

**CALIFORNIA PACIFIC ELECTRIC COMPANY, LLC (U 933-E)  
UTILITY SUPPLIER DIVERSITY PROGRAM REPORT  
FOR CALENDAR YEAR 2011**

March 1, 2012

**California Pacific Electric Company, LLC  
2011 Annual Report & 2012 Annual Plan**

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## ANNUAL REPORT

This filing, in compliance with the requirements of California Public Utilities Commission (CPUC) General Order 156 Sections 9 and 10 and Decision 88-04-057, as modified by Decision Nos. 88-09-024, 89-08-041, 90-11-053, 90-12-027, 92-06-030, 95-12-045, 96-12-081, 98-11-030, 03-11-024, 05-12-023, 06-08-031, includes the 2011 Annual Report and 2012 Annual Plan of California Pacific Electric Company, LLC's ("CalPeco")<sup>1</sup> Supplier Diversity Program. The annual report describes the program activities and results achieved by CalPeco for the period January 1 through December 31, 2011.

### INTRODUCTION AND EXECUTIVE SUMMARY

CalPeco is an investor-owned utility that serves more than 48,000 customers in the Lake Tahoe basin. CalPeco provides electric service to portions of the counties of Nevada, Placer, Sierra, Plumas, El Dorado, Mono, and Alpine.

In Decision 10-10-017, the Commission approved CalPeco's acquisition of the California electric distribution facilities and the Kings Beach Generation Facility that were previously owned and operated by Sierra Pacific Power Company ("Sierra"). The transfer from Sierra to CalPeco became effective as of January 1, 2011. As of that date, CalPeco began operating the utility with responsibility for serving the electric customers within Sierra's former California service territory.

Initially, CalPeco made efforts to ensure that the existing procurement system continued, and so where possible, CalPeco utilized existing vendors. Thus, CalPeco was able to continue much of Sierra's existing efforts to utilize WMDVBEs. However, as many of the WMDVBE used by Sierra are located outside of California, CalPeco has focused its efforts over the past year on establishing a local procurement base of diverse businesses. As a result of these local procurement efforts, nearly 12% of CalPeco's spend has been with WMDVBEs. In addition, CalPeco has implemented plans to increase this spending in its mid- to long-range planning cycle.

#### Summary of Results:

- Nearly 12% of CalPeco's spend has been with verified WMDVBEs.

In total, CalPeco spent \$1.3 million with WMDVBEs in 2011. Since 2011 was CalPeco's first year in operation, this establishes a baseline for CalPeco's procurement from local WMDVBEs for future years.

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<sup>1</sup> CalPeco also does business in California as "Liberty Energy-California Pacific Electric Company, LLC"

**Sec. 1.1.1 – Description of Utility Supplier Diversity Program activities engaged in during the previous calendar year. This description shall include both internal and external activities.**

**Internal Activities**

As noted above, the transfer from Sierra to CalPeco became effective as of January 1, 2011. As of that date, CalPeco began operating the utility with responsibility for serving the electric customers within Sierra's former California service territory.

CalPeco implemented a Supplier Diversity Policy and its Purchasing Department is actively identifying which active and current suppliers fall within CalPeco's Supplier Diversity Policy. In addition, CalPeco is focusing on utilizing tools such as The Supplier Clearinghouse to receive bids from a more diverse group.

**External Activities**

Initially, CalPeco made efforts to ensure that the existing procurement system continued, and so where possible, CalPeco utilized existing vendors. Thus, CalPeco was able to continue much of Sierra's existing efforts to utilize WMDVBEs. However, as many of the WMDVBE used by Sierra are located outside of California, CalPeco has focused its efforts over the past year on establishing a local procurement base of diverse businesses.

Sec. 1.1.2 – Utility Supplier Diversity Program Annual Results – Statistical Reports

UTILITY SUPPLIER DIVERSITY PROGRAM  
ANNUAL RESULTS BY ETHNICITY

		2011			
		Direct	Sub	Total \$	%
<b>Minority Men</b>	Asian-Pacific	\$ -	\$ -	\$ -	0.00%
	Black	\$ -	\$ -	\$ -	0.00%
	Hispanic	\$ 713,764	\$ -	\$ 713,764	6.38%
	Native-American	\$ -	\$ -	\$ -	0.00%
	Other	\$ -	\$ -	\$ -	0.00%
	<b>Total Minority Men</b>	\$ 713,764	\$ -	\$ 713,764	6.38%
<b>Minority Women</b>	Asian-Pacific	\$ -	\$ -	\$ -	0.00%
	Black	\$ -	\$ -	\$ -	0.00%
	Hispanic	\$ -	\$ -	\$ -	0.00%
	Native-American	\$ -	\$ -	\$ -	0.00%
	Other	\$ -	\$ -	\$ -	0.00%
	<b>Total Minority Women</b>	\$ -	\$ -	\$ -	0.00%
<b>Total Minority Business Enterprise (MBE)</b>		\$ 713,764	\$ -	\$ 713,764	6.38%
<b>Women Business Enterprise (WBE)</b>		\$ 615,970	\$ -	\$ 615,970	5.50%
<b>Subtotal Women, Minority Business Enterprise (MWBE)</b>		\$ 1,329,734	\$ -	\$ 1,329,734	11.88%
<b>Service Disabled Veteran Business Enterprise (DVBE)</b>		\$ -	\$ -	\$ -	0.00%
<b>TOTAL WMDVBE</b>		\$ 1,329,734	\$ -	\$ 1,329,734	11.88%

\*Totals may not sum due to rounding.

Gross Procurement	\$ 11,195,149
Exclusions	\$ -
<b>Net Procurement</b>	<b>\$ 11,195,149</b>

UTILITY SUPPLIER DIVERSITY PROGRAM PROCUREMENT BY SIC CATEGORIES - DETAIL

Line #	SIC CATEGORY	Asian-Pacific		Black		Hispanic		Native-American		Other		Total Minority		Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Minority Women Business Enterprise (WMBE)	Disabled Veterans Business Enterprise (DVBE)	Total WMDVBE
		Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women					
1	07. Agricultural Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2	17. Special Trade Contractors	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
3	28. Chemicals & Allied Products	\$ -	\$ -	\$ -	\$ -	\$ 707,889	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 707,889	\$ -	\$ 10,216	\$ 718,105	\$ -	\$ 718,105
4	30. Rubber & Misc. Plastic Products	0%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.32%	0.09%	6.41%	0.00%	6.41%	0.00%
9	32. Stone, Clay & Glass Products	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	35. Industrial Machinery & Equipment	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
11	36. Electronic & Other Electric Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	47. Transportation Services	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
13	50. Wholesale Trade - Durable Goods	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,836	\$ 59,836	\$ -	\$ 59,836
14	51. Wholesale Trade - Non-durable Goods	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
15	62. Sec & Commodity Brokers & Dealers	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16	73. Business Services	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1,896	1,896	0.00%	1,896
17	87. Engineering & Management Services	\$ -	\$ -	\$ -	\$ -	\$ 5,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,875	\$ 333,838	\$ 339,713	\$ -	\$ 339,713	0.00%
18	TOTAL	0.00%	0.00%	0.00%	0.00%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	713,764	0.05%	615,970	\$ 1,329,734	0.00%	\$ 1,329,734
19		0.00%	0.00%	0.00%	0.00%	6.38%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.38%	0.00%	5.50%	11.88%	0.00%	11.88%

\*Totals may not sum due to rounding.

31	Gross Product Procurement	\$11,195,149
32	Exclusions	\$ -
33	Net Product Procurement	\$11,195,149

34 Percentages are WMDVBE expenditures compared to total expenditures for each product category.

	Minority Men	Minority Women	Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Women Minority Business Enterprise (WMBE)	Service Disabled Veterans Business Enterprise (DVBE)	TOTAL WMDVBE
Direct \$	\$ 713,764	\$ -	\$ 713,764	\$ 615,970	\$ 1,329,734	\$ -	\$ 1,329,734
Subcontracting \$	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total</b>	<b>\$ 713,764</b>	<b>\$ -</b>	<b>\$ 713,764</b>	<b>\$ 615,970</b>	<b>\$ 1,329,734</b>	<b>\$ -</b>	<b>\$ 1,329,734</b>

Direct %	6.38%	0.00%	6.38%	5.50%	11.88%	0.00%	11.88%
Subcontracting %	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Total %</b>	<b>6.38%</b>	<b>0.00%</b>	<b>6.38%</b>	<b>5.50%</b>	<b>11.88%</b>	<b>0.00%</b>	<b>11.88%</b>

\*Totals may not sum due to rounding.

Gross Procurement	\$11,195,149
Exclusion	
<b>Net Procurement</b>	<b>\$11,195,149</b>

**Sec. 1.1.3 – Description of progress in meeting or exceeding set goals and an explanation of any circumstances that may have caused the utility to fall short of its goals.**

Category	2011 Results	2011 Goals
Minority Men	6.38%	
Minority Women	0.00%	
Minority Business Enterprise (MBE)	6.38%	Not Defined
Women Business Enterprise (WBE)	5.50%	Not Defined
Subtotal Women, Minority Business Enterprise (WMBE)	11.88%	Not Defined
Service Disabled Veteran Business Enterprise (DVBE)	0.00%	Not Defined
<b>Total WMDVBE</b>	<b>11.88%</b>	Not Defined

\*Totals may not sum due to rounding.

\*\* In 2011, CalPeco received an exemption from submitting 2011 Goals in Sierra Pacific 2010 Annual Diversity Program Report.

In 2011, nearly 12% of CalPeco’s spend was with WMDVBEs. During CalPeco’s first year of operation, it did not set formal goals as CalPeco was primarily focused on establishing its program. Therefore, CalPeco is not providing a progress report on its progress in meeting or exceeding set goals. However, next year CalPeco will provide this progress report with regard to its 2012 goals.

**Sec. 1.1.4 – List of diverse supplier complaints received during the past year, accompanied by a brief description of the nature of each complaint and its resolution or current status.**

No diverse supplier complaints were filed with CalPeco or with the CPUC regarding CalPeco in 2011.

**Sec. 1.1.5 – Description of any efforts made to recruit diverse suppliers of products or services in procurement categories where diverse supplier utilization has been low, such as legal and financial services, fuel procurement, and areas that are considered highly technical in nature.**

During 2011, CalPeco’s first year of operations, CalPeco’s focus was on the continuation of the service providers previously used by Sierra. However, it should be noted that:

- a) CalPeco has an “all-requirements” Power Purchase Agreement with Sierra for virtually all of its power supply, and therefore procures virtually no fuel; and
- b) With regard to legal services, while CalPeco’s primary legal counsel, Davis Wright Tremaine LLP is not a WMDVBE, one of the primary lawyers CalPeco utilizes from Davis Wright Tremaine LLP is a minority.
- c) One of CalPeco’s main sources of engineering consulting services, TriSage Consulting, is a Certified Woman Owned Business Enterprise, NDOT Disadvantaged Business Enterprise, and CalTrans Disadvantaged Business Enterprise.

**Sec. 2.1.1 – WMDVBE Annual Short-, Mid- and Long-Term Goals**

<b>CalPeco WMDVBE Goals</b>				
	<b>Minority Business Enterprise (MBE)</b>	<b>Women Business Enterprise (WBE)</b>	<b>Disabled Veteran Business Enterprise (DVBE)</b>	<b>Women, Minority, Disabled Veteran Enterprise (WMDVBE)</b>
Short-Term (2012)	8.50%	7.50%	0.50%	16.50%
Mid-Term (2014)	13.00%	7.50%	1.00%	21.50%
Long-Term (2016)	13.00%	7.50%	1.00%	21.50%

As CalPeco is establishing its vendor relationships, CalPeco intends to rapidly achieve the targeted goals outlined in G.O. 156 (within 2 years).

CalPeco is committed to supplier development and in increasing competitiveness in sourcing products and services.

**Sec. 2.1.2 – Description of Utility Supplier Diversity Program planned for the next calendar year, internal/external program activities.**

For 2012, CalPeco's Supplier Diversity plans include the following strategies to strengthen the program's results:

- Continue educating employees and management on implemented policies and processes to strengthen the alignment of strategic sourcing, Supplier Diversity, and Supply Chain Management.
- Clearly communicating Supplier Diversity plans and goals to key customers and business units to facilitate win-win outcomes.
- Developing processes to maximize participation of diverse suppliers for commodities identified to be competitively bid.
- Introducing individual performance objective requirements for Supply Chain procurement and contracting professionals to increase diverse supplier opportunities.

**Sec. 2.1.3 – Plans for recruiting diverse suppliers of products or services where diverse supplier utilization has been low or were listed as excluded, such as legal and financial services, fuel procurement, areas considered highly technical in nature, and sole sourcing (transformers, cable/wire).**

Procurement will leverage the additional supplier diversity champions achieved from within the non-traditional areas of spend to champion and communicate Supplier Diversity's goals and strategies within their departments.

Additional plans include:

- Continuing to partner with leadership in the non-traditional areas to plan and develop strategies for increasing the utilization of diverse suppliers.

- Continuing to execute best practices within our supply chain and strategic sourcing strategies to identify commodities where diverse suppliers exist, but the company is underutilizing them.
- Stronger emphasis of our company's expectations of inclusion and opportunity during pre- and post-award bid meetings.
- Reviewing sole source awards and, where possible, seek to competitively bid as new suppliers enter the market or internal requirements are modified thus increasing the opportunities for qualified diverse suppliers to receive an opportunity to bid.

**Sec. 2.1.4 – Plans for encouraging both prime contractors and grantees to engage diverse suppliers in all categories which provide subcontracting opportunities.**

CalPeco urges its prime contractors to include women, minority, and disabled veteran business enterprises for subcontracting opportunities. Although the award of any subcontracting activities rests in the final discretion of the prime contractor, CalPeco's Procurement division will work closely with its prime contractors in helping to identify specific commodities within CalPeco projects where there are known diverse suppliers for inclusion, making accessible our listing of approved diverse contractors, and advocating for diverse supplier inclusion to the maximum extent possible.

Additional training and guidelines will be given to Supply Chain professionals to clearly communicate the company's commitment to supplier diversity and to reaffirm the company's expectations of opportunity and inclusion early in the sourcing process.

**Sec. 2.1.5 – Plans for complying with the Utility Supplier Diversity Program established by the Commission as required by Public Utilities Sections 8283 (c). The Executive Director's Office will be responsible for developing, periodically refining, and recommending such guidelines for the Commission's adoption.**

CalPeco will continue to comply with General Order 156 and its guidelines and requirements as well as continue to work with the Commission and its staff and the California Joint Utilities Group in pursuing new strategies to continually advance the Utility Supplier Diversity Program objectives. CalPeco will comply with all revisions of General Order 156 and all other requirements of the CPUC.