

Company: Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case
Application: A.22-05-XXX
Exhibit: (SCG-08-WP-S)

PUBLIC

SUPPLEMENTAL WORKPAPERS TO

PREPARED DIRECT TESTIMONY

OF BILL KOSTELNIK

ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY

(PIPELINE SAFETY ENHANCEMENT PLAN)

VOLUME VI OF VIII

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

MAY 2022



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Construction Miscellaneous Costs

Pipeline Safety Enhancement Plan Workpaper Supporting Exhibit SCG-08

CONSTRUCTION MISCELLANEOUS COSTS

**SUPPLEMENTAL WORKPAPER SUMMARY 2024 GRC APPLICATION
CONSTRUCTION MISCELLANEOUS COSTS**

Table 1: Total Miscellaneous Cost

MISCELLANEOUS COST	O&M COSTS (2024)	CAPITAL COSTS (2024)	TOTAL COST (2024)
ALLOWANCE FOR PIPELINE FAILURES	\$0	\$2,087,213	\$2,087,213
CAPITAL DELIVERY TECHNOLOGY COSTS	\$1,140,185	\$0	\$1,140,185
CONSTRUCTION LABOR COSTS	\$2,392,230	\$0	\$2,392,230
TOTAL COSTS	\$3,532,415	\$2,087,213	\$5,619,628

Table 2: Allowance for Pipeline Failures

PROJECT COSTS – CAPITAL	2024
DIRECT LABOR	\$104,361
DIRECT NON-LABOR	\$1,982,852
TOTAL DIRECT COSTS	\$2,087,213

Assumptions

During the hydrotesting of pipelines, there is always a potential for test failures to occur. Therefore, an allowance was added to cover the costs associated with hydrotest failures for each year in the GRC cycle. These costs may include but are not limited to locating the affected segment, replacing the pipe, associated cleanup, environmental mitigation, and monitoring, and retesting of the pipeline section. The basis for the failure estimate includes historical analysis of the average cost per hydrotest failure occurrence from 2017-2021.

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The calculation is shown below:

$$\text{Average Cost Per Failure} = \frac{\text{Sum of Historical Hydrotest Failure Associated Costs}}{\text{Number of Historical Hydrotest Failures}}$$

The number of failures for the upcoming GRC cycle was then forecasted by taking the historical number of failure events over the historical mileage of Hydrotest projects NOP'd from 2017-2021. This is multiplied by the Projected Mileage of test projects to be completed during the GRC cycle based on the current project forecast:

$$\begin{aligned} &\text{Projected Number of Test Failures} \\ &= \frac{\text{Historical Number of Hydrotest Failures}}{\text{Historical Mileage of Hydrotest Projects}} * \text{Projected Mileage of Test Projects} \end{aligned}$$

Ultimately, the Hydrotest allowance is then calculated by multiplying Average Cost Per failure by the Projected Number of Test Failures:

$$\text{Hydrotest Failure Allowance} = \text{Average Cost Per Failure} * \text{Projected Number of Test Failures}$$

The annual forecasted costs were then allocated evenly throughout the GRC cycle years among labor (5%) and non-labor (95%) based on current TIC estimates for project considered in this filing.

Table 3: Capital Delivery Technology

PROJECT COSTS – O&M	2024
DIRECT LABOR	\$0
DIRECT NON-LABOR	\$1,140,185
TOTAL DIRECT COSTS	\$1,140,185

Assumptions

The Construction Organization is a forward looking and sustainable Capital Delivery Center of excellence for infrastructure project and program management and execution. The organization established a

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CONSTRUCTION MISCELLANEOUS COSTS

technology roadmap which identified tools and technology that will drive process standardization and consistency to mitigate regulatory risk, achieve efficiency, better productivity, and provide visibility to data, imperative to making informed business decisions. The Construction organization will implement tools and technology identified in the roadmap. The forecasted O&M costs cover the following:

- Organizational change management, training, and data migration project costs that cannot be capitalized during the IT project implementation.
- Incremental resources to support end user adoption, provide business support, optimize functions, enhance capabilities, and perform tool and database maintenance.

Table 4: Construction Labor

PROJECT COSTS – O&M	Construction SoCalGas Labor	Construction Contractors	Total
DIRECT LABOR	\$1,666,289	\$0	\$1,666,289
DIRECT NON-LABOR	\$432,480	\$293,461	\$725,941
TOTAL DIRECT COSTS	\$2,098,769	\$293,461	\$2,392,230

Assumptions

Construction labor costs represent those costs of the Construction organization that are not charged directly to projects. These costs represent labor and non-labor associated with various groups including Senior Management, the Budget and Administration Group, and the PMO Group. In addition, Construction and Project Execution personnel’s time that is not charged directly to projects is also included. Costs shown in this section are reflective of forecasted O&M expenditures.

Forecast Methodology

SoCalGas developed a forecast of the Annual Construction labor costs made up of SoCalGas Labor and Contractors.

SoCalGas developed an annual forecast based on the assumptions listed below:

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CONSTRUCTION MISCELLANEOUS COSTS

Assumptions

- **Construction Organization SoCalGas Labor & Non-Labor Forecast**
 - The number of staff not charging directly to projects was determined based on the overall percentage of O&M spend shown for the Construction portfolio, excluding TIMP associated costs. These costs are based on an average company salary, forecasted headcount, and forecasted O&M spend. This forecast reflects the Construction Organization program activity and project scope in the GRC. The non-labor forecast for each employee was derived using the average non-labor costs per employee for similar projects at SoCalGas. The resulting total was \$432,480 in non-labor costs.
- **Construction Organization Contractors Forecast**
 - The contractor forecast is based off the total non-labor services actual spend charged to accounting codes designated for contractors that do not charge directly to projects.