

Application No: A.16-09-XXX  
Exhibit No.: \_\_\_\_\_  
Witness: T. Tran

Application of Southern California Gas Company (U 904 G) and San Diego Gas & Electric Company (U 902 G) to Recover Costs Recorded in the Pipeline Safety and Reliability Memorandum Accounts, the Safety Enhancement Expense Balancing Accounts, and the Safety Enhancement Capital Cost Balancing Accounts

Application 16-09-XXX

**CHAPTER VIII**  
**DIRECT TESTIMONY OF**  
**TERISHIA TRAN**  
**ON BEHALF OF**  
**SOUTHERN CALIFORNIA GAS COMPANY**  
**AND**  
**SAN DIEGO GAS & ELECTRIC COMPANY**

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

September 2, 2016

## TABLE OF CONTENTS

	<u>PAGE</u>
I. PURPOSE AND OVERVIEW OF TESTIMONY .....	1
II. PSEP GMA .....	1
A. Program Management Office .....	2
B. Construction.....	3
C. Engineering.....	3
D. Environmental.....	3
E. Supply Management .....	3
F. Gas Control.....	4
G. Non-PMO General Administration.....	4
H. Communication and Outreach.....	4
I. Training.....	4
III. GMA COSTS ARE PRUDENTLY INCURRED AND TRACKED .....	5
IV. GMA COSTS ARE PRUDENTLY MONITORED AND MANAGED .....	5
V. GMA COSTS ARE DISTINCT FROM THE INCREMENTAL OVERHEADS APPLIED TO PSEP .....	6
VI. CONCLUSION .....	8
VII. WITNESS QUALIFICATIONS .....	9

1     **I.    PURPOSE AND OVERVIEW OF TESTIMONY**

2           The purpose of my direct testimony on behalf of Southern California Gas Company  
3 (SoCalGas) and San Diego Gas & Electric Company (SDG&E) (collectively, the “Utilities”) is  
4 to explain the reasonableness of the Pipeline Safety Enhancement Plan (PSEP) General  
5 Management and Administration (GMA) concept, cost tracking, and allocation methodology.  
6 Included in the hydrotest, replacement, abandonment, and valve projects presented for review  
7 and recovery in this application is approximately \$22 million in PSEP GMA costs. These costs  
8 were incurred to support PSEP execution, and consistent with my testimony, were tracked and  
9 allocated to individual PSEP projects (see also Chapter VII (Mejia)).

10           As explained more fully below, the PSEP GMA is a prudent means to track PSEP  
11 programmatic costs incurred in support of PSEP project execution. The PSEP GMA was created  
12 in order to create a process to track, monitor, and allocate PSEP support costs to the various  
13 PSEP projects. These support costs are necessitated by the size of the PSEP undertaking, the  
14 need for a dedicated PSEP organization to manage PSEP implementation, and the dual goal of  
15 tracking support costs in a transparent way and fairly allocating these support costs to PSEP  
16 projects.<sup>1</sup>

17     **II.   PSEP GMA**

18           As explained in Chapter II (Phillips), the PSEP undertaking is unprecedented. To  
19 expeditiously, reasonably, and prudently execute the PSEP, SoCalGas and SDG&E created a  
20 dedicated PSEP organization that engages in PSEP project execution and PSEP support  
21 activities.

---

<sup>1</sup> The functions and roles of the PSEP support departments are also addressed in Chapter VII (Mejia).

1 PSEP GMA costs are support costs that are not attributable to specific projects, but  
2 incurred to support overall PSEP execution. These costs include building out the foundational  
3 elements of the PSEP program such as; the PMO organization itself, departments, processes and  
4 procedures, that are necessary to support project-specific safety enhancement activities.

5 As discussed in detail below in Section III, PSEP GMA costs are tracked via internal  
6 order numbers. As these costs are incurred, they are direct charged to these distinct internal  
7 orders numbers. The pro-rated costs are then allocated to PSEP projects. The percentage basis  
8 allocated to the project varies according to the overall portfolio of PSEP projects, but is  
9 determined by total PSEP GMA costs divided by total PSEP projects costs to get the GMA  
10 percentage. The GMA costs are allocated to PSEP projects by applying the GMA percentage to  
11 the total costs incurred for a specific project. The allocation of GMA costs is recorded on a  
12 monthly /quarterly basis or on an as needed basis to ensure the correct allocation percentage is  
13 applied to the PSEP project costs. The accounting for the allocation of GMA costs are recorded  
14 as credits to the GMA internal orders and debits to the PSEP project internal orders. The GMA  
15 costs are tracked as nine supporting functions for PSEP: (1) Program Management Office  
16 (PMO); (2) Construction; (3) Engineering; (4) Environmental; (5) Supply Management; (6) Gas  
17 Control; (7) Non-PMO General Administration; (8) Communication and Outreach and (9)  
18 Training. These nine functions oversee and support the PSEP organization.

#### 19 **A. Program Management Office**

20 The PMO GMA tracks costs associated with the PSEP PMO. Labor and non-labor  
21 expenses for the PSEP PMO are for the development of program-wide processes, procedures and  
22 trainings.

1           **B. Construction**

2           The Construction GMA tracks costs incurred by the PSEP Construction Support Group,  
3 which is responsible for the direct management of all construction related activities during the  
4 execution of the PSEP projects. Labor and non-labor expenses for the PSEP Construction GMA  
5 are for the development of the construction processes, procedures and training. Program training  
6 includes construction inspection, welding and safety related activities.

7           **C. Engineering**

8           The Engineering GMA tracks costs associated with the PSEP Engineering Support  
9 Group, which oversees project planning, engineering and execution for the PSEP organization.  
10 Labor and non-labor expenses for Engineering GMA are related to the development of the  
11 engineering and execution processes, procedures and training. This includes the development for  
12 planning and engineering design of the PSEP program.

13           **D. Environmental**

14           The Environmental GMA tracks costs associated with the Environmental Support Group,  
15 which is responsible for supporting the PSEP environmental strategy and program compliance  
16 oversight. Labor and non-labor expenses for the Environmental GMA are related to the  
17 development of the Environmental program-wide processes, procedures, and trainings.

18           **E. Supply Management**

19           Supply Management GMA tracks costs associated with the PSEP Supply Management  
20 Support Group, which provides supply chain-related support for the PSEP organization. Labor  
21 and non-labor expenses for Supply Management GMA are related to the development of the  
22 Supply Management processes, procedures and trainings.

1           **F. Gas Control**

2           Gas Control GMA tracks costs associated with the Gas Control Support Group, which  
3 provides SoCalGas PSEP gas control support, including the monitoring and control of the  
4 physical gas deliveries in the system. Labor and non-labor expenses for Gas Control GMA  
5 include labor and miscellaneous costs for integrating PSEP field data into the Gas Control  
6 environment.

7           **G. Non-PMO General Administration**

8           Non-PMO General Administration GMA costs are associated with program wide support  
9 from project controls, Quality Assurance (QA)/Quality Control (QC), and project wide  
10 documentation control. These activities are primarily undertaken by Project Controls and  
11 Technology and the QA/QC support team. Labor and non-labor expenses for Non-PMO General  
12 Administration GMA are related to the development of processes, procedures, and trainings to  
13 implement various programmatic controls.

14           **H. Communication and Outreach**

15           Communication and Outreach GMA tracks costs associated with the development of  
16 internal and external communications of PSEP status to key stakeholders. Labor and non-labor  
17 expenses for Communication and Outreach GMA are related to the development of the  
18 Communication and Outreach processes, procedures and trainings for the program.

19           **I. Training**

20           Training GMA covers PSEP training-related activities. This activity includes  
21 expenditures for PSEP trainers, Instructional Design, and training of field folks supporting PSEP  
22 specific projects. Training reasonably improves safety and efficiency by promoting consistency  
23 across projects and supports continued and consistent compliance with applicable laws,  
24 regulations, and established procedures and policies.

1       **III. GMA COSTS ARE PRUDENTLY INCURRED AND TRACKED**

2               PSEP GMA costs are tracked using the internal order (IO) numbers established in the  
3 utilities' accounting system. As the costs are incurred, expenditures are direct charged to these  
4 distinct IO numbers used to track the PSEP GMA costs according to the nine supporting  
5 functions. The costs are comprised of labor and non-labor expenses for SoCalGas and SDG&E.

6               The PSEP GMA IO numbers are different from project-specific IO numbers. Project  
7 costs have their own set of unique IO numbers and are tracked separately. Dedicated employees  
8 supporting the PSEP GMA functions charge their labor and non-labor expenses to the PSEP  
9 GMA IO numbers according to the support activities. For contractors supporting GMA, the  
10 costs are direct billed via invoices to SoCalGas and SDG&E. The invoices are received by  
11 Accounts Payable, reviewed and assigned by the GMA department heads, processed, and then  
12 direct charged to the appropriate PSEP GMA IO numbers.

13       **IV. GMA COSTS ARE PRUDENTLY MONITORED AND MANAGED**

14               The monitoring and tracking responsibilities of the PSEP GMAs reside with the PSEP  
15 PMO. These costs are tracked, monitored and reviewed monthly by the different PSEP  
16 department heads.

17               The PMO Business and Administration group creates and issues a monthly GMA Cost  
18 Report which identifies charges to the PSEP GMA IO numbers. The assigned GMA department  
19 heads are responsible to review the expenses charged to the GMA IO numbers. The report  
20 provides detailed transaction charges. As part of the validation process, the department heads are  
21 tasked to review to validate that there are no erroneous costs charged to their respective IO  
22 numbers. If there are mischarges, the department heads are to inform the Business and  
23 Administration group so corrections can be made.

1 In addition to the GMA Cost Report, a monthly Cost Center Report with all IO numbers  
2 charging to the department head's cost center are issued. The cost report provides detail on  
3 transactions charged to the cost centers (i.e., employee expenses and travel). This detailed report  
4 not only provides the detailed transactions charged to the GMA IO numbers, but also includes  
5 non-GMA IO numbers charged to the department head's cost center. As part of the validation  
6 process, the assigned department heads are tasked to review the report to confirm that there are  
7 no erroneous costs charged to their respective cost centers. If there are mischarges, the  
8 department heads inform the Business and Administration group so corrections can be made.

9 For external vendors supporting GMA, a weekly external labor hour report is issued.  
10 This report shows vendor name, employee name, job title and job function by weekly hours  
11 (straight and overtime) for the department heads to review. Once the hours are approved by the  
12 department heads, the vendors are then authorized to invoice and bill SoCalGas and SDG&E.

13 **V. GMA COSTS ARE DISTINCT FROM THE INCREMENTAL OVERHEADS**  
14 **APPLIED TO PSEP**

15 For PSEP costs, only SoCalGas and SDG&E incremental overheads listed below<sup>2</sup> are  
16 applied to the PSEP projects.<sup>3</sup> The incremental overhead rates are applied to each direct cost,  
17 according to its classification as company labor, contract labor, purchased services and materials.

---

<sup>2</sup> The incremental overhead loaders are listed as indirect costs in workpapers supporting Chapter IX (Huleis).

<sup>3</sup> Please see Chapter IX (Huleis) for incremental overhead information.



<b>Incremental Loaders</b>
Payroll Tax
ICP
Pension and Benefits
Worker's Compensation
Vacation and Sick
PLPD Overhead
Purchasing
A&G Capital
PSEP Insurance

1  
2  
3  
4  
5  
6  
7  
8

The PSEP program excludes SoCalGas and SDG&E’s non-incremental overheads listed below. To prevent non-incremental overheads from being recovered as part of the filing, SoCalGas Regulatory Accounts and SDG&E’s Regulatory Reporting departments review the PSEP project IO numbers, and as needed, manually excludes any non-incremental overheads from the regulatory accounts (e.g., SECCBAs, SEEBAs, and PSRMAs). The cost recovery sought in this filing reflects only incremental overheads and exclude the non-incremental overheads.

<b>Non-Incremental Loaders</b>
Warehouse
Fleet Distribution
Fleet Transmission
Shop OH
Small Tools
Exempt MPM
Engineering / S&E Distribution
Engineering / S&E Transmission
DOH Replacement

9  
10  
11  
12  
13  
14

To support similar functions, PSEP has applied the costs associated with all nine GMA supporting functions to its projects. The GMA supporting functions enable the allocation of reasonable PSEP support costs to the PSEP projects. In some instances, the GMA costs serve to replace non-incremental overheads and allow PSEP to recover similar functions incurred to reasonably and prudently implement PSEP. These GMA cost pools only include PSEP costs and

1 are only applied to PSEP hydrotest, replacement, abandonment, and valve projects. For instance,  
2 one of the non-incremental loaders not applied as a predetermined percentage to the PSEP  
3 project is SoCalGas and SDG&E's Distribution and Transmission Engineering overheads.  
4 Instead of applying the SoCalGas and SDG&E Engineering loaders, PSEP projects are allocated  
5 the Engineering GMA costs. Similarly, SoCalGas and SDG&E's Shop and Warehouse loaders  
6 are replaced for PSEP projects by allocating the Supply Management GMA.

## 7 **VI. CONCLUSION**

8 The Commission should find the PSEP GMAs a reasonable and prudent means to  
9 allocate PSEP program support costs to PSEP projects and associated revenue requirements  
10 should be recoverable in rates.

11 This concludes my prepared Direct Testimony.

1       **VII. WITNESS QUALIFICATIONS**

2               My name is Terishia Tran. I have been employed by Southern California Gas Company  
3 since 2002. My business address is 555 West Fifth Street, Los Angeles, California 90013-1011.

4               I have held various financial and budgeting positions at SoCalGas. My current role is the  
5 Financial Quality Control Manager for Major Programs and Project Control. I have held this  
6 current position since 2014.

7               I received my Bachelor of Arts in Economics from New York University and my MBA  
8 from Chapman University. I have not previously testified before the Commission.