

Application: A.25-04-XXX
Exhibit No.: SCG-03
Witness: R. Yu

Application of Southern California Gas
Company (U 904 G) to Recover Costs
Recorded in the Transmission Integrity
Management Program Balancing Account from
January 1, 2019 to December 31, 2023.

A.25-04-XXX

CHAPTER III
PREPARED DIRECT TESTIMONY OF
RAE MARIE YU
(BALANCING ACCOUNT AND REVENUE REQUIREMENT)
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

April 30, 2025

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CHAPTER III
PREPARED DIRECT TESTIMONY OF RAE MARIE YU
(Balancing Account and Revenue Requirement)

I. PURPOSE AND OVERVIEW OF TESTIMONY

The purpose of my prepared direct testimony is to sponsor the Transmission Integrity Management Program (TIMP) revenue requirement associated with TIMP costs presented for review in this Application and that are recorded in Southern California Gas Company's (SoCalGas) Transmission Integrity Management Program Balancing Account (TIMPBA).¹

SoCalGas requests authority to recover its TIMPBA under-collection balance of \$173.8 million as of June 30, 2025,² representing the cumulative incremental revenue requirement associated with TIMP expenditures that exceeded authorized Test Year (TY) 2019 General Rate Case (GRC) cycle O&M and capital expenditure levels by more than 35%, during the period of October 1, 2022 through December 31, 2023. This amount also includes projected interest on the under-collected balance through June 30, 2025.

II. BACKGROUND

SoCalGas's TIMPBA, a two-way interest-bearing balancing account,³ was first approved in Decision (D.) 13-05-010, in accordance with Pub. Util. Code § 969.⁴ The TIMP was reauthorized in connection with SoCalGas's TY 2016 and TY 2019 GRC decisions⁵ and remained effective for the five-year GRC cycle ending December 31, 2023. In accordance with SoCalGas's tariffs in effect during the TY 2019 GRC cycle, the TIMPBA tracked the difference between authorized and actual TIMP-related revenue requirement during TY 2019 GRC cycle.

¹ TIMP costs are presented in the Prepared Direct Testimony of Travis T. Sera (Chapter I).

² The balance presented herein, inclusive of projected interest, is as of June 30, 2025 in order to reflect the authorized recovery of \$227.3 million pursuant to Resolution (Res.) G-3600 and other adjustments made after December 31, 2023.

³ The TIMPBA was most recently reauthorized for the four year cycle of SoCalGas's TY 2024 GRC through D.24-12-074, as a one-way balancing account.

⁴ D.13-05-010 at 421-422.

⁵ D.16-06-054 (TY 2016 Decision) at 327 and D.19-09-051 (TY 2019 GRC Decision) at 777.

1 Any over- or under-collected balance at the end of each year within the GRC cycle carried over
2 to the following year.⁶

3 Pursuant to the TY 2019 GRC Decision, SoCalGas is authorized to submit a Tier 3
4 advice letter to seek recovery of any TIMP under-collections of revenue requirement when actual
5 expenditures exceed the total authorized O&M and capital expenditures by up to 35% for the
6 entire cycle.⁷ For any under-collections of revenue requirement resulting from actual
7 expenditures greater than 35% of the total authorized O&M and capital expenditures, SoCalGas
8 is authorized to seek recovery through a separate application.⁸

9 In addition, the TY 2019 GRC Decision authorized a new two-part attrition mechanism
10 for SoCalGas's post-test years' (PTY) revenue requirement. Imputed authorized TIMP O&M
11 and capital expenditures for the TY 2019 GRC cycle were derived through this authorized PTY
12 mechanism. Specifically, authorized PTY TIMP revenue requirement includes O&M and capital
13 revenue requirement where:

- 14 1) Authorized PTY O&M expenses were derived through escalation of the authorized
15 TY 2019 O&M expenses using the authorized O&M attrition factors; and
- 16 2) Authorized PTY capital revenue requirement was derived by an escalated seven-year
17 average of recorded and forecasted capital additions using authorized capital attrition
18 factors.⁹

19 As a result of the above PTY mechanism for capital revenue requirement, authorized TIMP
20 capital expenditures for the TY 2019 GRC are not based on project-specific forecasts. Instead,
21 authorized capital expenditures were imputed by calculating an escalated seven-year average of
22 recorded and forecasted capital expenditures from 2013-2019 and applying adopted capital
23 attrition factors for each PTY's calculated capital expenditure.

⁶ SoCalGas, *Preliminary Statement - Part V - Balancing Accounts – TIMPBA*, available at:
<https://tariffsprd.socalgas.com/view/historical/?utilId=SCG&bookId=GAS&tarfKey=484&tarfYear=2020>.

⁷ D.19-09-051 at 694-695 and 774 (Conclusion of Law (COL) 104); *see also* A.17-10-008, Direct
Testimony of Rae Marie Q. Yu, Ex. SCG-42 (October 6, 2017) at RQY-15 and Appendix B at RQY-
B-1, available at: <https://www.socalgas.com/regulatory/documents/a-17-10-008/SCG-42%20Yu%20Prepared%20Direct%20Testimony.pdf>.

⁸ *Id.*

⁹ D.19-09-051 at 776 (Ordering Paragraph (OP) 4).

III. TIMPBA UNDER-COLLECTED BALANCE

SoCalGas seeks to recover the under-collected revenue requirement in the TIMPBA of \$173.8 million associated with exceeding the total authorized O&M and capital expenditures for the period of October 1, 2022 through December 31, 2023.¹⁰ The under-collection is comprised of TIMP O&M expenses of \$150.3 million, interest of \$28.3 million, offset by an over-collection of capital revenue requirement (*i.e.*, depreciation, return, and taxes) of \$4.8 million. Authorized revenue recovery of \$227.3 million, as approved by Resolution G-3600¹¹ for the period July 2024 through June 2025, has been applied to offset the TIMPBA under-collected balance.

Table RMY-1 below shows the summary of recorded TIMPBA activity that results in the under-collection through June 30, 2025.

Table RMY-1
Southern California Gas Company
Transmission Integrity Management Program - Actual v. Authorized
TIMPBA Calculation (Revenue Requirement, \$000)

Authorized	O&M	Capital Revenue Requirement	Interest	TIMPBA Activity
2019	47,817	1,020		48,837
2020	49,080	4,016		53,096
2021	50,258	4,456		54,714
2022	51,230	4,953		56,183
2023	52,408	5,333		57,741
Subtotal	250,793	19,778		270,571

¹⁰ Workpaper Ex. SCG-03-WP details the costs recorded in the TIMPBA through December 31, 2023 associated with TIMP expenditures that exceeded authorized 2019 GRC cycle O&M and capital expenditure levels by more than 35%. A forecast of the TIMPBA ending balance associated with the exceedance is provided through June 30, 2025 in order to reflect the impact of authorized recovery of \$227.3 million pursuant to Res. G-3600 and the interest forecasted through June 30, 2025.

¹¹ Res. G-3600 at 7-12.

Actual	O&M	Capital Revenue Requirement	Interest	TIMPBA Activity
2019	75,952	245	206	76,403
2020	104,648	10,751	287	115,686
2021	103,839	19,926	88	123,853
2022	126,220	34,057	4,025	164,302
2023	121,233	45,018	16,078	182,329
2024*	(1,854)	(12,614)	18,733	4,265
2025**			4,868	4,868
Subtotal	530,038	97,383	44,285	671,706
Under/(Over) Collection	279,245	77,605	44,285	401,135
TIMPBA Tier 3 AL#6060 Recovery	(128,990)	(82,358)	(15,979)	(227,327)
Remaining Under- Collection	150,255	(4,753)	28,306	173,808

Notes:

*An adjustment of \$1.854 million was completed in November 2024 to reclassify O&M costs. Credit reported under capital revenue requirement is due to a \$0.2 million adjustment and \$12.4 million is due to the tax benefit provided for gas repairs under the 2023 Natural Gas Safe Harbor method of accounting.

** Interest is estimated through June 2025.

IV. INCORPORATION OF TIMPBA REVENUE REQUIREMENT IN RATES

Upon Commission approval of this Application, the revenue requirement will also be trued-up through the date rates are implemented for recovery of TIMP costs for regulatory account interest. SoCalGas will file a Tier 1 Advice Letter within 30 days of the effective date of the decision authorizing recovery to incorporate the updated revenue requirements into rates on the first day of the next month following advice letter submission or in connection with other authorized rate changes implemented by SoCalGas. The revenue requirement will be amortized in gas transportation rates based on the approved allocation methodology in SoCalGas's most recent Cost Allocation Proceeding decision, as discussed in the Prepared Direct Testimony of Marjorie Schmidt-Pines (Chapter IV).

This concludes my prepared direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Rae Marie Q. Yu. I am employed by SoCalGas. My business address is 555
3 West Fifth Street, Los Angeles, California, 90013-1011. I am currently the Regulatory Accounts
4 Manager of the Regulatory Accounts group within the Accounting and Finance Department. I am
5 responsible for managing SoCalGas's authorized regulatory balancing, memorandum, and
6 tracking accounts. My responsibilities include: implementation of regulatory accounting
7 procedures for compliance with Commission directives; quantifying and recording the monthly
8 entries and adjustments to the Commission-authorized regulatory account mechanisms; and
9 managing the general administration of SoCalGas's authorized regulatory accounts. I received
10 my Bachelor of Science degree in Accounting from San Diego State University in 2007. I am
11 also a Certified Public Accountant. I began my employment with SoCalGas in 2007 in the
12 Accounting and Finance Department where I have held various positions of increasing
13 responsibility in Accounts Payable, Plant Accounting, Business Controls, Regulatory Accounts,
14 Fixed Assets, and Operational Planning before assuming my current position.

15 I have previously testified before the California Public Utilities Commission.