

Company: Southern California Gas Company (U 904 G)/ San Diego Gas & Electric  
Company (U 902 M)  
Proceeding: 2019 General Rate Case  
Application: A.17-10-\_\_\_\_  
Exhibit: SCG-22/SDG&E-20

**SOCALGAS/SDG&E**

**DIRECT TESTIMONY OF DENITA WILLOUGHBY**

**(SUPPLY MANAGEMENT & LOGISTICS AND SUPPLIER DIVERSITY)**

**October 6, 2017**

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



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Appendix A – Glossary of Terms

**SUMMARY**

**2016 Adjusted Recorded vs Test Year 2019 Summary of Total Costs**

<b>SDG&amp;E (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
Non-Shared Services	9,673	9,978	305
Shared Services	4,257	4,688	431
<b>Total O&amp;M</b>	<b>13,930</b>	<b>14,666</b>	<b>736</b>

<b>SoCalGas (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
Non-Shared Services	17,058	20,262	3,204
Shared Services	493	520	27
<b>Total O&amp;M</b>	<b>17,551</b>	<b>20,782</b>	<b>3,231</b>

<b>Company-Wide FOF Procurement Benefits (Sponsored by Supply Management &amp; Logistics) (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
SDG&E	0	-897	-897
SoCalGas	0	-4,059	-4,059
<b>Total O&amp;M</b>	<b>0</b>	<b>-4,956</b>	<b>-4,956</b>

<b>Total (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
SDG&E	13,930	13,769	-161
SoCalGas	17,551	16,723	-828
<b>Total O&amp;M</b>	<b>31,481</b>	<b>30,492</b>	<b>-989</b>

For Test Year (TY) 2019, San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas), jointly referred to as the Companies or the Utilities, request \$14.666 million for SDG&E and \$20.782 million for SoCalGas on behalf of its Supply Management & Logistics (SM&L) department (an increase of \$0.736 million and \$3.231 million above 2016 adjusted-recorded cost for SDG&E and SoCalGas, respectively). Included in this testimony is a reduction of costs related to an efficiency program (the Fueling Our Future or “FOF” initiative) the Utilities embarked upon in 2016. The cost reductions from FOF are \$0.897

million at SDG&E and \$4.059 million at SoCalGas, as referenced above for Company-Wide FOF Procurement Benefits.

The cost drivers behind Supply Management & Logistics' forecast are related to the Utilities' planned procurement initiatives. In working with our internal clients, Supply Management & Logistics is preparing for new efforts to maintain and enhance the safety and reliability of the Utilities' electric and gas systems. These initiatives fall into three specific areas of focus:

1. Transition to Category Management to enhance our procurement practices by aligning our resources with our clients' purchasing requirements, while leveraging market and spend intelligence to maximize value for the Companies.
2. Investment in key technologies to increase speed and enhance productivity such as a centralized on-line ordering platform called Sempra Hosted On-Line Purchasing (SHOP), an inventory management system to keep up with new regulations called Material Traceability, and a market intelligence research subscription tool called IBIS World.
3. Continue to develop and strengthen of our Supplier Diversity program.

**DIRECT TESTIMONY OF DENITA WILLOUGHBY**  
**(SUPPLY MANAGEMENT & LOGISTICS AND SUPPLIER DIVERSITY)**

**I. INTRODUCTION**

**A. Summary of Costs**

My testimony supports the TY 2019 forecasts for operations and maintenance (O&M) costs for both non-shared and shared services associated with the Supply Management & Logistics department. Table DW-1 summarizes my sponsored costs.

**TABLE DW-1**

**Test Year 2019 Summary of Total Costs**

<b>SDG&amp;E (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
Non-Shared Services	9,673	9,978	305
Shared Services	4,257	4,688	431
<b>Total O&amp;M</b>	<b>13,930</b>	<b>14,666</b>	<b>736</b>

<b>SoCalGas (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
Non-Shared Services	17,058	20,262	3,204
Shared Services	493	520	27
<b>Total O&amp;M</b>	<b>17,551</b>	<b>20,782</b>	<b>3,231</b>

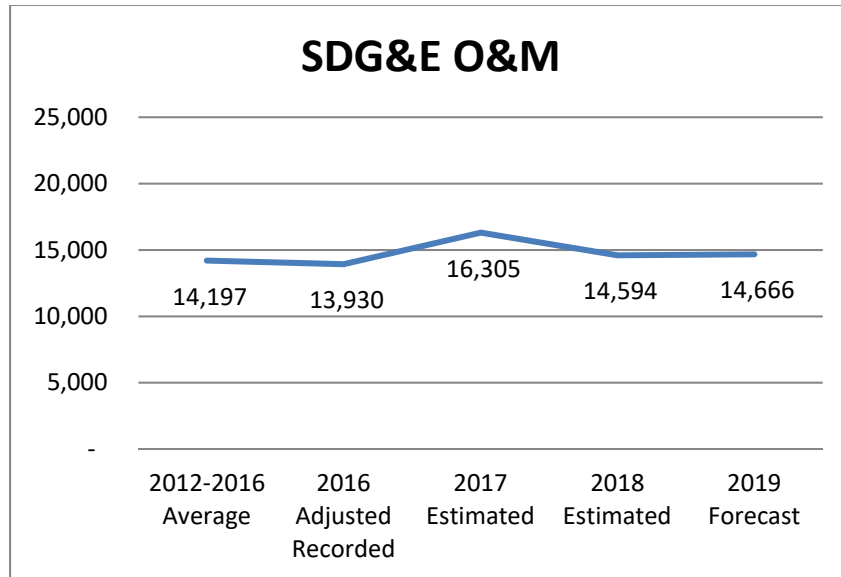
<b>Company-Wide FOF Procurement Benefits (Sponsored by Supply Management &amp; Logistics) (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
SDG&E	0	-897	-897
SoCalGas	0	-4,059	-4,059
<b>Total O&amp;M</b>	<b>0</b>	<b>-4,956</b>	<b>-4,956</b>

<b>Total (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
SDG&E	13,930	13,769	-161
SoCalGas	17,551	16,723	-828
<b>Total O&amp;M</b>	<b>31,481</b>	<b>30,492</b>	<b>-989</b>

Supply Management & Logistics is responsible for identifying, purchasing and managing the procurement contracts of products and services needed to run our business. We deliver value

1 to our business clients by leveraging market and spend intelligence to meet their purchasing  
 2 needs, developing and executing strategies to reduce costs, and managing contract performance.  
 3 Supply Management & Logistics engages internal departments and external suppliers to optimize  
 4 the value that the Utilities receive from its sourcing dollars. This is accomplished by managing  
 5 each major category of spend in a proactive and strategic manner. Charts DW-1 and DW-2  
 6 demonstrate that despite the projected increasing workload in the coming years, we are still  
 7 expecting to manage our expenditures to a relatively flat level.

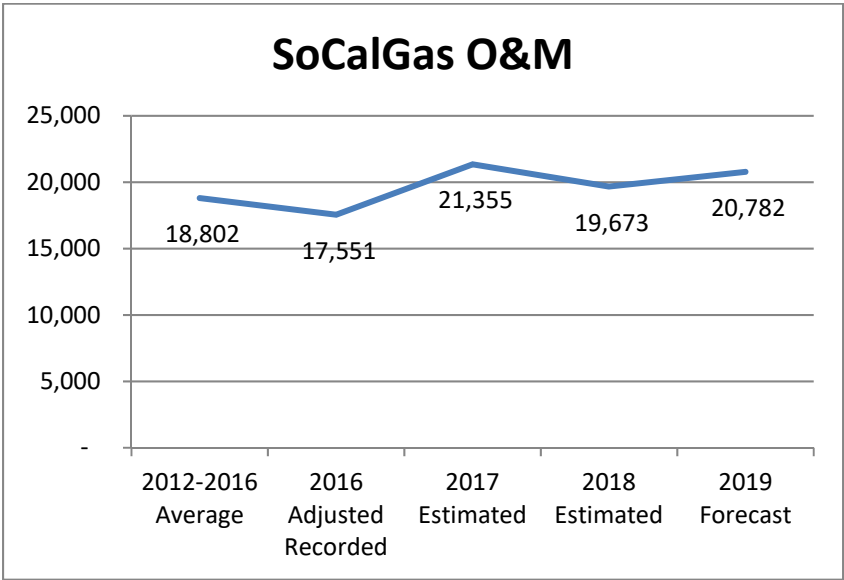
8 **CHART DW-1**  
 9 **Supply Management & Logistics O&M Spend by Year SDG&E**  
 10 **(2016 \$ in 000's)**



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**CHART DW-2**  
**Supply Management & Logistics O&M Spend by Year SoCalGas**  
**(2016 \$ in 000's)**



**B. Summary of Activities**

The Supply Management & Logistics department includes the following groups:

- Procurement/Category Management
- Inventory Management
- Supplier Diversity
- Policy & Integration
- Office Services

Supply Management & Logistics manages the overall purchase, distribution, receipt, delivery, inventory, and management of materials and services for the Utilities. These goods and services include gas and electric transmission and distribution equipment (e.g., transformers, piping, cable, and meters), construction services, electric generation maintenance materials/services, operations support materials/services (e.g., fleet vehicles and services, facility equipment and services), Information Technology (IT) and telecommunications products/services, engineering services, environmental, and other professional/technical services. In addition, a portion of Supply Management & Logistics involves administrative functions associated with general office support services, such as phone service, office supplies, travel services and document management. We are also responsible for the development and execution

1 of the Utilities' overall procurement strategies. Various procurement strategies are needed to  
2 meet business requirements while efficiently managing the total cost of ownership.<sup>1</sup> These  
3 strategies enable procurement professionals to focus on high-value, strategic expenditures (e.g.,  
4 transformer, construction, and professional services) that are critical to the business.

5 **C. Forecast Methodology**

6 Supply Management & Logistics' TY 2019 forecast was developed using a five-year  
7 historical average methodology. A five-year historical average represents a reasonable basis to  
8 estimate operational needs for TY 2019 because Supply Management & Logistics' costs are  
9 generally prone to fluctuations due to changes in work activities, which impact staffing levels,  
10 purchased service costs, and other factors (e.g., fire prevention, capital projects, etc.). As such,  
11 Supply Management & Logistics uses a five-year historical average, which reflects the variances  
12 in costs from year-to-year and represents a reasonable basis to estimate operational needs for TY  
13 2019. The exceptions to the five-year average methodology are the Policy & Integration and VP  
14 Supply Management & Logistics cost centers at SoCalGas, which use a base-year forecasting  
15 method because they are new functions that do not have a sufficient history for a five-year  
16 average.

17 **D. Summary of Costs/Benefits Related to FOF**

18 As described in the joint direct testimony of Hal Snyder and Randall Clark (Ex. SCG-  
19 03/SDG&E-03), the Utilities launched the FOF initiative in May 2016 as an enterprise-wide  
20 effort to drive continuous process improvements, seek ways to increase efficiency, and identify  
21 saving opportunities. Supply Management & Logistics' FOF efforts consisted of:

- 22 1.) Supply Management & Logistics' own internal departmental continuous process  
23 improvement opportunities that focused on an organizational re-design and  
24 transitioning to Category Management, supported with training, tools and technology.  
25 In the table below, I refer to these efforts as "Supply Management & Logistics'  
26 Department FOF Costs/Benefits."
- 27 2.) Driving procurement savings for other departments in the Companies. This includes  
28 vendor consolidation, direct re-negotiations, achieving early payment discounts,

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<sup>1</sup> E.g., value engineering, centralized freight management, and employee skill development.



1           securing rebates and leveraging spend across the enterprise. In the discussion below,  
2           I refer to these efforts as “Company-Wide FOF Procurement Benefits.”

3           **1.       Supply Management & Logistics Department FOF Costs/Benefits**

4           As mentioned above, as part of the FOF process, the Supply Management & Logistics  
5           department identified specific efficiencies with respect to its own operations that focused on an  
6           organizational re-design and transitioning to Category Management, supported with training,  
7           tools and technology. Some of our key initiatives included moving to electronic (paperless)  
8           contracts to reduce record retention costs and eliminate file room expenditures, streamlining our  
9           change order processing, and optimizing our procurement reporting and analytics tools.

10          FOF benefits are netted as appropriate against the costs to achieve those benefits. For  
11          SDG&E, the projected cost to achieve for Supply Management & Logistics’ internal department  
12          efficiencies is \$0.014 million, while the cost to achieve the Company-Wide FOF Procurement  
13          Benefits is an additional \$0.323 million (which includes both labor and non-labor expenditures).  
14          For SoCalGas, the projected cost to achieve for Supply Management & Logistics’ internal  
15          department efficiencies also is \$0.014 million, while the cost to achieve the Company-Wide FOF  
16          Procurement Benefits is an additional \$0.564 million (which includes both labor and non-labor  
17          expenditures).

18          Table DW-2 provides a summary of the FOF costs to achieve and benefits related  
19          specifically to the Supply Management & Logistics department. The net savings of \$0.452  
20          million for SDG&E and \$0.373 million for SoCalGas reduced Supply Management & Logistics’  
21          revenue requirement requests by these amounts.

1 **TABLE DW-2**

2 **Supply Management & Logistics Department FOF Costs/Benefits**

	<b>TY 2019 Estimated Labor (000s)</b>	<b>TY 2019 Estimated Non-Labor (000s)</b>	<b>TY 2019 Estimated Total (000s)</b>
<b>SDG&amp;E (In 2016 \$)</b>			
Procurement Benefit Costs to Achieve	120	203	323
SM&L Costs to Achieve	0	14	14
SM&L Benefits	-643	-146	-789
<b>Total</b>	<b>-523</b>	<b>71</b>	<b>-452</b>

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	<b>TY 2019 Estimated Labor (000s)</b>	<b>TY 2019 Estimated Non-Labor (000s)</b>	<b>TY 2019 Estimated Total (000s)</b>
<b>SoCalGas (In 2016 \$)</b>			
Procurement Benefit Costs to Achieve	361	203	564
SM&L Costs to Achieve	0	14	14
SM&L Benefits	-635	-316	-951
<b>Total</b>	<b>-274</b>	<b>-99</b>	<b>-373</b>

4 **2. Company-Wide FOF Procurement Benefits (Sponsored by Supply**  
 5 **Management & Logistics)**

6 As mentioned above, Supply Management & Logistics also is driving procurement  
 7 savings for other departments within the Companies. Our work includes vendor consolidation,  
 8 direct re-negotiations, achieving early payment discounts, securing rebates and leveraging spend  
 9 across the enterprise. These procurement benefits are non-labor O&M costs. The majority of  
 10 the savings set forth in the table below (Table DW-3) will be realized in other departments, but  
 11 the activities performed to create these savings have been or will be performed by the Supply  
 12 Management & Logistics department (which is why the costs of achieving these savings are  
 13 included in Table DW-2 above).

14 **TABLE DW-3**

15 **Company-Wide FOF Procurement Benefits**  
 16 **(Sponsored by Supply Management & Logistics)**

<b>Procurement Benefits (In 2016 \$)</b>	<b>2016 Adjusted- Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
SDG&E	0	-897	-897
SoCalGas	0	-4,059	-4,059
<b>Total O&amp;M Procurement Benefits</b>	<b>0</b>	<b>-4,956</b>	<b>-4,956</b>

1 The majority of the savings shown in Table DW-3 above would otherwise have been  
2 identified in other witnesses' testimony, but for (with a couple of exceptions) the relatively small  
3 size of the savings spread out amongst multiple different departments. Thus, I consolidated and  
4 am sponsoring these savings as part of my testimony, and the Supply Management & Logistics  
5 department has reduced its revenue requirement request by these amounts (\$0.897 million for  
6 SDG&E and \$4.059 million for SoCalGas).<sup>2</sup>

7 To achieve savings for this category, Supply Management & Logistics is working with  
8 our clients to facilitate efforts to renegotiate contracts by leveraging current market intelligence.  
9 We are working with our clients to strategically source categories that we've identified as areas  
10 for savings ranging from \$1K to \$145K in value, e.g., freight (including small parcel freight),  
11 fleet tires and services, and advertising and printing. In addition, we are looking for ways to  
12 optimize our interaction with our clients by partnering with them to become more efficient where  
13 applicable, e.g., reducing stock keeping units, clean up, and re-organizing the Material Product  
14 Catalog.

### 15 3. Company-Wide FOF Procurement Benefits (Sponsored by Other 16 Witnesses)

17 Other witnesses also are sponsoring their own Company-Wide FOF Procurement  
18 Benefits and incorporating them into their own (reduced) revenue requirement requests. These  
19 other witnesses are doing so because the size of the savings for the most part are larger than the  
20 Company-Wide FOF Procurement Benefit savings that I consolidated for administrative ease  
21 into my own testimony.

22 For the larger savings initiatives, Supply Management & Logistics is deploying a mixture  
23 of strategies ranging from renegotiating and/or strategically sourcing to re-designing our  
24 processes. For example, we are working with our internal clients to standardize specifications  
25 across Utilities where possible to gain efficiency in material purchases and looking for ways to  
26 optimize our cash flow through our Working Capital Initiatives (e.g., increase utilization of  
27 procurement card to reduce transaction costs, change payment terms to net 60, and increase  
28 adoption of early payment discounts.)

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<sup>2</sup> In summary, Supply Management & Logistics is sponsoring \$1.349 million in FOF savings for SDG&E (\$0.452 million for its own internal department efficiencies and \$0.897 million for Company-Wide FOF Procurement Benefits) and \$4.432 million in FOF savings for SoCalGas (\$0.373 million for its own internal department efficiencies and \$4.059 million for Company-Wide FOF Procurement Benefits).

1           **E.       Historical Adjustments to Remove Aliso Incident Costs**

2           In compliance with D.16-06-054,<sup>3</sup> the testimony of Andrew Steinberg (Ex. SCG-12)  
3 describes the process undertaken so that the 2019 Test Year forecasts do not include the  
4 additional costs from the Aliso Canyon Storage Facility gas leak incident (Aliso Incident) and  
5 demonstrates that the itemized recorded costs are removed from the historical information used  
6 by impacted GRC witnesses.

7           As a result of removing historical costs related to the Aliso Incident from Supply  
8 Management & Logistics' adjusted recorded data, and in tandem with the forecasting method(s)  
9 employed and described herein, additional costs of the Aliso Incident response are not included  
10 as a component of my TY 2019 funding request. Historical Supply Management & Logistics  
11 costs that are related to the Aliso Incident are removed as adjustments in my workpapers and also  
12 identified in Table DW-4 below.

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<sup>3</sup> D.16-06-054, at Ordering Paragraph 12 and Conclusion of Law 75.

TABLE DW-4

Supply Management Historical Adjustments to Remove Aliso Incident Costs

<b>SoCalGas (In 2016 \$)</b>			
<b>Workpaper</b>	<b>2015 Adjustment (000s)</b>	<b>2016 Adjustment (000s)</b>	<b>Total (000s)</b>
2SS002.000, METER SHOP & RECORDS	0	-68	-68
2SS004.000, PROCUREMENT	-11	-124	-135
2SS005.000, SUPPLIER EXCELLENCE	0	-106	-106
2SS007.000, SUPPLIER DIVERSITY	0	-218	-218
2SS008.000, PSEP PORTFOLIO MGMT	0	-12	-12
<b>Total Non-Shared</b>	<b>-12</b>	<b>-529</b>	<b>-540</b>
2200-2562.000, VP SUPPLY MANAGEMENT & LOGISTICS	0	-31	-31
2200-2573.000, SUPPLY CHAIN POLICY & INTEGRATION	-4	-1,486	-1,490
<b>Total Shared Services</b>	<b>-4</b>	<b>-1,517</b>	<b>-1,521</b>
<b>Total O&amp;M</b>	<b>-15</b>	<b>-2,046</b>	<b>-2,061</b>

<b>SDG&amp;E (In 2016 \$)</b>			
<b>Workpaper</b>	<b>2015 Adjustment (000s)</b>	<b>2016 Adjustment (000s)</b>	<b>Total (000s)</b>
1SS003.000, Office Services	0	-59	-59
1SS007.000, STRATEGY & SUSTAINABILITY	0	-15	-15
<b>Total Non-Shared</b>	<b>0</b>	<b>-74</b>	<b>-74</b>
2100-3013.000, SUPPLY MANAGEMENT DIRECTOR	0	-38	-38
2100-3016.000, SUPPLY MANAGEMENT DIRECTOR	0	-56	-56
2100-3331.000, SUPPLY MANAGEMENT DIRECTOR	0	-70	-70
2100-3407.000, SUPPLY MANAGEMENT DIRECTOR	0	-59	-59
<b>Total Shared Services</b>	<b>0</b>	<b>-223</b>	<b>-223</b>
<b>Total O&amp;M</b>	<b>0</b>	<b>-296</b>	<b>-296</b>

**F. Summary of Advanced Metering Infrastructure (AMI) Integration into TY 2019**

By TY 2019, SoCalGas’ AMI deployment will be completed and therefore the costs associated with the deployment and post-deployment phases, including the related O&M benefits, will no longer be recorded to the AMI Balancing Account. In this GRC, AMI operating impacts will be integrated into base business operations for the first time. Accordingly, I have incorporated forecasts and explanations for the associated on-going benefits or costs into my testimony. In addition, in the AMI testimony of Rene Garcia (Ex. SCG-17), SoCalGas is proposing an on-going maintenance and operations team required to monitor, operate, maintain, and optimize the Advanced Meter Operations system.

**II. NON-SHARED COSTS**

**A. Introduction**

“Non-Shared Services” are activities that are performed by a utility solely for its own benefit. Corporate Center provides certain services to the utilities and to other subsidiaries. For purposes of this general rate case, the Utilities treat costs for services received from Corporate Center as Non-Shared Services costs, consistent with any other outside vendor costs incurred by the utility. Table DW-5 summarizes the total non-shared O&M forecasts for the listed cost categories.

**TABLE DW-5  
Non-Shared O&M Summary of Costs**

<b>SDG&amp;E (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
Procurement/Category Management	1,945	1,568	-377
Inventory Management	4,689	5,039	350
Supplier Diversity	854	1,142	288
Office Services	2,185	2,229	44
<b>Total Non-Shared O&amp;M</b>	<b>9,673</b>	<b>9,978</b>	<b>305</b>
<b>SoCalGas (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
Procurement/Category Management	2,524	2,859	335
Inventory Management	11,361	13,342	1,981
Supplier Diversity	687	1,151	464
Office Services	2,486	2,910	424
<b>Total Non-Shared O&amp;M</b>	<b>17,058</b>	<b>20,262</b>	<b>3,204</b>

1           **B. Procurement/Category Management**

2           The Procurement/Category Management group requests \$1.568 million for SDG&E for  
3 TY 2019, which represents a decrease of \$.377 million below 2016 adjusted-recorded costs. For  
4 SoCalGas, the Procurement/Category Management group requests \$2.859 million for TY 2019,  
5 which represents an increase of \$.335 million above 2016 adjusted-recorded costs. The  
6 Procurement/Category Management group is comprised of a team of portfolio managers,  
7 category managers, category advisors, category analysts, supply operations manager, supply  
8 operations team leads, contracting agents and buyers who: (1) execute supply management  
9 strategies that support operating requirements; (2) execute strategies to reduce total cost of  
10 ownership; and (3) collaborate with various departments to leverage new methodologies and  
11 technologies. The Procurement/Category Management Group provides the following  
12 consultative services to our departments:

- 13           (a) Contractor Performance (safety, schedule, and performance/quality);  
14           (b) Financial (total cost of ownership, insurance compliance, and supplier credit  
15           worthiness);  
16           (c) Legal (terms and conditions, risk mitigated for liability); and  
17           (d) Internal Controls and Process Efficiency.

18           The Procurement/Category Management Group works collaboratively with internal  
19 clients from business planning through tactical execution to meet business requirements.

20           We are transitioning to **Category Management** to enhance our procurement practices by  
21 aligning our resources with our clients' purchasing requirements, while leveraging market and  
22 spend intelligence to maximize value for the company. Our request includes:

- 23           • Compensation adjustments for new and expanded roles related to the transition to  
24           Category Management (\$0.323 million each for SoCalGas and for SDG&E).  
25           Category Management requires an elevated skillset across the organization. We must  
26           adjust our compensation structure to be aligned with the elevated skills and  
27           experience required. This is essential to attract and retain a qualified workforce.  
28           • Other increases to support the changing internal landscape, such as changing  
29           employee assignments and reorganizations in other departments (\$0.046 million for  
30           SoCalGas and \$0.033 million for SDG&E).

1 Although the forecast of infrastructure projects for the Companies is expected to increase  
2 over the next several years, the forecast for the Procurement/Category Management group  
3 function remains consistent with 2016 adjusted recorded levels. The Utilities anticipate that  
4 technology upgrades will drive these efficiency gains. In addition, these technology investments  
5 will further enable the Procurement/Category Management employees to strengthen their  
6 strategic, negotiation, and analytical skills. Our request for an increase in O&M is due to the  
7 following continued technology investments planned in 2019:

- 8 • **Sempra Hosted On-Line Purchasing (SHOP)** is our centralized on-line order  
9 system designed to provide the Companies with an easy-to-use, up-to-date  
10 eProcurement system that can be accessible from any location by means of a personal  
11 computer and/or a mobile device. This new SHOP system is designed to bolster  
12 controls and management of the department's purchases and spend. The on-going  
13 cost to support this system is \$0.367 million at SDG&E.
- 14 • **IBIS World** is needed to provide our procurement professionals with market research  
15 and analysis on hundreds of categories of spend. It is intended to supplement and  
16 enhance our local intelligence and assist our employees with developing negotiation  
17 strategies. The cost for this system is \$0.075 million at SoCalGas.

### 18 **C. Inventory Management**

19 The Inventory Management team requests \$5.039 million for SDG&E for TY 2019,  
20 which represents an increase of \$.350 million above 2016 adjusted-recorded costs. The  
21 Inventory Management team requests \$13.342 million for SoCalGas for TY 2019, which  
22 represents an increase of \$1.981 million above 2016 adjusted-recorded costs. Inventory  
23 Management's funding request is needed to maintain the group's operational functions.  
24 Specifically, Inventory Management forecasts, orders, receives, inventories, distributes, and  
25 accounts for tools, equipment, and materials needed by utility crews and contractors.  
26 Additionally, Inventory Management provides daily loading and unloading of materials in  
27 support of in-house and contract crews, emergency response for service restoration, job site  
28 deliveries of materials, and the management of scrap material, hazardous material and removed-  
29 from-service material. Our request for an increase in O&M includes the following:



- 1 • Material Traceability is required to improve inventory management and keep up with  
2 new regulations. Material Traceability is a scalable, end-to-end solution for tracking  
3 high pressure (HP) pipes, valves, fitting, and equipment to improve compliance with  
4 new and upcoming regulations mandating the maintenance of “traceable, verifiable,  
5 and complete records [that are] readily available.”<sup>4</sup> At SoCalGas, an additional eight  
6 acres of warehousing storage space is needed to accommodate large diameter  
7 materials, and ten additional employees will be required to manage the increased  
8 warehousing demands totaling \$0.783 million. Included in the Fleet and Facilities  
9 testimony of Carmen Herrera (Ex. SCG-23) is the capital forecast of \$18.75 million  
10 to add/expand this warehouse space. Materials are currently physically located at  
11 other company facilities, third-party logistics provider warehouses, and various lay  
12 down yards across our service territory with no systematic visibility. In order to meet  
13 the material traceability regulatory requirements of “traceable, verifiable, and  
14 complete records,” pipes and materials ideally should be centrally managed in one  
15 facility. Barcoding, scanning and location tracking of materials will be required. Our  
16 current facilities are at full capacity; therefore, new space is required.
- 17 • Labor costs of \$0.621 million at SoCalGas, representing nine FTEs for Meter Shop  
18 activities previously captured in the Advanced Metering Infrastructure Balancing  
19 Account and therefore not reflected in Supply Management’s historical data. These  
20 activities include the inspection and testing of Meter Transmission Units (MTU)  
21 returned from the field, sorting of MTUs between those being reharvested,<sup>5</sup> those  
22 entering the Return Materials Authorization (RMA) process,<sup>6</sup> and those that are  
23 damaged, and coordinating shipments and logistics.
- 24 • At SDG&E, an additional supervisor is needed to meet the increasing demands in  
25 inventory management (\$0.097 million) due to new regulations requiring materials  
26 from projects to be tracked in our inventory process and managed in our SAP system.

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<sup>4</sup> 49 CFR 192.63 Marking of Materials and Public Utilities Code Section 958(c)(2).

<sup>5</sup> Processing and handling of functioning MTUs returned from the field due to meter removal and put back into inventory.

<sup>6</sup> Processing and handling of faulty MTUs returned from the field after removal and prepared for return to the vendor for warranty processing.

1           **D.     Supplier Diversity**

2           Supplier Diversity requests \$1.142 million for SDG&E for TY 2019, which represents an  
3 increase of \$0.288 million above 2016 adjusted-recorded costs. Supplier Diversity requests  
4 \$1.151 million for SoCalGas for TY 2019, which represents an increase of \$0.464 million above  
5 2016 adjusted-recorded costs. This increase will allow us to improve and sustain our Technical  
6 Assistance and Supplier Outreach programs. These programs offer training and capacity  
7 building that ensure our diverse suppliers have the financial acumen and technical skills required  
8 to be competitive.

9           The Utilities manage and implement their Supplier Diversity programs in accordance  
10 with General Order (GO) 156. One of our key areas of corporate pride rests in our success in  
11 including diverse suppliers in the supply chain. After 25 years of concerted effort, the Supplier  
12 Diversity teams are nearing parity between majority and diverse suppliers in their supply chains.  
13 The Companies recently received a number of awards for its Supplier Diversity Leadership,  
14 Advocacy and Corporation of the Year awards from local, state and national community based  
15 organizations (e.g., Asian Business Association of Orange County – Supplier Diversity Person of  
16 the Year, Southern California Minority Development Council – Corporate Procurement Award,  
17 Women’s Business Enterprise Council Western Council – Western Region – Recognition of  
18 Impact). Greenlining Institute has recognized SDG&E as a leader in best practices and technical  
19 assistance/capacity building programs by awarding an A or A- overall supplier diversity grade in  
20 each of the last four years.

21           **E.     Office Services**

22           Office Services requests \$2.229 million for SDG&E for TY 2019, which represents an  
23 increase of \$0.044 million above 2016 adjusted-recorded costs. Office Services requests \$2.910  
24 million for SoCalGas for TY 2019, which represents an increase of \$0.424 million above 2016  
25 adjusted-recorded costs. Office Services’ funding request is needed to maintain the group’s  
26 operational functions, specifically for third-party service contractors that provide document  
27 services such as: (1) operating and maintaining three copy centers and distributed  
28 multifunctional copier/fax/printer machines; (2) distributing U.S. Mail, other document/package  
29 delivery services and interoffice mail; (3) conducting courier services; and (4) facilitating mass  
30 mailings. This group manages the third-party service provider that handles archives and records  
31 management, offsite storage of records, retention policy, retention schedules, data management

1 and shared services. Office Services also manages the Utilities' third-party travel services  
 2 provider that handles travel reservations and bookings, onsite travel agent services, airline  
 3 contracts, hotel contracts, car rental agreements. Lastly, this group manages contracts for onsite  
 4 food service providers for employee dining services at various locations at the Companies.

5 **III. SHARED COSTS**

6 **A. Introduction**

7 As described in the Direct Testimony of Jim Vanderhye (Ex. SDG&E-32 and SCG-34),  
 8 Shared Services are activities performed by a utility shared services department (i.e., functional  
 9 area) for the benefit of: (i) SDG&E or SoCalGas, (ii) Sempra Energy Corporate Center, and/or  
 10 (iii) any unregulated subsidiaries. The utility providing Shared Services allocates and bills  
 11 incurred costs to the entity or entities receiving those services.

12 Table DW-6 summarizes the total shared O&M forecasts for the listed cost categories.

13 **TABLE DW-6**

14 **Shared O&M Summary of Costs**

<b>SDG&amp;E (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
Procurement/Category Management	2,253	2,668	415
Policy & Integration	716	720	4
Office Services	1,288	1,300	12
<b>Total Shared O&amp;M</b>	<b>4,257</b>	<b>4,688</b>	<b>431</b>

<b>SoCalGas (In 2016 \$)</b>	<b>2016 Adjusted-Recorded (000s)</b>	<b>TY 2019 Estimated (000s)</b>	<b>Change (000s)</b>
VP, Supply Management & Logistics	328	334	6
Policy & Integration	165	186	21
<b>Total Shared O&amp;M</b>	<b>493</b>	<b>520</b>	<b>27</b>

15  
 16 I am sponsoring the forecasts on a total incurred basis, as well as the shared services  
 17 allocation percentages related to those costs. Those percentages are presented in my shared  
 18 services work papers, along with a description explaining the activities being allocated. See  
 19 Workpaper Exs. SCG-22-WP and SDG&E-20-WP. The dollar amounts allocated to affiliates are  
 20 presented in Mr. Vanderhye's testimony.

1           **B. Procurement/Category Management and VP, Supply Management &**  
2           **Logistics**

3           The Procurement/Category Management group requests \$2.668 million for SDG&E for  
4 TY 2019, which represents an increase of \$0.415 million above 2016 adjusted-recorded costs.  
5 The VP, Supply Management & Logistics group requests \$0.334 million for SoCalGas for TY  
6 2019, which represents an increase of \$0.006 million above 2016 adjusted-recorded costs. As  
7 previously discussed, the Procurement/Category Management Group is comprised of a team of  
8 portfolio managers, category managers, category advisors, category analysts, supply operations  
9 manager, supply operations team leads, contracting agents and buyers who: (1) execute supply  
10 management strategies that support operating requirements; (2) execute strategies to reduce total  
11 cost of ownership; and (3) collaborate with various departments to leverage new methodologies  
12 and technologies. The Procurement/Category Management group provides the following  
13 consultative services to the internal business units:

- 14           (a) Contractor Performance (safety, schedule, and performance/quality);
- 15           (b) Financial (total cost of ownership, insurance compliance, and supplier credit  
16           worthiness);
- 17           (c) Legal (terms and conditions, risk mitigated for liability); and
- 18           (d) Internal Controls and Process Efficiency.

19           The Procurement/Category Management group works collaboratively with internal  
20 clients to meet business requirements.

21           Although the forecast of infrastructure projects for the Companies is expected to increase  
22 over the next several years, the forecast for the Procurement/Category Management group  
23 function remains consistent with 2016 adjusted recorded levels. The Utilities anticipate that the  
24 technology upgrades discussed earlier in this testimony will drive these efficiency gains. In  
25 addition, these technology investments will further enable the Procurement/Category  
26 Management employees to strengthen their strategic, negotiation, and analytical skills.

27           The VP, Supply Management & Logistics group is comprised of the VP of Supply  
28 Management & Logistics, administrative support and associated travel expenses.

29           **C. Policy & Integration**

30           The Policy & Integration team requests \$0.720 million for SDG&E for TY 2019, which  
31 represents an increase of \$0.004 million above 2016 adjusted-recorded costs. The Policy &

1 Integration team requests \$0.186 million for SCalGas for TY 2019, which represents an increase  
2 of \$0.021 million above 2016 adjusted-recorded costs. The Policy & Integration funding request  
3 is needed to oversee Policy & Compliance activities (which includes policy management,  
4 procedure development, audit response and data request collection, Sarbarnes-Oxley (SOX)  
5 testing, and advisory services) and Technology Integration program management (which  
6 includes systems oversight/management, business technical support, technology/solution  
7 assessment and implementations).

8 **D. Office Services**

9 Office Services requests \$1.300 million for SDG&E for TY 2019, which represents an  
10 increase of \$0.012 above 2016 adjusted recorded costs. The increase is primarily driven by  
11 contractual office supply services. Office Services' funding request is needed to maintain the  
12 group's operational functions. Specifically, the Office Services group provides all  
13 sourcing/contract support for third-party business support and professional services. Common  
14 areas of sourcing in this category include (but are not limited to) energy efficiency services,  
15 environmental services, human resources, facilities (e.g., tenant improvements, maintenance) and  
16 fleet services (e.g., procurement, maintenance, repair, and replacement), accounting and audit  
17 services.

18 **IV. CONCLUSION**

19 This testimony describes the activities of the Supply Management & Logistics  
20 department and presents the forecast for both existing and reasonably anticipated new expenses  
21 for the GRC TY 2019. This testimony and my work papers demonstrate the justification for the  
22 requested funding. For these reasons, I request that the Commission approve funding for the  
23 expenses as presented herein.

24 This concludes my prepared direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Denita A. Willoughby, and I am the Vice President of Supply Management  
3 for SDG&E and SoCalGas. I oversee \$3.3 billion in procurement spend and lead the Supplier  
4 Diversity Program. My team manages inventory and logistics activities and we collectively  
5 manage 6,000 suppliers.

6 My business address is 555 West Fifth Street, Los Angeles, California 90013.

7 I have been employed with Sempra Energy since November 2012. Prior to my current  
8 role, I was the Regional Vice President of External Affairs from November 2012 to February  
9 2015. Before joining Sempra, I was an executive with AT&T California.

10 I am also active in the community, serving as the board chair for Unite LA, and executive  
11 board member for the LA Chamber of Commerce, Vision to Learn, and USC Supply Chain  
12 Center for Excellence.

13 I have an engineering degree from the University of Wisconsin-Madison and a Master of  
14 Business Administration from Harvard Business School.

15 I have not previously testified before the Commission.

## APPENDIX A

### Glossary of Terms

AMI	Advanced Metering Infrastructure
FOF	Fueling Our Future
FTE	Full-Time Equivalent
GO	General Order
HP	High Pressure
IT	Information Technology
MTU	Meter Transmission Units
O&M	Operations and Maintenance
RMA	Return Materials Authorization
SDG&E	San Diego Gas & Electric Company
SHOP	Sempra Hosted On-Line Purchasing
SoCalGas	Southern California Gas Company
SM&L	Supply Management & Logistics
SOX	Sarbarnes Oxley
TY	Test Year
VP	Vice President