

Company: Southern California Gas Company (U904G)
Proceeding: 2016 General Rate Case
Application: A.14-11-004
Exhibit: SCG-214

SOCALGAS

REBUTTAL TESTIMONY OF RICHARD D. HOBBS

(SUPPLY MANAGEMENT)

June 2015

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



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SOCALGAS REBUTTAL TESTIMONY OF RICHARD D. HOBBS
(SUPPLY MANAGEMENT)

I. SUMMARY OF DIFFERENCES

Table RDH-1

TOTAL O&M - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SoCalGas	18,864	21,223	2,359
ORA	18,864	19,138	274

II. INTRODUCTION

A. ORA

Office of Ratepayer Advocates (ORA) issued its report on Supply Management on April 24, 2015.¹ The following is a summary of ORA's position(s):

- ORA recommends an authorization of \$19.138 million for Southern California Gas Company's (SoCalGas) Supply Services for the test year 2016, compared to SoCalGas' requested \$21.223 million, a reduction of \$2.085 million or 9.8% from SoCalGas' request².
- ORA is essentially recommending that the test year proposal be consistent with 2013 recorded expenses, plus \$274,000³. While ORA did approve SoCalGas' Supply Management 2016 forecast in two of five categories (Procurement and Document Management & Office Services), it appears to have done so because those two requests also matched the 2013 values. While SoCalGas agrees 2013 is a representative year, the reliance on the base year alone disregards the merits of new programs and efforts to provide value to customers. The incremental amount that ORA recommends is not fully sufficient to cover additional costs for activities SoCalGas believes are reasonable and necessary to assure ratepayers that our sources for goods and services are credibly established, and uphold the highest standards of safety, quality, and environmental sensitivity. Moreover, the incremental activities proposed would enable SoCalGas to provide more support to our smaller diverse suppliers through both technical assistance and to undertake new outreach activities for the Lesbian, Gay, Bisexual, and Transgender-owned businesses (LGBTBEs) recently added to the supplier diversity program consistent with GO156, as a result of AB1678 signed into law by Governor Brown in September, 2014⁴. Finally, the incremental costs proposed by SoCalGas include addressing an increase in tool repair costs and labor to accomplish the increased workload of Logistics and Shops.

¹ Exhibit ORA-14, Chia.

² Ibid at page 42.

³ Ibid.

⁴ http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB1678.

1 While 2013 may be representative, it is not in the Supply Management Operations,
2 Strategy, and Analysis area where several of ORA's recommended disallowance of incremental
3 funding occur. ORA recommends:

- 4 o No incremental funding for a supply chain sustainability program.
- 5 o No incremental funding for Market Validation Support.
- 6 o No incremental funding for Supplier Relationship Management.
- 7 • ORA also recommends that SoCalGas not enhance our investment recovery program,
8 which has a direct benefit to ratepayers as revenues from scrap metals, plastics, and
9 wood are increased through more direct oversight of the activity.
- 10 • ORA recommends no incremental funding for tool repair costs which SoCalGas
11 estimates are increasing by 10% per year.
- 12 • ORA recommends no incremental funding to maintain what SoCalGas believes to be
13 optimal staffing levels in the Logistics and Shops areas, by holding to the 2013
14 annual FTE levels which are 4.5 FTEs lower than 2012 levels, with no recognition of
15 the increased workload impacting this group.
- 16 • Finally, as mentioned above, ORA recommends no incremental funding for additional
17 technical assistance training and outreach for SoCalGas' Supplier Diversity programs.

18 I will address each of these areas below and request that the Commission disregard
19 ORA's recommendations and adopt SoCalGas' forecasts as reasonable.

20 **B. Joint Minority Parties**

21 The Joint Minority Parties propose the following:

- 22 • Additional funding for Technical Assistance, increase to 300% (to triple) from 3 to 5
23 years, from \$750,000 to \$2,250,000, with further criteria that half of that funding be
24 to women, minority and disabled veteran businesses, with 50% of the increases
25 shared equally between ratepayers and shareholders.
- 26 • Proposing SoCalGas' Supplier Diversity GO156 goals be increased from 40% to 50%
27 by 2018, with the minority-owned fraction of that goal to be 35%.
- 28 • Disaggregating Asian American data by major ethnic subgroups.
- 29 • Requiring the SoCalGas, as part of General Order (GO) 156, to provide specific data
30 relating to the state in which the company awarded the contract is headquartered in or
31 does the vast majority of its business in.
- 32 • Urging that testimony be held on the value and impact of including within GO156
33 data requirements a report on utility efforts to do business with firms owned or
34 controlled by returning war veterans.

35 My rebuttal will address these issues after addressing the ORA testimony. Finally, I
36 include a short list of errata corrections to my testimony exhibit SCG-14.

1 **III. REBUTTAL TO ORA’S O&M PROPOSAL**

2 **A. Non- Shared Services O&M**

3 **1. Operations Strategy and Analysis**

4 **a. ORA**

5 **Table RDH-2**

Supply Management – Op, Strategy, Analysis - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SoCalGas	1,270	2,457	1,187
ORA	1,270	1,270	0

6 ORA takes issue with the Test Year O&M forecast for Supply Management Operations
7 Strategy and Analysis. ORA states that SoCalGas does not require incremental funding in three
8 areas for new activities:

- 9 • Expansion of its supply chain sustainability program,
- 10 • Licensing fees and professional services to support advancing market validation
11 efforts for procurement agents, and
- 12 • Professional services required to support fully deploying a Supplier Intelligence
13 module.

14 SoCalGas respectfully disagrees with ORA for the following reasons.

15 Supply Chain Sustainability

16 As stated in the Supply Management direct testimony⁵, SoCalGas is desirous of
17 implementing a supply chain sustainability program to, in part, reduce the environmental impact
18 of the supply chain. This is an end-to-end program starting with an assessment of the sustainable
19 business practices of the suppliers from whom we procure goods and services, to SoCalGas’ own
20 practices in the internal transportation of goods throughout the service area and the methods
21 utilized to dispose of waste.

22 ORA recommends SoCalGas’ proposal of \$390,000 (\$250,000 for program costs, and
23 FTE estimated at \$65,000 for program management, and one FTE at \$75,000 for enhanced
24 investment recovery activities) is not necessary because SoCalGas already has a limited supply
25 chain sustainability program in place; therefore, no expansion is needed.

⁵ Also referred to as the *Green Supply Chain Initiative*, Exhibit SCG-14-R at page RDH-iii.

1 ORA is unfamiliar with how the supply chain plays a key role in the overall reduction of
2 the utility's environmental footprint thus this unfamiliarity may have led to ORA's
3 recommendation. ORA's recommendation would also inhibit the improvement of social and
4 environmental impacts that sustainable business practices have on the communities SoCalGas
5 serves. SoCalGas believes supply chain sustainability provides the ability to meet our current
6 needs without undermining the ability of future generations to meet their own needs.

7 Socially, sustainable business practices focus on the safety and health of people including
8 employees, suppliers, and customers. Environmentally, these practices focus on the health of the
9 planet including air quality, water quality and availability, natural resources, and waste
10 management. In a data response to ORA, SoCalGas explained such practices. In Data Request
11 ORA-SCG-036 Q2c, ORA asked:

12 *2c. Explain in detail why the supply chain sustainability program is a recurring expense*
13 *and not a one-time expense. Provide supporting documentation.*

14 SoCalGas' response included this sentence:

15 *"The discipline of developing and implementing enduring sustainability practices is ever*
16 *evolving as knowledge grows and technologies advance."*

17 This sentence concisely sums up SoCalGas' requirement for applying practices to increase the
18 sustainability of the supply change.

19 In the same data response, SoCalGas did indeed state that a program is in place, limited
20 to basic recycling and investment recovery practices. The latter is further limited to only scrap
21 metals and some wood and plastics recycling. Collectively, these are steps in the right direction,
22 but certainly not a modern enterprise sustainability program as would befit an operation the
23 scope of SoCalGas with evolving societal norms for environmental stewardship. As SoCalGas
24 pointed out in that data request, sustainability is a continuous improvement program that evolves
25 over time. SoCalGas desires to embark on that journey in a meaningful, deliberate fashion.

26 ORA's recommendations would seem to erroneously suggest that recycling scrap metal,
27 wood and plastics is enough to reduce the carbon footprint of SoCalGas' supply chain and that of
28 its participant suppliers. SoCalGas' work thus far on sustainability in the supply chain indicates
29 the following examples of baseline activities are required before launching a sustainable supply
30 chain program:

- 1 ○ Developing benchmarkable and standardized metrics and dashboards to track and
- 2 report sustainability efforts within SoCalGas at all levels and key suppliers,
- 3 ○ Defining metrics that are compatible with internal and external reporting
- 4 requirements (e.g., Carbon Disclosure Project, Dow Jones Sustainability Index,
- 5 Global Reporting Initiative, and the Gas Research Institute).
- 6 ○ Modifying and leveraging SoCalGas' existing technology as a portal for supplier
- 7 sustainability metrics reporting,
- 8 ○ Clearly developing and implementing a Green Supply Chain Framework that
- 9 defines and articulates a sustainable supply chain long term strategy,
- 10 ○ Refining the procurement bidding events and including an enhanced sustainability
- 11 component as part of the bid evaluation process prior to awarding contracts,
- 12 ○ Collaborating with suppliers to consolidate services and deliveries and implement
- 13 sustainable best business practices.

14 To conduct the baseline activities listed above will require one full-time equivalent (FTE)

15 as program manager as well as funding for professional services experienced with developing

16 sustainable supply chains. SoCalGas respectfully disagrees with the implication that its limited

17 recycling programs are adequate efforts to satisfy what it believes the Commission and its

18 customers would value.

19 ORA is also recommending against the FTE position that SoCalGas envisions to ramp up

20 the Investment Recovery program, part of the Sustainable Supply Chain program, as not

21 necessary, and that it is already funded in 2013 recorded expenses. This is not correct. Currently,

22 there is no FTE assigned to this activity. Rather, it is managed part-time by a supervisor in the

23 main warehouse as a part-time responsibility. Enhancing the proceeds of the Investment

24 Recovery activity would provide direct benefits to ratepayers in the form of increased revenue

25 being returned to SoCalGas from the increased salvage flow of scrap metals, plastics and other

26 materials. SoCalGas believes that a dedicated employee in this area will be able to devote

27 energies to seek out additional sources which will provide higher rates for salvaged materials and

28 diversify those sources as prices change in the market. SoCalGas urges the Commission to

29 disregard ORA's position and adopt SoCalGas' forecast as reasonable.

30 Market Validation Support

31 As described in my direct testimony⁶, the Market Validation Support activity is focused

32 broadly on providing SoCalGas procurement personnel with tools to enhance their market

⁶ Exhibit SCG-14-R at page RDH-iii.

1 knowledge during procurement activities. Specifically, this intelligence comes through a clearer
2 understanding of market cost trends on equipment, components, services and materials. Some of
3 the information provided includes indices to track both the direct and intangible costs to
4 manufacture a piece of equipment, to install permanent materials, and to deliver a type of
5 service. Real time cost transparency provides the needed insight into the cost volatility inherent
6 in building or operating types of energy facilities.

7 This intelligence is provided through technology based models which are modified for
8 specific sourcing events. The information is also used to monitor existing agreements where
9 costs may have changed over the passage of time and pricing may be adjusted to current
10 conditions.

11 Having this type of intelligence enables the procurement agents to craft superior
12 agreements with suppliers that benefit ratepayers through a lower total cost of ownership. Absent
13 such intelligence, a procurement agent may be at a disadvantage in a contract negotiation with a
14 bidder possessing more market knowledge. In the worst case, a procurement agent could develop
15 a contract that is not reflective of current market conditions thereby increasing costs to
16 ratepayers.

17 When key, high value sourcing events occur, outside resources are required to maximize
18 utilization of this technology and assist in the creation of specific models. This could be to look
19 at past spend patterns or to assess market conditions for that product or service. Within this
20 forecast for Market Validation Support, SoCalGas forecasts \$100,000 for such outside resources,
21 based on general estimates from suppliers. Utilization of these consulting services will avail
22 Supply Management analytical teams the opportunity to learn how to develop these models and
23 fully utilize the technology now available; thereby becoming self-sufficient.

24 ORA recommends SoCalGas' request for \$500,000 (\$400,000 for licensing of the
25 software and the aforementioned \$100,000 for outside resources) in incremental funding for
26 market validation support be rejected and those costs be absorbed into the recommended base.

27 SoCalGas disagrees. In developing this forecast, the aforementioned \$100,000 for
28 outside resources was not planned as a continuing expense, but as a one-time incremental
29 expense in 2016. It is envisioned that after obtaining outside services for one event, SoCalGas
30 procurement personnel will obtain the knowledge necessary to become self-sufficient. ORA's
31 proposed forecast is not sufficient to fund the incremental costs envisioned.

1 Supplier Relationship Management

2 Supplier Relationship Management (SRM) is the discipline of proactively managing the
3 supplier base with a focus on key or critical suppliers. Quarterly meetings are held with suppliers
4 in the program to review certain agreed-upon key performance indicators (KPIs) which range
5 from safety statistics to cost containment, quality, diverse supplier subcontracting and others.
6 SoCalGas’ proposal is targeted toward an application called Power Advocate Supplier
7 Intelligence (including related professional modeling and customization expenses). The
8 estimated cost of \$372,000 includes an estimate of \$122,000 for consulting costs to customize
9 the application, including a specialized supplier diversity spend-tracking tool, replacing a largely
10 manual process in place now, and \$250,000 for a three year licensing fee.

11 ORA recommended these costs be rejected, claiming that they were embedded in 2013
12 costs. Contrary to ORA’s assertion, the \$122,000 consulting costs were not embedded in the
13 2013 recorded expenses, nor were there any such costs recorded in 2014. Work done toward this
14 effort to date has been minimal and was included in licensing fees. In 2016, SoCalGas plans to
15 enhance this Supplier Intelligence module to accommodate the supplier diversity spend analytics
16 mentioned above and further refine the portal suppliers in the SRM program use for reporting
17 their KPIs. Therefore, SoCalGas included these costs in the test year. ORA recommends that
18 should the Commission authorize SoCalGas’ request, it be amortized over the three year GRC
19 cycle. SoCalGas would accept this amortization.

20 **2. Logistics and Shops**

21 **a. ORA**

22 **Table RDH-3**

Supply Management – Logistics and Shops - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SoCalGas	11,421	12,383	962
ORA	11,421	11,858	100

23 ORA takes issue with the Test Year O&M forecast for Logistics and Shops. ORA states
24 that SoCalGas should not receive incremental funding in the following areas:

- 25 • An increase of \$202,000 for the repair, maintenance and calibration of tools,
- 26 • And a requested \$685,000 to maintain optimal staffing levels.

27 SoCalGas disagrees for the following reasons.

1 Tool Repair Shop

2 ORA does not support the modest increase in the forecast for tool repair, maintenance,
3 and calibration used by SoCalGas' operations for pipeline construction, maintenance, and leak
4 detection. ORA seemingly disregards the increase in the number of tool repairs, which
5 SoCalGas estimates to be averaging about 10% per year. Repair costs associated with
6 maintaining electronic tools (pipe locators, gas analyzers, migration gas detectors, pipe fusion
7 equipment, etc.) have been increasing due to the cost of more sophisticated components: circuit
8 boards, sensors, battery packs, filters, etc. Repair costs associated with electronic tools have
9 increased by 13.2% per year. Additionally, increasing pipeline construction activity has resulted
10 in an increased demand for pressure control equipment and tooling. SoCalGas' plans to reduce
11 the leak backlog (see Exhibit SCG-04, Ayala) are expected to increase the count and utilization
12 rate of tool use, and thus the workflow of tools serviced by this shop for repairs. The recent
13 increase in demand has resulted in an average rise in repair costs of 5% per year.

14 SoCalGas requests the Commission to disregard ORA's recommendation to absorb these
15 increasing costs and find SoCalGas' forecast to be reasonable.

16 Optimal Workforce

17 ORA takes issue with SoCalGas' forecast of labor costs for Logistics and Shops optimal
18 staffing levels and related modest increase in labor forecast. ORA recommend SoCalGas hold
19 workforce at 2013 levels, which had 4.5 fewer FTEs than 2012. The workload in this area is
20 dramatically increasing with support activities resulting from construction projects. SoCalGas
21 believes the 2013 workforce level is simply insufficient given the increasing demands placed on
22 this workgroup. As ORA points out, in 2009, there were an additional eight employees in this
23 area over 2013 levels⁷, yet construction activity was not as robust as it is now and in the
24 foreseeable future. The Pipeline Integrity Program (PIP), Distribution Integrity Management
25 Program (DIMP) and other pipeline construction efforts described in the testimonies of Ms.
26 Maria Martinez and Mr. Ray Stanford (Exhibits SCG-08 and SCG-07, respectively) directly
27 impact this workforce with requirements for tools and materials. Accordingly, SoCalGas urges
28 the Commission to adopt its labor forecast in Logistics and Shops.

29

⁷ Exhibit ORA-14, Chia at page 49.

1 **3. Supplier Diversity**

2 **a. ORA**

3 **Table RDH-4**

Supply Management – Supplier Diversity - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SoCalGas	1,319	1,529	210
ORA	1,319	1,155	(164)

4 Supplier Diversity

5 ORA takes issue with the Test Year O&M forecast for Supplier Diversity. ORA states
6 that SoCalGas does not require incremental funding for technical assistance programs designed
7 for the smallest diverse suppliers.⁸ Departing from utilizing the base year recorded expenses as
8 it did in all other sections of Supply Management, ORA used a three year average (2012 to 2014)
9 in this instance to forecast the 2016 recommended amount, resulting in a value which is 25% less
10 than SoCalGas forecast, and \$23,000 less than the 2013 recorded expense.

11 ORA’s recommendation, if adopted, will constrain SoCalGas in managing its outreach
12 efforts as costs to include Lesbian, Gay, Bisexual and Transgender-owned businesses
13 (LGBTBE), now part of the Supplier Diversity program, are not reflected in historical expenses.
14 In September, 2014, Governor Brown signed into law AB1678⁹, which modified GO156 to
15 include LGBTBEs. Since passage of the legislation was uncertain at the time of preparing
16 forecasts for this GRC, SoCalGas did not plan an expanded outreach program to include this new
17 group of suppliers.

18 Technical Assistance Classes

19 ORA takes issue with SoCalGas’ assertion that the technical assistance classes it is
20 offering to its smallest diverse suppliers (or potential suppliers) consistently has a waitlist of
21 participants¹⁰. It is precisely the existence of this waitlist, and the expansion of outreach efforts
22 that causes SoCalGas to request increased funding for this activity.

23 The specific program at issue is the SoCalGas Mastering Business Growth (MBG)
24 educational program. The objective of this class is to provide business owners with the
25 information they need to grow their business and understand how to work with the utilities. ORA

⁸ Exhibit ORA-14, Chia at page 51.

⁹ http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201320140AB1678.

¹⁰ ORA-14 at page 50.

1 is recommending that the Commission reject SoCalGas' proposed increase of \$210,000 stating
2 that:

3 *“SCG has not shown that the number of people interested in SoCalGas' Supplier*
4 *Diversity program will increase in 2016. In 2013, SoCalGas says that 201 people*
5 *registered but only 109 people attended the workshops. In 2014, SoCalGas says 153*
6 *people registered but only 75 people attended the workshops. SoCalGas says that there is*
7 *a waitlist of 163 registrants for the upcoming program. SoCalGas' current program*
8 *should accommodate the number of registrants on the waitlist as the registrants on the*
9 *waitlist for the workshops are less than registrants for the workshops in 2013.”¹¹*

10 Ostensibly, ORA misunderstood the statistics provided in response to Data Request
11 ORA-SCG-DR-057-SWC¹². The difference between the registrants and those attending is, in
12 fact, the waitlist. The table below reflects the students enrolled in the course, those that actually
13 attended and graduated and those that were waitlisted. This table differs slightly from the
14 response to the data request due to the correction of some mathematical errors discovered in
15 preparing this testimony, although the general results are similar.

16 **Table RDH-5**

MASTERING BUSINESS GROWTH COURSE PARTICIPANT SUMMARY				
CLASS SESSION	ENROLLED	ATTENDEES	GRADUATES	WAIT LISTED
1 - DOWNEY 2013	102	58	54	92
2 - CYPRESS 2013	124	45	58	36
3 - CHATSWORTH 2014	65	32	31	35
4 - DOWNEY 2014	80	45	44	60

17 The MBG classes are wait-listed because each class session can only accommodate a
18 limited number of participants. To maintain the instructor-to-student ratio at reasonable levels,
19 SoCalGas keeps the classes at about 40 attendees each, thereby creating the wait list. By adding
20 additional course sessions, up to six per year, the waitlist would be expected to diminish. Other
21 typical classes have higher attendance levels to accommodate more participants, but in

¹¹ Exhibit ORA-14, Chia at page 51.

¹² ORA-SCG-DR-057-SWC Q3, please see the Appendix to this rebuttal.

1 SoCalGas' opinion this reduces the participants' access to the instructor's attention, and the
2 instructor's ability to respond to individual questions or concerns. The MBG classes are designed
3 to create a higher level of retention to provide valuable and tangible outcomes to participants;
4 each classes is conducted over a period of 10 weeks. SoCalGas perceives the wait list as an
5 indicator that the classes have greater demand than the current schedule can accommodate. The
6 following reasons describe why the wait list exists and why SoCalGas needs additional courses
7 for MBG:

- 8 1. Additional Courses - Holding six courses per year will allow for others on the
9 wait list and new attendees to have an opportunity to attend the classes. Currently
10 SoCalGas has at least a 90% referral rate to the program and business owners are
11 recommending other businesses to attend.
- 12 2. Additional Days - SoCalGas will also be able to have the courses on many other
13 days to accommodate the business owners' schedules. Currently classes are only
14 offered on Tuesdays. By allowing more options, SoCalGas can offer the course on
15 additional days of the week.
- 16 3. Teacher/Student Ratio - Adult learning requires one-on-one interaction since adult
17 learning differs from young student learning. The MBG classes are designed
18 using adult learning theories that allow for peer learning and greater class
19 interaction. The classes are also designed to allow opportunities for students to
20 share experience and conduct open dialogue. A large classroom setting is not
21 conducive to this, so the size of each class is preferred to be 40 students. This will
22 allow greater teacher-student interaction and peer learning, which increases
23 retention and knowledge transfer.
- 24 4. Coaching - the participants are allowed coaching and one-on-one 15-30 minute
25 interaction with instructors after the class, so having large number of classes will
26 limit the one-on-one interaction, thereby creating a wait list for additional courses.
27 Contracting Opportunities -The participants who have gone through the program
28 have additional insights on building relationships with utilities and are thereby
29 getting contracts and making the right contacts within the utilities
- 30 5. In the community - MBG uses a partnership with local Community-Based
31 Organizations (CBOs) to send the flyers out for program announcements. The
32 local level collaboration is being utilized and this increases the registration desire
33 beyond the available 40 spots per class.

34 For these reasons, SoCalGas requests the Commission to find its request for additional
35 funding of its Supplier Diversity efforts reasonable and authorize SoCalGas the requested
36 funding.
37

1 **4. Procurement and Document Management**

2 **a. ORA**

3 **Table RDH-6**

Supply Management – Procurement and Document Management - Constant 2013 (\$000)			
	Base Year 2013	Test Year 2016	Change
SoCalGas Procurement	1,729	1,729	0
ORA Procurement	1,729	1,729	0
SoCalGas Document Management	3,126	3,126	0
ORA Document Management	3,126	3,126	0

4 ORA accepts SoCalGas’ forecasts for both Procurement and Document Management.
5 SoCalGas recommends the Commission adopt its forecasts as reasonable.

6 **B. Joint Minority Parties**

7 The Joint Minority Parties (JMP) made several recommendations to modify SoCalGas’
8 Supplier Diversity program. JMP recommendations include:

- 9 • Modifying GO156 goals from 40% to 50% by 2018;
- 10 • Implementing a separate Minority Business Enterprise goal of 35%;
- 11 • Disaggregating Asian American data by major applicable ethnic subgroups;
- 12 • Report specific data related to the state in which a supplier awarded a contract is
13 headquartered or does the vast amount of its business;
- 14 • Providing testimony on the value and impact of reporting on utility efforts to engage
15 suppliers owned and operated by returning war veterans with an emphasis on those
16 veterans returning on and after 2001; and
- 17 • Increasing technical assistance budgets from an average of \$.750M/year to \$2.25
18 million/year with one half of that assistance targeting women, minority, and disabled
19 veteran business enterprises. It is further recommended by the JMP that 50% of any
20 cost increases over \$1.5M/year be equally shared by ratepayers and shareholders.

1 SoCalGas urges the Commission to reject all of these recommendations for several
2 reasons. First, in D.13-05-010, Section 13.4.3¹³, the Commission noted that such
3 recommendations concerning SoCalGas' relationships with diverse business enterprises are
4 issues that should have been brought up in R.09-07-027, which addressed changes to GO156 or
5 in future proceeding addressing changes to GO156. For that reason, the Commission rejected the
6 JMP's similar recommendations stating, "Since the changes the Joint Parties seek affect specific
7 provisions addressed in GO156, we refrain in this decision from making the changes the Joint
8 Parties have recommended and do not adopt the Joint Parties' recommendations concerning
9 diverse business enterprises."¹⁴ SoCalGas does not believe these recommendations vary
10 materially from those proposed in that proceeding and the Commission should maintain this
11 position.

12 Moreover, previous agreements between SoCalGas and the JMP have resulted in the
13 current Technical Assistance funding, which exceeds prior funding levels and any amounts
14 contemplated by GO156. SoCalGas' GO156 performance metrics are in excess of current
15 Commission targets, and any additional expense to ratepayers would be superfluous to the
16 reasonable objectives of that General Order.

17 In addition, SoCalGas' GO156 performance metrics have consistently and significantly
18 exceeded GO156 targets for many years. Both increasing those targets and creating sub-targets
19 of differing fractions sets up unequal access to business opportunities among those parties and
20 creates monitoring and reporting requirements beyond those envisioned by the Commission in its
21 GO156 targets.

22 Finally, the Commission should reject the JMP recommendation that SoCalGas
23 disaggregate Asian American data by major ethnic subgroups. Similar to the creation of unequal
24 fractions for GO156 targets, the further subdivision of Asian ethnic groups for this purpose sets up
25 the possibility of increased access by one at the expense of the other, and creates additional
26 monitoring and reporting expenses not contemplated by the Commission in its oversight of
27 GO156.

¹³ D.13-05-010 at page 679 (SDG&E and SoCalGas Consolidated General Rate Case Application A.10-12-005 and A.10-12-006).

¹⁴ Ibid at page 682.

1 **IV. ERRATA CORRECTIONS**

2 The following is a list of errata corrections to my testimony exhibit SCG-14.

3 **At page RDH-4, lines 21-22, where reads**

4 “SoCalGas’ Corporate Center – General Administration witness Peter Wall, SCG-18-
5 CWP”

6 Should read

7 “SoCalGas’ Information Technology witness Christopher Olmsted, SCG-18-CWP”

8 **At page RDH-5, line 26, where reads**

9 “\$1.513 million”

10 Should read

11 “\$1.543 million”

12 **At page RDH-6, line 9, where reads**

13 “Corporate Center – General Administration witness Peter Wall, SCG-18-CWP-R”

14 Should read

15 “SoCalGas’ Information Technology witness Christopher Olmsted, SCG-18-CWP”

16 **At page RDH-6, line 27, where reads**

17 “\$1.738 million”

18 Should read

19 “\$1.758 million)”

1 **V. CONCLUSION**

2 To summarize, SoCalGas believes its forecast for 2016 are properly supported and
3 reasonable. Adoption of these forecasts by the Commission will enable SoCalGas to continue to
4 assure ratepayers that its sources for goods and services are credibly established, and uphold the
5 highest standards of safety, quality, and environmental sensitivity. Moreover, the incremental
6 activities proposed in my testimony will enable SoCalGas to enhance its competitive knowledge
7 of market trends, thereby crafting even stronger agreements with key suppliers. Our proposal
8 will provide more support to our smallest diverse suppliers through technical educational training
9 and undertake outreach for the Lesbian, Gay, Bisexual, and Transgender-owned businesses
10 recently added to the supplier diversity program, consistent with changes to GO156 resulting
11 from the recently enacted AB1678. Finally, the incremental costs proposed by SoCalGas also
12 addresses an increase in tool repair costs and labor to accomplish the increased workload of
13 Logistics and Shops. These costs are both presently experienced and reasonably anticipated as a
14 result of the increased pipeline integrity and leak backlog reduction efforts described in the
15 Pipeline Integrity and Gas Distribution testimonies cited earlier in this rebuttal.

16 This concludes my prepared rebuttal testimony.

APPENDIX

ORA-SCG-DR-057-SWC Q3

**ORA DATA REQUEST
 ORA-SCG-DR-057-SWC
 SOCALGAS 2016 GRC – A.14-11-004
 SOCALGAS RESPONSE
 DATE RECEIVED: FEBRUARY 6, 2015
 DATE RESPONDED: FEBRUARY 23, 2015**

1. In Exhibit SCG-14, page RDH-iv, SoCalGas is requesting an increase of \$210,000 in Supplier Diversity for Technical Assistance and mentor protégé programs. SoCalGas says that currently there are four 10-week courses offered to accommodate a large waiting list.
 - a. How many classes were offered in 2013 and 2014?
 - b. Provide a description of the 10-week courses.
 - c. How are the 10-week courses conducted (i.e., on-line courses, taught by instructors in classrooms, etc.)?
 - d. Provide the number of attendees in 2013 and 2014.
 - e. How often do participants have to take the 10-week course (one-time, annually, every three years, etc.)?
 - f. Provide a copy of the waiting list for the 10-week course.
 - g. How many people can SoCalGas accommodate in each 10-week course?
 - h. Provide a breakdown of the \$210,000 into labor and non-labor expenses.
 - i. Provide a breakdown of the \$210,000 with a description of each expense.

SoCalGas Response:

- a. There were two classes offered in 2013 and two classes offered in 2014.
- b. Mastering Business Growth (MBG) is a Tier 1 program targeted at suppliers that have been in business less than three years and have under \$1 million in revenue. The overall goal of MBG is to help selected business owners and their organizations become successful utility suppliers by providing them with necessary growth tools as well as opportunities for one-on-one coaching, peer networking and targeted matchmaking with SoCalGas representatives. Workshops cover such topics as developing a business plan, finance and accounting, human resources management, business law, operations, contracting, risk management, technology and marketing.
- c. Course is taught by instructors in a classroom.
- d.

2013	Los Angeles	119 registrants	51 attendees
2013	Orange County	82 registrants	58 attendees
2014	Chatsworth	59 registrants	31 attendees
2014	Los Angeles	94 registrants	44 received

- e. Participants only need to attend one time. Some attendees request to attend again but very specific modules like Finance and marketing and if they missed a class they can make up a missed module.

Response to Question 3 (Continued)

- f. The accompanying attachment, is *considered confidential pursuant to PU Code Section 583 & General Order 66-C* - 'ORA-SCG-057-SWC_3f CONFIDENTIAL.docx'.
- g. Currently the scheduled classes can accommodate 40 people but we can have slightly more, depending on space.
- h. 100% non-labor expenses. These non-labor expenses include the fees of the outside consultant and direct cost reimbursement expenses such as binders, tabs mileage, meals. There are no internal labor charges.
- i. \$199,500 - Consulting & Instructional;
\$10,500 - Course Materials and Expenses.