

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.