

Application No: A.18-11-XXX
Exhibit No.: _____
Witness: T. Tran

Application of Southern California Gas
Company (U 904 G) and San Diego Gas &
Electric Company (U 902 G) for Review of
Costs Incurred in Executing Pipeline Safety
Enhancement Plan

Application A.18-11-XXX

CHAPTER VI
DIRECT TESTIMONY OF TERISHIA TRAN
(GMA)
ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY
AND
SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

November 13, 2018

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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) is to explain the reasonableness
4 of the Pipeline Safety Enhancement Plan (PSEP) General Management and Administration
5 (GMA) concept, cost tracking, and allocation methodology. Approximately \$89 million in PSEP
6 GMA costs are included in the project costs presented for review and recovery in this
7 Application.

8 As explained more fully below, the PSEP GMA is a prudent method of tracking PSEP
9 programmatic costs incurred in support of PSEP project implementation and execution. The
10 PSEP GMA was developed as a means to track program-wide support costs in a transparent
11 manner and to allocate the costs to the various PSEP projects.¹

12 **II. PSEP GMA**

13 As explained in Chapter II (Phillips), the magnitude of the PSEP undertaking is
14 unprecedented and incremental to SoCalGas and SDG&E's routine operating activities.
15 SoCalGas and SDG&E created a dedicated organization to expeditiously, reasonably, and
16 prudently execute the PSEP. The organization manages the PSEP implementation, project
17 execution, and support activities.

18 As described in Chapter V (Hugo), PSEP GMA costs are reasonably incurred in support
19 of the overall PSEP execution and the development of foundational elements of the PSEP
20 program, such as the Project Management Office (PMO) organization, integral support
21 departments, and PSEP processes and procedures that are necessary to maintain safety

¹ The functions and roles of the PSEP support departments are also addressed in Chapter V (Mejia).

1 enhancement activities. These efforts are necessary for the implementation of the PSEP program
2 and are not directly tied to the execution of individual PSEP projects.

3 As discussed in detail below in Section III, PSEP GMA costs are tracked via internal
4 order numbers. As these costs are incurred, they are recorded and tracked (i.e., “direct-charged”)
5 to specific internal order numbers. The GMA costs are then allocated to PSEP projects each
6 month based on the projects’ monthly cost. The accounting for the allocation of GMA costs is
7 recorded as credits (reductions) to the GMA internal order numbers and debits (increases) to the
8 PSEP project internal order numbers. The GMA costs are tracked to internal order numbers
9 corresponding to nine supporting functions for PSEP: (1) PMO; (2) Construction; (3)
10 Engineering; (4) Environmental; (5) Supply Management; (6) Gas Control; (7) Non-PMO
11 General Administration; (8) Communication and Outreach; and (9) Training. These nine
12 functions oversee and support the PSEP organization.²

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

14 PSEP GMA costs are tracked using the GMA internal order numbers established in the
15 utilities’ accounting system. As the costs are incurred, expenditures are recorded to these distinct
16 internal order numbers and to one of several cost centers used to track the PSEP GMA costs
17 according to the nine supporting functions. The costs are comprised of labor and non-labor
18 expenditures for SoCalGas and SDG&E.

19 The PSEP GMA internal order numbers are different from PSEP project-specific internal
20 order numbers. PSEP projects are each assigned unique internal order numbers and the costs of
21 each project are tracked separately. Employees supporting the PSEP GMA functions charge
22 their labor and non-labor expenses to the PSEP GMA internal order numbers and a related cost

² Additional details are included in Chapter V (Mejia).

1 center that corresponds to one of the nine supporting functions. Costs for contractors supporting
2 GMA are processed through a vendor management system (VMS). The contractors submit
3 weekly timecards to VMS that include vendor name, contractor employee name, job title, and
4 GMA function by weekly hours (straight and overtime). This information is then reviewed by
5 the assigned GMA functional managers. If approved, contractor invoices are created through
6 VMS and directly submitted to SoCalGas or SDG&E Accounts Payable for processing. Once
7 reviewed and approved by the assigned GMA functional manager, the invoices are directly
8 charged to the GMA internal order numbers and scheduled for payment issuance.

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

10 The monitoring and tracking responsibilities of the PSEP GMA costs reside with the
11 PSEP PMO. These costs are tracked, monitored, and reviewed monthly by the assigned GMA
12 functional managers.

13 The PMO Business and Administration group creates and issues a monthly Cost Center
14 Report that identifies charges to the PSEP GMA functional areas. The GMA functional
15 managers are responsible for reviewing the expenses charged to the assigned GMA functional
16 areas. The report provides detailed transactional charges. As part of the review and validation
17 process, the functional managers are tasked with reviewing the costs to ensure that there are no
18 costs incorrectly charged to their respective functional areas. If there are mischarges, the GMA
19 functional managers are to inform the Business and Administration group so that timely
20 corrections can be made.

1 **V. GMA COSTS ARE DISTINCT FROM THE INCREMENTAL OVERHEADS**
2 **APPLIED TO PSEP**

3 For PSEP costs, only the SoCalGas and SDG&E incremental overheads listed below³ are
4 applied to the PSEP projects.⁴ The incremental overhead rates are applied to each project cost
5 according to its classification as company labor, contractor labor, purchased services and
6 materials.

7 **Table 1 – Incremental Overheads**

<u>Incremental Overheads</u>
Payroll Tax
Incentive Compensation Plan (ICP)
Pension and Benefits
Worker's Compensation
Vacation and Sick
Public Liability / Property Damage
Purchasing
Administrative & General (A&G) Capital
PSEP Insurance

8
9 The PSEP projects exclude SoCalGas and SDG&E’s non-incremental overheads listed
10 below. To prevent non-incremental overheads from being recovered as part of the filing,
11 SoCalGas’ Regulatory Accounts and SDG&E’s Regulatory Reporting departments review the
12 PSEP project internal order numbers and, as needed, manually exclude any non-incremental
13 overheads from the regulatory accounts (*e.g.*, Safety Enhancement Capital Cost Balancing
14 Accounts (SECCBAs), Safety Enhancement Expense Balancing Accounts (SEEBAs), and
15 Pipeline Safety & Reliability Memorandum Accounts (PSRMAs)). The cost recovery sought in

³ The incremental overhead loaders are listed as indirect costs in workpapers supporting Chapter VII (Moersen).

⁴ See Chapter VII (Moersen) for incremental overhead information.

1 this filing reflects only incremental overheads and excludes the non-incremental overheads
2 below.

3 **Table 2 – Non-Incremental Overheads**

<u>Non-Incremental Overheads</u>
Warehouse
Fleet Distribution
Fleet Transmission
Shop OH
Small Tools
Exempt Misc. Pipe Material (MPM)
Engineering / Supervision & Engineering (S&E) Distribution
Engineering / S&E Transmission
Department Overhead (DOH) Replacement

4
5 SoCalGas and SDG&E apply the costs associated with all nine GMA functions to PSEP
6 projects. The GMA supporting functions enable the allocation of reasonable program-wide
7 support costs to the PSEP projects. In some instances, the GMA costs serve to replace non-
8 incremental Company overheads and allow PSEP to recover costs incurred for similar functions
9 that enable reasonable and prudent implementation of PSEP. These GMA costs include PSEP-
10 only project support costs and are only applied to PSEP projects. For instance, the Distribution
11 and Transmission Engineering overhead pool is a non-incremental loader that is not applied as a
12 predetermined percentage to PSEP projects. Instead, PSEP-specific Engineering GMA costs are
13 allocated to PSEP projects. Similarly, PSEP Supply Management GMA is allocated to PSEP
14 projects in place of SoCalGas' and SDG&E's Shop and Warehouse overheads.

1 **VI. CONCLUSION**

2 The PSEP GMA cost tracking and allocation methodology is a reasonable and prudent
3 means to allocate PSEP program support costs to PEP projects. The Commission should find the
4 GMA costs presented for review in this Chapter were reasonably incurred and authorize recovery
5 of the associated revenue requirements in rates.

6 This concludes my prepared Direct Testimony.

1 **VII. WITNESS QUALIFICATIONS**

2
3 My name is Terishia Tran. I have been employed by Southern California Gas Company
4 since 2002. My business address is 555 West Fifth Street, Los Angeles, California 90013-1011.
5 I have held various financial and budgeting positions at SoCalGas. My current role is the
6 Financial Quality Control Manager for Major Projects, Regulatory, Compliance and Controls. I
7 have held this position since 2018.

8 I received my Bachelor of Arts in Economics from New York University and my MBA
9 from Chapman University. I have previously testified before the Commission.