

Company: Southern California Gas Company (U 904 G)  
Proceeding: 2024 General Rate Case  
Application: A.22-05-015/-016 (cons.)  
Exhibit: SCG-238

**REBUTTAL TESTIMONY**  
**OF RAE MARIE YU**  
**(REGULATORY ACCOUNTS)**

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



May 2023

**TABLE OF CONTENTS**

I. SUMMARY OF DIFFERENCES .....1

II. INTRODUCTION .....2

    A. Cal Advocates .....3

    B. TURN.....4

    C. TURN and SCGC .....5

III. REBUTTAL TO PARTIES’ PROPOSALS .....5

    A. Cal Advocates .....5

        1. ACMA.....5

        2. Cost Recovery Mechanism for IMPs and Gas Safety Enhancement  
           Plan (GSEP).....6

        3. Proposal for Customer Information System (CIS) Replacement  
           Balancing Account (CISRBA).....7

    B. TURN.....9

        1. Proposed Elimination of Two-Way Balancing Accounts .....9

        2. TURN Argues That Two-Way Balancing Accounts Lack Adequate  
           Review .....10

    C. TURN-SCGC .....12

        1. MROWMA .....12

IV. CONCLUSION.....14

**APPENDIX A – GLOSSARY OF TERMS**

**REBUTTAL TESTIMONY OF  
RAE MARIE YU  
(REGULATORY ACCOUNTS)**

**I. SUMMARY OF DIFFERENCES**

<b>Balancing Account Recommendations<sup>1</sup></b>				
<b>Account</b>	<b>SCG</b>	<b>Cal Advocates</b>	<b>TURN</b>	<b>TURN-SCGC</b>
ACMA	Amortize and eliminate	Amortize with modification		
TIMPBA, DIMPBA, SIMPBA	Continue	Modify	Modify	
FIMPBA	Create two-way balancing account	Create two-way balancing account	Deny	
GSEPBA	Create two-way balancing account	Create two-way balancing account with modification	Deny or modify	
MROWMA	Amortize and eliminate	Amortize and eliminate		Modify
CISRBA	Create two-way balancing account	<ul style="list-style-type: none"> <li>• Create memorandum account for O&amp;M</li> <li>• Remove capital revenue requirement from PTY</li> </ul>		
LIPBA	Continue		Modify	
Two-way Balancing Accounts			<ul style="list-style-type: none"> <li>• Replace two-way balancing account with one-way balancing account and add memo accounts, if necessary</li> <li>• Above-authorized spending should not be included in annual</li> </ul>	

<sup>1</sup> The testimony locations of the relevant differences are cited and discussed further below.

<b>Balancing Account Recommendations<sup>1</sup></b>				
<b>Account</b>	<b>SCG</b>	<b>Cal Advocates</b>	<b>TURN</b>	<b>TURN-SCGC</b>
			regulatory account update advice letter.	
LPCMA	Create memorandum account	Deny		
HRSBA	Create two-way balancing account	Deny	Modify	
LMBA	Create two-way balancing account	Deny	Modify	

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**II. INTRODUCTION**

This prepared rebuttal testimony regarding Southern California Gas Company's (SoCalGas's) request for Regulatory Accounts addresses the following testimony from other parties:

- The Public Advocates Office of the California Public Utilities Commission (Cal Advocates) as submitted by Dao Phan (Exhibit (Ex.) CA-03), Mariana Campbell (Ex. CA-10), Chia Lee (Ex. CA-19) and Stacey Hunter (Ex. CA-20), dated March 27, 2023.
- The Utility Reform Network (TURN), as submitted by Robert Finkelstein (Ex. TURN-15), dated March 27, 2023.
- TURN and Southern California Generation Coalition (SCGC), as submitted by Catherine E. Yap (Ex. TURN-SCGC-02), dated March 27, 2023.

As a preliminary matter, the absence of a response to any particular issue in this rebuttal testimony does not imply or constitute agreement by SoCalGas with the proposal or contention made by these or other parties. The proposals contained in SoCalGas's direct testimony are reasonable and just.

This prepared rebuttal testimony clarifies errors in observations and proposals made by Cal Advocates, TURN, and TURN-SCGC. Specifically, this prepared rebuttal testimony addresses arguments against the balances recorded in the Aliso Canyon Memorandum Account

1 (ACMA) and Morongo Right-of-Way Memorandum Account (MROWMA), and elimination of  
2 two-way balancing accounts. This prepared rebuttal testimony also proposes an alternate cost  
3 recovery mechanism for the Customer Information System (CIS) Replacement project for the  
4 Commission to consider should it determine SoCalGas's current proposals can be better  
5 facilitated through a balancing account mechanism.

6 Importantly, Cal Advocates and/or TURN opposed the creation of the Litigated Project  
7 Costs Memorandum Account (LPCMA), Hydrogen Re-fueling Station Balancing Account  
8 (HRSBA), the Locate and Mark Balancing Account (LMBA), and the Facilities Integrity  
9 Management Program Balancing Account (FIMPBA). Responses to their arguments and  
10 justifications for the revenue requirement that are proposed to be recorded in these regulatory  
11 accounts are not addressed herein but instead are included in the following exhibits:

- 12 • LPCMA – Gas Distribution (Ex. SCG-204) and Gas Transmission  
13 Operations and Construction (Ex. SCG-206);
- 14 • HRSBA – Clean Energy Innovations (Ex. SCG-212);
- 15 • LMBA – Gas Distribution (Ex. SCG-206); and
- 16 • FIMPBA – Gas Integrity Management Programs (Ex. SCG-209).

17 **A. Cal Advocates**

18 The following is a summary of Cal Advocates' positions on SoCalGas's Regulatory  
19 Accounts:<sup>2</sup>

- 20 • Cal Advocates takes issue with SoCalGas's \$4 million of incremental  
21 capital expenses for the Aliso Canyon Turbine Replacement (ACTR)  
22 project and recommends \$9.5 million of revenue requirement recorded to  
23 the Aliso Canyon Memorandum Account (ACMA) be approved for  
24 recovery.<sup>3</sup>

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<sup>2</sup> Public Advocates Office Report on the Results of Operations for San Diego Gas & Electric Company and Southern California Gas Company, SCG Gas Operations (Part 2) (March 27, 2023) (Ex. CA-03 (Phan)); Public Advocates Office Report on the Results of Operations for San Diego Gas & Electric Company and Southern California Gas Company Test Year 2024 General Rate Case, Post-Test Year Ratemaking (March 27, 2023) (Ex. CA-20 (Hunter)); Public Advocates Office Report on the Results of Operations for San Diego Gas & Electric Company and Southern California Gas Company Test Year 2024 General Rate Case, Financial Examination, Miscellaneous Revenues, and Regulatory Accounts (March 27, 2023) (Ex. CA-19 (Chia and Lee)).

<sup>3</sup> Ex. CA-03 (Phan) at 28 – 29.

- Cal Advocates proposes to revise the currently approved cost recovery mechanism for the Integrity Management Programs (IMPs) by lowering the advice letter threshold for cost recovery requests of the associated balancing accounts from 135% of total GRC cycle authorized expenses to 110% through a Tier 2 advice letter. Any overspending above 110% would be subject to a separate application proceeding.<sup>4</sup>
- Cal Advocates concurs with SoCalGas that no adjustments are needed to the balances of LIPBA, PBA, PBOPBA, RDDEA, SECCBA, SEEBA, and MROWMA based on their financial examination of the regulatory accounts.<sup>5</sup>
- Cal Advocates proposes creation of a memorandum account to track O&M expenses associated with SoCalGas’s CIS Replacement project<sup>6</sup> and removal of the capital revenue requirement from post-test year (PTY) recovery.<sup>7</sup>

**B. TURN**

The following is a summary of TURN’s positions on SoCalGas’s Regulatory Accounts:<sup>8</sup>

- TURN recommends generally eliminating two-way balancing accounts and replacing them with one-way balancing accounts, and if necessary, complement with a memorandum account for any above-authorized expenses.<sup>9</sup>

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<sup>4</sup> Ex. CA-20 (Hunter) at 20.

<sup>5</sup> Ex. CA-19 (Lee) at 34 – 35.

<sup>6</sup> Public Advocates Office Report on the Results of Operations for San Diego Gas & Electric Company and Southern California Gas Company Test Year 2024 General Rate Case, SCG and SDG&E Customer Services (March 27, 2023) (Ex. CA-10 (Campbell)) at 1.

<sup>7</sup> Ex. CA-20 (Hunter) at 21.

<sup>8</sup> Prepared Testimony of Robert Finkelstein Addressing Burden of Proof, EEI Dues, Directors and Officers Insurance, and Balancing and Memorandum Accounts, Submitted on behalf of The Utility Reform Network (March 27, 2023) (Ex. TURN-15 (Finkelstein)).

<sup>9</sup> Ex. TURN-15 (Finkelstein) at 11.

- 1 • TURN recommends that balancing accounts with above-authorized  
2 expenses should not be added to rates through SoCalGas’s annual  
3 regulatory account update advice letter.<sup>10</sup>

4 **C. TURN and SCGC**

5 The following is a summary of TURN and SCGC’s position on MROWMA:<sup>11</sup>

- 6 • TURN and SCGC argues SoCalGas should not have included \$4.6 million  
7 of capital expenses in its incremental revenue requirement recorded to the  
8 MROWMA.<sup>12</sup>

9 **III. REBUTTAL TO PARTIES’ PROPOSALS**

10 **A. Cal Advocates**

11 **1. ACMA**

12 Cal Advocates makes an unsupported and arbitrary argument that the ACMA recovery  
13 should be limited to \$9.5 million.<sup>13</sup> Cal Advocates argues that the Commission should disallow  
14 \$4 million of SoCalGas’s capital expense on the ACTR project. However, it is unclear how this  
15 proposed capital disallowance leads to Cal Advocates’ conclusion that the recovery of the  
16 ACMA balance should be limited to the amount in that account as of March 2022.

17 The justification for the appropriateness of the \$4 million of capital expenses is discussed  
18 in the Gas Storage Operations rebuttal testimony of Larry T. Bittleston and Steve Hruby (Ex.  
19 SCG-210).

20 The \$21.6 million in capital expenses, which are being reviewed for reasonableness in  
21 this proceeding, is not the amount actually recorded to the ACMA. Capital revenue requirement  
22 (e.g., depreciation, return, and taxes) associated with the \$21.6 million of capital expenses is  
23 recorded to ACMA. Therefore, their proposal to allow recovery of 100% of the balance as of  
24 March 2022, or \$9.5 million, seems to imply that 100% of the revenue requirement related to the

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<sup>10</sup> *Id.* at 16.

<sup>11</sup> Prepared Direct Testimony of Catherine E. Yap Addressing the Proposals of San Diego Gas & Electric Company and Southern California Gas Company in Their Test Year 2024 General Rate Case Related to Cost Recovery for the Right-of-Way Agreement between Southern California Gas Company and the Morongo Band of Mission Indians, Submitted on Behalf of TURN and Southern California Generation Coalition (March 27, 2023) (Ex. TURN-SCGC-02 (Yap)).

<sup>12</sup> Ex. TURN-SCGC-02 (Yap) at 2 – 4.

<sup>13</sup> Ex. CA-03 (Phan) at 29 – 30.

1 \$21.6 million of incremental capital expenses should be approved for recovery. However, Cal  
2 Advocates ignores that SoCalGas continues to incur on-going revenue requirement associated  
3 with the reasonably incurred \$21.6 million of incremental capital expenses through December  
4 31, 2023. As of March 2023, the balance in the ACMA is \$12.1 million. If the Commission  
5 were to approve recovery of only \$9.5 million, SoCalGas would be unfairly and wrongly  
6 disadvantaged by not being allowed to recover on-going revenue requirement associated with  
7 reasonably incurred expenses. SoCalGas should be authorized to recover the revenue  
8 requirement recorded to ACMA through December 31, 2023 associated with the approved  
9 capital expenses that the Commission finds reasonable and appropriate. In order to do so,  
10 SoCalGas should recalculate revenue requirement based on the final approved amount of  
11 reasonably incurred capital expenses for the ACTR project to determine the appropriate ACMA  
12 balance to amortize and recover in customers' transportation rates.

13 **2. Cost Recovery Mechanism for IMPs and Gas Safety Enhancement**  
14 **Plan (GSEP)**

15 Cal Advocates agrees that the two-way balancing account mechanisms for SoCalGas's  
16 IMPs (Transmission, Distribution, and Storage) should be reauthorized and created for Facilities  
17 IMP (FIMP) and GSEP.<sup>14</sup> However, Cal Advocates does propose a modification to the cost  
18 recovery mechanism approved in D.19-09-051.<sup>15</sup> SoCalGas has reviewed Cal Advocates'  
19 proposal and finds its approach, as discussed below, to be reasonable.

20 In Decision (D.) 19-09-051, the Commission authorized recovery of any TIMPBA or  
21 DIMPBA undercollections associated with overspending of up to 35 percent of the total GRC  
22 authorized O&M and capital expenditures for that program through a tier 3 advice letter (AL).<sup>16</sup>  
23 Undercollections related to overspending greater than or equal to 35 percent of total GRC  
24 authorized O&M and capital expenses will be subject to a separate application procedure.<sup>17</sup> Cal  
25 Advocates proposes that the cost recovery threshold to file an advice letter be reduced from

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<sup>14</sup> Ex. CA-20 (Hunter) at 20.

<sup>15</sup> *Id.*

<sup>16</sup> D.19-09-051 at 694.

<sup>17</sup> *Id.*



1 135%<sup>18</sup> of total GRC cycle authorized O&M and capital expenses to 110% of total GRC cycle  
2 authorized O&M and capital expenses.<sup>19</sup> Pursuant to Cal Advocates’ proposal, SoCalGas would  
3 file a tier 2 advice letter to seek recovery of any undercollected revenue requirement balance in  
4 the balancing account if, and at the point in time, that SoCalGas spends up to 110% of total GRC  
5 cycle authorized expenses.<sup>20</sup> Revenue requirement associated with actual expenses greater than  
6 or equal to 110% of total GRC cycle authorized expenses would be subject to a reasonableness  
7 review application.<sup>21</sup> If an overcollection exists at the end of the GRC cycle, SoCalGas would  
8 propose a refund of the balance in the balancing account through a tier 2 advice letter.<sup>22</sup>

9 **3. Proposal for Customer Information System (CIS) Replacement**  
10 **Balancing Account (CISRBA)**

11 Cal Advocates takes issue with SoCalGas’s TY 2024 O&M forecast for the CIS  
12 Replacement project and recommends creation of a memorandum account presumably to track  
13 and record costs associated with SoCalGas’s CIS Replacement O&M expenses.<sup>23</sup> SoCalGas  
14 notes that this recommendation is included without any further discussion, elaboration, or  
15 clarification anywhere else in Cal Advocates’ testimony. SoCalGas assumes that Cal Advocates  
16 is recommending a memorandum account to track incremental O&M costs beyond Cal  
17 Advocates’ recommended TY 2024 forecast of \$9.89 million. Cal Advocates also takes issue

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<sup>18</sup> To avoid confusion, SoCalGas notes that while Cal Advocates refers to the cost recovery threshold as “135%,” that D.19-09-051 refers to the cost recovery threshold as “undercollections up to 35 percent and an application for undercollections above 35 percent of its authorized O&M and capital expenses.” SoCalGas understands these two percentages to be different ways of expressing the same concept.

<sup>19</sup> Ex. CA-20 (Hunter) at 20.

<sup>20</sup> *Id.*

<sup>21</sup> *Id.*

<sup>22</sup> *Id.* SoCalGas notes that while it agrees with Cal Advocates to lower the 135% threshold to 110%, requiring a tier 2 advice letter when actual expenses are up to 110% and an application when expenses are above 110% for TIMPBA, DIMPBA, SIMPBA, and GSEPBA, that Cal Advocates simultaneously and perhaps mistakenly argues that the GSEPBA should be subject to a tier 3 advice letter for overspending of up to 135%. *See* Ex. CA-03 (Phan) at 25. SoCalGas notes that it originally proposed a tier 3 advice letter for the GSEPBA for recovery of an undercollection for overspending up to 135%. *See* Ex. SCG-38-R (Yu) at RMY-19. SoCalGas proposed a tier 2 advice letter to request creation of a new subaccount of GSEPBA, as needed. *See* Ex. SCG-38-R (Yu) at RMY-19.

<sup>23</sup> Ex. CA-10 (Campbell) at 1.

1 with SoCalGas's proposed Post-Test Year Capital Recovery for the project.<sup>24</sup> SoCalGas  
2 disagrees with Cal Advocates' recommendation for a memorandum account. Justification of  
3 this project and rebuttal of Cal Advocates' proposals is discussed in CIS Replacement Program  
4 direct and rebuttal testimony of Evan Goldman (Exs. SCG-13 and SCG-213).

5       Should the Commission find it more appropriate to implement a regulatory account  
6 mechanism for this project, SoCalGas proposes to create a new two-way, interest-bearing  
7 balancing account recorded in its financial statements rather than the memorandum account  
8 proposed by Cal Advocates. The purpose of the CISRBA will be to record the authorized and  
9 actual O&M and capital revenue requirement (e.g., depreciation, return, and taxes) associated  
10 with the project. Since this project is not expected to go into service until 2026 and the capital  
11 revenue requirement associated with the project will not be included with the TY 2024  
12 authorized revenue requirement, SoCalGas proposes to file a tier 2 advice letter to incorporate  
13 the capital revenue requirement based on actual capital additions, not to exceed the capital  
14 expenses authorized in this GRC, into customers' transportation rates as part of SoCalGas's next  
15 scheduled rate update following the project's completion and in service date. Authorized  
16 revenue requirement requested in the tier 2 advice letter would also include any actual capital  
17 revenue requirement recorded to the CISRBA between the time the project is completed and  
18 when the capital revenue requirement is included in customers' rates. SoCalGas previously  
19 received authorization to similarly implement an authorized revenue requirement in rates for its  
20 Advanced Metering Infrastructure (AMI) project upon completion in Advice Letter 4110<sup>25</sup> and  
21 the ACTR project in D.13-11-023.<sup>26</sup>

22       If SoCalGas incurs expenses greater than the amount authorized in this GRC, SoCalGas  
23 proposes to recover incremental revenue requirement associated with actual expenses incurred  
24 up to 110% of authorized project expenses through a reasonableness review in a tier 3 advice  
25 letter. For recovery of incremental revenue requirement associated with actual expenses incurred

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<sup>24</sup> Ex. CA-20 (Hunter) at 21.

<sup>25</sup> See SoCalGas Advice Letter (AL) 4110, approved August 4, 2010 and effective April 8, 2010. AMI revenue requirement was first authorized in customers' transportation rates effective January 1, 2012 through SoCalGas AL 4314, approved February 15, 2012 and effective January 1, 2012.

<sup>26</sup> See D.13-11-023 at Ordering Paragraph (OP) 11. See also SoCalGas AL 5294-A, approved June 19, 2018 and effective July 1, 2018, to implement the revenue requirement associated with the authorized project costs upon project completion.

1 greater than or equal to 110%, SoCalGas proposes to request recovery through a reasonableness  
2 review in its next GRC or other applicable proceeding. If an overcollection remains in the  
3 CISRBA once the assets associated with this project is rolled into rate base in a future GRC,  
4 SoCalGas will propose refunding the overcollection in customers' transportation rates in the  
5 corresponding GRC.

6 This proposed cost recovery mechanism is reasonable as it allows any overcollection that  
7 may result due to underspending to be returned to ratepayers. It also ensures that a reasonable  
8 amount, not to exceed the authorized project cost, is recovered from ratepayers in a timely  
9 manner by including the capital revenue requirement in the PTY at the time of actual completion  
10 rather than an anticipated completion year. Thus, the proposed CISRBA addresses the timing of  
11 incorporating revenue requirement in customers' transportation rates in case there is a delay in  
12 the forecasted project completion date. A similar mechanism has previously been approved for  
13 CIS replacements at SDG&E in D.18-08-008.<sup>27</sup>

## 14 **B. TURN**

### 15 **1. Proposed Elimination of Two-Way Balancing Accounts**

16 TURN takes issue with previously authorized two-way balancing account mechanisms  
17 and recommends to generally eliminate two-way balancing accounts and replace them with one-  
18 way balancing accounts to be complemented with a memorandum account that would track  
19 above-authorized expenses.<sup>28</sup> TURN also specifically proposes that the TIMPBA, DIMPBA,  
20 and SIMPBA be modified to follow this structure and also apply this same structure to GSEPBA,  
21 if approved.<sup>29</sup> TURN claims that two-way balancing accounts do not allow for adequate review  
22 of the reasonableness of above-authorized expenses.<sup>30</sup> Ironically, this proposal operates in the  
23 exact same manner as a two-way balancing account.

24 A two-way balancing account compares a utility's actual revenue requirement to an  
25 authorized level, tracking both under- and overspending. If the utility is underspent compared to

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<sup>27</sup> D.18-08-008 at 9 – 10 and OP 4 (adopting a similar two-way balancing account mechanism for a CIS project and stating that “[a] two-way balancing account is necessary because it is difficult to forecast actual costs . . . ensures that ratepayers will only pay for actual costs and also ensures that SDG&E will have sufficient funds to establish the project.”).

<sup>28</sup> Ex. TURN-15 (Finkelstein) at 11.

<sup>29</sup> *Id.* at 17 – 18 and 23 – 24.

<sup>30</sup> *Id.* at 14.

1 authorized and an overcollection of revenue requirement exists, the balance is refunded to  
2 customers, just as it would be with a one-way balancing account mechanism. If the utility  
3 spends above authorized levels, the associated incremental revenue requirement is recorded for  
4 an opportunity to be sought for future recovery, which is subject to Commission review either  
5 through an advice letter process or separate application. Requiring a memorandum account for  
6 above-authorized expenses, as TURN requests, results in the same process as the recovery of  
7 above-authorized expenses with a two-way balancing account. In both instances, cost recovery  
8 is subject to reasonableness reviews by the Commission. Other than the need for two accounts  
9 vs. one, and the resulting administrative and cost burden associated with more accounts, there is  
10 no difference between a two-way balancing account and a one-way balancing account paired  
11 with a memorandum account. Accordingly, the Commission should deny TURN's proposal.

12 In addition, TURN's proposal ignores and attempts to relitigate previous Commission  
13 decisions authorizing two-way balancing account mechanisms. For example, during SoCalGas's  
14 2012 GRC, the Commission reasoned that a two-way balancing account for the TIMP "is  
15 appropriate due [to] the costs of complying with Subpart O and possible changes in pipeline  
16 inspection requirements in the future. A two-way balancing account will ensure that SoCalGas  
17 has sufficient funds to carry out all the necessary TIMP-related work to ensure that its gas  
18 transmission system remains safe and reliable."<sup>31</sup> TURN provides no reason why the  
19 Commission's previous decision was unsound. In fact, two-way balancing account mechanisms  
20 maintain a balance in protecting ratepayers, the utility, and promoting transparency. Most  
21 importantly, a two-way balancing account allows the utility to comply with new regulations that  
22 bring forth financial uncertainty between rate cases and provides it the opportunity to focus on  
23 providing safe and reliable service at a reasonable cost, especially during times when  
24 environmental and safety-related regulations are on the rise. TURN does not address how these  
25 needs are better served by its proposal.

## 26 **2. TURN Argues That Two-Way Balancing Accounts Lack Adequate** 27 **Review**

28 Throughout the prepared Direct Testimony of Robert Finkelstein, TURN argues that  
29 SoCalGas's annual regulatory account update advice letter does not provide adequate review of

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<sup>31</sup> D.13-05-010 at 422.

1 balancing accounts and above-authorized expenses.<sup>32</sup> However, TURN does not provide any  
2 factual evidence or examples of a specific balancing account requested for recovery through this  
3 annual regulatory account update advice letter that it deems unreasonable. Further, although  
4 TURN references TIMPBA and DIMPBA as support for its position,<sup>33</sup> it fails to mention that  
5 neither TIMPBA or DIMPBA are included in SoCalGas’s annual regulatory account update  
6 advice letter.

7         TURN makes the broad and unsupported argument that advice letter treatment is  
8 insufficient for proper Commission review of expenses incurred by the utility, citing to the  
9 Liability Insurance Premium Balancing Account (LIPBA) and IMP balancing accounts.<sup>34</sup> The  
10 Commission already addressed this very issue in SoCalGas’s last GRC and found that advice  
11 letter treatment is adequate and appropriate to meet both the utility need for prompt review and  
12 intervenors concern for adequate review. For instance, in supporting its authorization of a tier 2  
13 advice letter to request recovery of any additional insurance coverage not requested in its 2019  
14 GRC, the Commission states that a tier 2 advice letter “recognize[s] Applicants’ concern about  
15 being exposed to increased risk for a significant period while waiting for approval of an  
16 application in cases where it finds a need to purchase other and additional liability insurance  
17 coverage . . . [t]his approach balances the concerns raised by ORA and UCAN about greater  
18 Commission review and Applicants’ concern about exposure to additional risk for a significant  
19 period.”<sup>35</sup> Clearly, the Commission finds that they are able to adequately review the  
20 reasonableness of expenses through an advice letter and deems this process as a means to  
21 balance the needs and impacts to all stakeholders.

22         Similarly, in D.13-05-010, the Commission stated, “the AL process will ensure that costs  
23 in excess of what has been authorized will be subject to review.”<sup>36</sup> Moreover, in the same  
24 Decision, the Commission supported the closure of the one-way balancing account for DIMP for

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<sup>32</sup> Ex. TURN-15 (Finkelstein) at 11.

<sup>33</sup> *Id.* at 12 – 13, 15, and 17 – 18.

<sup>34</sup> Prepared Testimony of Robert Finkelstein and Mark Ellis Addressing Wildfire Liability Insurance-Related Issues and the Liability Insurance Premium Balancing Account, Submitted on Behalf of The Utility Reform Network (March 27, 2023) (Ex. TURN-11 (Finkelstein and Ellis)) at 12 – 14; *see also* Ex. TURN-15 (Finkelstein) at 13 – 15.

<sup>35</sup> D.19-09-051 at 535.

<sup>36</sup> D.13-05-010 at 422.

1 pre-2012 DIMP expenses and authorized creation of a two-way balancing account with recovery  
2 of any costs in excess of the authorized O&M and capital expenses subject to a tier 3 advice  
3 letter process.<sup>37</sup> The Commission understood future incremental requirements could require  
4 SoCalGas to incur expenses above authorized levels in order to maintain safety and reliability of  
5 its gas system. TURN's argument that creation of two-way balancing accounts do not allow for  
6 adequate review of any above-authorized spending is baseless and undermines the due diligence  
7 and efforts the Commission puts forth to review utilities' expenses.

8 In any event, for SoCalGas's two-way balancing accounts for their IMPs (i.e., TIMPBA,  
9 DIMPBA and SIMPBA), SoCalGas has filed both tier 3 advice letters and applications to seek  
10 recovery of undercollections in the balancing account due to above-authorized spending.<sup>38</sup> The  
11 Commission has reviewed expenses for reasonableness and prudence through both types of  
12 filings prior to SoCalGas's recovery in customers' rates.<sup>39</sup> Therefore, TURN's claims are  
13 unsupported and untrue.

#### 14 C. TURN-SCGC

##### 15 1. MROWMA

16 TURN-SCGC take issue with \$4.6 million of pre-2019 expenses incurred for renewal  
17 efforts of the Morongo right of way, claiming that SoCalGas inappropriately included this  
18 amount in its revenue requirement recorded to the MROWMA.<sup>40</sup> In their testimony, TURN-  
19 SCGC cite D.18-04-012 that denied creation of a memorandum account to track incremental  
20 revenue requirement related to pre-construction expenses for possible relocation efforts, pending  
21 the outcome of the Morongo right of way renewal efforts.<sup>41</sup> TURN-SCGC fail to recognize that  
22 this denial was specific to the 2016 GRC cycle period and related to pre-construction expenses.<sup>42</sup>  
23 The Commission reasoned that SoCalGas had not provided evidence that its TY 2016 GRC

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<sup>37</sup> *Id.* at 430 – 431.

<sup>38</sup> *See* SoCalGas AL 4632, approved July 22, 2015 and effective June 22, 2015, per Resolution (Res.) G-3499; *see also* SoCalGas AL 4819, approved July 6, 2016 and effective August 1, 2016, per Res. G-3517 Ordering Paragraphs; *see also* SoCalGas AL 5057, approved November 22, 2017 and effective January 1, 2018, per Res. G-3528 ordering paragraphs.

<sup>39</sup> *Id.*

<sup>40</sup> Ex. TURN-SCGC-02 (Yap) at 4.

<sup>41</sup> *Id.* at 4 – 6.

<sup>42</sup> D.18-04-012 at 15.

1 forecasts did not include any pre-construction expenses related to the renewal efforts of the  
2 Morongo right of way, “[t]hus, parties had every reason to assume that the revenue requirement  
3 determined in the Settlement Agreement addressed all revenue requirement costs within the 2016  
4 GRC period.”<sup>43</sup>

5 SoCalGas proposed the same memorandum account in its TY 2019 GRC for pre-  
6 construction expenses and a balancing account, MROWBA, separately to record O&M and  
7 capital-related costs (i.e., revenue requirement) associated with seeking and acquiring renewal of  
8 the Morongo right of way.<sup>44</sup> The Commission authorized the memorandum account for revenue  
9 requirement associated with capital expenses for renewal efforts in the MROWMA, stating:

10 With respect to the MROWBA, the costs are specifically excluded  
11 from any of SoCalGas’ forecasts in this GRC and we also agree  
12 that the costs are difficult to predict . . . In addition, negotiations  
13 regarding renewal of the ROWs are still ongoing and an agreement  
14 may still be reached and so the activities to be performed are  
15 uncertain. Thus, we find it more appropriate for these costs to be  
16 tracked in a memorandum account where the Commission will be  
17 afforded an opportunity to review the costs incurred.<sup>45</sup>

18 It is clear that the TY 2019 GRC authorized revenue requirement did not include any  
19 capital expenses related to Morongo right of way renewal efforts. As discussed in Gas  
20 Engineering rebuttal testimony (Ex. SCG-207) of Maria T. Martinez, the pre-2019 expenses of  
21 \$4.6 million that TURN takes issue with are capital expenses associated with renewal efforts that  
22 fell under the MROWBA proposal SoCalGas had in its TY 2019 GRC, not pre-construction  
23 expenses. These pre-2019 expenses are appropriately recorded as capital expenses which should  
24 be included in the capital revenue requirement (e.g., depreciation, return, and taxes) recorded to  
25 the MROWMA. SoCalGas appropriately followed Commission directives by only including  
26 revenue requirement incurred as of January 1, 2019, the effective date of the MROWMA.  
27 Despite TURN’s objections, the capital expenses are appropriate and the corresponding revenue  
28 requirement are appropriately recorded to the MROWMA. In addition, Cal Advocates  
29 performed a financial examination of the costs recorded to the MROWMA and agreed with

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<sup>43</sup> *Id.* at 12.

<sup>44</sup> Application (A.) 17-10-007/-008 (cons.), SoCalGas Direct Testimony of Rae Marie Q. Yu, (Regulatory Accounts) (October 6, 2017) (Ex. SCG-42) at RQY-18.

<sup>45</sup> D.19-09-051 at 140 – 141.

1 SoCalGas. As part of their examination, SoCalGas provided the same list of expenses to Cal  
2 Advocates that was provided to TURN-SCGC. Upon completion of Cal Advocates' audit, Cal  
3 Advocates "makes no recommended adjustments to the balances of the selected regulatory  
4 accounts."<sup>46</sup> Thus, the revenue requirement balance recorded in the MROWMA as of December  
5 31, 2023, associated with the capital expenses reviewed in this GRC should be approved for  
6 recovery in customers' transportation rates.

#### 7 **IV. CONCLUSION**

8 To summarize, proposals for ACMA and MROWMA made by Cal Advocates and  
9 TURN-SCGC, respectively, should be denied and SoCalGas should be authorized to recover the  
10 balance in the memorandum accounts as of December 31, 2023, associated with the capital  
11 expenses that the Commission finds reasonable. Their arguments that SoCalGas inappropriately  
12 included capital expenses in the calculation of revenue requirement recorded in the memorandum  
13 accounts are incorrect.

14 In addition, TURN's proposal to eliminate all two-way balancing accounts, and  
15 specifically for TIMPBA, DIMPBA, and SIMPBA, should be denied because it is unreasonable  
16 and would result in unnecessary additional administrative burden and cost on the utilities.  
17 TURN's arguments that advice letter filings provide little-to-no review of any above authorized  
18 spending was not based on any factual evidence and undermines the Commission's review  
19 procedures and authority.

20 The alternate cost recovery proposal included in this rebuttal testimony for the CIS  
21 replacement project is reasonable and should be approved should the Commission determine the  
22 PTY proposal is not the best cost recovery mechanism.

23 Lastly, SoCalGas agrees with the modification Cal Advocates proposed to reduce the cost  
24 recovery threshold from 135% to 110% of total GRC authorized expenses to request recovery of  
25 an undercollection through a tier 2 advice letter for the IMP balancing accounts and GSEPBA.

26 This concludes my prepared rebuttal testimony.

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<sup>46</sup> Ex. CA-19 (Lee) at 35.



**APPENDIX A**  
**GLOSSARY OF TERMS**

<b>ACRONYM</b>	<b>DEFINITION</b>
ACMA	Aliso Canyon Memorandum Account
ACTR	Aliso Canyon Turbine Replacement
CIS	Customer Information System
CISRBA	CIS Replacement Balancing Account
Commission	California Public Utilities Commission
D.	Decision
DIMP	Distribution Integrity Management Program
DIMPBA	DIMP Balancing Account
FIMP	Facilities Integrity Management Program
FIMPBA	FIMP Balancing Account
GRC	General Rate Case
GSEP	Gas Safety Enhancement Plan
GSEPBA	GSEP Balancing Account
HRSBA	Hydrogen Refueling Station Balancing Account
LIPBA	Liability Insurance Program Balancing Account
LMBA	Locate and Mark Balancing Account
LPCMA	Litigated Project Cost Memorandum Account
MROWMA	Morongo Right-of-Way Memorandum Account
PTY	Post-test year
SDG&E	San Diego Gas & Electric Company
SoCalGas	Southern California Gas Company
SIMP	Storage Integrity Management Program
SIMPBA	SIMP Balancing Account
TIMP	Transmission Integrity Management Program
TIMPBA	TIMP Balancing Account
TY	Test Year