BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

FILED
11/12/26
04:59 PM
A2512009

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

OPENING BRIEF OF SAN DIEGO COMMUNITY POWER AND CLEAN ENERGY ALLIANCE

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November 12, 2026

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SUMMARY OF RECOMMENDATIONS

- The Commission[1] should reject SDG&E's Application. SDG&E has not met its burden to demonstrate that the Project's costs are reasonable relative to its claimed benefits or to adequately substantiate its environmental and research value.
- If the Commission approves the Project, it should assign the Project's incremental revenue requirement to PCIA vintage 2027. The Project constitutes a major upgrade undertaken on behalf of SDG&E and its bundled customers, rather than unbundled customers. Assigning the Project to vintage 2027 would align cost responsibility with the anticipated year of Commission approval and would properly preserve departed customer indifference.
- The Commission should require SDG&E to provide vintaging-related information in future applications involving major investments in existing UOG facilities. Requiring disclosure of the investment's purpose, beneficiaries, plant-level and incremental revenue requirements, and proposed vintage treatment would facilitate fact-specific review and prevent improper cost shifting. SDG&E's omission of key cost-recovery and vintaging information from this Application and supporting direct testimony demonstrates the need for these requirements.

[1] Acronyms and defined terms used in this Summary of Recommendations are defined in the body of this Opening Brief.

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In accordance with Rule 13.12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission"), San Diego Community Power[2] ("SDCP") and Clean Energy Alliance[3] ("CEA") (together, the "SD CCAs") hereby submit this Opening Brief regarding the *Application of San Diego Gas & Electric Company (U 902 E) for Approval of Palomar Decarbonization Demonstration Project* submitted on December 16, 2025 ("Application").[4]

San Diego Gas & Electric Company's ("SDG&E") Application seeks approval of a hydrogen research and demonstration project at its Palomar Energy Center ("PEC") to develop SDG&E's own operational knowledge and experience with hydrogen.[5] The Palomar Decarbonization Demonstration Project (the "Project") adds a solar photovoltaic system, an electrolyzer, and other hydrogen-related equipment to PEC, enabling SDG&E to produce hydrogen onsite for use in power generation and other applications.[6] The Project is therefore a new

[2] SDCP is the Community Choice Aggregator ("CCA") for the cities of Chula Vista, Encinitas, Imperial Beach, La Mesa, National City, and San Diego, as well as the unincorporated areas of San Diego County.

[3] CEA is the CCA for the cities of Carlsbad, Del Mar, Solana Beach, Escondido, San Marcos, Oceanside, and Vista.

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

[5] *See, e.g.*, A.25-12-009, Exh. SDGE-01: *Prepared Direct Testimony of Ari Beer on Behalf of San Diego Gas & Electric Company*, p. AB-3:5-10 (Dec. 16, 2025).

[6] *See generally* A.25-12-009, Exh. SDGE-02: *Prepared Direct Testimony of Pooyan Kabir and Kevin Counts* (Dec. 16, 2025); *see also*, A.25-12-009, Exh. CCA-01: *Prepared Direct Testimony of Anthony*

commitment intended for the use and benefit of SDG&E and its bundled customers—not a routine or necessary investment to maintain an existing utility-owned generation ("UOG") facility.

SDG&E nevertheless proposes to charge all customers for the Project, including unbundled customers who have already departed its generation service.[7] SDG&E proposes to accomplish this by assigning the Project to PEC's original 2004 Power Charge Indifference Adjustment ("PCIA") vintage.[8] Under that approach, departed customers would pay for a new investment that was not made on their behalf and provides them no benefit. This result is unjust, unreasonable, and violates the Commission's well established indifference principles.

As a preliminary matter, the SD CCAs agree with other intervenors that SDG&E has not met its burden to demonstrate the reasonableness of the Project and its requested cost recovery. Notably, every testifying intervenor in this proceeding has recommended that the Commission reject SDG&E's Application and has raised serious concerns about the Project's costs relative to SDG&E's claimed benefits. These concerns are well founded and ultimately warrant rejection of SDG&E's Application.

If the Commission nevertheless approves the Project, it should assign the Project's incremental revenue requirement to vintage 2027, rather than PEC's original vintage. This vintaging treatment properly distinguishes departed customers' responsibility for the routine costs associated with legacy UOG from a new investment that adds equipment, functions, and capabilities to PEC for the benefit of SDG&E and bundled customers. In doing so, it preserves departed customer indifference by ensuring those customers do not pay for a new commitment made after their departure from bundled service.

M. Georgis on Behalf of San Diego Community Power and Clean Energy Alliance, p. 3:10-18 (Aug. 21, 2026).

[7] Exh. CCA-01 at 6:10-14.

[8] *Id*. at 9:20-24 – 10:1-2.

Finally, SDG&E's failure to explain its proposed cost recovery and vintaging treatment in its Application and direct testimony underscores the SD CCAs' ongoing concerns about the transparency of its proposals for new investments in existing UOG facilities. The Commission should require SDG&E to provide vintaging-related testimony comparable to that required of its peer utilities, enabling more efficient and transparent review of future investment proposals.

Accordingly, the SD CCAs respectfully request that the Commission: 1) reject SDG&E's Application; 2) if the Commission approves SDG&E's Application, assign the Project's incremental revenue requirement to PCIA vintage 2027; and 3) direct SDG&E to provide certain vintaging-related information in future applications for major new investments in UOG.

I. BURDEN OF PROOF AND LEGAL STANDARD

The magnitude of the impact of SDG&E's Application requires cautious and careful consideration under the applicable standards of proof. SDG&E, as the applicant, bears the burden of establishing the reasonableness of all aspects of its Application,[9] and that burden of proof generally is measured based upon a preponderance of the evidence.[10] That means the Commission should not grant the relief SDG&E requests unless a preponderance of record evidence demonstrates SDG&E has affirmatively satisfied its burden of proof with respect to that request.

The Scoping Ruling categorized this proceeding as ratesetting.[11] The Commission has previously determined that Section 1757 of the Public Utilities Code applies to ratesetting proceedings,[12] meaning that the final decision must be "supported by the findings," and those

[9] Decision ("D.") 12-12-030, p. 42 (Dec. 28, 2012); Cal. Pub. Util. Code § 451 (requiring that rates be "just and reasonable").

[10] D.12-11-051, p. 9 (Dec. 10, 2012); D.09-03-025, p. 8 (Mar. 17, 2009).

[11] A.25-12-009, *Assigned Commissioner's Scoping Memo and Ruling*, p. 8 (May 28, 2026).

[12] Cal. Pub. Util. Code § 1757; *see, e.g.*, D.20-05-027, pp. 5-6 (May 8, 2020) (stating "As an initial matter, SDG&E cites to the wrong statute, because Public Utilities Code section 1757.1 does not set forth the applicable standards for a ratesetting proceeding like this one. Rather, section 1757 provides the

findings must be "supported by substantial evidence in light of the whole record," *i.e.*, they must be based on the record or inferences reasonably drawn from the record.[13] Accordingly, the Commission cannot grant the relief requested in SDG&E's Application without substantial evidence to support the rates requested.[14]

In addition, pursuant to Public Utilities Code Section 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.[15]

In this proceeding, SDG&E therefore has the burden of affirmatively establishing the reasonableness of all aspects of its Application, including its proposed cost recovery and vintage assignment for the Project.

Beyond the fundamental "just and reasonable" requirement, it is axiomatic in utility ratemaking that customers should be responsible for the costs that they cause. This principle is reflected in California law, which requires the Commission to "establish rates using cost allocation principles that fairly and reasonably assign to different customer classes the costs of providing service to those customer classes . . ."[16] While unbundled customers are not in and of themselves a "customer class," they do use utility service differently from bundled customers and pay only certain portions of the overall utility revenue requirements.

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appropriate standard and requires a finding as to whether the Commission's findings are not supported by substantial evidence in light of the whole record").

13 *See, e.g.*, D.20-05-027, p. 6 (Nay 8, 2020).

14 Cal. Pub. Util. Code § 1757(a)(4); *see, e.g.*, *The Utility Reform Network v. Pub. Util. Comm'n*, 223 Cal. App. 4th 945, 958-59 (Feb. 5, 2014).

15 Cal. Pub. Util. Code § 451.

16 Cal. Pub. Util. Code § 739.6.

California law recognizes these foundational cost causation principles specifically in the departed load context by forbidding cost shifts between groups of bundled and unbundled customers. In particular, Section 366.2 of the Public Utilities Code provides that "[t]he implementation of a community choice aggregation program shall not result in a shifting of costs between the customers of the community choice aggregator and the bundled service customers of an electrical corporation."[17] Similarly, Section 365.2 mandates that the Commission ensure both that bundled customers do not experience any cost increases as a result of other customers electing to receive service from other providers, and that "*departing load does not experience any cost increases as a result of an allocation of costs that were not incurred on behalf of the departing load*."[18] The Commission generally refers to these requirements as a statutory mandate to ensure "indifference."[19]

California law and policy thus make clear that rates should be designed to avoid cost shifting between bundled and unbundled customers. To ensure compliance with these mandates in this proceeding, the Commission must review SDG&E's proposed cost recovery and vintaging assignments for the Project as compared to the underlying UOG asset and must require that these elements of SDG&E's Application accurately reflect cost causation principles.

II. BACKGROUND ON PCIA VINTAGING AND THE INDIFFERENCE PRINCIPLE

The Commission's foundational policies on PCIA vintaging evolved out of the Legislature's clear statutory directives prohibiting cost shifts between bundled and unbundled customers—*i.e.*, the indifference principle.[20] The Commission adopted the PCIA to ensure that when customers of investor-owned utilities ("IOUs") depart from bundled service and receive their

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17 Cal. Pub. Util. Code § 366.2(a)(4).
18 Cal. Pub. Util. Code § 365.2. *See also id.* § 366.3. (Emphasis added).
19 *See, e.g.*, D.16-09-044, p. 11 (Oct. 5, 2016).
20 *See supra*, Section I; Cal. Pub. Util. Code § 366.2(a), (f); Cal. Pub. Util. Code §§ 365.2, 366.3.

electricity supply from a non-IOU provider, such as a community choice aggregator ("CCA"), "those customers remain responsible for costs previously incurred on their behalf by the IOUs—*but only those costs*."[21] Decision 08-09-012 provides the basis for the current cost responsibility policies for departing load customers, and specifically, the policies associated with vintaging IOU generation costs. That Decision limits a departing load customer's cost responsibility to resource commitments made by the IOU up until the time of the customer's departure, finding that "departing customers should bear *no* cost responsibility for . . . commitments the IOU makes after their departure."[22] This directive helps ensure that each customer will "pay its fair share of the costs the IOU incurred on [its] behalf[,]" which "is an integral part of the principles of bundled customer indifference and prevention of cost-shifting."[23]

These underlying principles form the basis for the Commission's current PCIA vintaging framework. Under that framework, each departing customer is assigned to a vintage year based on the date they departed IOU service.[24] Each UOG resource is likewise assigned a vintage year, which is based on the year the generation resource commitment was made (*i.e.*, the original date of Commission approval of cost recovery for each UOG plant).[25] Customers continuing to receive bundled service from the IOU are included in the latest vintage (e.g., vintage 2027 at the conclusion of this proceeding).[26]

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[21] *See* Rulemaking ("R.") 17-06-026, *Scoping Memo and Ruling of Assigned Commissioner*, p. 2 (Sept. 25, 2017) (emphasis added); D.18-10-019, p. 3 (Oct. 19, 2018).

[22] D.08-09-012, p. 59 (Sept. 5, 2008) (emphasis added).

[23] *Id*. at Finding of Fact ("FOF") 2.

[24] Exh. CCA-01 at 7:17-20.

[25] *Id*.; *see also*, SDG&E Portfolio Allocation Balancing Account ("PABA") Preliminary Statement, Sheet 2 (effective May 13, 2026) (defining "Resource Vintage" as "Each generation resource will be assigned a Resource Vintage based on the calendar year the resource was executed (contracts) or approved by the Commission for cost recovery (UOG)").

[26] Exh. CCA-01 at 7:20-22.

The PCIA rates ultimately paid by customers are derived, in part, from the utility's Indifference Amount, which is updated annually in each IOU's Energy Resource Recovery Account ("ERRA") Forecast proceeding.[27] The Indifference Amount is the difference in the target year between the cost of the IOU's supply portfolio and the market value of the IOU's supply portfolio, as shown in Figure 1 below.[28]

Figure 1: Indifference Calculation



The utility's Portfolio Cost includes the variable power supply costs, which are also determined in the IOU's annual ERRA Forecast proceedings,[29] *plus* the UOG capital investment recovery and fixed maintenance costs determined in a general rate case ("GRC").[30]

The utility calculates an Indifference Amount for each vintage, and customers are responsible for the cumulative costs included in all vintages prior to and including their assigned vintage year.[31] The total Indifference Amount is collected through PCIA rates, ensuring that SDG&E receives full recovery of the generation-related revenue requirement approved in its GRC.[32] As this proceeding may authorize costs related to UOG resources which will eventually

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27 *Id*. at 8:1-2.

28 *Id*. at 8:2-6.

29 Variable power supply costs include purchased power such as that from power purchase agreements, fuel costs for UOG and power purchase agreements with tolling agreements, and California Independent System Operator grid charges and revenues, net of any sales (*see id*. at 8, Footnote 27).

30 *Id*. at 8:7-10 (citing D.11-12-018, pp. 8-9 (Dec. 7, 2011)).

31 *Id*. at 8:11-13.

32 *Id*. at 8:13-15. Note that prior to D.18-10-019, the PCIA rate was set only on a forecast basis with no after-the-fact true-up for unbundled customers. D.18-10-019 approved a true-up for the PCIA using actual recorded net costs for PCIA-eligible resources and billed revenues from both bundled and unbundled customers. This true-up now occurs via the PABA, a rolling true-up between the forecasted Indifference Adjustment and the actual costs and revenues SDG&E realizes during the year related to its PCIA eligible resource portfolio (*see id*. at 8, Footnote 30).

be integrated in a future GRC proceeding, it is critical to properly and equitably assign vintage years to these resources and costs in the instant proceeding.[33]

III. THE COMMISSION SHOULD REJECT SDG&E'S APPLICATION.

The SD CCAs join every other testifying intervenor in recommending that the Commission reject SDG&E's Application.[34] Although the SD CCAs' testimony focused on the proper allocation and vintaging of Project costs, other intervenors have identified substantive deficiencies in SDG&E's justification for the Project itself. Those deficiencies concern whether SDG&E has satisfied the Commission's evidentiary requirements, whether the Project can scale, whether its costs are reasonable, and whether SDG&E has established a credible plan to realize its claimed environmental and research benefits. The SD CCAs agree that these concerns warrant rejection of the Application.

First, The Utility Reform Network ("TURN"), the Public Advocates Office at the California Public Utilities Commission ("Cal Advocates"), and the Utility Consumers' Action Network ("UCAN"), and the California Environmental Justice Alliance ("CEJA") argue that SDG&E has not satisfied the evidentiary requirements the Commission established in D.24-12-074 for this Application.[35] The Commission's direction required SDG&E to substantiate its proposal with more robust information, including its efforts to reduce costs to ratepayers and leverage public funding sources.[36] The deficiencies identified by parties concern those very issues

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[33] *Id*. at 8:15-17.

[34] A.25-12-009, Exh. TURN-1: *Prepared Testimony of William A. Monsen*, p. 3:17-18 (Errata Sept. 23, 2026); *see* A.25-12-009, Exh. CalAvocates-01: *Testimony on San Diego Gas & Electric Company's Application for the Palomar Decarbonization Demonstration Project*, p. 1:14-15 (Aug. 21, 2026); A.25-12-009, Exh. CEJA-01: *Prepared Testimony of Sara Gersen on Behalf of the California Environmental Justice Alliance*, p. 2:21 (Aug. 21, 2026); A.25-12-009, Exh. UCAN-01: *Prepared Testimony of Tyson Siegele on Behalf of the Utility Consumers' Action Network*, p. 3:1-2 (Aug. 21, 2026).

[35] Exh. TURN-1 at 15:1 – 20:24; *see* Exh. CalAdvocates-01 at 3:11-18, 13:10-12; Exh. UCAN-01 at 5-8; *see, e.g.*, Exh. CEJA-01 at 2:27 – 3:1-3, 9:7-11.

[36] D.24-12-074, p. 404 (Dec. 23, 2024).

and demonstrate that SDG&E has failed to satisfy its obligation to provide the evidence necessary to justify the Project.

Second, parties raise substantial questions about both the Project's scalability and the reasonableness of its costs. For example, TURN, UCAN, and CEJA explain that the Project's limitations undermine SDG&E's reliance on its potential application at a larger scale.[37] Separately, each party challenges the costs of the solar and hydrogen components and whether those expenditures are justified by the benefits SDG&E expects them to produce.[38] These concerns bear directly on the Project's value proposition and ultimately indicate that the Project's costs are not reasonable when weighed against its purported benefits.

Third, TURN, UCAN, and CEJA explain that SDG&E has not adequately demonstrated the Project's claimed environmental and decarbonization benefits.[39] The SD CCAs agree that these shortcomings undermine the Project's asserted value to customers. Without sufficient evidence of the environmental and decarbonization benefits the Project can reasonably be expected to achieve, SDG&E's claims do not provide an adequate basis for finding the requested investment just and reasonable.

Finally, UCAN, CEJA, and Cal Advocates explain that SDG&E has not developed a research plan to gather, analyze, and publish the Project's findings and has not demonstrated that the Project will produce unique learnings beyond those already available from other hydrogen pilots and demonstrations.[40] This is a fundamental deficiency for a project whose stated purpose is to develop operational knowledge and experience. A demonstration's research value depends

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37 *See* Exh. TURN-1 at 28:22-28; Exh. UCAN-01 at 42:9-13; Exh. CEJA-01 at 2:23-9:2.

38 *See generally*, Exh. CalAdvocates-01; Exh. TURN-1 at 29:1-40:10; Exh. UCAN-01 at 32:4-35:30; Exh. CEJA-01 at 9:3-14:14.

39 Exh. TURN-1 at 44:1-48:26; Exh. UCAN-01 at 37:22-40:13; Exh. CEJA-01 at 21:12-20:8.

40 Exh. UCAN-01 at 20:30-31:12; Exh. CEJA-01 at 9:12-11:19; Exh. CalAdvocates-01 at 4:22-7:11.

not simply on operating equipment, but on gathering, analyzing, and communicating useful findings. Without a concrete plan for doing so, SDG&E has not adequately substantiated the informational benefits it asks customers to fund.

Taken together, these concerns highlight deficiencies in SDG&E's central justification for the Project. SDG&E has not demonstrated that its requested expenditures are reasonable in relation to the benefits its customers would receive, or that it has the plans in place to deliver those benefits. The Commission should therefore find that SDG&E has not met its burden to establish that the Project and its associated costs are just and reasonable, and should reject the Application.

IV. IF THE COMMISSION DOES NOT REJCT SDG&E'S APPLICATION, IT SHOULD ASSIGN THE PROJECT TO VINTAGE 2027.

SDG&E's Application proposes to assign the Project's incremental revenue requirement to PCIA vintage 2004—the same vintage as PEC—and to recover those costs from both bundled and unbundled customers.[41] If the Commission approves the Project notwithstanding the substantive concerns discussed above, it should assign the Project's incremental revenue requirement to vintage 2027, rather than PEC's original 2004 vintage.[42]

As explained below, this treatment is consistent with prior Commission guidance recognizing that new investments at existing UOG facilities may warrant a different vintage assignment from the underlying plant. It also reflects the nature and purpose of this particular investment as a new commitment undertaken on behalf of SDG&E and its bundled customers, rather than routine spending to maintain PEC's existing operations. Assigning the Project to

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41 *See* Exh. CCA-01 at 9:22-10:2.

42 Note that in testimony, the SD CCAs recommended functionalizing the entire Project as generation, rather than separately allocating costs associated with vehicle fueling to distribution. Approximately six percent of the Project's hydrogen production is used for fleet vehicles, and separately functionalizing that use would require allocating a minimal portion of the overall revenue requirement to distribution (*see id*. at 13:14-14:3). SDG&E does not appear to object to this recommendation.

vintage 2027 is necessary and appropriate to preserve departed customer indifference and ensure that departed customers are not charged for the costs associated with a new commitment that was not made on their behalf or to serve them.

A. California Law and Commission Precedent Require Unbundled Customers to Remain Indifferent to New UOG Investments Not Made on their Behalf.

In D.18-10-019, the Commission recognized CCAs' concerns regarding the treatment of ongoing costs of UOG, and the need to ensure that such costs are equitably allocated.[43] Specifically, the Commission found:

> It is possible that new investments in an old power plant may represent such a significant overhaul of the facility as to justify a "re-vintaging" of the facility. Likewise, it is possible that plant investments for certain upgrades may justify a different vintage treatment for those investments than for the underlying facility.[44]

The Commission concluded that "any such analysis must be fact-specific to the plants and spending in question and is better suited to a GRC evaluating such spending."[45] This analysis is equally appropriate in the instant proceeding, as this proceeding may authorize costs related to a UOG resource which will eventually be integrated in a GRC proceeding.[46] If the Commission does not assign the Project to a PCIA vintage in this proceeding, SDG&E will immediately begin to recover the Project's costs from departed customers who, as discussed below, neither benefit from nor utilize the Project.[47]

Since the issuance of that directive, CCA stakeholders have raised this issue regarding ongoing investments in UOG in GRCs in each utility's service territory. The first of such cases was Pacific Gas and Electric Company's ("PG&E") 2023 GRC, in which the Commission adopted

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43 D.18-10-019 at 135.
44 *Id*.
45 *Id*.
46 Exh. CCA-01 at 8:15-17.
47 *Id*. at 10:25-11:2.

a new set of testimony requirements to facilitate its review of new proposed investments in UOG and whether and how those investments should impact the impacted asset's PCIA vintage.[48] To ensure that these issues could be analyzed in future GRCs, the Commission directed PG&E:[49]

> …to include in its future GRC filings its position and any supporting evidence concerning (1) the details of any PG&E proposal for new asset life extensions, incremental capacity additions, or changed functions for any of its UOG assets and why it is undertaking these changes, (2) on whose behalf it is making these new investments, and (3) the appropriate vintaging treatment for each asset in light of this testimony along with any future GRC proposals.

The Commission's directive in that proceeding implicitly acknowledged that these types of major changes to UOG—asset life extensions, incremental capacity additions, or changed functions—should be treated as new resource "commitments" that trigger an evaluation of the correct vintage assignment for the asset. These cost categories inherently differ from routine, expected, or preventative maintenance types of operating and capital costs, which were expected at the time that the utility made its original generation resource commitment and should not trigger revintaging consideration.[50] This direction further confirms that the key inquiry in determining vintage treatment for new UOG investments is "on whose behalf is the utility making this new investment?"

The Commission's order in Southern California Edison Company's ("SCE") 2025 Phase I GRC mirrored this directive from PG&E's GRC, approving a set of uncontested vintaging-related testimony requirements.[51] In SDG&E's 2024 Phase I GRC, the Commission declined to adopt

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48 D.23-11-069, pp. 508-511 (Nov. 17, 2023).

49 *Id*. at 511.

50 *See* Exh. CCA-01 at 12:13-21.

51 D.25-09-030, pp. 744-745 (Sept. 23, 2025) ("SCE does not oppose providing all other information that PG&E is currently required to provide. We agree this information will help inform our consideration of future proposed changes to UOG assets, and direct SCE to provide it in future GRCs." Note that in that proceeding, the Commission declined to adopt a requirement that SCE provide UOG asset-level requirement requirements and any separate, incremental revenue requirement associated with the utility's proposal due to uncontested limitations in SCE's RO Model).

similar proposed vintaging testimony requirements because it denied the underlying UOG investment proposal.[52] Nevertheless, the Commission explained that adding energy production assets—including a 20 MW battery energy storage system—to the existing gas turbines at SDG&E's Miramar facility "would constitute a major upgrade to the existing facilities" requiring review of cost allocation for vintaging purposes.[53] It therefore directed SDG&E to include in any future application for the Miramar upgrade the information necessary to assess different vintaging treatment pursuant to D.18-10-019.[54]

The Commission has further carved out certain specific contexts in which modifications to existing vintaging treatment should occur for utility power purchase agreement ("PPA") renewals/extensions and amendments. Specifically, the Commission has recognized that contract renewals/extensions can constitute a new commitment triggering re-vintaging, with a new vintage associated with the new effective date for the contract.[55] In the context of contract amendments, the Commission has endorsed a legal test of "materiality" to determine when a modification must result in the re-assignment of a contract to a new vintage year.[56] This precedent in the context of PPA assets illustrates the Commission's recognition of the need to modify asset vintaging

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52 D.24-12-074 at 398.

53 *Id*. at 398-399.

54 *Id*.

55 *See* Resolution E-5095, p. 9 (Aug. 27, 2020) (approving SCE's re-vintaging of renewed contracts).

56 *See, e.g.*, Resolution E-4841, pp. 9-10 (May 11, 2017). In this Resolution, the Commission considered whether amendments to PPAs between PG&E and solar project developers related to Ivanpah Unit #1 and Ivanpah Unit #3 should result in a re-assignment of the vintage year of those contracts. The amendments to those contracts pertained to two subjects: (1) adding a limit on the total deliveries for which PG&E was required to pay the full contract price, and (2) providing PG&E with curtailment rights and the solar company with the opportunity to pay damages to cure certain failures. After a review of the contracts and the amended terms, the Commission concluded that the amendments did not affect material contract terms, such as price, so re-vintaging of the contracts was not appropriate. But the logical conclusion of this Resolution is that a contract must be re-vintaged when new commitments have been made via material contract terms.

treatment when a utility renews or extends the use of a generation asset, and when it decides to make a material change to the asset.

Finally, utilities have also recognized instances in which new investments in legacy UOG warrant revintaging. In a recent Pacific Gas and Electric Company ("PG&E") application for an uprating project at the Helms Pumped Storage Power Plant, the utility itself proposed to track the costs associated with the uprate and entire generating facility and eventually split the costs between two vintages.[57] Specifically, PG&E proposed that costs related to existing capacity remain in the PG&E Legacy UOG vintage, while costs related to new capacity be recovered through a future, separate vintage.[58] Cost allocation has not yet been litigated regarding the Helms Uprate Project, however, it is notable that the utility acknowledged that partial re-vintaging is appropriate in that instance.[59]

B. The Project Constitutes a Major Change to the Palomar Energy Center.

The Project falls squarely within the type of major upgrade to an existing UOG facility that the Commission has recognized may warrant separate vintaging treatment. SDG&E has historically operated the PEC as a combined-cycle natural gas plant and has purchased trucked-in "gray" hydrogen for generator cooling.[60] The Project adds a 274-kilowatt solar photovoltaic system, an electrolyzer, and additional hydrogen-related equipment enabling SDG&E to produce green hydrogen onsite for generator cooling, power generation, fleet vehicle fueling, and research and demonstration activities.[61] While SDG&E notes green hydrogen will be used for fleet vehicle

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[57] Exh. CCA-01 at 14:13-16.

[58] *Id*. at 14:16-18 (citing A.23-12-014, *Application of Pacific Gas and Electric Company and Pacific Generation LLC To Recover Helms Uprate Costs (U 39 E) PG&E Prepared Testimony*, pp. 4-10 (Dec. 20, 2023)).

[59] *Id*. at 14:18-20.

[60] *See id*. at 3:5-9.

[61] *Id*. at 3:11-18.

fueling, the Project almost solely serves the combustion turbines and power generation. 94% of the green hydrogen produced is used for direct combustion for power or generator cooling.[62] These additions introduce new equipment, functions, and capabilities directly modifying the operations and performance of the PEC combustion gas turbines rather than merely maintaining PEC's existing operations.[63]

Importantly, the Project's costs are immediately distinct from routine, ongoing expenditures reasonably anticipated at the time of SDG&E's original generation investment. As UCAN explains, SDG&E did not conceive of the Project until approximately 2021 and did not complete it until 2023—nearly twenty years after the original PEC commitment.[64] Customers who departed bundled service before the Project was conceived could not reasonably have anticipated this new research and development investment as part of their continuing responsibility for PEC. The Project therefore constitutes a major upgrade for purposes of the Commission's vintaging analysis.

C. SDG&E Pursued this Commitment for its Own Operational Experience for the Benefit of Itself and Bundled Customers.

As discussed above, the Commission's vintaging inquiry considers on whose behalf a new investment in legacy UOG is made. Here, SDG&E undertook the Project to advance its own operational knowledge and presumably serve its bundled customers, rather than customers who have departed its generation service. SDG&E explains that the Project provides experience with renewable hydrogen as a fuel for dispatchable, firm generation, informs future natural gas transition efforts, and supports capital planning for the potential transition of its gas fleet to clean

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62 *Id*. at 3:21-4:4, Attachment AMG-2 at SDG&E Response to SD CCA DR 2.02.

63 *Id*. at 11:23-12:2.

64 A.25-12-009, Exh. UCAN-02: *Prepared Rebuttal Testimony of Tyson Siegele on Behalf of the Utility Consumers' Action Network*, p. 7:19-20 (Sept. 28, 2026).

energy.[65] These objectives concern SDG&E's management of its own generation resources and its future generation-related business strategies.

Unbundled customers do not receive generation service from SDG&E and therefore do not stand to benefit from future efficiencies associated with the operational lessons SDG&E may gain through the Project.[66] To the extent the Project reduces PEC's greenhouse gas emissions and associated compliance costs, those benefits relate to SDG&E's generation service for bundled customers; they are not transferred to CCA or direct access customers through SDG&E service.[67] UCAN likewise observes that departed load customers bear approximately 79 percent of PEC's costs recovered through the PCIA, yet "receive no benefit from a generation-side demonstration whose output is not sold."[68]

SDG&E attempts to justify its proposed cost recovery and vintaging treatment by asserting that the Project will provide benefits to unbundled customers. Specifically, SDG&E argues that the Project's knowledge and operational experience are not exclusive to bundled customers because its findings will be available to CCAs, regulators, utilities, and other stakeholders.[69] It asserts that the Project reduces uncertainty surrounding hydrogen technologies and informs planning, procurement, reliability, and decarbonization decisions affecting all electric customers.[70] In addition, SDG&E claims that the Project enhances an existing PCIA-eligible resource and "may reduce costs that would otherwise be incurred to support Palomar's existing operations and authorized functions."[71] The Commission should reject both of these arguments.

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65 Exh. CCA-01 at 4:9-17.
66 *Id*. at 5:7-11.
67 *Id*. at 4:18-5:6.
68 Exh. UCAN-01 at 36:19-21.
69 A.25-12-009, Exh. SDGE-06: *Prepared Rebuttal Testimony of San Diego Gas & Electric Company*, p. 37:16-38:2 (Sept. 28, 2026).
70 *Id*. at 38:2-4.
71 *Id*. at 38:9-11.

First, the potential availability of information does not establish that the Project provides useful knowledge to CCAs or their customers. As CEJA explains, "it is unclear if the Project will produce any valuable new data or knowledge that would be useful for entities other than SDG&E."[72] With regard to CCAs in particular, the SD CCAs do not own or operate natural gas generation facilities, and SDG&E's experience operating hydrogen equipment at its own gas plant provides them no corresponding operational benefit. Indeed, SDG&E admits that the SD CCAs did not request these learnings, that it has no plan to formally share the findings with them, and that it never asked whether they considered the Project beneficial to themselves or their customers.[73] Moreover, as several other parties explain, SDG&E has not demonstrated that the Project will produce unique findings that are otherwise unavailable to CCAs through existing hydrogen pilots and demonstrations.[74] SDG&E's generalized claim that information could inform decisions throughout California's electric system does not demonstrate that this particular investment was undertaken for departed customers' benefit.

Second, SDG&E's claims of future cost reductions are entirely speculative. SDG&E identifies no quantified savings, substantiated forecast, or other tangible evidence demonstrating that the Project will reduce costs that would otherwise flow through the PCIA to unbundled customers. Although the Project has been operational since 2023, the record contains no evidence that it has produced such savings to date. The possibility that the Project might displace some existing operating costs does not establish that its incremental costs were incurred on departed customers' behalf. A single unsupported statement that the Project "may reduce costs" is

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72 Exh. CEJA-01 at 9:12-13.

73 A.25-12-009, Exh. CCA-02: *Select SDG&E Responses to SD CCA Data Requests*, SDG&E Responses to SD CCA DRs 3.02, 3.04, 3.05 (Nov. 6, 2026).

74 *See supra*, Footnote 40.

insufficient to justify shifting the costs of this new investment to departed customers as just and reasonable.

D. To the Extent the Commission Approves the Project, it Should Assign the Incremental Revenue Requirement to Vintage 2027.

As described above, the Project is a major upgrade undertaken on behalf of SDG&E and its bundled customers, not a continuation of the original PEC commitment. Accordingly, if the Commission approves the Project, it should assign the incremental revenue requirement to PCIA vintage 2027. As discussed above, UOG vintaging turns on Commission approval of the resource commitment or the effective date of a PPA contract.[75] Because the Commission is expected to decide this proceeding in 2027, assigning the Project to vintage 2027 would properly align the Project's vintage with the year of approval.[76] Notably, UCAN concurs that any approved recovery "should start no sooner than the date of approval" and argues that assigning the Project to a 2004 vintage would be unreasonable.[77]

SDG&E argues that, if the Project receives separate vintage treatment, it should be assigned to vintage 2023 because that is when the Project became operational.[78] But that approach improperly substitutes the Project's operationality for the Commission's established resource vintaging methodology, which looks to the Commission's approval of the investment. Completing the Project before securing the Commission's approval does not entitle SDG&E to assign it to an earlier vintage. SDG&E seeks approval in this proceeding, and that approval—not its decision to begin operations—governs the Project's vintage assignment.

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75 *See supra*, Footnotes 25, 53; *see also* SDG&E PABA Preliminary Statement at Sheet 2.
76 Exh. CCA-01 at 13:9-13.
77 Exh. UCAN-02 at 8:1-4.
78 Exh. SDGE-06 at 38:19-39:4.

Finally, it is imperative that the Commission establish the Project's vintaging treatment now, rather than defer the issue until the Project's costs are incorporated into a future GRC. Delaying a vintage assignment could result in a situation in which SDG&E could begin recovering those costs from departed customers before the appropriate vintage is established.[79] SDG&E has already separately quantified the Project's incremental revenue requirement, allowing those costs to remain distinct from PEC's historical costs.[80] Accordingly, any decision approving the Project should expressly assign its incremental revenue requirement to vintage 2027 for subsequent GRC and ERRA cost recovery.[81]

V. THE COMMISSION SHOULD REQUIRE SDG&E TO PROVIDE VINTAGING-RELATED INFORMATION IN FUTURE APPLICATIONS INVOLVING MAJOR UOG INVESTMENTS.

To ensure that future investments receive the same fact-specific vintaging review warranted here, the Commission should require SDG&E to provide vintaging-related information whenever it seeks approval of asset life extensions, incremental capacity additions, or changed functions at existing UOG facilities. Specifically, the Commission should direct SDG&E to submit testimony identifying: (1) the generation plant-level revenue requirement and the separate incremental revenue requirement associated with the proposed investment; (2) why it is undertaking the investment; (3) on whose behalf it is making the investment; and (4) its proposed vintage treatment and supporting rationale.[82] These requirements promote transparency and facilitate the fact-specific review contemplated by D.18-10-019.

Although SDG&E separately identified the Project's incremental revenue requirement in the instant proceeding, neither its Application nor supporting direct testimony explained whether

[79] Exh. CCA-01 at 10:19-11:2.
[80] *Id*. at 13:6-8.
[81] *Id*. at 13:9-13.
[82] *Id*. at 15:6-13.

it intended to recover those costs from unbundled customers, whether recovery would occur through the PCIA, or which vintage would apply.[83] Instead, the SD CCAs had to obtain that information through discovery.[84] Upfront provision of these important details is crucial for both efficiency and transparency in ensuring that costs associated with new UOG investments are properly allocated so as to avoid illegal cost-shifting.[85]

Importantly, this requirement would align SDG&E's vintaging testimony requirements with the Commission's direction to PG&E and SCE.[86] As SDG&E has consistently omitted critical details for this analysis from its applications and testimony, the Commission should impose comparable requirements on SDG&E so that future applications provide a sufficient basis to distinguish historical resource obligations from new investments and to allocate costs to the customers on whose behalf they are incurred.[87]

VI. CONCLUSION

For the reasons described herein, the SD CCAs respectfully request that the Commission: 1) reject SDG&E's Application; 2) if the Commission approves SDG&E's Application, assign the Project's incremental revenue requirement to PCIA vintage 2027; and 3) direct SDG&E to provide certain vintaging-related information in future applications for major new investments in UOG.

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83 *Id*. at 16:2-8.
84 *Id.* at 16:9-10.
85 *Id*. at 16:11-13.
86 *See* D.23-11-069 at 511; D.25-09-030 at 744-745.
87 Exh. CCA-01 at 18:17-20.

Respectfully submitted,

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November 12, 2026

On behalf of San Diego Community Power and Clean Energy Alliance