

Company: San Diego Gas & Electric Company (U 902 M)
Proceeding: 2024 General Rate Case
Application: A.22-05-_____
Exhibit: SDG&E-20

PREPARED DIRECT TESTIMONY OF
DANIEL CASTILLO
(SUPPLY MANAGEMENT, LOGISTICS, & SUPPLIER DIVERSITY)

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



May 2022

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SUMMARY

2021 Adjusted Recorded vs Test Year 2024 Summary of Total Costs

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Total Non-Shared Services	14,290	15,569	1,279
Total Shared Services (Incurred)	5,526	5,150	-376
Total O&M	19,816	20,719	903

Summary of Requests

The Supply Management, Logistics, & Supplier Diversity department (Supply Management) is responsible for identifying, purchasing, and managing the procurement contracts of products and services needed to run San Diego Gas and Electric Company's (SDG&E) business. Supply Management delivers value to its business clients, and therefore ratepayers, by leveraging technology and tools to assess market and spend intelligence. This information assists in meeting purchasing needs, developing and executing strategies to reduce costs, and managing contract performance. Supply Management engages internal departments and external suppliers to optimize the value that SDG&E receives from its sourcing dollars. This is accomplished by managing each major category of spend in a proactive and strategic manner. SDG&E's Supplier Diversity program advocates for business enterprises owned or controlled by minorities, women, service-disabled veterans, LGBT persons, and persons with disabilities in order to encourage participation in contracting opportunities to provide goods and services with SDG&E. Notable factors that influence costs in Supply Management are:

- Increased company-wide capital spend, requiring more contracts
- Increased number of suppliers to provide products and service
- Increased inventory of products to support major capital projects
- Comprehensive plan to incorporate sustainability within the supply chain
- Compliance with the California Public Utility Commission (CPUC or Commission) Diverse Business Enterprises (DBEs) goals associated with General Order (GO) 156

**PREPARED DIRECT TESTIMONY
OF DANIEL CASTILLO
(SUPPLY MANAGEMENT, LOGISTICS, & SUPPLIER DIVERSITY)**

I. INTRODUCTION

A. Summary of Supply Management, Logistics, and Supplier Diversity Costs and Activities

My testimony supports the Test Year (TY) 2024 forecasts for operations and maintenance (O&M) costs for both non-shared and shared services, for the forecast years 2022, 2023, and 2024, associated with the *Supply Management, Logistics, and Supplier Diversity* department for SDG&E. Table DC-1 summarizes my sponsored costs.

**TABLE DC-1
Test Year 2024 Summary of Total Costs**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
Total Non-Shared Services	14,290	15,569	1,279
Total Shared Services (Incurred)	5,526	5,150	-376
Total O&M	19,816	20,719	903

The Supply Management Department manages the overall purchase, distribution, receipt, delivery, inventory, and management of materials and services for SDG&E. These materials 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, the Supply Management Department also supports the 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 of SDG&E's overall procurement strategies. Various procurement strategies are needed to meet business requirements while efficiently managing the total cost of ownership and integrating diversity, environmental, economic, and social aspects into decision making throughout the supply chain. These strategies enable procurement professionals to focus on high-value, strategic expenditures (*e.g.*, transformer, construction, and professional services) that are critical

1 to the business, improve long-term performance, and mitigate financial, legal and compliance
2 risk. We are in the process of developing a comprehensive Supply Chain Sustainability program
3 as well as maintaining our well-established Supplier Diversity efforts. Additionally, the
4 Technology, Intelligence, Policy & Solutions (TIPS) team is responsible for policy and
5 compliance management, data requests and auditing support, Sarbanes-Oxley (SOX) testing, and
6 technology solutions integration.

7 **B. Support To and From Other Witnesses**

8 My testimony also references the testimony and workpapers of several other witnesses,
9 either in support of their testimony or as referential support for mine. These include the
10 following:

- 11 • Sustainability Policy testimony of Estela de Llanos (Exhibit (Ex.) SDG&E-02)
- 12 • Information Technology testimony of William J. Exon (Ex. SCG-21/SDG&E-21,
13 Chapter 2)
- 14 • Safety, Risk and Asset Management testimony of Kenneth J. Deremer (Ex.
15 SDG&E-31)
- 16 • Shared Services Billing, Shared Assets Billing, Segmentation, and Capital
17 Reassignments testimony of Paul Malin (Ex. SCG-30/Ex. SDG&E-34)

18 **C. Organization of Testimony**

19 My testimony is organized as follows:

- 20 • Introduction
- 21 • Sustainability and Safety Culture
- 22 • Non-Shared Costs
 - 23 ○ Procurement/Category Management
 - 24 ○ Strategy & Supply Chain Sustainability
 - 25 ○ Logistics & Inventory Management
 - 26 ○ Supplier Diversity
 - 27 ○ Office Services
- 28 • Shared Costs
 - 29 ○ Procurement/Category Management
 - 30 ○ Office Services
 - 31 ○ Technology, Intelligence, Policy, & Solutions

- Conclusion

II. SUSTAINABILITY AND SAFETY CULTURE

Sustainability, safety and reliability are the cornerstones of SDG&E’s core business operations and are central to SDG&E’s General Rate Case (GRC) presentation. SDG&E is committed to not only deliver clean, safe, and reliable electric and natural gas service, but to do so in a manner that supports California’s climate policy, adaptation, and mitigation efforts. In support of the legal and regulatory framework set by the state, SDG&E has set a goal to reach Net Zero greenhouse gas (GHG) emissions by 2045, adopted a Sustainability Strategy to facilitate the integration of GHG emission reduction strategies into SDG&E’s day-to-day operations and long-term planning, and published an economy-wide GHG Study¹ that recommends a diverse approach for California leveraging clean electricity, clean fuels, and carbon removal to achieve the 2045 goals through the lens of reliability, affordability, and equity. The Sustainability Strategy serves as SDG&E’s guide to enable a more just and equitable energy future in SDG&E’s service territory and beyond. As a “living” strategy, SDG&E will continue to update the goals and objectives as technologies, policies, and stakeholder preferences change. See the Sustainability Policy testimony of Estela de Llanos (Ex. SDG&E-02).

In this GRC, SDG&E focuses on three major categories that underpin the Sustainability Strategy: mitigating climate change, adapting to climate change, and transforming the grid to be the reliable and resilient catalyst for clean energy. SDG&E’s goal is to contribute to the decarbonization of the economy by way of diversifying energy resources, collaborating with regional partners, and providing customer choice that enables an affordable, flexible, and resilient grid.

Many of the activities described in further detail in this testimony advance the state’s climate goals and align with SDG&E’s Sustainability Strategy. Specifically, the proposed Supply Chain Sustainability program, along with the Supplier Diversity program will drive progress in the areas of Climate Mitigation.

¹ SDG&E, The Path to Net Zero: A Decarbonization Roadmap for California (April 2022) available at https://www.sdge.com/sites/default/files/documents/path_to_net_zero.pdf?nid=21961.

1 Under the Champion People pillar of SDG&E’s Sustainability Strategy,² the Company
2 established a goal to develop an energy-industry leading supply chain sustainability program by
3 2025. The Supply Chain Sustainability program will expand on priority supply chain risks and
4 opportunities and focus on supplier engagement to reach the Company’s supplier diversity and
5 sustainability goals through outreach, education, and shared resources. An important aspect of
6 this program is working with SDG&E’s suppliers to improve their sustainability performance
7 and tracking their carbon emissions; this engagement plays a crucial role in reaching the
8 company’s goal of net zero carbon emissions by 2045. Overall, the Supply Chain Sustainability
9 program will integrate environmental, social, and governance aspects into decision-making
10 throughout the supply chain to improve long-term performance and reduce risk. SDG&E will
11 continue to iterate and refine the Supply Chain Sustainability program strategy while
12 championing supplier diversity, resilience, environmental excellence, and safety.

13 SDG&E also has a long history of partnering with DBEs that supply goods and services
14 we need to serve our customers. By building a diverse supply chain, we are continuing to
15 advance an inclusive culture and drive better business outcomes. In 2021, diverse suppliers
16 represented 39.1 percent of overall spend (\$936 million). Once again, we surpassed the CPUC’s
17 GO 156 goal of 21.5 percent in diverse spending.³ We have set out to achieve a goal of 42%
18 supplier diversity spend for 2022.

19 Safety is a core value and SDG&E is committed to providing safe and reliable service to
20 all its stakeholders. This safety-first culture is embedded in every aspect of the Company’s
21 work. In 2020, SDG&E commenced development and deployment of a Safety Management
22 System (SMS), which better aligns and integrates safety, risk, asset, and emergency management
23 across the entire organization. The SMS takes a holistic and pro-active approach to safety and
24 expands beyond “traditional” occupational safety principles to include asset safety, system
25 safety, cyber safety, and psychological safety for improved safety performance and culture.
26 SDG&E’s SMS is a systematic, enterprise-wide framework that utilizes data to collectively

² SDG&E, Building a Better Future (2021), available at https://www.sdge.com/sites/default/files/documents/SDG%26E%20Sustainability%20Report_0.pdf.

³ Senate Bill (SB) 255 (Bradford, Chapter 407, 2019) updated CPUC's Supplier Diversity Program by amending Sections 366.2 and 8283 of the Public Utilities Code, to mandate additional data reporting, diversity spend, and utility participation.

1 manage and reduce risk and promote continuous learning and improvement in safety
 2 performance through deliberate, routine, and intentional processes.

3 SDG&E remains focused on identifying and implementing the most cost-effective
 4 solutions with the potential to make the greatest impact on reducing GHG emissions, while
 5 maintaining a safe and reliable energy system. SDG&E believes that safety, reliability, and
 6 sustainability are inextricably linked and fundamental to the Company’s ability to continue to
 7 successfully operate. Please see the Sustainability Policy testimony of Estela de Llanos (Ex.
 8 SDG&E-02) for additional detail on SDG&E’s Sustainability Strategy and the Safety, Risk and
 9 Asset Management testimony of Kenneth J. Deremer (Ex. SDG&E-31) for additional detail of
 10 SDG&E’s Safety Policy.

11 **III. NON-SHARED COSTS**

12 “Non-Shared Services” are activities that are performed by a utility solely for its own
 13 benefit. Sempra Energy (Sempra) provides certain services to the utilities and to other
 14 subsidiaries. For purposes of this general rate case, SDG&E treats costs for services received
 15 from Sempra as Non-Shared Services costs, consistent with any other outside vendor costs
 16 incurred by the utility. Table DC-2 summarizes the total non-shared O&M forecasts for the
 17 listed cost categories.

18 **TABLE DC-2**
 19 **Non-Shared O&M Summary of Costs**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY			
(In 2021 \$)			
Categories of Management	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
A. PROCUREMENT/CATEGORY MANAGEMENT	2,619	3,129	510
B. STRATEGY & SUSTAINABILITY	268	758	490
C. LOGISTICS & INVENTORY MANAGEMENT	7,698	7,893	195
D. SUPPLIER DIVERSITY	807	832	25
E. OFFICE SERVICES	2,898	2,957	59
Total Non-Shared Services	14,290	15,569	1,279

The following subsections describe each of the workpaper activities and forecasts for those workpapers in more detail. For each workpaper, I describe the costs and activities associated with that workpaper, the forecast methodology, and cost drivers.

A. Procurement/Category Management

**TABLE DC-3
Non-Shared Procurement/Category Management**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)			
A. PROCUREMENT/CATEGORY MANAGEMENT	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
1. PROCUREMENT/CATEGORY MANAGEMENT	2,619	3,129	510
Total	2,619	3,129	510

1. Description of Costs and Underlying Activities

The non-shared Procurement/Category Management group requests \$3.129 million for SDG&E for TY 2024, which represents an increase of \$0.510 million above 2021 adjusted-recorded costs. The Procurement/Category Management group is comprised of a team of portfolio managers, category managers, procurement project managers, category advisors, procurement project advisors, category analysts, and contracting agents who: (1) develop and execute supply management strategies that support operating requirements, supplier diversity, and supply chain sustainability; (2) develop and execute strategies to reduce the purchase price of an asset plus the cost of operation; and (3) collaborate with various departments to leverage new methodologies and technologies, in order to support procurement activities for electric operations and customer/support services. The Procurement/Category Management Group works collaboratively with internal stakeholders and clients from business planning to strategically develop and execute category plans and sourcing/contracting activities to meet business requirements. The Category Management structure provides enhanced procurement practices by segmenting spend into areas that contain similar products and aligning our resources with the Company’s purchasing requirements, while leveraging market and spend intelligence to maximize value for the company.

Our request for an increase in O&M is for the addition of a Category Manger and four Category Management Advisors needed to execute strategic and complicated contracting and

sourcing events for multiple categories often involving high risk, high visibility and/or high dollar request.

2. Forecast Method

The forecast method used for this category is base year recorded costs. This method was selected as the 2021 recorded costs most accurately reflect the expected staffing levels and non-labor requirements to operate this area. There has been an increase in company-wide capital spend to support sustainability, safety, and reliability efforts, which requires more contracts that have to be facilitated by Supply Management. There has also been an increase in the number of suppliers to provide required products and services.

3. Cost Drivers

The cost drivers behind this forecast are primarily labor resources needed to effectively manage the procurement of services and materials in support of the company wide strategic initiatives.

B. Strategy & Supply Chain Sustainability

**TABLE DC-4
Non-Shared Strategy & Supply Chain Sustainability**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY (In 2021 \$)			
B. STRATEGY & SUPPLY CHAIN SUSTAINABILITY	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
1. STRATEGY & SUPPLY CHAIN SUSTAINABILITY	268	758	490
Total	268	758	490

1. Description of Costs and Underlying Activities

The Strategy and Supply Chain Sustainability group requests \$0.758 million for SDG&E for TY 2024, which represents an increase of \$.490 million above 2021 adjusted-recorded costs. This group currently consists of the Director of Supply Management, along with a Supply Chain Sustainability Project Manager. We are requesting funding to add a Strategic Sourcing Manager and a Supply Chain Sustainability Manager to the department.

The Strategic Sourcing Manager is needed to address evolving supply chain complexities including long term supply chain strategies, implementation of best practices, reducing risks and costs, and mitigating disruptions related to constrained material and labor markets, climate

1 change, and geopolitical issues. The Strategic Sourcing Manager will position Supply
2 Management to strategically support SDG&E's capital plans by anticipating emerging issues and
3 market trends that can disrupt the supply chain. This position will help to fully execute the
4 category management framework to maximize value delivered to the company, as well as
5 identify emerging issues and trends that promote timely and cost-effective sourcing solutions.
6 The Strategic Sourcing Manager will help the organization to transition to a proactive business
7 model by:

- 8 • Implementing consistent KPI's to ensure that the strategies identified are
9 effectively implemented and business objectives are achieved.
- 10 • Increasing synergies, efficiencies, alignment, and standardization across all
11 procurement portfolios.
- 12 • Integrating third party risk management priorities to sourcing efforts.
- 13 • Implementing the strategic category management roadmap and enhancing
14 organizational value.
- 15 • Proactively engaging key stakeholders to understand the key priorities and
16 challenges that help guide the overall supply chain strategy.

17 The Supply Chain Sustainability Manager is needed to lead SDG&E's Supply Chain
18 Sustainability program efforts to help the company be among the best in the industry. The
19 Supply Chain Sustainability Manager will shape and execute SDG&E's Supply Chain
20 Sustainability program strategy in alignment with SDG&E's Sustainability Strategy, as well as
21 actively participating in industry forums to help lead industry focus and priorities. This program
22 will maintain focus on core issues which are material to SDG&E's supply chain and expand on
23 the Company's top priority supply chain risks and opportunities based on sustainability factors.
24 This approach includes developing a tangible and actionable roadmap with measurable
25 milestones and working with the Company's suppliers and partners throughout the supply chain
26 on continuous and sustainable improvement while delivering clean, safe, and reliable energy to
27 SDG&E's customers. Supplier engagement is key to the Supply Chain Sustainability program
28 and SDG&E's suppliers play a critical role in reaching the Company's goal of net zero carbon
29 emissions by 2045 and supporting equity and social responsibility in the supply chain. The
30 Supply Chain Sustainability Manager will strengthen the Company's long-term supply chain
31 strategy as well as actively participating in industry forums to help lead industry focus and

1 priorities. This program will maintain focus on core issues which are material to SDG&E's
2 supply chain and expand on the Company's top priority supply chain risks and opportunities
3 based on sustainability factors. This approach includes developing a tangible and actionable
4 roadmap with measurable milestones and working with the Company's suppliers and partners
5 throughout the supply chain on continuous and sustainable improvement while delivering clean,
6 safe, and reliable energy to SDG&E's customers. Supplier engagement is key to the Supply
7 Chain Sustainability program and SDG&E's suppliers play a critical role in reaching the
8 Company's goal of net zero carbon emissions by 2045 and supporting equity and social
9 responsibility in the supply chain. The Supply Chain Sustainability Manager will strengthen the
10 Company's long-term supply chain strategy by:

- 11 • Integrating social responsibility, environmental stewardship, financial, and
12 governance aspects into decision-making throughout the supply chain to improve
13 long-term performance and reduce risk.
- 14 • Partnering with SDG&E's suppliers to reach the Company's sustainability goals
15 through outreach, education, and shared best practices.
- 16 • Conducting annual sustainability assessments to engage SDG&E's suppliers and
17 more accurately understand the Company's Scope 3 GHG emissions.
- 18 • Engaging outside consultants to periodically benchmark SDG&E's Supply Chain
19 Sustainability Program strategy and reassess the Company's supply chain material
20 issues.
- 21 • Pursuing alignment between internal and external stakeholders to holistically
22 address sustainability factors and refine material supply chain risks and
23 opportunities.

24 **2. Forecast Method**

25 The forecast method used for this category is base year recorded costs. This method was
26 selected as the 2021 recorded costs most accurately reflect the expected staffing levels and non-
27 labor requirements to operate this area. Additionally, we are establishing a new group for the
28 Supply Chain Sustainability efforts, which did not exist in prior years.

1 **3. Cost Drivers**

2 The cost drivers behind this forecast are primarily labor resources and non-labor expenses
3 required to effectively manage the Strategy and Sustainability group. Our request for an increase
4 in O&M includes the addition of a Supply Chain Sustainability Manager as well as a Strategic
5 Sourcing Manager.

6 **C. Logistics & Inventory Management**

7 **TABLE DC-5**
8 **Non-Shared Logistics & Inventory Management**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY			
(In 2021 \$)			
C. LOGISTICS & INVENTORY MANAGEMENT	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
1. LOGISTICS & INVENTORY MANAGEMENT	7,698	7,893	195
Total	7,698	7,893	195

9 **1. Description of Costs and Underlying Activities**

10 The Inventory Management team requests \$7.893 million for SDG&E for TY 2024,
11 which represents an increase of \$.195 million above 2021 adjusted-recorded costs. Inventory
12 Management’s funding request is needed to maintain this group’s operational functions.
13 Inventory Management forecasts, orders, receives, inventories, distributes, and accounts for
14 tools, equipment, and materials needed by SDG&E crews and contractors in eleven
15 geographically positioned storeroom locations and multiple laydown yards across SDG&E’s
16 service territory. Additionally, Inventory Management provides daily loading and unloading of
17 materials in support of in-house and contract crews, emergency response for service restoration,
18 job site deliveries of materials, and the management of scrap material, hazardous material and
19 removed-from-service material. We are requesting funding to add an additional Material
20 Scheduler as well as a Senior Material Requirement Advisor to the group.

21 **2. Forecast Method**

22 The forecast method used for this category is base year recorded costs. This method was
23 selected as the 2021 recorded costs most accurately reflect the expected staffing levels and non-
24 labor requirements to operate this area. There has been an increase in company-wide capital
25 spend, which requires an increase in inventory products required to support the major capital

1 projects. Additionally, there has also been an increase in the number of suppliers to provide
 2 products and services.

3 **3. Cost Drivers**

4 The cost drivers behind this forecast are primarily labor resources and non-labor expenses
 5 required to effectively manage the Inventory Management group. Our request for an increase in
 6 O&M includes the following:

- 7 • An additional Material Scheduler is needed to support the inspection of all
 8 threaded material as one of the efforts to reduce methane emissions.
- 9 • An additional Senior Material Requirement Advisor is needed to analyze detailed
 10 material information as it pertains to on time delivery, required inventory levels
 11 and recommended material management solutions.

12 **D. Supplier Diversity**

13 **TABLE DC-6**
 14 **Non-Shared Supply Diversity**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY			
(In 2021 \$)			
D. SUPPLIER DIVERSITY	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
1. SUPPLIER DIVERSITY	807	832	25
Total	807	832	25

15 **1. Description of Costs and Underlying Activities**

16 Supplier Diversity requests \$0.832 million for SDG&E for TY 2024, which represents an
 17 increase of \$0.025 million above the 2021 adjusted-recorded cost. SDG&E manages and
 18 executes its Supplier Diversity program in accordance with GO 156. Supplier Diversity team
 19 members at SDG&E collaborate with internal business units and stakeholders, as well as external
 20 community organizations to advocate for diversity in supply chain opportunities with eligible
 21 suppliers.⁴ SDG&E’s Supplier Diversity program advocates for business enterprises owned or

⁴ GO 156 contains the Commission’s Supplier Diversity Program and includes the categories of eligible suppliers. GO 156 was recently revised by the Commission in D.22-04-035 to include voluntary procurement goals for businesses own or controlled by LGBT persons and to begin the process of establishing procurement goals for businesses owned or controlled by disabled persons.

1 controlled by minorities, women, service-disabled veterans, LGBT persons, and persons with
2 disabilities to encourage participation in contracting opportunities to provide goods and services
3 with SDG&E. SDG&E is very proud of our success in including diverse suppliers in our supply
4 chain, as described in SDG&E's 2021 Supplier Diversity Annual Report. For example, in 2021
5 39.1% of total procurement went to diverse business enterprises.⁵ Supplier Diversity will
6 continue to build on that success. SDG&E is committed to supplier diversity as a core business
7 value and an integral strategy that fosters innovation, cost-effectiveness and competition in our
8 supply chain by promoting an inclusive supplier base that represents our customers, stakeholders
9 and the communities we serve.

10 **2. Forecast Method**

11 The forecast method used for this category is base year recorded costs. This method was
12 selected as the 2021 recorded costs most accurately reflect the expected staffing levels and non-
13 labor requirements to operate this area. There has been an increase in company-wide capital
14 spend, which requires more contracts that have to be facilitated by Supply Management. There
15 has also been an increase in the number of suppliers to provide required products and services.

16 **3. Cost Drivers**

17 The cost drivers behind this forecast are primarily labor resources and non-labor expenses
18 required to effectively manage the Supplier Diversity team. Our request for an increase in O&M
19 is due to a 20% increase in Supplier Clearing House fees. The Supplier Clearing House fees are
20 for the verification of each supplier's diverse status, to ensure compliance with General Order
21 156.

See D.22-04-035, available at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/bco/decision-2204035-4182022-rulemaking-2103010-with-attachement-b.pdf>.

⁵ SDG&E, Supplier Diversity, Together We Can Thrive (2021 Annual Report) at 5, available at: <https://www.sdge.com/more-information/doing-business-with-us/supplier-diversity>.

1 print services, shred & offsite records storage, and document management as part of the
 2 negotiated service rate escalation.

3 **IV. SHARED COSTS**

4 As described in the Shared Services Billing, Shared Assets Billing, Segmentation, and
 5 Capital Reassignments testimony of Paul Malin (Ex. SCG-30/Ex. SDG&E-34), Shared Services
 6 are activities performed by a utility shared services department (*i.e.*, functional area) for the
 7 benefit of: (i) SDG&E or Southern California Gas Company (SoCalGas), (ii) Sempra, and/or (iii)
 8 any affiliate subsidiaries. The utility providing Shared Services allocates and bills incurred costs
 9 to the entity or entities receiving those services.

10 Table DC-8 summarizes the total shared O&M forecasts for the listed cost categories.

11 **TABLE DC-8**
 12 **Shared O&M Summary of Costs**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY			
(In 2021 \$) Incurred Costs (100% Level)			
Categories of Management	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
A. PROCUREMENT/CATEGORY MANAGEMENT	2,915	3,270	355
B. OFFICE SERVICES	509	509	0
C. TECHNOLOGY, INTELLEGENGE, POLICY & SOLUTIONS	2,102	1,371	-731
Total Shared Services (Incurred)	5,526	5,150	-376

13 I am sponsoring the forecasts on a total incurred cost basis, as well as the shared services
 14 allocation percentages related to those costs. Those percentages are presented in my shared
 15 services workpapers, along with a description explaining the activities being allocated. See (Ex.
 16 SDG&E-20-WP). The dollar amounts allocated to affiliates are presented in the Shared Services
 17 Billing, Shared Assets Billing, Segmentation, and Capital Reassignments testimony of Paul
 18 Malin (Ex. SCG-30/SDG&E-34).

1 spend, which requires more contracts that have to be facilitated by Supply Management. There
 2 has also been an increase in the number of suppliers to provide required products and services.

3 **3. Cost Drivers**

4 The cost drivers behind this forecast are primarily labor resources needed to effectively
 5 manage the procurement of services and materials in support of the company wide strategic
 6 initiatives.

7 **B. Shared Office Services**

8 **TABLE DC-10**
 9 **Office Services**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY			
(In 2021 \$) Incurred Costs (100% Level)			
B. OFFICE SERVICES	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
1. OFFICE SERVICES	509	509	0
Incurred Costs Total	509	509	0

10 **1. Description of Costs and Underlying Activities**

11 The Office Services group provides sourcing/contract support for third-party business
 12 support and professional services. These activities include the managing of the third-party
 13 service contractors that provide document services such as operating and maintaining the copy
 14 centers and mail rooms, along with the multifunctional copier/scan/printer machines. This group
 15 also manages the third-party service providers that handle archives and records management,
 16 along with the third-party travel services provider that handles travel reservations and bookings.
 17 Lastly, this group manages contracts for onsite food service for employee dining services.

18 **2. Forecast Method**

19 The forecast method used for this category is base year recorded costs. This method was
 20 selected as the 2021 recorded costs most accurately reflect the expected staffing levels and non-
 21 labor requirements to operate this area. The use of historical data would not be appropriate
 22 because it does not reflect the recent transformation of our ongoing business needs, including
 23 supporting a hybrid work model.

1 **3. Cost Drivers**

2 The cost drivers behind this forecast are primarily labor resources and non-labor expenses
3 required to effectively manage the Office Services group. The forecast for this group remains
4 consistent with the 2021 adjusted recorded levels.

5 **C. Technology, Intelligence, Policy, & Solutions**

6 **TABLE DC-11**
7 **Technology, Intelligence, Policy, & Solutions**

SUPPLY MGT, LOGISTICS, & SUPPLIER DIVERSITY			
(In 2021 \$) Incurred Costs (100% Level)			
C. TECHNOLOGY, INTELLEGENGE, POLICY & SOLUTIONS	2021 Adjusted-Recorded (000s)	TY2024 Estimated (000s)	Change (000s)
1. TECHNOLOGY, INTELLEGENGE, POLICY & SOLUTIONS	2,102	1,371	-731
Incurred Costs Total	2,102	1,371	-731

8 **1. Description of Costs and Underlying Activities**

9 The Technology, Intelligence, Policy, & Solutions (TIPS) team oversees policy and
10 compliance activities, which includes policy management, procedure development, audit
11 response and data request collections, Sarbanes-Oxley (SOX) testing, and advisory services.
12 This team also oversees the technology integration program management which includes system
13 oversight/management, business technical support, technology/solution assessment and
14 implementations.

15 The Enterprise Source to Pay (ES2P), as described in the Information Technology
16 testimony of William J. Exon (Ex. SCG-21/SDG&E-21, Chapter 2), project is replacing six
17 disparate procurement systems with SAP Fieldglass and the SAP Ariba suite of applications.⁶
18 This project helped to move SDG&E to a more cohesive system that leverages industry standard
19 products and service code taxonomy and contracting structure and is completely integrated with
20 our enterprise resource planning system, SAP.

⁶ Building a Better Business (BBB) is an ongoing business optimization and continuous improvement initiative at SDG&E, undertaken to support our mission to improve lives and communities by building the cleanest, safest and most reliable energy infrastructure company in America.

1 **2. Forecast Method**

2 The forecast method used for this category is base year recorded costs. This method was
3 selected as the 2021 recorded costs most accurately reflect the expected staffing levels and non-
4 labor requirements to operate this area. The use of historical data would not be appropriate
5 because it does not reflect the recent transformation of our ongoing business needs, such as
6 process improvements and consolidation of our systems.

7 **3. Cost Drivers**

8 The cost drivers behind this forecast are primarily labor resources and non-labor expenses
9 required to effectively manage the TIPS team. The forecast for this group remains consistent
10 with the 2021 adjusted recorded levels. As part of our funding request, we have recognized
11 savings and efficiencies associated with the ES2P project. This includes savings from software
12 and subscription renewal costs that are no longer needed as part of the implementation of the
13 ES2P project. Further details are included in workpapers for this area.⁷

14 **V. CONCLUSION**

15 This testimony describes the activities for Supply Management, Logistics, and Supplier
16 Diversity, and presents the forecast for both existing and reasonably anticipated new expenses
17 for the TY 2024 GRC. This testimony and my workpapers demonstrate the justification for the
18 requested funding. For these reasons, I request that the Commission approve funding for the
19 expenses as presented herein.

20 This concludes my prepared direct testimony.

⁷ See Ex. SDG&E-20-WP.

1 **VI. WITNESS QUALIFICATIONS**

2 My name is Daniel Castillo. I have served in my current role as Supplier Diversity
3 Manager for SDG&E since 2022. I began my career with SDG&E in July 2012. I have held
4 several positions with increasing levels of responsibility since joining the company. Prior to my
5 current position, I served as a Portfolio Manager in Supply Management, managing Electric
6 Construction and Materials, Technical Services, Generation and Major Projects contracting.
7 Prior to that, I led the Inventory Management team, as a supervisor, overseeing electric and gas
8 material inventory activities. Prior to joining SDG&E, I spent over 12 years in various
9 leadership roles in manufacturing within various industries.

10 I have a Law degree from Universidad Autonoma de Baja California in Tijuana, Mexico
11 and earned a professional certificate as a Certified Purchasing Manager from the Institute for
12 Supply Management.

13 I have not previously testified before the Commission.

Appendix A

GLOSSARY OF TERMS

APPENDIX A
Glossary of Terms

Acronym	Definition
DBE	Diverse Business Enterprise
ES2P	Enterprise Source to Pay
GHG	Green House Gas
GO	General Order
GRC	General Rate Case
IT	Information Technology
KPI	Key Performance Indicator
O&M	Operations and Maintenance
SDG&E	San Diego Gas & Electric Company
SMS	Safety Management System
SoCalGas	Southern California Gas Company
SOX	Sarbanes Oxley
TIPS	Technology, Intelligence, Policy & Solutions