

Application: A.25-12-XXX

Exhibit No.: SDGE-04

Witness: Eric Dalton

PREPARED DIRECT TESTIMONY OF
ERIC DALTON
ON BEHALF OF SAN DIEGO GAS & ELECTRIC COMPANY
CHAPTER 4 – COST RECOVERY

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



DECEMBER 16, 2025

TABLE OF CONTENTS

I.	OVERVIEW AND PURPOSE	1
II.	COST RECOVERY	1
III.	CONCLUSION	2
IV.	STATEMENT OF QUALIFICATIONS	3

1 **I. OVERVIEW AND PURPOSE**

2 The purpose of this chapter is to present San Diego Gas & Electric Company's
3 ("SDG&E") cost recovery proposal related to: 1) the accounting treatment and recovery of costs
4 associated with the Palomar Decarbonization Demonstration Project ("Project") as described in
5 Chapter 2, Prepared Direct Testimony of Pooyan Kabir and Kevin Counts; and 2) the request of
6 SDG&E to establish the necessary balancing account to track the costs and revenues associated
7 with the Project.

8 **II. COST RECOVERY**

9 SDG&E proposes to establish the Hydrogen 2 Balancing Account ("H2BA"), which is a
10 two-way, interest-bearing balancing account recorded on SDG&E's financial statements to
11 record the authorized revenue requirement and actual incremental costs associated with the
12 Project. SDG&E's incremental costs for this program include capital-related costs (e.g.,
13 depreciation expense, authorized return on investment, and taxes), incurred operations and
14 maintenance ("O&M") costs associated with the program including applicable incremental
15 overhead costs, ongoing O&M, and CAISO revenues and expenses from sales created by the
16 Project (e.g., generating revenue through the fueling station's enrollment into the CARB LCFS
17 HRI program, and through the generation, retirement, and/or sale of RECs created by the PV
18 system). The revenue requirement related to the Project is summarized in Table 3 of Chapter 3
19 in the direct testimony of Michael R. Woodruff. SDG&E proposes to recover the revenue
20 requirement of \$12.2M for the years 2023 through 2027 in rates, beginning January 1 following a
21 decision. SDG&E will continue to recover ongoing forecasted annual revenue requirements with
22 its January 1 electric rate changes until it is included in a future GRC.

23 A two-way balancing account is reasonable because it allows the utility to track actual
24 costs to an amount authorized for recovery by the CPUC, thereby ensuring that ratepayers are

1 charged for actual costs and refunded any overcollections. In turn, the utility does not make or
2 lose money due to uncertainties in the maintenance of the project, or fluctuations in CAISO
3 revenue and expenses.

4 The annual over or undercollection of the H2PBA balance will be addressed in SDG&E's
5 Tier 2 Advice Letter submission for its Annual Regulatory Account Balance Update, or other
6 applicable proceeding as directed by the Commission. SDG&E proposes to utilize the H2PBA
7 until a time when the costs associated with the program described in this application are
8 incorporated into SDG&E's base business and its GRC proceedings, at which time SDG&E will
9 propose to close the H2PBA and roll the ongoing revenue and expenses into the appropriate
10 commodity account.

11 **III. CONCLUSION**

12 This concludes my prepared direct testimony.

1 **IV. STATEMENT OF QUALIFICATIONS**

2 My name is Eric Dalton. I am employed by SDG&E as the Regulatory Reporting and
3 Accounts Manager in the Controller's Division. My business address is 8330 Century Park
4 Court, San Diego, California 92123. My current responsibilities include managing the process
5 for the development, implementation, analysis and accounting for regulatory balancing and
6 memorandum accounts. I assumed my current position in August 2014 as the Regulatory
7 Reporting Manager and assumed the Regulatory Accounts Manager position in July 2019.

8 I received a Bachelor of Science in Accounting in 1999 from the University of Kansas. I
9 am a Certified Public Accountant ("CPA") licensed in the State of California since 2003.

10 I have been employed with SDG&E since 2006. In addition to my current position in
11 Regulatory Reporting & Accounts, I have held various other positions increasing in
12 responsibility since September 2006. I served as the Billable Project Supervisor in Plant
13 Accounting (January 2013 – August 2014), Bank Reconciliation Supervisor (July 2011 –
14 December 2012), and Financial Accounting Senior and Principal Accountant (September 2006 -
15 June 2011).

16 I have previously testified before the Commission.