

DIVERSITY MATTERS: Continuous Improvement is Key



2015 Annual Report to the California Public Utilities Commission

March 1, 2016
(Revised April 14, 2016)



POLICY

California American Water recognizes the value of supplier diversity as a strategic business decision. We are committed to seeking and identifying diverse suppliers and offering them an opportunity to compete for materials and service contracts.



VISION

We will create opportunity – including education and mentorship – for diverse suppliers and will actively seek to work with diverse suppliers who meet our high standards and work in our customers' best interests.



MISSION

Our mission is to open business doors for diverse suppliers who otherwise would not have been knowledgeable of contract opportunities with California American Water. We will be unceasing in our outreach to identify diverse suppliers and ensure that available contract opportunities are known and reviewed in an open and fair competitive business environment.

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PRESIDENT'S MESSAGE

2016 – Preparing for California's Future



Rob MacLean, President

I am proud of our entire team's effort in making diversity matter in 2015:

- ★ Total diverse spend of **24.1%**, the fifth year our company has exceeded the CPUC goal of 21.5%.
- ★ Addition of **27** qualified diverse suppliers.
- ★ Continued leadership in industry events and governance diversity.

The California landscape is changing and California American Water is changing with it. Our employees have made diversity a priority in purchasing, hiring, governance and community outreach, and we continue to become more ethnically and culturally diverse. It truly is a new California, and our businesses and relationships with our suppliers, employees and customers must reflect that.

I am very pleased to report that we have exceeded the CPUC diverse spend goal for the fifth year in a row. **Our internal 2015 goal was 25%, and our total diverse spend for the year was 24.1%.**

This didn't happen by chance. We had a concentrated effort that:

- Monitored spend at the local level and identified opportunities for diverse spend
- Added 27 new diverse vendors
- Added spend to existing diverse vendors, including disabled veterans
- Added LGBT vendors in accordance with Assembly Bill 1678

I am especially proud of the fact we added 27 new vendors and increased our second tier spend. These are the structural moves that will serve us into the future.

But these metrics only tell half of the story. The other half is that we did this while gaining better service and more local vendors. This demonstrates the true value of partnerships with suppliers that live and operate in our communities. We are proud to be their water utility, and we are proud that they are our suppliers.

We also made a structural move internally. Edward Simon, who recently served as our Vice President of Operations in California, has assumed new duties including our Supplier Diversity lead role and reports directly to me. His excellent knowledge of how and where our local operations spend procurement dollars has already been very helpful.

No one succeeds alone, and we did not get here without the help of committed employees, qualified vendors, engaged NGO's and stakeholders, and a supportive regulatory structure. This group is helping us build a culture where the value diversity brings to our company, employees, customers and communities is apparent. I hope you are as excited about the great improvements we made together in 2015 as I am.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Rob MacLean'. The signature is stylized and fluid.

Rob MacLean
President

MESSAGE FROM THE DIRECTOR OF SUPPLIER DIVERSITY



Edward Simon, Director of Business Performance and Supplier Diversity

“In 2015, we exceeded our Commission diversity goals... It’s about our vendors being representative of the community we serve and bringing qualified minority vendors to the table so they can have the same opportunities as non-diverse vendors.”

Greetings:

My name is Edward Simon, and I serve as Director of Business Performance and Supplier Diversity for California American Water. I report directly to our President, Rob MacLean.

In 2015, Rob asked me to take ownership of our supplier diversity program and inclusion efforts at the senior leadership team level. I am excited about the opportunity to work with our diverse vendors because it’s a cause I believe in. California American Water serves many diverse communities and our procurement practices and vendors must reflect that.

This new responsibility is a great fit for me; I grew up in a diverse community and witnessed first-hand the many challenges minority and small business owners experience in competing with larger, non-diverse businesses. I look forward to working with our current diverse vendors and identifying new ones. As a child, my family relied on Community Based Organizations (CBOs) to provide resources. I know first-hand the value they can add to our communities and look forward to working with CBOs to enhance our diversity program.

I joined American Water more than 15 years ago. I have held many positions throughout my career that included managing/directing customer service, support and operation functions. Most recently, I served as California American Water’s Vice President of Operations. I have worked with many vendors and look forward to playing a more active role in our procurement and vendor selection practices. As Rob mentioned, I believe my experience will add value as we continue to enhance our diversity efforts.

In 2015, we exceeded our Commission diversity goals. For me, it’s not about checking a box and meeting the numbers. It’s about our vendors being representative of the communities we serve, and bringing qualified minority vendors the same opportunities as non-diverse vendors. It’s the right thing to do, and it delivers benefits to our customers and our communities.

If you have any questions regarding our report, if you would like to share the services you have to offer or if I can be of any assistance, please feel free to reach out to me anytime. My email address is Edward.Simon@amwater.com. My direct office number is (619) 522-6364.

A handwritten signature in blue ink that reads "Edward Simon". The signature is stylized and cursive.

Edward Simon
Director of Business Performance and Supplier Diversity

2015 HIGHLIGHTS

TESTIMONIALS

“We have performed underground pipeline construction work and landscaping services for California American Water’s Ventura County area operations for 10 years. During this time our business has grown by 20%, thanks in large part to the opportunities afforded our firm by California American Water. California American Water took a chance on us, and we have had a great relationship ever since. Thanks!”

–Al Innocenti
Innocenti Construction, a WBE firm



“For 30 years Brkich Construction has performed underground pipeline construction services for California American Water’s Los Angeles area operations. During this time our firm has been trusted to work on some very complex projects and during this time we have enjoyed a long and mutually beneficial relationship. We hope it will continue for many years to come.”

–Robert Brkich Jr.
Brkich Construction, an LGBT firm



“We have been selected to provide primarily paving services for California American Water’s San Diego area operations for 5 years. Chris Mattis and his team at Cal Am have entrusted our firm to provide quality work in a timely manner and at fair market pricing. We hope these opportunities will continue for many years to come.”

–Brian Wilson
Altitude, Inc., a DVBE firm



2015 HIGHLIGHTS

\$4.15 million

The total second tier diverse spend of \$4.15 million for 2015 was an 18% increase over the previous year's second tier spend.

Diversity Matters: Continuous Improvement is Key. For the fifth consecutive year, California American Water has surpassed the California Public Utilities Commission diverse spend goals as identified in General Order 156. This is the result of a team approach focused on continuous improvement in the areas of staff education and engagement, and identifying and implementing best practices.

- **24.1% Diverse Spend.** We are proud to maintain our status in **exceeding the CPUC diverse spend goal of 21.5% with a total diverse spend of 24.1% in 2015.** As our program continues to mature, we hope to build and improve upon this result.
- **27 New Diverse Suppliers Added to Supply Chain.** In 2015, we continued our outreach to identify new diverse suppliers that could provide goods and services to meet our needs. As a result, we are proud to welcome **27 new partners to our team.**
- **Increased Second Tier Diverse Spend: \$4.15 million.** This **18% increase over 2014 second tier spend** demonstrates that consistency really is key in educating and engaging Prime Suppliers to assist in our pursuit of diverse subcontractors.
- **Established Mentor Protégé Pilot Program (MP3).** Through our membership with California Water Association and in collaboration with three Class A water utilities, California American Water participated in the design and implementation of a Mentor Protégé Pilot Program. This program identified and selected diverse suppliers that could meet service needs of the utility. Through consistent collaboration and support of the California American Water team, this program worked to prepare and encourage Women, Minority and Disabled Veteran Business Enterprise (WMDVBE) suppliers for potential water utility contract opportunities. This program continued in 2015. California American Water continued to work with our Mentor Protégé Dyson Electric.

As the highlights above undeniably showcase, **Diversity Matters: Continuous Improvement is Key.**

2015 HIGHLIGHTS

SECTION 9.1.1 - Internal/External Activities

2015 Outreach Activities

California American Water remained active and engaged in outreach events throughout California. We see these as opportunities for a chance to showcase California American Water’s potential business opportunities to the vendor community, which undoubtedly helped us add 27 new suppliers in 2015.

2015 Diversity Events

JANUARY	8	CWA Board of Director’s Meeting - Anaheim, CA
	9	CUDC Monthly Meeting - WebEx
	14	CPUC Audit Workshop - San Francisco, CA
	20	USDP Monthly Meeting - San Jose, CA
FEBRUARY	10	CWA Board of Director’s Meeting - Downey, CA
	13	CUDC Monthly Meeting - Sacramento, CA
	15–18	NARUC/UMA Winter Meeting - Washington, D.C.
	17	USDP Monthly Meeting - Coronado, CA
	25	Business Matchmaking 2015 - San Jose, CA
MARCH	3–4	SCMSDC Minority Business Opportunity Day - Universal City, CA
	10	Board Meeting - WebEx
	13	CUDC Monthly Meeting - San Diego, CA
	17	USDP Monthly Meeting - San Jose, CA
	20	CHCC 2015 Economic Summit - Ontario, CA
	25	Joint Utilities Quarterly Meeting - San Diego, CA
APRIL	10	CUDC Monthly Meeting - Host, WebEx
	15	SBA & NGLCC, LGBT Business Event - Irwindale, CA
	21	CPUC Small Business Expo Southern California - San Diego, CA
	22	USDP Monthly Meeting - Fontana, CA

2015 HIGHLIGHTS

MAY	3-6	ISM 2015 Annual Conference - Phoenix, AZ
	6	5th Annual SBA Southern California 8(a) Conference - Garden Grove, CA
	8	Greenlining 22nd Annual Economic Summit - Los Angeles, CA
	12	CHCC Annual Legislative Conference - Sacramento, CA
	12	USDP Monthly Meeting - Sacramento, CA
	12-13	KTP DVBE Business Alliance - Sacramento, CA
	13-15	CWA Annual Spring Conference - Sacramento, CA
	15	CUDC Monthly Meeting - WebEx
	21	NUDC Conference & Board Meeting - Brooklyn, NY
	22	CPUC Workshop on GO 156 Metrics - San Francisco, CA
27	Connect 2 Met Program - Pasadena, CA	
JUNE	4	Matchmaking Event - Bakersfield, CA
	5	TELACU Millennium - Los Angeles, CA
	9	USDP Monthly Meeting - Ontario, CA
	10	USDP Prime Contractors Meeting - Ontario, CA
	11	CUDC Monthly Meeting - WebEx
	17	Joint Utilities Quarterly Meeting - San Jose, CA
JULY	5	CWA Annual Planning Meeting - Newport Beach, CA
	17	CUDC Monthly Meeting - WebEx
	19	LGBT Outreach Initiative - Palm Springs, CA
	19	USDP Monthly Meeting - Rancho Mirage, CA
	19-21	AICOC Expo 12th Anniversary - Rancho Mirage, CA
AUGUST	11	CWA Board of Director's Meeting - Coronado, CA
	16	Regalettes, Inc. - Los Angeles, CA
	19	CUDC Monthly Meeting - Long Beach, CA
	19	USDP Monthly Meeting - Long Beach, CA
	19-21	Elite SDVOB National Conference - Long Beach, CA
	20-21	CHCC Annual Convention - Sacramento, CA
	27-29	CALBCC Ron Brown Annual Conference - Sacramento, CA

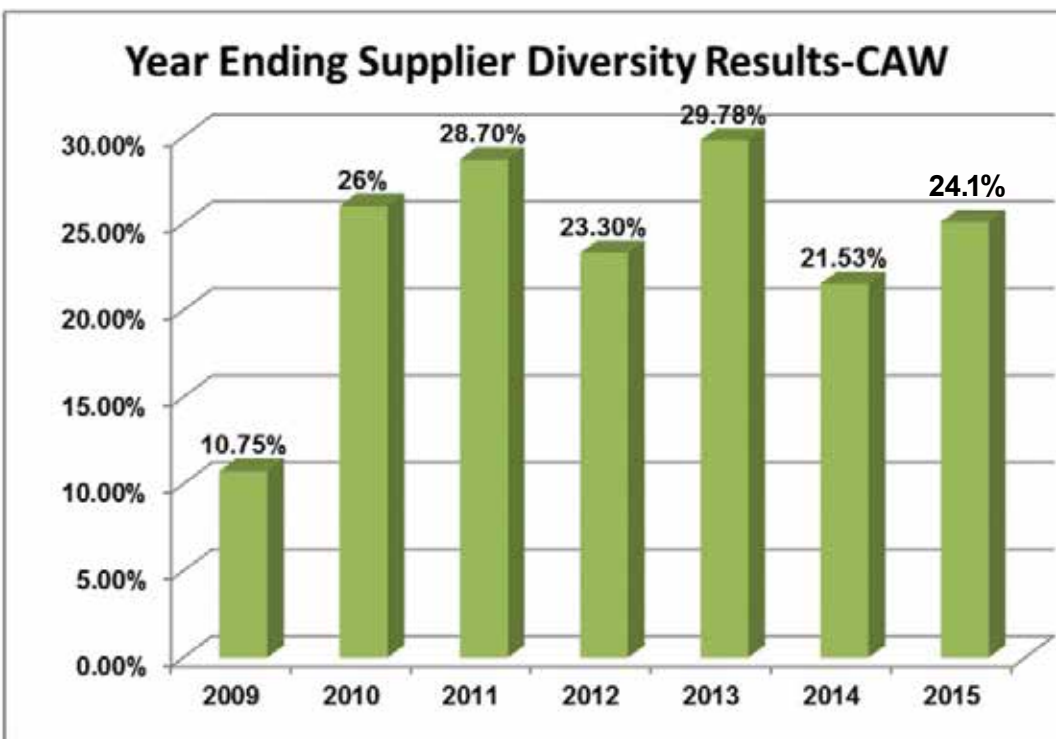
2015 HIGHLIGHTS

SEPTEMBER	11	CUDC - Host, Sacramento, CA
	15-17	12th Annual WBEC-West Strategic Procurement Conference - Santa Barbara, CA
	21	Executive Committee Meeting - Conference Call
	22	USDP Monthly Meeting - San Jose, CA
	23	USDP Prime Contractors Meeting - Campbell, CA
	25	Joint Utilities Quarterly Meeting - Southern California
OCTOBER	2	DVBA & So California Gas Co. Contacts to Contracts - Downey, CA
	2	Governance & Nominating Committee Meeting - Conference Call
	8	CPUC 13th Annual Supplier Diversity En Banc - South San Francisco, CA
	9	CUDC Monthly Meeting - WebEx
	14	CPUC Small Business Expo Bay Area - South San Francisco, CA
	18-21	NMSDC Annual Conference - San Diego, CA
	20	Executive Committee Meeting - Conference Call
	20	USDP Monthly Meeting - San Diego, CA
NOVEMBER	8-11	NARUC 127th Annual Meeting - Austin, TX
	11-13	CWA 74th Annual Conference - Monterey, CA
	13	CUDC Monthly Meeting - WebEx
DECEMBER	9	Joint Utilities Quarterly Meeting - South San Francisco, CA
	9	USDP Monthly Meeting - San Francisco, CA
	10	Board Meeting - WebEx
	10-11	CWA USDP Meeting - San Francisco, CA
	18	Board Retreat - WebEx

2015 HIGHLIGHTS

SECTION 9.1.2 – Summary of WMDVLGBTBE Program Purchases with Breakdowns by Ethnicity, Product and Service Categories, Compared with Total Utility Contract Dollars Awarded to Outside Vendors in Those Categories

In 2015, we continued to spend a higher percentage of our available procurement dollars with diverse-owned firms as shown in the chart below.



Please see the tables on the following pages which provide greater detail of expenditures by Ethnicity, Products and Services, and SIC Code.

California American Water employees Jason Companion, Engineering Technician; Melissa Ward, Water Conservation Specialist



2015 HIGHLIGHTS

SECTION 9.1.2A – Summary of Purchases and/or Contracts By Ethnicity

UTILITY SUPPLIER DIVERSITY PROGRAM ANNUAL RESULTS BY ETHNICITY – 2015					
	Ethnicity	Direct \$	Sub \$	Total \$	%
MINORITY MALE	Asian-Pacific	\$54,555	\$0	\$54,555	0.1%
	African American	\$1,591,805	\$353,049	\$1,944,854	2.1%
	Hispanic	\$5,358,200	\$662,429	\$6,020,629	6.4%
	Native American	\$99,589	\$6,776	\$106,365	0.1%
	Total Minority Male	\$7,104,150	\$1,022,254	\$8,126,403	8.7%
MINORITY FEMALE	Asian-Pacific	\$182,718	\$395,478	\$578,196	0.6%
	African American	\$42,457	\$36,233	\$78,690	0.1%
	Hispanic	\$1,646,492	\$81,647	\$1,728,139	1.8%
	Native American	\$0	\$0	\$0	0.0%
	Total Minority Female	\$1,871,667	\$513,358	\$2,385,025	2.5%
Subtotal Minority Business Enterprise (MBE)		\$8,975,816	\$1,535,612	\$10,511,428	11.2%
Subtotal Women Business Enterprise (WBE)		\$8,144,356	\$1,916,092	\$10,060,448	10.7%
Total Women, Minority Business Enterprise (WMBE)		\$17,120,172	\$3,451,704	\$20,571,876	21.9%
Subtotal Disabled Veteran Business Enterprise (DVBE)		\$422,609	\$697,396	\$1,120,005	1.2%
Subtotal Lesbian, Gay, Bisexual or Transgender Business Enterprise (LGBTBE)		\$871,346	\$0	\$871,346	0.9%
Total Other*		\$0	\$0	\$0	0.0%
Total Business Enterprises (WMDVLGBTBE)		\$18,414,127	\$4,149,100	\$22,563,227	24.1%
Net Procurement**			\$93,785,103		

NOTE: *Firms classified as 8(a) of Small Business Administration include non-WMDVLGBTBE

**Net procurement includes invoices paid, credit card payments, and total spend on a cash basis minus affiliate CAPEX and OPEX expenses

2015 HIGHLIGHTS

SECTION 9.1.2B – Summary of Purchases and/or Contracts By Products and Services (Direct)

UTILITY SUPPLIER DIVERSITY PROGRAM ANNUAL RESULTS BY PRODUCTS AND SERVICES – DIRECT – 2015					
	Ethnicity	Product \$	Services \$	Total \$	%
MINORITY MALE	Asian-Pacific	\$0	\$54,555	\$54,555	1%
	African American	\$0	\$1,591,805	\$1,591,805	23%
	Hispanic	\$5,817	\$5,352,383	\$5,358,200	75%
	Native American	\$91,011	\$8,578	\$99,589	1%
	Other	\$0	\$0	\$0	0%
	Total Minority Male		\$96,828	\$7,007,322	\$7,104,150
MINORITY FEMALE	Asian-Pacific	\$176,852	\$5,866	\$182,718	10%
	African American	\$33,426	\$9,031	\$42,457	2%
	Hispanic	\$0	\$1,646,492	\$1,646,492	88%
	Native American	\$0	\$0	\$0	0%
	Other	\$0	\$0	\$0	0%
	Total Minority Female		\$210,278	\$1,661,389	\$1,871,667
Subtotal Minority Business Enterprise (MBE)		\$307,106	\$8,668,711	\$8,975,816	49%
Subtotal Women Business Enterprise (WBE)		\$280,251	\$7,864,105	\$8,144,356	44%
Total Women, Minority Business Enterprise (WMBE)		\$587,357	\$16,532,816	\$17,120,173	93%
Subtotal Disabled Veteran Business Enterprise (DVBE)		\$12,254	\$410,355	\$422,609	2%
Subtotal Lesbian, Gay, Bisexual or Transgender Business Enterprise (LGBTBE)		\$0	\$871,346	\$871,346	5%
Total Business Enterprises (WMDVLGBTBE)		\$599,611	\$17,814,517	\$18,414,128	100%
Total Products Procurement		\$599,611			
Total Service Procurement		\$17,814,517			
Net Procurement – Direct Products and Services		\$18,414,128			

2015 HIGHLIGHTS

SECTION 9.1.2C – Summary of Purchases and/or Contracts By Products and Services (Subcontractors)

UTILITY SUPPLIER DIVERSITY PROGRAM ANNUAL RESULTS BY PRODUCTS AND SERVICES – SUBCONTRACTORS – 2015				
	Ethnicity	Product \$	Services \$	Total \$
MINORITY MALE	Asian-Pacific	\$0	\$0	\$0
	African American	\$0	\$353,049	\$353,049
	Hispanic	\$150	\$662,279	\$662,429
	Native American	\$0	\$6,776	\$6,776
	Other	\$0	\$0	\$0
	Total Minority Male		\$150	\$1,022,103
MINORITY FEMALE	Asian-Pacific	\$0	\$395,478	\$395,478
	African American	\$0	\$36,233	\$36,233
	Hispanic	\$0	\$81,647	\$81,647
	Native American	\$0	\$0	\$0
	Other	\$0	\$0	\$0
	Total Minority Female		\$0	\$513,358
Subtotal Minority Business Enterprise (MBE)		\$150	\$1,535,461	\$1,535,611
Subtotal Women Business Enterprise (WBE)		\$583,775	\$1,332,317	\$1,916,092
Total Women, Minority Business Enterprise (WMBE)		\$583,925	\$2,867,777	\$3,451,702
Subtotal Disabled Veteran Business Enterprise (DVBE)		\$68,784	\$628,612	\$697,396
Subtotal Lesbian, Gay, Bisexual or Transgender Business Enterprise (LGBTBE)		\$0	\$0	\$0
Total Business Enterprises (WMDVLGBTBE)		\$652,709	\$3,496,389	\$4,149,098
Total Products Procurement-Subcontract		\$652,709		
Total Service Procurement-Subcontract		\$3,496,389		
Total Products Procurement-Direct (from Table 9.1.2B)		\$599,611		
Total Service Procurement-Direct (from Table 9.1.2B)		\$17,814,517		
Total Diverse Procurement		\$22,563,226		

2015 HIGHLIGHTS

SECTION 9.1.2D – Procurement SIC Code Detail

WMDVLGBTBE PROCUREMENT BY STANDARD INDUSTRIAL CATEGORIES - DETAIL												
SIC CODE	CATEGORY	ASIAN-PACIFIC	AFRICAN AMERICAN	HISPANIC	NATIVE AMERICAN	OTHER (8A)	TOTAL MINORITY BUSINESS ENTERPRISE (MBE)	TOTAL WOMEN BUSINESS ENTERPRISE (WBE)	SUBTOTAL WOMEN MINORITY BUSINESS ENTERPRISE (WMBE)	SUBTOTAL DISABLED VETERAN BUSINESS ENTERPRISE (DVBE)	SUBTOTAL LESBIAN, GAY, BISEXUAL, TRANSEXUAL BUSINESS ENTERPRISE (LGBTBE)	TOTAL WMDVLGBTBE
781	Landscape Services			\$117,277.89			\$117,277.89		\$117,277.89			\$117,277.89
782	Landscape Services	\$83,919.00					\$83,919.00	\$1,500.00	\$85,419.00			\$85,419.00
783	Landscape Services			\$110,460.50			\$110,460.50		\$110,460.50			\$110,460.50
1481	Geophysical Surveying & Mapping									\$5,850.00		\$5,850.00
1541	Gen. Contractor - Construction			\$76,112.00	\$91,011.00		\$167,123.00		\$167,123.00			\$167,123.00
1542	Gen. Contractor - Non Residential		\$148,438.00				\$148,438.00	\$12,497.00	\$160,935.00	\$665,551.67		\$826,486.67
1611	Highway & Street Construction			\$1,646,492.00			\$1,646,492.00		\$1,646,492.00			\$1,646,492.00
1623	Water, Sewer, Pipe Construction			\$2,054,590.34			\$2,054,590.34	\$2,923,766.89	\$4,978,357.23	\$68,784.00	\$871,346.36	\$5,918,487.59
1629	Heavy Construction							\$252,175.00	\$252,175.00			\$252,175.00
1711	Plumbing, Heating, A/C							\$26,950.00	\$26,950.00			\$26,950.00
1731	Electrical Work		\$9,031.09	\$206,353.35			\$215,384.44	\$198,783.42	\$414,167.86			\$414,167.86
1781	Water Well, Drilling							\$951,182.64	\$951,182.64			\$951,182.64
1794	Excavation			\$519,119.00			\$519,119.00		\$519,119.00			\$519,119.00
1795	Demolition Work							\$770,035.00	\$770,035.00			\$770,035.00
1799	Special Trade Contractors			\$879,749.00			\$879,749.00	\$3,862.00	\$883,611.00			\$883,611.00
2813	Industrial Gases							\$2,286.01	\$2,286.01			\$2,286.01
2819	Industrial Chemicals							\$367,763.81	\$367,763.81			\$367,763.81
3291	Abrasive Products							\$1,108.75	\$1,108.75			\$1,108.75
3442	Metal Door, Sash, Trim Manufacturing							\$9,678.00	\$9,678.00			\$9,678.00
3669	Communication Equipment							\$6,295.00	\$6,295.00			\$6,295.00
3713	Truck and Bus Bodies				\$3,257.00		\$3,257.00		\$3,257.00			\$3,257.00
4939	Other Power Generation when combined with other services							\$10,388.28	\$10,388.28			\$10,388.28
4941	Water Supply	\$3,500.00					\$3,500.00		\$3,500.00			\$3,500.00
4952	Sewage Systems							\$69,950.50	\$69,950.50			\$69,950.50
5072	Hardware	\$176,852.00					\$176,852.00		\$176,852.00			\$176,852.00
5085	Industrial Supplies				\$5,586.00		\$5,586.00		\$5,586.00			\$5,586.00
5088	Transportation Equipment/Supplies							\$2,987.00	\$2,987.00			\$2,987.00
5093	Scrap and Waste Materials	\$16,979.00					\$16,979.00		\$16,979.00			\$16,979.00
5112	Stationery & Office Supplies									\$12,254.00		\$12,254.00
5172	Petroleum Products Wholesalers			\$5,966.81			\$5,966.81	\$583,775.00	\$589,741.81			\$589,741.81
5199	Advertising Specialties Distribution		\$33,425.76				\$33,425.76		\$33,425.76			\$33,425.76
5599	Automotive Dealers		\$1,136,290.02				\$1,136,290.02		\$1,136,290.02			\$1,136,290.02
5812	Catering		\$351,690.00	\$4,949.00			\$356,639.00		\$356,639.00			\$356,639.00
5999	Other Misc. Retail Stores	\$3,826.00					\$3,826.00		\$3,826.00			\$3,826.00
6531	Real Estate Agents/Managers							\$9,817.29	\$9,817.29			\$9,817.29

2015 HIGHLIGHTS

SECTION 9.1.2D – Procurement SIC Code Detail

WMDVLGBTBE PROCUREMENT BY STANDARD INDUSTRIAL CATEGORIES - DETAIL												
SIC CODE	CATEGORY	ASIAN-PACIFIC	AFRICAN AMERICAN	HISPANIC	NATIVE AMERICAN	OTHER (8A)	TOTAL MINORITY BUSINESS ENTERPRISE (MBE)	TOTAL WOMEN BUSINESS ENTERPRISE (WBE)	SUBTOTAL WOMEN MINORITY BUSINESS ENTERPRISE (WMBE)	SUBTOTAL DISABLED VETERAN BUSINESS ENTERPRISE (DVBE)	SUBTOTAL LESBIAN, GAY, BISEXUAL, TRANSEXUAL BUSINESS ENTERPRISE (LGBTBE)	TOTAL WMDVLGBTBE
7217	Carpet & Upholstery Cleaning			\$41,125.00			\$41,125.00		\$41,125.00	\$3,205.00		\$44,330.00
7319	Advertising							\$1,807,075.67	\$1,807,075.67			\$1,807,075.67
7338	Court Reporting Services							\$1,650.00	\$1,650.00			\$1,650.00
7353	Heavy Construction Equipment Rental & Leasing							\$9,304.00	\$9,304.00			\$9,304.00
7359	Equipment Rental & Leasing							\$68,791.00	\$68,791.00			\$68,791.00
7361	Employment Agencies	\$294,588.72					\$294,588.72		\$294,588.72			\$294,588.72
7373	Computer Integrated System Design		\$1,358.61				\$1,358.61		\$1,358.61			\$1,358.61
8111	Legal Services	\$28,076.00					\$28,076.00		\$28,076.00			\$28,076.00
8711	Engineering Services	\$19,010.00	\$113,410.00	\$246,034.76	\$6,511.00		\$384,965.76	\$370,663.84	\$755,629.60	\$364,360.00		\$1,119,989.60
8712	Architectural Services	\$6,000.00					\$6,000.00	\$20,113.00	\$26,113.00			\$26,113.00
8713	Surveying Services			\$15,250.00			\$15,250.00	\$22,965.46	\$38,215.46			\$38,215.46
8721	Accounting, Auditing & Bookkeeping Services			\$68,977.00			\$68,977.00		\$68,977.00			\$68,977.00
8732	Commercial Economic, Sociological & Educational Research		\$44,330.00				\$44,330.00		\$44,330.00			\$44,330.00
8741	Management Services		\$37,600.79	\$1,345,198.10			\$1,382,798.89	\$32,058.00	\$1,414,856.89			\$1,414,856.89
8742	Management Consulting Services			\$230,360.00			\$230,360.00	\$339,752.15	\$570,112.15			\$570,112.15
8743	Public Relations							\$391,560.13	\$391,560.13			\$391,560.13
8748	Business Consulting Services		\$147,969.47	\$180,752.96			\$328,722.43	\$149,995.00	\$478,717.43			\$478,717.43
8999	Services							\$641,717.82	\$641,717.82			\$641,717.82
TOTAL		\$632,751	\$2,023,544	\$7,748,768	\$106,365		\$10,511,427	\$10,060,448	\$20,571,875	\$1,120,005	\$871,346	\$22,563,226

SIC categories are only provided for those diverse suppliers utilized. SIC comparison for categories utilized with all suppliers is not available.

California American Water employees Kevin Flint, Distribution Supervisor; Karen Wilhelm, Conservation Specialist; Monica Na, Operations Manager



2015 HIGHLIGHTS

SECTION 9.1.3 – Itemization of WMDVLGBTBE Program Expenses

EXPENSE CATEGORY	AMOUNT
Program Staffing	\$151,791
Other Related Expenses	\$0
Report Expense	\$2,684
Training	\$0
Outreach	\$29,017
Marketing Collateral	\$3,041
TOTAL EXPENSES	\$186,533

California American Water employees Tino Gamboa, Utility Worker; Liana Bayakhmedov, Administrative Assistant; Martin Salas, Utility Worker



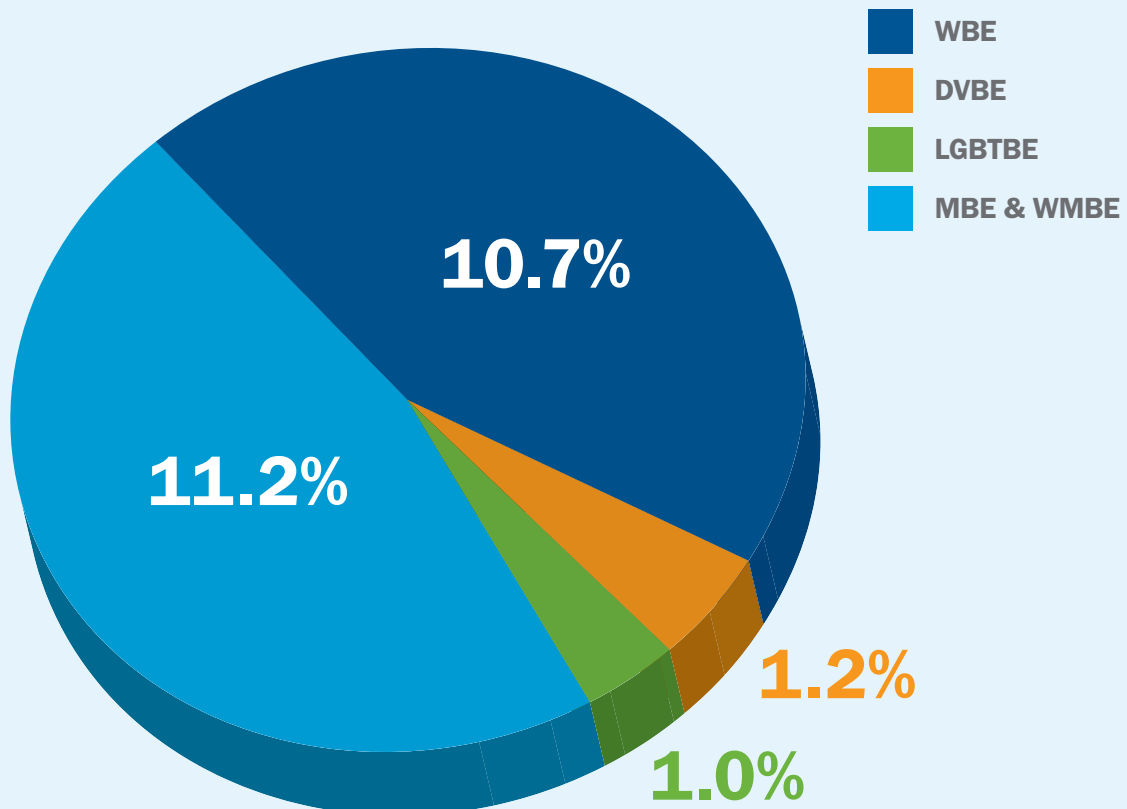
2015 HIGHLIGHTS

SECTION 9.1.4 – Description of Progress in Meeting or Exceeding Set Goals and an Explanation of Any Circumstances that May Have Caused the Utility to Fall Short of Its Goals

For the last six years, California American Water has **consistently met or surpassed diverse spend goals** of 21.5% as set forth by the California Public Utilities Commission (CPUC). While we continue to increase our total spend with diverse suppliers, we are cognizant that there are specific categories in which we have much opportunity for improvement. In 2015, we exceeded the CPUC goals for Women Business Enterprises (WBE) and Women, Minority Business Enterprises (WMBE). We were very close to attaining the stated spend with Disabled Veteran Business Enterprises (DVBE) and Minority Business Enterprises (MBE). We will continue to be diligent in identifying, and hopefully utilizing, diverse suppliers in the Native American, Asian-Pacific, African American and Disabled Veteran categories while maintaining spend with the categories in which we have been historically successful. There were no extenuating circumstances that caused California American Water to fall short of its goals.

Composition of Diversity by Category

Amounts add up to the diverse spend percentage of 24.1%.



2015 HIGHLIGHTS

SECTION 9.1.5 – Summary of Prime Contractor Utilization of WMDVLGBTBE Subcontractors

California American Water’s Second Tier Program, which encourages our Prime Supplier partners to identify and utilize diverse suppliers, has consistently increased captured spend since its inception in 2013.

The 2015 spend of **\$4.15 million with diverse subcontractors** represents an **18% increase** over the same metric reported in 2014.

We continue to actively work with our Prime Supplier partners to further encourage diverse supplier utilization in every feasible aspect of California American Water-awarded contracts.

This partnership creates additional opportunities for diverse suppliers to expand and grow their businesses and creates a significant economic impact on the communities we serve.

	Minority Male	Minority Female	Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Women Minority Business Enterprise (WMBE)	Disabled Veterans Business Enterprise (DVBE)	Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE)	Other*	TOTAL WMDV-LGBTBE
Direct \$	\$7,104,150	\$1,871,667	\$8,975,816	\$8,144,356	\$17,120,173	\$422,609	\$871,346	\$0	\$18,414,128
Subcontracting \$	\$1,022,253	\$513,358	\$1,535,611	\$1,916,092	\$3,451,702	\$697,396	\$0	\$0	\$4,149,098
Total	\$8,126,403	\$2,385,024	\$10,511,427	\$10,060,448	\$20,571,875	\$1,120,005	\$871,346	\$0	\$22,563,226
Direct %	7.6%	2.0%	9.6%	8.7%	18.3%	0.5%	0.9%	0.0%	19.6%
Subcontracting %	1.1%	0.5%	1.6%	2.0%	3.7%	0.7%	0.0%	0.0%	4.4%
Total %	8.7%	2.5%	11.2%	10.7%	21.9%	1.2%	0.9%	0.0%	24.1%
Net Procurement									\$93,785,103

NOTE: *Firms classified as 8(a) of Small Business Administration includes non-WMDVBE

California American Water employees Eric Rojas, Pump Operator; Tricia Glass, Production Specialist; Hector Torres, Meter Operator



2015 HIGHLIGHTS

SECTION 9.1.6 – List of WMDVLGBTBE Complaints Received, Accompanied by a Brief Explanation of the Nature of Each Complaint and Current Status

California American Water received no complaints from WMDVLGBTBEs.

SECTION 9.1.7 – Description of Excluded Categories

Categories excluded from our gross procurement include purchased water, purchased power, pump taxes, all taxes, franchise fees, postage, all other non-souceable categories, and affiliate transaction expenses.

SECTION 9.1.8 – Description of Efforts to Recruit WMDVLGBTBE Suppliers in Low Utilization Categories

In 2015, we met with several diverse financial and consulting firms to educate them on the types of services we may have available in these areas and to review their capabilities statement. In 2015, most of the available services were already assigned and/or did not materialize. We will endeavor to increase our diverse spend with diverse suppliers in these areas, as well as legal services.

SECTION 9.1.9 – Document Retention

California American Water will retain all documents and data utilized to prepare the 2015 Annual Supplier Diversity report to the California Public Utilities Commission for three years in conformance with our document retention policies. These documents and any data will be provided to the California Public Utilities Commission upon request.

2016 ANNUAL PLAN

In 2015, California American Water had many great successes:

- Exceeded CPUC (21.5%) goal
- Continued our Mentor Protégé Pilot Program
- Assigned a senior leadership team member to lead Supplier Diversity Program
- Restructured our Supplier Diversity Council
- Continued to increase diverse suppliers

2016 will be a year of continuous improvement.

SECTION 10.1.1 – WMDVLGBTBE Short-, Mid- and Long-Term Goals

We are driven to succeed in surpassing supplier diversity goals. It is always our intent to be diligent in all aspects of procurement sourcing to ensure inclusion of diverse suppliers at the competitive table.

We continue to understand that this will take an “All-In” approach with California American Water leaders and staff, Prime Supplier partners, diverse suppliers and Community Based Organizations; all of whom are knowledgeable and efficient in their areas of responsibility, and desiring of continuously contributing their professional strengths to reach the ultimate objective. From these combined efforts our short-, mid-, and long-term goals are to continue to exceed the CPUC’s 21.5 percent target; not because we are required to, but because **it’s the right thing to do. We are focused on making certain our suppliers reflect the communities we serve.**

Specifically, we will focus our efforts on **increasing spend** with Disabled Veterans Business Enterprises (DVBE), Minority Business Enterprises (MBE), and Lesbian, Gay, Bisexual or Transgender Business Enterprises (LGBTE). We will increase our engagement with Community Based Organizations in our procurement efforts. We will continue efforts to increase spend with diverse suppliers in legal, consulting and financial categories.

2016 ANNUAL PLAN

SECTION 10.1.2 – Planned Internal/External Activities

As the Supplier Diversity Program at California American Water matures, 2016 will bring a more focused and consistent approach to pursuing success in varying component areas, to strengthen the program as a whole. Primarily, we recognize opportunities to **increase diverse spend with minority business enterprises, service disabled veterans, and lesbian, gay, bisexual or transgender business enterprises.** To that end, we will continue to seek alignment with specific organizations and/or diverse suppliers whose members represent the categories needed to effectively compete for the products and services required to deliver water service to our communities. We will continue to work with our Prime Supplier partners to **further their education and knowledge of what supplier diversity means to us and the economic impact on the communities we serve.** We will develop consistent and stronger in-reach to California American Water staff to **ensure complete and thorough knowledge** of the supplier diversity conversation. And lastly, we will continue to seek to **advance current diverse supplier relationships and capabilities** to potentially maintain long-term business to business partnerships and help to create supplier sustainability.

PLANNED INTERNAL ACTIVITIES

- ▶ **Supplier Diversity Council** - This cross functional senior leadership employee council will educate and direct supplier diversity goals and objectives to California American Water staff at large
- ▶ **Community Based Organization forums** for introductions to California American Water staff
- ▶ **Revise RFP and contract language** to include supplier diversity targets and reporting for Prime Suppliers
- ▶ **Internal supplier diversity questionnaires** to solicit feedback on performance and identify areas of improvement

PLANNED EXTERNAL ACTIVITIES

- ▶ **Continue CWA Utility Supplier Diversity Panel (USDP) and Joint Utilities participation**
- ▶ **Conduct local supplier diversity fairs in each division**
- ▶ **National Utility Diversity Council leadership**
- ▶ **Select a New Mentor Protégé**
- ▶ **Participation in support and sponsorship (as appropriate) of Community Based Organizations**

2016 ANNUAL PLAN

SECTION 10.1.3 – Plans to Seek and Recruit WMDVLGBTBE Suppliers in Underutilized Areas (Financial, Legal, etc.)

California American Water will continue in its efforts to identify and recruit those entities which meet our core objectives to support finance ventures, consultant efforts and provide legal representation that is cost efficient and can add best value to the communities served.

SECTION 10.1.4 – Plans to Seek and Recruit WMDVLGBTBE Suppliers for Excluded Categories

We will continue to work with our National Supplier Diversity lead and National Category Procurement leads to source service company categories with diverse-owned firms.

SECTION 10.1.5 – Planned Subcontracting Opportunities

In 2016, we will continue our efforts to enhance our notification processes of diverse suppliers of upcoming subcontracting opportunities via our website at www.californiaamwater.com. We will continue to educate our Prime Supplier partners of this and will coordinate with them on best practices for introduction. We will also require a quarterly report identifying diverse supplier utilization and associated spend.

SECTION 10.1.6 – Program Compliance

California American Water is committed to meet all Supplier Diversity Program compliance areas set both internally and by the California Public Utilities Commission. We continue to hold ourselves accountable to the highest level of integrity as we create and develop administrative processes that will assure prospective diverse suppliers of fair and equitable inclusion in their pursuit of contract opportunities. We are confident that this will ensure provision of the best quality products and services to the communities we serve.

GOVERNANCE

California American Water is also proud to demonstrate our leadership and commitment to diversity and inclusion in the area of Governance. Our board is **33% female and 50% minority**.

2015 Board Members

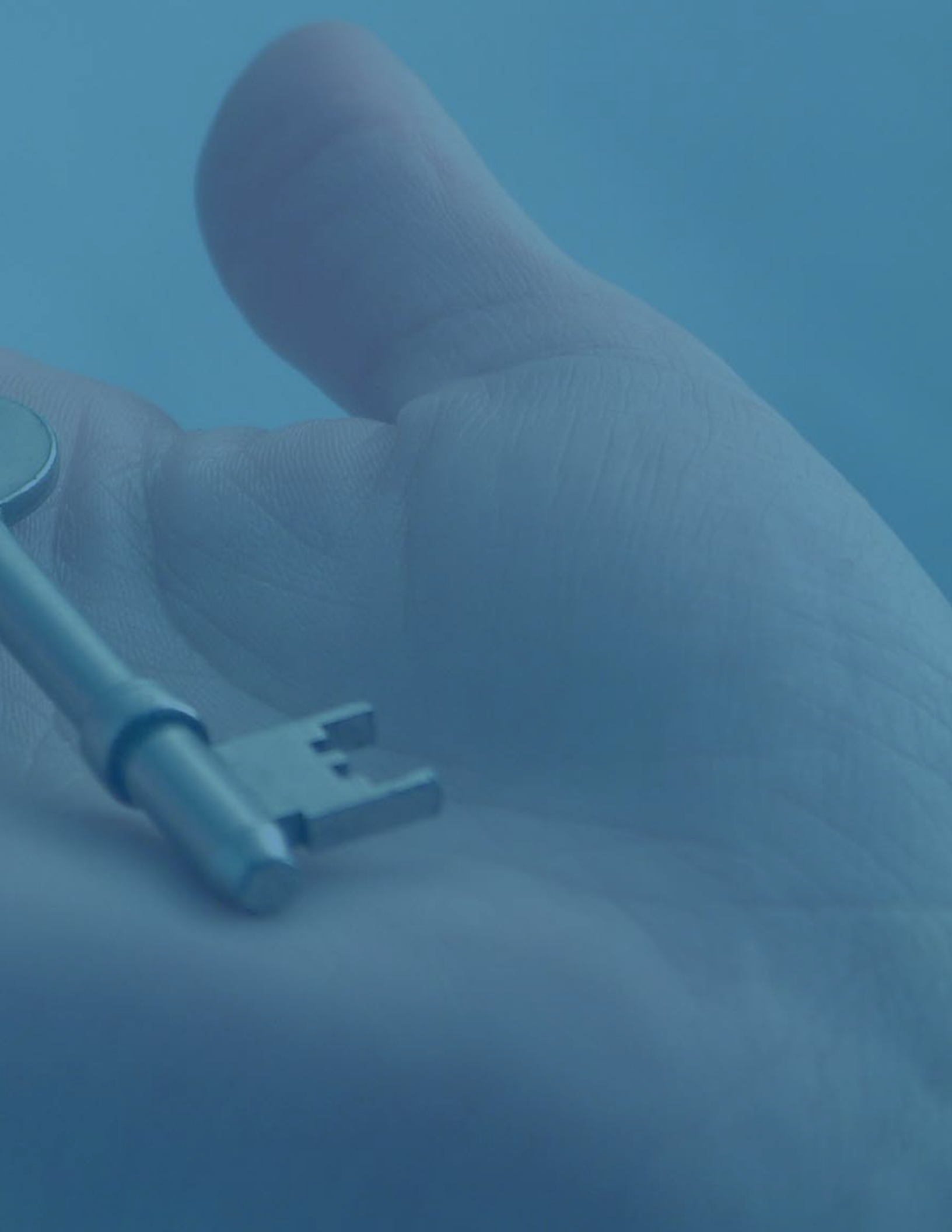
- ★ **Mr. Walter Lynch**
CHIEF OPERATING OFFICER, American Water
- ★ **Mr. Robert MacLean**
PRESIDENT, California American Water
- ★ **Sen. Kevin Murray (ret.)**
RETIRED CALIFORNIA STATE SENATOR, 26TH DISTRICT
- ★ **Ms. Cheryl Norton**
PRESIDENT, Missouri American Water
- ★ **Edward Vallejo**
VICE PRESIDENT – FINANCIAL STRATEGY, PLANNING & DECISION SUPPORT,
American Water
- ★ **Hon. Blanca Estela Zarazúa De Leon**
ATTORNEY AT LAW & HONORARY CONSUL TO MEXICO

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