Application:	A.26-07-003
Exhibit No.:	SCG-03-R2
Witness:	Rae Marie Yu, Maria E. Becerra, Julia L.Cortez
Chapter:	3

Application of Southern California Gas Company (U904G), on Behalf of its Customers, for Approval of Gas Line Extension Allowances.	Application 26-07-003 (Filed July 1, 2026)

SECOND REVISED 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

November 5, 2026

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SECOND REVISED DIRECT TESTIMONY OF RAE MARIE YU, MARIA E. BECERRA, AND JULIA L. CORTEZ

CHAPTER 3 - REGULATORY ACCOUNTING, COST RECOVERY, REVENUE REQUIREMENT, AND RATES

I. PURPOSE AND OVERVIEW

The purpose of our joint testimony is to support the Application of Southern California Gas Company (SoCalGas), on Behalf of its Customers, for Approval of Gas Line Extension Allowances (Application) pursuant to Decision (D.) 22-09-026 of the California Public Utilities Commission (Commission). The testimony presents SoCalGas's cost recovery proposal related to: (1) the establishment, if necessary, and use of the Gas Line Extension Allowance Balancing Account (GLEABA) to record and recover the incremental revenue requirement associated with Commission approved gas line extension allowances; (2) the illustrative revenue requirement associated with the estimated capital expenditures for the six projects eligible for gas line extension allowances; (3) the proposed cost allocation methodology; and (4) natural gas rate and customer bill impacts.

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

In application (A.) 25-07-001, SoCalGas proposed establishing the GLEABA to recover the revenue requirement associated with any line extension allowances approved in that application.[1] If the Commission does not approve the GLEABA in A.25-07-001, SoCalGas proposes in this Application to establish the account. The GLEABA will be an interest-bearing two-way balancing account to be recorded on SoCalGas's financial statements. The purpose of the GLEABA is to record the incremental revenue requirement associated with any gas line extension allowances that the Commission approves through this Application. Revenue requirement will be recorded to the GLEABA once the allowance is paid to the customer. Details of the non-residential projects and estimated allowances are described in the direct testimony of Jennifer Morris (Chapter 1) and Jason Legner (Chapter 2). The estimated illustrative annual revenue requirement associated with the allowances is described in Section III.

[1] The proposed balancing account, GLEABA, is different and separate from SoCalGas's existing Gas Line Extension Balancing Account (GLEBA) authorized in D.24-12-074. SoCalGas is requesting closure of the GLEBA in SoCalGas's Test Year 2028 General Rate Case (GRC). Refer to A.26-06-014, Prepared Direct Testimony of Rae Marie Yu (Regulatory Accounts, Exhibit (Ex.) SCG-21).

SoCalGas proposes to amortize the actual balance in the GLEABA in customers' gas transportation rates in connection with the annual regulatory account update advice letter filing. The ongoing incremental capital revenue requirement will be tracked in and recovered annually through the GLEABA until the capital assets are included in SoCalGas's future GRC.

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

As described in the direct testimony of Jennifer Morris (Chapter 1), the Application consists of six projects, submitted on behalf of customers, seeking gas line extension allowances pursuant to D.22-09-026. The estimated gas line extension allowances for these six projects total approximately $5.127 million.[2]

The revenue requirement accounts for the incremental fully-loaded capital expenditures for these six projects up to the estimated gas line extension allowance for each project. In addition to the incremental fully-loaded capital expenditures, the revenue requirement also includes other costs required to support the investment, including payment of income taxes, property taxes, and franchise fees & uncollectibles (FF&U).[3] The revenue requirement also provides for recovery of the investment through depreciation over the assets' useful lives, as well as an authorized return on the investment.[4]

The total illustrative revenue requirement associated with the six projects is $11.5 million over the useful lives of the assets. Table 1 begins with 2032, the year in which the revenue requirement reaches its projected peak and shows the decline over the following three years for illustrative purposes. This downward trend continues through the remaining useful lives of the assets.

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[2] Allowance values are rounded to the nearest thousandth. Allowance values are estimates and are subject to change based on actual demonstrated usage.

[3] Current applicable income tax rates are 21.00% and 8.84% for federal and state taxes, respectively, and 2.153% for FF&U. FF&U multipliers are calculated based on the mechanism approved in D.24-12-074.

[4] The authorized rate of return is 7.52%, as approved in D.25-12-043, and is applied to rate base to calculate the return on investment.

Table 1

Illustrative Revenue Requirement (In Thousands)
(2032 Peak Year and Three Subsequent Years)

	2032	2033	2034	2035
Revenue Requirement	$699.4	$698.8	$676.7	$654.9

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

SoCalGas uses the forecasted revenue requirement for purposes of illustrating the potential rate impact of these six projects. The illustrative rate impacts are discussed below in Section V.

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

In this Application, SoCalGas proposes to use the Equal Percentage of Authorized Margin (EPAM) cost allocation methodology to recover the revenue requirement recorded in the GLEABA, consistent with the methodology proposed in A.25-07-001. Under EPAM, the incremental revenue requirement is allocated across customer classes based on each class's share of authorized margin. For illustrative purposes, SoCalGas determines the rate impacts by adding the incremental volumes associated with the customers presented in this Application to the volumes adopted in the most recently implemented Cost Allocation Proceeding (CAP) decision.[5] Because rates are calculated on a per-therm basis, the inclusion of additional volumes places downward pressure on rates. The actual cost allocation methodology applied at the time of recovery will be determined by the CAP decision then in effect.

[5] D.24-07-009.

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

Table 2 below illustrates current and proposed gas transportation rates by major customer class upon recovery of costs associated with GLEABA. These illustrative rates are derived from the forecasted revenue requirement provided in Section III, Table 1, which reflects the incremental revenue requirement to be included in rates from 2032 through 2035. As shown in Table 2, rates are presented for 2032, the projected peak year, and for the subsequent years 2033 through 2035 to demonstrate that rates decline for all customer classes as the revenue requirement decreases. Beginning in 2035, class-average residential rates are forecasted to fall below current rates, producing an overall benefit that continues for the remaining life of the assets.

Over a 12-month amortization period, a typical residential customer using 35 therms per month would see a minimal bill impact of approximately 0.06 cents per month in 2032, the peak revenue year. This is equivalent to less than a cent per year for the typical residential customer. By 2035, bills are forecasted to decline slightly, with the benefits growing in subsequent years.

Table 2

Illustrative Transportation Rates[6]

Transportation		Current Rates	Peak Year 2032	Increase (decrease)	% change	2033	Increase (decrease)	% change	2034	Increase (decrease)	% change	2035	Increase (decrease)	% change
SoCalGas Summary														
Core Rates														
Residential	$/therm	$1.434	$1.434	$0.000	0.0%	$1.434	($0.000)	0.0%	$1.434	($0.000)	0.0%	$1.434	($0.000)	0.0%
Core Commercial & Industrial (C&I)	$/therm	$0.905	$0.904	($0.000)	0.0%	$0.904	($0.000)	0.0%	$0.904	($0.000)	0.0%	$0.904	($0.000)	0.0%
Natural Gas Vehicle (NGV)	$/therm	$0.380	$0.374	($0.006)	-1.5%	$0.374	($0.000)	0.0%	$0.374	($0.000)	0.0%	$0.374	($0.000)	0.0%
NonCore Distribution Level Service Rates														
NonCore C&I Distribution Tier 1*	$/therm	$0.616	$0.615	($0.000)	0.0%	$0.615	($0.000)	0.0%	$0.615	($0.000)	0.0%	$0.615	($0.000)	0.0%
NonCore C&I Distribution Tier 2*	$/therm	$0.432	$0.432	($0.000)	0.0%	$0.432	($0.000)	0.0%	$0.432	($0.000)	0.0%	$0.432	($0.000)	0.0%
NonCore C&I Distribution Tier 3*	$/therm	$0.314	$0.314	($0.000)	-0.1%	$0.314	($0.000)	0.0%	$0.314	($0.000)	0.0%	$0.314	($0.000)	0.0%
NonCore C&I Distribution Tier 4*	$/therm	$0.230	$0.230	($0.000)	-0.1%	$0.230	($0.000)	0.0%	$0.230	($0.000)	0.0%	$0.230	($0.000)	0.0%
NCCI-D Class Average	$/therm	$0.279	$0.279	($0.000)	0.0%	$0.279	($0.000)	0.0%	$0.279	($0.000)	0.0%	$0.279	($0.000)	0.0%
Electric Generation Distribution Tier 1*	$/therm	$0.421	$0.420	($0.000)	0.0%	$0.420	($0.000)	0.0%	$0.420	($0.000)	0.0%	$0.420	($0.000)	0.0%
Electric Generation Distribution Tier 2*	$/therm	$0.297	$0.297	($0.000)	-0.1%	$0.297	($0.000)	0.0%	$0.297	($0.000)	0.0%	$0.297	($0.000)	0.0%
EG-D Class Average	$/therm	$0.272	$0.272	($0.000)	0.0%	$0.272	($0.000)	0.0%	$0.272	($0.000)	0.0%	$0.272	($0.000)	0.0%
NonCore Transmission Level Service (TLS) Rates														
TLS-C&I Class Average Rate^	$/therm	$0.197	$0.197	($0.000)	-0.1%	$0.197	($0.000)	0.0%	$0.197	($0.000)	0.0%	$0.197	($0.000)	0.0%
TLS-Electric Gerneration Class Average Rate*	$/therm	$0.197	$0.197	($0.000)	-0.1%	$0.197	($0.000)	0.0%	$0.197	($0.000)	0.0%	$0.197	($0.000)	0.0%
Backbone Transmission Service (BTS)	$/dth/day	$0.896	$0.896	$0.000	0.0%	$0.896	$0.000	0.0%	$0.896	$0.000	0.0%	$0.896	$0.000	0.0%
System Average Rate w/BTS	**$/therm**	**$0.651**	**$0.651**	**($0.000)**	**-0.1%**	**$0.651**	**($0.000)**	**0.0%**	**$0.651**	**($0.000)**	**0.0%**	**$0.651**	**($0.000)**	**0.0%**
Rates Revenue Requirement w/BTS	**$ millons**	**$5,412**	**$5,413**	**$1**	**0.0%**	**$5,413**	**$0**	**0.0%**	**$5,413**	**($0)**	**0.0%**	**$5,413**	**($0)**	**0.0%**

*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 direct testimony.

[6] Rates for 2032 are compared to current rates, while rates for 2033 through 2035 are presented on a year-over year basis to show the decline.

VI. QUALIFICATIONS

A. Rae Marie Yu

My name is Rae Marie Yu. I am employed by SoCalGas. My business address is 350 South Grand Avenue, Los Angeles, California, 90071. I am the Director of Financial Reporting within the Accounting and Finance Department. I am responsible for the financial reporting and accounting of SoCalGas's financial statements. My responsibilities include overseeing the accounting close, technical accounting research, reporting to the Commission and the United States Securities and Exchange Commission, and compliance with Section 404 of the Sarbanes-Oxley Act. Before this role, I held various positions within the Accounting and Finance Department including my most recent previous role managing the general administration of SoCalGas's authorized regulatory accounts.

I received my Bachelor of Science degree in Accounting from San Diego State University in 2007. I am also a Certified Public Accountant (CPA). I began my employment with SoCalGas in 2007 in the Accounting and Finance Department.

I have previously testified before the Commission.

B. Maria E. Becerra

My name is Maria E. Becerra. My business address is 350 South Grand Avenue, Los Angeles, California, 90071. I am currently employed by SoCalGas as the Financial and Strategic Manager within the Accounting and Finance Department. I am responsible for managing the financial analysis of various SoCalGas projects and developing the associated revenue requirement forecasts for these projects.

I joined SoCalGas in 1994. Prior to SoCalGas, I worked as an auditor for PricewaterhouseCoopers from 1990 to 1994. I hold a Bachelor of Science degree in Accounting from Loyola Marymount University. I am a CPA.

I have previously prepared and submitted testimony for consideration in a proceeding before this Commission.

C. Julia L. Cortez

My name is Julia L. Cortez. My business address is 350 South Grand Avenue, Los Angeles, California, 90071. I received a Bachelor of Science degree in Business Administration with an emphasis in Human Resources from Cal Poly Pomona, California in 2007. I received a

Master of Business Administration degree from the University of La Verne, California in 2013. As the Rates Lead, I support the gas transportation rates for both SoCalGas and San Diego Gas & Electric Company. This includes allocating authorized revenue requirements to customer rate classes, developing rate design for each class, calculating customer rate changes and computing customers' bill impacts. In my previous role as a Market Advisor, I was responsible for policy and rate analysis for commercial, industrial and energy markets. This included developing guidelines for customers in a competitive bypass situation, cost/benefit analysis and supporting regulatory proceeding through advice letter filings.

I have previously prepared and submitted testimony for consideration in a proceeding before this Commission.

VII. CERTIFICATION

We prepared, or caused to be prepared under our supervision, this joint testimony. We each sponsor the portions of this joint testimony for which we are responsible. The facts stated in the portions of this joint testimony that each of us sponsors are true and correct to the best of that witness's knowledge and belief as of the date set forth below. To the extent any such portions reflect opinions or judgments, they reflect the best professional judgment of the sponsoring witness as of that date.

We declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on October 28, 2026, in Los Angeles, California.

/s/ Rae Marie Yu

Rae Marie Yu

/s/ Maria E. Becerra

Maria E. Becerra

/s/ Julia L. Cortez

Julia L. Cortez