

**SOUTHERN CALIFORNIA GAS COMPANY
SAN DIEGO GAS & ELECTRIC COMPANY**

**APPLICATION 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
(A.16-09-005)**

(ORA Data Request 3)

Date Requested: October 14, 2016

Date Responded: October 28, 2016

QUESTION 3.01:

Please provide a list of any hydro test projects (or joint test/replacement projects) in this Application that were not tested successfully.

RESPONSE 3.01:

SoCalGas and SDG&E's PSEP have 0 hydrotests in this application which did not lead to an initial successful outcome (e.g., a failed hydrotest).

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QUESTION 3.02:

Please provide all Work Order Authorizations (WOAs) and WOA revisions/changes for all projects in the Application.

RESPONSE 3.02:

The attached supporting documents include Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-C, and D.16-08-024. Please refer to the Q02 Attachment folder for copies of Work Order Authorizations, WOA revisions, and changes for the projects presented for review in this Application.

For details on PSEP's Cost Tracking, Controls, and Management Practices please refer to Chapter 2 Direct Testimony (Phillips) at pp.25-26.

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(ORA Data Request 3)

Date Requested: October 14, 2016

Date Responded: October 28, 2016

Date Amended: November 28, 2016

QUESTION 3.03:

Please provide all estimates for all projects in this Application.

RESPONSE 3.03:

SoCalGas and SDG&E (Applicants) object to this request on the grounds that it is vague, overbroad and unduly burdensome. Subject to and without waiving their objection, Applicants respond as follows:

Please refer to the attached table (sent as separate accompanying file as amended on November 28, 2016). Note: estimates are shown in direct costs.

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(ORA Data Request 3)

Date Requested: October 14, 2016

Date Responded: October 28, 2016

QUESTION 3.04:

Please state which components of each project in this Application were competitively bid, which were single-sourced, and which were performed by company personnel. If a project component does not fit into any of these three categories, please describe.

RESPONSE 3.04:

Applicants will submit a response at a later date.

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Date Requested: October 14, 2016

Date Responded: November 28, 2016

QUESTION 3.04:

Please state which components of each project in this Application were competitively bid, which were single-sourced, and which were performed by company personnel. If a project component does not fit into any of these three categories, please describe.

RESPONSE 3.04:

SoCalGas and SDG&E construe 'components of each project' to mean categories such as 'construction, engineering, environmental, materials, other.' The attachment "Q3.04 Sourcing File" provides a table outlining the components and the number of contract documents related to each project, and breaks out whether they were competitively bid, market-based rates, single-sourced, or single-sourced less than or equal to \$75,000. The overall count of documents is inflated as contracts and/or purchase orders may have supported more than one project, but is recorded as a document for each project.

As further explanation of the two other categories for the contracts:

- 1) Market Based Rates – in certain instances, contracts were executed with suppliers based on the following reasons:
 - a. Obtaining favorable leveraged rates / pricing from existing company contracts / pricing
 - b. Reasonableness of rates when compared against existing company contracts / pricing
 - c. See section V of Phillips Chapter 2 testimony

- 2) Single-Sourced less than or equal to \$75,000 in value – Sempra Utilities Procurement Policy states that any purchase over \$75,000 in value should be competitively bid, unless there is a compelling reason not to. For purchases less than or equal to \$75,000 in value the procurement can be single sourced based on whether the incremental cost increases to perform competitive bidding and time added to the process outweigh the potential benefit.

SoCalGas and SDG&E personnel support all aspects and categories of projects. Company management personnel will charge projects directly when supporting activities as outlined in Chapter 7 direct testimony (Mejia) at pp. 10-11. Company union personnel will also charge

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projects directly for activities that support execution of these projects in the field, such as gas handling activities, surveillance and tie-in support and line seasoning. In addition, SDG&E has field construction crews that can perform construction activities for the projects, so those management and union company labor will also charge projects directly.

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QUESTION 3.05:

SCG’s workpapers in this Application provide five high-level categories for costs associated with each project:

- Company Labor Costs
- Contract Costs
- Material Costs
- Other Direct Costs
- Total Indirect Costs

Please describe and define these categories and describe what costs would and would not be included in each category.

RESPONSE 3.05:

Please refer to WP-Intro-9-10, which describe the cost categories.

For additional details on the cost categories, please see below.

Cost Category	Definition	Costs May Include, but not limited to:
Company Labor Costs	SoCalGas and SDG&E (company) employee labor costs	Management Labor* GMA Labor* Union Labor related to construction field activities covered by union contract. <ul style="list-style-type: none"> • Gas Blowdown • Valve Operation • Gas Handling • Surveillance
Contract Costs	Vendor costs related to construction services.	Construction Management Construction Work Inspection Services Radiographic Inspection Services Material Traceability Services Contamination Mitigation

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Material Costs	Materials purchased by SoCalGas and SDG&E. Materials purchased by the construction contractor are included under Contract Costs.	Pipe Pipe Fittings Pipe Coatings Valves Valve Fittings Valve Actuators Water
Other Direct Costs	Company and Vendor costs related to planning and design services, environmental services, land use and permitting fees, project support, survey and mapping, and miscellaneous expenses.	Engineering Design work Environmental Work Permits & Right of Way Employee Expenses GMA Non-Labor* Miscellaneous Materials
Indirect Costs	Indirect costs associated with the direct charges to the projects	Property Tax AFUDC Vehicle Utilization Company Overheads

*Please refer to Hugo Mejia's testimony in Chapter 7, pages 1-11 for details regarding Management and GMA costs.

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QUESTION 3.06:

Please provide a list showing which projects in this Application were executed through SCG/SDG&E's "Performance Partner Program." For all projects that were not executed through this Program, please describe why.

RESPONSE 3.06:

Please refer to Chapter 2 (Phillips) Attachment A for the projects included in this application that were executed through the Performance Partner Program.

The following projects were not executed through the Performance Partner Program. For further details, please refer to the Stage 4 Construction Contractor Selection section in the Workpapers for each project.

Project Name	Reasoning
1013	The construction contractor selection was operating under an established MSA that used market based rates and was chosen for three reasons: <ul style="list-style-type: none">• The contractor's performance on past SoCalGas projects.• To evaluate the contractor's performance for future PSEP projects involving larger diameter high-pressure pipeline in order to have more contractors for this type of work.• In support of Diverse Business Enterprise goals.
1014	The construction contractor selection was operating under an established MSA that used market based rates and was chosen for three reasons: <ul style="list-style-type: none">• The contractor's performance on past SoCalGas projects.• To evaluate the contractor's performance for future PSEP projects involving larger diameter high-pressure pipeline in order to have more contractors for this type of work.• In support of Diverse Business Enterprise goals.
2001 West A Sec (15,16)	The project was sourced to the same construction contractor that had competitively bid for the adjacent Pipeline Integrity project. The following was considered prior to proceeding: <ul style="list-style-type: none">• Use of the same contractor allowed SoCalGas and SDG&E to limit to one mobilization and demobilization.

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Project Name	Reasoning
235 West Sawtooth Canyon	The project was sourced to the construction contractor that was competitively bid for the adjacent Transmission operating region project. The following was considered prior to proceeding: <ul style="list-style-type: none"> Using the same contractor allowed for one mobilization and demobilization.
35-20-N	SoCalGas' Distribution Operating Region planned and executed this project and utilized the contractor from their previously competitively bid Master Service Agreement (MSA) to perform work for the region. PSEP Single Sourced the construction to this contractor at comparable rates to complete this project.
36-37	The SoCalGas Distribution Organization took on the responsibility to plan and execute this project and competitively bid this project.
36-1032 Sec (1,2,3)	Section 1 of this project was initiated before the Performance Partnership Program began. Therefore, a contractor was selected who had previously been selected to work as a contractor for SoCalGas in this region and had set rates through a prior competitive bid process. After having completed the first section of this project with outstanding performance, work for Section 2, and later, work for Section 3, was awarded to the same contractor. Additionally, the contractor was a DBE that was being given the opportunity to prove their ability to perform construction on high pressure pipelines.
406 Sec 4	Construction of L-406 Section 4 was included in the existing Pipeline Integrity ILI retrofit project. The Pipeline Integrity organization used the contractor already selected to perform this work
407 North	Construction of the North Section started before the PSEP Performance Partnership Program was established. The construction contractor was selected through a competitive solicitation process.
41-30-A	SoCalGas' Distribution Operating Region planned and executed this project and utilized the contractor from their previously competitively bid Master Service Agreement (MSA) to perform work for the region. PSEP Single Sourced the construction to this contractor at comparable rates to complete this project.
45-120 Section 1	Construction of SL-45-120, Section 1 Project started before the PSEP Performance Partner Program was established. The construction contractor was selected through a competitive solicitation process.
45-120XO1	Construction of 45-120 Section 1 started before the PSEP Performance Partnership Program was established. The construction contractor was

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Project Name	Reasoning
	selected through a competitive solicitation process.
49-22	Construction was performed by SDG&E Field Operations.
49-32	Construction was performed by SDG&E Field Operations.
Arrow & Haven	Both a mechanical contractor and an electrical contractor are needed to complete construction of valve enhancement projects. In order to achieve cost and schedule efficiencies, SoCalGas and SDG&E identified nine valve projects that could be combined into two comprehensive bid packages, one for mechanical contractor services and one for electrical contractor services. The nine sites that were combined in this fashion were the Arrow & Haven project; and the Bain, Chino, Haskell, Moreno Large, Moreno Small, Prado, Santa Fe Springs, and Whitewater stations.
Bain St	Both a mechanical contractor and an electrical contractor are needed to complete construction of valve enhancement projects. In order to achieve cost and schedule efficiencies, SoCalGas and SDG&E identified nine valve projects that could be combined into two comprehensive bid packages, one for mechanical contractor services and one for electrical contractor services. The nine sites that were combined in this fashion were the Arrow & Haven project; and the Bain, Chino, Haskell, Moreno Large, Moreno Small, Prado, Santa Fe Springs, and Whitewater stations.
Brea	The Brea Station - 1013 Valve Project went to construction before implementation of the Alliance Contractor program within PSEP. The electrical construction contractor was single sourced based on experience with other PSEP projects and was contracted on a time-and material basis. Because the valve had been replaced as part of the Line 1013 Replacement Project, a mechanical construction contractor was not needed.
Chino	Both a mechanical contractor and an electrical contractor are needed to complete construction of valve enhancement projects. In order to achieve cost and schedule efficiencies, SoCalGas and SDG&E identified nine valve projects that could be combined into two comprehensive bid packages, one for mechanical contractor services and one for electrical contractor services. The nine sites that were combined in this fashion were the Arrow & Haven project; and the Bain, Chino, Haskell, Moreno Large, Moreno Small, Prado, Santa Fe Springs, and Whitewater stations.
Haskell	Both a mechanical contractor and an electrical contractor are needed to complete construction of valve enhancement projects. In order to achieve

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Project Name	Reasoning
	cost and schedule efficiencies, SoCalGas and SDG&E identified nine valve projects that could be combined into two comprehensive bid packages, one for mechanical contractor services and one for electrical contractor services. The nine sites that were combined in this fashion were the Arrow & Haven project; and the Bain, Chino, Haskell, Moreno Large, Moreno Small, Prado, Santa Fe Springs, and Whitewater stations.
Moreno - Large	Both a mechanical contractor and an electrical contractor are needed to complete construction of valve enhancement projects. In order to achieve cost and schedule efficiencies, SoCalGas and SDG&E identified nine valve projects that could be combined into two comprehensive bid packages, one for mechanical contractor services and one for electrical contractor services. The nine sites that were combined in this fashion were the Arrow & Haven project; and the Bain, Chino, Haskell, Moreno Large, Moreno Small, Prado, Santa Fe Springs, and Whitewater stations.
Moreno - Small	Both a mechanical contractor and an electrical contractor are needed to complete construction of valve enhancement projects. In order to achieve cost and schedule efficiencies, SoCalGas and SDG&E identified nine valve projects that could be combined into two comprehensive bid packages, one for mechanical contractor services and one for electrical contractor services. The nine sites that were combined in this fashion were the Arrow & Haven project; and the Bain, Chino, Haskell, Moreno Large, Moreno Small, Prado, Santa Fe Springs, and Whitewater stations.
Pixley	The mechanical contract was awarded to the PSEP Performance Partner for this assigned geographical area. The electrical contract was awarded to the approved Alliance contractor for this project
Prado	Both a mechanical contractor and an electrical contractor are needed to complete construction of valve enhancement projects. In order to achieve cost and schedule efficiencies, SoCalGas and SDG&E identified nine valve projects that could be combined into two comprehensive bid packages, one for mechanical contractor services and one for electrical contractor services. The nine sites that were combined in this fashion were the Arrow & Haven project; and the Bain, Chino, Haskell, Moreno Large, Moreno Small, Prado, Santa Fe Springs, and Whitewater stations.
Puente	Work was single-sourced because of the small scope of work.
Santa Fe Springs	Both a mechanical contractor and an electrical contractor are needed to complete construction of valve enhancement projects. In order to achieve cost and schedule efficiencies, SoCalGas and SDG&E identified nine

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Project Name	Reasoning
	valve projects that could be combined into two comprehensive bid packages, one for mechanical contractor services and one for electrical contractor services. The nine sites that were combined in this fashion were the Arrow & Haven project; and the Bain, Chino, Haskell, Moreno Large, Moreno Small, Prado, Santa Fe Springs, and Whitewater stations.
Whitewater	Both a mechanical contractor and an electrical contractor are needed to complete construction of valve enhancement projects. In order to achieve cost and schedule efficiencies, SoCalGas and SDG&E identified nine valve projects that could be combined into two comprehensive bid packages, one for mechanical contractor services and one for electrical contractor services. The nine sites that were combined in this fashion were the Arrow & Haven project; and the Bain, Chino, Haskell, Moreno Large, Moreno Small, Prado, Santa Fe Springs, and Whitewater stations.
Palmdale with L-235 and SL 44-654	Both a mechanical contractor and an electrical contractor were needed to complete construction of L-235W, SL-44-654 and Palmdale Valve Projects. In order to achieve cost and schedule efficiencies, L-235W, SL-44-654 and the Palmdale Valve projects were combined into two comprehensive bid packages, one for mechanical contractor services and one for electrical contractor services. SoCalGas and SDG&E issued RFPs for lump sum bids to qualified mechanical and electrical contractors. The contractors were provided the scope of work for all projects. SoCalGas and SDG&E selected individual mechanical and electrical contractors from among qualified bidders. Evaluation and selection of the bids took into consideration price, schedule, work experience, and market conditions.

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QUESTION 3.07:

For all projects associated with costs in the PSRMAs for which recovery is being sought in this Application, are any further costs outstanding or expected? If so, please describe outstanding or potentially-outstanding costs for each project.

RESPONSE 3.07:

Per Applicants' clarification discussion on October 19 with ORA, the question is referring to the PSRMA projects presented for review in A.14-12-016. There are no additional costs expected for the PSRMA completed projects (under review in A.14-12-016) other than the post completion costs presented for review/recovery in this current application (A.16-09-005 see Workpapers WP-III-D1-3).

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QUESTION 3.08:

Please name and describe the estimators or estimating tools used to create all estimates for all projects in this Application. Prior to project completion, were any estimates changed? If so, please identify which ones and please provide the old and new estimates.

RESPONSE 3.08:

Please refer to Direct Testimony Chapter 7 (Mejia) in this application, pages 4-5 regarding the PSEP 2011 Initial Filing SPEC tool and Stage 3 estimating tools. In addition, Construction Management Software (CMS) is used in districts for estimates. For projects where a test vs. replace analysis was completed, a test vs. replace estimating tool was developed for comparison purposes or an equivalent estimate by the design contractor was performed.

Prior to project completion, estimates may be changed. For details regarding estimates that changed prior to project completion, please refer to the workpapers for each project, as well as, response to Question 3 above.

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QUESTION 3.09:

Please provide the final report and any supporting documentation from Sempra's PSEP Project Management Office (PMO) for all projects in this Application.

RESPONSE 3.09:

Applicants object to this request on the grounds that it is vague, overbroad and unduly burdensome. Without waiving this objection, Applicants respond as follows:

The workpapers supporting this application serve as the final documentation of the project details. Please note that due to the large volume of supporting files in SoCalGas and SDG&E's document repository, providing every document would be a labor intensive and elongated process. There are approximately 30,000 files (over 50 GB), which would require a minimum of 73 CDs or 11 DVDs. The estimated time to extract the entirety of these files and perform the newly implemented confidentiality requirements prior to providing to ORA is approximately 6-8 weeks. The attached file (Q09 folder being provided as a separate file) provides an itemized list of file types for the projects presented for review in this Application. If ORA identifies a particular file or files for production, Applicants can undertake this process upon request. Further, as another option SoCalGas and SDG&E offers to mitigate the large volume of files if it benefits ORA to meet in person at SoCalGas' Los Angeles office to view the files to get a better idea of which types of documents are desired for discovery.

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QUESTION 3.10:

Please provide all Change Notices (CNs) for all projects in this Application.

RESPONSE 3.10:

The attached supporting documents include Confidential and Protected Materials Pursuant to PUC Section 583, GO 66-C, and D.16-08-024. For copies of change notices for the projects presented for review in this application please refer to the Q10 Change Notices file.

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QUESTION 3.11:

As a matter of policy, are cost estimates subject to change? If so, please provide all rationales.

RESPONSE 3.11:

Applicants object to the call of the question. Without waiving this objection, Applicants respond: There is no 'official company policy' regarding cost estimates. Cost estimate changes are based on a number of factors. Please refer to Direct Testimony Chapter 2 (Phillips), pages 34-35 regarding discussion of cost variances from estimates.