



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

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

FILED

02/05/26

A.25-12-009

04:59 PM

(Filed December 16, 2025) A2512009

**PROTEST OF THE UTILITY CONSUMERS' ACTION NETWORK TO APPLICATION
OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902-E) FOR APPROVAL OF
PALOMAR DECARBONIZATION DEMONSTRATION PROJECT**



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Dated: February 5, 2026

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Pursuant to Rule 2.6 of the Commission’s Rules of Practice and Procedure, the Utility Consumers’ Action Network (“UCAN”) submits this Protest to the Application for Approval of Palomar Decarbonization Demonstration Project (“Application”), filed by San Diego Gas & Electric Company (“SDG&E”) on December 16, 2025.¹ The Application first appeared on the CPUC Daily Calendar on January 6, 2026.² Therefore, according to Rule 2.6(a), this protest is timely filed.

1. INTRODUCTION

California ratepayers continue to suffer the effects of rising electricity rates that have created an ongoing affordability crisis. The quarterly Electric Rates Report, published by the Public Advocates Office of the California Public Utilities Commission, continues to provide data showing how electricity rates of the three large Investor-Owned Utilities in California have substantially surpassed inflation over the past decade.³ For residential ratepayers in SDG&E territory, this translates to a 95% increase in rates compared to a 37% increase in the rate of inflation during the same time.⁴ Due to this ongoing affordability crisis, any requests from SDG&E, including Project authorizations, need to be carefully scrutinized for necessity, costs, affordability impact, and reasonableness before Commission approval.

¹ A.25-12-009, Application of San Diego Gas & Electric Company (U 902 E) For Approval of Palomar Decarbonization Demonstration Project (“Application”) (December 16, 2026), <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M590/K904/590904936.PDF>.

² CPUC, Daily Calendar (January 6, 2025), p. 9, <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M594/K020/594020593.PDF>.

³ CPUC, 2025 Senate Bill 695 Report, Figure 4, p. 19, https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2025/2025-sb-695-report_093025.pdf.

⁴ CPUC Public Advocates Office, Q3 2025 Electric Rates Report (November 2025), page 9, <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/251106-public-advocates-office-q3-2025-rates-report.pdf>.

2. EFFECT OF THE APPLICATION ON PROTESTANT

UCAN is a 501(c)(3) non-profit public corporation dedicated to representing and protecting the interests of residential and small business customers in the SDG&E service territory. Approximately 98% of UCAN’s members are residential customers. UCAN has been active in Commission proceedings since 1983 and supports the Commission’s goals for rates that are equitable and affordable for ratepayers. In contrast, the Application requests cost recovery for a project that does not benefit ratepayers. Granting cost recovery for the Project would harm ratepayers through unjust and unreasonable rates during the growing affordability crisis.

3. GROUNDS FOR PROTEST

In this Application, SDG&E seeks Commission approval of the Palomar Decarbonization Demonstration Project (“Project”) and associated cost recovery. The Project is SDG&E’s integrated hydrogen system at Palomar Energy Center (“PEC”), which consists of onsite hydrogen production, storage, blending into turbines, and fueling of hydrogen vehicles.⁵ Additionally, SDG&E request approval and cost recovery for the Project, SDG&E seeks establish a two-way balancing account, to allow the SDG&E to track actual costs to an amount authorized for recovery by the CPUC.⁶

Previously, SDG&E had presented the Palomar Decarbonization Demonstration Project (formerly called the “Palomar Hydrogen Systems”) for the Commission’s consideration in its Test Year 2024 General Rate Case (“TY 2024 GRC”). There, the Commission did not approve the Project as part of the TY 2024 GRC. In the GRC decision, however, the Commission allowed SDG&E to file for approval as a standalone application.⁷

The California Public Utilities Code § 451 requires that rates to be “just and reasonable.”⁸ This Project is neither just nor reasonable. The Palomar project is not justifiable either as a research and development project or as a demonstration project. In this proceeding UCAN will provide facts that show the use of hydrogen for electricity production and the use of

⁵ Application, at p. 1.

⁶ Application, at p. 2.

⁷ Application, at p. 2.

⁸ Public Utilities Code § 451 (“All charges demanded or received by any public utility, or by any two or more public utilities, for any product or commodity furnished or to be furnished or any service rendered or to be rendered shall be just and reasonable. Every unjust or unreasonable charge demanded or received for such product or commodity or service is unlawful.”),

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=PUC§ionNum=451.

hydrogen for hydrogen vehicles wastes green hydrogen, increases GHG emissions, and increases ratepayer costs. UCAN is not aware of any ratepayer benefits gained from the Project.

4. ISSUES TO BE CONSIDERED

The Commission should consider the following issues when evaluating the Application:

GHG reductions:

- Whether SDG&E's Project increases or decreases GHG emissions.
- Whether hydrogen blending will play a meaningful role in electricity decarbonization.
- Whether hydrogen will play a meaningful role in electricity decarbonization.
- Whether the Project aligns with California's carbon-neutrality goals.
- Whether the Project delivers environmental benefits.
- Whether third-party research supports hydrogen use as a GHG abatement strategy for the electricity system.
- Whether third-party research supports hydrogen use as a GHG abatement strategy for vehicles served by the Project.

Safety:

- Whether the Project positively or negatively impacts safety.

Cost:

- Whether SDG&E shareholders should compensate ratepayers for use of ratepayer facilities and resources that have been diverted to serve shareholder purposes related to the Project.
- Whether burning hydrogen in natural gas turbines increases or decreases ratepayer costs.
- Whether electricity production is a cost-effective use of green hydrogen.
- Whether it is in the interest of ratepayers for utilities to use EPIC funds for hydrogen research.
- Whether a balancing account is appropriate.

Reliability:

- Whether the Project has an impact on reliability.

Legal and Regulatory:

- Whether the relief sought complies with legal and regulatory requirements.
- Whether other utility regulators have approved or rejected hydrogen blending.
- Whether the Project is a research and development project or a demonstration project.
- Whether SDG&E's Application cured the deficiencies that the Commission found with SDG&E's Palomar proposal in SDG&E's GRC proceeding.

- Whether it is premature to evaluate hydrogen use for electricity production.
- Whether ratepayers benefit from the Project.
- Whether ratepayers or Project beneficiaries should pay for the Project and Project-related costs that have been incurred by ratepayers.
- Whether the Commission should allow SDG&E to conduct tours of the Project to promote hydrogen use to benefit shareholders.
- Whether the Project provides ratepayers with new information about hydrogen.

5. CATEGORIZATION, EVIDENTIARY HEARINGS, AND SCHEDULING

5.1 Ratesetting

UCAN agrees with Commission Resolution ALJ 176-3575’s preliminary determination that categorizes the Application as ratesetting.⁹

5.2 Evidentiary Hearings

At this preliminary stage in the proceeding, it is too early to determine whether evidentiary hearings are necessary. UCAN disagrees with SDG&E’s contention that evidentiary hearings are not required.¹⁰ UCAN anticipates the need for extensive review of the Application and testimonies to develop the record prior to the Commission making its decision regarding the Project. As in the 2024 GRC, UCAN believes that there will be multiple material issues of fact in dispute with this Application and therefore requests the Commission include dates for evidentiary hearings in any schedule set for this proceeding. UCAN reserves the right to request evidentiary hearings later in the proceeding.

5.3 Schedule.

As SDG&E admitted, the Commission rejected SDG&E’s prior Project request for lack of information and detail. Intervenors will need an appropriate amount of time to provide a meaningful review of the Application and supporting testimonies to determine if the Commission’s concerns have been addressed and the deficiencies cured. At this early point in the proceeding, UCAN urges the Commission to reject SDG&E’s proposed schedule.

Additionally, the Commission is considering many issues in A.22-09-006 that are similar or identical to the issues that should be considered in the instant proceeding. A.22-09-006 is the joint utilities’ application for hydrogen blending pilot projects. To conserve Commission

⁹ Resolution ALJ 176-3575, Attachment A (January 15, 2026), p. 3, <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M595/K085/595085014.PDF>.

¹⁰ Application, at p. 13.

resources, resolve outstanding threshold issues, and ensure alignment of Commission decisions, UCAN’s proposed schedule below recommends that the Commission issue the scoping memo in this proceeding only after the Commission has issued a final decision in A.22-09-006. If the Commission decides to move forward with evaluation of the Palomar project before the conclusion of A.22-09-006, then UCAN has also proposed an alternative schedule below.

SDG&E Propose Schedule	DATE	UCAN Proposed Schedule	UCAN Alternate Schedule
Application Filed	December 16, 2025	December 16, 2025	December 16, 2025
Protests / Responses due	January 16, 2026	February 5, 2026	February 5, 2026
Reply to Protests /Responses due	January 26, 2026	February 15, 2026	February 15, 2026
Prehearing Conference	February 5, 2026	February 17, 2026	February 17, 2026
		Scoping Memo: to be issued after a final decision in A.22-09-006 where numerous overlapping issues are under Commission consideration.	May 2026
Intervenor Testimony	April 7, 2026	TBD	August 2026
Rebuttal Testimony	May 22, 2026	TBD	September 2026
Rule 13.9 Meet and Confer deadline - Parties inform ALJ whether hearings are necessary and identify the specific disputed issues of material fact, witness lists, and cross-examination estimates	June 1, 2026	TBD	Rule 13.9 Meet and Confer, 10 days after rebuttal testimony. (Note: the scope of the M&C is narrower than the scope described in SDG&E's proposed schedule.)
Evidentiary Hearings (if needed)	June 1, 2026	TBD	November 2026
Concurrent Opening Briefs	July 2, 2026	TBD	January 2027
Concurrent Reply Briefs	August 1, 2026	TBD	February 2027
Proposed Decision	October 15, 2026	TBD	April 2027
Comments on Proposed Decision	November 4, 2026	TBD	20 days after PD
Reply Comments on Proposed Decision	November 10, 2026	TBD	5 days after comments on PD
Commission Final Decision	December 3, 2026	TBD	May/June 2027

6. CONCLUSION

For all the foregoing reasons, UCAN respectfully files this Protest to the SDG&E Application.

Dated: February 5, 2026

Respectfully submitted,

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