

Application No.: A.23-08-XXX
Exhibit No.: _____
Witness: Rae Marie Q. Yu

PREPARED DIRECT TESTIMONY OF
RAE MARIE Q. YU
ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY
(REGULATORY ACCOUNTING AND COST RECOVERY)

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

August 2023

TABLE OF CONTENTS

	Page
I. PURPOSE.....	1
II. REGULATORY ACCOUNTING AND COST RECOVERY.....	1
III. QUALIFICATIONS	4

**PREPARED DIRECT TESTIMONY OF
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(REGULATORY ACCOUNTING AND COST RECOVERY)**

I. PURPOSE

The purpose of this chapter is to present Southern California Gas Company's (SoCalGas) request to update costs and request for cost recovery, including to establish a memorandum account for the Ventura Compressor Modernization Project ("Proposed Project").

II. REGULATORY ACCOUNTING AND COST RECOVERY

SoCalGas presents an AACE Class 3 estimate for the Proposed Project in the accompanying Application. The Proposed Project is not expected to go into service until 2032. Cost increases due to inflation or additional engineering could result, and there may also be delays to proceeding with the Proposed Project for reasons outside of SoCalGas' control (e.g., regulatory approval, permitting) that may increase costs. Moreover, although SoCalGas believes the Proposed Project is the best project to meet the objectives, the Commission might order SoCalGas to undertake an alternative project. For these reasons, and to proceed with the most accurate cost estimates possible, SoCalGas proposes that, following development of a final detailed engineering design-based construction estimate and prior to the commencement of construction, SoCalGas submit a Tier 2 advice letter to provide an updated estimate of costs for the project that is ordered by the Commission in this proceeding.¹ Once the Project is in service, SoCalGas proposes to submit a Tier 2 advice letter to incorporate an updated revenue

¹ See Cal. Pub. Util. Code § 1005.5(b) and D.07-01-040 at 115-116 (OP 12) (authorizing SCE to submit an advice letter to increase or decrease the authorized maximum cost following development of a final detailed engineering design-based construction estimate), D.09-11-007 at 25 (retaining order to file advice letter), and Resolution E-4602 (Feb. 5, 2014) (increasing SCE's authorized cost cap from \$545.3 million to \$840 million).

requirement in customers' transportation rates. The updated revenue requirement will be calculated using the authorized rate of return at the time of the advice letter submission and actual capital additions, not to exceed the final authorized expenses for this Project.² Authorized revenue requirement requested in the Tier 2 advice letter would also include a true up for revenue requirement incurred between the time the project is in service and when the authorized revenue requirement is included in customers' rates.

SoCalGas also proposes to establish the Ventura Compressor Modernization Memorandum Account (VCMMA). The VCMMA will be an interest-bearing memorandum account recorded on SoCalGas' financial statements. The purpose of the VCMMA is to record the revenue requirement associated with Proposed Project expenses that may be incurred above authorized levels (i.e., incremental). The on-going incremental capital revenue requirement will be tracked in the VCMMA until the incremental portion of the capital assets are authorized to be included in a future GRC. Cost recovery of the balance in the VCMMA would be subject to a reasonableness review in a future GRC or other applicable proceeding. This process will allow the Commission to evaluate the reasonableness of any Proposed Project expenses above authorized levels.

In the event the Commission orders the No Project alternative, SoCalGas still requests the establishment of the VCMMA and proposes to track in the VCMMA the costs incurred on the Proposed Project and prior iterations of the Proposed Project (as approved by the Commission in prior GRC decisions), including at the explicit direction of the Commission and costs incurred

² Final authorized expenses may be based on authorized expenses in a final decision on this Application or subsequent approval of an increase to authorized expenses pursuant to Cal. Pub. Util. Code § 1005.5(b).

during the course of this proceeding. This would allow these costs to be reviewed for reasonableness in the future.

III. QUALIFICATIONS

My name is Rae Marie Q. Yu. I am employed by SoCalGas. My business address is 555 West Fifth Street, Los Angeles, California, 90013-1011. I am currently the Regulatory Accounts Manager of the Regulatory Accounts group within the Accounting and Finance Department. I am responsible for managing SoCalGas's authorized regulatory balancing, memorandum, and tracking accounts. My responsibilities include: implementation of regulatory accounting procedures in compliance with Commission directives; quantifying and recording the monthly entries to the Commission-authorized regulatory account mechanisms; and managing the general administration of SoCalGas's authorized regulatory accounts.

Prior to this role, I held various positions within the Accounting and Finance Department. I received my Bachelor of Science degree in Accounting from San Diego State University in 2007. I am also a Certified Public Accountant. I began my employment with SoCalGas in 2007 in the Accounting and Finance Department where I have held various positions of increasing responsibility in Accounts Payable, Plant Accounting, Business Controls, Regulatory Accounts, Fixed Assets, and Operational Planning before assuming my current position.

I have previously testified before the California Public Utilities Commission.