

Company: Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case
Application: A.22-05-~~015~~
Exhibit: SCG-17-E

PREPARED DIRECT TESTIMONY OF
JOSEPH CHOW
(SUPPLY MANAGEMENT, LOGISTICS, & SUPPLIER DIVERSITY)

ERRATA

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



May 2022 May 2023

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SUMMARY

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)			
O&M (in 2021 \$)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Total Non-Shared Services	30,116	31,022	906
Total Shared Services (Incurred)	4,317	4,467	150
Total O&M	34,433	35,489	1,056

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)			
Capital	Estimated 2022 (\$000)	Estimated 2023 (\$000)	Estimated TY 2024 (\$000)
Total IT Capital	1,509 17,697	503 10,364	0 1,703

Summary of Requests

For test year 2024, SoCalGas is requesting \$35.489 million for non-shared and shared services in Supply Management, Logistics & Supplier Diversity and provides business justification for certain information technology (IT) capital projects. This represents a \$1.056 million increase over the 2021 Base Year adjusted recorded costs in this area. The cost drivers in this area include the following:

- The need to empower our supply chain employees through continued education and training to: increase their knowledge of market trends and raw material price volatility, enhance negotiations skills through knowledge of competitive procurement solutions within the markets we procure in, and manage the risk of unprecedented supply chain volatility.
- Implementation of forward-thinking environmental/sustainability enhancements to our supply chain in order to: reduce SoCalGas’s carbon footprint, move key suppliers toward more sustainable business practices, improve investment recovery and recycling practices, and position SoCalGas as an industry leader in sustainable supply chain business practices and policies; this will enable the Company to participate with other key sustainability leaders in meaningful collaborations and share best practices leading to even higher standards of sustainable supply chain practices.

- Bringing the operation of the warehouse and logistics function up-to-date with enhancements in technology and automation, providing accuracy in inventory management and supply chain traceability.
- An increase in Supplier Diversity outreach efforts with the LGBTQ community and Persons of Disabilities business enterprises for inclusion under the CPUC's General Order (GO) 156; upward pressure from CPUC Supplier Clearinghouse fee increases; more focus on a specialized diverse business development program that will create and develop Diverse Business Enterprise (DBE) companies in highly specialized high spend areas such as pipeline construction services.
- Maintaining Office Services operational functions, specifically utilizing third-party service contractors that provide document services such as: (1) operating and maintaining the copy centers and distributed multifunctional copier/fax/printer machines; (2) distributing U.S. Mail, other document/package delivery services and interoffice mail; (3) conducting courier services; and (4) facilitating mass mailings.
- Increase in labor to support the increase in contract volume, contract analytics, project management, contract and vendor management, driven by the increase in company-wide capital infrastructure improvement projects, system expansion, and environmental and regulatory requirements going forward from 2022 through 2024.

**SOCALGAS DIRECT TESTIMONY OF
JOSEPH CHOW
(SUPPLY MANAGEMENT, LOGISTICS, & SUPPLIER DIVERSITY)**

I. INTRODUCTION

A. Summary of Supply Management, Logistics, & Supplier Diversity Costs and Activities

My testimony supports the Test Year 2024 forecasts for operations and maintenance (O&M) costs for both non-shared and shared services, and the business justification for IT capital costs for the forecast years 2022, 2023, and 2024, associated with the Supply Management, Logistics, & Supplier Diversity area for SoCalGas. Table JC-1 summarizes my sponsored costs. Table JC-2 summarizes the IT Capital project costs for which I sponsor the business justification.

**TABLE JC-1
Supply Management, Logistics, & Supplier Diversity
Test Year 2024 Summary of Total Costs**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)			
Categories of Management	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
A. Inventory	20,313	20,313	0
B. Procurement	2,412	3,287	875
C. Office Services	2,166	2,166	0
D. Supplier Diversity	928	928	0
E. VP SC&SS	696	567	-129
F. Supply Chain & Support Services PMO	3,601	3,761	160
Total Non-Shared Services	30,116	31,022	906

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)			
(In 2021 \$) Incurred Costs (100% Level)			
Categories of Management O&M (in 2021 \$)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
B. Procurement	4,317	4,467	150
Total Shared Services (Incurred)	4,317	4,467	150

TABLE JC-2
Supply Management, Logistics, & Supplier Diversity
Summary of Total IT Capital Costs

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)			
Capital	Estimated 2022 (\$000)	Estimated 2023 (\$000)	Estimated TY 2024 (\$000)
Total IT Capital	18,147,17,697	10,364	1,703

The Supply Management, Logistics, & Supplier Diversity department manages the overall purchase, distribution, inventory, and management of materials, supplies, and services in support of SoCalGas. These goods and services include gas distribution and transmission equipment, such as piping, meters, fleet vehicles and equipment, construction services, engineering services, environmental services, and other professional and technical services. Supply Management, Logistics, & Supplier Diversity also undertakes administrative activities and general office support, office supply, and document management. Supply Management’s procurement strategy is to meet business requirements while efficiently managing the total cost of ownership (e.g. value engineering, centralized freight management, and employee skill development), and mitigating contractual and supply capacity risk throughout the entire contract lifecycle. This is accomplished by managing each major category of expenditure in a proactive and strategic manner, according to its importance to the business and its ability to influence the supply market with minimal transactions. We deliver value by leveraging technology and tools that assess market trends and spend intelligence information. This information assists in meeting Company purchasing needs, developing, and executing strategies to reduce costs, and managing contract performance. For example, for expenditures such as office supplies, furniture purchases, and courier services, Supply Management strives to consolidate purchases to obtain favorable pricing and optimize transactional efficiencies from requisition through payment. This strategy enables portfolio managers, inventory and logistics personnel to focus on high-value, strategic expenditures (e.g. pipeline, construction, and professional services) that are critical to the business. Also included in this area is SoCalGas’s Supplier Diversity function, which has exceeded the CPUC’s goals for the 29th straight year and has recorded diversity results of 38% or better for the past 8 years. Over the past 5 years SoCalGas has spent over \$3.9 billion with

1 women, minority, disabled veteran, lesbian, gay, bi-sexual, transgender, and 8(a) (socially or
2 economically disadvantaged) business enterprises.

3 **B. Support To and From Other Witnesses**

4 My testimony also references the testimony and workpapers of several other witnesses,
5 either in support of their testimony or as referential support for mine. These include the
6 following:

- 7 • Sustainability and Climate Change Policy testimony of Michelle Sim and Naim
8 Jonathan Peress (Exhibit (Ex.) SCG-02)
- 9 • Information Technology testimony of William J. Exon (Ex. SCG-21, Chapter 2)
- 10 • Safety & Risk Management System testimony of Neena N. Master (Ex. SCG-27)
- 11 • Shared Services & Shared Assets Billing, Segmentation, & Capital
12 Reassignments testimony of Angel Le (Ex. SCG-30)

13 **C. Organization of Testimony**

14 This Supply Management, Logistics & Supplier Diversity testimony is organized as
15 follows:

- 16 • Introduction
- 17 • Sustainability and Safety Culture
- 18 • Non-Shared Costs
 - 19 ▪ Vice President, Supply Chain & Operations Support Services
 - 20 ▪ Inventory & Logistics
 - 21 ▪ Procurement/Category Management Portfolio
 - 22 ▪ Supplier Diversity
 - 23 ▪ Document Management and Office Services
 - 24 ▪ Supply Chain & Support Services Project Management Office (PMO)
- 25 • Shared Costs
 - 26 ▪ Procurement/Category Management
- 27 • Business Justification for IT Capital Projects
- 28 • Conclusion
- 29 • Witness Qualifications

1 **II. SUSTAINABILITY AND SAFETY CULTURE**

2 Sustainability at SoCalGas focuses on continuous improvement, innovation, and
3 partnerships to advance California’s climate objectives incorporating holistic and sustainable
4 business practices and approaches. SoCalGas’s sustainability strategy, ASPIRE 2045, integrates
5 five key focus areas across the Company’s operations to promote the public interest, and the
6 wellbeing of utility customers, employees, and other stakeholders. Please refer to the
7 Sustainability and Climate Change Policy testimony of Ms. Sim and Mr. Peress (Ex. SCG-02)
8 for a more detailed discussion of SoCalGas’s sustainability and climate policies.

9 Safety is foundational to SoCalGas and SoCalGas’s sustainability strategy. As the
10 nation’s largest gas distribution utility, the safety of SoCalGas’s customers, employees,
11 contractors, system, and the communities served has been – and will remain – a fundamental
12 value for the Company and is interwoven in everything SoCalGas does. This safety-first culture
13 is embedded in every aspect of SoCalGas’s business. The tradition of providing safe and reliable
14 service spans 150 years of the Company’s history and is summarized in SoCalGas’s Leadership
15 Commitment statement, which is endorsed by the entire senior management team:

16 *SoCalGas leadership is fully committed to safety as a core value.*
17 *SoCalGas’s Executive Leadership is responsible for overseeing reported*
18 *safety concerns and promoting a strong, positive safety culture and an*
19 *environment of trust that includes empowering employees to identify risks*
20 *and to “Stop the Job.”*

21 SoCalGas’s approach to safety is one of continuous learning and improvement where all
22 employees and contractors are encouraged and expected to engage in areas of opportunity for
23 learning and promote open dialogue where learning can take place. To learn about SoCalGas’s
24 overall safety approach please see the Safety & Risk Management System testimony of Neena
25 Master (Ex. SCG-27).

26 The activities described in this testimony advance the State’s climate goals and align with
27 SoCalGas’s sustainability priorities. Specifically, the proposal of supply chain sustainability will
28 drive progress in Advancing a Diverse, Equitable, and Inclusive Culture to reach SoCalGas’s
29 sustainability goals. This proposal will support the goal of increasing diversity, equity, and
30 inclusion in the workplace and in communities we serve to achieve measurable social impact by
31 procuring 45% of our total spend by 2025 and increasing spend with African American, Native

1 American, and LGBT businesses, our lowest areas of spend, by at least 10% each year by 2025.
2 In addition, SoCalGas is committed by 2025 to increasing its technical assistance training and
3 education with diverse suppliers by 30%. In addition, Supply Management, Logistics, &
4 Supplier Diversity will shape and oversee SoCalGas's Supply Chain Sustainability Program
5 strategy in alignment with SoCalGas's Sustainability Strategy, as well as searching out and
6 actively participating in industry forums at the executive level to help lead industry focus and
7 priorities. This program will maintain focus on core issues which are material to SoCalGas's
8 supply chain and expand on the company's top priority supply chain risks and opportunities
9 based on sustainability factors. This approach includes developing a tangible and actionable
10 roadmap with measurable milestones and working with the Company's suppliers and partners
11 throughout the supply chain on continuous and sustainable improvement while delivering clean,
12 safe, and reliable energy to SoCalGas's customers. Supplier engagement is key to the Supply
13 Chain Sustainability Program and SoCalGas's suppliers play a critical role in reaching the
14 Company's goal of net zero carbon emissions by 2045 and supporting equity and social
15 responsibility in the supply chain.

16 **III. NON-SHARED COSTS**

17 "Non-Shared Services" are activities that are performed by a utility solely for its own
18 benefit. Sempra Energy (Sempra) provides certain services to the utilities and to other
19 subsidiaries. For purposes of this general rate case, SoCalGas treats costs for services received
20 from Sempra as Non-Shared Services costs, consistent with any other outside vendor costs
21 incurred by the utility. Table JC-3 summarizes the total non-shared O&M forecasts for the listed
22 cost categories.

1
2

**TABLE JC-3
Non-Shared O&M Summary of Costs**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)			
Categories of Management	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
A. VP SC&SS	696	567	-129
B. Inventory & Logistics	20,313	20,313	0
C. Procurement/Category Management	2,412	3,287	875
D. Supplier Diversity	928	928	0
E. Document Management and Office Services	2,166	2,166	0
F. Supply Chain & Support Services PMO	3,601	3,761	160
Total Non-Shared Services	30,116	31,022	906

3

A. Vice President Supply Chain & Operations Support Services (VP SC&SS)

4
5

**TABLE JC-4
Summary of VP SC&SS Costs**

A. VP SC&SS	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
VP SC&SS	696	567	-129
Total	696	567	-129

6

1. Description of Costs and Underlying Activities

7 SoCalGas TY 2024 forecasted cost for the Vice President of Supply Chain and
 8 Operations Support Services non-shared services O&M is \$567,000 for TY 2024. This
 9 represents a \$129,000 decrease in O&M from BY 2021 adjusted-recorded O&M as illustrated in
 10 Table JC-4. The Vice President of Supply Chain and Operations Support Services is responsible
 11 for the day-to-day executive oversight of all activities relating to supply management, logistics,
 12 supplier diversity, fleet, and facility functions at SoCalGas. This role is responsible for
 13 overseeing the planning, development and implementation of the Company’s key procurement
 14 activities and functions, processes and policies as it relates to safety, supply chain sustainability,
 15 reliability, and compliance of all business units at SoCalGas including, but not limited to Gas
 16 Distribution, Gas Transmission and Storage, Engineering, Human Resources, and Customer

1 Programs to meet operational and project demands. Although the Vice President of Supply
2 Chain and Operations Support only includes one FTE in this cost center, there are approximately
3 331 professional, administrative, and clerical employees reporting up to this position that include
4 supply management, inventory and logistics, supplier diversity, supply chain and support
5 services PMO, fleet, and facility services departments. In recent years, the complexity and
6 volume of SoCalGas's supply chain and operation support activity has risen substantially as
7 outlined in the Cost Drivers section below. Due to focusing on SoCalGas, this role is no longer a
8 shared services function, and this role no longer has responsibilities of executive oversight for
9 SDG&E.

10 **2. Forecast Method**

11 The forecast method used for the Vice President, Supply Chain and Operations Support
12 Services is base year recorded costs. Base-year forecasting method was selected as the 2021
13 recorded costs that most accurately reflect the expected operating expenses of the Vice President
14 of Supply Chain and Operations Support Services. Historical data prior to 2021 does not
15 accurately capture the future needs for this cost center given the evolving nature of the activities
16 and the fact that SoCalGas has largely been expanding these activities after the adoption of the
17 2019 GRC. Using a three, five, or seven-year average forecast methodology would not
18 adequately capture the operating expenses of Vice President of Supply Chain and Operations
19 Support Services demand growth from supporting the various operating unit clients.

20 **3. Cost Drivers**

21 The cost drivers behind this forecast are labor, business unit training and seminars, office
22 equipment, relocating cost, travel, consulting, and other miscellaneous expenses related to
23 strategy, planning and overall operation of Supply Management, Logistics, Supplier Diversity,
24 Fleet, and Facility services.

B. Inventory & Logistics

**TABLE JC-5
Summary of Inventory & Logistics Costs**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)			
B. Inventory	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Inventory	20,313	20,313	0
Total	20,313	20,313	0

1. Description of Costs and Underlying Activities

SoCalGas’s TY 2024 forecasted cost for Inventory & Logistics non-shared services O&M are unchanged from BY2021 adjusted-recorded O&M as illustrated in Table JC-5. There are two functional areas that are included under Inventory and Logistics. These areas are Inventory & Logistics and Fabrication and Tool Repair. The Inventory & Logistics functional area maintains inventory levels to support day-to-day field operations. This is accomplished through timely and accurate ordering, receiving, and issuing of materials and supplies, and through periodic physical inventory counts. In addition, Inventory & Logistics provides many ancillary, yet critical, services. These services include: the daily loading and unloading of materials in support of “in-house” and contract crews, emergency response for service restoration, the coordination of ordering and repairing tools, the coordination of the shipping hazardous waste, and the management of surplus and removed materials from service. Inventory & Logistics employees conduct the day-to-day interface with internal end-users and are responsible for satisfying the material needs of the field operating forces.

There are two major functions that fall under Inventory & Logistics. Those functions are Inventory Warehouse & Logistics and Fabrication & Tool Repair.

Inventory & Logistics

The Inventory Warehouse & Logistics function is responsible for maintaining adequate warehouse inventories of “unrestricted stock” and “emergency stock.” Unrestricted stock levels are forecasted based on known requirements and historical usage. Emergency stock levels are

1 forecasted based on an assessment of the quality of the most vulnerable components currently in
2 service in a particular location and the probability of their damage or destruction. Inventory
3 requirements are also determined by business drivers such as New Business (increase in
4 customer base growth), Capacity (new or upgraded infrastructure to safely handle increased
5 customer demand), Corrective Maintenance Program (CPUC-mandated inspections resulting in
6 repair/replacement of infrastructure components), and Service Restoration (emergency repair of
7 system damaged facilities outages). To adequately maintain warehouse inventories, Inventory
8 Management must interface with vendors and conduct material requirements planning on a daily
9 basis. This cost center consists of a Manager of Inventory & Logistics who is responsible for
10 managing the Logistics Team, Strategic Supply and Demand Side, Material Traceability, and
11 Inbound and Outbound Operations. There are 91 FTEs in this area that consist of logistics team
12 leads, inventory management team leads, various specialists, and buyers.

13 **Fabrication and Tool Repair**

14 The Fabrication and Tool Repair function centers on a facility that is a one-stop small
15 manufacturing facility capable of making and repairing the unique types of tools and equipment
16 used by SoCalGas operation crews. The Fabrication department provides specialized machining
17 and fabrication of tools, materials, and equipment required to support SoCalGas's operations.
18 The facility is an efficient, self-sufficient work unit capable of operating in emergency conditions
19 without relying on outside vendors. The Fabrication and Tool Shop facility produces and
20 sustains adequate supply of approximately 180 items in the Pico Rivera Warehouse to provide
21 reliable operations for logistical supplies to the Company's operating districts. Fabrication
22 Mechanics will help meet the demand of gas distribution tools, fabrications, and repairs, which
23 would otherwise be outsourced at potentially higher costs.

24 The Fabrication and Tool Repair function provides specialized support to field operations
25 as both a supplier of custom materials and tools and as a service provider in the modification and
26 repair of materials and tools. The Fabrication and Tool Repair departments perform the periodic
27 maintenance and repair of the gas handling, electronic, and pneumatic tools. The departments
28 also support the evaluation of new tools. Fabrication and Tool Repair also produces Field
29 Operations and Customer Services proprietary tools, various pipeline infrastructure materials,
30 bridge and span pipeline supports, flow nozzles, orifice plates, gas work tools, in-ground manual
31 valve wrenched, PE tapping and fusion tools. The function also maintains and repairs more than

1 20,000 capital tools in inventory including hydraulic, and electronic leak detection and pipeline
2 locating devices. This area has 11 FTE's including machinists, welders, metal fabricators, tool
3 repair mechanics, electronic repair technicians, logistics representatives, and administrative
4 clerks.

5 **2. Forecast Method**

6 Base-year forecasting method was selected, as the 2021 recorded costs most accurately
7 reflect the expected operating expenses of Supply Chain and Support Services. Historical data
8 prior to 2021 does not accurately capture the future needs for this workpaper given the evolving
9 nature of the activities and the fact that SoCalGas has largely been expanding these activities
10 after the adoption of the 2019 GRC. Using a three, five, or seven-year average forecast
11 methodology would not adequately capture the operating expenses of Supply Chain and Support
12 Services demand growth from supporting the various operating units.

13 **3. Cost Drivers**

14 Inventory & Logistics

15 Cost drivers for this area are upward pressures due to the increase in Company projects to
16 improve maturing infrastructure, support system expansion and comply with regulatory and
17 environmental requirements, in addition to outside pressures such as supply chain volatility of
18 available materials, rising prices of raw materials, and labor markets from contractors and
19 suppliers. There are five additional warehouse personnel that support increased materials
20 movement for capital, operations, and maintenance operations as well as coordination of
21 improved material traceability, and monitoring of compliance activities.

22 Fabrication and Tool Repair

23 Cost drivers for this area consists of labor and rising costs and shortages/supply chain
24 disruptions of raw materials associated with fabrication, tool repair, and tool repair services.
25 Upward pressures due to the increase of Company projects to improve maturing infrastructure,
26 support system expansion, and compliance with regulatory and environmental requirements. An
27 additional five warehouse personnel support increased materials movement for capital,
28 operations, and maintenance operations as well as coordination of improved material traceability
29 and monitoring of compliance activities. Fabrication mechanics will help meet the demand of
30 Gas Distribution tools fabrication and repair, which would otherwise need to be outsourced at
31 potentially higher costs.

1 The Inventory and Logistics group also supports the system implementation of the
 2 Material Master Data Governance (MDG) and Inventory Modernization project in the IT
 3 testimony of Mr. Exon (Ex. SCG-21, Ch. 2). The Material MDG and Inventory Modernization
 4 will provide standardization of material codes, inventory optimization, and an improved material
 5 code creation process that enables SoCalGas to digitally manage material traceability
 6 requirements and improve supply chain efficiency, material visibility, and compliance and
 7 mitigates supply chain risk for critical infrastructure projects.¹

8 **C. Procurement/Category Management Portfolio**

9 **TABLE JC-6**
 10 **Summary of Procurement/Category Management Portfolio of Costs**

C. Procurement	2021 Adjusted- Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Procurement	2,412	3,287	875
Total	2,412	3,287	875

11
 12 **1. Description of Costs and Underlying Activities**

13 SoCalGas requests \$4.215 million for the Procurement/Category Management Portfolio
 14 for TY 2024, which represents an increase of \$875,000 above 2021 adjusted-recorded costs. The
 15 Procurement/Category Management group is composed of a team of portfolio managers,
 16 category managers, procurement project managers, category advisors, procurement project
 17 advisors, category analysts, contracting agents, and buyers who: (1) develop and execute supply
 18 management strategies that support operating requirements, supplier diversity, and supply chain
 19 sustainability; (2) develop and execute strategies to reduce the purchase price of an asset plus the
 20 cost of operation; and (3) collaborate with various departments to leverage new methodologies
 21 and technologies. The Procurement/Category Management Group works collaboratively with
 22 internal stakeholders and clients from business planning to strategically develop and execute
 23 category plans and sourcing/contracting activities to meet business requirements. The transition

¹ Transforming Our Business (TOB) is a process improvement effort at SoCalGas, undertaken to support SoCalGas’s mission to build the cleanest, safest, most innovative energy company in America.

1 to a Category Management model of operation provides enhanced procurement practices by
2 segmenting spend into areas that contain similar products and aligning our resources with our
3 clients' purchasing requirements, while leveraging market and spend intelligence to maximize
4 value for the Company. The Procurement/Category Management areas are divided into three
5 portfolios: (1) Gas Operations, (2) Major Projects, and (3) Customer Programs and Support
6 Services. The Customer Programs and Support Services portfolio is a non-shared cost center
7 only supporting SoCalGas while the Gas Operations and Major Projects portfolios are shared
8 services supporting both SoCalGas and SDG&E. This testimony supports SoCalGas non-shared
9 services in procurement.

10 **2. Forecast Method**

11 Base-year forecasting method was selected, as the 2021 recorded costs most accurately
12 reflect the expected operating expenses of Procurement/Contract Management Portfolios.
13 Historical data prior to 2021 does not accurately capture the future needs for this workpaper
14 given the evolving nature of the activities and the fact that SoCalGas has largely been expanding
15 these activities after the adoption of the 2019 GRC. Using a three, five, or seven-year average
16 forecast methodology would not adequately capture the operating expenses of
17 Procurement/Category Management demand growth from supporting the various Operating
18 Units clients.

19 **3. Cost Drivers**

20 The primary cost drivers consist of adding supply management category managers to
21 meet the growing needs of the Company for new project and sourcing demands in addition to
22 supporting the design and implementation of a new supplier relationship management function
23 and program. Adding permanent employees provides for supply chain and utility expertise to be
24 retained within the Company to manage the ever-changing business and unprecedented supply
25 chain volatility. Additional projects that the Procurement/Contract Management portfolio
26 supports above the normal procurement/contracting activities include the following:

- 27 • Gas Leak Abatement
- 28 • Lakewood pipeline collectible project
- 29 • Transmission methane stations
- 30 • Pipeline Safety Enhancement Program (PSEP) Phase 1B/Phase 2B planning

- Senate Bill (SB) 1382 Dairy Pilot Programs
- Supply Line (SL) 44 – 306/307
- CalGEM SB 483
- Facilities Integrity Management Program (FIMP)

D. Supplier Diversity

**TABLE JC-7
Summary of Supplier Diversity Costs**

D. Supplier Diversity	2021 Adjusted- Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Supplier Diversity	928	928	0
Total	928	928	0

1. Description of Costs and Underlying Activities

SoCalGas TY 2024 forecasted cost for Supplier Diversity O&M are unchanged from BY2021 adjusted-recorded O&M of \$848,000 as illustrated in Table JC-7 the Supplier Diversity organization conducts outreach efforts in under-represented areas with woman, minority, disable veteran, lesbian, gay, bi-sexual and transgender (WMDVLGBT) owned business enterprises and facilitates compliance with GO 156 that sets a spending goal for regulated utilities of 21.5% with WMDVLGBT and persons with disabilities owned business enterprises.

In 1988, the CPUC issued GO 156 to provide uniform rules and guidelines for the women and minority business enterprise programs of the California utility companies. In 1990, the CPUC modified GO 156 to require utilities to report on the purchase of natural gas procurement. Effective in 1997, the CPUC further amended GO 156 to include a goal for disabled veteran business enterprises. In addition, GO 156 rules require the CPUC to establish a procedure for gas, electric, and telephone utilities with gross annual revenues exceeding \$25 million to submit annual, detailed, and verifiable plans for increasing WMDVLGBT and persons with disabilities owned business enterprises procurement in all categories. Under these rules, the utilities set their own one, three, and five-year goals. The rules specifically require utilities to:

- 1 • Provide an appropriately sized staff to deliver overall WMDVLGBT
2 and persons with disabilities owned business enterprises program
3 guidance and to implement program requirements.
- 4 • Set substantial and verifiable goals for each major product and
5 service category that provides opportunities for procurement.
- 6 • Implement an outreach program to inform and recruit WMDVLGBT
7 and persons with disabilities owned business enterprises to apply for
8 procurement contracts.
- 9 • Establish and maintain a subcontracting program for the purpose of
10 encouraging its prime contractors to utilize WMDVLGBT and
11 persons with disabilities owned business enterprises subcontractors.
- 12 • Establish a Supplier Clearinghouse run by an independent contractor
13 and selected by the CPUC to audit and verify the status of
14 WMDVLGBT and persons with disabilities-owned business
15 enterprise suppliers and contractors.

16 The Supplier Clearinghouse also maintains a database of verified WMDVLGBT
17 and persons with disabilities owned business enterprises for the CPUC and participating
18 utilities. SoCalGas is responsible for its share of CPUC Clearinghouse costs through
19 monthly payments. These fees are allocated based on Company revenues allocated
20 among participating utility companies.

21 Making diversity a corporate strategy has aligned corporate principles with our
22 commitment to the communities we serve. Accordingly, the DBE organization not only
23 facilitates SoCalGas's compliance with the GO 156 target of 22% WMDVLGBT and persons
24 with disabilities owned business enterprises spending, but the Company has surpassed the CPUC
25 goal for the past 29 years, and has more than doubled the CPUC target by reaching a Company
26 record of over 40% for the last 10 years.

27 The Supplier Diversity organization has expanded outreach efforts for WMDVLGBT and
28 persons with disabilities owned business enterprises in under-represented areas (*e.g.* financial
29 and legal services), which has led to overall cost pressures. With the CPUC's heightened focus
30 in these areas, Supplier Diversity has worked to increase small business forums (co-hosted by the

CPUC) and technical assistance programs, and has effectively increased mentoring and capacity building initiatives.

SoCalGas remains focused on creating opportunities for smaller businesses through our Smaller Contractor Opportunities Realization Effort (SCORE) program which focus on developing and building capacity of smaller, new diverse suppliers, and ensuring new diverse suppliers have an opportunity to bid on our larger projects.

WMDVLGBT and Persons with Disabilities Owned Business Enterprises Performance

SCG purchases a wide range of products and services as part of the WMDVLGBT and persons with disabilities owned business enterprises program on the basis of competitive bids from qualified sources. Table JC-8 below presents SoCalGas’s purchases with women, minority, disabled veteran, lesbian, gay, bi-sexual, transgender, and persons with disabilities owned businesses for 2020 and 2021.²

TABLE JC-8
SoCalGas’s Purchases with WMDVLGBT and Persons with Disabilities Owned Business Enterprises for 2020 and 2021

A1 9.1.2 SoCalGas WMDVLGBTBE Annual Results by Ethnicity - 2020

		Direct	Sub	Total \$	%
Minority Male	African American	\$45,875,367	\$16,947,445	\$62,822,812	2.94%
	Asian Pacific American	\$54,020,687	\$5,388,177	\$59,408,864	2.78%
	Hispanic American	\$243,794,562	\$62,951,684	\$306,746,245	14.34%
	Native American	\$42,383,360	\$10,760,297	\$53,143,657	2.48%
	Total Minority Male	\$386,073,976	\$96,047,603	\$482,121,579	22.53%
Minority Female	African American	\$9,354,683	\$648,935	\$10,003,618	0.47%
	Asian Pacific American	\$20,082,026	\$114,198	\$21,196,224	0.99%
	Hispanic American	\$33,492,252	\$18,788,067	\$52,280,319	2.44%
	Native American	\$1,993,898	\$109,862	\$2,103,760	0.10%
	Total Minority Female	\$64,922,859	\$20,661,063	\$85,583,922	4.00%
Total Minority Business Enterprise (MBE)		\$450,996,835	\$116,708,666	\$567,705,501	26.53%
Women Business Enterprise (WBE)		\$197,609,262	\$57,071,441	\$254,680,703	11.90%
Lesbian, Gay, Bisexual and Transgender Business Enterprise (LGBTBE)		\$0	\$829,474	\$829,474	0.04%
Disabled Veteran Business Enterprise (DVBE)		\$43,882,163	\$17,083,262	\$60,965,425	2.85%
Other 8(a)*		-	-	-	0.00%
TOTAL WMDVLGBTBE		\$692,488,260	\$191,692,843	\$884,181,103	41.32%
Net Procurement**		\$2,139,674,225			

NOTE:
 Firms classified as 8(a) by Small Business Administration includes non-WMDVLGBTBE
 ** Net procurement include purchase order, non-purchase order and credit card dollars
 Direct - direct procurement
 Sub - subcontractor procurement
 % - percentage of net procurement

² For a more detailed report, please see SoCalGas’s Supplier Diversity 2021 Annual Report and 2022 Annual Plan, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/bco/go-156-procurement-plans/2021/socalgas-supplier-diversity_2021-annual-report_2022-annual-plan.pdf.

AI 9.1.2 SoCalGas WMDVLGBTBE Annual Results by Ethnicity – 2021

		Direct	Sub	Total \$	%
Minority Male	African American	\$69,380,461	\$21,798,892	\$91,179,353	3.98%
	Asian Pacific American	\$83,048,444	\$6,283,510	\$89,331,954	3.90%
	Hispanic American	\$241,968,316	\$65,682,485	\$307,650,801	13.42%
	Native American	\$53,441,103	\$12,673,866	\$66,114,969	2.88%
	Total Minority Male	\$447,838,324	\$106,438,753	\$554,277,077	24.18%
Minority Female	African American	\$13,810,192	\$3,545,795	\$17,355,987	0.76%
	Asian Pacific American	\$21,035,777	\$1,023,232	\$22,059,009	0.96%
	Hispanic American	\$24,963,910	\$18,618,091	\$43,582,001	1.90%
	Native American	\$2,138,858	\$132,200	\$2,271,058	0.10%
	Total Minority Female	\$61,948,737	\$23,319,318	\$85,268,055	3.72%
Total Minority Business Enterprise (MBE)		\$509,787,061	\$129,758,071	\$639,545,132	27.89%
Women Business Enterprise (WBE)		\$208,834,794	\$66,882,209	\$275,717,003	12.03%
Lesbian, Gay, Bisexual and Transgender Business Enterprise (LGBTBE)		\$43,283	\$466,992	\$510,275	0.02%
Disabled Veteran Business Enterprise (DVBE)		\$35,329,291	\$21,465,325	\$56,794,616	2.48%
Other 8(a)*		\$7,313	\$0	\$7,313	0.00%
TOTAL WMDVLGBTBE		\$754,001,742	\$218,572,597	\$972,574,339	42.42%
Net Procurement**		\$2,292,720,643			

NOTE:
 Firms classified as 8(a) by Small Business Administration include non-WMDVLGBTBE
 ** Net procurement include purchase order, non-purchase order and credit card dollars
 Direct - direct procurement
 Sub - subcontractor procurement
 % - percentage of net procurement

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There are five FTEs in this area that consist of a supplier diversity manager, two supplier diversity project managers, a supplier diversity advisor, and one supplier diversity analyst.

2. Forecast Method

Base-year forecasting method was selected, as the 2021 recorded costs most accurately reflect the expected operating expenses of Supplier Diversity. Historical data prior to 2021 does not accurately capture the future needs for this workpaper given the evolving nature of the activities and the fact that SoCalGas has largely been expanding these activities after the adoption of the 2019 GRC. Using a three, five, or seven-year average forecast methodology would not adequately capture the operating expenses of Supplier Diversity’s demand growth from supporting the various operating units.

3. Cost Drivers

The cost drivers behind this forecast are our overall supplier diversity program activities that include outreach, technical assistance and programing, printing, IT, and consulting services that ultimately provides recruiting and bidding opportunities for women, minority, disabled-veteran, lesbian, gay, bi-sexual, transgender, and persons with disabilities owned business

enterprises, which allows SoCalGas to meet and exceed all CPUC and SoCalGas internal supplier diversity goals. Other cost drivers are CPUC Supplier Clearinghouse certification fees and SoCalGas’s business development program that will create, develop, and mentor DBEs in highly specialized areas of the Company such as pipeline construction services.

E. Document Management and Office Services

**TABLE JC-9
Summary of Document Management and Office Services Costs**

E. Office Services	2021 Adjusted- Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Office Services	2,166	2,166	0
Total	2,166	2,166	0

1. Description of Costs and Underlying Activities

SoCalGas’s forecasted cost for Document Management and Office Services O&M are unchanged from BY2021 adjusted-recorded O&M of \$2.166 million, as illustrated in Table JC-9. Document management and office services are provided by a third-party contractor. Although SDG&E manages the contract for SoCalGas and Sempra, services provided for SoCalGas are directly charged back based on usage. One of the primary services provided by the third-party contractor is courier and mail services throughout the SoCalGas service territory. Increased fuel costs have placed upward pressures on providing these services which are charged back to SoCalGas.

2. Forecast Method

Base-year forecasting method was selected, as the 2021 recorded costs most accurately reflect the expected operating expenses of Office Services. Historical data prior to 2021 does not accurately capture the future needs for this workpaper given the evolving nature of the activities and the fact that SoCalGas has largely been expanding these activities after the adoption of the 2019 GRC. Using a three, five, or seven-year average forecast methodology would not adequately capture the operating expenses of Office Services demand growth from supporting the various operating units.

1 **3. Cost Drivers**

2 Document Management and Office Services consists of the following cost drivers:

- 3 • Mail, Copy Centers, and Postage Costs
4 Costs for U.S. Mail, interoffice mail, couriers, mass mailings, three copy
5 centers, and over 530 convenience multi-functional copier/fax/printer
6 machines.
- 7 • Travel Agency and Management Forms and Stationery
8 Costs of interoffice forms, customer materials, letterhead, business cards,
9 and stationery.
- 10 • Archives and Records Management
11 Costs for Offsite storage of records, retention policy, retention schedules,
12 data management, and shred services.
- 13 • Courier Service
14 Pick-up and delivery service costs for intercompany mail throughout
15 SoCalGas’s territory.

16 **F. Supply Chain & Support Services PMO**

17 **TABLE JC-10**
18 **Summary of Supply Chain & Support Services PMO Costs**

F. Supply Chain & Support Services PMO	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Supply Chain & Support Services PMO	3,601	3,761	160
Total	3,601	3,761	160

19 **1. Description of Costs and Underlying Activities**

20 SoCalGas requests \$3.761 million for the Supply Chain & Support Services PMO for TY
21 2024, which represents an increase of \$160,000 above 2021 adjusted-recorded costs. The Supply
22 Chain & Support Services PMO group provides support services that include policy development
23 and compliance, on-line procurement, supply chain sustainability, analytics, reporting, and
24 project management to optimize performance of Supply Management, Logistics, Supplier

1 Diversity, Fleet, and Facilities departments. The function of this group is to maintain and
2 promote successful adoption of business applications suites for these departments. This group is
3 led by the Director of Supply Chain & Support Services who directs the activities of the Business
4 Intelligence team, Business Applications support, Sustainability and Policy support, Compliance
5 and Continuous Improvement. The Supply Chain & Support Services PMO team drives
6 continuous improvement through system upgrades and support the implementation of new
7 applications to support Supply Management’s goals of being best in class. The PMO in this area
8 provides key oversight body for specific enterprise-wide initiatives such as sustainability and risk
9 management through policy and training. The PMO also provides data reporting, analytics and
10 modeling for Supply Management, Procurement/Category Management, Logistics, Supplier
11 Diversity, Fleet, and Facility services. The highly specialized PMO team manages mid to large
12 size projects and programs for all Supply Management, Support Services, Fleet, and Facilities
13 departments.

14 **2. Forecast Method**

15 Base-year forecasting method was selected, as the 2021 recorded costs most accurately
16 reflect the expected operating expenses of Supply Chain & Support Services PMO. Historical
17 data prior to 2021 does not accurately capture the future needs for this workpaper given the
18 evolving nature of the activities and the fact that SoCalGas has been expanding these activities
19 since the adoption of the 2019 GRC. Using a three, five, or seven-year average forecast
20 methodology would not adequately capture the operating expenses of Office Services demand
21 growth from supporting the various Operating Units clients.

22 **3. Cost Drivers**

23 With the overall adoption, usage and expansion of the Enterprise Source to Pay (ES2P)
24 system, additional applications support staff is needed to lead the company forward with industry
25 best practices in utilizing the end-to-end system and expansion of the SAP Ariba catalog. ES2P
26 is an enterprise-wide system that will move the entire procurement business process under a
27 single, integrated, SAP Ariba ecosystem to maximize efficiency, compliance, and sourcing
28 effectiveness. This includes managing the roadmap of initiatives, such as the rollout and
29 adoption of the new systems, supporting spend analytics and intelligence.

30 Three additional FTEs with data analytic skills will fulfill the need for data reporting,
31 analytics, and modeling for the SC&SS organization. The Program Manager will support the

1 Supply Chain & Support Services portfolio roadmap, execution of projects, and lead the change
 2 management of mid to large scale programs. The Sustainability Advisor will function as a key
 3 oversight body for the PMO specific to enterprise-wide initiatives, such as sustainability and risk
 4 management policies and training.

5 **IV. SHARED COSTS**

6 As described in the Shared Services & Shared Assets Billing, Segmentation, & Capital
 7 Reassignments testimony of Messrs. Le and Malin (Ex. SCG-30), Shared Services are activities
 8 performed by a utility shared services department (*i.e.*, functional area) for the benefit of:

9 (i) SDG&E or SoCalGas, (ii) Sempra, and/or (iii) any affiliate subsidiaries. The utility providing
 10 Shared Services allocates and bills incurred costs to the entity or entities receiving those services.

11 Table JC-11 summarizes the total shared O&M forecasts for the listed cost categories.

12 **TABLE JC-11**
 13 **Shared O&M Summary of Costs**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)			
(In 2021 \$) Incurred Costs (100% Level)			
Categories of Management	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Procurement	4,317	4,467	150
Total Shared Services (Incurred)	4,317	4,467	150

14 I am sponsoring the forecasts on a total incurred basis, as well as the shared services
 15 allocation percentages related to those costs. Those percentages are presented in my shared
 16 services workpapers, along with a description explaining the activities being allocated.³ The
 17 dollar amounts allocated to affiliates are presented in our Shared Services Policy and Procedures
 18 testimony⁴.

³ See Ex. SCG-17-WP.

⁴ See Direct Testimony of Messrs. Le and Malin (Ex. SCG-30).

A. Procurement/Category Management

**TABLE JC-12
Summary of Procurement/Category Management Costs**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)			
(In 2021 \$) Incurred Costs (100% Level)			
Categories of Management	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Procurement	4,317	4,467	150
Total Shared Services (Incurred)	4,317	4,467	150

1. Description of Costs and Underlying Activities

SoCalGas requests \$4.467 million for the Procurement/Category Management Portfolio for TY 2024, which represents an increase of \$150,000 above 2021 adjusted-recorded costs. The Procurement/Category Management group is composed of a team of portfolio managers, category managers, procurement project managers, category advisors, procurement project advisors, category analysts, contracting agents, and buyers who: (1) develop and execute supply management strategies that support operating requirements, supplier diversity, and supply chain sustainability; (2) develop and execute strategies to reduce the purchase price of an asset plus the cost of operation; and (3) collaborate with various departments to leverage new methodologies and technologies. The Procurement/Category Management Group works collaboratively with internal stakeholders and clients from business planning to strategically develop and execute category plans and sourcing/contracting activities to meet business requirements. The transition to Category Management provides enhanced procurement practices by segmenting spend into areas that contain similar products and aligning our resources with our clients' purchasing requirements, while leveraging market and spend intelligence to maximize value for the Company. The Procurement/Category Management areas are divided into three portfolios: (1) Gas Operations, (2) Major Projects, and (3) Customer Programs and Support Services. Although there are three procurement portfolios in Supply Management, only the Gas Operations and Major Projects portfolios support both SoCalGas and SDG&E procurement activities and are considered shared services.

1 **2. Forecast Method**

2 Base-year forecasting method was selected, as the 2021 recorded costs most accurately
3 reflect the expected operating expenses of Procurement Services/Category Management.
4 Historical data prior to 2021 does not accurately capture the future needs for this workpaper
5 given the evolving nature of the activities and the fact that SoCalGas has been expanding these
6 activities since the adoption of the 2019 GRC. Using a three, five, or seven-year average
7 forecast methodology would not adequately capture the operating expenses of
8 Procurement/Category Management’s demand growth from supporting the various operating
9 units.

10 **3. Cost Drivers**

11 The primary cost drivers consist of adding additional category managers that will meet
12 Company project and sourcing demands in addition to supporting the design and implementation
13 of a new supplier relationship management function and program. Additional material
14 contracting advisors are required to consistently deliver support for the increased demand of all
15 SoCalGas’s business units including Gas Transmission and Storage, Gas Distribution, and Major
16 Projects. Additional projects that Procurement support above the normal procurement /
17 contracting activities include the following projects listed below:

- 18 • Gas Leak Abatement
- 19 • Lakewood pipeline collectible project
- 20 • Transmission methane stations
- 21 • PSEP Phase 1B/Phase 2B planning
- 22 • SB1382 Dairy Pilot Programs
- 23 • SL 44 – 306/307
- 24 • CalGEM SB 483
- 25 • FIMP

26 **V. BUSINESS JUSTIFICATION FOR IT CAPITAL PROJECTS**

27 Capital costs for the forecast years 2022, 2023, and 2024 for IT projects that support
28 Supply Management, Logistics, and Supplier Diversity, are sponsored by Mr. Exon (Ex. SCG-
29 21, Ch. 2). The purpose of this section of my testimony is to describe the business rationale for

1 these projects. Refer to Mr. Exon’s workpapers (Ex. SCG-21-CWP) for the basis of the costs.
 2 Table JC-13 captures the capital project forecast for 2022, 2023, and 2024.

3 **TABLE JC-13**
 4 **Capital Expenditures Summary of Costs**
 5 **Summary of IT Capital Expenditures**

INFORMATION TECHNOLOGY (in 2021\$)				
IT Capital Workpaper Number	Project Name	Estimated 2022 (\$000)	Estimated 2023 (\$000)	Estimated TY 2024 (\$000)
<u>BC2109400786E</u>	1. DBE Spend Reporting Enhancements	<u>1,5091,059</u>	503	0
<u>8567000756G</u>	2. Supply Management & Logistics Modernization	2,8376	0	0
<u>8901900756K</u> <u>BC2109000786D</u> <u>BC2119900786G</u>	3. Enterprise Source to Pay (ES2P)	13,802	8,046	1,616
<u>BC2108900756W</u>	4. Supplier Risk Management	0	1,815	87
	Total IT Capital	<u>18,14717,697</u>	10,364	1,703

6 **1. DBE Spend Reporting Enhancements**

7 The DBE Spend Reporting Enhancements project provides additional structure
 8 improvements and automation to allow for more consistent and repeatable efforts. Automation
 9 will also provide data integrity and accuracy in preparation for CPUC audits. New reports and
 10 dashboard screen capabilities will allow for additional data views and data capture to monitor
 11 and measure new corporate goals which will allow internal clients to be self-serving. The DBE
 12 Spend Reporting Enhancements will also provide automated data reconciliation to prevent error
 13 prone manual effort to provide more adequate data to internal clients and the CPUC.

14 The current DBE reporting process requirements require much manual work and relies on
 15 antiquated systems with many cyber security vulnerabilities. The DBE Spend Reporting
 16 Enhancements project will provide a new solution to remove vulnerabilities and reduce manual
 17 effort, which will increase reporting accuracy and timeliness.

1 **2. Supply Management & Logistics Modernization**

2 Supply Management, Logistics, & Supplier Diversity supports the Supply Management
3 & Logistics Modernization project discussed in the IT testimony. This project will be
4 implemented in three phases:

- 5 • Phase 1 – Implement Master Data Governance solution to facilitate SAP Material Master
6 maintenance. This is a foundational effort that will provide a unified way to submit
7 requests for new materials, approve workflows, report status, and automate material code
8 creation.
- 9 • Phase 2 – Inventory Optimization will deliver tools (SAP IO Add-Ons), reengineer
10 business processes and procedures to use statistical analysis for planning.
- 11 • Phase 3 – Logistics Mobile Transaction Enablement will evaluate and deliver additional
12 mobile capabilities needed to efficiently manage the growing number of warehouse and
13 storeroom transactions. Replace aging scanners and align with Company’s mobile
14 roadmap. Some areas of improvement include: barcode labeling of all material, SAP
15 Inbound Delivery, SAP Outbound Delivery, Outbound Delivery, Material Picking, Label
16 Printers, and SAP Quality Management.

17 Supply Management & Logistics Systems and Business Processes need to be updated to
18 handle significant upward pressures from new and existing capital initiatives, retiring workforce,
19 and increasing inventory levels. SoCalGas’s Inventory and Logistics organization is expanding
20 their scope from managing the inventory for Gas Distribution and Customer Service Field to also
21 managing inventory for Transmission, Storage, and Major Projects. This change includes a
22 60%-100% increase in material spend over the next 18-24 months, which will also include an
23 increase in material codes from approximately 8,000 to over 14,000.

24 In the current state, there is no tool or process to effectively analyze and manage material
25 master settings that drive inventory planning and optimization (*e.g.* lead times, lot sizing,
26 min/max, Material Requirement Planning type, etc.). Optimization and process re-engineering in
27 this area will lead to higher customer satisfaction, more accurate levels of inventory for the right
28 material traceability, and SOX compliance.

29 **3. Enterprise Source to Pay (ES2P)**

30 Supply Management, Logistics, & Supplier Diversity supports the Enterprise Source to
31 Pay (ES2P) project which will move the entire procurement business process under a single,

1 integrated, SAP Ariba ecosystem to maximize efficiency, compliance, and sourcing
2 effectiveness. The project implementation consists of five SAP modules:

- 3 • Ariba Contract Management
- 4 • SAP Fieldglass for Services Procurement
- 5 • Ariba Supplier Lifecycle & Performance
- 6 • Ariba Buying & Invoicing
- 7 • Ariba Sourcing

8 These systems will enable requisitions, sourcing management, supplier registration,
9 contract management, e-procurement, and invoice management under the SAP suite. The SAP
10 suite will replace six different systems from six different providers, significantly reducing
11 technical debt and extensive custom integrations, all while streamlining support and maintaining
12 a consistent user interface. These applications are core to Supply Management and the
13 Company, but require extensive fixes to continue running. By moving to an integrated cloud-
14 based solution, the Company will be able to better maintain the system, continue to improve as
15 new features are introduced, and push towards adopting industry best practices.

16 **4. Supplier Management System**

17 Supply Management, Logistics & Supplier Diversity support the costs for the Supplier
18 Management System (SxM) that are sponsored by Mr. Exon (Ex. SCG-21, Ch. 2). The SxM is a
19 collection of supplier-centered applications that bridge the gaps between and beyond the core
20 source-to-pay applications. A supplier management suite includes applications such as: Supplier
21 Information Management, Supplier Performance Management, Supplier Relationship
22 Management, Supplier Quality Management, Supplier Risk Management, and Supplier
23 Compliance (*e.g.*, regulatory compliance). SxM includes (and goes beyond) the standard
24 components in a governance, risk and compliance solution for suppliers and third parties.

1 **VI. CONCLUSION**

2 This testimony describes the activities for Supply Management, Logistics, and Supplier
3 Diversity and presents the forecast for both existing and reasonably anticipated new expenses for
4 the GRC TY 2024. This testimony and my workpapers demonstrate the justification for the
5 requested funding. For these reasons, I request that the Commission approve funding for the
6 expenses as presented herein.

7 This concludes my prepared direct testimony.

1 **VII. WITNESS QUALIFICATIONS**

2 My name is Joseph Chow. I have served in my current role as Supplier Diversity
3 Manager for SoCalGas since 2014. I began my career with SoCalGas in August 1989. I have
4 held various positions of increasing responsibility since joining the company. Prior to my
5 current position I served as the Supplier Excellence Manager, managing the Supplier
6 Relationship Management, Supply Chain Sustainability, Analytics and Smaller Contractor
7 Opportunity Realization Effort and Supply Chain Analytics in the Supply Management area.
8 Prior to that, I held positions as Government and Public Affairs Manager in SoCalGas's
9 Regional Public Affairs department and prior to that position I was the Business Administrative
10 Manager for the Public Policy & Law department of Pacific Enterprises, former parent company
11 of SoCalGas. Before coming to SoCalGas I held various corporate accounting and internal
12 auditing positions with Star-Kist Foods, Circle K and General Motors.

13 I have a Bachelor of Science degree in Accounting and Finance from Sant Mary
14 University in Kansas.

15 I currently serve as the Chair of the Board of Directors for the Southern California
16 Minority Supplier Development Council and the Treasurer for the California African American
17 Chamber of Commerce.

18 I have previously testified before the Commission.

APPENDIX A
GLOSSARY OF TERMS

APPENDIX A
Glossary of Terms

Acronym	Definition
BY	Base Year
CPUC	California Public Utilities Commission
DBE	Diverse Business Enterprise
ECM	Enterprise Contract Management System
ES2P	Enterprise Source to Pay
FIMP	Facilities Integrity Management Program
FTE	Full-Time Equivalent
GO	General Order
GRC	General Rate Case
IT	Information Technology
LGBT	Lesbian, Gay, Bi-sexual, Transgender
MDG	Master Data Governance
O&M	Operations and Maintenance
PSEP	Pipeline Safety Enhancement Program
PMO	Project Management Office
SB	Senate Bill
SC & SS PMO	Supply Chain & Support Services Project Management Office
SCORE	Smaller Contractor Opportunities Realization Effort
SDG&E	San Diego Gas & Electric
SHOP	Sempra Hosted On-Line Purchasing
SL	Supply Line
SM&L	Supply Management & Logistics
SoCalGas	Southern California Gas Company
SRM	Supplier Relationship Management
SQM	Supplier Quality Management
TY	Test Year
VP SC & SS	Vice President, Supply Chain & Support Services

Acronym	Definition
WMDVLGB	Women, Minority, Disabled-Veteran, Lesbian, Gay, Bi-sexual, transgender, Business Enterprise