

Company: San Diego Gas & Electric Company (U902M)  
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Application: A.14-11-XXX  
Exhibit: SDG&E-15

**SDG&E**

**DIRECT TESTIMONY OF SYDNEY L. FURBUSH  
SUPPLY MANAGEMENT & SUPPLIER DIVERSITY**

November 2014

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



A  Sempra Energy utility®



**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1  
    A. Summary of Costs..... 1  
    B. Summary of Activities ..... 1  
    C. Forecast Methodology ..... 2  
II. NON-SHARED COSTS ..... 3  
    A. Introduction..... 3  
    B. Logistics & Shops Services ..... 3  
    C. Office Services..... 4  
    D. Electric and Gas Portfolio..... 4  
    E. Strategy and Sustainability ..... 5  
    F. Supplier Diversity ..... 5  
III. SHARED COSTS ..... 6  
    A. Introduction..... 6  
    B. Supply Management & Diversity Director ..... 7  
    C. Foundation Team ..... 7  
    D. Office Services..... 7  
    E. IT and Telecommunications Portfolio ..... 8  
IV. CONCLUSION..... 8  
V. WITNESS QUALIFICATIONS..... 9

**LIST OF APPENDICES**

APPENDIX A – Glossary of Acronymns..... A-1

## SUMMARY

O&M	2013 Adjusted-Recorded	TY2016 Estimated	Change
Total Non-Shared <sup>1</sup>	10,454	11,715	1,261
Total Shared Services <sup>2</sup> (Incurred)	3,348	3,872	524
<b>Total O&amp;M</b>	<b>13,802</b>	<b>15,587</b>	<b>1,785</b>

For Test Year (“TY”) 2016, San Diego Gas & Electric Company’s (“SDG&E” or the “Company”) Supply Management and Supplier Diversity requests a total of \$15.587 million (an increase of \$1.785 million above 2013 adjusted-recorded costs).

The cost drivers behind Supply Management and Supplier Diversity’s forecast relate to the Company’s procurement activities, which vary from year to year. In working with its internal clients, Supply Management and Supplier Diversity are preparing for new efforts to maintain and enhance the reliability and safety of SDG&E’s electric and gas systems.<sup>3</sup> These activities are expected to increase procurement and therefore the demands of the Company’s Supply Management and Supplier Diversity Department.

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<sup>1</sup> Shared Services are activities performed by a utility Shared Services department (i.e., functional area) for the benefit of (i) SDG&E or Southern California Gas Company (“SoCalGas”), (ii) Sempra Energy Corporate Center, and/or (iii) any unregulated subsidiaries. The utility providing Shared Services allocates and bills incurred costs to the entity or entities receiving those services.

<sup>2</sup> Non-Shared Services are activities that are performed by a utility solely for its own benefit. As such, Non-Shared Services costs stay within the utility.

<sup>3</sup> These costs are described further in the testimony in the section describing the Electric and Gas Portfolio.

1 **SDG&E DIRECT TESTIMONY OF SYDNEY I. FURBUSH**  
2 **SUPPLY MANAGEMENT AND SUPPLIER DIVERSITY**

3 **I. INTRODUCTION**

4 **A. Summary of Costs**

5 I sponsor the TY 2016 forecasts for operations and maintenance (“O&M”) costs, for both  
6 non-shared and shared services, for Supply Management and Supplier Diversity operations. In  
7 addition to this testimony, please also refer to my workpapers, Ex. SDG&E-15-WP for additional  
8 information on the activities described herein.

9 **TABLE SLF-1**  
10 **TY 2016 Summary of Total Costs**

O&M	2013 Adjusted-Recorded	TY2016 Estimated	Change
Total Non-Shared	10,454	11,715	1,261
Total Shared Services (Incurred)	3,348	3,872	524
<b>Total O&amp;M</b>	<b>13,802</b>	<b>15,587</b>	<b>1,785</b>

11 **B. Summary of Activities**

12 Supply Management

13 Supply Management implements and manages the overall purchase, distribution and  
14 inventory management of materials, supplies, and services in support of SDG&E operations and  
15 to some extent the operation of SoCalGas. These goods and services include gas and electric  
16 transmission and distribution equipment (e.g., transformers, piping, cable, and meters),  
17 construction services, electric generation maintenance materials and services, operations support  
18 materials and services (e.g., fleet vehicles and service, facility equipment and services),  
19 Information Technology (“IT”) and telecommunications products and services, engineering  
20 services, environmental, and other professional and technical services. In addition, a portion of  
21 Supply Management involves administrative functions associated with general office support  
22 services, such as phone service, office supplies, travel services and document management.  
23 Supply Management engages internal Company departments and suppliers to optimize the value  
24 SDG&E receives from its sourcing dollars. This is accomplished by managing each major  
25 category of spend in a proactive and strategic manner.

1 Supplier Diversity

2 SDG&E manages and implements its Supplier Diversity program consistent with General  
3 Order (“GO”) 156. GO 156 requires the California Public Utilities Commission (“CPUC” or  
4 “Commission”) to establish a procedure for gas, electric, and telephone utilities with gross  
5 annual revenues exceeding \$25 million to submit annual plans for increasing women, minority  
6 and disabled veteran business enterprises (“WMDVBEs”) procurement in all categories. GO  
7 156 sets forth a goal that at least 21.5% of a utility’s supplier spend must be with WMDVBEs.  
8 SDG&E’s Supplier Diversity Department ensures SDG&E complies with the General Order 156  
9 and continues to promote and support SDG&E’s very successful supplier diversity program  
10 which among other expands opportunities to women, minority and disabled veteran business  
11 enterprises.

12 **C. Forecast Methodology**

13 Supply Management and Supplier Diversity’s TY 2016 forecast was developed using a  
14 five-year historical average forecast methodology. A five-year historical average represents a  
15 reasonable base to estimate operational needs for TY 2016 because Supply Management and  
16 Supplier Diversity costs are generally prone to fluctuations due to changes in work activities,  
17 which impact staffing levels, purchased service costs, and other factors (i.e. fire prevention,  
18 capital projects, etc.). The use of a five-year historical average is a valid methodology because  
19 Supply Management and Supplier Diversity costs fluctuated from 2009 to 2013. Table SLF-2 below  
20 demonstrates that in the past five years, Supply Management and Supplier Diversity’s recorded  
21 costs have fluctuated.

22 **TABLE SLF-2**

23 **Summary of Supply Management and Supplier Diversity Recorded Costs**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Supply Mgmt & Supplier Diversity	\$17,553	\$16,915	\$14,439	\$15,332	\$13,802

24 In addition, and as described below, Supply Management and Supplier Diversity anticipates that  
25 costs will grow due to an increase in operational activity and capital expenditure projects. As  
26 such, Supply Management and Supplier Diversity use a five-year historical average, which  
27 reflects the variances in costs from year-to-year and represents a reasonable base to estimate  
28 operational needs for TY 2016.

1 **II. NON-SHARED COSTS**

2 **A. Introduction**

3 The following are Supply Management and Supplier Diversity’s non-shared services: 1)  
4 Logistics & Shop Services; 2) Office Services; 3) Electric Portfolio; 4) Strategic Sourcing,  
5 Supplier Sustainability; and, 5) Supplier Diversity. Each of these groups is described later in the  
6 testimony. Table SLF-3 below summarizes the total non-shared O&M forecasts for the listed  
7 cost categories.

8 **TABLE SLF-3**

9 **Non-Shared O&M Summary of Costs**

<b>Categories of Management</b>	<b>2013 Adjusted-Recorded</b>	<b>TY 2016 Estimated</b>	<b>Change</b>
Logistics & Shops	5,369	5,536	167
Office Services	2,130	2,389	259
Electric & Gas Portfolio	969	1,051	82
Strategy & Sustainability	937	1,393	456
Supplier Diversity	1,049	1,346	297
<b>Total</b>	<b>10,454</b>	<b>11,715</b>	<b>1,261</b>

10 **B. Logistics & Shops Services**

11 Logistics & Shops Services request \$5.536 million for TY 2016, which represents an  
12 increase of \$167,000 above 2013 adjusted-recorded costs. These costs represent a combination  
13 of labor costs (93%) and non-labor costs (3%).

14 Logistics & Shops Services’ funding request is needed to maintain the group’s  
15 operational functions. Specifically, Logistics & Shops Services forecast, order, receive,  
16 inventory, distribute and account for tools, equipment, and materials needed by SDG&E crews  
17 and contractors. Additionally, Logistics & Shops Services provide daily loading and unloading  
18 of material in support of in-house and contract crews, emergency response for service  
19 restoration, job site deliveries of material, and the management of scrap material, hazardous  
20 material and removed from service (“RFS”) material. The Shop Services arm of this group is  
21 responsible for providing welding and machining support to many various operational  
22 departments.

1           **C.     Office Services**

2           Office Services request \$2.385 million for TY 2016, which represents an increase of  
3 \$255,000 above 2013 adjusted-recorded costs.

4           Office Services' funding request is needed to maintain the group's operational functions.  
5 Specifically, Office Services manage third-party service contractors that provide document  
6 services including: 1) operating and maintaining three copy centers and distributed  
7 multifunctional copier/fax/printer machines; distributing US Mail and other document/package  
8 delivery services, interoffice mail; 3) conducting courier services; 4) and facilitating mass  
9 mailings. This group also manages the third-party service provider that handles archives and  
10 records management, offsite storage of records, retention policy, retention schedules, data  
11 management and shred services. This group also manages the Company's third-party travel  
12 services provider that handles travel reservations and booking, onsite travel agent service, airline  
13 contracts, hotel contracts, car rental agreements. Lastly, this group manages the contract for  
14 third-party, onsite food services providers for employee dining services at various Company  
15 locations.

16           **D.     Electric and Gas Portfolio**

17           The Electric and Gas Portfolio group requests \$1.054 million for TY 2016, which  
18 represents an increase of \$85,000 above 2013 adjusted-recorded costs.

19           The Electric and Gas Portfolio group's funding request is needed to maintain the group's  
20 operational functions. Specifically, the Electric and Gas Portfolio group provides all  
21 sourcing/contract support for electric and gas construction-related projects including  
22 transmission and distribution projects, major projects, substation activities, Smart Grid  
23 initiatives, energy storage, and power generation. Sourcing activity within the Electric Portfolio  
24 has increased significantly over the past few years and is expected to continue strong growth due  
25 to a number of business drivers, including Electric Distribution Capital, Electric Generation,  
26 deployment of Smart Grid technology and infrastructure, renewable and alternative energy  
27 resources, and the infrastructure to support electric vehicles.

28           This group supports primarily the sourcing needs in the operations described in the  
29 testimonies sponsored by SDG&E's Electric Distribution - O&M witness Jonathan  
30 Woldemariam (See Ex. SDG&E-10), SDG&E's Gas Distribution witness Frank Ayala (See Ex.  
31 SDG&E-04), and SDG&E's Electric Distribution-Capital witness John Jenkins (See Ex.



1 | SDG&E-09). As described in the testimonies of these witnesses, the activity level in both these  
2 | areas is expected to increase.

3 | **E. Strategy and Sustainability**

4 | The Strategy & Sustainability group requests \$1.394 million for TY 2016, which  
5 | represents an increase of \$457,000 above 2013 adjusted-recorded costs. This increase is  
6 | primarily attributable to expanding SDG&E's Supplier Sustainability and Supplier Relationship  
7 | Management efforts to further "green" our supply chain with a direct focus on namely Green  
8 | Sourcing & Procurement, Green Manufacturing, Green Warehousing, Green Distribution, Green  
9 | Packaging, Green Transportation. "Greening" of the supply chain includes evaluating  
10 | sustainability criteria in our requests for proposals, establishing sustainability metrics with major  
11 | SDG&E suppliers, conducting supplier outreach and training, and developing an accurate  
12 | process for reporting sustainability efforts.

13 | In addition, the Strategy & Sustainability group's funding request is needed to maintain  
14 | the group's operational functions. Specifically, the Strategic Sourcing group is responsible for  
15 | the Company's strategic sourcing process, tracking commodity pricing and setting commodity  
16 | indices for SDG&E. This group also manages and administers the investment recovery,  
17 | collection, removal and sale of all surplus, scrap or unneeded assets in the most cost-effective  
18 | and efficient manner in order to maximize the total value to SDG&E. This includes identifying  
19 | buyers, employing best practices for salvaging and disposal for scrap or surplus material,  
20 | negotiating agreements, collaborating with Environmental Services in the handling certain  
21 | materials.

22 | **F. Supplier Diversity**

23 | Supplier Diversity requests \$1.347 million for TY 2016, which represents an increase of  
24 | \$298,000 above 2013 adjusted-recorded costs. This increase is primarily attributable to  
25 | Technical Assistance and Supplier outreach. Specifically, SDG&E will increase its efforts to  
26 | mentor and coach WMDVBEs by expanding its technical assistance programs. Supplier  
27 | Diversity proposes to expand outreach efforts with all WMDVBEs and especially in  
28 | underutilized areas. Consistent with heightened CPUC focus in these areas, Supplier Diversity  
29 | has and is proposing to continue to increase small business forums (co-hosted by the CPUC) and  
30 | technical assistance programs, resulting in increased mentoring and capacity building.

1 In addition, Supplier Diversity’s funding request is needed to maintain the group’s  
 2 operational functions. Specifically, Supplier Diversity manages and implements SDG&E’s  
 3 Supplier Diversity program consistent with GO 156 requirements. SDG&E is proud to have  
 4 surpassed this goal for the last six years, and has achieved a 44% spending level in 2013. This  
 5 achievement is attributable to the dedication of a team of employees who volunteered to be  
 6 “Supplier Diversity Champions” and lead diverse spending efforts in their respective  
 7 departments.

8 Lastly, based on an expected spend in major capital expenditures at SDG&E, Supplier  
 9 Diversity will need to focus on incorporating WMDVBEs into key capital projects, such as  
 10 Pipeline Safety Enhancement Project and Pipeline Integrity. Supplier Diversity is also proposing  
 11 a program to build stronger relationships with non-WMDVBE suppliers and identify  
 12 opportunities for increased WMDVBE participation in supply chain sustainability.

13 **III. SHARED COSTS**

14 **A. Introduction**

15 Because some SDG&E Supply Management operations also support SoCalGas, I am  
 16 sponsoring the forecasts for shared Supply Management services on a total incurred basis, as  
 17 well as the shared services allocation percentages related to those costs. The percentages are  
 18 presented in my shared services workpapers, along with a description explaining the activities  
 19 being allocated. See Ex. SDG&E-15-WP. The dollar amounts allocated to affiliates are  
 20 presented in SDG&E’s Shared Services Policy and Procedures testimony. See Ex. SDG&E-26  
 21 (M. Diancin).

22 Table SLF-4 below summarizes the total shared O&M forecasts for the listed cost  
 23 categories.

24 **TABLE SLF- 4**  
 25 **Shared O&M Summary of Costs**

<b>Categories of Management</b>	<b>2013 Adjusted-Recorded</b>	<b>TY 2016 Estimated</b>	<b>Change</b>
Supply Mgmt & Diversity Director	305	415	110
Foundation Team	704	708	4
Office Services	1,603	1,999	396
IT & Telecom Portfolio	736	750	14
<b>Total Shared Services (Incurred)</b>	<b>3,348</b>	<b>3,872</b>	<b>524</b>

1           **B.     Supply Management & Diversity Director**

2           The Supply Management & Diversity Director group requests \$451,000 for TY 2016,  
3 which represents an increase of \$110,000 above 2013 adjusted-recorded costs. The Supply  
4 Management & Diversity Director group provides direction and support to the entire SDG&E  
5 Supply Management & Diversity Department, as well as Supply Management functions that are  
6 shared with SoCalGas.

7           **C.     Foundation Team**

8           The Foundation Team requests \$709,000 for TY 2016, which represents an increase of  
9 \$4,000 above 2013 adjusted-recorded costs.

10          The Foundation Team’s funding request is needed to maintain the group’s operational  
11 functions. This group supports and administers supply chain systems, processes and technology  
12 that automate day-to-day routine transactions. The Foundation Team maintains appropriate  
13 business controls, including compliance with Sarbanes Oxley requirements, as well as  
14 coordinates audits and manages the process for maintaining compliance with third-party contract  
15 insurance requirements for both SoCalGas and SDG&E. In addition, this group is responsible  
16 for all supply management training, including systems and application training, contract  
17 agent/contract delegate training and insurance requirements training. Finally, this group  
18 provides overall business analytics reporting, including spend analysis and portfolio reports;  
19 supply management operating metrics reports, and supply chain-related business controls  
20 compliance reports.

21          **D.     Office Services**

22          Office Services requests \$2 million for TY 2016, which represents an increase of  
23 \$396,000 above 2013 adjusted-recorded costs. The increase is primarily driven by contractual  
24 office supply services.

25          Office Services’ funding request is needed to maintain the group’s operational functions.  
26 Specifically, the Office Services Portfolio group provides all sourcing/contract support for third  
27 party business support and professional services. Common areas of sourcing in this category  
28 include (but are not limited to): energy efficiency services, environmental services, human  
29 resources, facilities (e.g., tenant improvements, maintenance) and fleet services (e.g.,  
30 procurement, maintenance, repair, and replacement), accounting and audit services.

1           **E.     IT and Telecommunications Portfolio**

2           The IT and Telecommunications (“Telecom”) Portfolio group requests \$751,000 for TY  
3 2016, which represents an increase of \$14,000 above 2013 adjusted-recorded costs.

4           The IT and Telecom Portfolio group’s funding request is needed to maintain the group’s  
5 operational functions. Specifically, this group manages the IT/Telecom Portfolio and is  
6 responsible for working closely with the IT Department as well as directly with the various  
7 business units for the sourcing, contract negotiation and procurement of IT and Telecom goods  
8 and services. This includes acquisition of IT/Telecom hardware, software and services,  
9 including outsourced services and telecommunication carrier services. IT hardware includes all  
10 standard IT and Telecommunication equipment as well as smart meters, weather stations, and  
11 other computerized equipment not normally considered IT equipment. Software acquired also  
12 includes hosted software as a service solution, such as training systems.

13           **IV.    CONCLUSION**

14           This testimony describes the activities of SDG&E’s Supply Management & Supplier  
15 Diversity activities, and presents the forecast for both existing and reasonably anticipated new  
16 expenses for the GRC TY 2016. This testimony and my workpapers demonstrate the  
17 justification for the requested funding. For these reasons, I request that the Commission approve  
18 funding for the expenses as presented herein.

19           This concludes my prepared direct testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Sydney L Furbush. My business address is 8306 Century Park Court, San  
3 Diego, California, 92123-1593. Since August of 2013 I have served as Manager of Supplier  
4 Diversity & Supplier Relations for SDG&E. I started my career with SDG&E in 1990. During  
5 that time, I held a number of Analyst and Manager positions for the Sempra Energy Utility  
6 family companies.

7 Prior to my current position, I was Manager of Fleet Services for SDG&E where I  
8 oversaw the Acquisition, Maintenance and fueling of SDG&E's fleet assets. Prior to that, I  
9 served as Manager of Advanced Metering Operation & Meter Reading where I led the  
10 development and implementation of SDG&E Smart Meter Operations Center. Before that, I held  
11 the position of Major Market Billing Manager, where I was responsible for the Billing of the key  
12 customer accounts. Before that, I held the position of Measurement Data Operations Manager  
13 for SDG&E and SoCalGas. In this position, I led both utilities' automatic meter data collection  
14 centers for the large gas and electric meters.

15 I hold a bachelor's of Science degree in Computer Information System from DeVry  
16 University and a Master of business administration from National University. I am a co-  
17 chairman for the San Diego Chapter for the American Lung Association.

18 I have not previously testified before the Commission.

## **Glossary of Acronyms**

CPI	Consumer Price Index
CPUC	California Public Utilities Commission
DBA	Diverse Business Enterprises
IT	Information Technology
RFP	Request for Proposal
RFS	Retire from Service, alternatively Remove from Service
SRM	Supplier Relationship Management
Telecom	Telecommunications
WMDVBE	Women, Minority and Disabled Veteran Business Enterprises