

Application of Southern California Gas Company
for authority to update its gas revenue requirement
and base rates effective on January 1, 2012.
(U904G)

Application 10-12-____
Exhibit No.: (SCG-10)

**PREPARED DIRECT TESTIMONY OF
KAREN L. SEDGWICK
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY**

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

DECEMBER 2010



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PREPARED DIRECT TESTIMONY OF
KAREN L. SEDGWICK
ON BEHALF OF SOUTHERN CALIFORNIA GAS COMPANY
(SUPPLY SERVICES & DIVERSE BUSINESS ENTERPRISES)

I. INTRODUCTION

A. Purpose of Testimony

This testimony describes the shared and non shared activities of the following departments:

- Supply Management;
- Diverse Business Enterprises (“DBE”);
- Senior Vice President and Chief Information Technology Officer; and
- Business Planning.

Each of these organizations provide a wide range of services to San Diego Gas & Electric (“SDG&E”), Southern California Gas Company (“SCG”) (collectively the “Utilities”), and, on a limited basis, to the parent company Sempra Energy Corporate Center (“Corporate Center”) and other affiliate companies of Sempra Energy.

The purpose of this testimony is to describe the non-shared and shared service activities performed by the organizations listed above to SCG and the justification for the reasonableness of the requested 2012 Test Year (“2012 TY”) operating and maintenance (“O&M”) expenses.

Each of the above organizations has only shared costs, with the exception of Supply Management, which also has non-shared cost contributors. Accordingly, this testimony will describe:

- the organization structure and nature of activities of the non-shared functional organizations;
- the location of functional costs between non-shared and shared service activities;
- the reasonableness of the 2009 base year non-shared O&M costs; and
- the justification for the requested non-shared O&M expenses for the 2012 TY.

1 **B. Overview of Operations**

2 **Supply Management**

3 The Supply Management function manages the overall purchase, distribution and inventory
4 management of materials, supplies, and services in support of SCG. These goods and services include
5 gas distribution equipment such as piping, meters, construction services, fleet vehicles and equipment,
6 IT and telecom products and services, engineering services, environmental, and other professional and
7 technical services. In addition, a portion of the Supply Management function involves administrative
8 activities associated with general office support, such as phone service, office supplies, travel services
9 and document management.

10 Supply Management's procurement strategy is to meet business requirements while optimizing
11 total cost of ownership (including process-related costs such as value engineering, centralized freight
12 management and employee skill development) and mitigating contractual and supply capacity risk
13 throughout the entire contract lifecycle (period of performance). This is accomplished by managing
14 each major category of spend in a pro-active, strategic manner, according to its importance to the
15 business and its ability to influence the supply market, with minimal transactions. The goal for the
16 non-strategic spend (e.g., office supplies, furniture and FedEx) is to consolidate demand to obtain
17 favorable pricing and optimize transactional efficiencies (administrative processing costs) from
18 requisition through payment. This strategy creates efficiency throughout the corporation while
19 mitigating risk and lowering overall costs. It also enables portfolio managers to focus on high-value,
20 strategic spend (e.g., pipeline, construction, IT, and professional services) that is critical to the
21 business.

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

- 23 • Foundation;
- 24 • Office Services and Document Management;
- 25 • Portfolio Management;
- 26 • Supply Management Director; and
- 27 • Logistics/Shops North & Inventory Management.

28 The Foundation, Portfolio Management, and the Supply Management Director functions are
29 entirely shared service activities and their functions are fully described in Section III of this testimony.
30 Logistics/Shops North & Inventory management is entirely non-shared. Office Services and
31 Document Management consists of both shared and non-shared activities. The non-shared and shared

1 portion of Office Services and Document Management is described in subsequent sections of this
2 testimony.

3 **Diverse Business Enterprises**

4 The DBE organization aims to expand outreach efforts in underutilized areas as well as ensures
5 compliance with the General Order 156 target of 21.5% women, minority and disabled veteran
6 business enterprises spending. This group supports both SDG&E and SCG activities. For a complete
7 description of this function, please reference SDG&E's testimony Section III.B.6.

8 **Senior Vice President and Chief Information Technology Officer**

9 The Senior Vice President and Chief Information Technology Officer provide overall
10 leadership and direction for eight divisions/departments, six of which support activities at SDG&E,
11 SCG, and, to a limited extent, the Corporate Center and other affiliates. For a complete description of
12 this function, please reference SDG&E's testimony Section III.B.5.

13 **Business Planning**

14 The Business Planning function supports the annual planning and budgeting activity for both
15 O&M expenses and capital expenditures as well as providing support for general rate cases, shared
16 service cost allocation, and financial analysis activities. This group supports both SDG&E and SCG
17 activities. For a complete description of this function, please reference SDG&E's testimony Section
18 III.B.7.

19 **C. Challenges Facing Operations**

20 The SCG Supply Management function is facing many challenges as it strives to
21 become a leader in supply chain operations by providing high quality service levels to the
22 organization. The key challenges are:

- 23 • supporting SCG industry leading supplier diversity efforts by
24 discovering, assisting and mentoring new companies to become high
25 quality, low cost certified diverse suppliers;
- 26 • reducing internal operating costs by bringing process efficiency
27 improvements through utilization of new technology for inventory
28 management and transaction processing;
- 29 • maintaining a sustainable and highly skilled strategic sourcing
30 organization with minimal dependence on external consulting support;

- identifying, managing and mitigating increased risk exposure due to commodity price volatility and supply chain capacity constraints;
- effectively managing the increasing volume of strategic supplier relationships to capture all benefits identified’
- building and retaining an effective organization with the correct balance of skills and marketplace expertise to ensure we are meeting the needs of our internal clients and creating the best value for our ratepayers and shareholders;
- capitalizing on supply chain opportunities brought forward by new Operational Excellence 20/20 technologies and business processes (e.g. improved operational planning and scheduling of work). Please see the testimony of Rick Phillips for a more detailed description of the Operational Excellence 20/20 initiative (Exh.SDG&E-19).

Challenges facing the DBE organization include major increases in capital projects, doubling capital spending over the next five years. Some of these new projects will include green procurement initiatives and, with that, the development of green DBE suppliers. The significant increase in projects will impact DBE by increased reporting requirements; greater tracking, monitoring, and reporting DBE’s prime subcontracting dollars.

D. Summary of Request

The following Table KLS-1 is a summary of the SCG requested non-shared O&M costs for Supply Management, DBE, SVP CITO and Business Planning (SUPPLY SERVICES & DIVERSE BUSINESS ENTERPRISES) for 2012.

**Table KLS-1
Summary of TY2012 Change
(Thousands of \$2009)**

Functional Area: SUPPLY SERVICES & DIVERSE BUSINESS ENTERPRISES				
Description	2009 Adjusted-Recorded	TY2012 Estimated	Change	Testimony Reference
Total Non-Shared	11,695	12,559	864	Section II
Total Shared Services (Book Expense)	6,327	6,961	634	Section III
Total O&M	18,022	19,520	1,498	

1 **II. NONSHARED SERVICES**

2 **A. Introduction**

3 This testimony provides a summary description of the non-shared service activities for
4 each function, the allocation methodologies, and the description and justification for the non-
5 shared service O&M cost changes from 2009 to 2012. The following Table KLS-2 is a
6 summary of the SCG requested non-shared O&M costs for Supply Management, DBE, SVP
7 CITO and Business Planning (SUPPLY SERVICES & DIVERSE BUSINESS
8 ENTERPRISES).

9 **Table KLS-2**
10 **O&M Non-Shared Services**
11 **(Thousands of 2009 dollars)**

SUPPLY SERVICES & DIVERSE BUSINESS ENTERPRISES			
Categories of Management	2009 Adjusted- Recorded	TY2012 Estimated	Change
A. Logistics Shops North - Pool Warehousing	9,564	9,797	233
B. Office Services	2,131	2,762	631
Total	11,695	12,559	864

12
13 **B. Discussion of O&M Activities**

14 **1. Logistics/Shops North**

15 The responsibility of Logistics/Shops North is to ensure that the inventory
16 levels are maintained to support day-to-day field operations. This is accomplished
17 through timely and accurate ordering, receiving and issuing of material and supplies, as
18 well as physical inventories in the form of periodic cycle counts. Additionally, many
19 ancillary, yet critical services are provided, including the daily loading and unloading
20 of material in support of “in house” and contract crews, emergency response for service
21 restoration, coordinating the ordering and repairs of tools, coordination of the shipment
22 of hazardous waste, and the management of surplus and removed materials from
23 service. These employees conduct the day-to-day interface with internal end-users and
24 are responsible for satisfying the material needs of the field operating forces.
25
26

1 **a. Logistics Shops North - Pool Shop Order**

2 The Fabrication and Tool Repair Shop provides specialized support to field operations
3 serving both as a supplier of custom materials and tools and as a service provider in the
4 modification of materials and repair of tools. The Fabrication department provides specialized
5 machining and fabrication of tools, materials and equipment required to support SCG
6 operations. The Tool Repair departments are responsible for performing the periodic
7 maintenance and repairs of the gas handling, electronic, and pneumatic tools as well as
8 supporting the evaluation of new tools.

9 **b. Logistics Shops North - Pool Warehousing**

10 The responsibility of Inventory Management is to maintain adequate warehouse
11 inventories of “unrestricted stock” and “emergency stock”. Unrestricted stocking levels are
12 established by the forecasting of known requirements and historical usage. Emergency
13 stocking levels are established through an understanding of the quantity of the most vulnerable
14 components currently in service in a particular location and the probability of damage or
15 destruction. In accomplishing this, Inventory Management conducts the day-to-day material
16 requirements planning and vendor interface.

17 Material requirements are determined by business drivers such as New Business
18 (increase in customer base growth), Capacity (new or upgraded infrastructure to safely handle
19 increased customer demand), Corrective Maintenance Program (CPUC-mandated inspections
20 resulting in repair/replacement of infrastructure components), and Service Restoration
21 (emergency, repair of system outages).

22 Logistics/Shops North’s five-year average represents about an 8% increase over the
23 2009 spend. Years 2008 and 2009 are only representative of recessionary levels of spend and
24 are not indicative of future activity and spend levels. Therefore, the five-year average was
25 selected as the best indicator for years 2011 and 2012.

26 **2. Office Services**

27 Office Services and Document management consist of the following scope of
28 activities:

- 29 • Mail, Copy Center and Convenience Copiers and Postage Costs

1 US Mail, interoffice mail, couriers, mass mailings, three copy centers,
2 over 530 convenience multifunctional copier/fax/printer machines

3 • Travel Agency and Management

4 Three onsite travel agents, airline contracts, hotel contracts, car rental
5 agreements

6 • Forms and Stationery

7 Interoffice forms, customer materials, letterhead, business cards,
8 stationery

9 • Archives and Records Management

10 Offsite storage of records, retention policy, retention schedules, data
11 management, shred services

12 • Food Services

13 Onsite employee café and catering

14 Due to the cyclical nature of the business and the recent recessionary economic
15 environment, a five-year average best represents future expected costs.

16 In 2009, Document and Courier Services were selected as a strategic sourcing
17 category due to demands from the incumbent supplier for significant cost increases.
18 This sourcing effort resulted in a new contract with a new services provider.
19 Additional funds are requested to cover the contractual increased costs of \$581,000 in
20 2010 driven by upgraded copier equipment, and other inflationary increases (fuel,
21 labor, materials and equipment) due to the differential between previous contract
22 pricing and current market-based pricing. Although overall costs increased, savings
23 from switching suppliers resulted in annual avoided costs of approximately \$475,000.
24 In addition, the new contract has an annual labor non-standard escalation factor of
25 3.5%.

26 The United States Postal Service has requested a postage rate increase of the
27 Postal Rate Commission to be effective on January 2, 2011. SCG will file update
28 testimony reflecting changes in forecasts of its witnesses consistent with the approved
29 change in the postage rate.\

1 **III. SHARED SERVICES**

2 **A. Introduction**

3 Subsequent sections of this testimony provide a summary description of the shared
4 service activities for each function, the allocation methodologies, and the description and
5 justification for the shared service O&M cost changes from 2009 to 2012. The following
6 Table KLS-3 presents a summary of the shared service incurred costs for Supply Management,
7 DBE, SVP CITO and Business Planning (SUPPLY SERVICES & DIVERSE BUSINESS
8 ENTERPRISES) for SCG.

9 **Table SCG- KLS-3**
10 **O&M Shared Services**
11 **(Thousands of 2009 dollars)**

SUPPLY SERVICES & DIVERSE BUSINESS ENTERPRISES			
Categories of Management	2009 Adjusted-Recorded	TY2012 Estimated	Change
A. Foundation	32	35	3
B. Logistics/Shops North	2,074	2,275	201
C. Portfolio Management	532	657	125
D. SVP and CITO	0	3	3
E. USS Billed-in from SDG&E	3,689	3,991	302
Total Shared Services (Book Expense)	6,327	6,961	634

12
13 **B. Summary of Shared Services Activities**

14 **1. Foundation**

15 This organization provides and administers supply chain systems, processes and
16 technology that automate day-to-day routine transactions while maintaining appropriate
17 business controls, including compliance with Sarbanes Oxley requirements,
18 coordinating internal and external audits (including Affiliate Compliance audits) and
19 managing the process for maintaining compliance with third-party contract insurance
20 requirements. In addition to systems administration, this group is responsible for all
21 supply management training, including systems and application training, contract
22 agent/contract delegate training and insurance requirements training. Finally, this
23 group provides overall business analytics reporting, including detailed spend analysis
24 and portfolio reports, development and maintenance of all supply management

1 operating metrics reporting and supply chain related business controls compliance
2 reporting to all aspects of the Utilities and Corporate Center.

3 Supply Chain Systems - Supply chain systems are a platform of internet-enabled applications
4 integrated with Enterprise Resource Plan (“ERP”) back-office software, which enable greater
5 connectivity between utility business processes and trading partner products. The following systems
6 comprise the supply chain technology resource platform:

- 7 • SAP: This is the back-office ERP system that supports the material purchasing and
8 inventory management functions.
- 9 • Commerce One (SupplyNet): This is an E-Procurement system that provides catalog-
10 based access to items that are repetitively purchased. Provides low transaction processing
11 costs against master agreements with competitive pricing. Provides hub for integration
12 between internal business processes and external marketplaces for decentralized
13 purchasing.
- 14 • Enterprise Contract Management System: This is an application for creating contract
15 documents using standard terms and condition templates and a centralized repository for
16 all contract agreements. Provides platform and process to allow designated users
17 throughout the organization to contract directly for low cost, low risk services. The
18 application is interfaced to the SAP system for purchase order creation. It supports the
19 goal of eliminating or delegating non-strategic spend to enable portfolio managers to focus
20 on high value, strategic sourcing opportunities while maintaining strong internal business
21 controls.
- 22 • e-RFX: This is an application for creating, distributing and managing procurement related
23 sourcing events through the issue and management of Requests For Proposals (RFPs).
24 The system is used to support all strategic sourcing work as well as other complex
25 procurement activity involving high volumes of respondents.
- 26 • Field Business Card: This is a procurement credit card for low cost, low risk, non-
27 repetitive transactions. An in-house developed application provides for on-line allocation
28 and management review of monthly transactions to maintain required business controls.
- 29 • Voyager Fleet Fuel Card: This is a procurement credit card for purchasing fuel for the
30 fleet (natural gas, gasoline, and diesel). An in-house developed application provides for

1 automated transactional data feed from fuel providers to fleet for maintenance tracking
2 and usage reporting.

- 3 • Spend Analysis & Reporting: Provides comprehensive insight for each category of spend
4 both from a portfolio view and an internal organization view. Spend Analysis &
5 Reporting also provides capability to integrate portfolio sourcing strategy with operational
6 strategy to optimize cost and mitigate risk for internal clients. For instance, having clear
7 visibility into project design and scheduling information along with supply market
8 forecast intelligence can lead to better procurement decision making and order timing.

9 The allocation methodology for the Foundation function consists of the weighted average of
10 the portfolio management's spend, since this activity supports the procurement function. The 2009
11 actuals were selected as the most appropriate forecast methodology. Since this cost center was created
12 in 2008, the five-year average was not representative of the current costs in this category.

13 **2. Logistics/Shops North**

14 The Meter Shop operation maintains the meter inventory and records systems
15 related to all SCG gas meters. Responsibilities include development of the meter
16 purchase forecasts, receiving supplier shipments, dispersing new and repaired meters to
17 the districts across the SCG system for installation, in-testing of removed meters and
18 repair of meters that meet specific accuracy and age criteria.

19 SCG performs meter in-testing and repair services for SDG&E. The work is
20 performed in the SCG meter shop facility and in compliance with its Affiliate Rules,
21 SCG bills SDG&E on a fully loaded cost basis for the provision of this service. The
22 billing is based on the number and type of SDG&E transactions processed by SCG and
23 the unit cost to perform the various transactions.

24 This cost center retains 100% of costs at SCG that are not direct billed to
25 SDG&E. Logistics/Shops North's five-year average represents about an 8% increase
26 over the 2009 spend. Years 2008 and 2009 are only representative of recessionary
27 levels of spend and are not indicative of future activity and spend levels. Therefore, the
28 five-year average was selected as the best indicator for years 2011 and 2012.

29 **3. Portfolio Management**

30 A team of portfolio managers has been established for each major category of
31 spend to develop and execute supply management strategies that support operating

1 requirements; align sourcing strategy by partnering closely with key lines of business to
2 promote changes that reduce the total cost of ownership; explore supply market
3 capabilities and insights to capitalize on new developments; and identify sourcing
4 opportunities. In addition, the portfolio management team works to mitigate risks in
5 the following areas:

- 6 (a) Operational (safety, schedule, performance/quality);
- 7 (b) Financial (Total Cost of Ownership, insurance compliance and supplier
8 credit worthiness);
- 9 (c) Legal (terms and conditions, risk mitigated for liability); and
- 10 (d) Internal Controls/Process Efficiency.

11
12 The Portfolio Management activity is organized into five separate portfolio
13 groups:

- 14 • Electric Materials & Construction and Generation
15 Maintenance/Repair;
- 16 • Fleet and Facilities;
- 17 • Gas Materials and Construction;
- 18 • Information Technology and Telecommunications; and
- 19 • Professional Services.

20 Portfolio Managers work collaboratively with internal clients from business
21 planning through tactical execution to meet business requirements while mitigating
22 risk. The five portfolio management groups each have a manager and a staff of
23 primarily contract agents. All of the groups provide services to SDG&E and SCG. In
24 addition, the Information Technology, Professional Services, and Fleet and Facility
25 groups also provide services to Corporate Center. Information Technology also
26 provides limited support for enterprise-wide initiatives to various affiliates of Sempra
27 Energy (e.g., telecom services).

28 The allocation methodologies are similar for each portfolio management cost
29 center. Total spend by portfolio is separated by SDG&E, SCG, or Corporate Center.
30 These percentages are used to determine the allocation rates. Although Portfolio
31 Management is a shared service, the majority of SCG costs are from the Gas Portfolio.

1 The five-year average represents about a 27% increase over the 2009 spend.
2 Sourcing activity within the Gas Portfolio has increased significantly due to a number
3 of business drivers, including system expansion, aging infrastructure, and
4 environmental and regulatory compliance. The sourcing activity within this portfolio is
5 expected to continue through 2012 and beyond. For example, Gas Distribution
6 Operations capital/O&M expenditures are expected to increase by over 36% by 2012
7 and Gas Engineering capital/O&M expenditures in support of Distribution,
8 Transmission and Storage Operations are expected to increase by 84% by 2012.
9 Collectively, this represents an increase of over \$164 million in expenditures for
10 contracted goods and services from 2009 levels. For a more detailed discussion of the
11 forecasted increases in capital/O&M expenses, please see the testimony of Gina
12 Orozco-Mejia (Gas Distribution Operations) (Table SCG-GOM-01) and Raymond
13 Stanford (Gas Engineering) (Table SCG-RKS-1). Therefore, the five-year average was
14 selected as the best indicator for years 2011 and 2012.

15 **4. Senior Vice President and Chief Information Technology Officer**

16 The cost changes for the SVP –CITO reflect the reorganizational adjustment
17 that transformed the previous Vice President position into a Senior Vice President
18 position, covering a larger organization with increased responsibility. The Senior Vice
19 President (“SVP”) – Chief Information Technology Officer (“CITO”) provides overall
20 leadership and direction for the following eight divisions/departments:

- 21 • Vice President of Environmental, Safety & Support Services;
- 22 • Director of Supply Management;
- 23 • Director of SCG Advanced Metering Infrastructure (“AMI”);
- 24 • Director of Smart Meter SDG&E;
- 25 • Vice President of Information Technology;
- 26 • Director of DBE;
- 27 • Director of OpEx 20/20; and
- 28 • Business Planning & Budgets.

29 With the exception of SCG’s AMI and SDG&E’s Smart Meter, all
30 divisions/departments provide support to SDG&E, SCG, and, to a limited extent, the

1 Corporate Center and other affiliates. The function consists of a Senior Vice President
2 and one Executive Assistant. It is currently located at SDG&E.

3 The allocation methodology is allocated based on the weighted average
4 allocations of the functions managed by the Vice President.

5 No additional resources are being requested.

6 **5. Diverse Business Enterprises (Billed-in from SDG&E)**

7 In 1988, the CPUC issued General Order (“GO”) 156 to provide uniform rules
8 and guidelines for California utility companies’ women and minority business
9 enterprise programs. In 1990, the CPUC modified GO 156 to require utilities to report
10 on the purchase of natural gas procurement. Effective in 1997, the CPUC further
11 amended GO 156 to include a goal for disabled veteran business enterprises.

12 Additionally, GO 156 rules require the CPUC to establish a procedure for gas, electric,
13 and telephone utilities with gross annual revenues exceeding \$25 million to submit
14 annual detailed and verifiable plans for increasing women, minority and disabled
15 veteran business enterprises (“WMDVBEs”) procurement in all categories. Under
16 these rules, the utilities set their own one, three, and five-year goals. The rules
17 specifically require:

- 18 • utilities to provide an appropriately sized staff to provide overall
19 WMDVBE program direction and guidance and to implement
20 WMDVBE program requirements;
- 21 • the setting of substantial and verifiable goals for each major
22 product and service category, which provides opportunities for
23 procurement;
- 24 • implementation of an outreach program to inform and recruit
25 WMDVBEs to apply for procurement contracts;
- 26 • establishment and maintenance of a subcontracting program for
27 the purpose of encouraging its prime contractors to utilize
28 WMDVBE subcontractors; and
- 29 • establishment of a Supplier Clearinghouse run by an independent
30 contractor and selected by the CPUC to audit and verify the
31 status of WMDVBE suppliers and contractors. The

1 Clearinghouse also maintains a WMDVBE database of verified
2 WMDVBEs for the CPUC and participating utilities. SCG is
3 responsible for monthly payments to the CPUC for a portion of
4 the costs incurred in conjunction with the Clearinghouse.
5 Making diversity a corporate strategy has aligned corporate
6 principles with our commitment to the communities we serve.

7 The DBE organization consists of one shared service cost center located at
8 SDG&E with a Director and eight FTEs that provide service to both SDG&E and SCG.
9 The DBE organization ensures compliance with the GO 156 target of 21.5%
10 WMDVBE spending. Both SDG&E and SCG have surpassed the CPUC goal of 21.5%
11 for several years now and, combined, have achieved over 30% WMDVBE spending for
12 two consecutive years (2008 and 2009).

13 The DBE organization has aimed to expand outreach efforts in underutilized
14 areas (for example Financial and Legal Services), which has lead to overall cost
15 pressures. With CPUC heightened focus in these areas, DBE has worked to increase
16 small business forums (co-hosted by the CPUC) and technical assistance programs
17 resulting in increases in mentoring and capacity building initiatives. In addition to
18 these new initiatives, the SCG is expecting to significantly increase its major capital
19 expenditures, presenting considerable challenges in maintaining our DBE goals. Some
20 of these new projects will include green procurement initiatives and, with that, the
21 development of green DBE suppliers. The significant increase in projects will impact
22 DBE by increased reporting requirements and greater tracking, monitoring, and
23 reporting of DBE's prime subcontracting dollars.

24 SCG WMDVBE Performance – Products and Services

25 SCG purchases a wide range of products and services as part of the WMDVBE program on the
26 basis of competitive bids from qualified sources. Table KLS-4 below presents SCG's purchases of
27 products and services with minority, women, and service disabled veteran owned businesses for 2008
28 and 2009. For a more detailed report, please see SCG and SDG&E's combined Diverse Business
29 Enterprises 2009 Annual Report & 2010 Annual Plan.
30
31
32

**Table SCG- KLS-4
SCG WMDVBE Performance**

	2009		2008	
Total	585,032,944		555,151,803	
Minority (MBE)	136,313,830	23.30%	111,365,557	20.06%
Women (WBE)	60,257,491	10.30%	58,631,237	10.56%
Service Disabled Veteran (SDVBE)	5,446,077	0.93%	2,454,469	0.44%
Total WMDVBE	202,017,398		172,451,263	

There are no forecasted cost changes from 2009 adjusted recorded to the 2012 Test Year for DBE.

6. Billed-in from SDG&E

There are many costs that originate at SDG&E that support SCG. These costs, shown as Billed-In From SDG&E, represent those shared services including Foundation, Office Services, Portfolio Management, Supply Management Director, Diverse Business Enterprises (see above), Senior Vice President and Chief Information Technology Officer and Business Planning. For a detailed description of these shared service functions, please refer to my SDG&E testimony, Section III: Shared Services.

IV. CONCLUSION

The amounts requested for the 2012 TY for Support Services are necessary to meet the needs of SCG's utility operations and customer service. They are based on an evaluation of 2009 adjusted recorded expenses and the incremental increases and decreases forecasted over the 2010-2012 period. The costs reflect the appropriate shared service allocations for SDG&E, SCG, Corporate Center, and affiliates.

This concludes my prepared direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Karen L. Sedgwick. My business address is 8315 Century Park Ct., San Diego,
3 California. My current position is Director of Supply Management. My organization provides
4 services to both San Diego Gas & Electric and SCG.

5 My present responsibilities include managing the overall purchase and distribution of
6 materials, supplies, and services to support SDG&E, SCG and the Corporate Center.

7 I have a Bachelor of Science degree in Business Administration from San Diego State
8 University and a Masters of Business Administration from the University of San Diego. I joined San
9 Diego Gas & Electric in 1992 and have held various positions in Business Planning and Budgets,
10 Financial Planning, Investor Relations, Real Estate, and Capital Projects.

11 I have not previously testified before the Commission.