

# All. In.



Together, Building  
a Better California

Supplier Diversity  
**2016** | **2017**  
ANNUAL REPORT | ANNUAL PLAN

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

Order Instituting Rulemaking into  
Implementation of Public Utilities Code  
Sections 8281-8286 Relating to Women,  
Minority, Service-Disabled Veteran and  
Lesbian, Gay, Bisexual and Transgender  
Business Enterprises R. 91-02-0111

**PACIFIC GAS AND ELECTRIC  
COMPANY (U 39 M)**

Annual Women, Minority,  
Service-Disabled Veteran and  
Lesbian, Gay, Bisexual and  
Transgender-Owned Business  
Enterprises Report for Calendar  
Year 2016

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March 1, 2017

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# **2016** ANNUAL REPORT

# Letter from the President

## PG&E “All In” with Supplier Diversity

In order to deliver safe, reliable, affordable and clean energy to the 16 million Californians we serve, PG&E relies on a team effort. We rely on our 22,000 employees and our close to 1,000 diverse suppliers who reflect California’s unique diversity. Through our work with diverse suppliers, PG&E is increasing economic opportunities in our local communities and enhancing the quality of the service we provide to our customers.



Our continued support of diverse suppliers shows in the annual results of our supplier diversity program:

- In 2016, PG&E spent an all-time high of \$2.85 billion with diverse suppliers;
- That accounted for 44 percent of the company’s total procurement spend;
- Over the last five years, PG&E has spent more than \$2 billion each year with diverse suppliers; and,
- We’ve made great progress in supplier diversity spend. Just 10 years ago, the company’s spend was \$358 million.

In line with our “One PG&E” philosophy, the company constantly works with diverse suppliers whose innovation and skills are essential in meeting the evolving needs of our customers. One key program that has made a difference with our diverse suppliers is the Technical Assistance Program, which provides capacity-building education and training to help diverse suppliers grow. Another is our Supplier Development Program, which provides participants with mentorship, capacity-building resources, opportunity identification and value chain analysis.

In addition, we’re committed to promoting supplier diversity awareness within PG&E. We acknowledge employee excellence in supporting supplier diversity through our supply chain responsibility awards. Our efforts have also been highlighted nationwide through various honors. For example, in 2016 The Greenlining Institute gave PG&E an “A” for its supplier diversity efforts and recognized our supplier diversity team for working “closely with the company’s lines of business and with their prime suppliers to identify diverse businesses that can meet their needs.”

For PG&E to effectively meet the needs of our customers in today’s evolving energy landscape, more than ever we need to work with our diverse suppliers to build a better California together.

We’re very proud to present this report, and we’re “all in” when it comes to building on the 36 years of success of our supplier diversity program.

Nick Stavropoulos  
President and Chief Operating Officer

## Results Summary and Highlights

**This is Pacific Gas and Electric Company's (PG&E) annual report to the California Public Utilities Commission (CPUC) on its progress in procuring goods and services from woman, minority, service-disabled veteran, and lesbian, gay, bisexual and transgender business enterprises—or WMDVLGBTBEs.**

In 2016, PG&E spent \$2.85 billion with WMDVLGBTBEs, or 44.4 percent of its total procurement. The company spent \$6.4 billion on products and services to deliver safe, reliable, affordable and clean service to its customers. This represented a total procurement spend increase of \$817.5 million, or 14.6 percent compared to the previous year. Overall, WMDVLGBTBE spend increased by more than \$382.8 million, or 15.5 percent.

For 11 consecutive years, PG&E has exceeded the CPUC's General Order 156 (GO 156) goal of 21.5 percent. By sustaining its 40-plus percent performance and by strengthening the quality of its supplier diversity program initiatives and diverse supply base, PG&E reinforces its commitment to an inclusive supply chain and to the economic development of the California communities it serves.

# PG&E's Success in 2016

PG&E spent \$1.2 million in its first year to report on lesbian, gay, bisexual and transgender business enterprise (LGBTBE) spend. In other diverse categories, PG&E continued to achieve record-breaking results in 2016:

- Total WMDVLGBTBE spend reached an all-time high of \$2.85 billion. This represented a year-over-year increase of \$382.8 million, or 15.5 percent.
- Total Minority Business Enterprise (MBE) spend reached an all-time high of \$1.8 billion. This represented a year-over-year increase of \$237.6 million, or 14.9 percent.
- Total Women Business Enterprise (WBE) spend reached an all-time high of \$797.7 million. This represented a year-over-year increase of \$74.6 million, or 10.3 percent.
- Combining Minority Women and WBE categories, PG&E spent \$1.3 billion with woman-owned businesses. This represented a year-over-year increase of \$149.3 million, or 12.6 percent.
- Service-Disabled Veteran Business Enterprise (DVBE) spend reached an all-time high of \$223.9 million. This represented a year-over-year increase of \$69.3 million, or 44.8 percent.

## Diverse Category Comparison 2015–2016

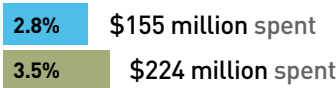
### MBE



### WBE



### DVBE



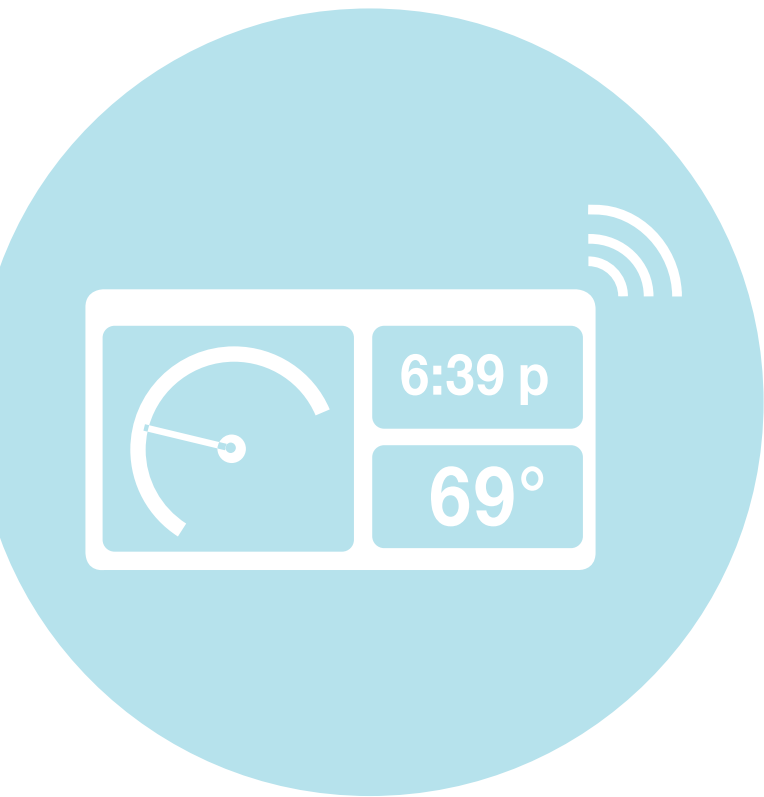
### LGBTBE

2015 N/A



**PG&E also improved its utilization of MBEs in every ethnic category year over year:**

- Asian/Pacific American spend reached a new high of \$458.1 million.  
This represented a year-over-year increase of \$63.1 million, or 16.0 percent.
- African American spend reached a new high of \$465.4 million.  
This represented a year-over-year increase of \$24.9 million, or 5.7 percent.
- Hispanic American spend reached a new high of \$750.2 million.  
This represented a year-over-year increase of \$147.8 million, or 24.5 percent.
- Native American spend reached a new high of \$154.6 million.  
This represented a year-over-year increase of \$1.9 million, or 1.2 percent.
- Minority men spend reached a new high of \$1.3 billion.  
This represented a year-over-year increase of \$163.0 million, or 14.4 percent.
- Minority women spend reached a new high of \$531.5 million.  
This represented a year-over-year increase of \$74.7 million, or 16.3 percent.





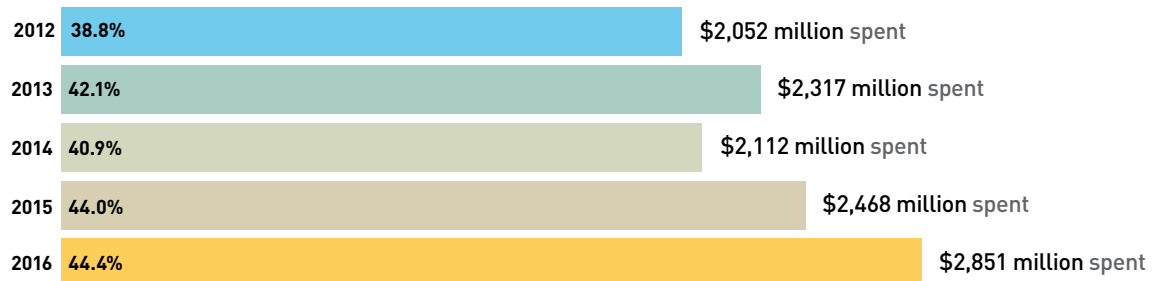
## PG&E's Five-Year Continuous Improvement Trend

PG&E is steadfast in incorporating supplier diversity into its procurement process. The company's diverse spend over the last five years (2012-2016) demonstrates the progress it has made in all three major diverse spend categories. Total spend increased \$1.1 billion or, 21.6 percent, over the last five years while diverse spend increased at a significantly faster rate, \$798.9 million, or 38.9 percent.

- MBE spend increased \$550.5 million, or 43.1 percent.
- WBE spend increased \$138.8 million, or 21.1 percent.
- DVBE spend increased \$108.8 million, or 94.6 percent.

### PG&E Five-Year Performance—WMDVLGBTBE

2012–2016



#### Ethnic categories that increased over the past five years:

- Asian/Pacific American spend increased \$168.3 million, or 58.1 percent.
- African American spend increased \$109.6 million, or 30.8 percent.
- Hispanic American spend increased \$289.5 million, or 62.9 percent.
- Minority men spend increased \$416.7 million, or 47.3 percent.
- Minority women spend increased \$133.8 million, or 33.7 percent.

As PG&E strives for continuous improvement, the company's Supplier Diversity, Sourcing and Line of Business teams will continue to work cross-functionally to develop new and strengthen existing strategic initiatives to ensure sustainable supplier diversity results.

## Description of WMDVLGBTBE Program Activities During the Previous Calendar Year (Sec 9.1.1)

### INTERNAL PROGRAM ACTIVITIES

#### Supplier Diversity Program Resources and Team Structure

PG&E's Supply Chain Responsibility Department's mission is to advance an industry-leading responsible supply chain that is diverse, environmentally sustainable and ethical. The director of Supply Chain Responsibility reports to the vice president of supply chain management and is supported by a team of managers, expert and senior consultants. The Supplier Diversity Program strives to achieve best-in-class results, optimize PG&E's supply chain and deliver innovative technical assistance and development initiatives that enable small, diverse business success. PG&E's Supply Chain Environmental Sustainability Initiative leads the utility industry in driving supplier environmental performance improvement and reducing environmental footprint through its product strategies. The Supply Chain Responsibility team also manages PG&E's supplier code of conduct.

The Supply Chain Responsibility team partnered with the sourcing organization, line of business (LOB) officers, their appointed Supplier Diversity LOB Champions and other key internal stakeholders to develop and implement strategies and programs to strengthen WMDVLGBTBE participation in PG&E's business.

**To achieve its supplier diversity goals, the Supply Chain Responsibility team directed the following activities:**

- Established officer- and director-level supplier diversity goals for each LOB
- Led cross-functional teams to achieve supplier diversity goals
- Tracked and reported monthly supplier diversity spend results
- Advanced and implemented WMDVLGBTBE business development strategies
- Offered training and resources to suppliers to promote safe, sustainable, diverse and ethical supply chain management
- Managed technical assistance and supplier development programs
- Collaborated with community-based and diverse organizations
- Coordinated and participated in supplier diversity outreach events
- Responded to WMDVLGBTBE prospective supplier inquiries
- Ensured compliance with General Order 156

## Employee Education

In 2016, PG&E continued to use multiple channels to engage its employees in the Supplier Diversity Program's mission, goals and initiatives throughout the year.

### Training

PG&E's Supply Chain Responsibility team conducted formal and informal supplier diversity training throughout the year. The team trained newly appointed Supplier Diversity LOB Champions on their key role as drivers of supplier diversity planning and results within their LOB. Champions and key partners across the company were trained on how to identify specific inclusion opportunities through value chain and spend data analysis. Some training sessions focused on upcoming projects and how to work with prime suppliers to optimize diverse participation and accurately track and report subcontracting. Outreach ambassadors received training on program performance, bid opportunities and resources available to the diverse business community. Employees also received training on how to include supplier diversity into sourcing processes and documentation.

### Supply Chain Responsibility Outreach Ambassador Program

The Supply Chain Responsibility team continued to recruit and train volunteer outreach ambassadors to support supplier diversity activities. The 100-plus ambassadors include employees throughout the company, from buyers to engineers. Through their efforts, PG&E met hundreds of prospective WMDVLGBTBEs across PG&E's service territory. Ambassadors engaged with a wide range of businesses at various diverse business conferences, trade shows and workshops, including the CPUC's small business expos. They also participated in business matchmaking sessions.

### Partnered Outreach with Employee Resource Groups

PG&E's Employee Resource Groups (ERG) play an active role in promoting diversity and community service within the company and represent approximately 15 percent of the employee population. Each ERG provides employees with opportunities to get involved with the community and participate in outreach activities. The ERGs include: Access Network ERG, Asian ERG, Black ERG, Latino ERG, Legacy ERG, NuEnergy ERG, Pride Network ERG, Samahan Employee ERG, Women's Network ERG and Veterans ERG.

In 2016, PG&E's Supply Chain Responsibility team partnered with ERGs to organize five educational workshops for small and diverse suppliers in celebration of Black History Month, Asian American Heritage Month, LGBT Pride Month, Hispanic Heritage Month and Veterans Month. These workshops' primary purpose was to outreach to prospective suppliers and educate them on what it takes to become a PG&E supplier. However, the events also served as opportunities to brief ERG members and key leaders on PG&E's Supplier Diversity Program and to connect them with the small and diverse business community. Workshops engaged volunteers across the company to support educational presentations and diverse business matchmaking sessions. PG&E's officers and executives also participated as keynote speakers.

## External and Internal Websites

PG&E's Supply Chain Responsibility external website published a range of content regarding its Supplier Diversity Program, including an outreach calendar of upcoming events, diverse and small business certification resources, technical assistance program resources, prime supplier program resources and a comprehensive set of frequently asked questions. The website also links prospective suppliers to helpful information regarding PG&E's Supplier Code of Conduct, Contractor Safety Program, Supplier Qualification Manual and upcoming bid opportunities. PG&E published contract opportunities totaling more than \$40 million in 2016.

The Supply Chain Responsibility Program's quarterly newsletter, *Powered by Diversity*, was also published on the external website and distributed widely to PG&E's community partners and internal stakeholders. It continued to be a key vehicle for communicating responsible supply chain information and featured diverse supplier profiles, environmental sustainability best practices, industry recognitions, recent activities and more.

PG&E's internal website continued to be a centralized resource of supplier diversity and supply chain sustainability information for employees. In addition to program overviews, sourcing specialists and LOB partners could access green business and prime supplier program resources, as well as request for proposal (RFP) and contracting templates. Buyers could also access a form to submit a contract opportunity announcement for publishing on PG&E's public website.



## **Key Conferences and Internal Meetings**

Supplier diversity continued to be a strategic initiative discussed at PG&E meetings and conferences in 2016. PG&E highlighted supplier diversity goals and key initiatives in its conferences, company meetings, LOB team meetings and bi-monthly Supplier Diversity LOB Champion meetings.

Executive-level meetings were held between supply chain leaders and the leaders of various LOBs to discuss supplier diversity results and gap-closing plans. Throughout 2016, PG&E's leadership encouraged employees to support company efforts to work with a broad range of suppliers. Supply Chain Responsibility, Sourcing and LOB team members held meetings on a regular basis to ensure small and diverse suppliers were included in the company's largest projects.

PG&E continued to recognize the collaboration between PG&E and its prime suppliers through its annual Supplier Awards. PG&E's employees nominated suppliers for award categories that included Responsible Supplier of the Year, Small Supplier of the Year, Safety Supplier of the Year and LOB Suppliers of the Year. Nomination committees then evaluated and selected winners based on their performance in safety, affordability, reliability, customer service and supply chain responsibility. Five out of the seven supplier award winners selected were diverse, highlighting the quality of WMDVLGBTBEs in PG&E's supply chain.

## **Employee Recognition**

Throughout the year, the Supply Chain Responsibility team recognized its LOB Champions, Sourcing team members and other key personnel for their noteworthy contributions to building PG&E's supplier diversity success. Recognition included certificates of appreciation, acknowledgment of their contributions during LOB Champion meetings and awards presented at various company meetings.

During its annual Supply Chain Responsibility Awards, PG&E's officers presented special awards to employees with exceptional supplier diversity and sustainability performances. In 2016, PG&E's executive vice president recognized one individual with the "President's Award" for best exemplifying role-model leadership in supplier diversity and sustainability. Other individuals and teams received awards for implementing best practices in the course of producing excellent supplier diversity and sustainability results. The event's keynote speaker, Joset Wright-Lacy, president of the National Minority Supplier Development Council, talked to the audience about the state of diverse businesses nationwide and congratulated PG&E for being a national leader in championing a responsible supply chain.

## Coverage of Results

In 2016, PG&E employed multiple channels to communicate its supplier diversity results to internal and external stakeholders. After filing the company's Supplier Diversity 2015 Annual Report and 2016 Plan, PG&E distributed the report internally to Supplier Diversity LOB Champions, officers and other employees. The report was distributed externally to community-based organizations and other California utilities and suppliers. It was also posted on PG&E's Supply Chain Responsibility website. Over the past few years, including in 2016, numerous local and national news outlets published articles regarding PG&E's noteworthy WMDVLGBTBE spend and the best practices employed to achieve such results.

PG&E's internal website featured a front-page story on the company's \$2.5 billion spend with diverse suppliers. Additionally, *Currents*, the company's online publication for news and perspectives, published 10 stories throughout the year regarding supplier diversity. As with previous years, PG&E also shared year-end results in its online *Powered by Diversity* newsletter produced by the Supply Chain Responsibility team.

PG&E prepared supplier diversity results and progress updates for the annual PG&E Board of Directors' Public Policy Committee meeting. The Public Policy Committee regularly reviews policies and practices for the company's key initiatives, including supplier diversity.

PG&E's leadership team held LOB organizations accountable for supplier diversity performance. Results were tracked in key business metrics and shared with senior management on a monthly basis. LOBs performing below target were requested to provide a variance explanation that included actions to close the gap.

At bimonthly Supplier Diversity LOB Champion meetings, various LOB champions provided updates on performance, as well as shared key accomplishments and best practices. These cross-functional meetings, led by the director of Supply Chain Responsibility, included the senior vice president of Safety and Shared Services, vice president of Supply Chain and representatives from Supplier Diversity, Sourcing and the LOBs.

Supplier diversity results were available company-wide through the company's supplier diversity reporting systems. The Supply Chain Responsibility team also responded to numerous ad hoc requests for data and analytics on an ongoing basis. PG&E recognized the importance of management review of metrics in driving performance and continued to leverage reports to review processes that support goal achievement.

## Prime Supplier Program

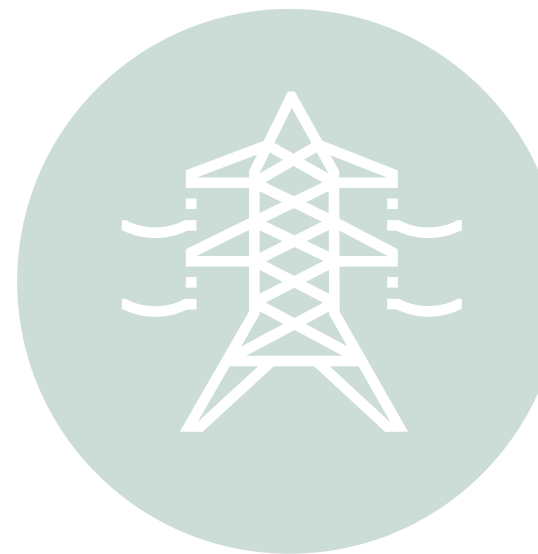
In 2016, PG&E's supplier diversity subcontracting performance increased, with its prime suppliers reporting more than \$679.1 million in spending with WMDVLGBTBEs, representing a 9.8 percent increase over 2015.

PG&E continues to work with its suppliers to sustain strong supplier diversity performance year-over-year. PG&E's Prime Supplier Program requested that prime suppliers establish and execute their own supplier diversity programs, develop supplier diversity plans that set goals and describe internal best practices to increase WMDVLGBTBE participation and accurately report to PG&E the monthly results of their subcontracting efforts with WMDVLGBTBEs.

Monthly prime supplier webinars and in-person trainings provided background to understand the history of the Supplier Diversity Program, as well as additional details to develop a comprehensive plan, report correctly and plan for an audit.

Throughout 2016, PG&E invited prime suppliers to examine their operational value chains for new or expanded subcontracting opportunities. The Supply Chain Responsibility team continued work with Sourcing and LOB partners to encourage the performance of key prime suppliers by asking them to forecast and proactively manage supplier diversity subcontracting performance.

At the end of 2016, and for the sixth year in a row, PG&E hired a third-party firm to perform its annual subcontractor reporting and payments audit of its Prime Supplier Program to ensure accurate WMDVLGBTBE reporting from prime suppliers. Audit findings are reflected in the 2016 reported results.



## Prime Supplier Academy

2016 represented a second successful year for PG&E's Prime Supplier Academy. The academy offers targeted training workshops, delivered both in-person and through virtual webinars, to support PG&E's prime suppliers in enhancing their own supplier diversity and sustainability initiatives.

**In 2016, the Prime Supplier Academy delivered workshops focused on the following topics:**

- Robust Supplier Diversity Program Development
- Successful Diverse Business Mentorship and Training
- Supply Chain Responsibility and the RFP Evaluation Process
- Value Chain Analysis and Diverse Opportunity Identification
- The Value of Supply Chain Responsibility





## Technical Assistance and Capacity Building

PG&E's Technical Assistance Program (TAP) provided capacity-building education and coaching for WMDVLGBTBEs of all sizes. The program's success is a direct reflection of the benefit of collaboration and partnerships with community-based organizations (CBO) and other expert organizations.

**PG&E's TAP is based on the structure defined in the CPUC's Order Instituting Rulemaking 09-07-027 Three-Tier Technical Assistance Plan for WMDVLGBTBEs:**

<b>Tier 1: Smaller WMDVLGBTBEs</b>	<b>Tier 2: Midsize WMDVLGBTBEs</b>	<b>Tier 3: Advanced Technology/Emerging Market WMDVLGBTBEs</b>
1–3 years' experience, less than \$1M revenue	3+ years' experience, revenue more than \$1M	5+ years' experience, demonstrated readiness to grow
<ul style="list-style-type: none"> <li>• JFK University Business Growth Accelerated Program</li> <li>• UC Berkeley Financial Acumen for Leaders Course</li> <li>• Diverse Suppliers are Cyber-Secure</li> <li>• Diverse Suppliers are Safe</li> <li>• Diverse Suppliers Go Green</li> <li>• Diverse Suppliers Go Global</li> <li>• Access to Capital/Credit Training</li> <li>• SBA Partnership Workshops</li> </ul>	<ul style="list-style-type: none"> <li>• UCLA MDE Program</li> <li>• University of Washington MBE Program</li> <li>• UC Berkeley Financial Acumen for Leaders Course</li> <li>• ISO 9001/14001 Certification Training</li> <li>• Diverse Suppliers are Cyber-Secure</li> <li>• Diverse Suppliers are Safe</li> <li>• Diverse Suppliers Go Green</li> <li>• Diverse Suppliers Go Global</li> <li>• SBA Partnership Workshops</li> </ul>	<ul style="list-style-type: none"> <li>• ISO 9001/14001 Certification Training</li> <li>• UCLA MDE Program</li> <li>• University of Washington MBE Program</li> </ul>

## PG&E's Signature Initiatives

PG&E understands that an important part of supporting WMDVLGBTBEs is offering them the tools and technical assistance needed to succeed in today's changing marketplace. These signature TAP initiatives are intended to assist in these efforts.

### Diverse Suppliers are Safe

PG&E launched this initiative in 2012 to educate WMDVLGBTBEs on the importance of safety. Four workshops were conducted in 2016. Trainings provided participants with information on the key elements needed to develop a robust safety program, including a self-assessment and tracking safety metrics. Attendees also received coaching on how to highlight their safety plans in their business proposals. On December 2, PG&E held a safety workshop for 60 of its prime suppliers and subcontractors that focused on safety. PG&E worked with a third-party safety firm to provide participants with the tools to understand, build and revise their safety program and plans. The workshop also included PG&E presenters who gave an overview of PG&E's ISNetworld safety and Gold Shovel requirements.

### **Diverse Suppliers are Cyber-Secure**

In 2014, PG&E launched one of the first cybersecurity initiatives in the country specifically created for the diverse business community. This initiative raises cybersecurity awareness, explains the risks associated with web-based connectivity, details some of the approaches a small business can take to cost-effectively assess its vulnerability and suggests available resources to help diverse businesses reduce their risk. As a result of this innovative approach, Edison Electric Institute recognized PG&E with a 2016 award for its "Diverse Suppliers are Cyber-Secure" initiative. In 2016, PG&E conducted five cybersecurity workshops in collaboration with the LGBTBE, WBE and MBE community. These workshops included presentations from cybersecurity experts from the FBI, small business and large corporate security.

### **Diverse Suppliers Go Green**

This signature initiative, launched in 2010, provides information to small and diverse businesses on how to develop and implement their own environmental sustainability initiatives. The training includes education on establishing policies and practices that improve the environmental profile of each business. Participants learn how to track and set improvement goals for environmental impacts such as energy usage, waste and water usage. The workshops also explore how business strategies that include environmental sustainability can reduce costs and improve business operations. In 2016, PG&E conducted two Diverse Suppliers Go Green workshops.

### **Diverse Suppliers Go Global**

This signature initiative educates WMDVLGBTBEs on how global markets and supply chains can be leveraged to strengthen and grow their businesses.

### **UCLA Management Development for Entrepreneurs (MDE) Program**

The MDE Program is an intensive, graduate-level certification program offered to owners and managers of entrepreneurial businesses to help develop their management skills and strengthen their ability to build effective organizations. As a part of the program, participants complete an individualized business improvement plan that they can take back to their company to implement. In 2016, PG&E sponsored five WMDVLGBTBEs to attend the UCLA MDE Program.

### **University of Washington Minority Business Executive Program**

PG&E continued to offer scholarships to WMDVLGBTBEs to attend University of Washington Foster School of Business' Minority Business Executive Program. This National Minority Supplier Development Council (NMSDC)-affiliated program assists diverse business leaders by helping them to utilize financial tools, to make more effective decisions, to market more effectively and to develop long-term growth strategies. In 2016, PG&E provided two WMDVLGBTBEs with scholarships to attend this program.

## **International Organization for Standardization (ISO) Certification Training Scholarships**

PG&E continued to sponsor educational training for WMDVLGBTBEs to help them understand the value of managing supply chain risk and improving quality via ISO certification. Scholarships supported one-on-one training that assisted WMDVLGBTBEs by successfully implementing ISO standards into their management systems. PG&E provided two WMDVLGBTBEs with scholarships in 2016.

## **Small Business Administration (SBA) Collaboration**

PG&E has partnered with the SBA for the past five years to provide capacity-building training to the small and diverse business community. In 2016, PG&E sponsored a number of workshops throughout PG&E's service territory. Many of these workshops—held during Black History Month, Asian American Heritage Month, LGBT Pride Month, Hispanic Heritage Month and Veterans Month—were conducted in collaboration with PG&E Employee Resource Groups. PG&E presented on how to do business with utilities, moderated supplier panels and invited its prime suppliers to network with the small and diverse business community. The SBA utilized their small business expertise to educate attendees on other related business development training topics. The California Department of General Services and Minority Business Development Agency (MBDA) also supported these events with capacity-building presentations of their own.

### **Workshop topics included:**

#### **Access to Contracts**

- How to Complete a Request for a Proposal at PG&E
- Benefits of the 8(a) Program
- The Importance of Certifications
  - California Public Utilities Commission
  - California Department of General Services
  - National Minority Supplier Development Council
  - Women's Business National Enterprise Council
  - National Gay and Lesbian Chamber of Commerce

#### **Access to Capital**

- SBA Loan Programs
- Financial Education
  - How to Apply for a Loan
  - Understanding Financial Statements
  - Key Financial Ratios
  - Guarantor Risk
  - Strategies for Strengthening Risk Profiles
  - Understanding Credit Profiles

## **Financial Education and Support**

PG&E developed the Accelerated Pay Program in 2015 to provide technical and financial assistance to small and diverse businesses with cash flow challenges. The goal of PG&E's Accelerated Pay Program is to support financial health and education for small and diverse suppliers. In 2016, PG&E continued to support small business suppliers in need by offering accelerated payment options and financial technical assistance. This assistance included scholarships to a UC Berkeley course on business financial analysis and management as well as one-on-one business coaching sessions with a professional advisor.

## Supplier Development Program

PG&E continued to focus on supporting the competitive development of key WMDVLGBTBEs through its Supplier Development Program. A new group of four WMDVLGBTBEs was selected in 2016 to participate in the formal program—one WBE and three MBEs (Hispanic, Asian). These new mentees, as well as five graduating WMDVLGBTBEs, were recognized during PG&E's annual Supplier Development Luncheon. PG&E's executives and keynote speaker, Orson Aguilar, president of The Greenlining Institute, also attended to congratulate the program participants.

### Components of the formal Supplier Development Program include:

- Executive mentorship
- Cross-functional supplier development team support
- Quality certification training
- Educational scholarships to management development programs
- Detailed business analysis (i.e., strengths, weaknesses, opportunities, threats analysis)
- Customized business development plans



## EXTERNAL PROGRAM ACTIVITIES

### LGBTBE Outreach

PG&E's support of LGBTBEs predates Assembly Bill 1678 and the addition of LGBTBEs to General Order 156. In fact, PG&E was proud to be the first utility to include LGBTBEs, certified by the National Gay and Lesbian Chamber of Commerce (NGLCC), in its Supplier Diversity Program and corporate supplier diversity policy in 2012. Since then, PG&E has fully integrated LGBTBE inclusion into its systems and processes. The NGLCC recognized the company's leadership in this area by naming PG&E their Corporation of the Year in 2016.

**In 2016, PG&E increased its work with local LGBTBE chambers—Golden Gate Business Association (GGBA), Rainbow Chamber of Silicon Valley (RCCSV) and Rainbow Chamber of Sacramento (RCCS)—as well as the NGLCC. As an integral part of the outreach strategy, PG&E sponsored and attended several events focusing on identifying and developing LGBTBEs, such as:**

- Connecting with local LGBTBEs through GGBA, RCCSV and RCCS business outreach mixers and networking events (2016)
- Celebrating LGBTBE leadership in the Bay Area at GGBA Power Luncheon (2015, 2016)
- Connecting local LGBTBEs with PG&E business opportunities and educated attendees on cybersecurity business considerations through PG&E's First Annual Out for Business Workshop in collaboration with GGBA, RCCSV and RCCS (2016)
- Connecting with national LGBTBEs through NGLCC National Business and Leadership Conference (2014, 2015, 2016)
- Celebrating outstanding achievements in diversity and leadership in the LGBT and allied business community through NGLCC National Dinner (2014, 2015, 2016)

Multiple efforts led to an increase in LGBTBE spend from the previous year. PG&E focused on identifying and encouraging qualifying businesses to certify with the CPUC as LGBTBE. In addition to educating the LGBTBE community about the value of certification, PG&E also trained its prime suppliers, sourcing specialists and LOB partners on the importance of LGBTBE inclusion in all contracting opportunities. PG&E ensured all supplier diversity program training materials included LGBTBE language and shared upcoming bid opportunities with the LGBTBE business community. The Supply Chain Responsibility team also facilitated business introductions internally by targeting at least one LGBTBE to introduce to decision makers within each LOB. Finally, PG&E's first annual "Out for Business" workshop connected LGBTBEs to PG&E's supply chain professionals and shared valuable information on cyber risks for small and diverse businesses.

PG&E is committed to continuing to educate and promote the full inclusion of LGBTBEs into its supply chain.

## DVBE Outreach

PG&E continued to support internal and external activities to promote DVBE inclusion, engage with the DVBE community, provide training and connect qualified DVBEs to contracting opportunities. The Supply Chain Responsibility team worked closely with the California Disabled Veteran Business (DVB) Alliance and the Elite Service-Disabled Veteran-Owned Business (SDVOB) Network, and its local affiliates, to educate DVBEs and connect them to direct and subcontracting opportunities.

### **PG&E conducted workshops and supported a number of DVBE events in 2016, including:**

- DVB Alliance IT and Professional Services Expo: This California expo connected DVBEs with public and private sector buyers. PG&E participated in formal business matchmaking and presented on a panel titled “An Insider’s Guide to Successful Contracting in the IT and Professional Services Markets.”
- DVB Alliance Keeping the Promise Conference: PG&E supported one-on-one business matchmaking sessions and an exhibit booth.
- Elite SDVOB Networking and Safety Workshop: In addition to a business matchmaking session, the Northern California workshop included a PG&E safety leader presenting on the company’s Contractor Safety Program. This safety training covered supplier prequalification requirements, pre-project planning and job hazard analysis, post-project review for lessons learned and incident evaluations to determine corrective action.
- 2016 Elite SDVOB National Conference: PG&E participated in a best practices panel discussion on helping DVBEs create successful line cards and prepare for business matchmaking. PG&E also supported a booth and engaged in one-on-one business matchmaking appointments.

PG&E ended the year by hosting its fourth annual “Boots to Business” workshop for DVBEs in partnership with the SBA and the California Department of General Services. “Boots to Business” is a SBA program that introduces transitioning military service members to the fundamentals of small business ownership and available SBA tools and resources. More than 50 DVBEs and 20 prime suppliers attended the workshop. The president of PG&E’s Veterans ERG opened the event with a safety message and introductions while PG&E’s Chief Security Officer delivered welcoming remarks. In addition to learning about what it takes to become a PG&E supplier, attendees received information regarding the California Department of General Services’ certifications for DVBEs and other veteran-owned businesses.

The workshop included a panel discussion with PG&E suppliers that addressed the importance of critical safety requirements like ISNetworld® and Gold Shovel certification. The panelists shared best practices in supply chain responsibility excellence and discussed opportunities in subcontracting. Attendees also participated in prime supplier business matchmaking meetings.

## Loan Fund

PG&E supported access to capital for diverse suppliers. As in years past, PG&E continued as an investor in the Business Consortium Fund (BCF). The BCF is a minority business development company created by the National Minority Supplier Development Council to provide contract financing to certified MBEs through a network of local participating banks.

## External Communications

PG&E's 2016 communication strategy used various channels to share best practices and success stories. PG&E's print ads appeared in several diverse publications and event program brochures throughout the year. In addition to linking readers to resources available at the company's website, the advertisements emphasized PG&E's more than 35-year commitment to supplier diversity and highlighted its \$2.5 billion spent in 2015 with diverse suppliers.

### **PG&E published advertisements in the following diverse publications:**

- *Affinity Magazine*
- *Bay Area Reporter*
- *Diversity Plus*
- *MBE Magazine*
- *MBN-USA*
- *Professional Woman's Magazine*
- *US Veterans Magazine*
- *WE USA*

### **In addition, multiple publications featured articles on PG&E's supplier diversity successes including, but not limited to:**

- *MBE Magazine*: Corporate Strategies—PG&E Supplier Profile: Bay Area Traffic Solutions
- *MBE Magazine*: Why is Cybersecurity Important For PG&E's Diverse Suppliers
- *MBN USA*: Supplier Development Luncheon—Highlighting an MBE graduate
- *WE USA*: Why Does PG&E Spend \$1 Billion With Women-Owned Business Enterprises? One Word: Commitment
- *Yahoo Finance*: PG&E Continues to Set Records with \$2.5 Billion in 2015 Diverse Spend

## Awards and Recognition

**PG&E continued to be recognized for its efforts and accomplishments in promoting diversity. Below are some of the awards PG&E received in 2016:**

- Awarded "Corporation of the Year" by NGLCC
- Named "America's Top Companies for Women-Owned Businesses" by Women's Business Enterprise National Council
- Received "Corporate Gazelle Award" by National Minority Supplier Development Council
- Received "Supplier Diversity Initiative of the Year" for Diverse Suppliers are Cyber-Secure initiative by Edison Electric Institute
- Inducted into "Million Dollar Round Table" for spending more than \$450 million with Hispanic-owned businesses by the US Hispanic Chamber of Commerce
- Named "Utility Corporation of the Year" by Western Regional Minority Supplier Development Council
- Named "2016 Supplier Diversity Leader of the Year" by Western Regional Minority Supplier Development Council
- Listed as one of "2016 Top Corporations for LGBT Economic Empowerment" by *Affinity Magazine*
- Inducted into the "WBE Hall of Fame" by the American Institute of Diversity and Commerce
- Awarded "Regional Corporation of the Year" by ASTRA Business Women's Alliance
- Named "2016 Top Supplier Diversity Program in Annual Best of the Best" by *Black EOE Journal*
- Named "2016 Corporate Community Leader Award" by California Black Chamber of Commerce
- Ranked in the top five "Regional Utilities for Diversity" by Diversity Inc.
- Named "America's Top 50 Organizations for Multicultural Business" by DiversityBusiness.com
- Received a 100 percent on the Corporate Equality Index by Human Rights Campaign Foundation
- Named "2016 Corporate 101: Most Admired Companies for Supplier Diversity" by *MBN USA*
- Named "2016 Champions of Supplier Diversity" by *MBN USA*
- Named "2016 Corporate Buyers of the Year" by *MBN USA*
- Awarded "2016 Best-in-Class Leaders" by *MBN USA*
- Named "2016 NBIC Best-of-the-Best Corporations for Inclusion" by National Business Inclusion Consortium and NGLCC
- Named "Top 100 Leaders in Supplier Diversity" by *WE USA*
- Named "WE 100 Corporations of the Year" by *WE USA*



## Outreach

In 2016, PG&E participated in more than 65 local, state and national supplier diversity outreach events to meet with qualified prospective WMDVLGBTBEs. The Supply Chain Responsibility team and its outreach ambassadors benchmarked and shared best practices with other corporations, connected prime suppliers to WMDVLGBTBEs and educated prospective suppliers on what it takes to compete for PG&E business.

### **PG&E sponsored and/or participated in the following activities:**

- American Association of Blacks in Energy—2016 Conference: Energy Connections in a Global Environment
- American Indian Chamber of Commerce—13th Annual Expo
- American Indian Chamber of Commerce—Annual Conference AICOC Nat'l Heritage Month
- American Institute of Diversity and Commerce—2016 WBE Hall of Fame
- Astra Women's Business Alliance—2016 STEAM Summit
- Astra Women's Business Alliance—Construction Industry Group
- Astra Women's Business Alliance—Northern California Economic Summit
- Astra Women's Business Alliance—Procurement Summit and Holiday Recognition Luncheon
- Business Matchmaking—Oakland Business Matchmaking and Roundtable on Opportunities for Veterans San Francisco
- California Asian Pacific Chamber of Commerce—Asian and Pacific Islanders Legislative Caucus Dinner
- California Asian Pacific Chamber of Commerce—California Policy Summit
- California Asian Pacific Chamber of Commerce—Let Us Help You Grow Your Business
- California Asian Pacific Chamber of Commerce—Matchmaking Session
- California Asian Pacific Chamber of Commerce—Success Express Workshops—Bakersfield, Fresno, Stockton
- California Black Chamber of Commerce—Ron Brown Business and Economic Summit
- California Hispanic Chamber of Commerce—2016 Annual Convention
- California Public Utilities Commission—14th Annual GO 156 Supplier Diversity En Banc
- California Public Utilities Commission—CPUC Small Business Expos—Northern and Southern California
- California Small Business Association—2016 California Small Business Day
- Disabled Veteran Business Alliance—2016 Northern California IT/Professional Services Expo
- Disabled Veteran Business Alliance—Business Conference and Expo
- DiversityBusiness.com—16th Annual National Summit
- Edison Electric Institute—Supplier Diversity Conference
- Electric Utility Industry Sustainable Supply Chain Alliance—Sourcing Conference
- Elite SDVOB Network—13th Annual National Conference
- Elite SDVOB Network—Networking and Safety Workshop
- Fresno Metro Black Chamber—5th Central Valley Business Diversity EXPO
- Golden Gate Business Association—Power Lunch II
- Greenlining Institute—2016 Economic Summit

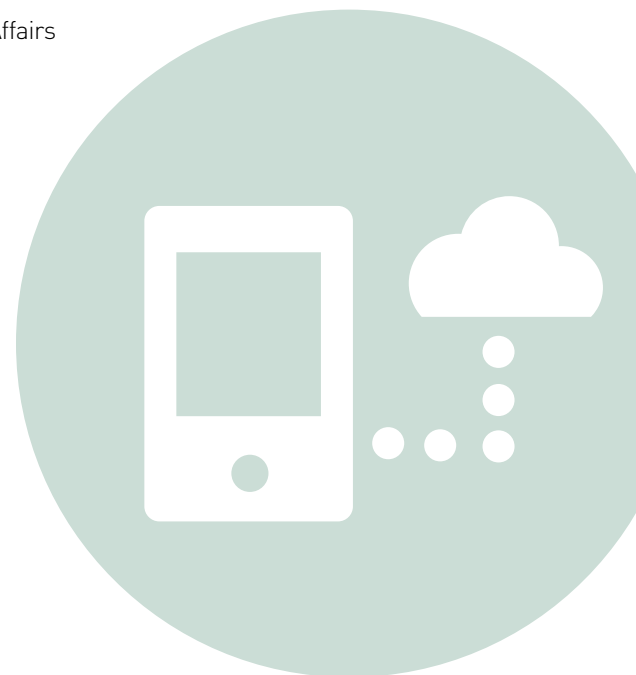
- Institute for Supply Management—Annual Conference and Supplier Diversity Group Workshop
- National Association of Women Business Owners, California—Annual Propel Your Business Conference
- National Association of Women Business Owners, San Francisco Bay Area—2016 STEM Conference
- National Business Inclusion Consortium and NGLCC—Best-of-the-Best Awards Dinner
- National Gay and Lesbian Chamber of Commerce—2016 International Business and Leadership Conference
- National Minority Supplier Development Council—2016 Conference and Business Opportunity Fair
- National Minority Supplier Development Council—Leadership Awards
- National Minority Supplier Development Council—National Program Managers’ Seminar
- PG&E Diversity in Contracting Opportunities Workshop (in partnership with Fresno MBDA)
- PG&E How to do Business with PG&E: Asian Pacific American Heritage Celebration (in partnership with SBA)
- PG&E How to do Business with PG&E: Black History Month Celebration (in partnership with SBA)
- PG&E How to do Business with PG&E: Hispanic Heritage Month Celebration (in partnership with SBA)
- PG&E How to do Business with PG&E (in partnership with SBA) San Luis Obispo
- PG&E Minority Enterprise Development (MED) Week San Francisco Workshop (in partnership with MBDA)
- PG&E Out for Business Workshop: LGBT PRIDE Celebration Month (in collaboration with NGLCC, GGBA, RCCSV and RCCS)
- PG&E Prime Supplier Academy Workshop: How to Establish a Robust Supplier Diversity Program
- PG&E Prime Supplier Academy Workshop: Supplier Development: Mentorship and Training
- PG&E Prime Supplier Academy Workshop: Value Chain Analysis
- PG&E Sustainability Training Workshop
- PG&E Utility Technology and Cybersecurity Workshop (in collaboration with Silicon Valley Black Chamber of Commerce)
- PG&E Veterans Month Celebration: DVBE Boots to Business Workshop
- PG&E Women’s Network “Speed Networking” Tips and Tricks
- Powerful Women of the Bay Awards—7th Annual Powerful Women of the Bay Awards in 2016
- Rainbow Chamber of Commerce Silicon Valley—2016 Business Mixer
- San Joaquin County Hispanic Chamber of Commerce—Business Procurement Capability Statement Development Workshop
- SF Business Times—Business of Pride Event
- Small Business 101: Small Business Seminar
- Small Business Administration—2016 San Francisco Small Business Week Workshop
- Sustainable Purchasing Leadership Council—2016 Summit and Board Meeting
- U.S. Hispanic Chamber of Commerce—2016 National Convention
- U.S. Pan Asian American Chamber of Commerce—CelebAsian Procurement Conference 2016
- U.S. Pan Asian American Chamber of Commerce—Western Chapter Summer Business Event
- U.S. Pan Asian American Chamber of Commerce—Western Chapter Fall Business Event
- UN Women and the UN Global Compact—2016 Women’s Empowerment Principles Annual Event, Business Partners for Gender Equality: Multipliers for Development

- Western Regional Minority Supplier Development Council—2016 Excellence in Supplier Diversity Awards Gala
- Western Regional Minority Supplier Development Council—2016 Minority Business Opportunity Expo
- Western Regional Minority Supplier Development Council—Annual Meeting and Holiday Luncheon
- Women’s Business Enterprise National Council—2016 National Conference and Business Fair
- Women’s Business Enterprise National Council—2016 Summit and Salute

**PG&E’s Supplier Diversity team actively participated in the following organizations:**

- American Indian Chamber of Commerce: Advisory Board
- California Asian Chamber of Commerce: Board Member
- California Disabled Veteran Business Alliance: Corporate Advisory Board
- California Utilities Diversity Council: Corporate Member, Executive Committee Co-Vice Chair
- Electric Utility Industry Sustainable Supply Chain Alliance: Executive Committee Chair
- Institute for Supply Management: Supplier Diversity Board Member
- National Gay and Lesbian Chamber of Commerce: Procurement Council Member
- National Minority Supplier Development Council: Board of Directors, Advisory Board and Strategic Planning Committee
- National Utility Diversity Council: Board Member
- Sustainable Purchasing Leadership Council: Board Member
- Western Region Minority Supplier Development Council: Board Member
- WE Connect International: Board Treasurer

PG&E also supports other local organizations through its Community Affairs and Government Affairs departments.



Summary of Purchases (Sec. 9.1.2)

Supplier Diversity Annual Results by Ethnicity

		Direct \$	Sub \$	Total \$	%
MEN	Asian/Pacific American	224,194,877	60,826,467	285,021,345	4.43%
	African American	296,587,663	50,594,322	347,181,985	5.40%
	Hispanic American	392,632,002	166,110,860	558,742,862	8.69%
	Native American	91,745,705	14,212,450	105,958,155	1.65%
	<b>Total Minority Men</b>	<b>1,005,160,248</b>	<b>291,744,099</b>	<b>1,296,904,346</b>	<b>20.18%</b>
WOMEN	Asian/Pacific American	140,286,973	32,817,276	173,104,249	2.69%
	African American	111,516,992	6,727,838	118,244,831	1.84%
	Hispanic American	163,760,688	27,671,045	191,431,734	2.98%
	Native American	23,794,628	24,893,619	48,688,247	0.76%
	<b>Total Minority Women</b>	<b>439,359,282</b>	<b>92,109,779</b>	<b>531,469,061</b>	<b>8.27%</b>
<b>Minority Business Enterprise (MBE)</b>		<b>1,444,519,530</b>	<b>383,853,878</b>	<b>1,828,373,408</b>	<b>28.45%</b>
<b>Women Business Enterprise (WBE)</b>		<b>589,677,024</b>	<b>208,055,011</b>	<b>797,732,035</b>	<b>12.41%</b>
<b>Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE)</b>		<b>760,828</b>	<b>482,660</b>	<b>1,243,488</b>	<b>0.02%</b>
<b>Disabled Veteran Business Enterprise (DVBE)</b>		<b>137,210,981</b>	<b>86,669,772</b>	<b>223,880,753</b>	<b>3.48%</b>
<b>Other 8(a)*</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00%</b>
<b>Total WMDVLGBTBE</b>		<b>2,172,168,363</b>	<b>679,061,320</b>	<b>2,851,229,684</b>	<b>44.37%</b>

<b>Net Procurement**</b>	<b>6,426,644,130</b>
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NOTE:

\* Firms classified as 8(a) of small business administration include non-WMDVLGBTBE.

\*\* Net procurement includes purchase order, non-purchase order and credit card dollars.

Direct: Direct procurement

Sub: Subcontractor procurement

?: Percentage of net procurement

Totals may not add due to rounding.

## Supplier Diversity **Direct Procurement** by Product and Service Categories

	Products		Services		Total		
	DIRECT \$	%	DIRECT \$	%	DIRECT \$	%	
MEN	Asian/Pacific American	48,651,838	4.19%	175,543,039	3.33%	224,194,877	3.49%
	African American	129,863,821	11.19%	166,723,842	3.17%	296,587,663	4.61%
	Hispanic American	169,870,350	14.64%	222,761,652	4.23%	392,632,002	6.11%
	Native American	60,586,997	5.22%	31,158,708	0.59%	91,745,705	1.43%
	<b>Total Minority Men</b>	<b>408,973,007</b>	<b>35.23%</b>	<b>596,187,241</b>	<b>11.32%</b>	<b>1,005,160,248</b>	<b>15.64%</b>
WOMEN	Asian/Pacific American	82,114,043	7.07%	58,172,930	1.10%	140,286,973	2.18%
	African American	1,597	0.00%	111,515,395	2.12%	111,516,992	1.74%
	Hispanic American	44,798,234	3.86%	118,962,455	2.26%	163,760,688	2.55%
	Native American	8,488,367	0.73%	15,306,261	0.29%	23,794,628	0.37%
	<b>Total Minority Women</b>	<b>135,402,241</b>	<b>11.67%</b>	<b>303,957,041</b>	<b>5.77%</b>	<b>439,359,282</b>	<b>6.84%</b>
<b>Total Minority Business Enterprise (MBE)</b>	<b>544,375,248</b>	<b>46.90%</b>	<b>900,144,283</b>	<b>17.09%</b>	<b>1,444,519,530</b>	<b>22.48%</b>	
<b>Women Business Enterprise (WBE)</b>	<b>101,947,140</b>	<b>8.78%</b>	<b>487,729,884</b>	<b>9.26%</b>	<b>589,677,024</b>	<b>9.18%</b>	
<b>Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE)</b>	<b>0</b>	<b>0.00%</b>	<b>760,828</b>	<b>0.01%</b>	<b>760,828</b>	<b>0.01%</b>	
<b>Disabled Veteran Business Enterprise (DVBE)</b>	<b>35,351,637</b>	<b>3.05%</b>	<b>101,859,344</b>	<b>1.93%</b>	<b>137,210,981</b>	<b>2.14%</b>	
<b>Other 8(a)*</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>	<b>0.00%</b>	<b>0</b>	<b>0.00%</b>	
<b>Total WMDVLGBTBE</b>	<b>681,674,024</b>	<b>58.73%</b>	<b>1,490,494,339</b>	<b>28.30%</b>	<b>2,172,168,363</b>	<b>33.80%</b>	

<b>Total Product Procurement</b>	1,160,701,968
<b>Total Service Procurement</b>	5,265,942,162
<b>Net Procurement**</b>	<b>6,426,644,131</b>
<b>Total Number of WMDVLGBTBEs that Received Direct Spend</b>	<b>552</b>

### NOTE:

\*Firms classified as 8(a) of small business administration include non-WMDVLGBTBE.

\*\*Net procurement includes purchase order, non-purchase order and credit card dollars.

Direct: Direct procurement

Sub: Subcontractor procurement

?: Percentage of net procurement

Totals may not add due to rounding.

Supplier Diversity **Subcontract Procurement** by Product and Service Categories

	Products		Services		Total	
	SUB \$	%	SUB \$	%	SUB \$	%
<b>MEN</b>	Asian/Pacific American	N/A	N/A	N/A	60,826,467	0.95%
	African American	N/A	N/A	N/A	50,594,322	0.79%
	Hispanic American	N/A	N/A	N/A	166,110,860	2.58%
	Native American	N/A	N/A	N/A	14,212,450	0.22%
	<b>Total Minority Men</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>291,744,099</b>
<b>WOMEN</b>	Asian/Pacific American	N/A	N/A	N/A	32,817,276	0.51%
	African American	N/A	N/A	N/A	6,727,838	0.10%
	Hispanic American	N/A	N/A	N/A	27,671,045	0.43%
	Native American	N/A	N/A	N/A	24,893,619	0.39%
	<b>Total Minority Women</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>92,109,779</b>
<b>Total Minority Business Enterprise (MBE)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>383,853,878</b>	<b>5.97%</b>
<b>Women Business Enterprise (WBE)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>208,055,011</b>	<b>3.24%</b>
<b>Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>482,660</b>	<b>0.01%</b>
<b>Disabled Veteran Business Enterprise (DVBE)</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>86,669,772</b>	<b>1.35%</b>
<b>Other 8(a)*</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0</b>	<b>0.00%</b>
<b>Total WMDVLGBTBE</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>679,061,320</b>	<b>10.57%</b>

<b>Total Product Procurement</b>	<b>1,160,701,968</b>
<b>Total Service Procurement</b>	<b>5,265,942,162</b>
<b>Net Procurement**</b>	<b>6,426,644,131</b>

**NOTE:**

\* Firms classified as 8(a) of small business administration include non-WMDVLGBTBE.

\*\*Net procurement includes purchase order, non-purchase order and credit card dollars.

Direct: Direct procurement

Sub: Subcontractor procurement

%: Percentage of net procurement

Totals may not add due to rounding.

## Summary of Purchases (Sec. 9.1.2)

### WMDVLGBTBE Procurement Standard Industrial Classification (SIC) Code Legend

	Major Group Description	Description of Items
<b>07</b>	Agricultural Services	Ornamental Shrub and Tree Services, Ornamental Floriculture
<b>15</b>	General Business Contractors	Industrial Buildings and Warehouses, Residential Buildings, other than Single-Family
<b>17</b>	Special Trade Contractors	Carpentry Work, Concrete, Electrical, Excavation
<b>24</b>	Lumber and Wood Products	Wood Poles
<b>25</b>	Furniture and Fixtures	Office Furniture, Metal Household Furniture
<b>26</b>	Paper and Allied Products	Envelopes, Coated Paper, Paper Mills
<b>27</b>	Printing and Publishing	Bookbinding and Related Work, Typesetting, Commercial Printing
<b>28</b>	Chemicals and Allied Products	Chemical Preparation, Industrial Chemicals, Paints, Varnishes
<b>29</b>	Petroleum and Coal Products	Lubricating Oils and Greases
<b>30</b>	Rubber and Misc. Plastics Products	Plastic Products, Rubber and Plastic Hoses
<b>32</b>	Stone, Clay and Glass Products	Concrete Products, Ready-Mixed Concrete, Cement
<b>33</b>	Primary Metal Industries	Primary Metal Products, Steel Pipes
<b>34</b>	Fabricated Metal Products	Heating Equipment, Fabricated Structural Metals, Miscellaneous Fabricated Wire Products
<b>35</b>	Industrial Machinery and Equipment	Mechanical Power Transmission Equipment, Steam, Gas and Hydraulic Turbines and Turbine Generator Set Units
<b>36</b>	Electronic and Other Electric Equipment	Switchgear and Switchboard Apparatus, Power, Distribution and Speciality Transformers
<b>37</b>	Transportation Equipment	Truck and Bus Bodies, Aircraft Engines and Engine Parts
<b>38</b>	Instruments and Related Products	Instruments For Measuring and Testing of Electricity and Electrical Signals
<b>39</b>	Miscellaneous Manufacturing Industries	Signs and Advertising Specialties, Marking Devices
<b>42</b>	Trucking and Warehousing	Local Trucking
<b>45</b>	Transportation by Air	Air Transportation
<b>46</b>	Pipelines, Except Natural Gas	Pipelines

	Major Group Description	Description of Items
<b>47</b>	Transportation Services	Arrangement of Transportation of Freight and Cargo
<b>48</b>	Communications	Telephone Communications, Communications Services
<b>49</b>	Electric, Gas and Sanitary Services	Refuse Systems, Electric Services (Hydroelectric Power Generation)
<b>50</b>	Wholesale Trade-Durable Goods	Electrical Apparatus and Equipment, Wiring Supplies and Construction Materials, Computers
<b>51</b>	Wholesale Trade-Nondurable Goods	Petroleum and Petroleum Products Wholesalers, Stationery and Office Supplies
<b>52</b>	Building Materials and Garden Supplies	Hardware Stores, Lumber and Other Building Materials
<b>55</b>	Automotive Dealers and Service Stations	Motor Vehicle Dealers
<b>56</b>	Apparel and Accessory Stores	Miscellaneous Apparel and Accessory Stores
<b>58</b>	Eating and Drinking Places	Eating and Drinking Places
<b>63</b>	Insurance Carriers	Fire, Marine and Casualty Insurance
<b>65</b>	Real Estate	Real Estate Agents and Managers
<b>72</b>	Personal Services	Hotels and Motels
<b>73</b>	Business Services	Help Supply Services, Computer Programming Services, Advertising Agencies
<b>75</b>	Auto Repair, Services and Parking	Top, Body and Upholstery Repair Shops and Paint Shops, Automotive Repair Shops
<b>76</b>	Miscellaneous Repair Services	Electrical and Electronic Repair Shops
<b>78</b>	Motion Pictures	Motion Picture and Video Tape Production
<b>80</b>	Health Services	Offices and Clinics of Doctors of Medicine
<b>81</b>	Legal Services	Law Firms
<b>87</b>	Engineering and Management Services	Engineering Services, Accounting, Auditing and Bookkeeping Services, Management Consulting Services

Supplier Diversity Procurement by Standard Industrial Classification (SIC) Code—Detail (9.1.2)

			Asian/Pacific American		African American		Hispanic American		Native American		Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE)	Disabled Veteran Business Enterprise (DVBE)	Other 8(a)	Total WMDVLGBTBE	Total Exp
			MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN							
07	Agricultural Services	\$	\$5,436,868	\$3,813,707	\$3,981,842	\$0	\$80,866,849	\$1,317,266	\$1,899,682	\$6,374	\$97,322,588	\$45,666,713	\$0	\$2,470,085	\$0	\$145,459,386	\$432,579,276
		%	1.26%	0.88%	0.92%	0%	18.69%	0.30%	0.44%	0%	22.50%	10.56%	0%	0.57%	0%	33.63%	
15	General Business Contractors	\$	\$6,443,239	\$922,518	\$27,983,580	\$86,026	\$97,929,129	\$13,936,364	\$10,052,932	\$14,187,222	\$171,541,011	\$160,326,077	\$0	\$56,914,384	\$0	\$388,781,471	\$1,063,697,303
		%	0.61%	0.09%	2.63%	0.01%	9.21%	1.31%	0.95%	1.33%	16.13%	15.07%	0%	5.35%	0%	36.55%	
17	Special Trade Contractors	\$	\$993,297	\$336,007	\$1,625,643	\$0	\$35,938,680	\$16,971,943	\$22,817,227	\$3,464,836	\$82,147,683	\$76,283,555	\$0	\$33,790,541	\$0	\$192,221,779	\$375,665,370
		%	0.26%	0.09%	0.43%	0%	9.57%	4.52%	6.07%	0.92%	21.87%	20.31%	0%	8.99%	0%	51.17%	
24	Lumber and Wood Products	\$	\$535,195	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$535,195	\$1,009,190	\$0	\$0	\$0	\$1,544,385	\$7,857,518
		%	6.81%	0%	0%	0%	0%	0%	0%	0%	6.81%	12.84%	0%	0%	0%	19.65%	
25	Furniture and Fixtures	\$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,779,880
		%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
26	Paper and Allied Products	\$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$912,330
		%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
27	Printing and Publishing	\$	\$196,862	\$0	\$0	\$0	\$0	\$122,716	\$0	\$0	\$319,578	\$1,785,036	\$0	\$0	\$0	\$2,104,614	\$13,998,407
		%	1.41%	0%	0%	0%	0%	0.88%	0%	0%	2.28%	12.75%	0%	0%	0%	15.03%	
28	Chemicals and Allied Products	\$	\$156,275	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$156,275	\$1,567,728	\$0	\$0	\$0	\$1,724,003	\$25,995,322
		%	0.60%	0%	0%	0%	0%	0%	0%	0%	0.60%	6.03%	0%	0%	0%	6.63%	
29	Petroleum and Coal Products	\$	\$0	\$0	\$0	\$0	\$8,025	\$0	\$0	\$0	\$8,025	\$4,348	\$0	\$688	\$0	\$13,061	\$477,359
		%	0%	0%	0%	0%	1.68%	0%	0%	0%	1.68%	0.91%	0%	0.14%	0%	2.74%	
30	Rubber and Misc. Plastics Products	\$	\$0	\$0	\$0	\$0	\$228,891	\$0	\$0	\$0	\$228,891	\$254,735	\$0	\$3,099,806	\$0	\$3,583,432	\$34,478,939
		%	0%	0%	0%	0%	0.66%	0%	0%	0%	0.66%	0.74%	0%	8.99%	0%	10.39%	
32	Stone, Clay and Glass Products	\$	\$0	\$0	\$0	\$0	\$0	\$211,241	\$0	\$0	\$211,241	\$829,442	\$0	\$0	\$0	\$1,040,683	\$20,730,837
		%	0%	0%	0%	0%	0%	1.02%	0%	0%	1.02%	4.00%	0%	0%	0%	5.02%	
33	Primary Metal Industries	\$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$137,499	\$0	\$0	\$0	\$137,499	\$442,806
		%	0%	0%	0%	0%	0%	0%	0%	0%	0%	31.05%	0%	0%	0%	31.05%	
34	Fabricated Metal Products	\$	\$0	\$13,946,503	\$0	\$0	\$5,216,279	\$0	\$0	\$0	\$19,162,781	\$57,098	\$0	\$0	\$0	\$19,219,879	\$45,870,402
		%	0%	30.40%	0%	0%	11.37%	0%	0%	0%	41.78%	0.12%	0%	0%	0%	41.90%	
35	Industrial Machinery and Equipment	\$	\$17,532,123	\$86,613	\$67,694,758	\$0	\$7,644,058	\$190,457	\$548	\$0	\$93,148,557	\$9,016,905	\$0	\$0	\$0	\$102,165,462	\$217,728,224
		%	8.05%	0.04%	31.09%	0%	3.51%	0.09%	0%	0%	42.78%	4.14%	0%	0%	0%	46.92%	
36	Electronic and Other Electric Equipment	\$	\$1,599,445	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,599,445	\$18,919,363	\$0	\$0	\$0	\$20,518,807	\$79,259,770
		%	2.02%	0%	0%	0%	0%	0%	0%	0%	2.02%	23.87%	0%	0%	0%	25.89%	
37	Transportation Equipment	\$	\$0	\$0	\$0	\$0	\$0	\$0	\$60,097,167	\$0	\$60,097,167	\$0	\$0	\$30,567,513	\$0	\$90,664,681	\$91,500,763
		%	0%	0%	0%	0%	0%	0%	65.68%	0%	65.68%	0%	0%	33.41%	0%	99.09%	
38	Instruments and Related Products	\$	\$2,228,121	\$36,718	\$9,903,621	\$0	\$0	\$0	\$0	\$0	\$12,168,460	\$725,429	\$0	\$3,811,858	\$0	\$16,705,747	\$81,223,900
		%	2.74%	0.05%	12.19%	0%	0%	0%	0%	0%	14.98%	0.89%	0%	4.69%	0%	20.57%	
39	Miscellaneous Manufacturing Industries	\$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$557,701
		%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
42	Trucking and Warehousing	\$	\$0	\$0	\$0	\$587,739	\$22,907	\$114,430	\$0	\$5,989,393	\$6,714,469	\$3,652,349	\$0	\$4,482,413	\$0	\$14,849,232	\$18,805,340
		%	0%	0%	0%	3.13%	0.12%	0.61%	0%	31.85%	35.71%	19.42%	0%	23.84%	0%	78.96%	
45	Transportation by Air	\$	\$0	\$0	\$0	\$0	\$327,433	\$0	\$0	\$0	\$327,433	\$5,122,327	\$0	\$0	\$0	\$5,449,760	\$20,151,593
		%	0%	0%	0%	0%	1.62%	0%	0%	0%	1.62%	25.42%	0%	0%	0%	27.04%	
46	Pipelines, Except Natural Gas	\$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	





### WMDVLGBTBE Program Expenses (Sec 9.1.3)

Expense Category	2016 Actuals
Wages	\$1,394,119
Other Employee Expenses	\$113,917
Program Expenses	\$1,333,732
Reporting Expenses	\$91,355
Training	\$788
Consultants	\$0
Other	\$0
<b>Total</b>	<b>\$2,933,912</b>

Totals may not add due to rounding.

**Wages:** Salary and payroll-related costs of employees working on WMDVLGBTBE matters

**Other Employee Expenses:** Travel and other non-wage costs

**Program Expenses:** Material, staff augmentation, CPUC Clearinghouse, technical assistance and outreach, audit and other costs directly related to programs

**Reporting Expenses:** IT system, computer, other expenses related to preparing reports for the CPUC

**Training:** Costs related to employee training

### Description of Progress in Meeting or Exceeding Set Goals (Sec 9.1.4)

	2016 Results	2016 Goals
Minority Men	20.18%	12.00%
Minority Women	8.27%	3.00%
Minority Business Enterprise (MBE)	28.45%	15.00%
Women Business Enterprise (WBE)	12.41%	5.00%
Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE)	0.02%	0.00%
Disabled Veteran Business (DVBE)	3.48%	1.50%
<b>Total WMDVLGBTBE</b>	<b>44.37%</b>	<b>21.50%</b>

Totals may not add due to rounding.

PG&E spent \$2.85 billion with WMDVLGBTBEs in 2016. This represents 44.4 percent of the company's total procurement.

For the 11th year, PG&E exceeded the CPUC goal of 21.5 percent spend with WMDVLGBTBEs.

## Summary of Prime Contractor Utilization of WMDVLGBTBE Subcontractors (Sec 9.1.5)

	Minority Men	Minority Women	Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE)	Disabled Veterans Business Enterprise (DVBE)	Other 8(a)*	Total WMDVLGBTBE
<b>Direct \$</b>	1,005,160,248	439,359,282	1,444,519,530	589,677,024	760,828	137,210,981	\$0	2,172,168,363
<b>Subcontracting \$</b>	291,744,099	92,109,779	383,853,878	208,055,011	482,660	86,669,772	\$0	\$679,061,320
<b>Total \$</b>	<b>1,296,904,346</b>	<b>531,469,061</b>	<b>1,828,373,408</b>	<b>797,732,035</b>	<b>1,243,488</b>	<b>223,880,753</b>	<b>\$0</b>	<b>2,851,229,684</b>
<b>Direct %</b>	15.64%	6.84%	22.48%	9.18%	0.01%	2.14%	0.00%	33.80%
<b>Subcontracting %</b>	4.54%	1.43%	5.97%	3.24%	0.01%	1.35%	0.00%	10.57%
<b>Total %</b>	<b>20.18%</b>	<b>8.27%</b>	<b>28.45%</b>	<b>12.41%</b>	<b>0.02%</b>	<b>3.48%</b>	<b>0.00%</b>	<b>44.37%</b>
<b>Net Procurement** \$</b>	6,426,644,131							

### Note:

\*Firms classified as 8(a) of small business administration include non-WMDVLGBTBE.

\*\*Net procurement includes purchase order, non-purchase order and credit card dollars.

%: Percentage of net procurement

Direct: Direct procurement

Sub: Subcontractor procurement

Totals may not add due to rounding.

In 2016, PG&E's supplier diversity subcontracting performance increased, with its prime suppliers reporting more than \$679.1 million in spending with WMDVLGBTBEs, representing a 9.8 percent increase over 2015. Please see section 9.1.1 Internal Program Activities for details regarding PG&E's Prime Supplier Program.

## List of WMDVLGBTBE Complaints Received and Current Status (Sec 9.1.6)

General Order 156 Ruling on August 24, 2006 ended the requirement to summarize complaints.

## Description of Efforts to Recruit WMDVLGBTBE Suppliers in Low Utilization Areas (Sec 9.1.7)

### FINANCE AND RISK

PG&E's Finance and Risk organization was steadfast in finding channels to expand its diverse supplier base and increase spending with diverse finance professionals. By making supplier diversity a core value and encouraging creative thinking, PG&E was able to identify groundbreaking and innovative opportunities in financial services.

### Banking and Money Management

- PG&E scheduled numerous meetings and calls with WMDVLGBTBE banks to learn more about their capabilities and to assess new opportunities for them. In 2015, PG&E implemented a semi-annual review/questionnaire for WMDVLGBTBE banks and implemented a scorecard/tracker to aid in determining the health of WMDVLGBTBE banks and to assist in making hiring decisions. The scorecard monitored the financial health and changing capabilities of firms and helped to track both new and existing relationships.
- As the first California utility and the second utility in the nation to use minority-owned investment banks as joint bookrunners for a taxable bond offering in 2010, PG&E continued to work directly with WMDVLGBTBE banks in 2016.
- As a part of PG&E's formal Supplier Development Program, the Finance Department supports diverse firms with officer mentorship, cross-functional team guidance and development opportunities. Two finance WMDVLGBTBEs graduated from PG&E's formal mentoring program in 2015 and 2016. PG&E continued to include these firms on recent senior notes offerings, and they have earned substantial fees within the past few years.
- Since 2004, PG&E has used WMDVLGBTBE investment banks as underwriters on each of its senior note offerings.
- Since 2010, PG&E has used WMDVLGBTBE investment banks as a joint bookrunner (lead bank) on at least one senior notes offering each year.
- PG&E achieved its target of approximately 15 percent of total senior notes issuance fees, approximately \$1.1 million, across six WMDVLGBTBE investment banks in 2016. This is an almost three-fold increase from 5 percent eight years ago when fees were \$500,000.
- Over the past five years, PG&E used 18 different WMDVLGBTBEs, some on multiple occasions, to serve as underwriters. WMDVLGBTBEs earned \$10.4 million, or nearly 15 percent of total financing fees, since 2010.
- PG&E placed more than \$7.6 billion of commercial paper with a WMDVLGBTBE bank, the most ever in the company's history. This equated to almost 22 percent of the program executed through a WMDVLGBTBE dealer in 2016.

## Investment Benefits Finance (Pension and Trust Fund Management)

- In 2016, PG&E continued to partner with six WMDVLGBTBEs managing nine equity, fixed income and real estate securities accounts with PG&E's Employee Benefit and Nuclear Decommissioning Trusts. PG&E's diverse-managed trust investments rose to \$2.9 billion in 2016, an increase of more than \$300 million.
- PG&E has a long history of supporting diverse investment managers and encouraging all managers to utilize diverse brokers.

## Tax, Accounting and Reporting

- To optimize supplier diversity participation in a competitive bid for a significant tax project, PG&E sought and selected a non-diverse firm that worked with an affiliated African American-owned company in 2014. The contract included language outlining the amount and extent of work performed by this MBE.

## Risk and Audit

- PG&E continues to work with a WMDVLGBTBE to support its Enterprise Risk Management and Insurance area.
- Due to PG&E's encouragement, its insurance brokers developed a new WMDVLGBTBE subcontracting relationship to support PG&E's Insurance Department in marketing its insurance renewals or administrative insurance work. PG&E will maintain this relationship until the contract is up for renewal in 2018.
- The Market and Credit Risk Management (M&CRM) team worked closely with Energy Procurement to enable more diverse spend on the commodity side of the business. Specifically, M&CRM developed a new credit policy for diverse business transactions with respect to energy commodities (gas and power) and received approval from the Risk Policy Committee and Utility Risk Management Committee. This approval set the path for M&CRM to assist energy procurement in developing special contractual provisions to accommodate transactions with diverse businesses in gas and now power as well.
- In addition, M&CRM, for the first time, worked with a WBE consulting company to perform critical work on policies and standards in risk management.

### LEGAL

In 2016, the Law Department continued its support of diversity within the legal profession by spending \$22 million with diverse suppliers and providing work opportunities for diverse professionals. PG&E worked with 38 diverse law firms in 2016, with several taking significant roles in major legal matters, such as the Butte Fire litigation. The department also was proud to celebrate the 10-year anniversary of its award-winning Summer Pipeline Program for first-year law students.

In addition to its WMDVLGBTBE spend, law firms representing more than 80 percent of the Law Department's fee payments to non-diverse law firms (representing approximately \$64 million) reported that more than 54 percent of those fees were for professional services performed by diverse lawyers and paralegals.

Four first-year law students from University of California, Davis, Hastings Law School, Boston University, and Boston College participated in the Law Department's 2016 Pipeline Program. The student interns were provided the opportunity to gain legal experience in the utility industry and to network with attorneys and other law student interns throughout the United States. In addition to receiving meaningful work assignments, exposure to a variety of legal proceedings and the opportunity to interact with PG&E's business leaders, these students participated in the Chicago Leadership Council on Legal Diversity (LCLD) 1L Scholars Summit thanks to the Law Department's sponsorship. During the three-day summit, the students heard from distinguished legal professionals, participated in panel discussions and received a LCLD lifelong mentor. The Law Department remains a proud supporter of LCLD, which is a national organization comprised of corporate legal officers and law firm leaders working to build a more open and diverse legal profession.

The department also participated in numerous networking and diversity events, including meetings, lunches and receptions. PG&E attorneys met with numerous firms at the California Minority Counsel Program, with the goal of providing WMDVLGBTBE firms and attorneys with greater access to in-house counsel. The Law Department also sponsored and attended a variety of legal organization annual events, including the Equal Rights Advocates luncheon, the Charles Houston Bar Association annual dinner, the Asian American Bar Association dinner and the Bay Area Lawyers for Individual Freedom gala.

Finally, in 2016, the Law Department proudly continued its support of the California Bar Foundation Diversity Scholarship to fund a scholarship for a student with a significant financial need that was admitted to a top California law school. The department also supported the Equal Justice Works Fellowship for a recent law school graduate working with a community based nonprofit organization.

## **MANAGEMENT CONSULTING SERVICES**

In 2016, PG&E continued to work with professional services suppliers, including management consulting, staff augmentation and other related consulting services providers to drive added diversity performance. PG&E collaborated with some of its largest prime service suppliers, including those within its management consulting program, on opportunities to drive more subcontracting. PG&E leaders and executives from four top management consulting firms met to review performance and explore ways to improve engagement. Additionally, PG&E continued to foster relationships with new and smaller WMDVLGBTBEs for mentoring and partnership opportunities and has connected numerous WMDVLGBTBEs with PG&E's management consultants as well as its staff augmentation services supplier.

## **Retention of All Documents/Data (Sec. 9.1.8)**

**PG&E has retained all documents and data it relies on in preparing its WMDVLGBTBE annual report for the longer of either three years or in conformance with the utilities individual document retention policies, and shall provide these documents and data to the CPUC upon request.**

## Additional WMDVLGBTBE Activity (Sec. 9.1.9)

### SMART GRID PROGRAM

PG&E's Smart Grid Program focused on providing safe, reliable, secure, affordable, sustainable and flexible power to its customers. The Smart Grid projects centered on customer engagement and empowerment, transmission and distribution automation and reliability, safety and operational efficiency, cybersecurity and integrated services. Future process and technology improvement projects, with continued authorization and funding from the CPUC, may be developed and delivered over the next decade or more.

Throughout the process of identifying qualified suppliers to participate in the initial testing and limited pilots, PG&E emphasized the criticality of diverse supplier inclusion. PG&E continues to highlight the importance of education, mentoring and careful planning for the full participation of WMDVLGBTBEs as business solution partners and subcontractors over the life of this program. In the initial and current phases of the Smart Grid evaluation, PG&E has hired over a dozen WMDVLGBTBEs providing technical consulting, legal services, computer systems, staff augmentation, and office and electrical supplies.

The four approved Smart Grid pilot projects (from CPUC Decision 13-03-032) completed their project objectives in 2016. Several WMDVLGBTBEs participated in a detailed request for information process for three of the projects: Line Sensor, Volt/VAR Optimization and Fault Location projects. PG&E evaluated a range of hardware, software and systems integration, communication infrastructure and voltage management software from selected suppliers.

WMDVLGBTBE opportunities were considered in all Smart Grid project phases, including supplier and technology selection, testing, pilot deployment, full deployment and ongoing operations and maintenance.



## **ELECTRIC PROCUREMENT INVESTMENT CHARGE (EPIC) INVESTMENT PLAN**

On May 1, 2014, PG&E filed its 2015-2017 Triennial EPIC Investment Plan, which the CPUC approved on April 9, 2015. This investment plan presents the approach and framework PG&E developed to align EPIC investments in the technology demonstration and deployment funding area to achieve the EPIC objectives and support California's energy policies.

In 2016, PG&E maintained a strong commitment to supplier diversity and continued to focus on exceeding the CPUC's supplier diversity goals set forth in General Order 156. In 2016, 17 projects were pursued under the first Triennial Investment Plan and 14 projects under the second investment plan. These demonstration projects pursued technology learnings across Renewable Distributed Energy Resources Integration, Grid Modernization and Optimization, and Customer Service and Enablement. PG&E's EPIC projects established program governance procedures and supplier contracting processes to approve, initiate and manage individual projects. Qualified suppliers were evaluated and scored on multiple quality, safety and value factors. Since its inception, PG&E, through its EPIC program, has awarded work to multiple WMDVLGBTBEs, spanning areas in technical assistance and other consulting services.

PG&E will continue to work with and educate internal EPIC program stakeholders concerning PG&E's supplier diversity goals and expectations, developing internal educational efforts within Sourcing to raise awareness of EPIC projects, communicating technology direction and project work opportunities to supplier communities.

In 2017, PG&E will submit its application for projects to be included in the third triennial cycle of EPIC, which will present a variety of new supplier opportunities during 2018-2020 for WMDVLGBTBEs in the energy technology space.





# **2017 ANNUAL PLAN**

## WMDVLGBTBE Annual Short-, Mid- and Long-Term Goals (Sec. 10.1.1)

PG&E’s supplier diversity internal targets are set annually through a cross-functional process involving Supplier Diversity, Sourcing and the LOBs. PG&E uses historical information and projected spend to assess company goals. While supplier diversity goals are set at the LOB level, PG&E does not set specific goals by product and service categories. As a long-term strategy, PG&E is focused on technical assistance and supplier development strategies to support the success of WMDVLGBTBEs in all key business areas.

PG&E’s short-, mid- and long-term WMDVLGBTBE\* goals mirror the recommended goals in General Order 156:

### WMDVLGBTBE\* ANNUAL SHORT-, MID- AND LONG-TERM GOALS

Short-Term 2017				Mid-Term 2019				Long-Term 2021			
MBE	WBE	DVBE	LGBTBE	MBE	WBE	DVBE	LGBTBE	MBE	WBE	DVBE	LGBTBE
15%	5%	1.5%	N/A	15%	5%	1.5%	TBD	15%	5%	1.5%	TBD

\*Pursuant to General Order 156, starting in 2015 and during the first three years of implementing LGBTBE inclusion, the utilities shall be excused from setting numerically-based goals and targets for LGBTBEs and instead focus efforts on foundation and outreach activities.

### Description of Efforts to Recruit WMDVLGBTBE Planned Program Activities for the Next Calendar Year (Sec. 10.1.2)

PG&E's work with WMDVLGBTBEs is an integral part of the way the company does business. It is something PG&E has focused on since launching a formal Supplier Diversity initiative over 36 years ago. PG&E plans to sustain its efforts by continuing to strengthen the WMDVLGBTBE contributions in both traditional and emerging areas so that these enterprises are fully integrated contributors of the supply chain.

PG&E's underlying vision for its program efforts incorporate the following key values:

- **Safety:** Champion effective safety practices and educate all suppliers, including WMDVLGBTBEs, on those requirements.
- **Reliability:** Sustain best-in-class supplier diversity results through successful execution of strategic program initiatives.
- **Affordability:** Support diverse solutions that optimize the supply chain through efficiencies and cost savings.
- **Clean:** Include incumbent WMDVLGBTBEs in the supply chain environmental sustainability performance initiative.

In alignment with this vision, PG&E will continue to develop ongoing strategic program activities in the following areas for 2017:

- **Goal Development and Alignment:** Cross-functionally develop goals and drive alignment and accountability across each LOB.
- **Supplier Development:** Identify opportunities for and support the development of WMDVLGBTBEs to grow and be competitive in the supply chain.
- **Prime Supplier Education:** Encourage increased prime supplier support of PG&E's supply chain responsibility initiatives through Prime Supplier Academy.
- **Subcontracting Performance:** Educate prime suppliers on the requirements for accurate reporting and encourage achievable subcontracting goals.
- **LGBTBE Inclusion:** Educate LGBTBEs on the value of certification and identify opportunities for inclusion.
- **Outreach:** Support activities and organizations that align with PG&E's supplier diversity goals.
- **Communications and Training:** Continue to incorporate strategies to communicate and educate both internal and external stakeholders about PG&E's Supplier Diversity Program.
- **Supplier Recognition:** Recognize the excellent performance of WMDVLGBTBEs and prime suppliers throughout the year.
- **Employee Recognition:** Recognize excellent performance by all employees, including Outreach Ambassadors, Sourcing and LOB Champions that drive high levels of supplier diversity results and support supplier diversity initiatives throughout the year.

**PG&E will also collaborate with the CPUC and community-based organizations focused on small and diverse businesses. PG&E will continue to advance several strategic initiatives to continue to enhance its Multi-Tiered Technical Assistance and Capacity Building Program:**

- **Access to Capital/Management of Capital:** Deliver workshops and provide educational scholarships on growth strategy, business performance and financial management. Offer accelerated payment options to select small businesses in need.
- **PG&E Signature Initiatives:** Offer “Diverse Suppliers Are Cyber-Secure,” “Diverse Suppliers Are Safe,” “Diverse Suppliers Go Green” and “Diverse Suppliers Go Global” workshops to educate WMDVLGBTBEs on areas of competitive business advantage.
- **Emerging Technology:** Support executive training initiatives that encourage mature WMDVLGBTBEs to consider competing for opportunities in emerging technology.
- **ISO 9001 and ISO 14001 Certification Training:** Provide quality and environmental systems certification scholarships to help WMDVLGBTBEs build the necessary business practices for successful scalable growth.
- **Government Agency Partnership Training:** Partner with SBA, MBDA, SCORE and SBDCs across California to provide business management workshop trainings.
- **Trade Missions to Industry Trade Shows:** Engage WMDVLGBTBEs to attend industry trade shows to gain exposure to new trends and technology.
- **JFK University Business Growth Acceleration Program, UC Berkeley Financial Management Courses, UCLA Management Development for Entrepreneurs Program and University of Washington Minority Business Executive Program:** Offer WMDVLGBTBE scholarships to graduate-level management development certificate programs that support supplier development and build capacity.

**Finally, PG&E will continue to collaborate with community-based organizations to educate the LGBTBE community on opportunities in the utility industry and promote the full inclusion of LGBTBEs. The multi-year LGBTBE inclusion strategy includes the following activities:**

- Share contract opportunity announcements with the LGBTBE business community.
- Work with NGLCC-certified LGBTBEs to become CPUC-certified.
- Make LGBTBE inclusion strategies a standing agenda item at Supplier Diversity LOB Champion and sourcing meetings.
- Identify relevant and qualified LGBTBEs certified by the NGLCC and CPUC Supplier Clearinghouse to introduce to LOB Champions.
- Train prime suppliers to report LGBTBE subcontracting.
- Update LGBTBE content in monthly Prime Supplier Program webinars, Prime Supplier Academy workshops and the online Prime Supplier Program Guide.
- Participate in LGBTBE outreach events throughout the year to educate current and prospective suppliers on the value of CPUC certification.
- Maintain and expand relationships with local LGBTBE chambers, including the Golden Gate Business Association and Rainbow Chambers of Silicon Valley and Sacramento.
- Continue to work with the NGLCC Procurement Committee to identify best practices and benchmark with national LGBTBE programs.

### Plans for Recruiting WMDVLGBTBE Suppliers in Low Utilization Areas (Sec. 10.1.3)

#### LEGAL

The Law Department's 2017 plan includes:

- Continued partnership with PG&E's Supplier Diversity and Sourcing Department to identify additional opportunities for diverse law firms
- Continued promotion of the utilization of diverse professionals at majority-owned firms
- Identification of WMDVLGBTBE firms for potential retention, as well as partnering with non-diverse firms, to work with diverse firms
- Participation and engagement with a variety of legal associations promoting diversity and equal access to the law and legal profession
- Paid summer positions for four first-year law students
- Participation in WMDVLGBTBE networking and CPUC events with other investor-owned utilities

#### FINANCE AND RISK

Finance and Risk WMDVLGBTBE plans for 2017 include the following activities:

- Continue to execute a multi-year strategy to increase diverse spend
- Provide opportunities for qualified WMDVLGBTBE investment banks to participate meaningfully in financings, as well as, develop financial expertise and industry knowledge in the utility sector
- Continue looking for other opportunities to do business with WMDVLGBTBE investment banks, such as money market investments or as commercial paper dealers and pension managers
- Mentor and conduct marketing activities with WMDVLGBTBE investment banks
- Continue best practices on use of WMDVLGBTBEs in pension management
- Continue to identify opportunities to expand use of WMDVLGBTBEs in audit and tax work
- Sponsor and actively participate in organizations that support WMDVLGBTBEs and diverse finance students
- Continue current successful service agreement with corporate tax incentive and examine if additional work makes business sense
- Continue evaluating projects for opportunities to employ WMDVLGBTBEs and encourage prime suppliers to employ WMDVLGBTBE subcontractors
- Continue to support supply chain organization to explore additional opportunities to further expand business with WMDVLGBTBEs
- Continue efforts to build a WMDVLGBTBE candidate pool

## MANAGEMENT CONSULTING SERVICES

PG&E will continue to foster the development and inclusion of WMDVLGBTBEs in management consulting services by focusing on two areas of opportunity:

### Knowledge Transfer

- Increase small, diverse management consulting services firms' understanding of the best practices used by highly successful management consulting services firms to foster business growth and effectively work with their customers
- Increase large multinational management consulting firms' understanding of how subcontracting with small, diverse management consulting firms can help them grow their own business, deliver lower cost and provide more innovative services to customers

### Targeted Business Matchmaking

- Increase opportunities for small WMDVLGBTBE management consulting services firms to present their experience and capabilities to large multinational management consulting firms
- Foster dialogue between small WMDVLGBTBE management consulting firms and large multinational management consulting firms that will lead to discovery of the value-adding capabilities of diverse consulting firms and new business opportunities

## Plans for Recruiting WMDVLGBTBE Suppliers Where Unavailable (Sec. 10.1.4)

General Order 156 Ruling on November 14, 2003, ended the excluded category.

### Plans for Encouraging Prime Contractors to Subcontract WMDVLGBTBE Suppliers (Sec. 10.1.5)

**PG&E will continue to encourage prime suppliers to subcontract with small and diverse businesses across all product and service categories, and lines of business.**

Additionally, PG&E will assist its prime suppliers to identify and develop qualified diverse subcontractors and improve their supplier diversity subcontracting through participation in external and internal business matchmaking activities, outreach activities, WMDVLGBTBE mentoring and educational programs such as PG&E's Prime Supplier Academy, UCLA MDE Program, University of Washington MBE Program and JFK University Business Growth Acceleration Program.

Prime suppliers will continue to be encouraged to select one or more of their WMDVLGBTBE subcontractors for targeted mentoring regarding industry-appropriate business and technical policies and processes, including establishing a safety and quality culture, cash-flow management, capitalization, human resources policies, management succession, materials management and others areas of potential development.

PG&E will conduct the annual audit of its diverse subcontracting spend to assess the accuracy and compliance of reported subcontractor payments. The Supply Chain Responsibility team will conduct monthly prime supplier webinars and in-person trainings to outline subcontracting requirements, how to report subcontractor spend accurately, and how best to prepare for a potential subcontractor audit.

Through internal training and education, metrics tracking, and working with internal LOBs, LOB Champions and Sourcing employees; PG&E will continue its efforts to make supplier diversity a consideration in the strategic sourcing process with prime suppliers across all service and product areas.

### Plans for Complying with WMDVLGBTBE Program Guidelines (Sec. 10.1.6)

**PG&E will continue to comply with the Supplier Diversity program guidelines established by the CPUC as required by Public Utilities Section 8283 (C).**





# Power Procurement

## Description of WMDVLGBTBE Program Activities During the Previous Calendar Year (Sec. 9.1.1)

### INTERNAL/EXTERNAL ACTIVITIES

In 2016, PG&E strove to provide opportunities for woman, minority, service-disabled veteran and lesbian, gay, bisexual and transgender business enterprises (WMDVLGBTBE) in power procurement. Despite best efforts, changing industry and market conditions have limited the company's success. Total dollars and percent spend with WMDVLGBTBEs decreased from \$118.5 million and 3 percent in 2015 to \$40.6 million and just over 1 percent in 2016. The final numbers were better than anticipated in light of the challenging year that 2016 represented.

#### The main challenges faced in 2016, discussed throughout this report, include:

- Declining energy price environment
- Elimination of Funds Transfer Agency Agreement by last remaining bank
- Highly capital- and credit-intensive entry barriers
- Reduction of natural gas commodity opportunities
- Lack of physical need for new renewable energy resources

Throughout the year, PG&E also attempted to build additional capacity for spending with WMDVLGBTBEs but is presently not encouraged about the potential participation of new or existing WMDVLGBTBEs in power procurement.

In the five years of reporting General Order 156 Electric Commodity Procurement, we have not seen participation by WMDVLGBTBEs increase significantly. The present market conditions represent increased challenges for WMDVLGBTBE participation. Traditional procurement streams that were viewed as opportunities for WMDVLGBTBEs are declining or now include additional barriers to entry for any small business. Supplier diversity is successful in other areas of procurement because of the ability to build upon incremental successes, but the recent and dramatic evolution of electric and gas commodity procurement in California has not yielded similar opportunities. PG&E's focus going forward will be to improve its program foundation with the goal of adapting to changing market dynamics.

## Communication and Outreach

PG&E has continued its efforts to promote WMDVLGBTBEs as electricity and natural gas commodity suppliers to PG&E. To that end, PG&E's Energy Policy and Procurement team engages in outreach to WMDVLGBTBEs to solicit interest in providing power products to PG&E and responds to calls and emails from WMDVLGBTBEs interested in becoming a PG&E supplier of electricity and related products and/or natural gas. In 2016, PG&E met with multiple diverse businesses to discuss their capabilities and potential opportunities. PG&E offered coaching and recommended next steps to WMDVLGBTBEs, including putting them in contact with PG&E representatives directly involved in electricity and/or gas procurement.

**An important source of supplier diversity information is PG&E's Wholesale Electric Procurement website. This website ([pge.com/rfo](http://pge.com/rfo)) offers information about:**

- Upcoming Request for Offers (RFOs)
- Descriptions of various power contracting programs available
- Various power procurement programs offered by PG&E for supplier diversity
- Ongoing outreach and educational items of interest to the WMDVLGBTBE community
- How to sign up to receive RFO email notifications directly

The website also describes the importance PG&E places on supply chain responsibility and encourages non-WMDVLGBTBEs to work with, provide opportunities for and partner/subcontract with WMDVLGBTBEs in power procurement activities.

PG&E continues to work collaboratively with the other California investor-owned gas and electric utilities (IOU), and representatives from the CPUC's Supplier Diversity Program to promote supplier diversity in the power procurement space. On May 25, 2016, PG&E spoke on a panel at the 33rd Annual Edison Electric Institute Business Diversity Conference about the future of electric procurement. On August 16, 2016, PG&E moderated and participated in a panel with Southern California Edison at the Western Regional Minority Supplier Development Council Business Expo. This panel, titled "Innovation in the California Energy Landscape," was part of programming sponsored by the Department of Energy and the CPUC. It focused on changes in wholesale electric procurement in California, emerging technologies and current proceedings at the CPUC that will shape the procurement landscape in the coming years.



The California IOUs also met regularly throughout 2016 to share best practices in education and advocacy for supplier diversity in power procurement. In addition, PG&E and the other California IOUs continued a semiannual meeting schedule with the CPUC Supplier Diversity team to enhance awareness of challenges and opportunities for WMDVLGBTBEs in power procurement. These meetings also addressed challenges that impacted the WMDVLGBTBE community. Of particular concern was the elimination of Funds Transfer Agency Agreement services by the last commercial bank that offered the service. This issue will be discussed in greater detail in Section 9.1.10B.

PG&E has attempted to develop WMDVLGBTBEs in the California wholesale power market in such a way that their entry adds value to the market while fitting into the utility competitive bidding model. Within the Energy Policy and Procurement team, PG&E utilizes a Supplier Diversity co-champion organizational construct that facilitates a team approach to promoting supplier diversity in power procurement. This commitment was visible to prospective WMDVLGBTBEs who met with PG&E throughout the year.

In 2016, PG&E began working with a new WMDVLGBTBE participant in PG&E's formal Supplier Development Program. This program aims to grow the WMDVLGBTBE presence in power procurement by engaging a PG&E executive mentor to share knowledge and guidance with a promising WMDVLGBTBE mentee. More details follow in Section 10.1.3 below.

Lastly, all three IOUs continue to refine an instructional document to standardize and improve data reporting going forward.



## Summary of Purchases and/or Contracts (Sec. 9.1.2)

### ELECTRIC PROCUREMENT

PG&E spent over \$3.4 billion in 2016 on electricity commodity and related services. This spending is for energy and capacity from Qualified Facilities (QF), Combined Heat and Power (CHP) facilities, Renewables Portfolio Standard (RPS) facilities and tolling and Resource Adequacy (RA) contracts (and excludes purchases from the California Independent System Operator). Of this total dollar spend, over \$40 million was paid to WMDVLGBTBEs.

While new resources continue to come online as part of the renewable portfolio, PG&E will not hold a solicitation for new RPS-eligible resources in 2017, consistent with the 2016 RPS Plan.<sup>1</sup> In fact, all three California utilities stated a lack of physical need for new renewable resources until the mid-2020s in their 2016 RPS Plans.<sup>2</sup> While new resource procurement is not needed at this time, projects currently under construction may provide meaningful subcontracting opportunities, although PG&E will not be able to include that subcontracting spend in its future reporting.

PG&E's Energy Policy and Procurement team works diligently to educate WMDVLGBTBEs and non-diverse firms about direct and subcontracting opportunities to support business needs in these areas. In the near term, renewable project development programs will be the most accessible programs to encourage WMDVLGBTBEs, as significant project investment is required for site preparation, permitting, environmental studies, engineering, construction, operations and maintenance services and more.

A summary of Annual Energy Product Results by Ethnicity and WMDVLGBTBE Certification is provided at the end of Section 9. At this time, no data is available for LGTBTEs; however, it will be provided in future years.

#### **PG&E issued the following Requests for Offers (RFOs), electronic solicitations and tariffs in 2016:**

- 01-04-2016** ReMAT Program Period 14
- 01-13-2016** Sale of Q2 Resource Adequacy (RA)
- 02-01-2016** BioMAT Program Period 1
- 02-05-2016** Purchase of June/July/August 2016 Import Energy
- 03-01-2016** ReMAT Program Period 15
- 04-01-2016** BioMAT Program Period 2

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<sup>1</sup>PG&E's 2016 RPS Plan [http://prccappiiswc002/Docs/RenewablesPortfolioStdOIR-V/Other-Docs/PGE/2016/RenewablesPortfolioStdOIR-V\\_Other-Doc\\_PGE\\_20160808\\_381386.pdf](http://prccappiiswc002/Docs/RenewablesPortfolioStdOIR-V/Other-Docs/PGE/2016/RenewablesPortfolioStdOIR-V_Other-Doc_PGE_20160808_381386.pdf)

<sup>2</sup>SCE 2016 RPS Plan: [http://prccappiiswc002/Docs/RenewablesPortfolioStdOIR-V/Other-Docs/SCE/2016/RenewablesPortfolioStdOIR-V\\_Other-Doc\\_SCE\\_20160808\\_381447.pdf](http://prccappiiswc002/Docs/RenewablesPortfolioStdOIR-V/Other-Docs/SCE/2016/RenewablesPortfolioStdOIR-V_Other-Doc_SCE_20160808_381447.pdf)

SDG&E 2016 RPS Plan: [https://www.sdge.com/sites/default/files/regulatory/R\\_15-02-020\\_SDGE\\_PUBLIC-v1-RPS\\_Pldg%20Attach\\_A\\_App%201-14-\\_Draft\\_2016\\_FIN.pdf](https://www.sdge.com/sites/default/files/regulatory/R_15-02-020_SDGE_PUBLIC-v1-RPS_Pldg%20Attach_A_App%201-14-_Draft_2016_FIN.pdf)



04-01-2016	Purchase of July/August 2016 Import Energy
04-29-2016	Purchase June 2016 System Daily RA
05-02-2016	ReMAT Program Period 16
05-31-2016	Purchase July 2016 System Daily RA
06-01-2016	BioMAT Program Period 3
06-28-2016	2016 BioRAM RFO
06-28-2016	Sale of September 2016 RA
07-01-2016	ReMAT Program Period 17
07-08-2016	Sale of Q4-2016 RA
07-20-2016	Purchase of 2017 Bay Area Local RA
08-01-2016	BioMAT Program Period 4
08-25-2016	2016 GHG Offset Credit RFO
08-31-2016	2016 Regional Renewable Choice-Enhanced Community Renewables RFO
09-01-2016	ReMAT Program Period 18
09-23-2016	Purchase of 2017 Bay Area Local RA
09-28-2016	Purchase of November 2016 System Daily RA
10-03-2016	BioMAT Program Period 5
10-06-2016	2016 Low Carbon Fuel Standard (LCFS) Solicitation #1
10-26-2016	Sale of Q1-2017 RA
11-01-2016	ReMAT Program Period 19
11-10-2016	2016 Low Carbon Fuel Standard (LCFS) Solicitation #2
11-30-2016	2016 Energy Storage RFO

**In each of the listed RFOs and electronic solicitations, PG&E encouraged participation from WMDVLGBTBEs and those with supplier diversity programs. PG&E educates market participants on the importance of supplier diversity to the organization and to the State of California.**

In the above-listed RFOs, PG&E gathered information from the bidders, including but not limited to disclosure of participant status as a small business or WMDVLGBTBE, whether the participants had a supplier diversity program within their organization, and if the participants planned to commit a percentage of their construction and maintenance to third-party WMDVLGBTBE subcontractors. Lastly, in order to encourage more WMDVLGBTBE subcontracting, RPS and Energy Storage contracts include standard provisions where PG&E requested the developers to specify, as a contract term, an expected level of WMDVLGBTBE subcontracting spend.

In PG&E's Regional Renewable Choice/Enhanced Community Renewables RFO, one WMDVLGBTBE submitted a bid. In the ReMAT program, one of 11 participants was a WMDVLGBTBE. The procurement program has not yet attracted any LGBTBEs. The BioMAT program, which represents an even smaller subset of the renewable marketplace than ReMAT, did not attract any WMDVLGBTBE participants. Additionally, despite encouragement, no registered WMDVLGBTBEs submitted offers to PG&E's 2016 Import Energy electronic solicitations.

In PG&E's ReMAT program, the utility executed two contracts with WMDVLGBTBEs in 2016. By comparison, in 2015, the utility awarded six WMDVLGBTBE contracts.

An RFO for Compressed Air Energy Storage (CAES) was released in late 2015. Offers were submitted in May of 2016. No WMDVLGBTBEs submitted offers to this RFO; however that was to be expected as the market for CAES development is extremely limited.

The lack of WMDVLGBTBE participation in BioMAT, greenhouse gas (GHG) and CAES is not surprising to PG&E as developing eligible bioenergy and CAES resources is highly capital- and credit-intensive, as is participation in the GHG market. The capital and credit demands and complexity of these procurement streams represent significant barriers to entry for any small business.

In 2016, PG&E added two power procurement master enabling agreements with WMDVLGBTBEs. However, some existing agreements went inactive over the same time period. As a result, PG&E now has a total of six active master enabling agreements.

### NATURAL GAS FOR ELECTRIC GENERATION

In 2016, PG&E's natural gas purchases for the electric generation portfolio contracted as compared to 2015. WMDVLGBTBE day-ahead and month-ahead gas purchases for delivery into California totaled \$32.3 million in notional value and represented over 17.5 percent of total gas purchased for the electric portfolio.

This was a significant decrease of total WMDVLGBTBE natural gas purchases compared to 2015, when PG&E procured an all-time high of 37.7 percent from diverse suppliers. PG&E's Electric Fuels team conducted trades for same day, next day and prompt month. The team also executing a one-year physical daily call option in 2016, and over fifty such trades with WMDVLGBTBE counterparties, enabled with natural gas master agreements.

PG&E Electric Fuels currently has nine natural gas master enabling agreements with WMDVLGBTBEs. In 2016, one of the WMDVLGBTBE brokers PG&E worked with went out of business, as the owner of the organization elected to return to work for a larger brokerage with strong national presence. PG&E now has two active relationships with WMDVLGBTBE brokerages.



PG&E continues to entertain bilateral discussions for power procurement product transactions with WMDVLGBTBEs, to the extent they conform to CPUC-approved Renewables Portfolio Standard and Bundled Procurement Plans. Such products include renewable energy credits and natural gas transactions.

PG&E purchases gas supplies from producers and marketers in the U.S. Rockies and California on a daily, monthly and longer term basis to serve its company-owned generating facilities and tolling agreements. More information about PG&E's natural gas procurement is available in the Natural Gas Fuels for Generation section of Annual Energy Product Results by Ethnicity and WMDVLGBTBE Certification section of this report.

### Other Fuels for Generation Description:

#### Diesel

PG&E's Humboldt Bay Generating Station burns a small amount of diesel for ignition and to refuel plant vehicles, but the engines will run solely on diesel fuel whenever natural gas is unavailable or when required by environmental air emission permit. A WMDVLGBTBE supplies this bulk diesel fuel for the Humboldt Bay Generating Station. In addition, Colusa, Gateway and Humboldt Bay Generating Stations all use diesel in plant vehicles and equipment, for which local, non-diverse companies have been utilized.

#### Nuclear

The nuclear fuel cycle is divided into four main procurement activities: uranium concentrates, conversion services, enrichment services and fabrication.

For procurement of uranium concentrates, conversion services and enrichment services, PG&E utilizes multiple non-diverse primary world market suppliers for each procurement activity or segment. Using multiple suppliers ensures security of supply should a supplier fail to deliver. For fabrication, PG&E uses a US-based nuclear power company that is majority-owned by a non-U.S.-based foreign corporation. The specialized supply chain, limited market and long lead time for nuclear fuel create extraordinary barriers and no meaningful opportunity for potential WMDVLGBTBEs.

#### Coal

PG&E's owned-generation portfolio does not include coal.

### WMDVLGBTBE Program Expenses (Sec. 9.1.3)

Program expenses for electric procurement are included in the overall Supplier Diversity Program Expenses (see section 9.1.3 of the Supplier Diversity 2016 Annual Report and 2017 Annual Plan).

### Description of Progress in Meeting or Exceeding Set Goals (Sec. 9.1.4)

Below is a summary of PG&E's progress in 2016 towards its WMDVLGBTBE percentage target goals:

1. Educated prime suppliers about PG&E's supplier diversity goals through WMDVLGBTBE subcontracting webinars, pre-bid webinars, workshops and one-on-one discussions.
2. Updated a list of potential WMDVLGBTBEs interested in electric procurement and held one-on-one sessions with all WMDVLGBTBEs that requested a meeting with PG&E and expressed a desire to participate in California's Wholesale Electric Market.
3. Ensured that electric procurement information was easily accessible from PG&E's Supplier Diversity web page and improved the dissemination of information to WMDVLGBTBEs.
4. Updated energy procurement policies and procedures for RFOs, including incorporating supplier diversity into contracts and, for executed contracts, establishing tracking tools to monitor counterparty commitments to supplier diversity.
5. Worked collaboratively with the other gas and electric utilities to clarify reporting guidelines and partnered on outreach activities.
6. Utilized a supplier diversity power procurement co-champion structure to foster WMDVLGBTBE participation in all facets of PG&E's power procurement activities.
7. Dedicated additional resources to help execute the power procurement supplier diversity action plan.
8. Utilized a template for a Funds Transfer Agency Agreements (FTAA), establishing a banking intermediary for wholesale transactions, and a Tripartite Agreement (a three-party performance agreement. These form agreements supplement power procurement master enabling agreements. These tools are typically used for short periods to help developing firms establish credit and may be appropriate to build more capacity for diverse suppliers in wholesale power markets akin to what is available in the natural gas wholesale markets.
9. Provided mentoring to a WMDVLGBTBE through PG&E's formal Supplier Development Program for 2016. This mentoring relationship will continue into 2017.
10. Formalized and enhanced a robust WMDVLGBTBE credit framework for PG&E to promote supplier diversity in power procurement.





## Description of Prime Contractor Utilization of WMDVLGBTBE Subcontractors (Sec. 9.1.5)

**PG&E understands that future success in electric procurement will require ongoing education and training of its major suppliers. In 2016, PG&E continued to emphasize the importance of supplier diversity through RFOs and recommended resources that will help with the identification of WMDVLGBTBEs.**

As mentioned earlier, PG&E led a panel including other utilities and a WMDVLGBTBE energy storage firm discussing Innovation in the California energy landscape. This panel focused on emerging technologies and associated utility procurement, and advised WMDVLGBTBEs that specific subcontracting business offerings are most likely to be of value to the prime suppliers associated with these programs.

PG&E consistently encourages prime suppliers to subcontract with WMDVLGBTBEs. To encourage the reporting of such subcontracting opportunities, PG&E hosted a WMDVLGBTBE Subcontracting Webinar in January, 2017, that was well attended.

This outreach proved to be quite effective, as PG&E's counterparties reported \$5.21 million in subcontracting to WMDVLGBTBEs for 2016. PG&E believes WMDVLGBTBEs have a greater opportunity to participate as subcontractors than as prime counterparties in the power procurement space in the coming years and remains committed to encouraging prime contractors to subcontract work to WMDVLGBTBEs.

## Supplier Complaints (Sec. 9.1.6)

**PG&E received no complaints in 2016.**

## Exclusions (Sec. 9.1.7)

**PG&E ceased reporting excluded categories in accordance with the 2003 CPUC ruling.**

## Diverse Suppliers in Underutilized Areas (Sec. 9.1.8)

**Similar to other underutilized areas of its business, PG&E collaborated with the other California utilities to address challenges, build strategies and make recommendations to improve the participation of WMDVLGBTBEs.**

While PG&E did not realize an increase in 2016's diverse spend in power procurement in general or in underutilized areas as compared to 2015, the organization remains committed to working with WMDVLGBTBEs and the CPUC to foster opportunities and economic development of these firms.

## Retention of All Documents/Data (Sec. 9.1.9)

**PG&E retains all final documents and data used to compile its Supplier Diversity Annual Report and Annual Plan for the longer of either three years or in accordance with internal policies.**

PG&E will continue to respond to all data requests upon request.

## Participation Results by Fuel Category (Sec. 9.1.10A)

See Annual Power Procurement Report by Ethnicity Table.

## Market Conditions and Outreach (Sec. 9.1.10B)

**PG&E's procurement objectives include assembling a portfolio of reliable and operationally flexible resources, supporting the development of environmentally preferred resources and managing customer costs. These objectives are applied to all market participants, irrespective of entity classification.**

The characteristics of the electric market are unique compared to the natural gas market. Electric markets are characterized by long-life assets. These assets, each of which could cost hundreds of millions of dollars, are generally constructed, owned and operated by large corporations or financial institutions. As such, it is an exceedingly difficult market in which WMDVLGBTBEs can enter and succeed. The natural gas market has historically provided greater opportunities for day, week or month-long transactions. These shorter term transactions had historically provided opportunities for WMDVLGBTBEs to transact.

For the natural gas commodity, the barriers to entry are different. Asset ownership is not required and the vast majority of commodity clears through the market or exchanges, so the opportunities have historically been greater for WMDVLGBTBEs than in electricity commodity. Transactions executed on an indexed price basis—which is how much of the gas commodity market transacts—require less credit and collateral requirements than do fixed price transactions. Historically, WMDVLGBTBEs have participated in this market successfully. However, PG&E sees significant challenges in the coming years because market conditions are changing. As electric generation from renewable resources increases, it is displacing generation from natural gas-powered resources. The state of California's long-term climate and greenhouse gas (GHG) reduction goals are likely to increase in the coming years, resulting in continued decline in the need for natural gas as a fuel source for electricity. WMDVLGBTBEs fighting for market share today against large, investor-owned businesses with strong credit and economies of scale are at real risk of being forced out of the shrinking market.

On the electric side, the vast majority of payments are through RPS, CHP, QF and conventional tolling contracts which are associated with long-life assets, with the remaining amount clearing through the California Independent System Operator (CAISO) market (which is not regulated by the CPUC).



With the advent of the CAISO Market Redesign and Technology Upgrade (MRTU) market design, electric energy is commoditized through a centralized market. Day-ahead energy transactions have predominantly moved away from direct bilateral transactions to energy commodity exchanges. The Dodd-Frank Act has further complicated the electric commodity markets by imposing additional transaction and reporting rules. These regulatory challenges give all market participants, including WMDVLGBTBEs, pause when contemplating entry into the electric commodity markets. The regulatory challenges are compounded by the strong balance sheet required to manage risk associated with volatile markets.

In wholesale power markets, PG&E encourages the participation of WMDVLGBTBEs to participate in renewables and RA products, both on a direct and subcontracting basis. However, diverse businesses have much greater likelihood for success as subcontractors. Any firm must overcome considerable barriers to enter into a power contract, including gaining access to capital and establishing credit, technical knowledge and gaining operational experience. The difficulty associated with obtaining these prerequisites is the reason that there are few firms engaged in developing power plants or trading power products. Firms that do enter the market face a changing industry where investor-owned utilities with strong credit, like PG&E, are losing load to new, local competitors. In California, these competitors are typically Community Choice Aggregators (CCA). Customers' transition from utilities to CCAs has resulted in PG&E's total electric load decreasing, leaving PG&E with limited need for new, long-term contracted resources and a decrease across all historic sectors of procurement.

To facilitate any possible opportunities to transact RA and other potential power product transactions, PG&E engages in discussions with WMDVLGBTBEs for electric master enabling agreements. PG&E has worked extensively with several WMDVLGBTBEs to structure arrangements to facilitate and mitigate credit posting concerns, including the FTAA and Tripartite forms mentioned earlier. While FTAA helped WMDVLGBTBEs that lacked credit to transact with PG&E and other utilities for many years, PG&E is not confident that FTAA will be available in the future. In 2016, the last bank offering FTAA eliminated this service. A replacement bank was eventually identified, but the replacement bank is smaller and may not be able to accommodate the credit required for multiple firms transacting with utilities. PG&E expects to see considerable decline in natural gas transactions in the coming years as a direct result of this credit limitation.

**To further promote WMDVLGBTBE participation in PG&E Energy Procurement RFOs, PG&E's supplier diversity goals and objectives were presented and discussed at the following webinars:**

- 07-07-2016** BioEnergy Renewable Auction Mechanism (BioRAM) RFO Webinar
- 08-31-2016** Greenhouse Gas Offset Credit RFO Information Session and Webinar
- 09-06-2016** Regional Renewable Choice RFO Webinar
- 12-21-2016** Photovoltaic (PV) RFO Webinar

The schedule for 2017 Energy Procurement RFOs can be found online at [pge.com/rfo](http://pge.com/rfo).

While General Order 156 intends to create opportunities for WMDVLGBTBEs, these organizations and their IOU counterparties are faced with tightening margins in the wholesale power markets. As with any participant wishing to participate in wholesale power activities, meeting industry standard credit and collateral requirements is challenging. In the coming year, PG&E will continue to work with WMDVLGBTBEs in the hopes of transacting with these businesses consistent with the Least-Cost, Best-Fit procurement standard.



### Annual Energy Product Results by Ethnicity and WMDVLGBTBE Certification

(All dollar figures in \$MM)

Product <sup>1</sup>		Results by Ethnicity and Gender												Results by WMDVLGBTBE Certification						Total WMDVLGBTBE Procurement Spend <sup>3</sup>	Total Procurement Spend		
		Unit	Asian/Pacific American			African American			Hispanic American			Native American			Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE)	Disabled Veteran Business Enterprise (DVBE)	Other 8(a) <sup>5</sup>			Subcontracting Total	
			Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total									Total
POWER PURCHASED	Renewable Power Products Direct	\$	\$-	\$-	\$-	\$-	\$-	\$-	\$2.66	\$-	\$2.66	\$-	\$-	\$-	\$2.66	\$-	\$-	\$-	\$-	\$5.19	\$7.85	\$2,365.51	
		%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.11%	0.0%	0.11%	0.0%	0.0%	0.0%	0.11%	0.0%	0.0%	0.0%	0.0%	0.22%	0.33%		
		\$ <sup>2</sup>	\$-	\$-	\$-	\$-	\$-	\$-	\$2.66	\$-	\$2.66	\$-	\$-	\$-	\$2.66	\$-	\$-	\$-	\$-	\$-	\$0.01	\$2.67	\$399.31
	Non-Renewable Power Products Direct	PHYSICAL	\$	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$1,108.84
			%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
			\$ <sup>2</sup>	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
FUELS FOR GENERATION	Diesel Direct	\$	\$-	\$-	\$-	\$-	\$-	\$-	\$0.48	\$0.48	\$-	\$-	\$-	\$0.48	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$0.48	\$0.48
		%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100%	100%	0.0%	0.0%	0.0%	100%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100%	
	Natural Gas Direct	PHYSICAL	\$	\$-	\$6.81	\$6.81	\$6.76	\$-	\$6.76	\$4.65	\$-	\$4.65	\$-	\$-	\$-	\$18.22	\$5.62	\$-	\$8.42	\$-	\$-	\$32.26	\$184.66
%			0.0%	3.69%	3.69%	3.66%	0.0%	3.66%	2.52%	0.0%	2.52%	0.0%	0.0%	0.0%	9.87%	3.04%	0.0%	4.56%	0.0%	0.0%	17.47%		
POST 2011	SubTotal of Columns <sup>2</sup>	\$	\$-	\$6.81	\$6.81	\$6.76	\$-	\$6.76	\$7.31	\$0.48	\$7.79	\$-	\$-	\$-	\$21.37	\$5.62	\$-	\$8.42	\$-	\$0.01	\$35.41	\$831.85	
	SubTotal % of Total Procurement Spend	%	0.0%	0.73%	0.73%	0.73%	0.0%	0.73%	0.78%	0.05%	0.84%	0.0%	0.0%	0.0%	2.29%	0.60%	0.0%	0.90%	0.0%	0.0%	Overall WMDVLGBTBE %:	4.26%	
ALL	SubTotal of Columns <sup>4</sup>	\$	\$-	\$6.81	\$6.81	\$6.76	\$-	\$6.76	\$7.31	\$0.48	\$7.79	\$-	\$-	\$-	\$21.37	\$5.62	\$-	\$8.42	\$-	\$5.19	\$40.59	\$3,659.49	
	SubTotal % of Total Procurement Spend	%	0.0%	0.19%	0.19%	0.18%	0.0%	0.18%	0.20%	0.01%	0.21%	0.0%	0.0%	0.0%	0.58%	0.15%	0.0%	0.23%	0.0%	0.14%	Overall WMDVLGBTBE %:	1.11%	

Totals may not add due to rounding.

**Notes:**

<sup>1</sup>Excludes purchases from the CAISO, other IOUs, utilities, federal entities, state entities, municipalities and cooperatives

<sup>2</sup>Includes only long-term power procurement commitments after June 6, 2011, or as a result of RFOs after June 6, 2011

<sup>3</sup>Total WMDVLGBTBE spend does not include pre-COD subcontracting values.

<sup>4</sup>Includes all power procurement commitments

<sup>5</sup>Firms classified as 8(a) include non-WMDVLGBTBE % (percentages calculated by the Row Category Total Procurement Spend).

%: percentages calculated by the Row Category Total Procurement Spend

## Goals (Sec. 10.1.1)

**PG&E's goal is to continue to foster WMDVLGBTBE participation in electric procurement through: (1) collaboration and education; (2) communication and outreach; and (3) improved procurement processes and awareness.**

## Program Activities Planned for 2017 (Sec. 10.1.2)

**PG&E has developed a detailed action plan based on effective implementation of General Order 156, collaboration and education, communication and outreach and procurement processes and awareness. The plan includes Energy Procurement and Supplier Diversity owners and action items, whose status will be tracked regularly.**

**PG&E's 2017 Supplier Diversity goals for Energy Policy and Procurement include:**

1. Increasing opportunities for WMDVLGBTBEs to compete for PG&E's energy procurement commodity business through both direct and indirect contracting. To encourage additional diverse contracting, PG&E includes a WMDVLGBTBE spend commitment to RPS contracts.
2. Assisting WMDVLGBTBEs, ethnic chambers and business trade associations to better understand PG&E Energy Policy and Procurement's practices, processes, plans and goals.
3. Increasing awareness and support for achieving PG&E's supplier diversity goals throughout the Energy Policy and Procurement organization.
4. Increasing outreach with WMDVLGBTBEs interested in participating in RFOs.
5. Increasing advocacy efforts on prime suppliers' subcontracting to WMDVLGBTBEs, and promoting prime supplier and WMDVLGBTBE matchmaking events and industry conferences.
6. Continuing to explore ways to count and report WMDVLGBTBE subcontracting spend under General Order 156 on generation projects during their pre-Commercial Operation Date status.

## Supplier Recruitment in Low Utilization Areas (Sec. 10.1.3)

**PG&E is committed to working with internal and external stakeholders to make it easier for WMDVLGBTBEs to transact power products with PG&E. To help break down barriers, this support will include identifying practical opportunities, as well as collaborating with other utilities, WMDVLGBTBE power providers and the CPUC.**

Continuing education of developers is a crucial component of PG&E's plan to continue encouraging developers to utilize WMDVLGBTBEs during all phases of project construction. The company will also grow its outreach to WMDVLGBTBEs in power procurement.



In 2017, PG&E plans to sponsor a Power Procurement WMDVLGBTBE Business Matchmaking event, similar to the event that took place on September 3, 2015, in Irvine, in partnership with San Diego Gas and Electric Company and Southern California Edison. This event will feature speakers and one-on-one matchmaking sessions to discuss business prospects with opportunities ranging from site selection and permitting to construction, IT services, operations and maintenance of electric generation facilities. Billions of dollars are expected to be spent on these types of projects in the next several years as developers build out new renewable generation, conventional generation and energy storage infrastructure to serve utility customers throughout California.

In addition, PG&E will continue to attend conferences and special events to promote supplier diversity in power procurement and collaborate with the other California utilities whenever possible.

Also, in 2017, PG&E plans to continue working with a WMDVLGBTBE currently participating in PG&E's formal Supplier Development Program. This is a unique opportunity for a WMDVLGBTBE CEO to meet regularly throughout the year with a member of PG&E's Energy Policy and Procurement leadership team to discuss ways to grow a small business in the power procurement space. It also includes full sponsorship of courses offered by the Management Development for Entrepreneurs (MDE) Program at UCLA's Anderson School of Business.

## Plans for Recruiting WMDVLGBTBEs in Excluded Categories (Sec. 10.1.4)

General Order 156 Ruling on November 14, 2003, ended the excluded category.

## Plans for Subcontracting (Sec. 10.1.5)

**PG&E's planned subcontracting activities include:**

1. Holding targeted meetings with developers to advance opportunities for WMDVLGBTBEs.
2. Sending broadcast communications to electric procurement participants to notify them of PG&E's commitment to supplier diversity.
3. Ensuring that all RFOs include information and communications about supplier diversity requirements, including what cost components are relevant and how spending is verified.

## Plans for Complying with WMDVLGBTBE Program Guidelines (Sec. 10.1.6)

**PG&E will comply with all WMDVLGBTBE program guidelines.**



# Fuel Procurement for Non-Generation

## INTRODUCTION

PG&E purchases natural gas to serve its core (residential and small commercial) bundled gas customers. During 2016, PG&E purchased gas supplies to serve core customers from Canada, the U.S. Rocky Mountain supply area, and the U.S. Southwest. As discussed in Sec. 9.1.2, Core Gas Supply spent nearly \$67 million dollars in natural gas purchases with diverse suppliers, representing over 11 percent of total purchases.

## Description of WMDVLGBTBE Program Activities During the Previous Calendar Year (Sec. 9.1.1)

### Communications and Assistance

PG&E maintains information on its public website<sup>1</sup> to assist women, minority, service-disabled veteran and lesbian, gay, bisexual and transgender business enterprises (WMDVLGBTBE). This web page provides a description of PG&E's Supplier Diversity Program, including eligibility criteria for California's WMDVLGBTBE program and a description of resources available to assist such suppliers in selling products and services to PG&E and Core Gas Supply.

Furthermore, in 2016, PG&E fully engaged with diverse suppliers to answer questions about fuel procurement and provided guidance on WMDVLGBTBE certification, credit and contracting matters. In addition, Core Gas Supply offered enhanced banking and payment options and structured contract payment provisions to fit the individual needs of many WMDVLGBTBEs and their source suppliers. This included utilizing the Funds Transfer Agency (FTA) agreement, in which a bank serves as a fiduciary intermediary between the source supplier and the WMDVLGBTBE marketer. In 2016, PG&E offered assistance to WMDVLGBTBEs in locating a new Funds Transfer Agent, because an existing agent made a business decision to phase out its FTA agreements.

### Personal Contacts

Core Gas Supply maintains a solicitation list of WMDVLGBTBEs who have expressed interest in selling gas to PG&E. This list is used to track certification status and help ensure WMDVLGBTBEs are contacted on a regular basis about sales opportunities. Core Gas Supply staff also encourages natural gas producers to work with WMDVLGBTBEs in marketing gas and related services to PG&E.

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<sup>1</sup><http://www.pge.com/b2b/energysupply/gasprocurement/>

### Expanded Opportunities

During 2016, PG&E’s Core Gas Supply analysts continued to assist WMDVLGBTBEs with opportunities to provide broker services. Broker services enable WMDVLGBTBEs to match major producers and suppliers with Core Gas Supply’s gas buyers, thereby expanding opportunities beyond direct sales of gas to PG&E. Through a broker arrangement, WMDVLGBTBEs add value by locating a producer or supplier willing and able to meet PG&E’s terms. The broker arranges the initial contact and may facilitate the negotiation and assist with the administration. By acting as a broker, WMDVLGBTBEs are able to avoid many credit and operational risks, as well as help establish themselves in the natural gas business.

### Summary of Purchases (Sec. 9.1.2)

**In order to meet PG&E’s core natural gas demands, Core Gas Supply maintains a portfolio of supplies of varying contract tenors from several delivery points. Core Gas Supply traders typically negotiate prices or accept unsolicited proposals for longer term and prompt month baseload supplies, and purchase daily gas in “swing” spot markets.**

As shown in Table I, during 2016, PG&E paid WMDVLGBTBEs \$66,627,079 for natural gas supplies, representing 11.15 percent of total purchases by cost. During 2016, the Core Gas Supply department purchased approximately 37 percent of its gas volume from Canada because Canadian supplies were generally the least expensive and most reliable supply source available. Typically, however, WMDVLGBTBEs choose to participate exclusively in U.S. natural gas markets. Therefore, opportunities to engage WMDVLGBTBEs were generally limited to U.S. markets. Excluding Canadian purchases from the procurement base would raise the 2016 WMDVLGBTBE participation rate to 15.79 percent of costs.

**Table I: PG&E Core Gas Supply**

<b>Summary of 2016 Natural Gas Purchases from WMDVLGBTBE Suppliers January 1–December 31, 2016</b>			
<b>Gas Supplies</b>	<b>WMDVLGBTBE Purchase Costs</b>	<b>Total Supply Costs</b>	<b>Total Supply Volume</b>
U.S. and Canadian Purchases	\$66,627,079	11.15%	9.65%
U.S. Purchases Only	\$66,627,079	15.79%	15.42%

Appendix A provides PG&E’s Core Gas Supply Diverse Supplier costs by ethnicity and gender.



### Program Expenses (Sec. 9.1.3)

There were no specific program expenses allocated to non-generation fuel procurement in 2016. Any associated expenses are included in the overall Supplier Diversity Program Expenses (see section 9.1.3 of the Supplier Diversity 2016 Annual Report/2017 Annual Plan).

### Description of Progress in Meeting or Exceeding Set Goals (Sec. 9.1.4)

PG&E’s long-term fuels procurement goal of 21.5 percent spend with WMDVLGBTBE suppliers is based on the total cost of natural gas purchases in accordance with the long-term objective proposed by the CPUC in Decision 95-12-045, as shown in Table II.

**Table II: Diverse Supplier Participation Goals, 2017 and Beyond**

	2017	Beyond 2017
Minority	15%	15%
Non-Minority Women	5%	5%
Service-Disabled Veteran	1.5%	1.5%
<b>Total</b>	<b>21.5%</b>	<b>21.5%</b>

Targets for LGBTBE procurement are under development. In June 2015, under Decision 15-06-007, the CPUC established a five-year plan and framework to gather data and experience to set a meaningful target for LGBTBE procurement under General Order 156.<sup>2</sup>

### Summary of Utilization of WMDVLGBTBE Subcontractors (Sec. 9.1.5)

Trading and marketing natural gas does not lend itself to subcontracting. PG&E’s focus is to locate additional WMDVLGBTBEs to serve as direct suppliers for its natural gas purchases.

### Supplier Complaints (Sec. 9.1.6)

There were no complaints in 2016 regarding Core Gas Supply’s Diverse Supplier natural gas purchase activity.

<sup>2</sup>Section 8.3 of General Order 156. [http://162.15.7.24/PUBLISHED/GENERAL\\_ORDER/59939.htm](http://162.15.7.24/PUBLISHED/GENERAL_ORDER/59939.htm)



## Exclusions (Sec. 9.1.7)

General Order 156 Ruling on November 14, 2003, ended the excluded categories.

## Diverse Suppliers in Underutilized Areas (Sec. 9.1.8)

PG&E continued to encourage WMDVLGBTBEs to develop relationships with Canadian producers. Historically, and as reported in PG&E's previous annual supplier diversity reports, WMDVLGBTBE activity in Canada has been low because of the complexity of conducting international business and the focus by most WMDVLGBTBEs to concentrate on domestic markets.

As such, WMDVLGBTBEs are generally challenged to find Canadian suppliers willing to conduct business with them. However, PG&E will continue its outreach and assistance to support WMDVLGBTBE growth in all markets, including Canada.

## Retention of All Documents/Data (Sec. 9.1.9)

PG&E will retain documents and data to support its Supplier Diversity Annual Report and Annual Plan in accordance with internal policies and document retention regulations.

## Participation Results by Fuel Category (Sec. 9.1.10A)

See Appendix A.



APPENDIX A. PG&E'S CORE GAS SUPPLY, ANNUAL ENERGY PRODUCT RESULTS BY ETHNICITY AND WMDVLGBTBE CERTIFICATION

(All dollar figures in \$MM)

Product <sup>1</sup>		Results by Ethnicity and Gender											Results by WMDVLGBTBE Certification								
		Asian/Pacific American			African American			Hispanic American			Native American		Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE)	Disabled Veteran Business Enterprise (DVBE)	Other 8(a) <sup>2</sup>	Total WMDVLGBTBE Procurement Spend	Total Procurement Spend		
Unit	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Total	Total	Total	Total	Total	Total			
NATURAL GAS	SHORT TERM	\$	\$-	\$21.36	\$21.36		\$-		\$4.49	\$-	\$4.49	\$-	\$-	\$-	\$25.85	\$8.18		\$13.55		\$47.58	\$243.75
		%	0%	3.57%	3.57%		0%		0.75%	0%	0.75%	0%	0%	0%	4.32%	1.37%		2.27%		7.96%	
	LONG TERM	\$	\$-	\$9.66	\$9.66	\$2.49	\$-	\$2.49	\$0.76	\$-	\$0.76	\$-	\$-	\$-	\$12.91	\$5.37		\$0.76		\$19.05	\$354.03
		%	0%	1.62%	1.62%	0.42%	0%	0.42%	0.13%	0%	0.13%	0%	0%	0%	2.16%	0.90%		0.13%		3.19%	
	TOTAL NATURAL GAS	\$	\$-	\$31.02	\$31.02	\$2.49	\$-	\$2.49	\$5.26	\$-	\$5.26	\$-	\$-	\$-	\$38.77	\$13.55		\$14.31		\$66.63	\$597.78
		%	0%	5.19%	5.19%	0.42%	0%	0.42%	0.88%	0%	0.88%	0%	0%	0%	6.49%	2.27%		2.39%		11.15%	
LPG	SHORT TERM	\$	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
		%																			
	LONG TERM	\$	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
		%																			
	TOTAL LPG	\$	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$-
		%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0.00%	0.00%		0.00%		0%	
Overall Total \$		\$-	\$31.02	\$31.02	\$2.49	\$-	\$2.49	\$5.26	\$-	\$5.26	\$-	\$-	\$-	\$38.77	\$13.55		\$14.31		\$66.63	\$597.95	
Overall Total %		0%	5.19%	5.19%	0.42%	0%	0.42%	0.88%	0%	0.88%	0%	0%	0%	6.49%	2.27%		2.39%	0.00%	Overall WMDVLGBTBE%:	11.15%	

Totals may not add due to rounding.

**Note:**

Short Term The term of the deal is no longer than one calendar month.

Long Term The term of the deal is greater than one calendar month and no longer than one calendar year.

<sup>1</sup>Excludes purchases from the CAISO, other IOUs, utilities, federal entities, state entities, municipalities and cooperatives.

<sup>2</sup>Includes Non-WMDVLGBTBE firms classified as 8(a) of Small Business Administration

%: Percentages calculated by the Row Category Total Procurement Spend

## Market Conditions and Outreach (Sec. 9.1.10B)

### FACTORS LIMITING DIVERSE SUPPLIER GROWTH

#### Market Challenges

U.S. natural gas production was resilient to market changes in 2015, but fell in 2016.<sup>3</sup> In addition, natural gas prices remained low relative to historical levels.<sup>4</sup> The exceptionally low gas prices diminished profit margins for all suppliers, reducing opportunities for both WMDVLGBTBE and non-diverse suppliers.

#### Competitive Challenges

As a rule, natural gas marketers add value by applying their expertise to find buyers and to creatively fulfill end-user needs while fostering a liquid, transparent market. In addition to providing supplies, the role of many successful marketers has evolved and expanded to include intermediate steps in the supply chain, such as arranging pipeline transportation and storage, providing nomination and balancing services and providing any other services required to facilitate natural gas sales. These complex, commercial arrangements and the myriad of associated services demand that marketers possess critical skills, industry knowledge and commercial connections in addition to significant organizational resources and financial backing in order to be successful. At this time, only a few WMDVLGBTBEs have these additional assets and resources.

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<sup>3</sup>U.S. natural gas production resilient to market changes in 2015, but has fallen in 2016, <http://www.eia.gov/todayinenergy/detail.cfm?id=29192> , December 16, 2016

<sup>4</sup><http://www.eia.gov/dnav/ng/hist/rngc1d.htm>



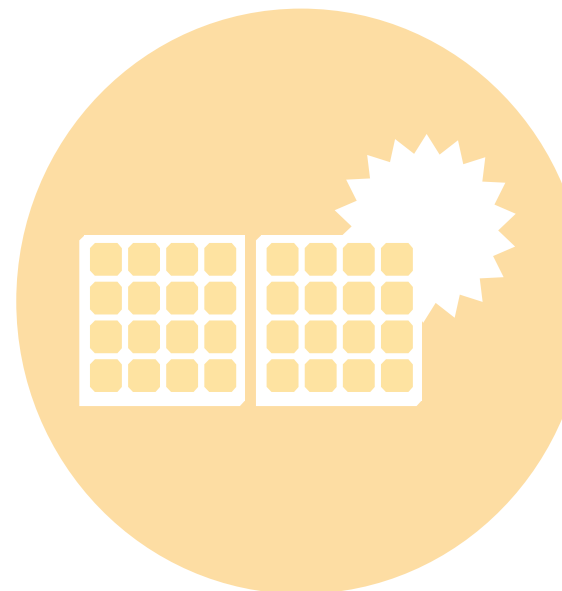
## Institutional Barriers

All industry participants face enormous financial and credit risks. Most WMDVLGBTBEs are challenged to manage exposure to such risks because they lack capital to meet collateral requirements. Additionally, they generally do not hold physical assets, such as natural gas storage, to help establish credit or limit exposure to performance risks. Finally, WMDVLGBTBEs are generally not able to post sufficient collateral to cover the margin requirements of electronic or online trading platforms, which account for a significant percentage of transactions in today's fast-moving natural gas markets.

Although major producers and wholesale suppliers may have their own diversity objectives, they are not guided by General Order 156, and therefore may not be compelled to support California's WMDVLGBTBE program.

Furthermore, with the news in mid-2016 that a prominent Funds Transfer Agent was phasing out its FTA agreements, source suppliers were not willing to enter into new arrangements with WMDVLGBTBE gas marketers. Unless new Funds Transfer Agents enter the industry, some WMDVLGBTBE gas marketers may choose to exit the business if source suppliers are not willing to use an alternate third-party payment structure, or if WMDVLGBTBEs cannot obtain sufficient credit. While a couple of new Funds Transfer Agents have recently entered the industry, transitioning to these new agents will take time. This transition impeded WMDVLGBTBE transactions in 2016 and may continue to do so in the near future.

These issues challenge WMDVLGBTBEs to provide valuable services and make it difficult for them to compete with other, more sophisticated marketers. As described in Section 9.1.8., these issues are compounded by the challenges of conducting international business. However, PG&E continues to encourage U.S. and Canadian source suppliers to develop relationships with WMDVLGBTBEs. Furthermore, PG&E monitors its portfolio of gas supplies and strives to balance objectives of providing opportunities for WMDVLGBTBEs while maintaining supply reliability and managing costs for its core gas customers.



## Goals (Sec. 10.1.1)

### **GOAL: INCREASE WMDVLGBTBE PARTICIPATION**

Despite the factors limiting WMDVLGBTBE growth identified in section 9.1.10B, PG&E will strive for a 21.5 percent participation rate as a long-term objective, will continue its efforts to reduce the barriers to entry and will strive to expand the opportunities in which WMDVLGBTBEs can participate during 2017.

## Program Activities Planned for 2017 (Sec. 10.1.2)

### **PLANNED INTERNAL/EXTERNAL ACTIVITIES (SEC. 10.1.2)**

Progress toward meeting the optimistic goals in Table II may only be achieved through sustained efforts by gas purchasing personnel and by the continued growth and development of WMDVLGBTBEs. For 2017, PG&E has established the following objectives:

#### **Objective #1: Maintain Awareness**

Supplier diversity awareness training will be conducted as needed to familiarize Core Gas Supply traders and staff with available WMDVLGBTBEs and to emphasize PG&E's Supplier Diversity Program goals.

#### **Objective #2: Maintain Focus**

Throughout the year, Core Gas Supply management will utilize internal communications and discussions to highlight to its employees the progress they are making toward fulfillment of General Order 156 objectives.

#### **Objective #3: Assist Gas WMDVLGBTBEs**

Core Gas Supply staff will continue to advise and assist WMDVLGBTBEs with certification, credit applications and special payment arrangements in order to help establish firms and to prepare WMDVLGBTBEs to conduct business with PG&E.

#### **Objective #4: Seek Opportunities for WMDVLGBTBEs**

PG&E will continue to encourage WMDVLGBTBEs to conduct business with PG&E's Core Gas Supply.

**Objective #5: Measure Performance**

Supplier diversity activity reports will be provided to the Core Gas Supply staff and management on a regular basis. These reports will help to maintain focus, as discussed in Objective #2, and document progress toward reaching PG&E's supplier diversity goals. The reports will stimulate discussions among staff and management to develop innovative solutions addressing issues and challenges, and to create economic opportunities for WMDVLGBTBEs.

**Supplier Recruitment in Low Utilization Areas (Sec. 10.1.3)**

**PG&E will continue to encourage WMDVLGBTBEs to seek opportunities to participate in Canadian markets, where Core Gas Supply has historically purchased the majority of its gas supplies.**

PG&E will work with WMDVLGBTBEs to seek new gas supply opportunities and will offer contractual arrangements to stimulate future business.

**Plans for Recruiting WMDVLGBTBEs in Excluded Categories (Sec. 10.1.4)**

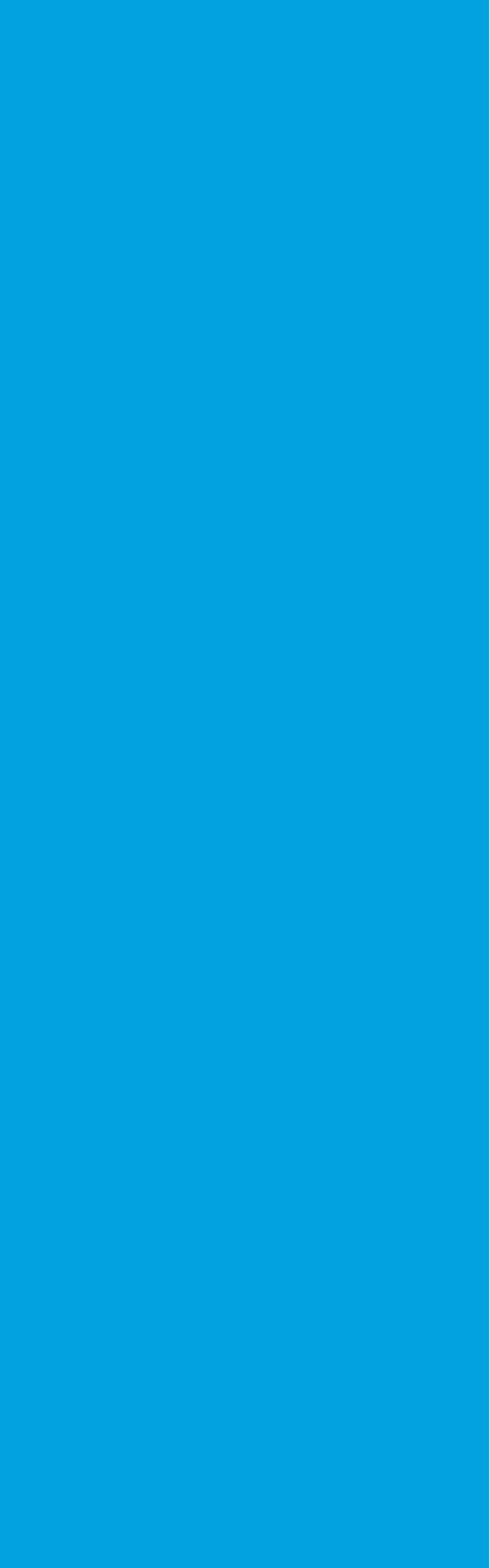
General Order 156 Ruling on November 14, 2003, ended excluded categories for Fuel Procurement.

**Plans for Subcontracting (Sec. 10.1.5)**

Trading and marketing natural gas does not lend itself to subcontracting. PG&E's focus is to locate additional WMDVLGBTBEs to serve as direct suppliers for its natural gas purchases.

**Plans for Complying with WMDVLGBTBE Program Guidelines (Sec.10.1.6)**

PG&E will comply with all WMDVLGBTBE program guidelines.





**Pacific Gas and Electric Company**  
**2016**  
**G. O. #156 (D.11-05-019 & D.06-11-028)**

**Number of WMDVLGBTBE Suppliers<sup>1</sup> and Revenue Reported to the Clearinghouse**

Data on Number of Suppliers												
Revenue Reported to CHS							Utility-Specific 2016 Summary					
# WMDVLGBTBEs	MBE	WBE	LGBTBE	DVBE	Other 8(a)*	Grand Total 2	MBE	WBE	LGBTBE	DVBE	Other 8(a)*	Grand Total
Under \$1 million	141	158	2	Not available	0	301	325	336	5	44	0	710
Under \$5 million	117	131	2	Not available	0	250	72	88	0	7	0	167
Under \$10 million	51	58	0	Not available	0	109	17	16	0	2	0	35
Above \$10 million	143	114	1	Not available	0	258	38	21	0	7	0	66
<b>TOTAL</b>	<b>452</b>	<b>461</b>	<b>5</b>	<b>Not available</b>	<b>0</b>	<b>918</b>	<b>452</b>	<b>461</b>	<b>5</b>	<b>60</b>	<b>0</b>	<b>978</b>

Revenue and Payment Data												
Revenue Reported to CHS							Utility-Specific 2016 Summary					
WMDVLGBTBE \$M	MBE	WBE	LGBTBE	DVBE	Other 8(a)*	Grand Total 2	MBE	WBE	LGBTBE	DVBE	Other 8(a)*	Grand Total
Under \$1 million	110,786,345	104,880,402	348,668	Not available	-	216,015,415	71,479,741	67,419,354	1,243,488	10,305,578	-	150,448,162
Under \$5 million	190,842,879	127,283,300	883,070	Not available	-	319,009,249	164,818,243	217,544,360	-	24,203,871	-	406,566,473
Under \$10 million	151,877,354	117,358,101	-	Not available	-	269,235,454	122,744,319	111,141,207	-	11,262,951	-	245,148,477
Above \$10 million	1,374,866,831	448,210,232	11,750	Not available	-	1,823,088,813	1,469,331,105	401,627,114	-	178,108,353	-	2,049,066,572
<b>TOTAL</b>	<b>1,828,373,408</b>	<b>797,732,035</b>	<b>1,243,488</b>	<b>Not available</b>	<b>-</b>	<b>2,627,348,931</b>	<b>1,828,373,408</b>	<b>797,732,035</b>	<b>1,243,488</b>	<b>223,880,753</b>	<b>-</b>	<b>2,851,229,684</b>

\*FIRMS CLASSIFIED AS 8(a) OF SMALL BUSINESS ADMINISTRATION INCLUDES NON-WMDVLGBTBE.

CHS: SUPPLIER CLEARINGHOUSE

<sup>1</sup>Includes direct and subcontracting WMDVLGBTBE suppliers

<sup>2</sup>The CHS does not include information regarding DVBE revenue. As a result, Grand Total revenue cells do not include DVBE data. Grand Total / Total cell does include aggregate DVBE data.