



**Suburban's Pat Pooler and
crews from MBE vendor
Rodpaz Brothers.**

Supplier Diversity Annual Report 2014



**Suburban
Water Systems**

COMMITMENT, POLICY, AND VISION

Commitment

Suburban Water Systems (Suburban) is committed to developing mutually beneficial business relationships with women, minority, and disabled veteran-owned business enterprises (WMDVBE) that have the capability to meet or exceed our requirements for products and services. Identifying these businesses, providing them opportunities to do business with us, and helping them succeed are essential elements in our success and are directly in line with our mission and core values. Supplier diversity for Suburban is not a “program”, but a way of doing business.

Policy

It is the policy of Suburban Water Systems through its supplier diversity initiative to increase business opportunities for certified diverse business enterprises. We recognize the value of creating opportunities for all suppliers to participate in sourcing of products and services as they arise within our company.

All employees are encouraged to assist in providing avenues of support and opportunities for diverse suppliers who may also be valued customers. Our policy directs sourcing activities throughout our organization in a collaborative environment so that those who are tasked with varied procurement responsibilities play a key role in making our corporate objective a reality.

Vision

- Develop a strong base of high-quality diverse suppliers.
- Include all qualified suppliers in bid opportunities.
- Measure, track, benchmark and report Suburban’s company-wide diverse supplier spend.
- Strengthen economic growth within our supply chain by using diverse suppliers.

Suburban believes in and values supplier diversity. We remain committed to making supplier diversity a way of doing business in all that we do.

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A MESSAGE FROM OUR GENERAL MANAGER

As the new General Manager of Suburban Water Systems, it is with great enthusiasm that I report on our Supplier Diversity Program. As my management team educated me on our Program, its history and our successes, I was pleased to learn of Suburban’s commitment to the inclusion of woman-, minority-, and disabled veteran-owned business enterprises in our procurement practices. More specifically, I was proud to know that I am part of an organization for which building a strong sustainable supplier pool, including diverse suppliers, is seen as pivotal in providing value to our customers and supporting the economic viability of the communities we serve.



Richard Rich
General Manager

In 2014, our spend with diverse suppliers was \$4.3M, a \$1.3M increase over 2013. Though we are pleased with our results and the coordinated contributions of the Suburban team it took for us to achieve them, we also note it is a decrease in the overall percentage of total procurement activity from the previous year. This speaks to the volatility of Suburban’s capital project landscape and the increasing technical complexity of our project needs.

While we continue our commitment to Supplier Diversity, we know that our upcoming projects are more technically nuanced than in the past. This difference will require us to explore new ways of ensuring diverse suppliers are able to support Suburban in the delivery of our services. In this annual report, we highlight our successes and the activities that have sustained our Program, as well as lay out our strategy for embracing the challenge of providing opportunities for diverse suppliers in light of a radically changing project mix.

I am confident Suburban will continue to provide superior customer service leveraging the innovation and talent of a strong diverse supplier pool and I look forward to the year ahead.

YEAR	DIVERSE SPEND (Millions)	% SPEND	NUMBER OF DIVERSE FIRMS
2014	\$4.3	23.88%	23
2013	\$3.0	32.18%	28
2012	\$7.2	32.87%	33
2011	\$2.2	20.54%	34
2010	\$2.8	20.03%	21

Sincerely,



2014 PROGRAM HIGHLIGHTS

2014 was a year focused on the continued review of procurement processes and procedures, and embedding supplier diversity into those processes. Additionally, we continued our supplier development efforts by supporting capacity building and technical assistance for diverse suppliers.

2014 Highlights include:

- **More focused involvement of procurement in the sourcing of diverse suppliers for bid opportunities**
 - Collaboration at the front end of buying decisions, ensuring diverse businesses are included in bid opportunities.
 - Continue updating master services contracts with supplier diversity language as well as right-sizing insurance requirements making sure that these requirements were not excessive for the work being done.
- **Supplier Outreach to expand Suburban's supply chain**
 - Suburban's outreach activities in 2014 included individual meetings with diverse suppliers, as well as, attendance at various CBO-sponsored events.
- **Capacity building and technical assistance**
 - California Water Association (CWA) has been instrumental in the implementation of the Mentor Protégé Pilot Program (MPPP). Through this program, suppliers were provided technical assistance as well as provided mentorship by key utility managers in the suppliers' respective area of product/service. As a result of the MPPP, the firms are better able to take on expanded contracts, and many completed the program securing new contracts with IOUs.
- **Training to prime suppliers to increase tier 2 opportunities**
 - Two Prime Contractor events were held in 2014 and attended by over 50 diverse and non-diverse firms who were there to learn about subcontracting and its importance to the water utilities. Business owners met to discuss opportunities to work together.

Progress In Suburban's Use Of Diverse Firms

- In 2014, Suburban's proactive diverse sourcing efforts led to 92% utilization of DBEs in pipeline projects.

INTERNAL AND EXTERNAL ACTIVITIES

SECTION 9.1.1

EXTERNAL ACTIVITIES:

Suburban continued to support the CWA's USDP "Prime Contractors Meeting". These events held in both Northern and Southern California brought together prime and diverse suppliers to facilitate transparency in the subcontracting process. 2014 marked the fifth year of these widely attended events. Suppliers were able to understand the utilities' upcoming projects, the primes

supporting them, and were provided direct access to decision makers in the procurement process.

Suburban continued to support outreach events with local community-based and diversity organizations and to engage industry group to identify diverse suppliers.

INTERNAL ACTIVITIES:

Efforts continued in 2014 and opportunities were taken to ensure that supplier diversity was woven into the procurement process. Through various meetings and conversations throughout the year, Suburban's USDPM continued to share information and educate staff about Suburban's supplier diversity program.

These opportunities included:

- Mid-manager's meetings
- Executive staff meetings
- District and departmental meetings
- Information shared in company newsletter

Information included in these forums included:

- Awards of contracts to new or existing diverse firms
- Introduction of new diverse firms to districts
- Review of bidding opportunities
- Discussion of outcomes of bidding opportunities

Efforts in including diverse businesses in bid opportunities included:

- Regulatory
- Customer Service/IT
- Capital Construction

SUMMARY OF PURCHASES OR CONTRACTS BY ETHNICITY
SECTION 9.1.2

WMDVBE ANNUAL RESULTS BY ETHNICITY					
	ETHNICITY	DIRECT \$	SUB \$	TOTAL \$	PERCENT %
MINORITY	Asian-Pacific	\$54,496		\$54,496	0.30%
MALE	African-American	\$450		\$450	0.00%
	Hispanic	\$2,635,442		\$2,635,442	14.52%
	Native American				
	Total	\$2,690,388		\$2,690,388	14.82%
MINORITY	Asian-Pacific				
FEMALE	African-American				
	Hispanic	\$20,524		\$20,524	0.11%
	Native American				
	Total	\$20,524		\$20,524	0.11%
TOTAL MBE		\$2,710,912		\$2,710,912	14.93%
WBE		\$1,624,033		\$1,624,033	8.95%
Subtotal WMBE		\$4,334,945		\$4,334,945	23.88%
DVBE		\$0		\$0	0.00%
TOTAL WMDVBE		\$4,334,945		\$4,334,945	23.88%
Gross Procurement		\$44,257,012		\$44,257,012	
Exclusions		\$26,103,717		\$26,103,717	
NET PROCUREMENT		\$18,153,295		\$18,153,295	

SUMMARY OF PURCHASES OR CONTRACTS BY PRODUCTS AND SERVICES (DIRECT)
SECTION 9.1.2

ANNUAL RESULTS BY PRODUCTS AND SERVICES - DIRECT							
	ETHNICITY	Products \$	%	Services \$	%	TOTAL \$	%
MINORITY MALE	Asian-Pacific	\$6,577	0.04%	\$47,919	0.26%	\$54,496	0.30%
	African-American		0.00%	\$450	0.00%	\$450	0.00%
	Hispanic	\$58,350	0.32%	\$2,577,092	14.20%	\$2,635,442	14.52%
	Native American						
	Total	\$64,927	0.36%	\$2,625,461	14.46%	\$2,690,388	14.82%
MINORITY FEMALE	Asian-Pacific						
	African American						
	Hispanic			\$20,524	0.11%	\$20,524	0.11%
	Native American						
	Total			\$20,524		\$20,524	0.11%
Total MBE					\$2,710,912	14.93%	
WBE		\$36,091	0.20%	\$1,587,942	8.75%	\$1,624,033	8.95%
Subtotal MWBE					\$4,334,945	23.88%	
DVBE							
TOTAL WMDVBE					\$4,334,945	23.88%	

Net Procurement	\$18,153,295
Products Procurement	\$101,019
Service Procurement	\$4,233,926
Net WMDVBE Procurement	\$4,334,945

**ITEMIZATION OF WMDVBE PROGRAM EXPENSES
SECTION 9.1.3**

WMDVBE PROCUREMENT BY STANDARD INDUSTRIAL CATEGORIES - DETAIL								
	MINORITY						NON-MINORITY	TOTAL
	MBE			WMBE			WBE	
	AFRICAN-AMERICAN	ASIAN-PACIFIC	HISPANIC	ASIAN-PACIFIC	HISPANIC	WHITE	UNDETERMINED	
1442			\$4,739					\$4,739
1623			1639229.65			\$1,437,238		\$3,076,468
1711							\$143,505	\$143,505
1794			\$83,215					\$83,215
1799			\$38,440					\$38,440
2752							\$6,349	\$6,349
3713		\$6,577						\$6,577
5112							\$36,091	\$36,091
7311					\$13,930			\$13,930
7334					\$2,324			\$2,324
7342					\$4,270			\$4,270
7371		\$4,800						\$4,800
782			\$244,695					\$244,695
8711		\$43,119						\$43,119
8734			\$58,350					\$58,350
8741	\$450							\$450
8742			\$368,550					\$368,550
8744							\$850	\$850
8748			\$18,180					\$18,180
8999			\$180,044					\$180,044
TOTAL	\$450	\$54,496	\$2,635,442	\$0	\$20,524	\$1,437,238	\$186,795	\$4,334,945

EXPENSE CATEGORY	
Wages	\$ 97,000
Other Employment Expense	
Reporting Expense	
Training	
Consulting	
Program Expense	\$ 3,300
TOTAL PROGRAM EXPENSES	\$100,300

PROGRESS IN MEETING OR EXCEEDING SET GOALS

SECTION 9.1.4

CATEGORY	CURRENT YEAR RESULTS	CURRENT YEAR GOALS
Minority Business Enterprise (MBE)	14.93%	15.00%
Women Business Enterprise (WBE)	8.95%	5.00%
Sub Total Women, Minority Business Enterprise (WMBE)	<u>23.88%</u>	<u>20.00%</u>
Service Disabled Veteran Business Enterprise (SDVBE)	0.00%	1.50%
TOTAL WMDVBE	<u>23.88%</u>	<u>21.50%</u>

SUMMARY OF PRIME CONTRACTOR UTILIZATION OF WMDVBE SUBCONTRACTORS

SECTION 9.1.5

Information is not available.

WMDVBE COMPLAINTS RECEIVED

SECTION 9.1.6

No WMDVBE complaints were received.

RECRUITMENT EFFORTS IN UNDERUTILIZED AREAS

SECTION 9.1.8

In 2014, Suburban continued to engage key industry, supplier organizations, and other community based stakeholders to identify WMDVBE firms in underutilized areas. Efforts to attract innovative suppliers who can provide exceptional value, quality, service and pricing remained a part of our day-to-day procurement sourcing efforts.

2015 ANNUAL PLAN

WMDVBE SHORT-, MID- AND LONG-TERM GOALS SECTION 10.1.1

Supplier Diversity Goals		
	2015 Goal	2016 Goal
MBE	15.00%	15.00%
WBE	5.00%	5.00%
DVBE	1.50%	1.50%
Total WMDVBE	21.50%	21.50%

In 2015 and for the foreseeable future, Suburban's diverse spending goal will continue to be consistent with that of the CPUC stated goal of 21.5%. Though in recent years our spend performance has exceeded the CPUC goal, and we will strive to continue to do so, we remain aware of our business challenges. As a water company with a history of diverse procurement spend as high as 96% resulting from capital projects, and with 2015 largely comprised of a highly technical reservoir project for which there are a limited number of suppliers, both diverse and non-diverse, we recognize sustaining diverse spend performance similar to recent years will be a considerable challenge. However, from our lessons learned, and drawing on our operational expertise in long range planning, our strategic approach identified below will help ensure the maximum possible inclusion of diverse businesses in the procurement of our goods and services going forward.

2015 STRATEGIC PROGRAM GOALS

In 2015, Suburban will focus on a few core areas for maximum results:

- Tighter integration between project planning/forecasting and sourcing
- Expansion of subcontracting program
- Enhanced reporting

Integration of Sourcing and Planning

Because much of Suburban's spend comes from projects requiring long range planning, the project lead time provides an opportunity to identify if DBE suppliers are in the supplier pool to meet upcoming procurement needs. Many of our projects for 2015 have already been sourced and will soon begin. Though diverse businesses were included in our sourcing process in 2014 for these 2015 projects, the proportion of diverse prime suppliers bidding for and winning core projects was less than in recent years. As a result, for the first time since 2011, Suburban is in jeopardy of not reaching the CPUC goal of 21.5%.

This potential scenario for 2015 of reduced diverse supplier contribution has highlighted the extraordinary importance of advanced planning in sourcing of our projects. To mitigate against

similar scenarios in the future, in planning for 2016 and beyond, Suburban will exercise early due diligence to assess where gaps in DBE service providers exist so efforts can be made to identify new suppliers and/or encourage subcontracting where appropriate.

Subcontracting Program

As a matter of standard practice, Suburban requests its prime suppliers to identify intended subcontractors. However, our program will be enhanced to include the ability to track and measure the discrepancy between planned and actual utilization of subcontractors, and to capture those results. This will be important for Suburban in 2015 as it will increasingly look to subcontracting as an avenue for diverse businesses to support our procurement needs and help us serve our customers. In doing so, Suburban looks to report subcontracting spend in its 2015 annual report for the first time. Toward this end, the following will be key areas of focus:

- Amending current contracts/purchase orders to reflect subcontracting program requirements
- Ensuring prime suppliers are consistently made aware of subcontracting requirements
- Tracking and monitoring adherence of subcontracting requirements
- Consistent with Commissioner Sandoval's comments at NARUC's UMAP subcommittee meeting on 2/15/15, Suburban will strive to streamline the subcontracting process

Enhanced Reporting

To support both an expanded subcontracting program and the tighter integration of sourcing and planning, access to information will be critical. Suburban will continue to enhance its reporting capabilities to provide decision makers will relevant and timely data.

PLANNED INTERNAL/EXTERNAL ACTIVITIES

SECTION 10.1.2

In addition to the key strategic activities listed above in section 10.1.1, Suburban will continue to engage in the internal and external activities that have contributed to our program successes.

Planned Internal Activities

- Continued review and analysis of procurement processes to ensure supplier diversity is a part of the process day-to-day.
- Incorporating sourcing for diverse suppliers into the early stages of the planning processes.
- Continue enhancing our reporting to gain more visibility about spend information and support strategic goals.
- Enhance contract readiness (capacity-building and technical assistance) in accordance with General Order 156 guidelines

Planned External Activities

- Concentrated focus to work with local industry-specific organizations to locate diverse firms in specific key industries (e.g.; engineering, etc.).
- Increased communications in the local supplier community to raise awareness of Suburban's program, enlarging the company's footprint in the diverse supplier community.
- Strategic selection in various outreach events and meetings in which to participate.

- Collaboration with other IOUs on the identification of suppliers.

PLANS TO SEEK AND RECRUIT WMDVBE SUPPLIERS IN UNDERUTILIZED AREAS (FINANCIAL, LEGAL, ETC.)

SECTION 10.1.3

Suburban will continue to identify opportunities for effective outsourcing to diverse firms in underutilized areas. Suburban will seek to build new relationships in which opportunities can be shared and utilization of diverse firms can be accomplished through communication and collaboration with key stakeholders in the community.

PLANS FOR SEEKING OR RECRUITING WMDVBE SUPPLIERS FOR EXCLUDED CATEGORIES

SECTION 10.1.4

Not applicable

PLANNED SUBCONTRACTING OPPORTUNITIES

SECTION 10.1.5

As mentioned above, subcontracting is identified as an area of focus for Suburban. Therefore, encouraging our prime suppliers to utilize diverse suppliers and share our commitment to diversity will be a strategic shift for Suburban in 2015 and allow us to better diversify our supply chain.

PROGRAM COMPLIANCE

SECTION 10.1.6

Suburban remains committed to supporting Supplier Diversity and we continue to evolve our program and build on our strengths. As we enter our 12th year of a formal program, we understand that sustaining and growing our program requires not just doing what we have always done, but finding new solutions to meet our sourcing challenges and to provide maximum opportunities for diverse businesses to add value to our supply chain. This will entail working smarter, not harder, with our three-pronged strategic approach of planning, subcontracting and reporting.

As always we will continue to engage our executive and mid-manager levels in supporting our strategies and executing strong procurement practices. Additionally, actively seeking the support of external stakeholders will remain a key program element. As Suburban looks to provide the best products and services to our customers at the lowest possible cost, we will continue to look to diverse suppliers as a solution in meeting our business needs.

For more information about supplier diversity at Suburban, contact:

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Analysis of 2014 Diverse Supplier Spend

	Total Diverse Spend	Percent of Total Procurement Less Exclusions
Getting existing suppliers certified	\$0	0.00%
Certified suppliers used for the first time in 2014, which resulted from our attendance at diverse events, meetings of diverse organizations, matchmakings, etc.	\$0	0.00%
Certified suppliers used for the first time in 2014, but NOT resulting from our attendance at diverse events, meetings of diverse organizations, matchmakings, etc.		
Capital-related	\$0	0.00%
Expense-related	\$2,324	0.01%
OUR TRUE MEASURE OF ADDED DIVERSE SPEND IN 2014	\$2,324	0.01%
Continued use of certified suppliers		
Capital-related	3,638,717	20.04%
Expense-related	\$693,904	3.82%
TOTAL DIVERSE SPEND	\$4,334,945	23.88%