

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of San Diego Gas & Electric
Company (U 902-E) for Approval of Palomar
Decarbonization Demonstration Project

Application 25-12-009

**PROTEST OF THE PUBLIC ADVOCATES OFFICE TO SAN DIEGO GAS &
ELECTRIC COMPANY'S APPLICATION FOR THE PALOMAR
DECARBONIZATION DEMONSTRATION PROJECT**

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February 5, 2026

I. INTRODUCTION

Pursuant to the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure, Rule 2.6, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) timely submits this protest to the *Application of San Diego Gas & Electric Company for Approval of Palomar Decarbonization Demonstration Project* (Application) filed on December 16, 2025.^{1 2}

San Diego Gas & Electric Company (SDG&E) requests that the Commission approve the Palomar Decarbonization Demonstration Project (Project) and associated cost recovery.³ SDG&E describes the Project as an “integrated hydrogen system at Palomar Energy Center (PEC), which consists of onsite hydrogen production, storage, blending into turbines, and fueling of hydrogen vehicles.”⁴ The Project is the same project that SDG&E requested in its 2024 Test Year General Rate Case (GRC) Application (A.22-05-016), which the Commission denied.⁵ SDG&E files its current Application because the Commission allowed SDG&E to pursue building the Project as a stand-alone application.⁶ After an initial review, Cal Advocates proposes that the Commission include additional issues in this proceeding based on specific requests and deficiencies in SDG&E’s Application. For the reasons stated below, the Commission should adopt the recommendations made in this protest.

¹ Application (A.) 25-12-009, *Application of San Diego Gas & Electric Company (U 902 E) for Approval of Palomar Decarbonization Demonstration Project* (Application), December 16, 2025.

² The Application appeared on the Commission’s Daily Calendar on January 6, 2026. Pursuant to Rule 2.6, “a protest . . . must be filed within 30 days of the date the notice of the filing of the application first appears in the Daily Calendar.” The Application appeared in the Commission’s Daily Calendar on January 6, 2026, which makes the protest filing date February 5, 2026. Therefore, this protest is timely.

³ Application at 1.

⁴ Application at 1, internal citation omitted.

⁵ Decision (D.) 24-12-074, *Decision Addressing the 2024 Test Year General Rate Cases of Southern California Gas Company and San Diego Gas & Electric Company*, December 19, 2024, at 404; in A.22-05-014 *et al.*

⁶ D.24-12-074 at 404.

II. BACKGROUND

SDG&E's 2024 Test Year GRC Application, in part, requested that the Commission approve the Palomar Hydrogen Systems project.⁷ SDG&E's A.22-05-016 requested \$17.502 million in capital expenditures in the years 2021-2024 for the Palomar Hydrogen Systems project.⁸ SDG&E described the Palomar Hydrogen Systems project, in part, as follows:

Hydrogen will be produced onsite at the Palomar Energy Center via electrolysis powered by renewable energy. This electrolytic hydrogen will be available for multiple onsite applications, including power generation, generator cooling, and as a clean transportation fuel. The hydrogen production system at Palomar includes a dedicated solar PV system to provide renewable sourced electricity to a hydrogen electrolyzer. A dedicated SDG&E fleet [Hydrogen Fueled Electric Vehicle] HFEV fueling pump will also be located at Palomar to fuel light-duty HFEVs used by plant operation personnel to visit remote generation sites managed out of Palomar, including SDG&E's numerous remote battery installations and microgrids.⁹

D.24-12-074 denied SDG&E's request for the Palomar Hydrogen Systems project.¹⁰ However, the Commission stated that "SDG&E may pursue building the hydrogen system at the Palomar Energy Center as a stand-alone application with more robust information, leveraging public funding sources and lowering ratepayer costs."¹¹

SDG&E states that its Application is consistent with the Commission's permission for SDG&E to pursue building the hydrogen system at PEC in a stand-alone application.¹² SDG&E confirms that the Project requested in the Application is the same

⁷ Exhibit (Exh.) SDG&E-15-R, Revised Prepared Direct Testimony of Fernando Valero (Clean Energy Innovations), served August 2022, at FV-31:9 to FV-32:25; in A.22-05-016.

⁸ Exh. SDG&E-14, Prepared Direct Testimony of Daniel S. Baerman (Electric Generation), served August 2022, Table DSB-5 (Capital Expenditures Summary of Costs) at DSB-15; in A.22-05-016.

⁹ Exh, SDG&E-15-R at FV-32:3-10, internal citation omitted.

¹⁰ D.24-12-074 at 404.

¹¹ D.24-12-074 at 404.

¹² Application at 4.

project as the Palomar Hydrogen Systems project requested in its 2024 Test Year General Rate Case application.¹³

III. SDG&E’S REQUESTED RELIEF

Pursuant to Rule 2.1, “[a]ll applications shall state clearly and concisely the authorization or relief sought” and must also state “the issues to be considered”¹⁴ in the proceeding. Here, SDG&E identifies the following issues to be considered in this proceeding:

1. Whether the Commission should approve SDG&E’s request for cost recovery for the Project.
2. Whether the Commission should authorize SDG&E to establish the H2BA balancing account to track the costs and revenues associated with the Project.¹⁵

Cal Advocates agrees that these two issues are appropriate for consideration in this proceeding. However, as explained below, the Commission should include additional issues in the scope of the proceeding.

IV. DISCUSSION AND ADDITIONAL ISSUES TO BE CONSIDERED

The Commission should adopt a scope that is consistent with the issues raised in D.24-12-074 related to the denial of cost recovery for the Palomar Hydrogen Systems project, which resulted in this Application. The Commission determined that SDG&E’s showing in its 2024 GRC regarding the Palomar Hydrogen Systems project “lacked evidentiary support on the project’s full impact on ratepayers, including the true cost and scalability, and the limited learning opportunity due to the small scale of the pilot,”¹⁶ and thus the Commission could not “accurately judge whether the costs and scale of this pilot are just and reasonable.”¹⁷ The Commission identified a number of SDG&E’s specific evidentiary deficiencies including “if the pilot facility has room for expansion due to

¹³ Application at 2.

¹⁴ Commission Rules of Practice and Procedure 2.1.

¹⁵ Application at 14.

¹⁶ D.24-12-074 Finding of Fact 145 at 985.

¹⁷ D.24-12-074 at 405.

space limitations and the decommissioning dates of its generation units;”¹⁸ “how its pilot program would provide unique insights that could not be obtained from the efforts of others;”¹⁹ and “information on federal incentives that the solar and hydrogen installations at the pilot site can leverage.”²⁰ Therefore, the Commission should include the following in the scope of the proceeding:

1. Does SDG&E demonstrate scalability of the Project and any costs related to expansion?
2. Does the Project provide unique insights that could not be obtained from the efforts of others?
3. Does the Project leverage federal incentives for solar or hydrogen installations?
4. Does the Project leverage other public or private funding sources?²¹

In addition to the above issues, the Commission should include issues related the Project’s environmental and climate impact, and consistency with the state and Commission’s research, development, and demonstration (RD&D) policies and regulations. Inclusion of issues related to the Project’s environmental and climate impact would be consistent with the Commission’s prior acknowledgment that the Palomar Hydrogen System had “the potential for hydrogen blended with natural gas combustion to support the transition to carbon-free electricity by lowering CO2 emissions from existing natural gas-powered generators.”²² Furthermore, SDG&E claims the Project “demonstrates how renewable hydrogen can be utilized to support decarbonization across multiple areas of electric utility operations, including: (1) generator cooling, (2) power generation, (3) fleet vehicle fueling, and (4) additional research, demonstration, and

¹⁸ D.24-12-074 at 405.

¹⁹ D.24-12-074 at 405.

²⁰ D.24-12-074 at 406.

²¹ D.24-12-074 at 406: “SDG&E should reconsider this proposal with a fresh perspective to take advantage of private institutions that want to test their technology and other public funding sources to help reduce costs to ratepayers.”

²² D.24-12-074 at 404.

deployment.”²³ In its Application and supporting testimony, SDG&E also argues that the Project is a demonstration project with RD&D value.²⁴ Therefore, the Commission should include the following in the scope of the proceeding:

1. Does the Project demonstrate quantifiable greenhouse gas (GHG) emissions reductions across relevant areas of electricity operations, including: (1) generator cooling, (2) power generation, (3) fleet vehicle fueling, and (4) research, demonstration, and deployment?
2. Is the Project consistent with the state and Commission’s research, development, and demonstration policies and regulations?

V. CATEGORIZATION

Cal Advocates agrees with SDG&E’s proposal²⁵ and the Commission’s preliminary determination²⁶ that this proceeding should be categorized as ratesetting.

VI. NEED FOR HEARINGS

SDG&E states that it does not believe that evidentiary hearings will be necessary.²⁷ Cal Advocates is in the initial stages of reviewing the Application and supporting testimony and it is not clear at this point whether evidentiary hearings are needed. However, Cal Advocates agrees with SDG&E’s recommendation that any schedule adopted for this instant proceeding “include a procedural mechanism by which the parties can specifically identify material issues of fact in dispute that warrant an evidentiary hearing.”²⁸ The Commission should include in the proceeding schedule the opportunity to file a motion requesting evidentiary hearings.

²³ Application at 1.

²⁴ *Prepared Direct Testimony of Ari Beer on Behalf of San Diego Gas and Electric Company* at AB-27: “This demonstration Project is a valuable addition to the body of knowledge that can help inform the state’s decarbonization strategy, and it can play an important role to support other state-funded clean energy RD&D projects.”

²⁵ Application at 13.

²⁶ Resolution ALJ 176-3575, *Preliminary Determinations of Category for Proceedings Initiated by Application Pursuant to Rule 7.1 of the Commission’s Rules of Practice and Procedure*, January 15, 2026, Attachment, at 3.

²⁷ Application at 13.

²⁸ Application at 13.

VII. PROCEDURAL SCHEDULE

Cal Advocates requests that the Commission adopt a schedule that provides parties the opportunity to conduct thorough analyses, meet and confer, serve testimony, and identify material issues of factual dispute that may necessitate evidentiary hearings. Thus, Cal Advocates proposes the following procedural schedule:

CAL ADVOCATES' PROPOSED SCHEDULE

EVENT	SDG&E'S PROPOSED SCHEDULE²⁹	CAL ADVOCATES' PROPOSED SCHEDULE
Protest	January 16, 2026	February 5, 2026
Response to Protest	January 26, 2026	February 15, 2026
Prehearing Conference	Prehearing Conference	TBD
Scoping Memo	N/A	TBD
Intervenor Testimony	April 7, 2026	Eight weeks after the Scoping Memo is issued.
Rebuttal Testimony	May 22, 2026	Six weeks after Intervenor Testimony is served
Motion for Evidentiary Hearings	June 1, 2026	Three weeks after Rebuttal Testimony is served.
Evidentiary Hearings (if necessary)	June 2026	TBD
Opening Briefs	July 2, 2026	Four weeks after evidentiary hearings, if held, otherwise four weeks after Rebuttal Testimony is served.
Reply Briefs	August 1, 2026	Three weeks after opening briefs.
Proposed Decision	October 2026	TBD
Final Decision	November 2026	TBD

²⁹ Application at 14.

VIII. CONCLUSION

Cal Advocates respectfully requests that the Commission consider the issues raised in this protest.

Respectfully submitted,

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