

Application: A.25-07-XXX  
Exhibit No.: SCG-03  
Witness: Rae Marie Yu, Maria Becerra, Julia L. Cortez  
Chapter: 3

**PREPARED DIRECT TESTIMONY OF**  
**RAE MARIE YU, MARIA E. BECERRA, AND JULIA L. CORTEZ**  
**ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**  
**(CHAPTER 3 – REGULATORY ACCOUNTING, COST RECOVERY, REVENUE**  
**REQUIREMENT, AND RATES)**

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

**July 1, 2025**

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1 **CHAPTER 3**

2 **PREPARED DIRECT TESTIMONY OF**  
3 **RAE MARIE YU, MARIA E. BECERRA, AND JULIA L. CORTEZ**  
4 **(REGULATORY ACCOUNTING, REVENUE REQUIREMENT AND RATES)**

5 **I. PURPOSE AND OVERVIEW**

6 The purpose of our joint testimony is to support the Application of Southern California  
7 Gas Company (SoCalGas), on behalf of its customers, Seeking Approval of Gas Line Extension  
8 Allowances Pursuant to Decision (D.) 22-09-026. The testimony will present SoCalGas's cost  
9 recovery proposal related to the: 1) establishment of the Gas Line Extension Allowance  
10 Balancing Account (GLEABA) to record authorized and actual costs, accounting treatment, and  
11 recovery of costs; 2) illustrative revenue requirement associated with the capital expenditures for  
12 the nine projects eligible for gas line extension allowances; 3) proposed cost allocation  
13 methodology; and 4) natural gas rate and customer bill impacts.

14 **II. REGULATORY ACCOUNTING AND COST RECOVERY (WITNESS: RAE**  
15 **MARIE YU)**

16 SoCalGas proposes to establish the Gas Line Extension Allowance Balancing Account  
17 (GLEABA). The GLEABA will be an interest-bearing two-way balancing account to be  
18 recorded on SoCalGas's financial statements. The purpose of the GLEABA is to record the  
19 incremental revenue requirement associated with any gas line extension allowances that the  
20 CPUC approves through this Application. Revenue requirement will be recorded to the  
21 GLEABA once the allowance is paid to the customer. Details of the non-residential projects and  
22 estimated allowances are described in the Prepared Direct Testimonies of Jennifer Morris  
23 (Chapter 1) and Jason Legner (Chapter 2). The estimated annual revenue requirement associated  
24 with the allowances is described in Section III. D.

25 SoCalGas proposes to amortize the actual balance in the GLEABA in customers' gas  
26 transportation rates in connection with the annual regulatory account update advice letter filing.  
27 The on-going incremental capital revenue requirement will be tracked in and recovered annually  
28 through the GLEABA until the capital assets are included in SoCalGas's future General Rate  
29 Case (GRC).

1 **III. ILLUSTRATIVE REVENUE REQUIREMENT (WITNESS: MARIA E.**  
2 **BECERRA)**

3 As described in the Prepared Direct Testimony of Jennifer Morris (Chapter 1), the  
4 Application consists of nine projects, submitted on behalf of customers, seeking gas line  
5 extension allowance pursuant to D.22-09-026. The estimated gas line extension allowances for  
6 these nine projects total approximately \$6.656 million.<sup>1</sup>

7 The revenue requirement accounts for the incremental capital expenditures for these nine  
8 projects up to the estimated gas line extension allowance for each project. In addition to the  
9 incremental capital expenditures, the revenue requirement also includes other costs required to  
10 support the investment, including taxes and franchise fees & uncollectibles (FF&U). The  
11 sections below cover these revenue requirement components in greater detail.

12 **A. RATE BASE (RETURN OF CAPITAL)**

13 Rate base is defined “as the net investment of property, plant, equipment, and other assets  
14 that SoCalGas [...] has acquired or constructed to provide utility services to its customers.”<sup>2</sup> The  
15 annual revenue requirement amount associated with the return of capital is equal to the amount  
16 of capital that is depreciated each year. Consistent with the Commission’s decision in its 2024  
17 General Rate Case (GRC) (D.24-12-074), SoCalGas utilizes the applicable useful lives for each  
18 asset category associated with the new business line extension for these eligible projects.<sup>3</sup> The  
19 useful lives are subject to revision in a future GRC.

20 **B. SOCALGAS’S AUTHORIZED CAPITAL STRUCTURE AND RATE OF**  
21 **RETURN**

22 SoCalGas’s authorized capital structure is comprised of common equity, long-term debt,  
23 and preferred stock. The Cost of Capital proceeding is the regulatory forum that establishes  
24 SoCalGas’s capital structure and its authorized rate of return. SoCalGas’s current authorized rate

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<sup>1</sup> Allowance values are rounded to the nearest thousandth. Allowance values are illustrative estimates and are subject to change.

<sup>2</sup> D.24-12-074 at 803.

<sup>3</sup> *Id.* at 803-805.

1 of return is 7.49 percent.<sup>4</sup> SoCalGas's authorized rate of return is multiplied by rate base to  
2 determine the amount of return on investment required for the revenue requirement.

### 3 **C. INCOME TAX, PROPERTY TAX, AND FF&U**

4 The revenue requirement includes costs related to the payment of income taxes, property  
5 taxes, and FF&U. Federal income tax expense is based on the current corporate federal income  
6 tax rate of 21.00 percent. State income tax expense is based on the current California Franchise  
7 Tax rate of 8.84 percent. Property tax expense is based on SoCalGas's current average system-  
8 wide rate of 1.478 percent. FF&U rate of 1.622 percent is consistent with those supported in  
9 SoCalGas's 2024 GRC.<sup>5</sup> FF&U covers payments made to counties and incorporated cities  
10 pursuant to local ordinances granting right-of-way access, as well as uncollectible expenses  
11 incurred by SoCalGas.

### 12 **D. REVENUE REQUIREMENT**

13 The total illustrative revenue requirement associated with the nine projects is \$14.9  
14 million<sup>6</sup> over the useful lives of the assets, with a peak year revenue requirement of \$913  
15 thousand in 2031. After 2031, the revenue requirement will decline in subsequent years.

16 Following the three-year true-up period for each approved project and once the allowance  
17 is paid to the customer, as described in the Prepared Direct Testimony of Jennifer Morris  
18 (Chapter 1), SoCalGas will record the actual revenue requirement in GLEABA for recovery in  
19 rates. Further details of the recovery treatment of the actual revenue requirement are discussed  
20 above in Section II.

21 SoCalGas uses the forecasted revenue requirement for purposes of illustrating the  
22 potential rate impact of these nine projects. The details of the illustrated rate impact are  
23 discussed below in Section V.

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<sup>4</sup> D.24-10-008 and SoCalGas Advice Letter 6404-G, effective January 1, 2025, *available at*:  
<https://tariffsprd.socalgas.com/view/filing/?utilId=SCG&bookId=GAS&flngKey=4871&flngId=6404-G&flngStatusCd=Approved>.

<sup>5</sup> FF&U multipliers calculated based on mechanism approved in D.24-12-074.

<sup>6</sup> Chapter 3 workpaper further illustrates revenue requirement calculation.

**IV. COST ALLOCATION METHODOLOGY (WITNESS: JULIA L. CORTEZ)**

SoCalGas proposes to recover the GLEABA using the Equal Percentage of Authorized Margin (EPAM) cost allocation methodology, which is consistent with the allocation of current base margin pursuant to D.24-07-009. The proposed EPAM is consistent with how SoCalGas allocates costs for gas line extensions.<sup>7</sup> For illustrative purposes, SoCalGas utilized the demand forecast from the most recently implemented Cost Allocation Proceeding (CAP) decision<sup>8</sup> to determine the illustrative cost allocation. The actual allocations that will be applied will be determined by the Cost Allocation decision that is in effect when cost recovery occurs.

**V. RATE AND BILL IMPACTS (WITNESS: JULIA L. CORTEZ)**

Table 1 below illustrates current and proposed gas transportation rates by major customer class upon recovery of costs associated with the GLEABA. These rates are derived from the forecasted revenue requirement provided in Section III, D, which outlines the total peak incremental revenue requirement to be included in rates in 2031. Over the 12-month recovery period, the typical residential bill using an average of 36 therms per month is projected to increase by \$0.01 per month from \$74.52 to \$74.53.

**Table 1**  
**Illustrative Transportation Rates**  
(\$/therm, except as noted)

Transportation		Current Rates	Proposed Rates	Increase (decrease)	% change
<u><i>SoCalGas Summary</i></u>					
<u><b>Core Rates</b></u>					
<b>Residential</b>	\$/therm	\$1.479	\$1.479	\$0.000	0.0%
<b>Core Commercial &amp; Industrial (C&amp;I)</b>	\$/therm	\$0.971	\$0.972	\$0.001	0.1%
<b>Natural Gas Vehicle (NGV) (uncompressed)</b>	\$/therm	\$0.408	\$0.408	\$0.000	0.0%
<u><b>NonCore Distribution Level Service Rates</b></u>					
<b>NonCore C&amp;I Distribution Tier 1*</b>	\$/therm	\$0.634	\$0.634	\$0.000	0.0%
<b>NonCore C&amp;I Distribution Tier 2*</b>	\$/therm	\$0.464	\$0.464	\$0.000	0.0%
<b>NonCore C&amp;I Distribution Tier 3*</b>	\$/therm	\$0.355	\$0.355	\$0.000	0.0%

<sup>7</sup> Rule 21, Gas Service Extensions  
<https://tariffsprd.socalgas.com/view/tariff/?utilId=SCG&bookId=GAS&tarfKey=120>.

<sup>8</sup> D.24-07-009.

<b>Transportation</b>		<b>Current Rates</b>	<b>Proposed Rates</b>	<b>Increase (decrease)</b>	<b>% change</b>
<b>NonCore C&amp;I Distribution Tier 4*</b>	<b>\$/therm</b>	<b>\$0.278</b>	<b>\$0.278</b>	<b>\$0.000</b>	<b>0.0%</b>
<b>NCCI-D Class Average</b>	<b>\$/therm</b>	<b>\$0.283</b>	<b>\$0.283</b>	<b>\$0.000</b>	<b>0.0%</b>
<b>Electric Generation Distribution Tier 1*</b>	<b>\$/therm</b>	<b>\$0.447</b>	<b>\$0.447</b>	<b>\$0.000</b>	<b>0.0%</b>
<b>Electric Generation Distribution Tier 2*</b>	<b>\$/therm</b>	<b>\$0.336</b>	<b>\$0.336</b>	<b>\$0.000</b>	<b>0.0%</b>
<b>EG-D Class Average</b>	<b>\$/therm</b>	<b>\$0.113</b>	<b>\$0.113</b>	<b>\$0.000</b>	<b>0.0%</b>
<b><u>NonCore Transmission Level Service (TLS) Rates</u></b>					
<b>TLS-C&amp;I Class Average Rate^</b>	<b>\$/therm</b>	<b>\$0.255</b>	<b>\$0.255</b>	<b>\$0.000</b>	<b>0.0%</b>
<b>TLS-Electric Generation Class Average Rate*</b>	<b>\$/therm</b>	<b>\$0.255</b>	<b>\$0.255</b>	<b>\$0.000</b>	<b>0.0%</b>
<b>Backbone Transmission Service (BTS)</b>	<b>\$/dth/day</b>	<b>\$0.733</b>	<b>\$0.733</b>	<b>\$0.000</b>	<b>0.0%</b>
<b>System Average Rate w/BTS</b>	<b>\$/therm</b>	<b>\$0.662</b>	<b>\$0.662</b>	<b>\$0.000</b>	<b>0.0%</b>
<b>Rates Revenue Requirement w/BTS</b>	<b>\$ millions</b>	<b>\$5,499</b>	<b>\$5,500</b>	<b>\$1</b>	<b>0.0%</b>
<b>Residential Non-CARE class average bill</b>	<b>\$/month</b>	<b>\$74.52</b>	<b>\$74.53</b>	<b>\$0.01</b>	<b>0.01%</b>
<b>Residential CARE class average bill</b>	<b>\$/month</b>	<b>\$41.68</b>	<b>\$41.69</b>	<b>\$0.01</b>	<b>0.02%</b>

\*w/California Air Resources Board (carb), Greenhouse Gas (GHG) adders

^w/California Solar Initiative Thermal Program Memo Account (CSITMA), CARB and GHG adders

This concludes our joint prepared direct testimony.

1 **VI. QUALIFICATIONS**

2 **a. Rae Marie Yu**

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

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

18 **b. Maria E. Becerra**

19 My name is Maria E. Becerra. My business address is 555 West Fifth Street, Los  
20 Angeles, California, 90013-1011. I am currently employed by SoCalGas as the Financial &  
21 Strategic Manager within the Accounting & Finance Department. I am responsible for managing  
22 the financial analysis of various SoCalGas projects and developing the associated revenue  
23 requirement forecasts for these projects.

24 I joined SoCalGas in 1994. Prior to SoCalGas, I worked as an auditor for  
25 PricewaterhouseCoopers from 1990 to 1994. I hold a Bachelor of Science degree in Accounting  
26 from Loyola Marymount University. I am a Certified Public Accountant (CPA).

27 I have not previously testified before the California Public Utilities Commission.

28 **c. Julia Cortez**

29 My name is Julia L. Cortez. My business address is 555 West Fifth Street, Los Angeles,  
30 California, 90013-1011. I received a Bachelor of Science degree in Business Administration  
31 with an emphasis in Human Resources from Cal Poly Pomona, California in 2007. I received a

1 Master of Business Administration degree from the University of La Verne, California in 2013.  
2 As Principal Regulatory Economic Advisor, I support the gas transportation rates for both  
3 SoCalGas and SDG&E. This includes allocating authorized revenue requirements to customer  
4 rate classes, developing rate design for each class, calculating customer rate changes and  
5 computing customers' bill impacts. In my previous role as a Market Advisor, I was responsible  
6 for policy and rate analysis for commercial, industrial and energy markets. This included  
7 developing guidelines for customers in a competitive bypass situation, cost/benefit analysis and  
8 supporting regulatory proceeding through advice letter filings.

9 I have not previously testified before the Commission.