

ORA DATA REQUEST
ORA-SCG-140-LMW
SOCALGAS 2019 GRC – A.17-10-008
SOCALGAS RESPONSE
DATE RECEIVED: FEBRUARY 26, 2018
DATE RESPONDED: MARCH 15, 2018

Exhibit Reference: SCG-22 - Capital

SCG Witness: Willoughby

Subject: Logistics Warehouse

Please provide the following:

1. On page DW-13 of Ex. SCG-22, SCG states:

- Material Traceability is required to improve inventory management and keep up with new regulations. Material Traceability is a scalable, end-to-end solution for tracking high pressure (HP) pipes, valves, fitting, and equipment to improve compliance with new and upcoming regulations mandating the maintenance of “traceable, verifiable, and complete records [that are] readily available.” (Lines 1-5)
- Materials are currently physically located at other company facilities, third-party logistics provider warehouses, and various lay down yards across our service territory with no systematic visibility. In order to meet the material traceability regulatory requirements of “traceable, verifiable, and complete records,” pipes and materials ideally should be centrally managed in one facility. Barcoding, scanning and location tracking of materials will be required. Our current facilities are at full capacity; therefore, new space is required. (Lines 10-16)

Based on this, please provide the following:

- a. When was regulatory requirement set forth?
- b. Please confirm that SCG currently meets the material traceability regulatory requirements cited in SCG testimony footnote 4 (page DW-13) - 49 CFR 192.63 Marking of Materials and Public Utilities Code Section 958(c)(2), and the request for the Logistics Warehouse “ideally” (DW-13 Line 14) is to “improve” (DW-13 line 1) the regulations, not meet them?
- c. Are there any directives from the Commission to go beyond meeting the requirements?
- d. If SCG does not meet the current material traceability regulatory requirements then how does SCG’s current process fail to meet the material traceability regulatory requirements cited in SCG testimony footnote 4 “49 CFR 192.63 Marking of Materials and Public Utilities Code Section 958(c)(2).”
- e. If any current deficiencies are noted in response to d. above what are the current risks/costs to ratepayer’s given SCG’s deficiencies relative to material traceability.

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Question 01 Continued:

f. Has the Commission set forth a definitive timeline for SCG to correct any deficiencies? If yes, what is the date? If no, why is there no deadline?

g. Are there any directives from the Commission to build a Logistics Warehouse to meet the material traceability regulatory requirements?

SOCALGAS Response 01 Continued:

a. 49 CFR 192.63 Marking of Materials and Public Utilities Code Section 958(c)(2) became effective January 1, 2012.

b. Yes, SCG is currently meeting requirements. However, SCG seeks to improve process and efficiencies while improving information flows with this request. The decision to centrally manage materials in one facility is for more than meeting requirements. This warehouse will allow for better traceability and records management among other things. Because of the need for more inventory space, SoCalGas has contracted with a third-party warehouse firm to manage some inventory and store some materials at other locations. The agreement with this third party is in place as a remediation effort to allow for time to build the warehouse described in testimony. Once built, that third-party agreement will end. In addition to satisfying regulatory requirements for Material Traceability, the new warehouse will benefit SoCalGas by having one location and inventory system. SoCalGas also will realize savings of approximately \$2 million per year once the warehouse is operational by eliminating the need to continue with the third-party contracted storage solution.

c. No.

d. See the response to question b. above.

e. Not applicable.

f. Not applicable.

g. No. As mentioned in testimony, the decision to centrally manage materials in one facility is for more than just to meet directives. This warehouse will allow for better traceability and records management among other things. Because of the need for more inventory space, SoCalGas has contracted with a third-party warehouse firm to manage some inventory and store some materials at other locations. The agreement with this third party is in place as a remediation effort to allow for time to build the warehouse described in testimony. Once built, that third-party agreement will end. In addition to satisfying regulatory requirements for Material Traceability, the new

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SOCALGAS Response 01 Continued:

warehouse will benefit SoCalGas by having one location and inventory system. SoCalGas also will realize savings of approximately \$2 million per year once the warehouse is operational by eliminating the need to continue with the third-party contracted storage solution.