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 (Filed December 16, 2025)

OPENING BRIEF OF UTILITY CONSUMERS' ACTION NETWORK (UCAN)

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Pursuant to Rule 13.12 of the Rules of Practice and Procedure of the California Public Utilities Commission ("Commission" or "CPUC") and the initial procedural schedule set by the Assigned Commissioner's Scoping Memo and Ruling and later updated by Administrative Law Judge Watts-Zagha's e-mail ruling dated July 29, 2026,[1] the Utility Consumers' Action Network ("UCAN") respectfully submits its Opening Brief.

I. INTRODUCTION

On December 16, 2025, San Diego Gas & Electric Company ("SDG&E") filed Application 25-12-009 ("Application"), asking ratepayers to pay a $31.1 million revenue requirement for the Palomar Decarbonization Demonstration Project ("Project").[2] SDG&E began the Project in 2021, placed its main equipment into operation in 2023, and completed the Project in September 2025.[3] In December 2024, the Commission denied cost recovery for the same Project in SDG&E's general rate case ("GRC"), explicitly finding that SDG&E had not shown its true cost, its scalability, or that it would produce more than limited learning.[4] The

[1] A.25-12-009, Assigned Commissioner's Scoping Memo and Ruling (May 28, 2026) ("Scoping Memo"); A.25-12-009, Email Ruling Granting UCAN Request for Schedule Extension and Revising Procedural Schedule (July 29, 2026) at 2 (setting opening briefs for November 12, 2026). In preparing this document, UCAN used AI tools to aid in formatting, structuring, error checking, and footnoting.
[2] Application of San Diego Gas & Electric Company (U 902-E) for Approval of Palomar Decarbonization Demonstration Project, A.25-12-009 (filed December 16, 2025) ("Application"); Scoping Memo at 2-3.
[3] Ex. SDGE-02 at PK_KC-23:3, WP1-1 (Table WP1-A); Scoping Memo at 1.
[4] D.24-12-074 at 394, 403-407, and Finding of Fact ("FOF") 145; Scoping Memo at 2-3.

Commission allowed SDG&E to pursue the hydrogen system "as a stand-alone application with more robust information, leveraging public funding sources and lowering ratepayer costs."[5] It specifically required that application to address the Project's "full impact on ratepayers, including the true cost and scalability."[6] Moreover, the Commission separately denied the hydrogen fueling station, finding that SDG&E could fuel its vehicles at public stations using the fuel cards provided with each vehicle.[7]

In the Application, SDG&E has returned with the same Project at essentially the same cost. The record in the instant proceeding contains more data than the record in the GRC did, but intervenors supplied most of it. The record shows that the Project increases greenhouse gas ("GHG") emissions, destroys about two-thirds of the renewable electricity used to make hydrogen, makes hydrogen that costs approximately 100 times as much as the natural gas it displaces, and produces no information that is not already available from turbine manufacturers, prior demonstrations, and the State's own hydrogen research. On its face, the Project fails based on every issue defined in the Scoping Memo.

In short, the Commission should deny the Application in full. Because blending hydrogen at Palomar increases emissions and costs, the Commission should also order SDG&E to stop blending hydrogen into its gas turbines and to spend no additional ratepayer funds on hydrogen blending.

[5] D.24-12-074 at 404.
[6] D.24-12-074, FOF 145.
[7] D.24-12-074 at 394; Scoping Memo at 2.

On November 6, 2026, the parties jointly moved to enter their testimony and exhibits into the evidentiary record.[8] UCAN's evidence is the Prepared Direct Testimony of Tyson Siegele (Ex. UCAN-01), his Prepared Rebuttal Testimony (Ex. UCAN-02), and SDG&E's discovery responses and documents admitted as Exhibits UCAN-03 through UCAN-07.

II. SUMMARY OF RECOMMENDATIONS

UCAN recommends that the Commission:

1. Deny the Application and find that the Project's costs are not just and reasonable because the Project produces no benefit for ratepayers.[9]

2. Deny the Application on the independent ground that the fueling-station costs the Commission denied outright in D.24-12-074 cannot be separated from the rest of the request.[10]

3. Order SDG&E to stop blending hydrogen into its gas turbines and to spend no ratepayer funds on hydrogen blending.[11]

III. STATE POLICY CALLS FOR COST-EFFECTIVE DECARBONIZATION IMMEDIATELY

SDG&E bears the burden of proving that the Project's costs are just and reasonable.[12] UCAN and the other intervenors do not have to prove that the Project is unreasonable. SDG&E repeatedly and inaccurately suggests that intervenors seek to "relitigate" State hydrogen policy.[13]

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[8] Joint Motion to Enter Testimony and Exhibits into the Evidentiary Record (November 6, 2026) ("Joint Motion"). Exhibit numbers in this brief follow Attachment A to the Joint Motion. UCAN does not rely on contested Exhibits SDGE-07 and SDGE-08.
[9] Ex. UCAN-01 at 4:19-20, 45:21-46:5.
[10] Ex. UCAN-01 at 46:6-12; Ex. UCAN-02 at 5:21-6:3.
[11] Ex. UCAN-01 at 46:13-47:6; Ex. UCAN-02 at 21:12-14.
[12] Pub. Util. Code § 451. Unless otherwise noted, all statutory references are to the Public Utilities Code.
[13] Ex. SDGE-06 at 1:20-2:7, 16:15-19:3.

Yet, SDG&E has failed to prove that ratepayers should pay for this Project and has failed to demonstrate the Project's alignment with state policy.

The Legislature has declared that it is the policy of the State to "[a]chieve net zero greenhouse gas emissions as soon as possible, but no later than 2045."[14] Spending ratepayer money to train staff on expensive and GHG-emitting electricity generation options conflicts with that policy. SDG&E should instead be procuring the clean resources that the Commission's least-cost modeling has selected in the integrated resource planning ("IRP") proceeding. The Commission's integrated resource planning and the SB 100 core scenario rely on wind, solar, and batteries; hydrogen combustion is not selected.[15] Using those resources, an LSE reached 100% carbon-neutral electricity in 2021, without hydrogen, and at a generation rate 41% below SDG&E's.[16] The LSE achievement of cost-effective carbon neutrality shows that SDG&E could have also pursued cost-effective decarbonization prior to 2021, but SDG&E's electricity supply remains less than half renewable.[17]

IV. THE COMMISSION SHOULD DENY SDG&E'S APPLICATION

For ease of review, the following sections track the issues in the Scoping Memo in order. Each section states SDG&E's claims and then shows why the record does not support them.

A. The Project does not serve the public interest because it produces no information that is unique or needed.

Scoping Issue 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

[14] Health & Saf. Code § 38562.2(c)(1).
[15] Ex. UCAN-01 at 26:12-27:7.
[16] Ex. UCAN-01 at 28:1-12.
[17] Ex. UCAN-01 at 28:7-8.

research and pilots on this topic and (b) needed to evaluate whether renewable hydrogen can contribute to California's clean energy resource strategy?"[18]

The Project does not serve the public interest. Each element of the Project has been demonstrated before, SDG&E designed no research plan to produce new information, and California's own planning shows that hydrogen-fired generation is not needed to meet the State's clean energy goals.

1. SDG&E did not cure the defects D.24-12-074 identified and built the Project without Commission approval.

The Scoping Memo placed the question of whether the Application contains any new facts within Issue 1.[19] SDG&E argues that intervenors wrongly treat D.24-12-074 as a permanent rejection, and that the Application supplies "more robust information," lower cost, scaling detail, and ratepayer benefits.[20] UCAN, however, does not argue that D.24-12-074 permanently rejected the entire Project. Rather, UCAN contends that the record shows that SDG&E submitted in its Application the same Project at the same cost without correcting the shortcomings called out in D.24-12-074.

D.24-12-074 identified three defects: the Project's true cost, its scalability, and its limited learning value.[21] Each corresponds to an issue in this proceeding.[22] None has been corrected. SDG&E's request is essentially unchanged; by its own account, actual spend came in $25,067 above its GRC estimate.[23] The only "new" funding SDG&E identifies, $3.876 million in federal investment tax credits ("ITCs"), was claimed on Sempra's 2023 tax return, before the

[18] Scoping Memo at 4.
[19] Scoping Memo at 3 n.9.
[20] Ex. SDGE-06 at 3:15-4:9; Application at 4-6.
[21] D.24-12-074 at 404-405 and FOF 145.
[22] Ex. UCAN-01 at 5:10-22.
[23] Ex. UCAN-01 at 7:14-19; Ex. SDGE-06 at 4 n.6.

Commission issued D.24-12-074.[24] SDG&E did not meet the requirements the Commission set for a revised application.[25] SDG&E built the Project prior to receiving Commission approval.[26] Thus, shareholders knowingly took on the risk that the Project would not meet Commission requirements and might never be approved for cost recovery.

2. The information the Project produces is not unique.

SDG&E claims the Project's integrated, multi-use system is the "first of its kind" and the only such plant in California, that its learnings "can only be obtained by doing," and that the right question is whether the Project reduces "remaining uncertainty" about an integrated system, not whether any element was demonstrated before.[27] Given the evidence introduced in this proceeding, SDG&E's assertions conflict with the record.

Ten months before it filed the Application, SDG&E co-filed the Hydrogen Blending Compendium, which states that power plants "can operate on up to 5% hydrogen blends in their existing configuration."[28] The same report documents turbine blending at 5% to 44%.[29] GE's 2019 paper reports 5% hydrogen blending in four GE 7FA turbines, the same model as Palomar's, since 2010, and SDG&E circulated that paper internally in January 2020.[30] SDG&E itself relies on the Brentwood LM6000 demonstration, not its own data, for its claim about NOx emissions.[31]

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[24] Ex. UCAN-01 at 8:2; Ex. SDGE-06 at 14:18-19.
[25] Ex. UCAN-02 at 7:20-22. *See also* Ex. TURN-01 § III at 15-20 (no alternatives, no new public funding, no partners); Ex. CalAdvocates-01 at 1-3, 13-14.
[26] Ex. UCAN-01 at 36:4-16.
[27] Ex. SDGE-01 at AB-10:19-20; Application at 5; Ex. SDGE-06 at 33:1-15.
[28] Ex. UCAN-01 at 21:1-15; Ex. UCAN-02 at 2:15-19.
[29] Ex. UCAN-01 at 21:16-22:6 & Table 3.
[30] Ex. UCAN-01 at 22:7-23:8; Ex. UCAN-05h at 13; Ex. UCAN-05f.
[31] Ex. UCAN-02 at 20:15-21:2.

SDG&E's analyses concede that the Project elements are not unique. If prior demonstration of every element is beside the point, SDG&E admits that the elements are not new.[32] SDG&E's reframing also rewrites Issue 1(a), which asks whether the information is "unique from other research and pilots," not whether it reduces "remaining uncertainty."[33] Cal Advocates reached the same conclusion as UCAN. It found that eight of the twelve learning categories SDG&E claims are general knowledge that vendors already had.[34]

SDG&E also argues that membership in the Electric Power Research Institute ("EPRI") would not provide hands-on experience.[35] SDG&E already pays EPRI dues, $33,121 in 2025 alone.[36] Ratepayers already fund SDG&E's access to EPRI's hydrogen research. Thus, SDG&E should have already known that hydrogen is not a cost-competitive decarbonization option, a fact that is not changed by the Project, which simply serves to train SDG&E employees on hydrogen equipment.

3. The Project was not designed to produce information, and it has produced little.

SDG&E claims that operational learnings are already accruing, that low utilization does not mean the Project produces no useful data, and that engagement with the University of California, Irvine ("UCI") will "formalize and enhance," not start, data collection.[37] The Application described the UCI "performance research collaboration" as under way.[38]

The record shows a Project without a research design. After three years of operation, the Project has no test plan, no UCI contract, and only a draft data framework that is "not yet

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[32] Ex. SDGE-06 at 33:12-15.
[33] Scoping Memo at 4.
[34] Ex. CalAdvocates-01 at 5-7; Ex. UCAN-02 at 2:10-14. *See also* Ex. CEJA-01 § III at 9-14.
[35] Ex. SDGE-06 at 20:10-21:2.
[36] Ex. UCAN-01 at 6 n.17.
[37] Ex. SDGE-06 at 31:14-34:20.
[38] Application at 9.

finalized or implemented"; in fact, SDG&E states it will reach an agreement with UCI only after the Commission approves cost recovery.[39] SDG&E's response to the San Diego CCAs confirms that the research component "has not yet been finalized" and that the test plan awaits approval.[40] Despite SDG&E's claims that it is "collaborating with faculty at the University of California Irvine Combustion Laboratory to develop a data collection framework,"[41] no documents of the claimed UCI "collaboration" exist.[42] SDG&E prepared no alternatives analysis.[43]

Once SDG&E admitted to UCAN that it has no documentation regarding the purported ongoing UCI collaboration, SDG&E's rebuttal concedes that the framework that would turn operating data into findings will be "developed with subject-matter experts" only after approval.[44] In other words, the research framework does not exist, and ratepayers are asked to pay for it before it is designed. It is unreasonable to approve ratepayer funds for undefined research activities conducted using a project that was designed and built before a research plan was defined.

The Project has produced minimal actionable data or analyses and has operated for only a small fraction of the time since it was placed in service. The electrolyzer has produced only 0.4% to 2.1% of the hydrogen it could produce each year running at full capacity, which is approximately 193,600 kilograms ("kg") per year.[45] Blending received zero kg of hydrogen in

[39] Ex. UCAN-01 at 29:13-30:2.
[40] Ex. CCA-02, SDG&E Response to SDCP/CEA DR-03.
[41] Ex. SDGE-01 at AB-11:15-16; Ex. SDGE-02 at PK_KC-22:15-16.
[42] Ex. UCAN-01 at 30:17-31:6.
[43] Ex. UCAN-01 at 31:7-12.
[44] Ex. SDGE-06 at 33:19-20 ("SDG&E intends to engage with University of California at Irvine when the Project is approved."), 34:11-17.
[45] Ex. UCAN-01 at 30:3-8 & Table 5.

2024 and in 2026 through the date of SDG&E's disclosures; the research export panel has delivered zero kg; and hydrogen use for generator cooling was not metered until late 2025.[46]

SDG&E's assertions that it needed to collect hydrogen information "by doing" or that UCI collaboration will produce ratepayer value from the Project are unfounded. Every central finding in UCAN's testimony came from calculations on public data.[47] UCAN's research and calculations show (1) that blending green hydrogen into natural gas wastes two-thirds of the renewable energy used for hydrogen production,[48] (2) that the hydrogen production method SDG&E chose for the Project increases GHG emissions,[49] and (3) that green hydrogen is not cost competitive with carbon-free electricity generation.[50] Ultimately, neither the Project nor the UCI collaboration is needed to prove those facts.

4. The Project's "fundamental objectives" are in-house training, not information in the public interest.

SDG&E asserts that EPRI would not provide the Project's "fundamental objectives": operating experience on SDG&E's assets, operating data for the Palomar Energy Center, workforce training and procedures, maintenance and permitting experience, plant-control integration, safety program development, and utility-specific emissions data.[51]

Each of these objectives benefits SDG&E's own staff and assets, not California's evaluation of hydrogen or California's ratepayers. Training personnel to operate a technology that increases emissions[52] and costs far more than the clean options already available[53] is not a

[46] Ex. UCAN-01 at 30:9-16.
[47] Ex. UCAN-02 at 3:11-4:20.
[48] Ex. UCAN-02 at 3:18-19; Ex. UCAN-01 at 10:9-12:5.
[49] Ex. UCAN-02 at 3:16-21; Ex. UCAN-01 at 40:3-13, 46:19-26.
[50] Ex. UCAN-02 at 4:12-13; Ex. UCAN-01 at 16:4-18:2, 19:21-20:9.
[51] Ex. SDGE-06 at 20:16-21:2.
[52] Ex. UCAN-01 at 40:3-13.
[53] Ex. UCAN-01 at 16:4-18:2, 42:19-43:7.

reasonable use of ratepayer funds. SDG&E uses the same reasoning to justify the Palomar Project that Southern California Gas Company ("SoCalGas") used to justify hydrogen refueling stations.[54] The Commission rejected SoCalGas's reasoning and found that a utility "does not need to build its own hydrogen refueling stations to understand the technology" when public research exists.[55] Similarly, SDG&E did not need to build the Palomar Project because the vendors and engineers SDG&E hired to design and build the Project already had knowledge and public research on each element of the Project already existed.[56]

5. The information is not needed to evaluate hydrogen's role in California's clean energy strategy.

SDG&E inaccurately claims the Project aligns with the 2025 Integrated Energy Policy Report, the Commission's IRP Zero-Carbon Technology Assessment, the California Air Resources Board's ("CARB") modeled 9,000 MW of hydrogen turbines, AB 209 programs, and SB 1350. SDG&E also erroneously asserts that intervenors seek a referendum on hydrogen that is outside the scope of this proceeding.[57]

California law, policy, and agency modeling each support cost-effective decarbonization options, not hydrogen procurement. SDG&E's claims that California policy supports procurement of hydrogen are false. The proceeding's Scoping Issue 1(b) expressly asks whether the Project's information is "needed." Evidence about the State's law, policy and energy modeling related to hydrogen is therefore within scope.

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[54] *Compare* Ex. SDGE-06 at 20:16-21:2 *with* D.24-12-074 at 622 & n.1989.
[55] D.24-12-074 at 622-623.
[56] Ex. UCAN-02 at 2:10-21.
[57] Ex. SDGE-06 at 10:10-11:12, 15:3-19:3.

a) State planning selects no hydrogen combustion for the electric sector.

SDG&E's claims that the state has found a need for hydrogen use in the electricity sector are false. CARB's 9,325 MW of hydrogen turbines are modeled as idle capacity, with *zero* hydrogen consumed in the electric sector through 2045.[58] The SB 100 core scenario and every IRP cycle select no hydrogen combustion.[59] An LSE, Peninsula Clean Energy, reached 100% carbon-neutral supply as early as 2021 without hydrogen.[60] The Commission's own integrated resource planning consultant completed modeling showing that a combination of long- and short-duration battery storage in the Los Angeles Basin can replace emitting gas-fired generation while still meeting local capacity requirements, and reduce ratepayer costs by 3%.[61] Finally, well regarded analysts rank power generation as one of the worst uses of hydrogen.[62] These data show that hydrogen is unnecessary to meet California's decarbonization targets for the electricity sector and attempts to use hydrogen will, as a matter of practice, actually only slow the energy transition.

b) The Project conflicts with SB 1350's requirements.

SDG&E cites SB 1350, signed June 29, 2026, in support of its Project.[63] SB 1350 amended Public Resources Code section 25741(a)(1)(B) so that a hydrogen-fueled turbine can potentially count as a renewable electrical generation facility, but only if it meets all eight listed criteria. The record of the instant proceeding shows that Palomar fails to meet four of the eight criteria.

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[58] Ex. UCAN-01 at 25:16-26:9.
[59] Ex. UCAN-01 at 26:10-27:20.
[60] Ex. UCAN-01 at 28:1-12.
[61] Ex. UCAN-01 at 28:13-29:5.
[62] Ex. UCAN-01 at 24:1-25:15.
[63] Ex. SDGE-06 at 17:17-18:6.

(i) *Fuel source.* The hydrogen must be "solely derived" from an eligible renewable resource or from electrolysis that "exclusively uses electricity generated from another renewable electrical generation facility," and "[a]ny fraction of hydrogen produced through the use of . . . nonrenewable electricity shall not be eligible."[64] The Project fails to meet this criterion because Palomar's electrolyzer is grid-connected and can draw power around the clock. In 21,169 recorded hours, the Project's solar array never produced enough electricity to run the electrolyzer at its rated draw.[65]

(iii) *Blend capacity.* The air district must confirm that the turbine can burn a blend sufficient to achieve a measurable GHG reduction, "but not below 20 percent by volume."[66] The Project fails to meet this criterion because Palomar is permitted for a 2% blend in one turbine, with system capacity of 5%,[67] and SDG&E concedes its turbines would need upgrades to burn a higher percentage blend of hydrogen.[68]

(iv) *Hourly matching.* Electrolytic producers must demonstrate "hourly matching of hydrogen production with renewable energy generation starting January 1, 2030."[69] The Project fails to meet this criterion because SDG&E does not match hourly, and it twice declined to produce hourly electrolyzer data.[70]

(vii) *Emissions.* The air district must confirm that combustion "will result in a net decrease of air pollutants and of greenhouse gas emissions from the electrical sector and will not increase the oxides of nitrogen emissions rate from the turbine compared to natural gas."[71] The Project fails to meet this criterion because the Project increases GHG emissions.[72] SDG&E's own correspondence with GE anticipates higher NOx with blending, and SDG&E has no NOx analysis for its own turbine.[73]

SB 1350's criteria show that the Legislature understood the limitations of green hydrogen blending for use in gas-fired power plants. The failure of the Project to conform to half of the

[64] Pub. Resources Code § 25741(a)(1)(B)(i).
[65] Ex. UCAN-01 at 35:3-11, 46:19-23.
[66] Pub. Resources Code § 25741(a)(1)(B)(iii).
[67] Scoping Memo at 1-2; Ex. UCAN-01 at 9:10-10:8.
[68] Ex. SDGE-06 at 18:3-6.
[69] Pub. Resources Code § 25741(a)(1)(B)(iv).
[70] Ex. UCAN-01 at 35:3-11; Ex. UCAN-02 at 7:10-15.
[71] Pub. Resources Code § 25741(a)(1)(B)(vii).
[72] Ex. UCAN-01 at 40:3-13.
[73] Ex. UCAN-02 at 19:14-20:14, 21:3-6.

criteria that are needed to make the Project RPS eligible demonstrates the significant shortcomings of the Project.

c) SDG&E mischaracterizes the 2025 Integrated Energy Policy Report.

SDG&E quotes the Energy Commission's statement that "a diverse portfolio of resources is valuable to achieving the state's goals," and says the report assesses hydrogen's role in (1) replacing fossil gas, (2) resource diversification, and (3) clean transportation.[74] SDG&E's use of the 2025 IEPR and its description of the three hydrogen "roles" both misstate the report.

The "diverse portfolio" sentence follows the Energy Commission's statement that the State is "rapidly scaling up deployment of clean energy resources particularly solar, wind, and energy storage."[75] It is not a finding about hydrogen. SDG&E's three hydrogen "roles" are the Energy Commission's illustrative demand scenarios. The Energy Commission states that "[n]one of the scenarios are intended to be a prediction of or recommendation for the future demand for California."[76]

Read as a whole, the 2025 IEPR undercuts the Project:

1. California is already scaling a diverse clean portfolio of solar, wind, and storage.[77]

2. The Legislature assigned hydrogen analysis to the Energy Commission under SB 1075, and assigned a statewide hydrogen report to CARB.[78] Those agencies are the proper forum for hydrogen research, not an electric utility's rate base.

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[74] Ex. SDGE-06 at 10:12-16 & nn.25-26, citing California Energy Commission, *Final 2025 Integrated Energy Policy Report*, CEC-100-2026-001-CMF (adopted July 8, 2026) ("2025 IEPR") at 135, 137-138. UCAN requests that the Commission take official notice of the 2025 IEPR under Rule 13.10 of the Commission's Rules of Practice and Procedure and Evidence Code section 452(c) and (h). The report is an official act of a State agency, and SDG&E relies on it in its own testimony. Ex. SDGE-06 at 10 nn.25-26. The report is available at https://www.energy.ca.gov/publications/2026/2025-integrated-energy-policy-report.
[75] 2025 IEPR at 135.
[76] 2025 IEPR at 137.
[77] 2025 IEPR at 135.
[78] 2025 IEPR at 135-136.

3. "There are no explicit statewide policy goals for the use of hydrogen in the electric or transportation sectors in California."[79]

4. Onsite electrolysis "is limited to applications with modest needs."[80]

5. At scale, tank storage of hydrogen is "clearly impractical," and the suitability of California's geologic options for hydrogen storage "is not yet proven."[81] This aligns with UCAN's evidence on hydrogen storage.[82]

6. The "main value of hydrogen for the grid" is long-duration storage.[83] That contradicts SDG&E's claim that the Project is not storage (Section IV.C.2 below).

7. The report recommends continued support for "state-funded programs" for hydrogen demonstration, not ratepayer funding.[84] Nowhere does the Energy Commission find hydrogen-fired generation cost-effective.

The 2025 IEPR conflicts with SDG&E's claims regarding the Project. The findings of the 2025 IEPR do not support the use of hydrogen, rather, they detail the significant limitations of hydrogen and show that the Project does not provide a benefit to ratepayers.

d) State programs, not ratepayers, should fund hydrogen research, and only if hydrogen becomes cost competitive.

SDG&E points to the Energy Commission's H2ONSITE program and its $15 million fueling-station solicitation.[85] These are State-funded Energy Commission programs, and they are the right location for hydrogen research. The Commission said as much in D.24-12-074: there are "ample research opportunities in the public sphere"; "[t]here is no statutory requirement that ratepayers bear the cost" of hydrogen fueling infrastructure; and a utility confident in hydrogen

[79] 2025 IEPR at 136.
[80] 2025 IEPR at 152.
[81] 2025 IEPR at 152.
[82] Ex. UCAN-01 at 13:10-16.
[83] 2025 IEPR, App. B at B-11.
[84] 2025 IEPR, App. B at B-16.
[85] Ex. SDGE-06 at 15:14-16:2.

stations may file an application "that relies on shareholder funds."[86] SDG&E applied to none of these programs. It is only "monitoring" them.[87]

e) The Legislature requires cost-effective resource planning that protects customer bills, and hydrogen blending meets none of those requirements.

The Legislature has directed the Commission to pursue the State's clean electricity goals cost-effectively and with attention to customer bills. Pub. Util. Code § 454.53(b)(2) states that actions taken to meet the 100% clean electricity policy must "[p]revent unreasonable impacts to electricity, gas, and water customer rates and bills . . . , taking into full consideration the economic and environmental costs and benefits of renewable energy and zero-carbon resources."[88] The Commission must identify a diverse and balanced portfolio that provides "optimal integration of renewable energy and resource diversity in a cost-effective manner," and procurement must "rely on zero-carbon-emitting resources to the maximum extent reasonable."[89] Integrated resource plans must "[m]inimize impacts on ratepayers' bills."[90] Energy Division staff in the IRP proceeding model cost-effective procurement of renewable resources to meet California's clean energy targets. The Commission has never found hydrogen to be part of the cost-effective portfolio. The SB 100 core scenario, which is the least-cost portfolio to meet the 2045 clean energy targets, does not select hydrogen either.[91]

The Legislature's direction regarding research also conflicts with the Palomar Project. Pub. Util. Code § 740.1 lists the guidelines the Commission "shall consider" in evaluating a

[86] D.24-12-074 at 622-623, 625.
[87] Ex. SDGE-06 at 6:16-18; Ex. UCAN-01 at 37:1-11.
[88] Pub. Util. Code § 454.53(b)(2).
[89] Pub. Util. Code § 454.51(a).
[90] Pub. Util. Code § 454.52(a)(1)(D).
[91] Ex. UCAN-01 at 26:10-27:20.

utility's research, development, and demonstration projects. Subdivisions (a) through (d) are guidelines that every project should meet. The Project conflicts with three of them (a, b, and d):

(a) Projects "should offer a reasonable probability of providing benefits to ratepayers."[92]

The Project offers no ratepayer benefits (Section IV.E.2 below).

(b) "Expenditures on projects which have a low probability for success should be minimized."[93]

The Project's hydrogen costs approximately 100 times the natural gas it displaces, and the Project has no path to scale (Sections IV.E.1 and IV.E.4 below).

(d) Projects "should not unnecessarily duplicate research currently, previously, or imminently undertaken by other electrical or gas corporations or research organizations."[94]

SDG&E co-filed the Compendium, which documents hydrogen blending in comparable turbines at blends of 5% to 44%.[95] General Electric's 2019 white paper, which SDG&E has had since January 2020, shows that four GE 7FA turbines, the same model as Palomar's, have blended 5% hydrogen since 2010.[96] The Energy Commission is studying hydrogen under SB 1075.[97]

The points above show that the Project conflicts with numerous statutory requirements on clean energy, cost-effectiveness, and research. The Project is also inconsistent with Executive Order N-5-24, which requested that the Commission "sunset… programs or orders whose costs

[92] Pub. Util. Code § 740.1(a).
[93] Pub. Util. Code § 740.1(b).
[94] Pub. Util. Code § 740.1(d).
[95] Ex. UCAN-01 at 21:1-22:6.
[96] Ex. UCAN-01 at 22:7-23:8; Ex. UCAN-05h at 13.
[97] 2025 IEPR at 135.

exceed the value and benefits to electric ratepayers."[98] For these reasons the Commission should deny the Application.

f) UCAN's request to stop blending hydrogen is within scope.

SDG&E argues incorrectly that UCAN's request to stop utility hydrogen spending is outside the scope of this proceeding.[99]

UCAN's recommendation that the Commission order SDG&E to stop hydrogen blending flows directly from Scoping Issues 1, 3, 4, and 7. The record shows that the Project: is not needed (Issue 1(b)), harms the environment (Issue 3), increases GHG emissions (Issue 4), and negatively impacts ESJ communities (Issue 7). Based on the record it is reasonable and within scope for the Commission to order SDG&E to discontinue hydrogen blending as discussed in more detail in Section IV.H below.

B. The Project's costs and revenue requirement show that ratepayers would pay $31.1 million for a project the Commission already denied.

> *Scoping Issue 2: "What are the Project costs and the associated revenue requirement? a. How will ratepayer costs be allocated between bundled and unbundled customers? 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?"*[100]

SDG&E's Application asks ratepayers to pay a $31.1 million revenue requirement for a Project whose cost did not lower after the Commission rejected it in the GRC, and whose components cannot separate from the fueling station the Commission already denied. SDG&E did not return with the public funding the Commission recommended that it seek.

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[98] Governor Gavin Newsom, Executive Order N-5-24 (Oct. 30, 2024), https://www.gov.ca.gov/wp-content/uploads/2024/10/energy-EO-10-30-24.pdf. UCAN requests that the Commission take official notice of Executive Order N-5-24 under Rule 13.10 of the Commission's Rules of Practice and Procedure and Evidence Code section 452(c).
[99] Ex. SDGE-06 at 17:11-16.
[100] Scoping Memo at 4-5.

1. SDG&E did not lower the revenue requested in the GRC.

SDG&E claims that direct capital of $17.49 million came in on budget, a "hallmark" of success, and that ITCs cut the Project's cost by about 25%.[101] The revenue requirement SDG&E requests is $31.1 million.[102] Coming in on budget against the request the Commission denied proves only that SDG&E did nothing to lower the cost, which D.24-12-074 explicitly, and pointedly, asked SDG&E to do.[103] The ITCs were taken in 2023, before the GRC decision, and do not respond to the Commission's request that SDG&E lower costs.[104]

2. The fueling station costs cannot be separated, so SDG&E continues to wrap into its Application the denied fueling station request.

SDG&E's workpaper puts the electrolyzer, storage, fueling station, and compressor in a single $6.14 million line, and every services and materials line could contain fueling-station costs.[105] SDG&E admitted in discovery that its cost information is "not separated at the component level," and that it is "not possible" to attribute installation or material costs to the fueling station.[106] SDG&E likewise told the California Environmental Justice Alliance ("CEJA") that services "cannot" be separated by sub-system.[107] Cal Advocates also found that SDG&E presented only aggregate costs.[108]

In summary, the Commission cannot approve the remaining costs without approving the costs it already denied. SDG&E's solution, to include a denied cost within the Project, is

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[101] Ex. SDGE-06 at 4:10-5:19.
[102] Ex. UCAN-01 at 32, Table 6.
[103] D.24-12-074 at 404; Ex. UCAN-01 at 7:14-19.
[104] Ex. UCAN-01 at 8:1-7, 36:22-28.
[105] Ex. UCAN-02 at 5:14-20.
[106] Ex. UCAN-03, Q25 (June 29, 2026 supplemental response).
[107] Ex. UCAN-01 at 8:8-18; Ex. UCAN-02 at 5:21-6:3.
[108] Ex. CalAdvocates-01 at 3, 7; Ex. UCAN-02 at 5:8-13.

illogical. SDG&E's claim that the fueling station cannot be separated from the Project provides grounds for the Commission's denial of the Project as a whole.

3. D.24-12-074 denied the fueling station, and SDG&E's arguments attempting to support the fueling station are erroneous.

SDG&E argues that D.24-12-074 did not deny the fueling station "outright," that the decision approved other hydrogen stations and vehicles, that public stations are 30 miles away and unreliable, and that only one Mirai had a fuel card.[109]

D.24-12-074 denied the station's capital and O&M costs.[110] The Commission's denial of the hydrogen fueling station was clear and should not be relitigated in this proceeding. As Commissioner Harada's Scoping Memo in the instant proceeding states, "[t]he 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."[111] Fueling used 610 kg of the Project's 4,870 kg of hydrogen (12.5%) overall.[112] In 2024, all of the hydrogen use SDG&E reported was vehicle fueling,[113] a use case that was denied cost recovery in D.24-12-074.

a) D.24-12-074 did not "support" hydrogen refueling stations; it rejected them.

SDG&E inaccurately claims that "the Commission supported other hydrogen refueling station projects within the Decision."[114] The decision's only hydrogen-station rulings were denials: Palomar's station and SoCalGas's Pico Rivera and Honor Rancho stations.[115] The

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[109] Ex. SDGE-06 at 22:16-24:12.
[110] D.24-12-074 at 394; Ex. UCAN-01 at 6:8-10; Ex. UCAN-02 at 16:12-19.
[111] Scoping Memo at 2 (citing D.24-12-074 at 394).
[112] Ex. UCAN-02 at 16:4-11; Ex. UCAN-03, Q38. *See also* Ex. CalAdvocates-01 at 12-13; Ex. CEJA-01 § VII at 30-32.
[113] Ex. UCAN-02 at 16:4-8; Ex. UCAN-03, Q38.
[114] Ex. SDGE-06 at 23:19-24:2.
[115] D.24-12-074 at 394, 622-625, and Conclusion of Law ("COL") 198 at 1069.

Commission was clear here. And the Commission's reasons for denying SoCalGas's stations apply equally to the Project's fueling station:

1. Ratepayer benefits were unclear.[116]

2. The stations were not shown to be just and reasonable costs needed for the utility to meet its obligation to serve.[117]

3. Producing, delivering, and storing hydrogen raises complex issues outside the utility's traditional business, so cost-effectiveness and ratepayer benefits require review before the costs enter rate base.[118]

4. A utility "does not need to build its own hydrogen refueling stations to understand the technology," given the "ample research opportunities in the public sphere."[119]

5. More than 30 public hydrogen stations operate in the service territory, with more than 20 in development.[120]

6. Owning a station costs more than choosing between leased electric and hydrogen vehicles.[121]

7. The stations do not fit cost causation: it is unclear which customers benefit, and ratepayers would cross-subsidize hydrogen sales.[122]

8. No statute requires ratepayers to fund hydrogen fueling. There is a mandate to electrify transportation, but "no analogous hydrogen infrastructure mandates exist."[123]

9. Ratepayer funding is "premature and risky;" hydrogen vehicle sales lag electric vehicle sales, and ratepayers would bear the risk.[124]

10. Without a complete breakdown of costs and benefits, cost recovery is unreasonable.[125]

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[116] D.24-12-074 at 622.
[117] *Id.* at 622; Pub. Util. Code § 451.
[118] D.24-12-074 at 622.
[119] *Id.* at 622-623.
[120] *Id.* at 623.
[121] *Id.*
[122] *Id.*
[123] *Id.* at 623-624.
[124] *Id.* at 624.
[125] *Id.*

11. The impacts on environmental and social justice ("ESJ") communities and on rate affordability were unknown.[126]

12. A utility confident in hydrogen stations may file an application "that relies on shareholder funds."[127]

The twelve reasons that D.24-12-074 gave for denying hydrogen fueling station cost recovery show that the Commission did not intend for ratepayers to fund utility hydrogen fueling stations, including the station at Palomar. The last item in the list states that if "the utilities" are confident that hydrogen fueling stations are economically viable, "they should be allowed to file an application that relies on shareholder funds to do so."[128] The Commission should reject the Project because SDG&E cannot separate fueling station costs that the Commission has previously and explicitly rejected.

b) SDG&E's citations do not show that the Commission approved any hydrogen station.

SDG&E says the Palomar station was included in its Clean Transportation Infrastructure testimony in the GRC, and that the Commission "approved the uncontested capital work."[129] In the GRC, multiple parties contested the Sempra utilities' hydrogen fueling stations, and the Commission denied fueling station cost recovery.[130] Furthermore, SDG&E's GRC testimony on its Clean Transportation Infrastructure budget did not identify the Palomar station or any specific hydrogen fueling station. That testimony describes the budget as funding electric vehicle chargers and mentions dedicated hydrogen fleet fueling only generally, as a cost driver.[131]

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[126] *Id.* at 624-625.
[127] *Id.* at 625.
[128] D.24-12-074 at 625.
[129] Ex. SDGE-06 at 24:2-5, citing D.24-12-074 at 634-635.
[130] D.24-12-074 at 394, 404.
[131] Ex. SDGE-06 at 24:2-4 & n.89 (citing A.22-05-016, Ex. SDG&E-23, Prepared Direct Testimony of Dale Tattersall on behalf of SDG&E (May 2022) at 40); *see also* Ex. SDGE-01 at AB-24:3-7 & n.56 (quoting *id.* at 41). The Clean Transportation Infrastructure section SDG&E cites describes the budget as funding electric vehicle chargers, and its cost-driver discussion refers to hydrogen fleet fueling only generally, as "reliable fueling dedicated

SDG&E also says the decision approved hydrogen vehicles.[132] It approved $26,000 to lease six vehicles as a pilot, not a station.[133]

c) The Commission already weighed public-station access.

SDG&E repeats that public stations are distant and unreliable, and that only one Mirai had a fuel card.[134] The Commission already considered and addressed this. It found that SDG&E could fuel at public stations and noted the $15,000 Toyota fuel card provided with each Mirai.[135] Cal Advocates found no evidence that public fueling is unavailable or inadequate, and SDG&E never quantified the cost or reliability benefit of on-site fueling.[136]

d) Electric vehicles are the better fleet choice.

Electric vehicles are cheaper, cleaner, and more efficient than hydrogen vehicles.[137] Hydrogen fuel costs more than electricity, and hydrogen vehicles cost more than electric vehicles. Electric vehicle charging is widespread and affordable, while hydrogen fueling is sparse and expensive. Grid electricity is more than 60% carbon-free and getting cleaner, while hydrogen dispensed in California need be only one-third renewable, a requirement mostly met through certificates.[138] Electric vehicles are also substantially more energy efficient than fuel cell vehicles, so the cleaner fuel goes farther. SDG&E identified no on-road use that only hydrogen vehicles can serve.[139] D.24-12-074 reached the same conclusion for light-duty fleets.[140]

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to our fleet in a location that meets our operational requirements;" it does not identify any specific hydrogen fueling station, and D.24-12-074 denied cost recovery of hydrogen fueling stations.

[132] Ex. SDGE-06 at 24:5-7.

[133] D.24-12-074 at 591 and COL 184 at 1067.

[134] Ex. SDGE-06 at 22:16-24:12.

[135] D.24-12-074 at 394.

[136] Ex. CalAdvocates-01 at 12:14-13:7. *See also* Ex. CEJA-01 § VII at 30-32.

[137] Ex. UCAN-02 at 16:20-17:8.

[138] *Id.*

[139] *Id.*

[140] D.24-12-074 at 575.

4. The solar array cost three to four times the market price.

SDG&E offers no direct rebuttal on the cost of the Project's solar array; it relies instead on the value of renewable energy certificates ("RECs").[141] The ITC basis implies an installed cost of $5.93 per watt, against 2021 benchmarks of $1.45 to $1.90 per watt.[142] SDG&E's carport siting raised the cost and reduced output to a 14.8% capacity factor, and the array never matched the electrolyzer's draw.[143] Utility-scale solar is the right benchmark for a generation asset.[144] SDG&E's REC savings assume 335 MWh of output; actual 2025 output was 297.7 MWh.[145] This shows that Project procurement was significantly above market prices and the Project design was inappropriate for the use case.

5. SDG&E built first and sought recovery later.

SDG&E began the Project in 2021, placed its main equipment into service in 2023, and completed the Project in September 2025, all before seeking cost recovery in a stand-alone application.[146] SDG&E's shareholders, not ratepayers, should bear the risk of that choice. SDG&E chose to accept the risk by moving forward prior to Commission approval.

6. The electrolyzer is not matched to the solar array, and SDG&E withheld hourly data.

SDG&E argues that hourly matching begins in 2030, after the ITC recapture period ends in 2028, so it needs no energy attribute certificates, and that third-party verification for 2025 was

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[141] Ex. SDGE-06 at 6:4-7.
[142] Ex. UCAN-01 at 32:4-34:21.
[143] Ex. UCAN-01 at 34:23-35:30.
[144] Ex. UCAN-02 at 6:4-24.
[145] Ex. UCAN-01 at 37:9-11. *See also* Ex. TURN-01 § IV.C at 37-43 ($6.40 per watt; $206 to $802 per MWh).
[146] Ex. SDGE-02 at PK_KC-23:3, WP1-1 (Table WP1-A); Scoping Memo at 1; Ex. UCAN-01 at 36:2-16. *See also* Ex. TURN-01 at 2.

clean.[147] In zero of 21,169 recorded hours did solar output reach the electrolyzer's rated draw.[148] SDG&E twice declined to produce hourly electrolyzer data.[149]

Whatever the federal tax rule cited by SDG&E, D.24-12-074 and Pub. Util. Code § 398.4(k)(3) bar clean-energy claims that rest on REC accounting.[150] Section IV.D below addresses SDG&E's verification claim. SDG&E's failure to match its renewable electricity production with its electrolyzer operations hourly shows that the Project increases GHG emissions.

7. SDG&E did not leverage public funding.

SDG&E points to ITCs, RECs, Low Carbon Fuel Standard ("LCFS") credits of about $100,000 per year, and a $200,000 EPIC-funded export panel. It argues that ARCHES is moot because the U.S. Department of Energy ("DOE") ended the hydrogen hub, that the Energy Commission's solicitations did not fit its timing, and that UCAN's statement that SDG&E sought nothing from ARCHES or from the Energy Commission's AB 209 program is "false."[151]

In addition to requesting SDG&E seek public funding, D.24-12-074 also directed SDG&E to reconsider the Project "to take advantage of private institutions that want to test their technology and other public funding sources to help reduce costs to ratepayers."[152] That direction was reasonable: private funding would show whether anyone outside SDG&E sees commercial value in what the Project can demonstrate. SDG&E's Application identifies no private entity willing to contribute funds.[153] Private capital is leaving hydrogen: only 1% of planned green

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[147] Ex. SDGE-06 at 12:1-13:17.
[148] Ex. UCAN-01 at 35:3-11.
[149] Ex. UCAN-02 at 7:10-15 & n.32; Ex. UCAN-03, Q6.
[150] D.24-12-074 at 406; Pub. Util. Code § 398.4(k)(3); Ex. UCAN-02 at 10:14-20.
[151] Ex. SDGE-06 at 5:3-6:18, 19:11-17.
[152] D.24-12-074 at 406.
[153] Ex. UCAN-01 at 8:1-7, 37:1-11. *See also* Ex. TURN-01 § III at 15-20.

hydrogen output has a binding offtake contract.[154] Private funders also have little reason to pay for a demonstration of what other projects have already demonstrated (Section IV.A.2 above). SDG&E re-filed the Project without any new private or public funding. Whether SDG&E did not seek those funds or could not find them, the result undermines its request for cost recovery.[155]

SDG&E never applied for ARCHES or AB 209 funding, and its LCFS revenue is unquantified and outside the revenue requirement.[156] SDG&E calls UCAN's statement that SDG&E "sought nothing from ARCHES" false,[157] yet SDG&E provided no evidence that it sought ARCHES funds. Moreover, SDG&E's own explanation confirms that SDG&E was not in line for any ARCHES funding. SDG&E says it "was tracking ARCHES funding" and now calls the option "moot" after DOE terminated the partnership.[158] Tracking is not seeking.[159] SDG&E's own direct testimony touts the up-to-$1.2 billion federal ARCHES award, but does not call out any share of that as allocated to the Project.[160]

In December 2024, D.24-12-074 stated that SDG&E "may pursue" the Project in a stand-alone application and urged it to use public funding sources to reduce ratepayer costs.[161] ARCHES was still in place then, and SDG&E did not apply before DOE ended it.

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[154] Ex. UCAN-02 at 8:23-10:3. *See also* Ex. CalAdvocates-01 at 13-14; Ex. CEJA-01 (match funding as a market signal), as adopted in Ex. UCAN-02 at 8:24-9:2.
[155] Ex. UCAN-01 at 7:14-8:7; Ex. UCAN-02 at 7:20-22.
[156] Ex. UCAN-01 at 37:1-11.
[157] Ex. SDGE-06 at 6:12-14.
[158] Ex. SDGE-06 at 6:14-16; *see also* 2025 IEPR at 136 (loss of federal funding led ARCHES to pause its hub activities).
[159] Ex. UCAN-01 at 8:4, 37:2-3.
[160] Ex. SDGE-01 at AB-15:17 to AB-16:3.
[161] D.24-12-074 at 404, 406.

C. Blending hydrogen at Palomar has no environmental benefit.

Scoping Issue 3: "What are the environmental benefits of blending hydrogen with methane for this Project?"[162]

Blending hydrogen at Palomar provides no environmental benefit. The blend displaces a sliver of one turbine's fuel, and making the hydrogen destroys approximately two-thirds of the electricity used to produce it.

1. The blend displaces a sliver of one turbine's fuel.

SDG&E claims that a 2% blend cuts the turbine's carbon dioxide emissions by about 0.617%, or 12 tons per year.[163] SDG&E inaccurately claims that electrolytic hydrogen meets the Commission's 4 kg CO2e per kg definition of clean renewable hydrogen;[164] and that the onsite hydrogen "has a carbon intensity ('CI') score of zero."[165]

A 2% blend by volume is 0.617% of the energy in one of Palomar's two turbines, or about 0.31% plant-wide.[166] In 2025, hydrogen flowed to the turbine in 80 of 8,760 hours, and the blend never reached a 2% rate.[167] However, even those tiny emissions reductions are only at the point of combustion. As the Commission has previously ruled, the emissions for clean hydrogen include more than just point-of-combustion accounting.[168] The Commission defines clean renewable hydrogen as "[h]ydrogen which is produced through a process that results in a lifecycle (*i.e.,* well-to-gate) GHG emissions rate of not greater than 4 kilograms of CO2e per

[162] Scoping Memo at 5.
[163] Ex. SDGE-02 at PK_KC-17; Ex. UCAN-01 at 9:15-16 n.30 (SDG&E's corrected figure of 0.617%).
[164] Ex. SDGE-06 at 10:16-11:2.
[165] Application at 3.
[166] Ex. UCAN-01 at 9:10-10:8, 37:22-27.
[167] Ex. UCAN-01 at 38:7-10.
[168] D.22-12-057 at 48.

kilogram of hydrogen produced and does not use fossil fuel as either a feedstock or production energy source."[169]

The Project data shows that SDG&E does not complete hourly matching of renewable electricity production with electrolyzer operations.[170] Without hourly matching, grid-powered electrolysis produces about 20 to 22 kg CO2e per kg of hydrogen, five times the Commission's threshold for clean renewable hydrogen regardless of whether SDG&E buys RECs.[171] Moreover, the Commission has already barred REC-based clean-energy claims for this Project.[172] These data show that the Project increases GHG emissions. It does not decrease emissions.

2. The Project destroys two-thirds of the clean electricity it uses.

SDG&E argues that the Project is not proposed as energy storage, so comparing its 32% round-trip efficiency to batteries is inapt, and that a battery cannot make hydrogen for generator cooling or vehicles.[173] The 32% figure is SDG&E's own.[174] Hydrogen made from electricity and burned in a turbine to make electricity is electricity storage.[175] Hydrogen made from electricity and supplied to a fuel cell to make electricity to power a vehicle is also electricity storage. SDG&E itself markets hydrogen as "dispatchable firm" reliability supply, which is a storage claim.[176] The non-power uses are trivial or dormant.[177] And the Project's storage holds about 27 seconds of the plant's output.[178]

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[169] D.22-12-057 at 48.
[170] Ex. UCAN-01 at 35:3-11; Ex. SDGE-06 at 11:14-13:17.
[171] Ex. UCAN-01 at 46:19-26.
[172] D.24-12-074 at 406; Ex. UCAN-02 at 10:14-20. *See also* Ex. CEJA-01 § II; Ex. UCAN-02 at 2:23-3:2.
[173] Ex. SDGE-06 at 30:14-31:13.
[174] Ex. UCAN-03, Q32; Ex. UCAN-01 at 10:9-12:5.
[175] Ex. UCAN-01 at 10:11-15; Ex. UCAN-02 at 11:1-9.
[176] Ex. UCAN-02 at 13:20-14:1 & n.66, citing Ex. SDGE-01 at AB-12.
[177] Ex. UCAN-01 at 30:9-16.
[178] Ex. UCAN-01 at 12:6-15.

For tax purposes, SDG&E claimed a $1,248,318 energy storage ITC for the Project. SDG&E then used the Inflation Reduction Act's election to opt out of normalization "with respect to energy storage ITCs," and it "made that election for the Palomar Facility's energy storage ITC on Sempra's 2023 Federal Tax Return."[179] Thus, SDG&E's own claims conflict with its assertion that the Project is "not proposed as an energy storage system."[180] The Energy Commission agrees that the "main value of hydrogen for the grid" is as long-duration storage.[181] The Project is energy storage with 27 seconds of capacity and a 32% round-trip efficiency. Both facts could have been determined without asking ratepayers to pay a $31.1 million revenue requirement.

D. The Project increases greenhouse gas emissions.

Scoping Issue 4: "How many greenhouse gas emissions are likely to be avoided by this Project?"[182]

The Project avoids no greenhouse gas emissions. Using SDG&E's own data, the Project increased emissions by at least 76 tons in 2025.

1. The Project increased emissions by at least 76 tons in 2025.

SDG&E claims the Project avoids 36 tons of carbon dioxide per year; that its hydrogen is zero-carbon according to third-party ITC verification; that the 2,724-metric-ton annual estimate from SDG&E's post-certification change proceeding at the Energy Commission is a modeled 8,760-hour maximum; and that storage "can" cut emissions by shifting zero-carbon energy.[183]

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[179] Ex. SDGE-06 at 14:16-19; Ex. SDGE-05; Ex. UCAN-01 at 36:23-26.
[180] Ex. SDGE-06 at 30:15-18; *see id.* at 36:15-16.
[181] 2025 IEPR, App. B at B-11.
[182] Scoping Memo at 5.
[183] Ex. SDGE-02 at PK_KC-18:1-2; Ex. SDGE-06 at 36:12-37:8.

Every part of SDG&E's 36-ton claim assumes that the hydrogen has zero carbon intensity.[184] Had the 232.7 MWh of electricity used by the Project in 2025 been delivered to the grid instead, it would have avoided about 88 tons of emissions. Blending credits only 12 tons. The Project therefore added about 76 tons of emissions in 2025.[185] That 76-ton figure is a floor: it assumes 100% renewable input and perfect matching.[186]

For storage to reduce emissions through load shifting, SDG&E must show that it captures curtailed clean power and that hydrogen is a better and more cost effective storage medium than the alternatives. SDG&E has shown neither. The Project's 27 seconds of storage is not load shifting.[187]

2. SDG&E did not produce the verification on which its zero-carbon claim depends.

SDG&E relies on third-party verification of the Project's hydrogen.[188] That verification is not in the record. When UCAN asked whether the zero carbon intensity score had been audited, SDG&E first answered "Yes." It then corrected its answer to say the audit was "pending" and "expected to be completed by the end of August 2026." SDG&E never supplemented that response or produced an audit.[189] The Application claimed zero carbon intensity in December 2025, before any audit.[190] SDG&E's rebuttal cites only its tax witness's testimony for "positive verification statements," and that testimony describes the federal rule, not any result.[191] In any

[184] Ex. UCAN-01 at 39:16-40:2.
[185] Ex. UCAN-01 at 40:3-13.
[186] Ex. UCAN-02 at 11:12-12:18.
[187] Ex. UCAN-01 at 12:6-15, 39:4-15.
[188] Ex. SDGE-06 at 13:1-6, 37:7-8.
[189] Ex. UCAN-03, Q36a-36b (June 29, 2026 supplemental response).
[190] Application at 3.
[191] Ex. SDGE-06 at 13:1-3; Ex. SDGE-05 at 4.

event, the verification tests only consistency with the facility's designed emissions tier, not zero carbon intensity.[192]

SDG&E bears the burden of proof. By never producing the verification on which it relies, SDG&E failed to carry that burden, and its zero-carbon assertion is unsupported.

3. SDG&E admits that it does not match hydrogen production with renewable generation hourly.

SDG&E's defense is that hourly matching is not required of it until 2030.[193] That defense concedes that the Project does not match hourly now. Federal clean-hydrogen rules require that the electricity behind each energy attribute certificate be "generated in the same hour" that the facility uses electricity to produce hydrogen, beginning in 2030.[194] The Treasury Department explained that "hourly matching is necessary to properly address induced grid emissions and to ensure that a hydrogen producer can properly attribute its load to a specific electricity source."[195]

Without hourly matching, grid electrolysis in California produces about 20 to 22 kg CO2e per kg of hydrogen, five times the Commission's threshold for clean renewable hydrogen.[196] Hydrogen made outside the three pillars of clean hydrogen production and burned at Palomar increases emissions.[197]

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[192] Ex. SDGE-06 at 12:11-13; Ex. SDGE-05 at 4.
[193] Ex. SDGE-06 at 11:14-13:17.
[194] Treas. Reg. § 1.45V-4(d)(3)(ii)(A)-(B); T.D. 10023, 90 Fed. Reg. 2224, 2319 (Jan. 10, 2025).
[195] 90 Fed. Reg. at 2267; *see id.* at 2266.
[196] Ex. UCAN-01 at 46:19-26.
[197] Ex. UCAN-02 at 6:15-24, 12:13-16. *See also* Ex. CEJA-01 § VI at 25-30.

E. The Project's cost to ratepayers relative to its value is not just and reasonable.

Scoping Issue 5: "Is the cost of the Project to ratepayers relative to its value just and reasonable?"[198]

The Project's cost is not just and reasonable relative to its value because the Project has no demonstrated value. On SDG&E's own numbers, the Project's hydrogen costs approximately 100 times as much as the natural gas it displaces.

1. The Project's hydrogen costs approximately 100 times the natural gas it displaces.

SDG&E argues that, running on solar power alone, the electrolyzer produces about 8,100 kg of hydrogen per year, worth about $470,000 per year at a delivered price of $58 per kg, or $4.7 million over ten years, which exceeds the electrolyzer's capital and O&M costs. SDG&E adds that a demonstration need not be the lowest-cost option and that onsite production avoids trucking emissions.[199]

Taking SDG&E's math at face value, SDG&E justifies the electrolyzer only by comparing it with delivered hydrogen at about $58 per kg. That is nearly ten times the $6 per kg cost of green hydrogen,[200] and that $6 market rate is about twelve times as much as natural gas.[201] Thus, on SDG&E's own numbers, the Project's hydrogen is only worth making at approximately 100 times the price of the natural gas it displaces, and it increases emissions while doing so.[202]

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[198] Scoping Memo at 5.
[199] Ex. SDGE-06 at 24:13-27:18; *id.* at 27:3-12 ($58 per kg).
[200] Ex. UCAN-01 at 16:5-13.
[201] Ex. UCAN-01 at 17:3-4.
[202] SDG&E's 8,100-kg figure also overstates output. Actual 2025 production was 4,104 to 4,279 kg. Ex. UCAN-01 at 30:3-8. The Project's 2025 solar output of 297.7 MWh, Ex. UCAN-01 at 37:9-11, at SDG&E's conversion rate of 19.8 kg per MWh, Ex. UCAN-03, Q32, supports only about 5,900 kg.

SDG&E's comparison also counts only the electrolyzer. It leaves out the storage, the compressor, the solar array, and every other cost in the $31.1 million request.[203]

With regard to hydrogen vehicle fueling, retail hydrogen sells for ten times the price of gasoline on an energy-equivalent basis.[204] Gasoline costs more per mile of vehicle range than electricity that powers a battery electric vehicle. SDG&E has no cost-effectiveness analysis, and it refused in three supplemental responses to define "affordable" hydrogen.[205] UCAN's $6 per kg benchmark is conservative,[206] and shows that even market-rate green hydrogen is not cost effective for electricity production. SDG&E's Project hydrogen production cost far exceeds the market rate for clean hydrogen.

2. There is no value to weigh against the cost.

SDG&E showed no benefit from the Project. The Project only produces harms.[207] The Project is not used and useful. Its defining function, blending, ran 80 hours in one of three years.[208] The benefits SDG&E claims are speculative, circular, or belong to other authorizations.[209]

3. SDG&E's analogy to solar and storage fails.

SDG&E argues that early renewable and storage procurement mandates looked expensive and drove costs down, that electrolyzer costs fell 40% from 2014 to 2019, and that intervenors hold hydrogen to a standard that solar and storage never had to meet.[210] SDG&E's assertion is inaccurate on two levels. First, the Project increases emissions, whereas solar and storage reduce

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[203] Ex. UCAN-01 at 32, Table 6; Ex. UCAN-02 at 5:14-20.
[204] Ex. UCAN-01 at 18:3-11.
[205] Ex. UCAN-01 at 19:1-20.
[206] Ex. UCAN-02 at 15:3-12.
[207] Ex. UCAN-02 at 13:5-8.
[208] Ex. UCAN-01 at 40:21-41:3.
[209] Ex. UCAN-01 at 41:4-9.
[210] Ex. SDGE-06 at 27:19-30:13.

emissions. Second, even if the Project were to decrease emissions, SDG&E's argument regarding the cost of electrolyzers is meaningless. The measure of whether hydrogen-based electricity is becoming more affordable is the cost of the green hydrogen, not the cost of the electrolyzer.

Electrolyzer cost is the wrong measure. The right measure is the all-in cost of green hydrogen produced under the three pillars, because that is the cost of a low-emission product.[211] That hydrogen cost rose from about $5 per kg in 2021 to $5 to $7 per kg in 2024, despite significant public investment, private investment, and DOE's Hydrogen Shot.[212] The International Energy Agency reports that the expected cost reductions "have not materialised."[213] Green hydrogen has not been cheaper than mainstream renewable resources at any point since 2020.[214] The electrolyzer is also only part of the cost: SDG&E's entire hydrogen vendor package, including the electrolyzer, storage, compressor, and fueling station, is $6.14 million of $17.49 million in direct capital.[215] The solar cost curve SDG&E cites is the decline in solar power purchase agreement prices which accounts for all-in solar costs rather than a single component. Solar and storage have seen significant cost reductions. Green hydrogen production has not, despite the decrease in electrolyzer prices. U.S. hydrogen prices are rising.[216] Moreover, nothing in the record shows that California procurement of clean hydrogen would lower its cost.

Before utilities spend ratepayer money on hydrogen, green-hydrogen-based electricity production should be cost-effective at some location in the U.S. Until then, the Commission

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[211] Ex. UCAN-02 at 6:15-24.
[212] Ex. UCAN-01 at 16:5-10.
[213] Ex. UCAN-01 at 17:7-18:2.
[214] Ex. UCAN-01 at 19:21-20:9.
[215] Ex. UCAN-02 at 5:14-20.
[216] Ex. UCAN-01 at 16:5-10.

should rely on the cost-effective decarbonization options already available.[217] The CPUC, the CEC, and CARB have all completed modeling that selects solar and storage as cost effective electricity sources.[218] None have selected hydrogen.[219]

4. The Project cannot scale at this site, and there is nothing to scale into.

SDG&E claims the current electrolyzer can reach a 5% blend without changes; that the turbines can take about 5% hydrogen now and 30% with upgrades; that hubs, pipelines, or merchant suppliers could provide more hydrogen later; and that scalability includes transferable "know-how."[220]

The installed electrolyzer supplies about 25% of one turbine's needs at a 2% blend, a sustainable blend of about 0.5%. A 5% blend in one turbine would require about ten times the equipment.[221] SDG&E states that it did not store more hydrogen because of "space and budget constraints."[222] Trucking is infeasible by SDG&E's own analysis, and no hydrogen pipeline serves or is planned for San Diego.[223]

Salt caverns are the only place hydrogen can be stored cost-effectively at scale, and none exists near San Diego. Geologic storage is the lowest-cost option, and salt caverns are the only formation with a low risk of contaminating the hydrogen. The only known domal-quality salt formation in the western United States is in Delta, Utah, about 700 miles away; none exists in SDG&E's service territory or near any California population center.[224] Long-duration storage for

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[217] Ex. UCAN-01 at 28:13-29:5, 42:19-43:7.
[218] Ex. UCAN-01 at 25:16-27:20.
[219] Ex. UCAN-01 at 26:10-27:20.
[220] Ex. SDGE-06 at 7:1-9:21.
[221] Ex. UCAN-01 at 14, Table 1; *id.* at 41:21-42:8.
[222] Ex. UCAN-06; Ex. UCAN-01 at 13:17-14:16.
[223] Ex. UCAN-01 at 15:1-15, 42:9-13.
[224] Ex. UCAN-01 at 13:10-16.

Palomar would require about 1,600 times the Project's hydrogen storage, on a 20-acre site.[225] The binding constraint is storage, not onsite solar.[226]

5. The real cost of inaction is delay in cost-effective renewable procurement.

SDG&E asserts that "[e]very year of delay compounds future costs,"[227] but it never quantified any cost of inaction.[228] The real cost of inaction is SDG&E's delay in procuring cost-effective renewable resources. Prior to SDG&E's procurement for its Project, an LSE reached 100% carbon-neutral electricity in 2021, without hydrogen, at a generation rate 41% below SDG&E's.[229] SDG&E's own electricity supply remains less than half renewable.[230] The same $31.1 million that SDG&E has requested for the Project would buy about 16.4 MW of solar.[231] This shows SDG&E's expensive demonstration project delays cost-effective decarbonization.

F. The Project provides no benefits, so no ratemaking mechanism or cost recovery accounting is needed.

> *Scoping Issue 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?"*[232]

As detailed in the prior sections, the Project provides no benefits to ratepayers, and none of its costs should be recovered.[233] The Commission therefore need not decide whether a two-

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[225] Ex. UCAN-02 at 13:9-14:12.
[226] Ex. UCAN-02 at 13:12-15. *See also* Ex. CEJA-01 § II at 2-9; Ex. TURN-01 § IV.A at 21-29.
[227] Application at 6-7.
[228] Ex. UCAN-01 at 42:14-18; Ex. SDGE-01 at AB-33 to AB-34.
[229] Ex. UCAN-01 at 28:1-12.
[230] Ex. UCAN-01 at 28:1-12.
[231] Ex. UCAN-01 at 42:19-43:7.
[232] Scoping Memo at 5.
[233] *See* Sections IV.A, IV.B, and IV.E above; Ex. UCAN-01 at 44:11-14; Ex. UCAN-02 at 8:14-22.

way balancing account is appropriate, whether costs should be recovered through distribution or generation rates, or whether and how costs should be vintaged.

G. The Project burdens environmental and social justice communities.

> *Scoping Issue 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?"*[234]

SDG&E presented no analysis of the Project's impacts on environmental and social justice communities. The Project increases both emissions and costs, which conflicts with the Commission's Environmental and Social Justice Action Plan.

SDG&E claims that the effect of a 2% blend on NOx emissions is "negligible," based on sample data.[235] SDG&E's Application and its five chapters of direct testimony contain no ESJ analysis, and SDG&E bears the burden.[236] A $31.1 million charge for a project that increases emissions and increases costs negatively impacts customers enrolled in CARE and FERA, and customers in disadvantaged communities.[237] Increasing GHG emissions and rates conflicts with the ESJ Action Plan, which directs the Commission to increase investment in clean energy for ESJ communities.[238]

SDG&E has known since 2020 that blending raises NOx. In September 2020, GE told SDG&E that keeping NOx within permitted limits while blending requires more water injection, which shortens combustor life, and that hydrogen "has a much greater NOx scalar, thus generating more NOx relative to" natural gas.[239] An SDG&E plant engineer then summarized the

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[234] Scoping Memo at 5.
[235] Ex. SDGE-06 at 35:5-10; Ex. SDGE-02 at PK_KC-17 to PK_KC-18.
[236] Ex. UCAN-01 at 44:25-29.
[237] Ex. UCAN-01 at 45:1-18.
[238] Ex. UCAN-01 at 45:13-18; Ex. UCAN-02 at 17:15-19.
[239] Ex. UCAN-02 at 19:14-20:1; Exs. UCAN-05b, UCAN-05d, UCAN-05g.

expected effect for other SDG&E employees: "[a]t 5%, we can expect 10% raise in CO/NOX."[240] Those documents concern LM6000 units, not Palomar's turbine.[241] UCAN offers them to show what SDG&E knew and what data it has not developed for its own Project turbine. SDG&E's "negligible" claim rests on a different turbine at a different utility's site[242] and on a one-day "representative sample."[243] After three years of operation, SDG&E has released so little emissions data that it appears unable to verify GE's NOx data for its own turbine,[244] even though the Application promised that "detailed emissions testing" would guide State agencies on blend levels and emissions controls.[245]

H. The Commission should order SDG&E to stop blending hydrogen at Palomar.

SDG&E has inaccurately argued that an order to stop blending is outside the scope of this proceeding.[246] Each order UCAN recommends follows from the exact findings that the Scoping Memo requires the Commission to make under Issues 1, 3, 4, and 7.

Issue 1 (public interest). Blending hydrogen at Palomar increases GHG emissions;[247] increases costs, at approximately 100 times the cost of the natural gas it displaces;[248] and destroys about 68% of the renewable electricity used to make the hydrogen.[249] Hydrogen blending therefore does not serve the public interest. Until a utility shows that blending decreases emissions, and does so cost-effectively compared with other carbon-reduction options, SDG&E should not blend hydrogen into its gas turbines.

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[240] Ex. UCAN-02 at 20:1-2; Ex. UCAN-05e.
[241] Ex. UCAN-02 at 20:3-5.
[242] Ex. UCAN-02 at 20:15-21:2.
[243] Ex. CEJA-01, Attachment, SDG&E Response to CEJA DR-01, Q1(a).
[244] Ex. UCAN-02 at 21:3-6.
[245] Application at 8. *See also* Ex. CEJA-01 §§ IV-V at 14-25; Ex. UCAN-02 at 17:16-23, 19:7-9.
[246] Ex. SDGE-06 at 17:11-16.
[247] Ex. UCAN-01 at 40:3-13; Ex. UCAN-02 at 11:12-12:18.
[248] Section IV.E.1 above; Ex. UCAN-01 at 16:5-17:4.
[249] Ex. UCAN-01 at 10:9-12:5, 46:27-28.

Issue 3 (environmental benefits). Hydrogen made with grid-supplied electricity increases emissions: about 20 to 22 kg CO2e per kg without hourly matching, five times the 4 kg threshold.[250] REC-based carbon "neutralization" does not meet the Commission's clean renewable hydrogen definition, which bars fossil fuel as a production energy source,[251] and the grid-connected electrolyzer uses fossil-generated power.[252] Blending hydrogen that fails the three pillars of clean hydrogen increases emissions.[253] SDG&E should stop blending to avoid the emissions increases the Project causes.

Issue 4 (GHG emissions). The Project increased GHG emissions by about 76 tons in 2025, and that figure is a floor.[254] Ending blending at Palomar will decrease emissions. Continued blending conflicts with the State's policy to "[a]chieve net zero greenhouse gas emissions as soon as possible, but no later than 2045."[255]

Issue 7 (ESJ). Increasing GHG emissions and rates conflicts with the ESJ Action Plan.[256] The Commission should therefore order that SDG&E stop blending hydrogen into its gas turbines and spend no ratepayer funds on hydrogen blending. This order does not affect SDG&E's use of hydrogen for generator cooling.[257]

V. CONCLUSION

SDG&E has returned with the same Project at the same cost. The Project increases emissions, destroys most of the clean electricity it uses, makes hydrogen at approximately 100

[250] Ex. UCAN-01 at 46:19-26.
[251] D.22-12-057 at 48; Ex. UCAN-01 at 9:4-6.
[252] Ex. UCAN-01 at 35:3-11, 46:19-23; D.24-12-074 at 406.
[253] Ex. UCAN-02 at 6:15-24, 12:13-16.
[254] Ex. UCAN-01 at 40:3-13; Ex. UCAN-02 at 11:12-12:18.
[255] Health & Saf. Code § 38562.2(c)(1).
[256] Ex. UCAN-01 at 45:13-18; Ex. UCAN-02 at 17:15-19.
[257] Ex. UCAN-01 at 46:13-47:6.

times the cost of the natural gas it displaces, and produces no information that is unique or needed. SDG&E has not carried its burden on any issue in the Scoping Memo.

UCAN recommends that the Commission (1) deny the Application because the Project's costs are not just and reasonable; (2) deny the Application on the independent ground that the fueling-station costs the Commission denied in D.24-12-074 cannot be separated from the rest of the request; and (3) order SDG&E to stop blending hydrogen into its gas turbines and to spend no ratepayer funds on hydrogen blending.

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