Company: Southern California Gas Company (U904G)
Proceeding: 2019 General Rate Case
Application: A.17-10-007/008 (cons.)
Exhibit: SCG-242

SOCALGAS

REBUTTAL TESTIMONY OF RAE MARIE Q. YU

(REGULATORY ACCOUNTS)

JUNE 18, 2018

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

SoCalGas
A Sempra Energy utility®

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SOCALGAS REBUTTAL TESTIMONY OF RAE MARIE Q. YU (REGULATORY ACCOUNTS)

I. SUMMARY OF DIFFERENCES

	SOCALGAS	ORA
OFCMA	Amortize recorded balance as of 12/31/2018 over 12 months	Amortize recorded balance as of 12/31/2018 over 24 months

II. INTRODUCTION

This rebuttal testimony regarding Southern California Gas Company's (SoCalGas) request for regulatory accounts addresses the testimony from Ms. Dao Phan (Exhibit ORA-11) from the Office of Ratepayer Advocates (ORA), dated April 13, 2018.

I also discuss and clarify that a balance will remain in the Aliso Canyon Memorandum Account (ACMA) upon amortizing the ending balance in the account as of December 31, 2018 and the ACMA will remain open until the balance has been fully amortized.

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.

A. ORA

ORA issued its report on April 13, 2018 addressing, among other things, Gas Distribution and Gas Control & System Operations/Planning.[1] ORA supports recovery of the capital-related costs recorded in the Operational Flow Cost Memorandum Account (OFCMA) but proposes to amortize the balance over 24 months instead of 12 months.

[1] April 13, 2018, ORA Report on SoCalGas – Gas Distribution and Gas Control & System Operations/Planning, Exhibit ORA-11 (Dao Phan).

III. REBUTTAL TO PARTIES' PROPOSALS

A. OFCMA

ORA supports the recovery of the capital-related costs associated with the capital expenses incurred to implement system changes for new Low Operation Flow Order (OFO)/Emergency Flow Order (EFO) requirements, but proposes to recover the costs over a two-year period to "provide for a gradual increase in rates."[2] Citing the direct testimony of SoCalGas witness Devin Zornizer, ORA states, "SCG requests the recovery of $1.696 million for OFO/EFO capital costs the utility has incurred through 2017…ORA does not dispute the recovery of the OFO/EFO memorandum account, which recorded $1.696 million at the end of 2017."[3] ORA appears to be confusing the costs discussed in Mr. Zornizer's testimony regarding the reasonableness of OFO/EFO capital costs spent and my testimony discussing the recovery of actual capital revenue requirements recorded in the OFCMA. Specifically, Mr. Zornizer discusses only the reasonableness of the $1.696 million capital expenses spent to implement system changes to support recovery of the balance recorded in the OFCMA. My direct testimony addresses the balance recorded in the OFCMA as of June 30, 2017, which was $0.8 million overcollected, and the proposal to recover the recorded balance at the end of 2018. ORA did not raise any opposition to SoCalGas' cost recovery proposals included in my direct testimony.[4]

The OFCMA does not record capital expenses spent, but instead records the actual capital revenue requirements (i.e., depreciation, return, taxes) associated with assets in service as a result of the $1.696 million of capital expenses spent. The OFCMA currently has an overcollected balance due to self-developed software tax benefits that currently exceed the actual capital revenue requirements incurred. Therefore, the amount expected to be amortized in rates is much less than the $1.696 million of capital expenses spent and it would not make sense to deviate from the standard 12-month amortization period of regulatory accounts, as SoCalGas believes it would not be a significant impact to customers' rates. The capital revenue requirement

[2] Ex. ORA-11 (Phan) at 92.

[3] *Id.* (citing October 6, 2017, Direct Testimony on Gas Control & System Operations/Planning, Exhibit SCG-13 (Devin Zornizer) at 31-32).

[4] *See generally* April 13, 2018, ORA Report on Regulatory Accounts, Exhibit ORA-30 (Sophie Chia).

associated with the remaining net book value of these assets that was not recorded to the OFCMA will be recovered through ratebase as sponsored by SoCalGas' Ratebase witness, Pat Moersen.[5]

IV. INFORMATIONAL ONLY

A. ACMA

In my direct testimony, I had proposed to 1) discontinue recording in the ACMA the capital-related costs associated with the amount included in ratebase in this TY 2019 GRC to avoid double recovery of these costs and 2) to eliminate the ACMA after the remaining balance has been amortized in rates. In the direct testimony of David Buczkowski (Exhibit SCG-11), a forecast of the Aliso Canyon Turbine Replacement (ACTR) Project costs was presented for reasonableness and is reflected in ratebase in this TY 2019 GRC, as sponsored by Mr. Moersen.[6] As discussed in Mr. Buczkowski's rebuttal testimony (Exhibit SCG-211), ACTR Project costs have exceed the forecast presented, but SoCalGas is not seeking an update to the revenue requirement in this TY 2019 GRC associated with the additional expenses. SoCalGas will continue to record the capital-related costs associated with any excess above the forecast in the ACMA and keep the ACMA open since there will be a remaining balance after amortizing the balance as of December 31, 2018. In compliance with SoCalGas' Preliminary Statement, *Part VI., Regulatory Accounts – Memorandum, Aliso Canyon Memorandum Account (ACMA)*, SoCalGas may seek recovery of the remaining balance in its next GRC.

V. CONCLUSION

To summarize, ORA recommends recovering the balance recorded in the OFCMA over a two-year period to prevent significant rate impacts. I clarify in this testimony that the OFCMA records actual capital revenue requirement, not capital expenses incurred. Therefore, the balance to be amortized in rates will be smaller than ORA understood it to be and will not have a significant impact on rates, making it unreasonable to amortize the balance over a two-year period.

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[5] April 6, 2018, Second Revised Testimony on Rate Base, Exhibit SCG-35-2R (Patrick D. Moersen).

[6] *Id.*

I also clarify that the ACMA cannot be eliminated after the amortization of the balance in the account as of December 31, 2018 since there will be a remaining balance because actual ACTR Project costs exceed the forecast reflected in ratebase in this TY 2019 GRC. Instead, ACMA will remain open to continue recording the actual capital-related costs associated with any excess project costs, so the remaining balance may be presented and reviewed for recovery in SoCalGas' next GRC and fully amortized in rates.

This concludes my prepared rebuttal testimony.