

Company: Southern California Gas Company (U904G)  
Proceeding: 2016 General Rate Case  
Application: A.14-11-\_\_\_\_  
Exhibit: SCG-14

**SOCALGAS**

**DIRECT TESTIMONY OF RICHARD D. HOBBS**

**SUPPLY MANAGEMENT**

**November 2014**

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**





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**SUMMARY**

**Test Year 2016 Summary of Total Costs**

**O&M Non-Shared Services<sup>1</sup>**

<b>SMSS - SUPPLY MANAGEMENT</b>			
<b>Shown in Thousands of 2013 Dollars</b>	<b>2013 Adjusted-Recorded</b>	<b>TY2016 Estimated</b>	<b>Change</b>
Total Non-Shared Services <sup>1</sup>	19,301	21,660	2,359
<b>Total O&amp;M</b>	<b>19,301</b>	<b>21,660</b>	<b>2,359</b>

**Summary of Requests:**

Southern California Gas Company’s (“SoCalGas” or the “Company”) Test Year (“TY”) 2016 incremental funding request for operations and maintenance (“O&M”) for Supply Management consist of \$2.4 million, which represents an 12.5% increase over 2013 adjusted-recorded. This increase falls into three areas of focus:

1. Implement forward-thinking environmental/sustainability enhancements to our supply chain to:
  - Reduce SoCalGas’ carbon footprint;
  - Move key suppliers toward more sustainable business practices;
  - Improve our return to ratepayers through enhanced investment recovery and recycling practices; and
  - Position SoCalGas as an industry leader in sustainable supply chain business practices and policies, thereby enabling the Company to participate with other key sustainability leaders in meaningful collaborations to share best practices leading to even higher standards of sustainable supply chain practices.
2. Empower our supply chain employees through advances in technology to:
  - Increase their knowledge of market trends and raw material price volatility;
  - Enable negotiations skills through knowledge of competitive procurements solutions within the markets we participate;
  - Provide new advances in tool and leak detection technology to colleagues leading to increased productivity of Field Operations personnel;

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<sup>1</sup> Non-Shared Services costs are costs incurred by a utility for its sole benefit, and may include labor costs and non-labor costs. There are no SoCalGas Supply Management services that are shared with San Diego Gas & Electric (“SDG&E”), Sempra Energy Corporate Center, or any other Sempra Energy affiliate.

- Maintain optimal staffing levels in our Logistics and Shops organization; and
  - Enable supply chain employees to more effectively manage existing supplier relationships.
3. Further empower our smallest diverse suppliers with financial tools and general business acumen and business-to-business marketing techniques that encourage supplier growth resulting in invaluable contributions to the communities we serve through employment and other investment. Additionally, this training enables these small businesses to look beyond the utility sector for revenue streams leading to business sustainability.

### **Support for Requests**

Supply Management's request for this increase in O&M is due to the following activities planned in years 2014, 2015 and 2016.

1. Sustainability of the Supply Chain (\$0.390 million)
  - SoCalGas' *Green Supply Chain Initiative* will further reduce the Company's carbon footprint in its operation and with its suppliers. The *Green Supply Chain Initiative* is a multi-year plan (\$0.250 million) to green the supply chain and reduce the end-to-end environmental footprint of the supply chain. This implementation will set Green House Gas ("GHG") emissions baselines with its suppliers and enhance SoCalGas' sustainability policies within the supply chain. Additional resources are required to monitor, track and record the environmental and sustainability activities of the suppliers assisting SoCalGas in the delivery of safe and reliable natural gas service to our customers. Included in this request are two incremental full time employees ("FTEs") (\$0.140 million) to manage the optimization of the Company's investment recovery and recycling and SoCalGas' implementation of supply chain sustainability projects.
2. Empower Supply Chain Employees (\$1.759 million)
  - Market Validation Support– An increase in funding of \$0.500 million is needed for professional support and technological tools necessary to

facilitate contract negotiations. As the competitive intelligence<sup>2</sup> of SoCalGas' potential suppliers increases with technological advances, SoCalGas must employ the same disciplines to negotiate on a level playing field.

- Tool Repair, Calibration and Maintenance – An increase of \$0.202 million is required for the repair, maintenance and calibration of tools used for construction, maintenance and leak detection. Advances in technology have emerged since SoCalGas' previous general rate case (“GRC”) making this increase essential for maintaining current operations.
- Right Size Logistics and Shops – An increase of \$0.685 million is required to maintain the optimal staffing levels in our Logistics and Shops organization.
- Supplier Relationship Management (“SRM”) \$0.372 million – Upgrades for the existing database management system are used for tracking Key Performance Indicators (“KPI”) such as safety, quality, pricing, time delivery, deficiencies, subcontracting and sustainability for key suppliers. This system's capabilities, which are also used to evaluate suppliers for future projects, will also be enhanced. The productivity of employees who evaluate suppliers and qualify them for the competitive bid process will be improved. This upgrade will enable SoCalGas to maintain its current procurement staffing levels.

## 2. Empower Diverse Suppliers (\$0.210 million)

- The increase in Technical Assistance and mentor protégé programs will provide additional courses in our highly successful SoCalGas' Supplier Diversity Institute implemented in 2013. Currently, four 10- week courses are offered and this increase is needed accommodate a large waitlist. This increase will double the number of classes. Targeted in this program are small Woman, Minority and Service Disabled Veteran Enterprises

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<sup>2</sup> Market intelligence is the everyday information relevant to a company's markets, gathered and analyzed specifically for the purpose of accurate and confident decision-making in determining market opportunity, market penetration strategy, and market development metrics.

(“WMVBES”) operating companies, i.e., WMVBES who generate less than \$1 million in revenue, per annum.

The above paragraphs summarize the TY 2016 funding request for Supply Management. In the next section of my testimony I will provide an overview of the functional areas of Supply Management and provide more detail of the funding request for TY 2016 O&M over 2013 recorded costs.

1 **SOCALGAS DIRECT TESTIMONY OF RICHARD D. HOBBS**

2 **SUPPLY MANAGEMENT**

3 **I. INTRODUCTION**

4 **A. Summary of Costs**

5 I sponsor Supply Management’s TY 2016 forecast for O&M costs for years 2014, 2015,  
6 and 2016. This forecast includes costs for our Supplier Diversity efforts which are fully  
7 integrated into the supply chain. For TY 2016, SoCalGas’ Supply Management organization  
8 requests \$21.2 million (an increase of \$2.4 million above 2013 adjusted-recorded costs). Table  
9 RDH-2 below summarizes the change in O&M costs from 2013 to TY 2016 and represents a  
10 \$2.4 million increase for the functional areas in Supply Management. Theses functional areas,  
11 presented in my testimony, include Supply Management Operations, Strategy and Analysis,  
12 Logistics and Shops, Procurement, Supplier Diversity and Document and Office Services. A  
13 summary of the costs requested in my testimony is shown in Table RDH-1.

14 **TABLE RDH-1**

15 **TY 2016 Breakdown of Total Costs by Functional Area O&M Non-Shared Services**

<b>SMSS - SUPPLY MANAGEMENT</b>			
<b>Shown in Thousands of 2013 Dollars</b>	<b>2013 Adjusted-Recorded</b>	<b>TY2016 Estimated</b>	<b>Change</b>
Total Non-Shared Services <sup>1</sup>	19,301	21,660	2,359
<b>Total O&amp;M</b>	<b>19,301</b>	<b>21,660</b>	<b>2,359</b>

16 Supply Management’s TY 2016 forecast was developed using a base year forecast  
17 methodology. The base year represents a reasonable base to estimate operational needs for TY  
18 2016 because it reflects the actual costs to operate Supply Management and is based on the  
19 actual operating costs from year 2013 recorded. This forecast has no automatic upward trend  
20 factors for years 2014, 2015 and 2016. The forecast is based on incremental costs associated  
21 with operation activity in addition to unfilled vacancies held open in 2013. See SCG-14-WP.  
22 When developing the TY 2016 forecast, SoCalGas did not use a multi-year average, or the last  
23 recorded year because neither method reflects the current staffing levels.

24 In addition to this testimony, please also refer to my workpapers, Ex. SCG-14-WP for  
25 additional information on the activities described herein.



1           **B.     Summary of Activities**

2           The overall Supply Management function consists of the following major activities:

- 3           • Supply Management Operations and Strategy & Support;
- 4           • Logistics and Shops;
- 5           • Procurement;
- 6           • Supplier Diversity; and
- 7           • Document & Office Services.

8           Supply Management manages the overall purchase, distribution, receipt, delivery,  
9 inventory, and management of materials, supplies, and services for SoCalGas. These goods and  
10 services include gas distribution and transmission equipment; such as piping, meters, fleet  
11 vehicles and equipment, construction services, engineering services, environmental services, and  
12 other professional and technical services.

13           Supply Management is also responsible for the development and management of  
14 SoCalGas' overall procurement strategies. Various procurement strategies are needed to meet  
15 business requirements while efficiently managing the total cost of ownership<sup>3</sup>. These strategies  
16 enable procurement managers to focus on high-value, strategic expenditures (e.g. pipeline,  
17 construction, and professional services) that are critical to the business.

18           **II.     NON-SHARED COSTS**

19           Supply Management is a non-shared function. The breakdown of costs for each  
20 functional area of activity is shown in Table RDH-2 below.

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<sup>3</sup> E.g., value engineering, centralized freight management, and employee skill development.

**TABLE RDH-2<sup>4</sup>**

**Test Year 2016 Breakdown of Total Costs by Functional Area O&M Non-Shared Services**

<b>SUPPLY MANAGEMENT</b>			
<b>Shown in Thousands of 2013 Dollars</b>			
<b>Categories of Management</b>	<b>2013 Adjusted-Recorded</b>	<b>TY2016 Estimated</b>	<b>Change</b>
A. Supply Management-Operations, Strategy, Analysis	1,270	2,457	1,187
B. Logistics & Shops <sup>5</sup>	11,858 <sup>5</sup>	12,820 <sup>5</sup>	962
C. Procurement	1,728	1,728	0
D. Supplier Diversity	1,319	1,529	210
E. Document & Office Services	3,126	3,126	0
<b>Total</b>	<b>19,301</b>	<b>21,660</b>	<b>2,359</b>

**A. Supply Management Operations, Strategy & Support**

Supply Management Operations, Strategy & Support develops, plans, and directs the implementation of all supply chain business processes associated with scheduling and acquiring adequate materials and services for SoCalGas. This cost area consists of the labor and non-labor costs for the Office of the Director of Supply Management and Supply Chain Strategy and Planning. The Director of Supply Management provides overall direction and management of the entire SoCalGas Supply Chain.

Supply Management Operations, Strategy & Support also manages the strategic planning of the organization. This includes developing and establishing supplier performance metrics, automating work flow, and improving the efficiency of the SoCalGas supply chain. Supply Management Operations, Strategy & Support manages the development of strategic sourcing plans with the key suppliers, leads cross functional teams for process initiatives and reengineering.

For TY 2016, SoCalGas requests \$2.5 million for Supply Management Operations and Strategy & Support. This request represents an increase of \$1.2 million above 2013 actual costs, due in large part to:

<sup>4</sup> Detailed work papers have been included for each of these functional areas. See Ex. SCG-14 WP

<sup>5</sup> During preparation of this forecast it was determined that \$437,000 of O&M for Meter Shop expenses was inadvertently included in this cost center workgroup, it is properly part of a capital expense already represented elsewhere. This error was not discovered in time to correct the forecasting model, SoCalGas will correct this error at the next available opportunity.

- 1 • An increase of one (1) FTE (\$0.065 million) to manage the supply chain  
2 sustainability program;
- 3 • An increase of \$0.250 million to implement a supply chain sustainability program  
4 that will reduce the end-to-end supply chain environmental footprint for the  
5 Company;
- 6 • An increase of \$0.500 million that will be used for market validation support, as  
7 discussed earlier in this testimony;
- 8 • An increase of \$0.372 million for Supplier Relationship Management (“SRM”)  
9 system enhancements that will enable SoCalGas to track performance of suppliers  
10 and to maintain and sustain higher safety performance, quality, lower pricing, faster  
11 delivery of goods and services; and
- 12 • Supply Management supports the request of \$1.770 million and \$.567 from  
13 Information Technology for the E-Procurement Implementation project and the  
14 Enterprise Content Management (“ECM”) Replacement project, respectively. The E-  
15 Procurement Implementation project will implement SAP E-Procurement 7.0 solution  
16 as the single integrated E-Procurement platform across the Company for most types  
17 of orders such as orders from external supplier catalogs, internally maintained  
18 catalogs with stock and non-stock items, special requests and unplanned services.  
19 This self-service tool will strengthen and streamline our current procurement process  
20 by consolidating most purchases in one system. Details and support for this request  
21 can be found in the testimony of SoCalGas’ Corporate Center – General  
22 Administration witness Peter Wall, SCG-18-CWP. The ECM Replacement project  
23 which is nearing completion will replace the older version of the system in place.  
24 This system will provide contract lifecycle management and repository of all contract  
25 documents including certificates of insurance, tracking and notification of expired  
26 contracts, commodity index tracking and automated workflows for approval. Details  
27 and support for this request can be found in the testimony of SoCalGas’ Corporate  
28 Center – General Administration witness Peter Wall, SCG-18-CWP.

## 29 **B. Logistics and Shops**

30 Logistics and Shops perform two critical services for SoCalGas. First, Logistics and  
31 Shops maintain inventory levels in SoCalGas’ four warehouses and 49 storerooms to support  
32 day-to-day Company operations. This is accomplished by ordering, receiving and issuing of  
33 materials and supplies, and through periodic physical inventory counts. Second, Logistics &  
34 Shops provide many ancillary, yet critical, services, including:

- 35 ■ The daily loading and unloading of materials in support of customer service and  
36 construction crews staffed by SoCalGas personnel as well as construction crews  
37 staffed by external contractors;
- 38 ■ Emergency response for service restoration;

- 1           ▪ Coordination of ordering and repairing tools;
- 2           ▪ Coordination of the shipping of hazardous waste materials;
- 3           ▪ Receive, issue, repair and salvage gas meters; and
- 4           ▪ Management of the investment recovery process.

5           Logistics & Shops employees conduct the day-to-day interface with internal material  
6 users and staff groups as well as maintain responsibility for satisfying the material needs of the  
7 field operating forces. Logistics and Shops are divided into three distinct areas: Logistics,  
8 Fabrication and Tool Repair Shop, and Meter Shop.

### 9           **1. Logistics - (Inventory Management)**

10           Logistics is responsible for the management of SoCalGas' four warehouses and 49  
11 storerooms located throughout SoCalGas' service area. To accomplish this, Logistics maintains  
12 warehouse inventories of goods divided into two categories: "unrestricted stock" and  
13 "emergency stock." Unrestricted stock levels are various goods that are considered typical of  
14 Company operations requirements and are forecasted based on known requirements and  
15 historical usage. Emergency stock levels require a different, more complex forecasting  
16 methodology. The stocking of these goods are forecasted based on an assessment of the quality  
17 of the most vulnerable components currently in service in a particular location and the  
18 probability of their damage or destruction.

19           Inventory requirements are also determined by business drivers such as New Business  
20 (increase in customer base growth), Capacity (new or upgraded infrastructure to safely handle  
21 increased customer demand), Corrective Maintenance Program (CPUC-mandated inspections  
22 resulting in repair/replacement of infrastructure components), and Service Restoration  
23 (emergency repair of system outages). To adequately maintain warehouse inventories,  
24 Inventory Management must interface with vendors and conduct material requirements planning  
25 on a daily basis.

26           Supply Management is supporting the funding request of \$1.513 million and \$.848 from  
27 Information Technology for our SAP Logistics Mobility Refresh project and the SAP Enterprise  
28 Mobility Project, respectively. SoCalGas' Inventory Management operation uses mobile  
29 application and mobile scanning devices to enter most transactions into SAP. The scanning  
30 devices are at the end of their life cycles, are fully depreciated and are rapidly beginning to fail,

1 and thus must be replaced. The mobile application named Catamaran is obsolete and does not  
2 support newer scanner technology.

3 The SAP Enterprise Mobility Project will improve speed in submitting and approving  
4 SAP requests. Currently, the submission and approval for SRM Shopping Carts, Purchase  
5 Requisitions, SAP Security Requests (GRC), and SAP Change Management Request can only  
6 be accomplished by using the functionality provided by the SAP Desktop. Mobile apps will  
7 provide the ability to view requests via mobile smart device and quickly approve or reject the  
8 request. Details and support for this request can be found in the testimony of SoCalGas'  
9 Corporate Center – General Administration witness Peter Wall, SCG-18-CWP.

## 10 **2. Fabrication Tool Repair Shop**

11 The Fabrication and Tool Repair Shop provides specialized support to Company  
12 operations, as both a supplier of custom materials and tools and as a service provider in the  
13 modification and repair of materials and tools. In particular, the Tool Shop provides the  
14 specialized machining and fabrication of tools, materials, and equipment required to support  
15 SoCalGas' operations. In many cases, these tools are manufactured specifically for SoCalGas'  
16 pipeline system and are not available through an alternative source. The Fabrication and Tool  
17 Repair Shop performs periodic maintenance and repair of the gas handling, electronic, and  
18 pneumatic tools. This cost area also supports the technical evaluation of new tools.

19 For TY 2016, SoCalGas requests \$12.4 million for Logistics and Shops, which represents  
20 an increase of \$0.962 million or 8% increase above 2013 actual costs. This increase is due in  
21 large part to the addition of one (1) FTE (\$0.075 million) to help ramp up our investment  
22 recovery program and expand to a Company-wide effort to optimize revenue streams from  
23 recycled scrap and waste. In addition, an increase of \$0.202 million is required for repair,  
24 maintenance and calibration of tools used by SoCalGas' operations for construction,  
25 maintenance and leak detection. An increase of \$0.685 million is required to maintain the  
26 optimal staffing levels in our Logistics and Shops organization.

27 Supply Management is supporting the funding request of \$1.738 million from  
28 Information Technology for the implementation of the Shop Tracking System. This system will  
29 be used for the purpose of managing tools, instruments, and safety equipment that are used by  
30 field crews along with providing up-to-date statuses. This solution will leverage existing

1 technologies and apply standardized business processes. Details and support for this request  
2 can be found in SCG-18-CWP.

### 3 **3. Meter Shop**

4 The Meter Shop operation maintains the meter inventory and records systems related to  
5 all SoCalGas meters. Responsibilities include development of the meter purchase forecasts,  
6 receiving supplier shipments, dispersing new and repaired meters to operations across the  
7 SoCalGas system for installation, in-testing of removed meters and repair of meters that meet  
8 specific accuracy and age criteria.

9 SoCalGas performs meter in-testing and repair services for SDG&E. The work is  
10 performed in the SoCalGas meter shop facility and in compliance with its Affiliate Rules.  
11 SoCalGas bills SDG&E on a fully loaded cost basis for the provision of this service. The billing  
12 is based on the number and type of SDG&E transactions processed by SoCalGas and the unit  
13 cost to perform the various transactions. This cost center retains 100% of costs at SoCalGas that  
14 are not direct billed to SDG&E.

### 15 **C. Procurement**

16 Procurement is comprised of a team of portfolio managers, contracting agents and buyers  
17 who: (1) execute supply management strategies that support operating requirements; (2) execute  
18 strategies to reduce total cost of ownership; and (3) collaborate with Gas Engineering to leverage  
19 new technologies. The Procurement team provides consultation to the internal business units:

- 20 (a) Contractor Performance (safety, schedule, and performance/quality);
- 21 (b) Financial (total cost of ownership, insurance compliance, and supplier credit  
22 worthiness);
- 23 (c) Legal (terms and conditions, risk mitigated for liability); and
- 24 (d) Internal Controls and Process Efficiency.

25 Procurement works collaboratively with internal clients from business planning through  
26 tactical execution to meet business requirements. There are two procurement management  
27 teams—each has a manager and a staff primarily composed of contract agents and buyers. All of  
28 the Procurement groups provide services only to SoCalGas.

29 Although the forecast of infrastructure projects for the Company is expected to increase  
30 over the next several years, the forecast for the Procurement function remains consistent with  
31 2013 recorded levels. SoCalGas anticipates that the technology upgrades discussed earlier in this

1 testimony will enable this cost holding to take place. In addition, this technology will further  
2 enable the procurement employees to strengthen their negotiations skills.

3 SoCalGas is not proposing an increase for Procurement.

4 **D. Supplier Diversity**

5 SoCalGas manages and implements its Supplier Diversity program consistent with  
6 General Order (“GO”) 156. Among other things, GO 156 sets forth a goal that at least 21.5% of  
7 a utility’s supplier spend must be with women-owned, minority and disabled veteran businesses  
8 enterprises (“WMDVBES”). One of SoCalGas’ key areas of corporate pride rests in its success  
9 toward inclusion of diverse suppliers in the supply chain. After 25 years of concerted effort, the  
10 Supplier Diversity organization and SoCalGas’ leadership team are nearing parity between  
11 majority and diverse suppliers in the supply chain. But, more needs to be done. Specifically,  
12 Supplier Diversity plans to expand outreach efforts in still under-represented sub segments of  
13 WMDVBES within targeted areas of the Company’s operations.

14 SoCalGas has made diversity and inclusion a cornerstone of our corporate values. The  
15 Supplier Diversity organization far exceeds compliance with the GO 156 target of 21.5%  
16 WMDVBE spending. As Table RDH-X indicates, the Company surpassed the CPUC goal for  
17 several years and has more than doubled the CPUC target by reaching a Company record high of  
18 over 40% in 2012 and 2013. This accomplishment has earned SoCalGas noteworthy recognition  
19 locally, regionally, and nationally.

20 **TABLE RDH- 3**

SoCalGas Supplier Diversity Results 2007-2013 (Millions of Dollars)		
Year	Procurement Percentage	Contract Values
2007	26.87%	\$149
2008	31.06%	\$172
2009	34.53%	\$202
2010	37.42%	\$230
2011	38.12%	\$308
2012	41.90%	\$348
2013	45.38%	\$429

1 In continuing our quest to reach new heights in supplier diversity, SoCalGas  
2 intends to look beyond the dollars and percentages reported annually to the Commission.  
3 We are creating opportunities for smaller businesses through our Smaller Contractor  
4 Opportunities Realization Effort (“SCORE”) program. This program focuses on  
5 developing and building capacity of new diverse suppliers, who have never done business  
6 with a utility. The expansion of our SoCalGas’ Supplier Diversity Institute, as discussed  
7 earlier in this testimony, also supports this growth initiative.

8 In addition to the SCORE initiative, SoCalGas plans to increase its major capital  
9 expenditures. Based on this expected increase in major capital expenditures at SoCalGas,  
10 Supplier Diversity will need to focus on incorporating WMDVDBEs into key capital projects,  
11 such as Pipeline Safety Enhancement Project (“PSEP”) and Pipeline Integrity. The significant  
12 increase in projects will impact Supplier Diversity by increasing the reporting, tracking, and  
13 monitoring requirements of SoCalGas’ prime contractors and sub-contractors. This increased  
14 activity could present upward pressures on O&M costs. However, SoCalGas is not proposing an  
15 increase in labor for this area because supplier diversity has become engrained throughout the  
16 Company and in all sourcing opportunities.

17 For TY 2016, SoCalGas requests \$1.5 million for Supplier Diversity. This request  
18 represents an increase of \$0.210 million above 2013 actual costs. This increase is due in large  
19 part to an increase in the number of technical assistance mentor/protégé programs that will  
20 provide support in the development and capacity building of small WMVBEs.

#### 21 **E. Document Management and Office Services**

22 Document Management and Office Services consist of the following:

- 23 • **U.S. Mail** - Mail Center processes approximately 50K pieces per mail per  
24 month for SoCalGas Departments including, Accounts Payable, Human  
25 Resources, Customer Service (Low Income Assistance Program Applications,  
26 Customer billing inquiries, Medical Baseline applications), Legal and  
27 Regulatory filings and documents.
- 28 • **Couriers** – Interoffice mail, incoming U.S. Mail, FedEx and USPS packages  
29 are received at the SoCalGas Mail Center and sorted and delivered to over 200  
30 plus locations within the SoCalGas service territory on a daily basis. RICOH  
31 Couriers drive over 73K miles per month, spend 3K hours behind the wheel  
32 and make over 5K stops per month at all SoCalGas locations.
- 33 • **Mass Mailings** – On average 500K pieces of mass mailings are processed on  
34 a monthly basis using in-house copy center and outside Print and Distribution



1 Service. Some mailings include; CARE applications, Advanced Meter  
2 notices, Direct Marketing Campaigns for gas savings, Marketing material,  
3 customer outreach and other Customer Service notifications.

- 4 • **Copy Center** – RICOH Copy Center processes over 100 copy jobs monthly  
5 for employees at all SoCalGas Locations. Print jobs include; training  
6 manuals, legal and Regulatory documentation, Gas construction documents  
7 and maps, customer service correspondence and marketing materials.
- 8 • **Convenience Multi-functional copier/fax/printer machines** - There are  
9 over 300 Multi-functional printers and fax machines supporting operations at  
10 all SoCalGas locations, plus another 1000 plus desktop printers throughout the  
11 SoCalGas Service territory as well. The multi-function printers serve as  
12 Department or Business Unit shared printers and desktop printers serve  
13 managers, supervisors, Executives and other individual Departments with  
14 unique printing requirements.
- 15 • **Forms and Stationery** - Interoffice forms, customer materials, letterhead,  
16 business cards, and stationery. There are over 200 forms that are ordered  
17 throughout the course of the year by SoCalGas employees for use internally  
18 and for customer notifications, gas shut off, billing and other notices.
- 19 • **Archives and Records Management** - Offsite storage of records, retention  
20 policy, retention schedules, data management, and shred services.
- 21 • **Courier Service** - Provides pick-up and delivery service for intercompany  
22 mail throughout SoCalGas territory.

23 SoCalGas is not proposing an increase for these services.

### 24 **III. CONCLUSION**

25 In conclusion, the proposals outlined in this testimony are driven by a sturdy effort to  
26 increase the effectiveness of the supply chain through the increases detailed in a few areas of the  
27 operation. SoCalGas is determined to accomplish three things in its Supply Chain over the  
28 upcoming rate case period:

- 29 1. To establish itself as a progressive leader in supply chain environmental  
30 sustainability;
- 31 2. To enable our employees with world class knowledge of commodity indices,  
32 competitive market intelligence and usage of the latest technology in tools required  
33 for system operation; and
- 34 3. To continue to grow our supplier base with a focus on smaller suppliers that add true  
35 value to the communities from which they originate.

36 This concludes my prepared direct testimony.

1 **IV. WITNESS QUALIFICATIONS**

2 My name is Richard D. Hobbs, the Director of Supply Management and Supplier  
3 Diversity for the Southern California Gas Company, 555 West Fifth Street, Los Angeles,  
4 California.

5 I have been employed by the Southern California Gas Company since October of 1983. I  
6 have served the rate payers of California in a variety of positions of increasing responsibility in  
7 Customer Programs, Public Affairs, Strategic Planning and Customer Service. I assumed my  
8 current position in January of 2012 I also serve as the secretary of the National Utilities Diversity  
9 Council.

10 I hold a baccalaureate degree in Management from the University of Redlands.

11 I have not previously testified before the CPUC.

## **Glossary of Acronyms**

CARE	California Alternative Rates for Energy
FTE's	Full Time Equivalents
GHG	Greenhouse Gas
GRC	General Rate Case
KPI's	Key Performance Indicators
O&M	Operating and Maintenance
PSEP	Pipeline Safety Enhancement Program
SCORE	Smaller Contractor Opportunities Realization Effort
SRM	Supplier Relationship Management
WMVBE	Woman, Minority and Service Disabled Veteran Enterprises