

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



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Application of Southern California Gas Company  
(U 904 G) for Authority, Among Other Things, to  
Update its Gas Revenue Requirement and Base  
Rates Effective on January 1, 2024.

Application No. 22-05-015  
(Filed May 16, 2022)

And Related Matter.

Application No. 22-05-016  
(Filed May 16, 2022)

**SAN DIEGO GAS & ELECTRIC COMPANY'S (U 902 M) REPORT  
ON THE ADVANCED ENERGY STORAGE PROJECT PURSUANT TO  
D.19-09-051 AND D.24-12-074**

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April 1, 2026

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D.19-09-051 AND D.24-12-074**

Pursuant to Decision D.24-12-074 issued in the above-captioned proceeding, San Diego Gas & Electric Company hereby submits its *Report on the Advanced Energy Storage ("AES") Project pursuant to D.19-09-051 and D.24-12-074*. The Report is attached hereto as Attachment A.

Respectfully submitted,

/s/ Roger A. Cerda

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**ATTACHMENT A**

**San Diego Gas & Electric Company's Report on the Advanced Energy Storage Project Pursuant to D.19-09-051 and D.24-12-074.<sup>1</sup>**

D.19-09-051 approved the Advanced Energy Storage (AES),<sup>2</sup> which is a project that installed and integrated a 7.3 megawatt (MW)/14.6 megawatt-hour (MWh) Battery Energy Storage System (BESS) at the Borrego Springs Microgrid location to leverage excess photovoltaic (PV) energy on the system. SDG&E commenced the AES project in 2020. In 2022, SDG&E requested additional funding as part of its Test Year (TY) 2024 General Rate Case (GRC). This funding was authorized in SDG&E's TY 2024 GRC Decision (D.24-12-074) to allow SDG&E to complete the remaining AES project authorized in D.19-09-051.<sup>3</sup>

This project achieved its Commercial Operation Date (COD) from the California Independent System Operator (CAISO) on August 2025, and was first operated as a dual-asset microgrid (reliability and resiliency) in November 2025. SDG&E completed the necessary energy data validation in February 2026, deeming the project completed for purposes of this reporting requirement. D.24-12-074 requires SDG&E to provide this cost-benefit report within 60 days of completion of the AES project to the service list of its TY 2024 GRC proceeding. Specifically, D.24-12-074 directs the following:

Pursuant to D.19-09-051, SDG&E is required to provide procurement costs and benefits. We require that SDG&E provide a single consolidated report with costs and benefits for transparency and ease of review. Costs shall include itemized capital expenditures, subcategories for each project component, and associated administration costs by year. Benefits shall include a description and quantification of each element contributing to the benefits, such as load shifting,

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<sup>1</sup> D.24-12-074, p. 354.

<sup>2</sup> D.19-09-051, p. 294.

<sup>3</sup> D.24-12-074, p. 351 and Conclusion of Law 104.

energy production, or energy savings. The report shall be served on the service list of the GRC proceeding within 60 days of the completion of the project.<sup>4</sup>

We want SDG&E to complete the AES project and expect transparency regarding costs and project details. The four-year GRC cycle allows the utility flexibility to reprioritize its funds for capital projects and enables it to manage its authorized funds for critical projects. However, delays and reprioritizing funds also lead to longer construction times, resulting in higher project costs over time, which can result in larger rate increases when the project becomes operational and added to the rate base. As stated under this decision's Accountability Reporting and Reprioritization Section, SDG&E shall submit additional data in its RSAR annually.<sup>5</sup>

San Diego Gas & Electric Company should file a cost-benefit analysis for the Advanced Energy Storage project as set forth in D.19-09-015 within 60 days of the project completion date to promote transparency and ease of review.<sup>6</sup>

In compliance with these directives, this report provides (1) the total costs of the completed AES project and (2) the benefits of the project to date. SDG&E notes the AES project has only been operational for a few months, and therefore, SDG&E is currently unable to identify and report on all of the benefits that its customers have (or will) experience from the AES project. Accordingly, if the Commission finds it helpful, SDG&E can provide a future update detailing the full spectrum of benefits after the AES project has been in operation for an extended period of time.

**1. Total Costs of Completed AES Project**

Year-to-date, the total direct costs of the completed AES project by year since construction commenced are shown in the table below.

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<sup>4</sup> *Id.* at p. 354.

<sup>5</sup> D.24-12-074, pp. 354-355.

<sup>6</sup> *Id.* at p. 1055.

	2020	2021	2022	2023	2024	2025	Dec 2025 Project to Date
Direct Costs excluding Vehicle Utilization (VU)	159,389	6,997,038	1,745,841	1,766,357	3,679,524	2,201,059	16,549,209
Mgmt & Non-Union Labor	53,956	259,628	257,186	328,376	258,483	241,500	1,399,129
Union Labor	-	-	-	5,764	11,997	30,534	48,295
Employee Costs (e.g., travel, lodging, meals, misc)	-	1,056	3,549	3,336	1,240	5,286	14,466
Engineering, Procurement, Construction	-	1,656,913	-	400,000	-	-	2,056,913
Services (e.g., consultants, engineering & construction, vehicles & equipment rentals, misc)	105,433	548,827	957,291	688,709	8,227,915	1,098,910	11,627,085
Materials	-	4,506,144	532,063	343,612	92,845	822,530	6,297,194
All Other Costs (e.g. agency fees & permits, Administrative and General Right of Way and rental payments, accounting adjustments, misc)	-	24,470	(4,247)	(3,440)	(4,912,956)	2,300	(4,893,873)*
<b>Total</b>	<b>318,778</b>	<b>13,994,076</b>	<b>3,491,683</b>	<b>3,532,714</b>	<b>7,359,048</b>	<b>4,402,119</b>	<b>33,098,418*</b>

\* As explained below, D.24-12-074 denied cost recovery for the HESS portion of the AES. Accordingly, these amounts were reduced from the direct cost figures. The amounts that were reduced are reflected in parentheses.

## 2. Summary of AES Benefits

### Battery Energy Storage System (BESS)

On August 12, 2025, the AES project achieved its COD and has since been participating in the CAISO marketplace daily, when in “blue sky” mode, meaning the AES BESS is not operating as a microgrid. AES BESS generates value that reduces the net cost to ratepayers. For example, it participates in the CAISO marketplace, including energy arbitrage, generating net

revenues that offset the overall project costs. Additionally, adding the resources and its qualifying capacity to SDG&E's supply plan for Resource Adequacy (RA) compliance displaces the need to procure RA from other resources, and therefore, ratepayers avoid that cost.

On November 5, 2025, AES was successfully operated as a dual-asset microgrid providing resiliency and reliability functions for a duration of 7 hours and 40 minutes to support planned maintenance activities at the Borrego Springs Substation and associated transmission tie-line. During this planned outage, the electric power load (average of 1.44 MW) of the Borrego Springs community was seamlessly transitioned to the Borrego Springs microgrid AES' battery storage assets (approximately 10.8 MWh).

Key Benefits of operating the BESS:

1. **Optimized Use of Installed Generation:** The solution maximizes generation resources installed by SDG&E and its customers. With the significant increase in rooftop solar, the load can occasionally become negative, which can cause the generators at the Borrego Springs Microgrid to trip offline because they cannot absorb the excess electricity. SDG&E will continue to analyze each event's operational data to optimize subsequent future operations.
2. **Battery Flexibility:** The BESS functions as both a load and an electric energy source. When solar PV generation exceeds the electric demand, the batteries function as a load, absorbing the excess generation by way of charging; the BESS can also charge from the grid or from the microgrid generators when islanded.
3. **Zero-Emissions Capability:** When operating without generators, the BESS runs as a 100% renewable energy source, eliminating greenhouse gas emissions otherwise produced by operating the diesel generators at the microgrid.
4. **Market Participation:** Placing the asset in the market enables revenue generation, offsetting overall project costs. The majority of the BESS's operation is in "blue sky" mode, meaning market participation.
5. **Resiliency and Reliability:** Provides both resiliency and reliability support for local and broader ratepayers. Support includes the operation of the BESS during

planned/unplanned transmission/substation outages or during Public Safety Power Shutoff events to minimize electric interruption downtime to the community of Borrego Springs. Additionally, less strain on a localized portion of the electric grid is beneficial for the broader electric grid.

### **Hydrogen Energy Storage System (HESS)**

Per D. 24-12-074, the HESS portion of the AES was denied:

The proposal to implement a 0.25 MW hydrogen energy storage system was not mentioned or authorized in D.19-09-051. Therefore, we decline to authorize SDG&E to use ratepayer funds to add expensive hydrogen storage options as capital projects for grid reliability outside its EPIC or a hydrogen-related RD&D program. SDG&E shall remove energy procurement costs for hydrogen energy storage system costs from its forecasted costs of \$12.483 million in 2022 and \$1.314 million in 2023.<sup>7</sup>

As such, the HESS scope was removed from AES, as shown by the \$4,912,956 reduction in direct costs in the table above.

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<sup>7</sup> D.24-12-074 at pp. 353-354.