

Application No: A.16-09-~~XXX~~005
Exhibit No.: _____
Witness: T. Tran J. Pech

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~~005

CHAPTER VIII

DIRECT TESTIMONY OF

~~TERISHIA TRAN~~

JOSE PECH

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

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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) (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.¹

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.

22 PSEP GMA costs are support costs that are not attributable to specific projects, but
23 incurred to support overall PSEP execution. These costs include building out the foundational

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

1 elements of the PSEP program such as; the PMO organization itself, departments, processes and
2 procedures, that are necessary to support project-specific safety enhancement activities.

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

17 **A. Program Management Office**

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

21 **B. Construction**

22 The Construction GMA tracks costs incurred by the PSEP Construction Support Group,
23 which is responsible for the direct management of all construction related activities during the
24 execution of the PSEP projects. Labor and non-labor expenses for the PSEP Construction GMA

1 are for the development of the construction processes, procedures and training. Program training
2 includes construction inspection, welding and safety related activities.

3 **C. Engineering**

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

9 **D. Environmental**

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

14 **E. Supply Management**

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

19 **F. Gas Control**

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

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

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

8 **H. Communication and Outreach**

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

13 **I. Training**

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

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

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

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

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

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

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

19 In addition to the GMA Cost Report, a monthly Cost Center Report with all IO numbers
20 charging to the department head's cost center are issued. The cost report provides detail on
21 transactions charged to the cost centers (i.e., employee expenses and travel). This detailed report
22 not only provides the detailed transactions charged to the GMA IO numbers, but also includes
23 non-GMA IO numbers charged to the department head's cost center. As part of the validation
24 process, the assigned department heads are tasked to review the report to confirm that there are

1 no erroneous costs charged to their respective cost centers. If there are mischarges, the
2 department heads inform the Business and Administration group so corrections can be made.

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

7 **V. GMA COSTS ARE DISTINCT FROM THE INCREMENTAL OVERHEADS**
8 **APPLIED TO PSEP**

9 For PSEP costs, only SoCalGas and SDG&E incremental overheads listed below² are
10 applied to the PSEP projects.³ The incremental overhead rates are applied to each direct cost,
11 according to its classification as company labor, contract labor, purchased services and materials.

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

12
13 The PSEP program excludes SoCalGas and SDG&E's non-incremental overheads listed
14 below. To prevent non-incremental overheads from being recovered as part of the filing,
15 SoCalGas Regulatory Accounts and SDG&E's Regulatory Reporting departments review the
16 PSEP project IO numbers, and as needed, manually excludes any non-incremental overheads
17 from the regulatory accounts (e.g., SECCBAs, SEEBAs, and PSRMAs). The cost recovery

² The incremental overhead loaders are listed as indirect costs in workpapers supporting Chapter IX
(HuleisGonzales).

³ Please see Chapter IX (HuleisGonzales) for incremental overhead information.

1 sought in this filing reflects only incremental overheads and exclude the non-incremental
2 overheads.

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

3
4 To support similar functions, PSEP has applied the costs associated with all nine GMA
5 supporting functions to its projects. The GMA supporting functions enable the allocation of
6 reasonable PSEP support costs to the PSEP projects. In some instances, the GMA costs serve to
7 replace non-incremental overheads and allow PSEP to recover similar functions incurred to
8 reasonably and prudently implement PSEP. These GMA cost pools only include PSEP costs and
9 are only applied to PSEP hydrotest, replacement, abandonment, and valve projects. For instance,
10 one of the non-incremental loaders not applied as a predetermined percentage to the PSEP
11 project is SoCalGas and SDG&E's Distribution and Transmission Engineering overheads.
12 Instead of applying the SoCalGas and SDG&E Engineering loaders, PSEP projects are allocated
13 the Engineering GMA costs. Similarly, SoCalGas and SDG&E's Shop and Warehouse loaders
14 are replaced for PSEP projects by allocating the Supply Management GMA.

15 **VI. CONCLUSION**

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

19 This concludes my prepared Direct Testimony.

1 **VII. WITNESS QUALIFICATIONS**

2 My name is ~~Terishia Tran~~ Jose Pech. I have been employed by Southern California Gas
3 Company since ~~2002~~2001. My business address is 555 West Fifth Street, Los Angeles,
4 California 90013-1011.

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

8 I received my Bachelor of ~~Arts~~ Science in ~~Economics~~ Business Administration –
9 Accounting from ~~New York~~ California State University ~~and my MBA from Chapman~~
10 ~~University~~ Los Angeles. I have not previously testified before the Commission.