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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of San Diego Gas & Electric Company (U-902E) for Approval of Palomar Decarbonization Demonstration Project.	Application 25-12-009

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

This scoping memo and ruling sets forth the issues, need for hearing, schedule, category, and other matters necessary to scope this proceeding pursuant to Public Utilities Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure (Rules).

1. Background

In 2023, San Diego Gas & Electric Company (SDG&E) placed into operation an integrated hydrogen system at its Palomar Energy Center, now known as the *Palomar Decarbonization Demonstration Project* (Project).[1] The Project consists of on-site hydrogen production, storage, blending in one gas turbine, and fueling of hydrogen vehicles. The Project includes solar panels that generate carbon-free electricity (when solar energy is available) to help produce clean hydrogen on-site through electrolysis. SDG&E stores and blends the hydrogen at two percent and has a permit to do so. To blend up to the system capacity of five percent would require additional permitting. SDG&E states it has always used

[1] In its prior Application (A.) 22-05-015, SDG&E labeled the Project as *Palomar Hydrogen Systems*.

hydrogen gas as part of its generator cooling system and with the Project, is less reliant on trucking in hydrogen generated by a third-party.[2]

SDG&E first requested cost recovery of the Project in its Test Year 2024 General Rate Case, within its Generation Plant section of the application and proposed the Project as a pilot to demonstrate multiple use cases of electrolytically produced hydrogen.

On December 19, 2024, the Commission issued Decision (D.) 24-12-074 on SDG&E's General Rate Case. D.24-12-074 disallowed capital recovery of the Project, denying the requested capital amounts of $17.502 million primarily attributed to the years 2022 - 2023.[3] The Commission explicitly denied the capital costs to construct a hydrogen fueling station and Operation and Maintenance (O & M) costs associated with the station, finding SDG&E could fuel its hydrogen-powered vehicles at public stations.[4] However, the Commission allowed SDG&E to file a stand-alone application for costs recovery of the Project with additional "evidentiary support on the projects full impact on ratepayers, including the true cost and scalability….. of the pilot."[5]

Pursuant to D.24-12-074, on December 16, 2025, SDG&E filed Application (A.) 25-12-009 (Application), requesting authority to recover past and future costs of the Project.[6] SDG&E requests capital costs of $17.4 million, primarily attributed to years 2022 - 2023 and O&M costs totaling $2.6 million beginning in

[2] Application at 3.

[3] Application at 4 citing A.22-05-016 Exhibit SDG&E-14 at 15. Also see D.24-12-074 at 394 identifying $8.423 million for 2022 and $7.855 million for 2023.

[4] D.24-12-074 at 394. At the time the Application was filed SDG&E had yet to purchase hydrogen-powered vehicles for fueling at Palomar Energy Center.

[5] D.24-12-074 at Finding of Fact 145.

[6] D.24-12-074 at 404.

2024 and ending in 2036.[7] The revenue requirement associated with the Project is estimated to be $31.1 million.[8]

On February 5, 2026, the Public Advocates Office at the California Public Utilities Commission, Air Products and Chemicals, Inc., The Utility Reform Network, the Utility Consumers' Action Network, the Coalition of California Utility Employees, and jointly San Diego Community Power and Clean Energy Alliance filed protests or responses to the Application.

On February 13, 2026, SDG&E replied to parties' protests and responses. The assigned Administrative Law Judge (ALJ) held a prehearing conference on March 2, 2026, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. After considering the party protest and responses to the application and discussion at the prehearing conference, I have determined the issues and initial schedule of the proceeding to be set forth in this scoping memo.

2. Issues

D.24-12-074 denied Project cost recovery, stating that SDG&E failed to provide enough evidence to find the Project value was just and reasonable for ratepayers.[9] Similarly, D.24-12-074 denied a related capital request in Generation Plan for an Infinite Cooling System because SDG&E did not make an adequate showing that the Infinite Cooling System was just and reasonable for

[7] Application at 2.

[8] Testimony of Michael Woodruff at MW-1 in support of Application.

[9] D.24-12-074 at Finding of Fact 145. Parties that already litigated this issue in A.22-05-015 assert that this Application contains no new facts and evidence beyond what was presented in A.22-05-015. We make this the first scoped issue.

ratepayers.[10] SDG&E's showing in A.22-05-015 lacked the evidence necessary to assess the Project value and find it reasonable for ratepayers.

In denying the Project in D.24-12-074, the Commission expressed an intent that a stand-alone application should provide sufficient evidentiary support to evaluate the costs to ratepayers relative to the benefits to ratepayers, stating:

> 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]

Contrary to some of the argument at the prehearing conference, the Commission does not require particular tactics by which SDG&E should lower ratepayer costs or increase ratepayer benefits from its prior request, rather that the value proposition be improved with sufficient support.[12]

Therefore, the issues to be determined in this proceeding are:

1. How does the Project serve the public interest? Is the Project designed to produce operational, safety, emissions, decarbonization, environmental, cost, and/or scalability information that is (a) unique from other research and pilots on this topic and (b) needed to evaluate whether renewable hydrogen can contribute to California's clean energy resource strategy?
2. What are the Project costs and the associated revenue requirement?
   a. How will ratepayer costs be allocated between bundled and unbundled customers?

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[10] D.24-12-074 at 403.

[11] *Id.* at 404.

[12] Additionally, TURN recommends that the Application be summarily dismissed on the basis that it is materially unmodified from the SDG&E showing in A.22-05-015.

   b. How and where are the federal Investment Tax Credits accounted for in the revenue requirement estimates?
   c. Does the Project sufficiently leverage public funding sources?
3. What are the environmental benefits of blending hydrogen with methane for this Project?
4. How many greenhouse gas emissions are likely to be avoided by this Project?
5. Is the cost of the Project to ratepayers relative to its value just and reasonable?
6. If found just and reasonable, is a two-way balancing account the appropriate ratemaking mechanism for cost recovery? If not, what ratemaking mechanism is more appropriate and why?
   a. Should SDG&E recover costs through distribution rates and/or generation rates?
   b. Should there be separate "vintaging" of costs and if so, through what ratemaking mechanism?
7. What, if any, are the impacts on environmental and social justice communities, including the extent to which the Proposed Project impacts the achievement of any of the nine goals of the Commission's Environmental and Social Justice Action Plan?

3. Need for Evidentiary Hearing

There are no immediately apparent issues of materially disputed fact. Therefore, evidentiary hearings are not needed. However, parties proposed and I agree to set a date by which parties shall request evidentiary hearings in the event disputed issues of fact are identified.

4. Schedule

The following schedule is adopted here, and may be modified by the ALJ as required to promote the efficient and fair resolution of the application:

Event	Date
Intervenors' prepared direct testimony served:	July 31, 2026.
Prepared rebuttal testimony served:	September 8, 2026.
Status Report on Rule 13.9 Meet & Confer/Joint Case Mgmt Statement filed:	September 29, 2026.
Motion for Evidentiary Hearing, filed:	October 1, 2026.
Evidentiary hearing (if necessary):	TBD.
Opening briefs:	October 22, 2026 (unless evidentiary hearing occurs, in which case the date will be rescheduled).
Reply briefs [matter submitted]:	November 12, 2026 (unless evidentiary hearing occurs, in which case the date will be rescheduled).
Proposed decision:	No later than 90 days after submission.
Commission decision:	No sooner than 30 days after Proposed Decision.

The purpose of the joint case management statement is to ascertain whether, pursuant to Rule 13.8(c), the parties stipulate to the receipt of prepared testimony into evidence without direct or cross examination or other need to convene an evidentiary hearing or, in the alternative, the parties' resources, readiness and needs for the effective remote conduct of the evidentiary hearing, including estimates of time requested for cross-examination and identification of anticipated exhibits.

The proceeding will stand submitted upon the filing of reply briefs, unless the ALJ requires further evidence or argument. Based on this schedule, the proceeding will be resolved within 18 months as required by Public Utilities Code Section 1701.5.

5. Alternative Dispute Resolution (ADR) Program and Settlements

The Commission's Alternative Dispute Resolution (ADR) program offers mediation, early neutral evaluation, and facilitation services, and uses ALJs who have been trained as neutrals. At the parties' request, the assigned ALJ can refer this proceeding to the Commission's ADR Coordinator. Additional ADR information is available on the Commission's website.[13]

Any settlement between parties, whether regarding all or some of the issues, shall comply with Article 12 of the Rules and shall be served in writing. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest. The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission.

The schedule set forth in this Scoping Memo includes a date for the completion of settlement talks. No later than this date, the parties will submit to the assigned ALJ a status report of their efforts, identifying agreements reached and unresolved issues requiring hearing. Any settlements between parties, whether regarding all or some of the issues, shall comply with Article 12 of the

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[13] https://www.cpuc.ca.gov/PUC/adr/

Rules and shall be served in writing. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable considering the whole record, consistent with the law, and in the public interest. The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission.

6. Category of Proceeding and Ex Parte Restrictions

This ruling confirms the Commission's preliminary determination[14] that this is a ratesetting proceeding. Accordingly, ex parte communications are restricted and must be reported pursuant to Article 8 of the Rules.

7. Public Outreach

Pursuant to Public Utilities Code Section 1711(a), where feasible and appropriate, before determining the scope of the proceeding, the Commission sought the participation of those likely to be affected, including those likely to derive benefit from, and those potentially subject to, a decision in this proceeding. This matter was noticed on the Commission's daily calendar. Where feasible and appropriate, this matter was incorporated into engagements conducted by the Commission's External Affairs Division with local governments and other interested parties.

8. Intervenor Compensation

Pursuant to Public Utilities Code Section 1804(a)(1), a customer who intends to seek compensation must file and serve a notice of intent to claim compensation by February 11, 2026, which is 30 days after the prehearing conference.

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[14] Resolution ALJ 176-3575, Attachment A (January 15, 2026).

9. Response to Public Comments

Parties may, but are not required to, respond to written comments received from the public. Parties may do so by posting such response using the "Add Public Comment" button on the "Public Comment" tab of the online docket card for the proceeding.

10. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission's procedures or has questions about the electronic filing procedures is encouraged to obtain more information at https://www.cpuc.ca.gov/about-cpuc/divisions/news-and-public-information-office/public-advisors-office or contact the Commission's Public Advisor at 866-849-8390 or 866-836-7825 (TTY), or send an e-mail to public.advisor@cpuc.ca.gov.

11. Filing, Service, and Service List

The official service list has been created and is on the Commission's website. Parties should confirm that their information on the service list is correct and serve notice of any errors on the Commission's Process office, the service list, and the ALJ. Persons may become a party pursuant to Rule 1.4.[15]

When serving any document, each party must ensure that it is using the current official service list on the Commission's website.

This proceeding will follow the electronic service protocol set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the

[15] The form to request additions and changes to the Service list may be found at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/administrative-law-judge-division/documents/additiontoservicelisttranscriptordercompliant.pdf

date scheduled for service to occur. Rule 1.10 requires service on the ALJ of both an electronic and a paper copy of filed or served documents.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must not send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at process_office@cpuc.ca.gov to request addition to the "Information Only" category of the official service list pursuant to Rule 1.9(f).

The Commission encourages those who seek information-only status on the service list to consider the Commission's subscription service as an alternative. The subscription service sends individual notifications to each subscriber of formal e-filings tendered and accepted by the Commission. Notices sent through subscription service are less likely to be flagged by spam or other filters. Notifications can be for a specific proceeding, a range of documents and daily or weekly digests.

12. Receiving Electronic Service from the Commission

Parties and other persons on the service list are advised that it is the responsibility of each person or entity on the service list for Commission proceedings to ensure their ability to receive emails from the Commission. Please add "@cpuc.ca.gov" to your email 'safe sender' list and update your email screening practices, settings and filters to ensure receipt of emails from the Commission.

13. Assignment of Proceeding

Commissioner Christine Harada is the assigned commissioner, and Camille Watts-Zagha is the assigned ALJ for the proceeding.

IT IS RULED that:

1. The scope of this proceeding is described above and is adopted.
2. The schedule of this proceeding is set forth above and is adopted.
3. Evidentiary hearing is not needed.
4. The category of the proceeding is ratesetting.

Dated May 28, 2026, at San Francisco, California.

/s/ CHRISTINE HARADA
Christine Harada
Assigned Commissioner