APPLICATION TO RECOVER COSTS RECORDED IN THEIR PIPELINE SAFETY AND RELIABILITY MEMORANDUM ACCOUNTS

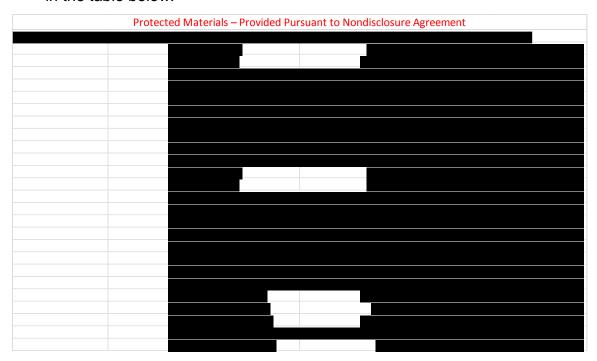
(A.14-12-016)

(11TH DATA REQUEST FROM SCGC & TURN)

Date Requested: July 20, 2015 Date Responded: August 3, 2015

QUESTION 11.1:

11.1. Regarding the response to SCGC-TURN-04, Q.4.1.6 of which a portion is shown in the table below:



- 11.1.1. Please provide a definition of or brief explanation for each of the cost element names listed in the table above.
- 11.1.2. Do the amounts provided in the response to SCGC-TURN-04, Q.4.1.6 that are related to labor overheads correspond only to the direct labor amounts that were produced in response to SCGC-TURN-04, Q.4.1.3?

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- 11.1.3. If the answer to the previous question is "no," please identify the other direct or indirect labor costs that these labor overheads would correspond to.
- 11.1.4. What direct costs do the overhead categories "Purchasing L (CS)," Warehouse L (CS)," and "Warehouse NL (CS)" correspond to?
- 11.1.5. Is the cost element "PSEP Ins NL (CS) SCG" in the amount of \$64,097.65 a payment of an insurance premium?
- 11.1.6. If the answer to the previous question is "yes," please explain why insurance needs would be considered a specific cost associated with PSEP and not generally a part of the SoCalGas' need to insure its operational activities including safety related activities?

RESPONSE 11.1:

11.1.1. The list of cost elements provided in response to SCGC-TURN-04, Q.4.1.6 are secondary cost elements. SoCalGas uses SAP to manage financial operations of the company and conforms to standard cost accounting practices and methodologies for allocating overhead expenses, consistently throughout the company. In SAP, secondary cost elements portray internal value flows, such as those found in internal activity allocation, overhead calculations and settlement transactions. The secondary cost elements identify the overheads related to direct labor and non-labor charges (CS) and the indirect labor charges (CL).

For a definition/explanation of the secondary cost elements listed please refer to attached workbook "SCGC-TURN DR 11.1.1.xlsx".

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- 11.1.2. No. The amounts provided in the response to SCGC-TURN-04, Q.4.1.6 related to labor overheads do not correspond only to the direct labor amounts produced in response to SCGC-TURN-04, Q.4.1.3.
- 11.1.3. As stated in response 11.1.1, the secondary cost elements labeled (CL) correspond to the labor portion of the indirect labor charged to the project. For example, the following overheads would be applied, using the secondary cost element labeled (CL) for the labor portion of the purchasing overhead: PR Tax, V&S, ICP, P&B, PLPD and Wk Comp.
- 11.1.4. The direct costs corresponding to overhead category "Purchasing L (CS)" is the labor associated with the personnel supporting the supply management department.

The direct costs corresponding to overhead category "Warehouse L (CS)" is the labor associated with personnel supporting the warehouse department.

The direct costs corresponding to overhead category "Warehouse NL (CS)" is the non-labor associated with the warehouse (e.g. materials, office supplies, etc.).

- 11.1.5. The \$64,097.65 is for payment of a portion of the allocated total insurance premium.
- 11.1.6. In order to mitigate risks associated with work performed under PSEP, SoCalGas and SDG&E directly procured a separate insurance program covering PSEP risks and liabilities arising from third party and professional liability claims.

Specifically, SoCalGas & SDG&E put a PSEP Owner Controlled Insurance Program (OCIP) in place. The PSEP OCIP is an owner purchased and owner controlled master insurance, safety and claims management program that provides specific coverages for SoCalGas and SDG&E and enrolled contractors, while they are performing work at the project site within the scope of PSEP. Traditionally, these coverages are procured by each individual contractor working within the scope of PSEP and expensed to SoCalGas and SDG&E through its contract price.

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Contractors enrolled in the program do not include these insurance coverages in its contract price. The OCIP structure provides all stakeholders with insurance coverage, safety, and cost benefits.

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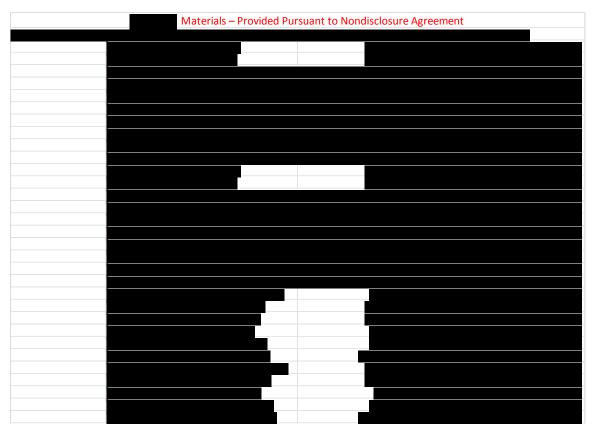
(A.14-12-016)

(11TH DATA REQUEST FROM SCGC & TURN)

Date Requested: July 20, 2015 Date Responded: August 3, 2015

QUESTION 11.2:

11.2. With respect to the response to SCGC-TURN-04, Q.4.2.6 of which a portion is shown in the table below:



11.2.1. Please provide a definition of or brief explanation for each of the cost element names listed in the table above.

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- 11.2.2. Do the amounts provided in the response to SCGC-TURN-04, Q.4.2.6 that are related to labor overheads correspond only to the direct labor amounts that were produced in response to SCGC-TURN-04, Q.4.2.3?
- 11.2.3. What direct costs do the categories "FLT GD Cap&3rd L (CS)," "Purchasing L (CS)," "DOH Rplc L (CS)," "Eng EDS L (CS)," "FLT GD Cap&3rd NL (CS)," "Purchasing NL (CS)," "Eng EDS NL (CS)," "Shop Order NL (CS)," and "Capital A&G NL (CS)" correspond to?

RESPONSE 11.2:

11.2.1. The list of cost elements provided in response to SCGC-TURN-04, Q.4.2.6 are secondary cost elements. SoCalGas uses the enterprise software SAP to manage financial operations of the company and conforms to standard cost accounting practices and methodologies for allocating overhead expenses, consistently throughout the company. In SAP, secondary cost elements portray internal value flows, such as those found in internal activity allocation, overhead calculations and settlement transactions. The secondary cost elements identify the overheads related to direct labor and non-labor charges (CS) and the indirect labor charges (CL).

For a definition/explanation of the secondary cost elements listed please refer to attached workbook "SCGC-TURN DR 11.2.1.xlsx".

- 11.2.2. No. the amounts provided in the response to SCGC-TURN-04, Q.4.2.6 related to labor overheads do not correspond only to the direct labor amounts produced in response to SCGC-TURN-04, Q.4.2.3.
- 11.2.3. Please note, certain non-incremental overhead costs may be recorded to a PSEP project, but these non-incremental overheads are later excluded from cost recovery.

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The direct costs corresponding to overhead category "FLT GD Cap &3rd L (CS)" is the labor associated with the personnel supporting the fleet department.

The direct costs corresponding to overhead category "Purchasing L (CS)" is the labor associated with the personnel supporting the supply management department.

The direct costs corresponding to overhead category "DOH Repl L (CS)" is the labor associated with personnel supporting the planning function for replacement projects.

The direct costs corresponding to overhead category "Eng EDS L (CS)" is the labor associated with the supervision and engineering of distribution work.

The direct costs corresponding to overhead category "FLT GD Cap &3rd NL (CS)" is the non-labor associated with the fleet department (e.g. materials, office supplies, etc.).

The direct costs corresponding to overhead category "Purchasing NL (CS)" is the non-labor associated with the supply management department (e.g. materials, office supplies, etc.).

The direct costs corresponding to overhead category "Eng EDS NL (CS)" is the non-labor associated with the department (e.g. materials, office supplies, etc.).

The direct costs corresponding to overhead category "Shop Order NL (CS)" is the non-labor associated with the shop/fabrication department (e.g. materials, equipment, etc.).

The direct costs corresponding to overhead category "Capital A&G NL (CS)" is the non-labor associated with the A&G functions of the company, supporting capital (e.g. materials, office supplies, etc.).

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QUESTION 11.3:

- 11.3. With respect to the response to SCGC-TURN-04, Q.4.2.1, at tab "ORA DR-09, Q1a" of which a portion is show in the table below:
 - 11.3.1. Please explain what these amounts are.
 - 11.3.2. Please explain why these amounts were recorded as part of the facility build-out costs.
 - 11.3.3. Did SoCalGas charge rent directly to the PSRMA on any other occasion?
 - 11.3.4. If the answer to Question 10.3.3 is "yes," please provide each entry that corresponds to rent including the cost center, cost element, amount, and date posted.
 - 11.3.5. If the answer to Question 10.3.3 is "no," does SoCalGas charge rent indirectly to the PSRMA in any way?
 - 11.3.6. If the answer to the previous question is "yes," please provide a complete description of the means by which SoCalGas charges rent indirectly to the PSRMA and provide a copy of each entry that corresponds to the indirect charging of rent including the cost center, cost element, amount, and date posted.

RESPONSE 11.3:

11.3.1 The amounts of \$298k and \$225k are costs associated with office material purchases (e.g., furniture). The invoices were paid in March and April 2013. When the costs were transferred to PSEP's 22nd floor build out, the cost element 6400361 (A&G Rents) was incorrectly selected. The correct cost element is 6213015 (Material Office Furniture). The attachments

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contain confidential information that is submitted pursuant to the Nondisclosure and Protection Agreement between SCGC, TURN, and SoCalGas/SDG&E. Please see attached invoices for the costs in question. The costs are for office materials purchased for the PSEP 22nd floor. 11.3.2 Please see attachment for 11.3.1 11.3.3 As discussed above, this was not an occasion where rent was charged directly to the PSRMA. With that clarification, SoCalGas has charged rent to the PSRMA on other occasions. 11.3.4 SoCalGas charges rent to the PSEP GMA cost category; the PSEP GMA is then later allocated to PSEP projects that are recorded in the PSRMA. However no rent costs were allocated to the completed projects presented in this Application. The attachment contains confidential information that is submitted pursuant to the Nondisclosure and Protection Agreement between SCGC, TURN, and SoCalGas/SDG&E. Please refer to attachment 11.3.4. 11.3.5 N/A 11.3.6 N/A