

Application No: A.18-11-XXX
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Witness: H. Mejia

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 V
DIRECT TESTIMONY OF HUGO MEJIA
(PROJECT SUPPORT)
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 testimony on behalf of Southern California Gas Company (SoCalGas)
3 and San Diego Gas & Electric Company (SDG&E) is to describe and demonstrate the
4 reasonableness of the Pipeline Safety Enhancement Plan (PSEP) project support activities and
5 costs. The project support activities described below support overall implementation and
6 oversight of the PSEP (i.e., the activities occur at the program level) through the development of
7 processes and procedures to enhance PSEP efficiency, oversight and quality, and are not directed
8 to the execution of specific PSEP projects. Through the programmatic efforts described in this
9 chapter, SoCalGas and SDG&E avoid costs for the benefit of customers, maximize the cost
10 effectiveness of safety investments, improve organizational and project execution efficiency, and
11 promote consistency in the implementation of PSEP projects. To track these support costs,
12 SoCalGas and SDG&E created PSEP General Management and Administration (GMA) internal
13 order numbers, for subsequent allocation to the various PSEP projects. The PSEP GMA cost
14 tracking and allocation process is addressed in Chapter VI (Tran).

15 **II. PSEP SUPPORT COSTS**

16 PSEP implementation is guided by four overarching objectives: (1) to enhance public
17 safety; (2) fully comply with the Commission’s directives; (3) minimize customer and
18 community impacts; and (4) maximize the cost-effectiveness of safety investments for the
19 benefit of customers. To accomplish these objectives, SoCalGas and SDG&E developed a
20 dedicated organization and PSEP-specific policies, procedures, and practices. These activities
21 were necessary for the prudent implementation of PSEP, and are not directly tied to the
22 execution of individual PSEP projects. When activities are not directed to the execution of
23 specific individual projects, the costs for those support activities and efforts are tracked and
24 recorded to a PSEP GMA internal order number assigned to track each type of GMA activity. In

1 this way, GMA support activities and associated costs are tracked under internal order numbers
2 for nine supporting functions: (1) Program Management Office (PMO); (2) Construction; (3)
3 Engineering; (4) Environmental; (5) Supply Management; (6) Gas Control; (7) Non-PMO
4 General Administration; (8) Communication and Outreach; and (9) Training. These nine GMA
5 functions support the overall effective execution, oversight and quality of the program.

6 **A. PMO**

7 The PMO category includes costs reasonably incurred to promote the management and
8 oversight of the numerous disparate and unique projects being undertaken by PSEP at any given
9 time. As explained in Chapter II (Phillips), the PMO's responsibility is to provide program-wide
10 management of PSEP. The PMO establishes processes and procedures for managing day-to-day
11 operations to execute PSEP. Due to the range of PMO responsibilities, there are subgroups
12 within the PMO responsible for different functions. These include Document Management,
13 Business and Administration,¹ Regulatory Compliance,² and Governance.³

14 The PMO GMA includes costs incurred to develop and maintain a document
15 management system for PSEP projects (Delcon) that enables access to project documentation
16 throughout the project life cycle and allows for life-of-asset documentation to be uploaded to
17 SoCalGas and SDG&E's documentation management system following project completion.
18 Costs related to the development of a Management of Change (MOC) process are also included
19 in this function. MOC enables the tracking and management of changes to project scope, cost, or

¹ Business and Administration manages the financial reporting for PSEP, including coordination of budget development, budget forecasting, and budget variance reporting.

² Regulatory and Support provides regulatory coordination support for the Reasonableness Review filings, reviews Commission directives to inform on requirements, and coordinates and supports PSEP-related data requests.

³ Governance fosters consistent implementation of the processes and procedures for PSEP. This includes managing reporting and tracking metrics.

1 schedule. The MOC process provides a means to review and document changes to cost,
2 schedule, and scope in order to increase transparency and provide consistent documentation.

3 The Regulatory Compliance team provides the support required to develop applications
4 submitted to the Commission in compliance with Commission directives related to the
5 reasonableness review of costs incurred for completed PSEP projects and for forecasts of PSEP
6 projects to be completed in the future. These efforts include the development of workpaper
7 narratives that describe the projects and related costs, testimony to provide overall policy and
8 execution methods to support the requests, and preparation of responses to data requests from
9 interested parties and Commission staff, consistent with the Commission's orders, rulings and
10 Rules of Practice and Procedure.

11 **B. CONSTRUCTION**

12 The Construction category includes costs incurred for the direct management of
13 construction-related activities during project execution. This support function was created to
14 centralize SoCalGas and SDG&E's PSEP construction management expertise in order to provide
15 consistency for pipeline construction and valve automation work, and to promote employee,
16 contractor, and public safety. Labor and non-labor expenses for the Construction GMA are for
17 the development of the program-wide construction processes, procedures, and training. Program
18 training includes construction inspection, welding, and safety related activities. This team also
19 manages the necessary and required construction documentation related to work in the field.
20 Processes and tools were developed to provide a consistent means of collecting and capturing
21 construction and inspection reports to efficiently complete the construction stage of these
22 projects and optimize the closeout process after construction.

1 **C. ENGINEERING**

2 The Engineering category includes costs associated with the Engineering Support Group,
3 which oversees project planning, engineering, and execution for the PSEP organization. This
4 group manages execution oversight across PSEP projects from initiation until closeout. Labor
5 and non-labor expenses for Engineering GMA are related to the development of the program-
6 wide engineering and execution processes, procedures, and training.

7 One key area of support the Engineering Support Group provides is the development of
8 standard design templates as reference documentation for PSEP project teams and design firms
9 to utilize for consistency across design packages. This standardization helps manage drawing
10 quality from several engineering and design firms supporting PSEP, which in turn improves
11 consistency and adherence to SoCalGas and SDG&E design requirements, and supports the
12 efficient closeout of drawing packages following project construction. The Engineering Support
13 Group also developed a PSEP Survey Program, which manages coordination of surveying and
14 mapping, potholing, and subsurface utility engineering activities during the planning process.
15 This enhances the management and coordination of survey activities by assigned Survey firms
16 throughout the project life cycle, from initial planning, design, construction, and closeout to
17 achieve consistent deliverables.

18 The Engineering Support Group includes the Land Services Team, a dedicated team for
19 permitting and land rights acquisition. This team monitors permit activities, assists with land
20 negotiations, and supports permit package submissions. The Land Services Team works closely
21 with SoCalGas and SDG&E Regional Public Affairs and the Community Outreach teams to
22 assist in resolving issues that could delay the issuance of permits to promote the timely issuance
23 of permits.

1 The Engineering Support group also manages the continuous improvement process
2 whereby the team receives recommendations for process improvement from multiple
3 stakeholders to evaluate existing processes or procedures and modify them, as appropriate, to
4 create efficiency or add clarity. Process improvement recommendations are reviewed with
5 impacted stakeholders and the PSEP Leadership team for approval. The process improvement
6 team communicates and tracks changes, once implemented.

7 **D. ENVIRONMENTAL**

8 The Environmental category includes costs associated with the Environmental Support
9 Group, which is responsible for supporting PSEP environmental strategy and compliance. Labor
10 and non-labor expenses for the Environmental GMA are related to the development of the
11 Environmental program-wide processes, procedures, and trainings. The Environmental Support
12 Group works with PSEP project teams, other organizations within SoCalGas and SDG&E, and
13 external stakeholders (such as regulatory agencies and contractors) to identify and address
14 environmental requirements related to PSEP. As part of this effort, the group oversees
15 environmental project reviews, permitting, and agency consultations. This activity includes, but
16 is not limited to, providing environmental oversight for field work during the planning and
17 construction phases of the projects, confirming permit conditions are met during and after
18 construction, maintaining environmental files, and closing out the projects. It also includes
19 establishment of environmental processes for reviewing and supporting projects, including the
20 development of forms, templates, guidelines, and training tools.

21 **E. SUPPLY MANAGEMENT**

22 The Supply Management category provides supply chain-related support for the PSEP
23 organization. Labor and non-labor expenses for Supply Management GMA are related to the
24 development of the Supply Management program-wide processes, procedures, and trainings.

1 This includes managing the procurement procedures to identify and define the processes,
2 methods, and material management systems that are used in the procurement of materials and
3 professional services. In the area of material management, the Supply Management Support
4 Group identifies long-lead items, materials to be purchased in bulk to have inventory for project
5 execution and critical path materials at the PSEP program level, and warehousing and logistic
6 activities. In the area of contracted services, the Supply Management Support Group is
7 responsible for supervising program contracting and sourcing activities, including the
8 development and implementation of contracts for services.

9 **F. GAS CONTROL**

10 Gas Control provides program-wide system reliability support. The team monitors and
11 controls the physical gas deliveries into the SoCalGas and SDG&E systems. The Gas Control
12 group remotely adjusts pressure regulator settings, operates compressor stations, and utilizes
13 storage fields to maintain system integrity in order to meet system gas demand. The key area of
14 support the Gas Control group provides PSEP is coordinating transmission pipeline shutdowns
15 for PSEP projects while maintaining gas deliveries to the system. This effort includes
16 coordinating PSEP and non-PSEP projects with system operational requirements to provide
17 windows of opportunity to complete planned work.

18 The Gas Control representative is a key participant in Customer Impact Meetings,⁴ which
19 are comprised of a cross-functional team that includes PSEP project managers and Account
20 Executives for noncore customers. The purpose of the Customer Impact Meetings is to evaluate
21 and track potential customer and system impacts that could result from execution of PSEP
22 replacement, pressure test, and valve projects.

⁴ For more details on the collaboration with internal stakeholders, refer to Chapter II (Phillips).

1 **G. NON-PMO**

2 Non-PMO General Administration GMA costs are associated with program-wide project
3 controls support. Labor and non-labor expenses for Non-PMO General Administration GMA are
4 related to the development of program-wide processes, procedures, and training to implement
5 various program-wide controls. The Project Controls team provides overall reporting for cost
6 tracking and scheduling. This effort involves cost and schedule controllers working with the
7 execution teams to update project costs and develop detailed project schedules that roll up to a
8 master project schedule. In addition, Project Controls provides schedule metrics for key
9 deliverables and develops short-term and long-term cost forecasts for PSEP. One of the key
10 schedule reports that is issued weekly is the 30-day look-ahead for construction start, test, and
11 tie-in dates. In addition to facilitating overall program oversight, this program level information
12 provides supporting groups visibility to projects that are upcoming and may require their support.

13 **H. COMMUNICATION AND OUTREACH**

14 The Communication and Outreach group develops internal and external communication
15 of PSEP status to key stakeholders. Labor and non-labor expenses for Communication and
16 Outreach GMA are related to the development of program-wide Communication and Outreach
17 processes, procedures, and trainings for the program. The objective is to establish
18 communication and outreach strategies while proactively educating internal and external
19 stakeholders. For example, the Communication and Outreach group developed a program-wide
20 outreach plan to brief local elected and government officials. The team also informs and
21 educates residents and businesses of upcoming construction activities and schedules. The
22 Communication and Outreach group participated in several forums to provide an overview of
23 PSEP and the potential schedule and impacts to communities. These early education efforts are
24 valuable—reaching out to key city and county officials provides them with a solid understanding

1 of the State’s objective to validate the safety of transmission pipelines—to obtain their
2 cooperation and assistance, as necessary.

3 **I. TRAINING**

4 The Training category includes training-related activities, such as costs incurred to
5 develop and provide onboarding training, retain PSEP trainers, and train field personnel
6 supporting PSEP-specific projects. As PSEP implementation ramped up, an onboarding training
7 package was developed to help new team members understand PSEP objectives, provide
8 background, and outline the roles and responsibilities of PSEP team members. This supports
9 SoCalGas and SDG&E’s efforts to promptly onboard staff and provide the necessary background
10 information and logistical needs in order to allow new staff to efficiently contribute as quickly as
11 possible. Training improves safety and efficiency by promoting consistency across projects, and
12 supports continued and consistent compliance with applicable laws, regulations, and established
13 procedures and policies.

14 **J. DIRECT PROJECT SUPPORT**

15 In addition to the PSEP GMA support costs, project support personnel directly allocate
16 their time to specific projects. These individuals are part of the “project team” and support
17 overall efforts to execute projects. Examples of these project support personnel and activities
18 are:

- 19 • Project Managers who have overall responsibility for managing the scope,
20 cost, and schedule for their assigned projects;
- 21 • Project Engineers responsible for the engineering and design efforts for
22 their assigned projects;
- 23 • Designers responsible for developing detailed project drawings;
- 24 • Project Schedulers responsible for regularly updating detailed project
25 schedules for the team and communicating those schedules to the PMO;

- 1 • Cost Engineers who monitor costs and provide project forecasts and
2 outlooks to the PMO;
- 3 • Business Analysts who evaluate the accuracy of invoices and charges to
4 each project;
- 5 • Permitting and Land Services Representatives who help obtain required
6 permits and land easements for their assigned projects;
- 7 • Environmental Representatives with overall responsibility for project
8 compliance with environmental regulations for construction activities and
9 water management;
- 10 • Material Coordinators responsible for requesting material orders and
11 tracking them through the project life cycle;
- 12 • Construction Team responsible for reviewing designs for constructability
13 and overall management of construction activities;
- 14 • Community Outreach Liaisons responsible for working with communities
15 near assigned projects that could be impacted by project execution
16 activities;
- 17 • Document Control Specialists maintain, track and manage key project
18 documentation during project life cycle; and
- 19 • Estimators develop cost estimates for projects based on information
20 provided by project execution and construction teams.

21 These team members provide day-to-day support for their assigned projects and allocate their
22 time accordingly.

23 In addition to the PSEP Project team members, District Operations personnel support the
24 project teams during construction, for example, by performing gas handling and tie-in activities
25 and placing the project pipeline and/or valve in service. The time spent by District Operations
26 personnel supporting project execution are tracked directly to the projects through internal order
27 numbers.

1 **III. PSEP GMA PRUDENTLY TRACKS AND ALLOCATES NON-PROJECT**
2 **SPECIFIC PSEP SUPPORT COSTS**

3 PSEP GMA costs are captured in the nine functions set forth above. Each of these
4 functions encompasses activities that directly contribute to PSEP at a program-wide level. The
5 costs are not directly charged to individual projects. Instead, the costs are recorded and tracked
6 to PSEP GMA internal order numbers and are allocated to active PSEP projects each month.⁵ As
7 described in Chapter VI (Tran), the PSEP GMA tracks functional supporting costs for the PSEP
8 organization that are not captured in SoCalGas and SDG&E's non-incremental overheads
9 typically charged to SoCalGas and SDG&E projects. The implementation of the nine GMA
10 internal order numbers is a means to track and allocate program support costs to PSEP projects.

11 As outlined in Chapter VI (Tran), SoCalGas and SDG&E implemented a process to
12 monitor, review, and approve GMA charges prior to allocating the costs to PSEP projects. The
13 PSEP GMAs enable the allocation of reasonable PSEP program-wide support costs to the PSEP
14 projects. As stated in Chapter VI (Tran), the GMAs support similar functions as the non-
15 incremental overheads. The development of PSEP GMAs to support the PSEP organization has
16 created an opportunity to manage activities distinct to PSEP and contribute to reducing overall
17 project costs, and thus should be found reasonable.

18 **IV. CONCLUSION**

19 My above testimony describes the prudent support departments created to execute PSEP
20 and supports finding reasonable the associated support effort costs.

21 This concludes my prepared Direct Testimony.

⁵ For more details on allocation methods, refer to Chapter VI (Tran).