accounting and look at invoices and other
5 primary cost information to evaluate if ratepayer funds were properly accounted for and
6 credited.

7 Even if SoCalGas employees use internal orders to accurately identify costs such
8 as labor hours and materials for MOT projects, SoCalGas still fails to clearly describe
9 how it will account for overhead costs.⁴³ SoCalGas states that it will rely on direct
10 charging as opposed to formula allocation to account for MOT costs as much as
11 possible.⁴⁴ But it does not discuss how exactly it will calculate costs that cannot be
12 accounted for with direct charging, such as employee benefits or office building
13 information technology (IT).⁴⁵ In response to discovery asking for a methodology for
14 how overhead costs will be assigned to the MOTBA, SoCalGas states that this question is
15 premature and that it will provide this information in its Supplemental Testimony.⁴⁶
16 However, SoCalGas does not provide the information in its Supplemental Testimony.⁴⁷

⁴³ Chapter 3 Testimony at VRG-1-VRG-2.

⁴⁴ Chapter 3 Testimony at VRG-2 (“SoCalGas will use direct charging as the primary method for capturing direct costs related to the MOT, and since many associated activities are identifiable and can be easily tracked, direct charging is the preferable method to account for the costs.”).

⁴⁵ Chapter 3 Testimony at VRG-1.

Supplemental Testimony at 6.

⁴⁶ SoCalGas Response to The Utilities Reform Network (TURN) Data Request TURN -SCG-004, Response 6 at 6. (“SoCalGas’ response to UCAN DR 1, Question 17, describes SoCalGas’ methodology for assigning overhead costs but does not provide workpapers as requested by UCAN. a) Please provide these workpapers in live Excel format, including intact formulas. b) If the exact methodology is not yet developed, when will the Commission have the opportunity to review it? **RESPONSE 6:** a) There are no workpapers that were created for this cost assignment. b) This request seeks information that will be provided in SoCalGas’s Supplemental Testimony (Scoping Memo Issues 2 and 3), provided in response to the August 13, 2025 Scoping Memo and Ruling. SoCalGas therefore objects to this request as premature, and directs the requesting party to its upcoming Supplemental Testimony.”).

⁴⁷ Supplemental Testimony at 2-7.

1 It remains unclear as to how ratepayer-funded overhead used in MOT business will be
2 credited back to ratepayers.

3 Further, SoCalGas does not plan to utilize internal orders to track MOT outreach.
4 SoCalGas states: “When a customer expresses a clear interest in the MOT, SoCalGas will
5 begin tracking and charging costs to a MOT internal order.”⁴⁸ SoCalGas does not
6 indicate that MOT customer outreach will be tracked with any other method. Therefore,
7 SoCalGas is setting up a process where it could use ratepayer funding for the labor and
8 other costs associated with outreach.

9 **Manager Review:** Finally, SoCalGas asserts that “SoCalGas project and program
10 managers will review and validate embedded costs allocated to MOT internal orders.”⁴⁹
11 But the company provides no details on which project and program managers will review
12 and validate costs or what time interval such review will require. Without this detail, the
13 Commission should not rely on any managerial review. Further, SoCalGas managerial
14 review should not take the place of Commission and stakeholder scrutiny.

15 **B. SoCalGas’s Proposal Exposes Ratepayers to Further Financial**
16 **Risks**

17 SoCalGas fails to ensure ratepayers are properly protected from a potential MOT
18 customer default. SoCalGas provides little detail on how it will assess the
19 creditworthiness of its MOT customers to prevent default. SoCalGas states that the
20 “Applicant shall meet on an on-going basis the Creditworthiness Requirements and
21 maintain all required amounts and categories of insurance.”⁵⁰ It also states that “In the
22 event that [SoCalGas] determines that a financial change has affected... the
23 creditworthiness of Applicant.... [SoCalGas] may elect to terminate the agreement.”⁵¹
24 However, SoCalGas does not indicate what financial information SoCalGas will collect

⁴⁸ Chapter 2 Testimony at AI-23.

⁴⁹ Supplemental Testimony at 6.

⁵⁰ Application, Attachment A (MOT Tariff) at Sheet 3.

⁵¹ Application, Attachment A (MOT Tariff) at Sheet 6.

1 to assess creditworthiness or what types of insurance it will require customers to have. It
2 also does not indicate how often it will reassess creditworthiness or how it will determine
3 whether applicant credit is unsatisfactory after an agreement is signed.

4 Customer default on payment poses a financial risk to ratepayers. SoCalGas
5 assures the Commission that ratepayers will face no exposure and will not subsize the
6 MOT.⁵² However, SoCalGas provides no mechanism that allows the Commission and
7 stakeholders to confirm that shareholders, not ratepayers, paid for the unrecovered costs.
8 Further, even if default-related costs are recovered from shareholders, default will still
9 indirectly impact ratepayers. Because SoCalGas wants to nest a for-profit business
10 within its regulated entity, any financial repercussions to the for-profit business can
11 implicate the regulated entity itself. If SoCalGas’s financial situation worsens because it
12 has been unable to recover the costs of a microgrid from an insolvent customer, its cost of
13 capital could increase, increasing costs for ratepayers.

14 **C. SoCalGas Fails to Use an Affiliate to Protect Ratpayer Funding**

15 SoCalGas argues against the need to use an affiliate to conduct its microgrid
16 business.⁵³ It asserts that the Commission previously approved other tariffs with similar
17 structures to the MOT. It states the Commission did not require SoCalGas to create
18 affiliates to run these businesses.⁵⁴ However, the Commission approving other tariffs
19 that have some features in common with the MOT is not a reason for SoCalGas to avoid
20 using an affiliate to run its microgrid business. The other tariffs SoCalGas mentioned
21 were meant to serve purposes distinct from the MOT.⁵⁵

⁵² Application at 3 (“All project costs would be recovered from the tariff customer with no subsidy from or exposure for ratepayers.”).

⁵³ *Southern California Gas Company’s Reply to Protests and Responses to the Application for Adoption of a Microgrid Tariff*, May 29, 2025 (Reply to Protests) at 4-5.

⁵⁴ Reply to Protests at 4-5.

⁵⁵ D. 15-10-049, *Decision Granting Southern California Gas Company’s Application to Establish a Distributed Energy Resources With Modifications and Denting Joint Settlement Agreement Between Southern California Gas Company and Office of Ratepayer Advocates*, issued October 26, 2015 at 2; D. 13-12-040, *Decision Adopting Joint Settlement Agreement and Granting Southern California Gas Company’s Application to Establish A Biogas Conditioning and Upgrading Services Tariff*, issued

1 If SoCalGas uses an affiliate for its microgrid business, ratepayer funding and
2 microgrid customer payments will be clearly separated, significantly reducing the risk
3 that ratepayer funding is used to cover MOT expenses.⁵⁶

4 The Commission has also already expressed concern about regulated utilities
5 entering the hydrogen business without creating affiliates. In Decision (D.) 24-12-074,
6 the Commission determined that SoCalGas’s parent company,

7 “Sempra Utilities[,] argues that hydrogen-related initiatives
8 do not currently qualify as new products or services and that
9 the Affiliate Transaction Rules do not specifically prohibit
10 new lines of business. While this argument may hold up in
11 the short term, there are potential risks and concerns to
12 consider. These include the possibility of imposing excessive
13 costs on ratepayers, potential conflicts of interest, and the risk
14 of gaining an unfair advantage in the market.”⁵⁷

15 The Commission’s logic applies here as well—as explained above, SoCalGas’s proposed
16 MOT as a non-profit business nested within the regulated entity results in the possibility
17 of excessive costs on ratepayers and potential conflicts of interest. As discussed further
18 in the next chapter, SoCalGas’s proposed MOT also raises the risk of unfair market
19 advantage.

20 Further, in the MOT proceeding, SoCalGas states that it may build hydrogen
21 microgrids via the MOT.⁵⁸ As such, SoCalGas’s proposal to develop large-scale
22 hydrogen microgrids for non-residential customers through its MOT raises the same

December 26, 2013 at 2-3; D. 12-12-037, *Decision Granting Application to Establish a Compression Services tariff Subject to Certain Ratepayer Protections and to Rules to Ensure Fair Competition*, issued December 27, 2012 at 2.

⁵⁶ Affiliate Transaction Rules, *Affiliate Transaction Rules Applicable to Large California Energy Utilities*, December 14, 2006.

⁵⁷ D.24-12-074, *Decision Addressing the 2024 Test Year General Rate Cases of Southern California Gas Company and San Diego Gas & Electric Company*, issued December 23, 2024 at 45.

⁵⁸ Application at 7 (“Microgrids offered by the MOT can lead to reduction of GHG emissions through the usage of decarbonized fuels such as RNG and clean renewable hydrogen as well as solar plus storage options, where the customer opts to employ these energy options. For example, SoCalGas has experience in overseeing the construction and operation of a microgrid that incorporates solar energy and clean renewable hydrogen with its Hydrogen Innovation Experience (H2IE).”).

- 1 affiliate risks and concerns discussed in D.24-12-074. Creating an affiliate to run the
- 2 business SoCalGas outlines in its MOT proposal would obviate these concerns.

CHAPTER 3 : SOCALGAS'S PROPOSAL WOULD SUPPRESS COMPETITION

I. INTRODUCTION

SoCalGas does not adequately address its competitive advantages. SoCalGas also fails to show how its proposed MOT will benefit microgrid market development as opposed to stifling the competitive microgrid market in SoCalGas's service territory. SoCalGas includes some provisions to address competition,⁵⁹ but it leaves many competitive advantages unchecked. It also fails to prove its participation in the competitive microgrid market is necessary.

II. DISCUSSION

SoCalGas proposes some provisions it claims will mitigate the effects of the MOT on competition, including: using Commission approved neutral scripts and marketing documents to inform customers about the MOT; providing customers with a list of rival microgrid service providers; requiring customers to sign certifications stating their awareness of other microgrid service providers prior to signing a MOT contract with SoCalGas; creating a MOT website with neutral, Commission-approved language; and providing MOT services only to non-residential customers.⁶⁰ However, these provisions do not address many of the advantages SoCalGas holds and can potentially exploit, leading to market concerns.

⁵⁹ Supplemental Testimony at 8.

⁶⁰ Supplemental Testimony at 8 (“SoCalGas will implement the following to ensure transparency and appropriate customer education: Use CPUC approved competitively neutral scripts and CPUC 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 non-discriminatory 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. SoCalGas is open to other requirements that the Commission deems appropriate to ensure transparency and appropriate customer education.”).

1 **A. SoCalGas Fails to Address its Advantaged Access to Customers**
2 **and Customer Information**

3 The competition protection provisions SoCalGas includes in its MOT proposal do
4 not address the imbalance in access to and information about potential customers between
5 SoCalGas and rival microgrid service providers.

6 As a regulated monopoly gas utility, SoCalGas has contact information for, and
7 existing relationships with, all current gas customers in its service territory. This includes
8 customers that SoCalGas lists as potentially benefiting from the MOT: hospitals,
9 emergency service providers, perishable goods providers, data centers, and transportation
10 fleets.⁶¹ With contact information and a prior relationship, SoCalGas can conduct
11 outreach about its microgrid business more easily. In fact, SoCalGas touts these existing
12 contacts and relationships as a primary reason it is well-situated to develop microgrids.⁶²
13 But other microgrid companies will need to spend additional staff time and money
14 finding contact information for potential customers and building trust with them to build
15 a platform for selling microgrid services.

16 In addition, SoCalGas has at its disposal detailed information about customer gas
17 consumption it can use to target outreach to customers most likely to benefit from a
18 microgrid based on natural gas load. Proprietary knowledge of natural gas consumption
19 volumes and natural gas load shapes will allow SoCalGas to conduct a preliminary
20 evaluation of a customer's microgrid needs before reaching out to the customer and
21 conducting a feasibility study. Private market microgrid service providers must plan their
22 outreach with publicly available information.

⁶¹ Application at 2.

⁶² SoCalGas Response to The Utilities Reform Network (TURN) Data Request TURN -SCG-001, Response 4 at 6.

1 **B. SoCalGas Fails to Address its Advantaged Position in Natural**
2 **Gas Grid Connection**

3 In the case of microgrids fueled with natural gas, SoCalGas will also have an
4 advantage in the natural gas grid connection process. SoCalGas says that it will offer
5 natural gas as one of the fuel options under its MOT.⁶³

6 Building a microgrid fueled by natural gas may involves connecting the microgrid
7 to the natural gas system. In this case, SoCalGas will act as the customer requesting
8 connection and the entity connecting the customer to the grid. This presents a potential
9 conflict of interest. Staff involved in the connection process could be biased towards
10 MOT projects or lend their expertise to preparing MOT project connection applications.
11 SoCalGas does not propose any methods to ensure that it does not give its own MOT
12 projects preferential treatment in the connection process.

13 **C. SoCalGas Fails to Address its Advantage of Access to**
14 **Ratepayer Funding**

15 SoCalGas fails to address the fact that it is able to finance its MOT business with
16 ratepayer funds while competitive market microgrid businesses must secure funding via
17 grants, debt, or equity.

18 SoCalGas states that it will have access to ratepayer funding in offering the MOT
19 and claims it will reimburse ratepayers for when it spends their funds on this endeavor.⁶⁴
20 SoCalGas, however, ignores that it is a significant advantage over other microgrid
21 companies. For example, to finance the Redwood Coast Airport Microgrid in Northern
22 California, the Schatz Energy Research Center secured multiple government grants.⁶⁵
23 Specifically, it secured \$11 million from two different authorities for a 2.2 megawatt
24 (MW) photovoltaic array and a 2.3 MW/8.9 megawatt-hour (MWh) battery storage

⁶³ SoCalGas Response to Cal Advocates Data Request Cal Advocates-SCG-01 (SoCalGas Response to Cal Advocates DR 001), Response 3 at 4.

⁶⁴ Supplemental Testimony at 2.

⁶⁵ Schatz Energy Center, *Redwood Coast Airport Microgrid*, <https://schatzcenter.org/acv/>, (Schatz Redwood Coast Airport Microgrid).

1 system, microgrid equipment, and accessory technologies.⁶⁶ Applying for grant awards
2 requires staff time and resources. SoCalGas, on the other hand, can use ratepayer
3 funding, presumably recorded to the MOTBA, and then return it later without expending
4 any additional resources.⁶⁷

5 **D. SoCalGas Fails to Prove Its Participation in a Competitive**
6 **Market is Necessary**

7 SoCalGas fails to prove that the MOT will benefit the microgrid market in its
8 service territory and that its participation in this market is necessary.

9 **1. SoCalGas Fails to Prove There is an Underserved**
10 **Market it Can Benefit in Its Service Territory**

11 SoCalGas argues that the MOT will help develop the microgrid market in its
12 service territory, serving a similar purpose to its DERS Tariff. SoCalGas states that “The
13 Commission had previously ruled in D.15-10-049 that the DERS Tariff is in the public
14 interest because it meets untapped demand in underserved markets...”⁶⁸ SoCalGas also
15 states that it “believes MOT will achieve the same purpose for the microgrid market in
16 SoCalGas’s service territory... and ‘the low overall market penetration rates signal the
17 significant untapped potential for advancing microgrids, and the MOT can play a key role
18 in further developing this nascent market.’”⁶⁹ However, this depiction excludes many
19 important details in both the DERS Tariff case and MOT case.

20 The DERS Tariff had a robustly proven purpose. Specifically, the Commission
21 found that a version of the DERS Tariff with a narrower scope than had originally been
22 proposed by SoCalGas was in the public interest. In its final decision on the DERS
23 Tariff, the Commission decided to set a 20 MW maximum capacity limit on the

⁶⁶ Schatz Redwood Coast Airport Microgrid.

⁶⁷ California Public Utilities Commission, *CPUC Cuts Amount Requested by Sempra in Rate Case*, December 19, 2024, <https://www.cpuc.ca.gov/news-and-updates/all-news/cpuc-cuts-amount-requested-by-sempra-in-rate-case#:~:text=Today%E2%80%99s%20decision%20adopts%20a%202024%20revenue%20requirement%20%28the,than%20the%20%244.434%20billion%20that%20SoCalGas%20had%20requested.>

⁶⁸ Supplemental Testimony at 9.

⁶⁹ Supplemental Testimony at 9-10.

1 combined heat and power (CHP) facilities that SoCalGas could build via this tariff.⁷⁰
2 The Commission based the cap on findings from a 2012 CHP market report authored by
3 ICF International and commissioned by the California Energy Commission (CEC).⁷¹ The
4 report iterated on a similar 2009 report commissioned by the CEC.⁷² The 2012 report
5 considered the impact of various policy scenarios on the CHP market in California.⁷³ It
6 also evaluated different size segments of the CHP market and the needs of these
7 segments.⁷⁴

8 The authors of the report found that there were already many large CHP facilities
9 in California and the 20 MW and below segment of the market held the most potential for
10 future CHP deployments.⁷⁵ Based on this California government commissioned study,
11 the Commission decided that SoCalGas could benefit smaller CHP customers by
12 providing financing terms and other resources that other non-regulated CHP firm were
13 not able to. For these reasons, the Commission set a maximum size for the DERS Tariff
14 facilities.⁷⁶

⁷⁰ D. 15-10-049 at 55 (“...nameplate capacity of the CHP system must be less than or equal to 20 MW. If SoCalGas installs multiple systems on one customer’s premises, the total nameplate capacity built on that premises must be less than or equal to 20 MW.”).

⁷¹ D. 15-10-049 at 43 (“This proceeding heavily relies on the CEC/ICF CHP Market Assessment that identifies CHP technical potential and where markets may be ‘underserved.’”).

D. 15-10-049 at 54 (“...as the CEC/ICF CHP Market Assessment has demonstrated, because 90% of the market potential resides in this smaller CHP market segment...”).

⁷² California Energy Commission, prepared by ICF International, *Combined Heat and Power: Policy Analysis and 2011-2030 Market Assessment*, February 2012 (CEC/ICF Report) at 1 (“This study represents an update of a similar analysis that the research team conducted in 2009.”).

⁷³ CEC/ICF Report at 4-5.

⁷⁴ CEC/ICF Report at 10 (“The markets for large and small CHP systems have different needs and respond to different types of incentives. **Table ES-3** provides the breakdown of 20-year cumulative market penetration by scenario for large (greater than 20 MW) and small (less than 20 MW) systems.”).

⁷⁵ CEC/ICF Report at 47 (“However, because many of the very large industrial facilities in California already have CHP systems, the majority of the potential now falls in the mid-range system sizes between 1 MW and 20 MW.”).

⁷⁶ D. 15-10-049 at 54 (“There are several compelling reasons to limit project size to 20 MW in the DERS program. First, as the CEC/ICF CHP Market Assessment has demonstrated, because 90% of the market potential resides in this smaller CHP market segment, for example, it makes sense to target this market to achieve program MW goals and desired GHG reductions. Second, focusing on this market segment will help eliminate barriers that traditionally exist for smaller customers that may want to participate in this

1 In this proceeding, SoCalGas relies on a Verdant report the company
2 commissioned in 2024 to claim that the microgrid market in its territory is underserved.⁷⁷
3 The Verdant report does state “there is considerable untapped microgrid potential in
4 SoCalGas’ territory.”⁷⁸ But the methods and inputs used in the Verdant report are not
5 transparent. For instance, Verdant does not state which market sectors it is including in
6 its Serviceable Addressable Market (SAM) modelling or what the source is for the load
7 shape data it is applying in the SAM modelling.⁷⁹ The Verdant report also fails to assess
8 the microgrid market in SoCalGas’s service territory at the same level of granularity that
9 the CEC/ICF CHP market report does.⁸⁰ Verdant does not look at market penetration
10 based on power or energy capacity of the microgrids as ICF did in its report.⁸¹ Because
11 of these issues with the report, SoCalGas does not effectively prove there is an
12 underserved market in its service territory.

13 **2. SoCalGas Fails to Explain How Its Expertise Could**
14 **Benefit the Microgrid Market in its Service**
15 **Territory**

16 SoCalGas fails to explain how it is better positioned than non-regulated companies
17 to serve the microgrid market in its service territory. It states that “As a gas utility
18 serving over 21 million customers and for over 150 years, providing safe, reliable, and
19 affordable energy for California, SoCalGas is well-positioned to provide customers with
20 innovative energy solutions, such as microgrids.”⁸² SoCalGas’s rationale does not

market, including: lack of capital, resources, long-term financing, operational and technology site expertise.”).

⁷⁷ Chapter 2 Testimony at AI-20 (“The results of the [Verdant report] indicate... there is considerable untapped microgrid potential in SoCalGas’s territory...”).

⁷⁸ Chapter 2 Testimony, Attachment B at 16.

⁷⁹ Chapter 2 Testimony, Attachment B at 15-16 (“Representative agents are created for each sector, incorporating key attributes such as energy usage, load shapes, and available geographic area for microgrid deployment. Each agent represents a group of establishments, using a single energy-use profile to estimate results that are extrapolated to the group.”).

⁸⁰ CEC/ICF Report at 10; Chapter 2 Testimony, Attachment B at 12-19.

⁸¹ CEC/ICF Report at 10.

⁸² Application at 2.

1 explain or describe how its experience a regulated gas utility qualifies SoCalGas to build
2 electric microgrids. In response to discovery asking what capabilities make SoCalGas
3 well-suited to providing microgrid service, SoCalGas responds that it has built experience
4 obtaining local, regional, and state government permits and has existing relationships
5 with customers in its service territory.⁸³ But, again, these experiences are not specific to
6 microgrids.

7 Overall, SoCalGas does not demonstrate what specific market failure needs to be
8 addressed or why SoCalGas is best suited to address that market failure. Even if there is
9 a market failure that SoCalGas is in a position to remedy, SoCalGas fails to justify why
10 the Commission should allow SoCalGas to rely on ratepayers to support and bear the
11 risks of a for-profit microgrid business.

⁸³ SoCalGas Response to The Utilities Reform Network (TURN) Data Request TURN -SCG-001, Response 4 at 6.

1 **CHAPTER 4 : SOCALGAS DOES NOT ENSURE JUST AND REASONABLE**
2 **RATES, SAFETY, AND RELIABILITY**

3 **I. INTRODUCTION**

4 SoCalGas’s proposed MOT fails to ensure reasonable rates, safety, and reliability
5 in the microgrid market. SoCalGas’s proposal to privately negotiate MOT rates and the
6 lack of detail SoCalGas includes on safety and reliability compliance precludes proper
7 Commission oversight and fails to comply with regulation.

8 **II. DISCUSSION**

9 SoCalGas states that the California legislature mandated the Commission to
10 develop policies supporting microgrids in Senate Bill (SB) 1339 and the MOT is
11 “consistent with” and supports the aim of the legislation.⁸⁴ However, SoCalGas does not
12 explain how this is the case other than asserting that the MOT allows customers to build
13 microgrids and take advantage of certain mechanisms created by SB 1339.⁸⁵

14 D. 21-01-018, which implemented SB 1339, states that the Commission must
15 uphold reasonable rates, safety, and reliability in all microgrid rules, regulations, and
16 policies.⁸⁶ SoCalGas fails to provide evidence showing how its MOT will comply with
17 this decision and ensure safety, reliability, and reasonable rates.

18 **A. SoCalGas Fails to Ensure Reasonable Rates**

19 SoCalGas proposes to negotiate rates privately under the MOT, stating that
20 “[SoCalGas] and [the] Applicant will negotiate a rate based on [the] Applicant’s unique
21 circumstances and the costs of the MOT Facilities.”⁸⁷ The process SoCalGas describes

⁸⁴ Application at 8; Senate Bill (SB) 1339 (Stern, 2017-2018, Reg. Sess.), codified as Pub. Util. Code §§ 8370-8372.

⁸⁵ Application Exhibit SCG-01, *Chapter 1 Prepared Direct Testimony of Jawaad Malik on Behalf of Southern California Gas Company*, April 16, 2025 at JM-18.

⁸⁶ D. 21-01-018, *Decision Adopting Rates, Tariffs, and Rules Facilitating the Commercialization of Microgrids Pursuant to Senate Bill 1339 and Resiliency Strategies*, issued January 21, 2021 at 94-98, 106-107 (citing Pub. Util. Code Section 218, 451, and 454.51); see also Pub. Util. Code Section 321.1(a), 591, 750, 961, 963, and 8371(d).

⁸⁷ Application, Attachment A (MOT Tariff) at Sheet 5.

1 does not include any formal Commission role nor does it provide any specific
2 methodology by which it will calculate rates.⁸⁸ SoCalGas is a regulated utility, and the
3 Commission must ensure its rates are reasonable.⁸⁹ Absent a contractual rate or further
4 regulatory review, there is no way to determine whether SoCalGas’s proposed tariff rate
5 is reasonable.

6 But SoCalGas claims that the voluntary nature of the MOT will protect consumers
7 from unreasonable rates.⁹⁰ SoCalGas offers no range or cap of what it believes is a
8 reasonable rate and proposes no evidence demonstrating that voluntary tariffs always
9 result in reasonable rates. SoCalGas only offers up a circular logic: asserting its proposed
10 microgrid tariff is just and reasonable because a customer may voluntarily sign up for the
11 tariff, inherently making the tariff reasonable.⁹¹

12 Further, SoCalGas argues that the Final Decision on the DERS Tariff should act as
13 precedent for its MOT but does not include the rate formulation provisions included in
14 that Final Decision in its MOT proposal.⁹² In the DERS Tariff Final Decision, the
15 Commission required a more robust rate formulation process. It stated that SoCalGas had
16 to “use pricing methodologies identical to those used in the general rate cases” and retain
17 analysis for rates for each project under the DERS Tariff for Commission staff to access
18 at any point.⁹³ Because SoCalGas fails to include this safeguarding in its MOT,
19 SoCalGas fails to ensure reasonable rates.

⁸⁸ Application, Attachment A (MOT Tariff) at Sheet 5.

⁸⁹ Pub. Util. Code Section 451.

⁹⁰ Supplemental Testimony at 3 (“The costs for customers 26 taking service under the MOT will be just and reasonable. Because it is a voluntary tariff, 27 customers will have the opportunity to work with SoCalGas for the microgrid solution that works 28 best for them, including from a cost perspective.”).

⁹¹ Supplemental Testimony at 3 (“The costs for customers taking service under the MOT will be just and reasonable. Because it is a voluntary tariff, customers will have the opportunity to work with SoCalGas for the microgrid solution that works best for them, including from a cost perspective.”).

⁹² Supplemental Testimony at 2 (“Recognizing the benefits of other similar-structured programs, the CPUC has approved services offered by SoCalGas in CPUC decisions D.15-10-049...”); Application, Attachment A (MOT Tariff) at Sheet 5.

⁹³ D. 15-10-049 at 73; D. 15-10-049 at 127 (“[SoCalGas] shall retain and make available to Commission staff upon request the analysis it used to develop the rate it charged each [DERS] customer...”).

1 **B. SoCalGas Fails to Ensure Safety and Reliability of its**
2 **Microgrids**

3 In its Supplemental Testimony, SoCalGas responds to Scoping Memo Question
4 2(d), which asks “whether the MOT is consistent with the Commission’s duties to assure
5 the safety and reliability of proposed microgrids to the public and customers.”⁹⁴

6 SoCalGas claims that it will employ “third party contractors who have a proven track
7 record of success and adhere to industry best practices, with a strong emphasis on safety”
8 and that its projects will meet government regulations.⁹⁵ SoCalGas’s assurance that it
9 will administer the MOT safely and according to the law does not fulfill the
10 Commission’s requirement to ensure safety and reliability. SoCalGas provides no
11 evidence that it will follow through with its assertions, nor does it provide any pathway
12 for the Commission to oversee and ensure safety other than SoCalGas’s assurances.

13 SoCalGas also claims its previous experience with microgrids will help it ensure
14 safety and reliability. It states “SoCalGas has managed the Hydrogen Innovation
15 Experience and it has operated with safety and resilience. This experience will translate
16 to SoCalGas’s administration of the MOT.”⁹⁶ However, the Hydrogen Innovation
17 Experience was a residential pilot project, powering a 2000 square foot house.⁹⁷ A
18 residential pilot project is different from large non-residential microgrids that SoCalGas
19 plans to offer for hospitals, data centers, and transportation fleets under the MOT.⁹⁸ One
20 planned data center in Southern California, for example, had a forecasted demand
21 equivalent of 425,000 houses.⁹⁹ Further, in response discovery, SoCalGas states that all

⁹⁴ Supplemental Testimony at 4-5.

⁹⁵ Supplemental Testimony at 4-5; Supplemental Testimony at 5 (“The microgrid facility will also be operated in compliance with applicable laws and regulations. Routine inspections, preventative maintenance, and system upgrades will be carried out in line with any federal, state and local regulations...”).

⁹⁶ Supplemental Testimony at 5.

⁹⁷ SoCalGas, *[H2] Innovation Experience*, <https://www.socalgas.com/sustainability/hydrogen/h2home> (H2 Innovation Experience Website).

⁹⁸ Application at 2.

⁹⁹ Melody Peterson, LA Times, Power-hungry AI data centers are raising electric bills and blackout risk,

1 eight microgrid projects it has participated in within the past five years were research or
2 pilot projects.¹⁰⁰ One project, the GRI Energy Switch Residential Microgrid-in-a-Box
3 Evaluation, had “a capacity of 5 kW of solar and 4.5kW of mCHP.”¹⁰¹ The UTD High-
4 Efficiency Combi System Integrating PV and Self-Power Phase 2 project had “a capacity
5 of 8 kW of mCHP with 15 kWh of BESS.”¹⁰² By contrast, SoCalGas says is will likely
6 service data centers under the MOT.¹⁰³ Again, this is a different scale of project.
7 Microsoft, for instance, plans to connect a data center with a 99 MW capacity to PG&E’s
8 electrical grid.¹⁰⁴

9 The past projects SoCalGas describes have no real-world bearing on the type of
10 large-scale microgrids that SoCalGas’ application seeks to enable. SoCalGas does not
11 provide any analysis or discussion of the similarities, differences, or other meaningful
12 evidence about how lessons learned from small research or pilot projects can be
13 extrapolated to full deployment of large-scale non-residential microgrids.

August 12, 2024, <https://www.latimes.com/environment/story/2024-08-12/california-data-centers-could-derail-clean-energy-goals>

¹⁰⁰ SoCalGas Response to Cal Advocates DR 001, Excel Spreadsheet.

¹⁰¹ SoCalGas Response to Cal Advocates DR 001, Excel Spreadsheet.

¹⁰² SoCalGas Response to Cal Advocates DR 001, Excel Spreadsheet.

¹⁰³ Application at 2.

¹⁰⁴ California Energy Commission (CEC), *San Jose Data Center*,
<https://www.energy.ca.gov/powerplant/backup-generating-system/san-jose-data-center>.

1 **CHAPTER 5 : SOCALGAS DOES NOT PROVE PUBLIC BENEFITS OF**
2 **THE MOT**

3 **I. INTRODUCTION**

4 Because SoCalGas has not provided sufficient detail about the microgrids it will
5 build under the MOT, it fails to prove its proposal is in the public interest. SoCalGas
6 claims that its proposed MOT will provide many benefits¹⁰⁵ but does not quantify those
7 benefits, provide evidentiary support for quantifiable benefits, or describe how the
8 purported benefits will be achieved.

9 **II. Discussion**

10 **A. SoCalGas Fails to Prove the MOT Will Delay or Eliminate**
11 **Infrastructure Upgrades Needs**

12 SoCalGas fails to prove its claims that its proposed MOT can delay or eliminate
13 electrical infrastructure upgrades.¹⁰⁶

14 SoCalGas asserts that “microgrids could also reduce broader ratepayer costs by
15 avoiding or delaying the need for certain infrastructure expansions and upgrades.”¹⁰⁷ In
16 an attempt to justify this claim, SoCalGas references a Brattle study that discusses energy
17 parks,¹⁰⁸ which describes how certain configurations of co-located generation and load
18 can avoid or minimize the need for transmission upgrades.¹⁰⁹

¹⁰⁵ Application at 2 (“Microgrids could also reduce broader ratepayer costs by avoiding or delaying the need for certain infrastructure expansions and upgrades.”); Application at 3 (“California’s decarbonization goals are also supported by the option to have MOT facilities use renewable energy.”).

¹⁰⁶ Application at 2.

¹⁰⁷ Application at 2.

¹⁰⁸ Supplemental Testimony at 9.

¹⁰⁹ Clean Air Task Force, prepared by Brattle, *Optimizing Grid Infrastructure and Proactive Planning to Support Load Growth and Public Policy Goals*, July 2025, <https://www.catf.us/wp-content/uploads/2025/07/grid-utilization-planning.pdf>, (CATF/Brattle Report) at 34 (“Co-locating new load with new on-site generation in precisely controllable “energy parks” (i.e., large microgrids) can minimize or avoid entirely the need for transmission upgrades...”); Brattle/CATF Report at 36 (“...injections from an energy park to the grid are non-firm and controllable. In general, on-site generation at energy parks is designed primarily to self-supply the energy park’s on-site load and only inject energy into the grid when grid capacity is available and when it is beneficial to do so.”).

1 However, the Brattle study simply claims that it *possible* to avoid grid upgrades
2 with microgrids; SoCalGas does not describe how it will design microgrids under the
3 MOT to avoid grid upgrades. SoCalGas does not state that it will build the types of
4 “energy parks” described in the Brattle report or commit to any level of grid upgrade
5 avoidance in the construction of MOT microgrids. Because of this, SoCalGas fails to
6 quantify or prove that it will save ratepayer funds.

7 Therefore, the Commission should not consider grid upgrade avoidance as being a
8 proven benefit of the proposed MOT.

9 **B. SoCalGas Fails to Prove the MOT Will Support**
10 **Decarbonization Goals**

11 SoCalGas fails to support its claims that its proposed MOT will support
12 California’s decarbonization goals.

13 SoCalGas states: “California’s decarbonization goals are... supported by the
14 option to have MOT facilities use renewable energy.”¹¹⁰ But while MOT customers may
15 have the option of renewable energy generation, SoCalGas will provide fossil fuels
16 options as well. In response to discovery, SoCalGas states that it plans to offer
17 “renewable natural gas (RNG), clean renewable hydrogen, and natural gas, or a blend of
18 renewable and non-renewable fuel types” under the MOT.¹¹¹ Because customers will
19 also have the option of using natural gas, which releases methane into the atmosphere
20 when leaked and emits carbon dioxide when burned, the proposed MOT will potentially
21 to increase greenhouse gas emissions.¹¹² Merely providing the option to use “renewable”
22 energy generation in MOT microgrids does not guarantee emission reductions or support
23 decarbonization goals. To ensure decarbonization benefits, SoCalGas needs to limit the
24 generation options and/or set efficiency or emission requirements within the MOT.

¹¹⁰ Application at 3.

¹¹¹ SoCalGas Response to Cal Advocates DR 001, Response 3 at 4.

¹¹² MIT Climate Portal, *How much does natural gas contribute to climate change through CO₂ emissions when the fuel is burned, and how much through methane leaks*, <https://climate.mit.edu/ask-mit/how-much-does-natural-gas-contribute-climate-change-through-co2-emissions-when-fuel-burned>

1 SoCalGas also simply asserts that building microgrids with RNG and renewable
2 hydrogen will reduce GHG emissions, but it does not explain how they would reduce
3 emissions or provide evidence that they would reduce emissions.¹¹³ Further, SoCalGas
4 only offers one example to support its claims that it could develop hydrogen-fueled
5 microgrids under the MOT.¹¹⁴ This example, which it mentions repeatedly, is its
6 Hydrogen Innovation Experience.¹¹⁵ However, this project was costly and not financially
7 viable. The direct project cost for an approximately 2000 square foot home was \$16.4
8 million.¹¹⁶ In fact, the Commission determined that “the [Hydrogen Innovation
9 Experience] does not balance affordability... and just and reasonable rates.”¹¹⁷ Thus,
10 SoCalGas’s primary example of hydrogen microgrids resulting in lower GHG emissions
11 was not financially viable and the Commission determined it was not affordable or just
12 and reasonable.

13 Finally, in its Supplemental Testimony, SoCalGas resists greenhouse gas emission
14 limits altogether. In response to a Scoping Memo question about whether the
15 Commission should place greenhouse gas emissions limits on the MOT, SoCalGas states:
16 “...SoCalGas believes it is too early to implement provisions, such as prescribed
17 [greenhouse gas] GHG reductions over time...”¹¹⁸ Without a commitment to
18 decarbonization targets, SoCalGas cannot prove that its MOT benefits California’s
19 decarbonization goals.

20 SoCalGas’s MOT proposal lacks necessary detail and safeguards to protect
21 ratepayers and customers. Specifically, SoCalGas fails to adequately separate ratepayer
22 and MOT funding, prevent barriers to competition, ensure Commission regulatory

¹¹³ Application at 7.

¹¹⁴ Application at 7.

¹¹⁵ Application at 7, Supplemental Testimony at 5, 11.

¹¹⁶ H2 Innovation Experience Website; SoCalGas Response to Cal Advocates DR 001, Response 1 at 2.

¹¹⁷ D. 24-12-074 at 613-614.

¹¹⁸ Supplemental Testimony at 12.

- 1 standards, and provide measurable benefits to ratepayers and the general public. The
- 2 Commission should deny SoCalGas's MOT Application.

APPENDIX A

Qualifications of Witnesses

1 **QUALIFICATIONS AND PREPARED TESTIMONY**
2 **OF**
3 **JULIET WALSH**

4 **Q.1 Please state your name and address.**

5 A.1 My name is Juliet Walsh. My business address is 505 Van Ness Avenue, San
6 Francisco, California.

7
8 **Q.2 By whom are you employed and what is your job title?**

9 A.2 I am employed by the Public Advocates Office of the California Public Utilities
10 Commission as a Public Utilities Regulatory Analyst III in the Energy
11 Infrastructure Branch.

12
13 **Q.3 Please describe your educational and professional experience.**

14 A.3 I received a Bachelor of Arts Degree in International Politics and Economics from
15 Middlebury College, Middlebury, Vermont in 2019. I have over 5 years of
16 experience working on policy and regulatory issues in the federal government and
17 national non-profits.

18
19 **Q.4 What is your area of responsibility in this proceeding?**

20 A.2 I am employed by the Public Advocates Office of the California Public Utilities
21 Commission as a Public Utilities Regulatory Analyst III in the Energy
22 Infrastructure Branch.

23
24 **Q.5 Does that complete your prepared testimony?**

25 A.2 Yes, it does.

APPENDIX B

Supporting Attachments

LIST OF ATTACHMENTS FOR APPENDIX B

Attachment #	Description
Attachment 1	SoCalGas Response to TURN Data Response No. 1
Attachment 2	SoCalGas Response to TURN Data Response No. 4
Attachment 3	SoCalGas Response to Cal Advocates Data Request No. 1

ATTACHMENT 1

SoCalGas Response to TURN Data Response No. 1

SOUTHERN CALIFORNIA GAS COMPANY
A.25-04-006
THE UTILITY REFORM NETWORK DATA REQUEST
TURN-SCG-001
DATA REQUEST RECEIVED: AUGUST 25, 2025
RESPONSE SUBMITTED: SEPTEMBER 9, 2025

QUESTION 1:

Please provide all data request responses provided to other parties in this proceeding and send TURN a copy of all responses going forward.

RESPONSE 1:

SoCalGas objects to this request on the grounds that it is a continuing interrogatory expressly prohibited by Code of Civil Procedure § 2030.060(g) and exceeds that required by the Discovery Custom and Practice Guidelines provided by the CPUC.

Without waiving its objection, SoCalGas provides its responses to data requests that have been sent through September 9, 2025. Please see attachment titled *SoCalGas_Response_TURN-SCG-001.zip*.

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QUESTION 2:

SoCalGas direct testimony at page JM-10 states that SoCalGas completed an “advanced microgrid demonstration” called the Hydrogen Innovation Experience in early 2023.

- a) When and why did SoCalGas decide to undertake this project?
- b) Please describe the purpose and results of this demonstration.
- c) Please provide supporting materials with additional details on the demonstration including costs, technological specifications, beneficiaries, and lessons learned.
- d) Did SoCalGas fund this demonstration with ratepayer or shareholder money?
- e) If the answer to (d) is ratepayer, please provide a reference to where this project is described in SoCalGas’ general rate case or other regulatory filings and explain the accounting and/or cost recovery mechanism utilized.

RESPONSE 2:

- a) The decision to proceed with the [H2] Innovation Experience (H2IE) was taken in late 2020. SoCalGas decided to proceed with H2IE to demonstrate the role of clean renewable microgrids to enhance reliability and resilience in California and to showcase the role of clean renewable hydrogen could play in attaining California’s decarbonization goals. For further information, see the Revised Prepared Direct Testimony of Armando Infanzon (Clean Energy Innovations (CEI) available at https://www.socalgas.com/sites/default/files/SCG-12-R_Revised_Testimony_of_A_Infanzon-Clean_Energy_Innovations_1440.pdf.
- b) See above. The purpose of H2IE is to demonstrate the role of clean renewable microgrids to enhance reliability and resilience in California and showcase the role of clean renewable. H2IE is one of first of its kind in the U.S. and created an islanded microgrid that includes solar arrays, battery energy storage system, and an electrolyzer to convert solar energy into green hydrogen. It also includes a fuel cell to convert the hydrogen back to electricity. The H2IE was named one of Fast Company’s 2021 World-Changing Ideas in the North America category because of its impact on climate goals, design, scalability, and ingenuity in innovation. The research, testing, and showcase efforts as part of the H2IE project would inform the viability assessments and to further innovate and adopt future microgrids and hydrogen technologies at scale.
- c) SoCalGas objects to this request under Rule 10.1 of the Commission’s Rules of Practice and Procedure on the grounds that the burden, expense and intrusiveness of this request clearly outweigh the likelihood that the information sought will lead to the discovery of admissible evidence. SoCalGas further objects to this request on the grounds that it is vague and ambiguous. Subject to

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and without waiving the foregoing objection, SoCalGas responds as follows: Please see Revised Prepared Direct Testimony of Armando Infanzon (Clean Energy Innovations (CEI) available at https://www.socalgas.com/sites/default/files/SCG-12-R_Revised_Testimony_of_A_Infanzon-Clean_Energy_Innovations_1440.pdf and Revised Prepared Direct Testimony of Brenton K. Guy (Real Estate & Facility Operations) available at https://www.socalgas.com/sites/default/files/2023-06/SCG-19-R-2E_Errata_Real_Estate_Facility_Operations.pdf as part of Application 22-05-015 - SoCalGas 2024 General Rate Case.

- d) SoCalGas further objects to this request on the grounds that it is vague and ambiguous. Subject to and without waiving the foregoing objection, SoCalGas responds as follows: H2IE was not approved for ratepayer funding in the most recent GRC. See Decision 24-12-074 for further details.
- e) Not applicable.

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QUESTION 3:

In addition to the Hydrogen Innovation Experience described in SoCalGas testimony at page JM-10:

- a) Has SoCalGas undertaken any other microgrid-related projects, research, or demonstrations in the past 5 years?
- b) If the answer to (a) is yes, please provide a description of each project.
- c) Has SoCalGas spent any ratepayer funding on any other microgrid-related projects, research, or demonstrations in the past 5 years?
- d) If the answer (c) is yes, please provide the amount for each project.

RESPONSE 3:

- a) SoCalGas further objects to this request on the grounds that it is vague and ambiguous, in particular to the term “undertaken.” Subject to and without waiving the foregoing objection, SoCalGas responds as follows: Yes.
- b) See Table 1.
- c) Yes, under CPUC approved research plans for the RD&D program.
- d) See Table 1.

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Table 1

Project	Description	SoCalGas Project to Date Spent
UCI Fuel Cell Supported Nanogrid Controls Evaluation	This project evaluates two commercially available microgrid control platforms within UCI's residential nanogrid.	\$436,653
NREL Grid Forming Inverters for Fuel Cells Research	This project develops interconnection and interoperability recommended standards for grid forming fuel cell inverters.	\$500,000
UCI Integrated SOFC, Solar, and Storage System in ZNE Residential Nanogrid Design	This project designs and analyzes a ZNE residential nanogrid that integrates SOFC CHP, Solar, and Storage.	\$325,000
GTI Energy Switch Residential Microgrid-in-a-Box Evaluation	This project evaluates the Energy Switch, a “microgrid-in-a-box”.	\$50,000
UCI Hydrogen Enabled Microgrids for Critical Infrastructure Research	This project evaluates and demonstrates the value of hydrogen in microgrids for critical infrastructure (datacenters and hospitals).	\$362,442
UTD High-Efficiency Combi System Integrating PV and Self-Power - Phase 2	This project develops and evaluates multiple residential retrofit mCHP integrated energy system applications	\$95,769
Xendee Adaptive Microgrid Controls Demonstration	This project aims to demonstrate Xendee’s new adaptive microgrid control technology, which can achieve up to 50% total energy cost savings and reduce on-site gas consumption by operating the customer’s DERs more efficiently.	\$50,000

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QUESTION 4:

SoCalGas direct testimony at page JM-10 suggests that SoCalGas as a “trusted provider of energy services” is well-suited to offer microgrids to customers. Please identify the specific advantages or capabilities that SoCalGas believes make it well-suited to provide microgrid services.

RESPONSE 4:

As a trusted provider of energy services, SoCalGas has long been a partner with commercial/industrial customers and in the community, fostering strong and lasting relationships through our commitment to safe, reliable, and affordable service to our customers. Also, as provided on page JM-10, lines 14 to 19, SoCalGas also has extensive experience in working with local, regional and state agencies to obtain the necessary permits for the design, construction and operation of energy infrastructure. For example, SoCalGas completed in early 2023 the Hydrogen Innovation Experience (H2IE), an advanced microgrid demonstration located in the city of Downey. H2IE is powered with solar energy and clean renewable hydrogen produced on-site.

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QUESTION 5:

SoCalGas direct testimony at page JM-13, lines 5-6, states that SoCalGas' MOT would "bridge the gap left by the state budget cuts to reliability programs."

- a) Does SoCalGas believe that electric service providers' existing microgrid tariffs do not fill this gap? Please explain why or why not.
- b) Why is there a need for the proposed MOT in Southern California Edison (SCE) territory when SCE¹ offers tariff rules for microgrid customers?

RESPONSE 5:

This request seeks information that will be provided in SoCalGas's Supplemental Testimony (Scoping Memo Issue 2), provided in response to the August 13, 2025 Scoping Memo and Ruling. SoCalGas therefore objects to this request as premature, and directs the requesting party to its upcoming Supplemental Testimony.

¹ <https://www.sce.com/partners/developers-builders/microgrids-for-developers>

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QUESTION 6:

SoCalGas direct testimony at page JM-13, line 24, states that the MOT could reduce electricity costs by “delaying or eliminating the need for expensive electric infrastructure projects.”

- a) Is SoCalGas here referring to electric infrastructure projects completed by electric service providers, such as SCE and LADWP? If yes, please explain which types of infrastructure projects the MOT could delay and/or eliminate.
- b) Has SoCalGas identified instances in which a microgrid optional tariff has delayed or eliminated the need for electric infrastructure projects? If yes, please provide examples.
- c) If the MOT were approved, how would SoCalGas coordinate with electric service providers to delay or eliminate the need for electric infrastructure projects?

RESPONSE 6:

- a) This request seeks information that will be provided in SoCalGas’s Supplemental Testimony (Scoping Memo Issue 5), provided in response to the August 13, 2025 Scoping Memo and Ruling. SoCalGas therefore objects to this request as premature, and directs the requesting party to its upcoming Supplemental Testimony.
- b) No, however, SoCalGas has not exhaustively researched this issue. The MOT could potentially delay or eliminate the need for electric infrastructure investments only after it is implemented as a CPUC-approved tariff, consistent with established regulatory processes and subject to Commission oversight.
- c) This request seeks information that will be provided in SoCalGas’s Supplemental Testimony (Scoping Memo Issue 5), provided in response to the August 13, 2025 Scoping Memo and Ruling. SoCalGas therefore objects to this request as premature, and directs the requesting party to its upcoming Supplemental Testimony.

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QUESTION 7:

SoCalGas direct testimony at page JM-14, lines 18-20, states that the MOT “could reduce the land-use requirements of electric infrastructure buildout by having power generated on-site for MOT customers.”

- a) Is SoCalGas here referring to electric infrastructure buildout completed by electric service providers, such as SCE and LADWP?
- b) Has SoCalGas identified instances in which a microgrid optional tariff has reduced the land use requirements of electric infrastructure projects? If yes, please provide examples.
- c) If the MOT were approved, how would SoCalGas coordinate with electric service providers to reduce the land-use requirements of electric infrastructure projects?

RESPONSE 7:

- a) Yes.
- b) No, however, SoCalGas has not exhaustively researched this issue. The MOT could potentially reduce the land use requirements of infrastructure projects only after it is implemented as a CPUC-approved tariff, consistent with established regulatory processes and subject to Commission oversight.
- c) This request seeks information that will be provided in SoCalGas’s Supplemental Testimony (Scoping Memo Issue 5), provided in response to the August 13, 2025 Scoping Memo and Ruling. SoCalGas therefore objects to this request as premature, and directs the requesting party to its upcoming Supplemental Testimony.

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QUESTION 8:

SoCalGas direct testimony at page JM-14, lines 13-15, notes that MOT customers could select different “type(s) of fuels...based on their individual needs” and customers would have the “option” to use renewable energy.

- a) What renewable fuel types would be options for MOT customers?
- b) What non-renewable fuel types would be options for MOT customers?

RESPONSE 8:

This request seeks information that will be provided in SoCalGas’s Supplemental Testimony (Scoping Memo Issue 8), provided in response to the August 13, 2025 Scoping Memo and Ruling. SoCalGas therefore objects to this request as premature, and directs the requesting party to its upcoming Supplemental Testimony.

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QUESTION 9:

SoCalGas direct testimony at page JM-15, lines 5-7, asserts that “depending on the particular MOT facility requested by a customer, the MOT can lead to reduction of GHG emissions.” Could the MOT lead to an increase in GHG emissions, depending on the particular MOT facilities requested? Please explain.

RESPONSE 9:

This request seeks information that will be provided in SoCalGas’s Supplemental Testimony (Scoping Memo Issue 8), provided in response to the August 13, 2025 Scoping Memo and Ruling. SoCalGas therefore objects to this request as premature, and directs the requesting party to its upcoming Supplemental Testimony.

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QUESTION 10:

SoCalGas direct testimony at page JM-16, lines 6-8, state that “The use of existing utility pipeline infrastructure could avoid or delay the need to build new and costly electric transmission and distribution lines.”

- a) Is SoCalGas referring to its own gas pipelines here?
- b) If MOT customers utilize existing pipelines, how will this use of infrastructure impact gas ratepayers?

RESPONSE 10:

- a) Yes, the utility pipeline infrastructure referenced is SoCalGas’s pipelines.
- b) If MOT customers utilize the existing SoCalGas pipelines for new gas service, this could provide other ratepayers with a lower transportation rate since the existing pipelines are fixed costs spread over a larger volume.

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QUESTION 11:

SoCalGas direct testimony at page JM-17, lines 13-14, states that “the MOT can provide local air quality benefits by reducing the customers’ dependency on diesel backup generators and diesel and gasoline vehicles.”

- a) Will all MOT customers be replacing diesel and gasoline alternatives? If not, does SoCalGas have any indication of what proportion of potential customers would seek to replace diesel and gasoline alternatives?
- b) Has SoCalGas analyzed how local air quality impacts of natural-gas fueled microgrid facilities compare to local air quality impacts of diesel backup generators?

RESPONSE 11:

This request seeks information that will be provided in SoCalGas’s Supplemental Testimony (Scoping Memo Issue 8), provided in response to the August 13, 2025 Scoping Memo and Ruling. SoCalGas therefore objects to this request as premature, and directs the requesting party to its upcoming Supplemental Testimony.

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QUESTION 12:

SoCalGas direct testimony at pages JM-18 to JM-19 describes CPUC efforts related to SB 1339 to encourage adoption of microgrids including the microgrid incentive program, tariff changes, as well as the self-generation incentive program. How does the proposed MOT differ from these existing options for customers?

RESPONSE 12:

This request seeks information that will be provided in SoCalGas's Supplemental Testimony (Scoping Memo Issue 2), provided in response to the August 13, 2025 Scoping Memo and Ruling. SoCalGas therefore objects to this request as premature, and directs the requesting party to its upcoming Supplemental Testimony.

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DATA REQUEST RECEIVED: AUGUST 25, 2025
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QUESTION 13:

SoCalGas direct testimony at page JM-16 states that local communities “can benefit from the MOT because critical community services...can continue to operate during power outages.”

- a) Did the Verdant market study determine particular potential for critical businesses?
- b) Is SoCalGas aware of any specific critical businesses that have expressed interest in the MOT? If yes, please specify and explain.

RESPONSE 13:

- a) SoCalGas further objects to this request on the grounds that it is vague and ambiguous, in particular with respect to the terms “critical businesses” and “particular potential.” Subject to and without waiving the foregoing objection, SoCalGas responds as follows:
SoCalGas understands “critical businesses” to mean “critical facilities.” The Verdant Study provides a breakdown of customer segments at AI Attachment B, Table 1-4, page 18, and one example of a critical facilities segment is healthcare.
- b) Customers that have expressed interest in MOT can be found in AI Attachment A.

ATTACHMENT 2

SoCalGas Response to TURN Data Response No. 4

SOUTHERN CALIFORNIA GAS COMPANY
A.25-04-006
THE UTILITY REFORM NETWORK DATA REQUEST
TURN-SCG-004

DATA REQUEST RECEIVED: SEPTEMBER 11, 2025
PARTIAL RESPONSE SUBMITTED: SEPTEMBER 25, 2025

QUESTION 1:

SoCalGas' response to UCAN DR 1, Question 11, states that ""Other SoCalGas organizations" that may utilize the neutral scripts to assist with describing the MOT with their contacts include, but are not limited to, Account Executives and Regional Public Affairs.""

- a) What other organizations does SoCalGas anticipate will discuss the MOT with their contacts?
- b) How will SoCalGas identify the share of time and resources that Account Executives, Regional Public Affairs, and any other organizations identified in (A) spend on MOT issues, including discussing the MOT with customers?

RESPONSE 1:

- a) Besides the business unit that is managing the MOT tariff (along with Account Executives and Regional Public Affairs), SoCalGas does not anticipate any additional organizations proactively approaching customers to discuss the MOT.
- b) SoCalGas employees working on MOT will be required to charge their time to a MOT specific internal order number. Refer to the Prepared Direct Testimony of Victor R. Garcia, Section II.

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A.25-04-006
THE UTILITY REFORM NETWORK DATA REQUEST
TURN-SCG-004

DATA REQUEST RECEIVED: SEPTEMBER 11, 2025
PARTIAL RESPONSE SUBMITTED: SEPTEMBER 25, 2025

QUESTION 2:

SoCalGas' response to UCAN DR 1, Question 15, states that "MOT customers can elect to have a known tariff price or calculation of the tariff price over the term of the MOT agreement. This contrasts with electric grid prices, which are continuously updated and changing."

- a) Does SoCalGas acknowledge that it will take on some degree of risk by offering a set tariff price over the term of a MOT agreement, given that material, labor, and/or fuel costs may fluctuate over the MOT agreement term?
- b) If the answer to (a) is no, please explain why not.
- c) If SoCalGas revenue is lower than anticipated in the MOTTA, how will SoCalGas make up that revenue shortfall?

RESPONSE 2:

- a) Yes, SoCalGas does acknowledge some degree of risk by offering the MOT tariff with a known tariff price or calculation of the tariff price over the term of the MOT agreement. However, SoCalGas will establish a framework under MOT to mitigate this risk, similar to other SoCalGas shareholder tariffs. As mentioned in the Prepared Direct Testimony of Armando Infanzon (Chapter 2), "SoCalGas intends to partner with a third-party vendor(s) to support maintenance activities and to conduct repairs and service equipment when needed, the costs of which will be included in the MOT service fee."¹ SoCalGas will be entering into long-term agreements with these service providers to implement a wrap solution that mitigates the risk of labor and material rate fluctuations over time. This approach provides greater cost predictability, simplifies budgeting and forecasting, and reduces exposure to market volatility.
- b) Not applicable.
- c) If MOT revenues are lower than MOT expenses, then shareholders are responsible for the shortfall.

¹ Prepared Direct Testimony of Armando Infanzon (Chapter 2) at AI-24

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DATA REQUEST RECEIVED: SEPTEMBER 11, 2025
PARTIAL RESPONSE SUBMITTED: SEPTEMBER 25, 2025

QUESTION 3:

SoCalGas' response to UCAN DR 1, Question 13, states that "SoCalGas plans to utilize internal personnel and/or a SoCalGas third-party contractor to conduct the monitoring." Has SoCalGas identified this third-party contractor? If so, please provide the name of the contractor, the proposed scope of work, and any proposal documentation.

RESPONSE 3:

SoCalGas has not yet identified a third-party contractor.

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DATA REQUEST RECEIVED: SEPTEMBER 11, 2025
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QUESTION 4:

SoCalGas' response to UCAN DR 1, Question 16, states that ""The MOT" refers to MOT personnel (likely SoCalGas personnel or SoCalGas third- party contractors)." Has SoCalGas identified these third-party contractors? If so, please provide the name of the contractor(s), the proposed scope(s) of work, and any proposal documentation.

RESPONSE 4:

SoCalGas has not yet identified these third-party contractors.

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QUESTION 5:

SoCalGas' response to UCAN DR 1, Question 19, presents five internal orders associated with developing its tariff proposal. Please provide the costs associated with each of these orders to date.

RESPONSE 5:

Extension requested.

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QUESTION 6:

SoCalGas' response to UCAN DR 1, Question 17, describes SoCalGas' methodology for assigning overhead costs but does not provide workpapers as requested by UCAN.

- a) Please provide these workpapers in live Excel format, including intact formulas.
- b) If the exact methodology is not yet developed, when will the Commission have the opportunity to review it?

RESPONSE 6:

- a) There are no workpapers that were created for this cost assignment.
- b) This request seeks information that will be provided in SoCalGas's Supplemental Testimony (Scoping Memo Issues 2 and 3), provided in response to the August 13, 2025 Scoping Memo and Ruling. SoCalGas therefore objects to this request as premature, and directs the requesting party to its upcoming Supplemental Testimony.

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DATA REQUEST RECEIVED: SEPTEMBER 11, 2025
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QUESTION 7:

SoCalGas' response to TURN DR 3, Question 1, states that the other method for assigning direct costs, besides direct charging, is 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."

- a) Please provide supporting workpapers presenting this method and formulas.
- b) If the method is not yet developed, when will the Commission have the opportunity to review it?

RESPONSE 7:

- a) There are no workpapers or formulas for the allocation method as the method is anticipated to be straightforward. As stated in VRG-1, lines 2-25, SoCalGas will use direct charging as the primary method for capturing direct costs related to the MOT. The allocation method may be applied selectively when it is the most appropriate approach for the situation. For instance, if an individual is engaged in multiple MOT projects simultaneously, each involving various activities, they may allocate their time proportionally across the relevant internal orders based on the percentage of time dedicated to each project.
- b) Not applicable.

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TURN-SCG-004

DATA REQUEST RECEIVED: SEPTEMBER 11, 2025
PARTIAL RESPONSE SUBMITTED: SEPTEMBER 25, 2025

QUESTION 8:

SoCalGas' response to TURN DR 3, Question 2, states that "SoCalGas will create specific internal orders within the SAP financial system to track both incremental labor and nonlabor charges" but does not provide the steps involved in this incrementality calculation or supporting documentation, such as internal guidelines or workpapers.

- a) Please describe the accounting steps by which SoCalGas managers will identify incremental charges and provide applicable supporting documentation.
- b) If the accounting process is not yet developed, when will the Commission have the opportunity to review it?

RESPONSE 8:

- a) In regards to the accounting steps to record costs to the MOTBA and MOTTA, MOT program managers will create IOs specifically tagged as incremental or embedded in order to track incremental costs separate from embedded costs. The embedded versus incremental tagging will facilitate the monthly recordation of embedded costs to the MOTBA for refund back to ratepayers and tracking of both embedded and incremental costs in the MOTTA against revenues received from MOT customers.
- b) See response to Q8a. above.

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TURN-SCG-004

DATA REQUEST RECEIVED: SEPTEMBER 11, 2025
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QUESTION 9:

SoCalGas' response to TURN DR 3, Question 5, states that SoCalGas does not anticipate that any non-labor embedded (GRC) costs will be used to support MOT customers. For each of the following categories, please confirm that SoCalGas does not anticipate utilizing any ratepayer-funded, non-labor resources to support MOT customers:

- a) Information Technology systems and software
- b) Communications platforms and infrastructure
- c) Vehicle fleets and field equipment
- d) Facilities and office spaces

RESPONSE 9:

As mentioned in Chapter 3 of SoCalGas' testimony at page VRG-2, lines 13-14, all embedded costs including overheads incurred in providing the MOT will be credited to ratepayers via the MOT balancing account (MOTBA). Similar to the approved Compression Service Tariff (CST), the following overheads associated to the direct costs of MOT will be applied:

- a) These categories fall under the Administrative & General (A&G) overheads and/or Fixed Cost Loader overheads associated to the direct costs of MOT which will be balanced in the MOTBA to refund ratepayers.
- b) These categories fall under the Fixed Cost Loader overheads and/or A&G overheads associated to the direct costs of MOT which will be balanced in the MOTBA to refund ratepayers.
- c) SoCalGas does not anticipate using any ratepayer-funded, non-labor resources regarding vehicle fleets and field equipment.
- d) These categories fall under the Fixed Cost Loader overheads associated to the direct costs of MOT which will be balanced in the MOTBA to refund ratepayers.

ATTACHMENT 3

SoCalGas Response to Cal Advocates Data Request No. 1

SOUTHERN CALIFORNIA GAS COMPANY

A.25-04-006

CAL ADVOCATES DATA REQUEST

CAL ADVOCATES-SCG-001

DATA REQUEST RECEIVED: OCTOBER 16, 2025

RESPONSE SUBMITTED: OCTOBER 30, 2025

QUESTION 1:

In its Application and Supplemental Testimony, SCG references the Hydrogen Innovation Experience several times.¹ With respect to SCG's references to the Hydrogen Innovation Experience and its MOT, please provide the following information:

- a) SCG states that it completed the Hydrogen Innovation experience.²
 - i. How long did it take SCG to complete³ the Hydrogen Innovation Experience? Please provide a timeline including each stage of the process.
 - ii. What was the total cost of the Hydrogen Innovation Experience project after it was completed?
- b) How many outages have there been at the Hydrogen Innovation Experience?
- c) How long has the Hydrogen Innovation Experience been in operation?
- d) Does SCG have any plans to, or does SCG otherwise anticipate, building other microgrids that are similar to the Hydrogen Innovation Experience under the MOT in terms of power capacity, energy capacity, and technology?

¹ Supplemental Testimony of Southern California Gas Company, September 29, 2025 (Supplemental Testimony) at 5 ("SoCalGas has managed the Hydrogen Innovation Experience and it has operated with safety and resilience.").

Supplemental Testimony at 11 ("SoCalGas has implemented several of these technical codes and standards as part of the development of SoCalGas's Hydrogen Innovation Experience."). Application (A.)25-04-006, Application of Southern California Gas Company (U 904 G) for Adoption of a Microgrid Optional Tariff, April 16, 2025 at 7 ("For example, SoCalGas has experience in overseeing the construction and operation of a microgrid that incorporates solar energy and clean renewable hydrogen with its Hydrogen Innovation Experience (H2IE)."). Application Exhibit SCG-01, Chapter 1 Prepared Direct Testimony of Jawaad Malik on Behalf of Southern California Gas Company (U 904 G) for Adoption of a Microgrid Option Tariff, April 16, 2025

(Application Chapter 1) at JM-10 ("For example, SoCalGas completed in early 2023 the Hydrogen Innovation Experience (H2IE), an advanced microgrid demonstration located in the city of Downey.").

Application Exhibit SCG-02, Chapter 2 Prepared Direct Testimony of Armando Infanzon on Behalf of Southern California Gas Company (U 904 G) for Adoption of a Microgrid Option Tariff, April 16, 2025 at AI-4-AI-5 ("For example, the Hydrogen Innovation Experience (H2IE) in Downey, CA is an advanced microgrid that consists of solar panels, lithium-ion battery system, electrolyzer, as well as a clean renewable hydrogen fuel cell, storage, and blending system.")

² Application Chapter 1 at JM-10 ("For example, SoCalGas completed in early 2023 the Hydrogen Innovation Experience (H2IE), an advanced microgrid demonstration located in the city of Downey.").

³ Application Chapter 1 at JM-10 ("For example, SoCalGas completed in early 2023 the Hydrogen Innovation Experience (H2IE), an advanced microgrid demonstration located in the city of Downey.").

SOUTHERN CALIFORNIA GAS COMPANY

A.25-04-006

CAL ADVOCATES DATA REQUEST

CAL ADVOCATES-SCG-001

DATA REQUEST RECEIVED: OCTOBER 16, 2025

RESPONSE SUBMITTED: OCTOBER 30, 2025

RESPONSE 1:

- a)
- i. It took approximately 2 years to complete the Hydrogen Innovation Experience (H2IE). Please see timeline below.
 - Engineering/Procurement (includes all city permits) – From October 2020 through November 2021
 - Construction – From December 2021 through August 2022
 - Startup/Commissioning – From September 2022 through November 2022
 - Start of Operations – Starting December 2022
 - ii. Total direct project cost of H2IE was \$16.4MM.
- b) SoCalGas objects to this request on the grounds that it is vague and ambiguous, particularly with respect to the phrase “outage.” Subject to and without waiving the foregoing objection, SoCalGas responds as follows:
- SoCalGas understands the term “outage” to mean an unplanned outage of power for at least 30 minutes. In this case, the H2IE has had two outage events.
- c) H2IE has been operating since December 2022.
- d) SoCalGas objects to this request on the grounds that it calls for speculation. Subject to and without waiving the foregoing objection, SoCalGas responds as follows:

SoCalGas anticipates that the type of microgrid configurations would most likely vary, dependent on customer needs and technology. At this time, it is premature to anticipate whether a microgrid similar to H2IE would be built for one or more MOT customers.

SOUTHERN CALIFORNIA GAS COMPANY

A.25-04-006

CAL ADVOCATES DATA REQUEST

CAL ADVOCATES-SCG-001

DATA REQUEST RECEIVED: OCTOBER 16, 2025

RESPONSE SUBMITTED: OCTOBER 30, 2025

QUESTION 2:

In SCG's Response to TURN DR 1, SCG provided a table (Table 1)⁴ listing all microgrid-related projects, research, and demonstrations SCG has undertaken in the last five years other than the Hydrogen Innovation Experience. In respect to these listed microgrid-related projects, please provide the following information requested below. Please see the attached excel document and provide the requested information in that format.

- a) Does Table 1 include all microgrid projects SCG has completed, with or without contractors, in the last five years, other than the Hydrogen Innovation Experience?
- b) Would SCG classify any of these projects as non-residential (as SCG uses that term in its MOT Application) projects? If not, how would SCG classify them?
- c) What was the capacity of each of the projects in Table 1? Please provide both energy capacities and power capacities for each project.
- d) Please list and identify all fuel sources for each of the projects in Table 1.
- e) How many of the microgrid projects listed in Table 1 are interconnected to the grid?
- f) How many of the microgrid projects listed in Table 1 are not interconnected to the grid, but SCG has plans to do so?
- g) How many of the microgrid projects listed in Table 1 are not interconnected to the grid, and SCG has no current plans to do so?

RESPONSE 2:

- a) SoCalGas objects to this request on the grounds that it is vague and ambiguous, particularly with respect to the phrases "all microgrid projects SCG has completed." Subject to and without waiving the foregoing objection, SoCalGas responds as follows:

Table 1 includes the microgrid projects that SoCalGas has participated in within the last five years.

For b) through g) see attached Excel file labeled "SoCalGas Response_Cal Advocates-SCG-001-Q2 Attachment.xlsx."

⁴ Southern California Gas Company A.25-04-006 The Utility Reform Network Data Request TURN-SCG-001, September 9, 2025 at 5.

SOUTHERN CALIFORNIA GAS COMPANY

A.25-04-006

CAL ADVOCATES DATA REQUEST

CAL ADVOCATES-SCG-001

DATA REQUEST RECEIVED: OCTOBER 16, 2025

RESPONSE SUBMITTED: OCTOBER 30, 2025

QUESTION 3:

In section 8c of its Supplemental Testimony, SCG states that “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.”⁵ Please list all fuel types that SCG plans to offer in these discussions with customers under the MOT.

RESPONSE 3:

SoCalGas plans to offer the following fuel types to customers under the MOT: renewable natural gas (RNG), clean renewable hydrogen, and natural gas, or a blend of renewable and non-renewable fuel types.

⁵ Supplemental Testimony at 11.

SOUTHERN CALIFORNIA GAS COMPANY

A.25-04-006

CAL ADVOCATES DATA REQUEST

CAL ADVOCATES-SCG-001

DATA REQUEST RECEIVED: OCTOBER 16, 2025

RESPONSE SUBMITTED: OCTOBER 30, 2025

QUESTION 4:

In section 5 of its Supplemental Testimony filed on September 29, 2025, SCG states:

“The overall impact on electric utility ratepayers is anticipated to be beneficial as microgrids have the potential to defer or eliminate the need for electric system upgrades. As discussed in the Prepared Direct Testimony of Jawaad Malik (Chapter 1), ‘The local energy production provided by the MOT can help to reduce the strain on the broader electric grid, delaying or eliminating the need for expensive electric infrastructure projects. As a result, ratepayers can benefit from lower overall costs, as electric utilities can avoid or delay capital investment associated with certain grid expansions.’”⁶

What types of “electric system upgrades” or “capital investment associated with certain grid expansions” would be delayed or eliminated by MOT projects? Please provide examples that SCG believes may occur under the MOT.

RESPONSE 4:

The types of electrical system upgrades would generally be infrastructure upgrades to increase grid capacity or reliability. Examples of this under the MOT could be upgrading or constructing new substations, upgrading or constructing new circuits, adding new capacitors, and/or upgrading or constructing new transmission lines.

⁶ Supplemental Testimony at 8-9.

Project	Description	SoCalGas Project to Date Spent	b. Would SCG classify any of these projects as non-residential (as SCG uses that term in its MOT Application) projects? If not, how would SCG classify them?	c. What was the capacity of each of the projects in Table 1? Please provide both energy capacities (kWh) and power capacities (kW) for each project.	d. Please list and identify all fuel sources for each of the projects in Table 1.	e. How many of the microgrid projects listed in Table 1 are interconnected to the grid? (check all that apply)	f. How many of the microgrid projects listed in Table 1 are not interconnected to the grid, but SCG has plans to do so? (check all that apply)	g. How many of the microgrid projects listed in Table 1 are not interconnected to the grid, and SCG has no current plans to do so? (check all that apply)
UCI Fuel Cell Supported Nanogrid Controls Evaluation	This project evaluates two commercially available microgrid control platforms within UCI's residential nanogrid.	\$436,653	Project is currently designed for residential purposes	N/A - This research did not include a specific capacity	Research focused on hydrogen fueled assets.	N/A - This was a research project	N/A - This was a research project	N/A - This was a research project
NREL Grid Forming Inverters for Fuel Cells Research	This project develops interconnection and interoperability recommended standards for grid forming fuel cell inverters.	\$500,000	This project could be applied to residential or non-residential	N/A - This research did not include a specific capacity	Research focused on natural gas and hydrogen fueled assets	N/A - This was a research project	N/A - This was a research project	N/A - This was a research project
UCI Integrated SOFC, Solar, and Storage System in ZNE Residential Nanogrid Design	This project designs and analyzes a ZNE residential nanogrid that integrates SOFC CHP, Solar, and Storage.	\$325,000	Project is currently designed for residential purposes	N/A - This research did not include a specific capacity	Research focused on hydrogen fueled assets.	N/A - This was a research project	N/A - This was a research project	N/A - This was a research project
GTI Energy Switch Residential Microgrid-in-a-Box Evaluation	This project evaluates the Energy Switch, a "microgrid-in-a-box".	\$50,000	This project could be applied to residential or non-residential	Project evaluated a capacity of 5kW of solar and 4.5kW of mCHP	Research focused on natural gas fueled assets.	N/A - This was a research project	N/A - This was a research project	N/A - This was a research project
UCI Hydrogen Enabled Microgrids for Critical Infrastructure Research	This project evaluates and demonstrates the value of hydrogen in microgrids for critical infrastructure (datacenters and hospitals).	\$362,442	Project is currently designed for non-residential purposes	N/A - This research did not include a specific capacity	Research focused on hydrogen fueled assets.	N/A - This was a research project	N/A - This was a research project	N/A - This was a research project
UTD High-Efficiency Combi System Integrating PV and Self-Power - Phase 2	This project develops and evaluates multiple residential retrofit mCHP integrated energy system applications	\$95,769	Project is currently designed for residential purposes	Project evaluated a capacity of 8 kW of mCHP with 15 kWh of BESS	Research focused on natural gas fueled assets.	N/A - This was a research project	N/A - This was a research project	N/A - This was a research project
Xendee Adaptive Microgrid Controls Demonstration	This project aims to demonstrate Xendee's new adaptive microgrid control technology, which can achieve up to 50% total energy cost savings and reduce on-site gas consumption by operating the customer's DERs more efficiently.	\$50,000	This project could be applied to residential or non-residential	N/A - This research did not include a specific capacity	Research will use natural gas.	Project location has not been defined yet. Project site may be interconnected to the grid or may be off-grid.	Project location has not been defined yet. Project site may be interconnected to the grid or may be off-grid. If project site is off-grid, there are no intentions to interconnect per the project SOW	Project location has not been defined yet. Project site may be interconnected to the grid or may be off-grid. If project site is off-grid, there are no intentions to interconnect per the project SOW