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Proceeding No.: A.26-02-001
Witness: Eric Dalton
Date: November 9, 2026

REBUTTAL TESTIMONY OF

ERIC DALTON

ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY

CHAPTER 8 – COST RECOVERY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

November 9, 2026

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PREPARED REBUTTAL TESTIMONY OF ERIC DALTON

I. PURPOSE

The purpose of my rebuttal testimony is to respond to address intervenors' prepared direct testimony served on September 11, 2026, in San Diego Gas & Electric Company's (SDG&E) Application (A.) 26-02-001. Specifically, my rebuttal testimony will address the following contentions made in intervenor testimony:

- Public Advocates Office at the California Public Utilities Commission (Cal Advocates) arguments for a one-way balancing account instead of SDG&E's proposed two-way balancing account.

SDG&E's failure to address any individual issue in this rebuttal testimony does not imply agreement by SDG&E with any argument, position, or proposal asserted by parties.

II. A TWO-WAY BALANCING ACCOUNT IS APPROPRIATE

Cal Advocates argues that a one-way balancing account with a 10% cost overrun margin is more appropriate than SDG&E's proposed two-way balancing account.[1] SDG&E disagrees that a one-way balancing account is necessary to provide appropriate customer protections for the Proposed Demand Flexibility (DF) Rates implementation costs.

A two-way balancing account does not provide guaranteed recovery of all expenditures, nor does it expand the scope of costs authorized by the Commission. Rather, the account provides a mechanism to record and reconcile Commission-authorized revenues with the actual incremental revenue requirement associated with implementing the Proposed DR Rates.

A two-way mechanism also provides protection in both directions. To the extent actual implementation costs are lower than the amounts authorized by the Commission, customers

[1] Cal Advocates' Opening Testimony in Response to San Diego Gas & Electric Company's Dynamic Rate Application (A.) 26-02-001, Chapter 3 at 11-16.

receive the benefit of those cost reductions through the balancing account. Conversely, where actual implementation costs vary because of timing, implementation requirements, or other reasonable program conditions, the balancing account provides a transparent record through which those differences can be identified and treated consistent with the Commission-authorized mechanism.

Concerns regarding cost control and Commission oversight therefore do not require conversion to a one-way balancing account. Those concerns can be addressed through approval of a specific revenue requirement, documentation, and reporting requirements, without eliminating two-way reconciliation. Costs must remain within the scope authorized by the Commission and be appropriately recorded to the account before they are eligible for recovery.

Moreover, Proposed DF Rate implementation is an integrated, multi-year effort. Actual expenditures may shift among implementation activities or years due to timing, system development, vendor sequencing, implementation efficiencies, or other deployment conditions. Establishing rigid annual or category-specific limitations could unnecessarily constrain implementation even where overall program expenditures remain within the Commission-authorized amounts.

Accordingly, SDG&E recommends that the Commission authorize the proposed two-way balancing account. If the Commission determines that additional cost protections are warranted, those protections should be structured at the overall program level and focused on material expenditures above the Commission-authorized amount rather than imposing a one-way mechanism or granular annual or category-specific caps.

This concludes my rebuttal testimony.