

Company: Southern California Gas Company (U 904 G)
Proceeding: 2024 General Rate Case
Application: A.22-05-015/-016 (cons.)
Exhibit: SCG-217

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

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



May 2023

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**REBUTTAL TESTIMONY OF
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I. SUMMARY OF DIFFERENCES

TOTAL O&M - Constant 2021 (\$000)			
	Base Year 2021	Test Year 2024	Change
SOCALGAS	\$34,433	\$35,489	\$1,056
CAL ADVOCATES	\$34,433 ¹	\$35,489	\$1,056
COMMUNITY LEGAL SERVICES	\$34,433	\$35,489	\$1,056

II. INTRODUCTION

This rebuttal testimony regarding Southern California Gas Company’s (SoCalGas’s) request for Supply Management, Logistics, & Supplier Diversity addresses the following testimony from other parties:

- The Public Advocates Office of the California Public Utilities Commission (Cal Advocates), as submitted by L. Mark Waterworth (Exhibit CA-11), dated March 27, 2023.
- Community Legal Services (CommLegal), as submitted by Tadashi Gondai, General Counsel (Exhibit CLS-01), dated March 27, 2023.

As a preliminary matter, the absence of a response to any particular issue in this rebuttal testimony does not imply or constitute agreement by SoCalGas with the proposal or contention made by these or other parties. The forecasts contained in SoCalGas’s direct testimony, performed at the project level, are based on sound estimates of its revenue requirements at the time of testimony preparation.

The Direct Testimony of Joseph Chow (Ex. SCG-17) covers several cost areas, including Procurement/Category Management Portfolio, Document Management and Office Services,

¹ Cal Advocates does not recommend any adjustments to SoCalGas’s Test Year (TY) 2024 forecast. The Base Year (BY) 2021 of \$34,493,000 in Cal Advocates Exhibit CA-11 does not reflect the correct BY 2021. (See Ex. CA-11 (Prepared Testimony of L. Mark Waterworth on behalf of CalAdvocates), March 27, 2023, at 8, Table 11-5.) The correct BY 2021 in the Direct Testimony (Ex. SCG-17 (Direct Testimony of Joseph Chow)) and Workpapers (Ex. SCG-17) of Joseph Chow is \$34,433,000.

1 Inventory & Logistics, and Supplier Diversity. Cal Advocates does not oppose SoCalGas’s
2 request. CommLegal does not recommend any cost reductions for SoCalGas’s request, and
3 instead focuses on recommendations specific to SoCalGas’s Supplier Diversity request.
4 CommLegal believes SoCalGas should modify its Supplier Diversity program in order to
5 “ensure... [the] SD Program continues to progress....”²

6 SoCalGas has remained committed and continues to improve its Supplier Diversity
7 program since its inception over forty years ago. As one of the leading supplier diversity
8 programs under General Order 156, SoCalGas has continued to establish goals that help increase
9 procurement opportunities with women, minorities, disabled veterans, and LGBT business
10 enterprises. SoCalGas has continued to stretch its overall diverse business enterprises (DBE)
11 goals from 35% in 2010 to 43% in 2023. In addition to increasing the overall DBE goal to 43%,
12 SoCalGas has added vendor goals for its underperforming ethnic categories in the African
13 American, Native American, and LGBT areas. As evidenced in increasing the overall DBE
14 goals and establishing vendor goals in underperforming areas, SoCalGas has increased the
15 number of vendors and spend in these targeted areas. SoCalGas continues to enhance its
16 technical assistance program offerings and employ best practices that further procurement
17 opportunities with DBEs. In addition, SoCalGas continues to analyze and monitor spending of
18 prime contractors that maximize sub-contracting opportunities for DBEs. This rebuttal
19 testimony to Cal Advocates and CommLegal will address the recommendations put forth in their
20 intervenor testimony.

21 **A. Cal Advocates**

22 Cal Advocates does not oppose SoCalGas’s TY 2024 forecast of \$35.489 million.³

23 **B. Community Legal Services**

24 CommLegal does not oppose SoCalGas’s TY 2024 forecast of \$35.489 million but
25 recommends the following:⁴

- 26 • Does not oppose the TY 2024 forecast of \$35.489 million.

² Ex. CLS-01 (Prepared Testimony of Tadashi Gondai on behalf of Community Legal Services), March 27, 2023, at 13.

³ Ex. CA-11 (L. Mark Waterworth) at 8.

⁴ Ex. CLS-01 (Tadashi Gondai), March 27, 2023, at 13.

- Maintain focus on technical assistance, supplier outreach, and capacity building.
- Set goals to increase the number of DBEs, the number of small DBEs, and the amount of spending with small DBEs.
- Make sure adequate training is provided for SoCalGas supplier diversity staff.
- Report on the specific efforts SoCalGas made regarding these items in the next GRC.

III. REBUTTAL TO PARTIES’ O&M PROPOSALS

A. Non-Shared Services O&M

NON-SHARED O&M - Constant 2021 (\$000)			
	Base Year 2021	Test Year 2024	Change
SOCALGAS	\$30,116	\$31,022	\$906
CAL ADVOCATES	\$30,116⁵	\$31,021⁶	\$906
COMMUNITY LEGAL SERVICES	\$30,116	\$31,022	\$906

1. Non-Shared Services O&M

a) Cal Advocates

Cal Advocates does not oppose SoCalGas’s non-shared TY 2024 forecast of \$31.022 million. The Commission should adopt SoCalGas’s forecast as reasonable.

⁵ Cal Advocates does not recommend any adjustments to SoCalGas’s TY 2024 forecast. The Non-Shared Services O&M BY 2021 of \$30,177,000 in Cal Advocates Exhibit CA-11 does not reflect the correct BY 2021. (See Ex. CA-11 (L. Mark Waterworth) at 8, Table 11-5.) The correct BY 2021 in the Direct Testimony (Ex. SCG-17) and Workpapers (Ex. SCG-17) of Joseph Chow is \$30,116,000.

⁶ Cal Advocates does not recommend any adjustments to SoCalGas’s TY 2024 forecast. The Non-Shared Services O&M TY 2024 forecast of \$31,021,000 in Cal Advocates Exhibit CA-11 does not reflect the correct BY 2021. (See Ex. CA-11 (L. Mark Waterworth) at 8, Table 11-5.) The correct BY 2021 in the Direct Testimony (Ex. SCG-17) and Workpapers (Ex. SCG-17) of Joseph Chow is \$31,022,000.

1 **b) Community Legal Services**

2 CommLegal does not oppose the TY 2024 forecast but makes several recommendations
3 to modify SoCalGas’s Supplier Diversity program.

4 CommLegal recommends that SoCalGas utilize their authorized Supplier Diversity
5 resources by continuing to focus on technical assistance, supplier outreach, and capacity
6 building. Annually, SoCalGas conducts focus sessions with former attendees from our technical
7 assistance programs to determine and assess program relevancy, effectiveness, and overall
8 program content. Based on feedback from past participants, changes and modifications are made
9 to ensure program effectiveness by preparing current and potential suppliers for contracting
10 opportunities with SoCalGas. Through our Meet the Primes and Business Showcases, current
11 and potential suppliers are allowed to provide their capabilities to SoCalGas project managers
12 and prime suppliers with the intent of growing their business through contracting opportunities
13 with SoCalGas and our prime suppliers. SoCalGas has extended its reach into diverse
14 communities by partnering with key Community Based Organizations (CBOs) on a local,
15 regional, and national level to identify diverse suppliers who can conduct business with
16 SoCalGas. At the beginning of each year, SoCalGas holds an extensive CBO Forum with all
17 partners to help CBOs become familiar with the business and services that SoCalGas provides.
18 Subjects that are presented at the forum by Subject Matter Experts (SMEs) include: Major
19 Company Initiatives, Major Company Projects, Natural Gas Industry, and Legislative Impacts on
20 SoCalGas. The CBO Forum serves as an informative session to help the CBOs become familiar
21 with our business which helps them understand the type of suppliers and contractors needed at
22 SoCalGas. These many activities show SoCalGas is already focusing on technical assistance,
23 supplier outreach, and capacity building.

24 CommLegal also recommends setting goals to increase the total number of diverse
25 vendors, the number of small DBEs, and the amount of spending with small DBEs. CommLegal
26 recommends that SoCalGas set a goal to increase their number of vendors by 2.5% per year –
27 592 by 2023 and 607 by 2024.⁷ CommLegal states that this will allow SoCalGas to work back
28 towards the 2017 level of 638.⁸ SoCalGas does not agree with CommLegal’s recommendation

⁷ Ex. CLS-01 (Tadashi Gondai) at 16.

⁸ *Id.*

1 that additional vendor goals should be set. The vendor goals that SoCalGas has established since
2 2021 for its lowest performing diverse categories (African American, Native American and
3 LGBT owned businesses) exceeds CommLegal’s recommendation of 2.5%. Setting goals in
4 these lower performing areas has put more focus on increasing the spend and vendor counts in
5 these areas. In 2021 and 2022, goals were set to increase African American, Native American
6 and LGBT spend and vendor count by 10% over prior year results. In 2023, a new goal was set
7 to increase African American vendor counts by 5% over 2022 and increase Native American and
8 LGBT (combined) in addition to Disabled Veterans business enterprises by 10% over 2022
9 results. SoCalGas believes that increasing the spend and vendor counts in these lower
10 performing categories will narrow the disparity gap between our higher performing categories:
11 Women, Hispanic and Asian business enterprises. SoCalGas believes these goals provide a more
12 even distribution of spend and vendors in all categories.

13 CommLegal also recommends SoCalGas make sure adequate training is provided for
14 SoCalGas supplier diversity staff.⁹ SoCalGas agrees with this recommendation and will
15 continue to provide educational and training courses for supplier diversity staff. SoCalGas is in
16 the process of identifying effective specialized training programs that will further enhance the
17 knowledge and skillset of supplier diversity staff. CommLegal also recommends that SoCalGas
18 identify and evaluate best practices from prior years of growth,”¹⁰ and “share knowledge within
19 the SoCalGas SD department and with the SDGE SD department....”¹¹ SoCalGas currently
20 works very closely with the SDG&E supplier diversity department and continues to share best
21 practices between both utilities.

22 CommLegal recommends SoCalGas report on these specific efforts made regarding these
23 items in the next GRC.¹² SoCalGas disagrees with CommLegal’s recommendation for
24 additional reporting to the CPUC and does not believe it will provide any additional value.
25 SoCalGas already provides substantial reporting on diverse supplier spending and is required to
26 do so pursuant to CPUC requirements. On an annual basis, SoCalGas files its Annual Supplier
27 Diversity Report and Annual Plan (by March 1 of every year) to the CPUC which highlights

⁹ *Id.* at 17.

¹⁰ *Id.* at 18.

¹¹ *Id.* at 19.

¹² *Id.* at 3.

1 prior year results and provides detailed descriptions of technical assistance, outreach, capacity
 2 building and other Supplier Diversity program-related activities. Additionally, the CPUC holds
 3 the annual CPUC General Order 156 En Banc, a public hearing, that provides SoCalGas an
 4 opportunity to present Supplier Diversity program results and activities to the CPUC
 5 commissioners and state legislators. During this public hearing specific questions may be asked
 6 by Commissioners and legislators about the SoCalGas supplier Diversity program. Based on the
 7 foregoing, no additional reporting is needed.

8 **B. Shared Services O&M**

SHARED O&M - Constant 2021 (\$000)			
	Base Year 2021	Test Year 2024	Change
SOCALGAS	\$4,317	\$4,467	\$150
CAL ADVOCATES	\$4,316	\$4,468	\$152
COMMUNITY LEGAL SERVICES	\$4,316	\$4,468	\$152

9 **1. Shared Services O&M**

10 **a) CAL ADVOCATES**

11 Cal Advocates does not oppose the shared services forecast for TY 2024.

12 **b) Community Legal Services**

13 CommLegal does not oppose the shared services forecast for TY 2024.

14 **IV. CONCLUSION**

15 Cal Advocates and CommLegal agree with SoCalGas's forecast for TY 2024. SoCalGas
 16 appreciates and respects CommLegal's comments and recommendations. However, for the
 17 reasons stated in this rebuttal, SoCalGas respectfully requests that the Commission adopt
 18 SoCalGas's forecast and programs as proposed.

19 This concludes my prepared rebuttal testimony.

APPENDIX A
GLOSSARY OF TERMS

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ACRONYM	DEFINITION
BY	Base Year
Cal Advocates	The Public Advocates Office of the California Public Utilities Commission
CBO	Community Based Organizations
CommLegal	Community Legal Services
CPUC	California Public Utilities Commission
DBE	Diverse Business Enterprise
GRC	General Rate Case
O&M	Operations & Maintenance
SD	Supplier Diversity
SDG&E	San Diego Gas & Electric Company
SMEs	Subject Matter Experts
SoCalGas	Southern California Gas Company
TY	Test Year