

Application: A.25-05-XXX
Exhibit No.: SCG-03
Witness: R. Yu

**PREPARED DIRECT TESTIMONY OF
RAE MARIE YU**

**(CHAPTER 3 - REGULATORY ACCOUNTING,
COST RECOVERY, AND REVENUE REQUIREMENT)**

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

May 9, 2025

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**PREPARED DIRECT TESTIMONY OF
RAE MARIE YU
(REGULATORY ACCOUNTING, COST RECOVERY,
AND REVENUE REQUIREMENT)**

I. INTRODUCTION

I am the Regulatory Accounts Manager of the Regulatory Accounts group within Southern California Gas Company's (SoCalGas) Accounting and Finance Department. My testimony supports the Application for Incremental Funding for the Customer Information System (CIS) Replacement Program (Application). The purpose of my testimony is to present SoCalGas's cost recovery proposal related to the: 1) establishment of the CIS Replacement Project Balancing Account (CISRPBA) to record authorized and actual costs as of the date of this Application, accounting treatment, and recovery of these costs; and 2) forecasted revenue requirement associated with the cost forecast described in the testimony of Witness April McAllaster.

II. REGULATORY ACCOUNTING AND COST RECOVERY

In this Application, SoCalGas proposes to establish the CISRPBA, an interest-bearing, two-way balancing account to record incremental costs associated with the CIS Replacement Project. The purpose of the CISRPBA is to record the authorized funding approved in this proceeding and the actual operating and maintenance (O&M) costs, which will be recovered in rates. SoCalGas proposes that, if the CISRPBA has an over-collected balance (*i.e.*, recorded costs below authorized funding) upon completion of the project, the balance will be amortized in reduced transportation rates based on the cost allocation method described in the testimony of Julia Leigh Cortez and included in SoCalGas's annual Regulatory Accounts Balance Update advice letter filing. If the CISRPBA has an under-collected balance (*i.e.*, recorded costs above authorized funding), SoCalGas proposes presenting the costs in excess of the authorized funding for a reasonableness review in a future General Rate Case (GRC) or other applicable proceeding.

As described in the testimony of Ms. McAllaster, as SoCalGas continues to conduct activities to complete the various stages of the CIS Replacement Project throughout the 2024 GRC cycle, SoCalGas will incur O&M costs above authorized levels. Therefore, SoCalGas requests that the CISRPBA be authorized effective as of the date of the Application in order to begin tracking any incremental costs as soon as possible.

III. FORECASTED REVENUE REQUIREMENT

Forecasted incremental O&M costs are presented by Ms. McAllaster. The forecasted revenue requirement based on these costs is \$12.7 million in 2026, and \$12.9 million in 2027. The O&M costs are incremental (*e.g.*, not included in SoCalGas's most recent GRC)¹ and, therefore, are additive to any currently authorized revenue requirement.

Table RMY-1 below shows the forecasted incremental revenue requirement with a breakdown of the components.

Table RMY-1

Forecasted Revenue Requirement (in \$000)			
	2026	2027	Total
Incremental Escalated O&M Costs ² – Chapter 2	\$12.3	\$12.5	\$24.8
Working Cash	0.2	0.2	0.4
FF&U	0.2	0.2	0.4
Total Revenue Requirement	12.7	12.9	25.6

The methodology used to determine the forecasted revenue requirement for the additional activities involves several steps and considerations. First, the constant dollar values for incremental O&M costs are escalated for inflation. Escalation is applied to O&M costs using the indices published in S&P Global Market Intelligence,³ to appropriately account for inflation.

In addition to all incremental O&M expenditures, every revenue requirement component is further adjusted to account for other costs required to support these expenditures, such as working cash and FF&U. Working cash is “the funding supplied by investors to meet day-to-day utility operational requirements, and to cover the time that expenditures are made for services until the time revenues are collected for those services.”⁴ The rate used to calculate working

¹ Decision (D.) 24-12-074.

² Includes direct costs, vacation and sick (V&S), and escalation.

³ S&P Global Market Intelligence; Pricing & Purchasing; Copyright © S&P Global Limited, Q4 2024.

⁴ Application (A.) 22-05-015, Prepared Direct Testimony of Alexandra N. Hornbeck (Exhibit (Ex.) SCG-34-2R-E) at 2, *available at*: https://www.socalgas.com/sites/default/files/SCG-34-2R-E_Errata_Second_Revised_Direct_Testimony_of_Alexandra_N_Hornbeck_Working_Cash.pdf (citation omitted); *see also* D.24-12-074 at 827.

1 cash is the current authorized rate of return of 7.49%.⁵ FF&U covers payments made to counties
2 and incorporated cities pursuant to local ordinances granting right-of-way access, as well as
3 uncollectible expenses incurred by SoCalGas.⁶ The FF&U rate used in the forecasted revenue
4 requirement is 1.6%, which was authorized in D.24-12-074 and AL 6430-A and 6430-B.

5 **IV. CONCLUSION**

6 This concludes my prepared direct testimony

⁵ Authorized Rate of Return approved in SoCalGas Advice Letter No. 6404-G, effective December 14, 2024, *available at*:
<https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=4871&flngId=6404-G&flngStatusCd=Approved>.

⁶ D.24-12-074 at 548-579 (Uncollectible expenses), 779-780 (Franchise Fees).

1 **V. QUALIFICATIONS**

2 My name is Rae Marie Yu. I am employed by SoCalGas. My business address is 555
3 West Fifth Street, Los Angeles, California, 90013-1011. I am the Regulatory Accounts Manager
4 of the Regulatory Accounts group within the Accounting and Finance Department. I am
5 responsible for managing SoCalGas's authorized regulatory balancing, tracking, and
6 memorandum 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. Previous to
10 this role, I held various positions within the Accounting and Finance Department. I received my
11 Bachelor of Science degree in Accounting from San Diego State University in 2007. I am also a
12 Certified Public Accountant. I began my employment with SoCalGas in 2007 in the Accounting
13 and Finance Department where I have held various positions of increasing responsibility in
14 Accounts Payable, Plant Accounting, Business Controls, Regulatory Accounts, Fixed Assets, and
15 Operational Planning before assuming my current position.

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