

*CALIFORNIA WATER SERVICE COMPANY
(U-60-W)
REPORT TO THE
CALIFORNIA PUBLIC UTILITIES COMMISSION*

*PLAN OF
CALIFORNIA WATER SERVICE COMPANY
FOR
WOMEN, MINORITY-OWNED
AND DISABLED VETERAN-OWNED
BUSINESS ENTERPRISE PROCUREMENT*

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Results Summary

This is California Water Service Company's (CWS) annual report to the California Public Utilities Commission (CPUC) on its progress in procuring goods and services from women-, minority- and service-disabled veteran business enterprises (WMDVBE's). In 2011, CWS's discretionary spending totaled \$144.4 million of which \$10.94 million or 7.57% went to WMDVBE enterprises.

CWS implemented a new procure to pay process in May of 2011. The functional team included staff members from the accounts payable and purchasing department. User acceptance testing and training manuals were performed and created by the functional team. In addition, approximately four hundred end users located throughout California received training on the following new processes:

- creating and approving a requisition,
- receiving goods and services and
- voucher approval

The amount of time dedicated to the procure to pay initiative coupled with the poor economic climate continued to create a challenge. Despite the challenge, CWS's continued to work diligently on supplier diversity to achieve the following in 2011:

- Contracted with Think Marketing, a woman-owned enterprise, to develop CWS's Supplier Diversity Brochure and webpage,
- Increased the number of WMDVBE enterprises from 53 to 97,
- Procured goods from 55% of WMDVBE enterprises registered in our vendor base
- Increased out 2nd tier spend by \$200k,

Sec. 9.1.1 A description of WMDVBE program activities engaged in during the previous calendar year. This description shall include both internal and external activities.

Listed below are all activities California Water Service Company (CWS) participated in jointly with the California Water Association (CWA).

- CUDC Meeting, San Ramon, January 14, 2011
- USDP Meeting, San Jose, January 24, 2011
- American Legion Post, SFO, January 28, 2011
- Joint Utilities Meeting Conference Call; February 2, 2011
- CUDC Meeting, San Diego, February 11, 2011
- USDP Meeting, West Covina, February 17, 2011
- Industry Hill Small Business Expo, City of Industry, February 24, 2011
- USDP Meeting, Anaheim, March 9, 2011
- Joint Utilities Meeting, Ontario, March 10, 2011
- CUDC Meeting, Long Beach, March 11, 2011
- CUDC Meeting, SFO, April 8, 2011
- Accord Event, Job Training, Los Angeles, April 13, 2011

- USDP Meeting, San Diego, April 26, 2011
- CPUC Small Business Expo, Burbank, April 27, 2011
- CUDC Meeting, WebEx, May 13, 2011
- KTP DVBE, Los Angeles, May 23-24, 2011
- USDP Meeting, SFO, May 26, 2011
- Elite SDVOB/DVBE, Inland Empire, June 7, 2011
- CUDC Meeting, Los Angeles, June 10, 2011
- Joint Utilities Meeting, SFO, June 13, 2011
- WBENC Nat'l Conf. Las Vegas, June 21-23, 2011
- CPUC Workshop, SFO, June 27, 2011
- CPUC Legal Symposium, SFO, July 14, 2011
- NARUC, Los Angeles, July 17-20, 2011
- USDP Business Opportunity Fair, Santa Fe Springs, July 20, 2011
- CPUC Procurement Update, Los Angeles, July 22, 2011
- AICOC Annual Conference, Rancho Mirage, July 24-26, 2011
- CUDC Advertisement & Media Forum, SFO, July 29, 2011
- ABA Business Matchmaking, City of Industry, July 29, 2011
- NCMSDC Small Bus. Exchange, Santa Clara, August 2, 2011
- California Hispanic Chamber Conference, San Jose, August 10-12, 2011
- CUDC Meeting, San Mateo, August 12, 2010
- California Black Chamber Conference, Sacramento, August 18-20, 2011
- USDP Meeting, Manhattan Beach, August 23, 2011
- DIR Conference, San Diego, August 24-25, 2011
- Joint Utilities Meeting, Los Angeles, September 8, 2011
- CUDC Meeting, Los Angeles, September 9, 2011
- USDP Meeting, SFO, September 13, 2011
- USDP Business Opportunity Fair, Citrus Heights, September 20, 2011
- En Banc, Los Angeles, October 11, 2011
- Asian American Coalition, S. SFO, October 17, 2011
- ABA Award Banquet, Los Angeles, October 18, 2011
- SDVOB/Elite Matchmaking, San Diego, October 18, 2011
- USDP Meeting, Ontario, October 25, 2011
- CPUC Small Business Expo, Stockton, October 27, 2011
- NMSDC Conference, Atlanta GA, October 30-Nov 2, 2011
- BBA Annual Award Luncheon & Matchmaking, November 8, 2011
- CWA Annul Conf, Monterey, November 7-9, 2011
- CPUC/ADF Procurement Expo, Inland Empire, November 15, 2011
- AICOC Heritage Month Luncheon, November 17, 2011
- USDP Meeting, Ontario, November 28, 2011
- USDP Meeting, San Dimas, December 16, 2010
- Joint Utilities Meeting, Irvine, December 5, 2011
- CUDC Meeting, WebEx, December 9, 2011

Sec. 9.1.2 Summary of Purchases – Statistical Reports

Supplier Diversity Annual Results by Ethnicity					
2011		Direct \$	Sub \$	Total \$	%
Minority Men	Asian-Pacific	\$707,354.00	\$5,667.36	\$713,021.36	0.49%
	Black	\$916,239.34	0.00	\$916,239.34	0.63%
	Hispanic	\$5,024,220.53	\$205,842.07	\$5,230,062.60	3.62%
	Native American	\$333,061.66	0.00	\$333,061.66	0.23%
	Other	0.00	0.00	0.00	0.00
	Total Minority Men	\$6,980,875.53	\$211,509.43	\$7,192,384.96	4.98%
Minority Women	Asian-Pacific	\$549,325.55	\$172.05	\$549,497.60	0.38%
	Black	\$24,356.34	\$56,556.00	\$80,912.34	0.06%
	Hispanic	\$439,484.54	\$121,906.25	\$561,390.79	0.39%
	Native American	\$500.00	0.00	\$500.00	0.00%
	Total Minority Women	\$1,013,666.43	\$178,634.30	\$1,192,300.73	0.82%
Total Minority Business Enterprise (MBE)		\$7,994,541.96	\$390,143.73	\$8,384,685.69	5.81%
Women Business Enterprise (WBE)		\$2,234,063.09	\$308,023.88	\$2,542,086.97	1.76%
Subtotal Women, Minority Business Enterprise (MWBE)			\$707,167.61	\$10,935,772.66	1.93%
Service Disabled Veteran Business Enterprise (DVBE)					
TOTAL WMDVBE		\$10,228,605.05	\$707,167.61	\$10,935,772.66	7.57%
Gross Procurement			\$310,711,961.07		
Exclusions			\$166,314,125.07		
Net Procurement			\$144,397,836.00		

Sec. 9.1.3 Program Expenses

<i>Expense Category</i>	<i>2011 Actuals</i>
Wages	\$54,650
Other Employment Expenses	\$3,180
Program Expenses	\$4,757
Reporting Expenses	\$4,160
Training	\$2,320
Consultants	\$33,422
Other	\$17,625
Total	\$120,183

- Wages: Salary and payroll related costs of employees working on WMDVBE matters.
- Other Employee Expenses: Office space, travel and non-wage costs.
- Program Expenses: Printing, postage, supplies, outreach and other costs directly related to programs.
- Reporting Expenses: Computer, accounting and other expenses in preparing reports to the CPUC.
- Training: Costs related to training employees (internal) and suppliers (external)
- Other: CWS portion of expenses captured and disbursed by CWA for Class A Company's USDP.

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

Category	Current Year Results	Current Year Goals
Minority Men	4.98%	12%
Minority Women	0.82%	3%
Minority Business Enterprise (MBE)	5.81%	15.0%
Women Business Enterprise (WBE)	1.76%	5.0%
Subtotal Women, Minority Business Enterprise (WMDVBE)	7.57%	20.0%
Service Disabled Veteran Business Enterprises (DVBE)	0.0%	1.5%
Total WMDVBE	7.57%	21.5%

Note: totals may not add due to rounding.

CWS spent 7.57% with WMDVBEs. This represents \$10.94 million spent with WMDVBEs which approximately \$600k less than the amount spent with WMDVBEs in 2010. The procure to pay initiative required diverting resources from other departments including supplier diversity which included funds from operating budgets and employee time.

Sec. 9.1.5 Summary of Utilization of WMDVBE Subcontractors

	Minority Male	Minority Female	Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Women Minority Business Enterprise (WMBE)	Service Disabled Veterans Enterprise (SDVBE)	Total WMDVBE
Direct \$	0.00	0.00	\$6,980,875.53	\$2,234,063.09	\$1,013,666.43	0.00	\$10,228,605.05
Subcontracting \$	0.00	0.00	\$211,509.43	\$308,023.88	\$178,634.30	0.00	\$707,167.61
Total \$	0.00	0.00	\$7,192,384.96	\$2,542,086.97	\$1,192,300.73	0.00	10,935,772.66
	0.00	0.00				0.00	
Direct %	0.00	0.00	4.83%	1.54%	0.70%	0.00	7.08%
Subcontracting %	0.00	0.00	0.15%	0.21%	0.12%	0.00	0.49%
Total %	0.00	0.00	4.98%	1.76%	0.82%	0.00	7.57%
Net Procurement**		\$144,397,836.00					

In 2011, CWS increased WMDVBE subcontractors spend by \$200k. CWS will continue to work with Prime Suppliers to improve supplier diversity subcontracting results. CWS will communicate its diversity expectations to suppliers frequently, including at bid meetings, performance reviews and at CWS's Annual Supplier Conferences located in Southern and

Northern California. The Supplier Diversity team will continue to emphasize to the various departments and districts throughout the Company involved in procurement the importance of WMDVBE subcontracting as beneficial to community economic development and essential to helping CWS meet its goals.

Sec. 9.1.6. Supplier Complaints

No complaints received in 2010.

Sec. 9.1.7 Excluded Categories

Total Payments	\$310,711,961.00
Description of Exclusions	
Purchase Power and Water	\$157,457,305.00
Pump Taxes	\$8,856,820.00
Total Exclusions	\$166,314,125.00

Total Supplier Payments	\$144,397,836.00
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Sec. 9.1.8. Supplier Recruitment in Low Utilization Areas

The following table illustrates the extent to which non-WMDVBE law firms retained by CWS's legal department have assigned WMDVBE attorneys and paralegals to work on CWS engagements.

ATTORNEY TIME BILLED		
LINE NO.		TOTAL (\$)
1	ALL MEN	\$1,522,046.52
2	MINORITY MEN	\$9,133.25
3	ASIAN PACIFIC M	
4	BLACK M	
5	HISPANIC M	\$121,590
6	NATIVE AMERICAN M	
7	MULTI-ETHNIC M	\$5,325.00
8	TOTAL MINORITY MEN	\$136,048.25
9	ALL WOMEN	\$476,550.69
10	MINORITY WOMEN	\$20,806.00
11	ASIAN PACIFIC W	
12	BLACK W	\$3,997.50
13	HISPANIC W	\$9,987.50
14	NATIVE AMERICAN W	
15	MULTI-ETHNIC W	
16	TOTAL MINORITY WOMEN	\$34,791.00
17	TOTAL MINORITY	\$170,839.25
18	NON-MINORITY WOMEN	\$441,759.69
19	SERVICE DISABLED VETERAN	
20	TOTAL MINORITY, NON-MINORITY WOMEN & VETERANS	\$612,598.94

PARALEGAL TIME BILLED IN			
LINE NO.			TOTAL (\$)
1	ALL MEN		\$1,118.05
2	MINORITY MEN	ASIAN PACIFIC M	\$479.05
3		BLACK M	
4		HISPANIC M	\$45.00
5		NATIVE AMERICAN M	
6		MULTI-ETHNIC M	
7		TOTAL MINORITY MEN	\$524.05
8	ALL WOMEN		\$360,976.25
9	MINORITY WOMEN	ASIAN PACIFIC W	
10		BLACK W	\$345,957.50
11		HISPANIC W	\$305.00
12		NATIVE AMERICAN W	
13		MULTI-ETHNIC W	
14		TOTAL MINORITY WOMEN	\$346,262.50
15	TOTAL MINORITY		\$346,786.55
16	NON-MINORITY WOMEN		\$14,713.75
17	SERVICE DISABLED VETERAN		
18	TOTAL MINORITY, NON-MINORITY WOMEN & VETERANS		\$361,518.30

Sec. 9.1.9 Justification of Excluded Areas.

The amount shown on Table 9.1.7 in the “Exclusions” line, \$166,314,125.00, is the total of payments made in the categories of Purchased Water, Purchased Power, and Replenishment Fees (pump taxes). Other categories subject to Section 8.9, Other Utilities, Taxes, Franchise Fees, and Postage, have not been included in the Gross Procurement. The reporting of these categories as “Exclusions” on Table 9.1.7 by water companies is intended to provide information to Staff regarding these categories and to be consistent with the procurement reporting of the energy companies. This procurement reporting for water companies results from workshops convened by the Commission’s Utility Supplier Diversity Program Staff, pursuant to Ordering Paragraph No. 4 of D.11-05-019 (in R.09-07-027), and subsequent additional discussions, in order for the Staff and utilities to reach a common understanding of what is to be reported as a result of the amendments to General order 156 and to address and resolve any confusion regarding adapting water companies’ procurement reporting to the General Order 156 requirements.

2012 Annual Plan

Sec. 10.1.1 WMDVBE Annual Short-, Mid-, and Long Term goals set as required by product and Service Category

The Supplier Diversity Strategic team made considerable progress in classifying expenditures by product and service categories. In addition, the team identified the department outside of procurement responsible for the expenditure. This process is designed to establish and maintain a best in class supplier diversity initiative.

The following product and service categories were indentified:

- Fuel
- Chemicals
- MRO supplies
- Construction
- Professional Services i.e. engineering and I.T consultants

Every effort is made to work with the various stakeholders throughout CWS to grow spend with WMDVBE enterprises. CWS long term goal for the product and service categories referenced above is 21.5%. CWS is partnering with the California Water Association (CWA) to develop technical assistance and capacity building strategies to develop WMDVBE suppliers.

Sec. 10.1.2 Program Activities Planned for 2012

CWS's plan for 2012 includes enhancing its existing program through the following activities:

- Goal Development and Alignment: Implement procedures to ensure every department responsible for procurement sets its targets and plans in collaboration with the Supplier Diversity Strategic team to achieve CWS supplier diversity goal.
- Subcontracting performance: Develop procedure to ensure prime suppliers accurately report their WMDVBE subcontracting and hold them accountable for supporting CWS's supplier diversity goals.
- Certification Monitoring: Diligently monitor efforts to manage certification of new and existing WMDVBE suppliers.
- Communication and Training: Incorporate strategies to effectively communicate and educate our internal and external stakeholders on the importance and benefits of participating in our Supplier Diversity Initiative.
- Contract Compliance: Educate and drive prime suppliers compliance with CWS's supplier diversity policies and procedures.
- Reporting: Enhance our reporting capabilities to help measure performance against goals.
- Outreaching Events: Aggressively seek out WMDVBE supplier in the product and service categories listed in sec. 10.1.1.

Sec. 10.1.3 Supplier Recruitment in Low Utilization Areas

CWS plans for recruiting WMDVBEs of products or services where WMDVBE utilization has been low, such as legal and financial services, fuel procurement and areas that are considered highly technical consist of the following:

Legal

- Work with legal to identify additional WMDVBE law firms for inclusion in vendor database,
- Continue to organize and participate in networking meetings jointly with other investor owned utilities,
- Recommend legal department to consider WMDVBE law firms when procuring legal services,
- Recommend legal department engage diverse partners at majority-owned firms when procuring legal services,
- Monitor the diversity of lawyers and legal assistants at majority owned law firms.

Finance

- Work to identify and provide opportunities for WMDVBE investment banks to participate in debt and equity offering,
- Identify opportunities to expand use of WMDVBEs in audit and tax work,
- Work with prime contractors to find subcontracting opportunities.

Advertising and Water Conservation

CWS will focus on including WMDVBEs in advertising and water conservation opportunities.

Sec. 10.1.4 Plans for Recruiting WMDVBE's in Excluded Categories

Not applicable.

Sec. 10.1.5 Plans for Subcontracting

Encouraging prime contractors to engage WMDVBEs in subcontracts in all categories, which provide subcontracting opportunities.

CWS plans to work with our prime contractors to identify and extend subcontracting opportunities to WMDVBEs. CWS plans to follow up with our prime contractors and develop an action plan to assist them in achieving a long term goal of 21.5% for WMDVBEs. In addition, all contracts extended to prime suppliers will include goals for subcontracting to WMDVBEs. In efforts to further advance our supplier diversity initiative, CWS will make supplier diversity a key consideration in the sourcing of Request for Proposals.

Sec. 10.1.6 Plans for Complying with WMDVBE Program Guidelines

Plans for complying with the WMDVBE program guidelines established by the Commission as required by Public Utilities Section 8283(c). The Executive Director's Office will be responsible for developing, periodically refining, and recommending such guidelines for the Commission's adoption in an appropriate procedural forum.

CWS will continue to comply with General Order (GO) 156 program guidelines. In 2012, CWS will participate in the CPUC's Supplier Diversity Forums as requested, and work in partnership with the Joint Utilities and CWA to address the challenges faced by WMDVBEs in the procurement process.