

# Growing with diverse suppliers in 2011





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 and Service-Disabled  
Veteran Business Enterprises  
R. 91-02-0111

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

**ANNUAL WOMEN, MINORITY, AND SERVICE-DISABLED  
VETERAN-OWNED BUSINESS ENTERPRISES REPORT FOR  
CALENDAR YEAR 2011**

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## Letter from the President

### PG&E SUPPLIER DIVERSITY COMMITMENT



At Pacific Gas and Electric Company, our primary focus is on providing safe, reliable, affordable gas and electric service to our customers. Equally important is the role PG&E plays in our communities by strengthening local economies and supporting the businesses we count on to help us power Northern and Central California. More than ever before, those businesses are owned and operated by people of diverse backgrounds.

For 31 years, PG&E has been committed to creating a robust Supplier Diversity program — one that contributes to the vitality of our communities, generates innovation, increases competition, and supports economic development and job creation. As I reflect on our Supplier Diversity program's evolution over more than three decades, I couldn't be more proud of our progress. We've made tremendous strides in helping diverse suppliers increase the volume of their businesses and expand into new lines of business while collaborating with our community partners to support their long-term development and success. Our efforts culminated in our 9th consecutive year of growth as we exceeded our 34 percent spend goal with women-, minority- and service-disabled veteran-owned businesses in 2011. We've set our sights even higher in 2012.

As we work to reshape our operations and deliver a higher level of service to our customers, we know that our diverse suppliers will continue to play an essential role. We are pleased to report on our efforts from the past year, and we look forward to building on those efforts in the year ahead.

Chris Johns  
President  
Pacific Gas and Electric Company

## **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 diverse business enterprises (DBEs). In 2011 PG&E spent over \$1.6B with DBEs, an increase of almost \$500M compared to 2010. For six successive years, PG&E has exceeded the CPUC goal of 21.5%. A focus in 2011 on supplier development and supplier diversity integration with strategic sourcing resulted in a new PG&E record of 36.6% DBE spend.

PG&E worked closely with DBEs to provide the safe and reliable delivery of gas and electric services to its customers. By growing together with innovative and competitive DBEs, PG&E strengthens the economic vitality of the communities it serves.

### **PG&E's Success in 2011**

Overall products and services spend was \$4.4B increasing by \$935M or 26.9% over PG&E's 2010 spend. With focus on supplier development, strategic sourcing and competitive bidding, total diverse spend was \$1.6B, an increase of \$477M or 42.1% year over year.

PG&E results increased year over year in each of the major categories:

- MBE reached an all time high of \$1B, increasing \$335M or 49.1%.
- WBE reached an all time high of \$514M, increasing \$120M or 30.6%.
- DVBE reached an all time high of \$80M, increasing \$22M or 36.8%.

PG&E strives to improve results in all areas of diverse spend, while focusing on finding qualified diverse suppliers in areas that offer the greatest opportunity. In 2011, we made significant strides in all four ethnic categories. MBE female spend showed significant improvement too.

- Asian American spend reached a high of \$219M. The year over year increase was \$53M or 32.3%.
- Black American spend again reached an all-time high of \$265M. The year over year increase was \$62M or 30.7%.
- Hispanic American spend reached \$409M. The year over year increase was \$153M or 59.6%.
- Native American spend increased significantly, reaching \$123M. The year over year increase was \$66M or 117.3%.

Supplier Diversity  
2011 Annual Report and 2012 Annual Plan

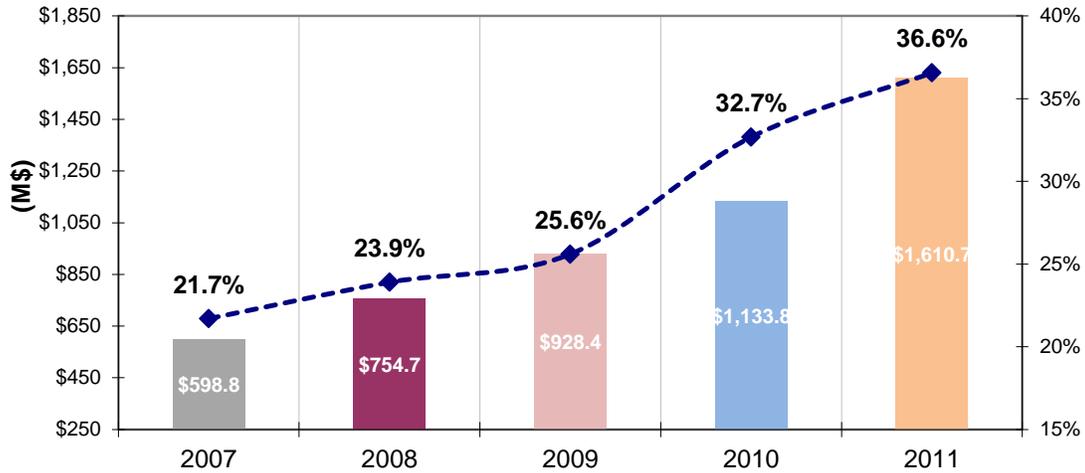
- Spend with minority men was \$734M. The year over year increase was \$235M or 47.0%. Spend with minority women reached a high at \$282M. The year over year increase was \$100M or 54.9%.

**PG&E Five Year Supplier Diversity Trend**

**Total DBE \$ (Millions)**

**Total DBE %**

**PG&E Supplier Diversity Performance - 5 Yr**



Procurement Base:      \$2.8B              \$3.2B              \$3.6B              \$3.5B              \$4.4B

PG&E continues to demonstrate its strategic focus on incorporating supplier diversity into its procurement process. Over the last five (2007-2011) years, there have been tremendous strides in all three diverse spend categories. Total spend over these five years increased \$1.7B or 60% while diverse spend increased \$1B or 169%.

- MBE spend increased \$614M or 153.1%.
- WBE spend increased \$338M or 192.2%.
- DVBE spend increased \$59M or 276.3%.

Each of the ethnic categories showed significant increases.

- Asian American spend increased \$74M or 50.8%.
- Black American spend increased \$158M or 147.0%.
- Hispanic American spend increased \$273M or 200.1%.
- Native American spend increased dramatically, \$113M or 1160.0%.
- Minority male spend increased \$410M or 126.6%.
- Minority female spend increased \$203M or 258.6%.

Continuous strategic initiatives and teaming efforts by Supplier Diversity, Sourcing and the Lines of Business have made this achievement possible.

### **Sec. 9.1.1 Description of Internal and External Program Activities**

A description of DBE activities engaged in during the previous calendar year.

#### **1. INTERNAL PROGRAM ACTIVITIES**

##### **A. Supplier Diversity Program Resources and Team Structure**

The PG&E Supplier Diversity program supports the company in its mission to include minority, women and service-disabled veteran business enterprises in the supply chain. The program is led by the Director of Supplier Diversity and the Supplier Diversity team. The Director of Supplier Diversity reports to the Vice President of Supply Chain.

In 2011, PG&E's internal DBE spending goal was 34%. The Supplier Diversity team, in conjunction with the Sourcing organization and the Line of Business Champions (LOB Champions), is responsible for developing and implementing strategies and programs for PG&E to achieve its targets. These responsibilities include:

- 1) establishing officer and director level supplier diversity goals for each Line of Business (LOB)
- 2) tracking and reporting supplier diversity spend results
- 3) leading cross-functional Supplier Diversity LOB Champion teams for goal achievement
- 4) working with internal stakeholders to develop and implement DBE business development strategies
- 5) responding to DBE prospective supplier inquiries
- 6) managing internal and external stakeholder issues
- 7) developing supplier diversity communications and training plans
- 8) improving processes and project management
- 9) coordinating Supplier Diversity outreach events
- 10) managing technical assistance and supplier development

## **B. Employee Education**

To achieve its supplier diversity goals, PG&E relied on the widespread participation and contributions of all employees. Therefore, employee education was an important element in building a successful program. In 2011, PG&E's Supplier Diversity team utilized a variety of processes and tools to educate employees about its programs, key initiatives and progress towards meeting its goals. These included:

### 1. Training

Informal training occurred throughout the year as Supplier Diversity team members provided advice and counsel to other employees in the course of daily business. Additionally, specific training was provided to employees who were new to the role of Supplier Diversity LOB Champion, responsible for driving diversity results throughout their Line of Business. Employees were taught how to drive accountability, uncover potential diversity opportunities and support the competitive success of DBEs. Supplier Diversity team members provided supplier diversity training by helping employees identify DBE opportunities through spend data analysis, supporting their key projects, providing sourcing leads and facilitating meetings to introduce DBEs.

The Supplier Diversity team coached and trained employees on supplier diversity contract language and provided information about online diversity databases, diversity trade shows and matchmakers, certification/verification and other resources and tools. The employee training increased company-wide awareness of available resources and increased PG&E's capabilities to include DBEs in its contracts and spending initiatives.

### 2. Internal and External Websites

Supplier Diversity maintained internal and external websites, both of which served as comprehensive sources of supplier diversity information for employees. In 2011, both websites were updated, highlighting new program initiatives, spend results, new team members and more.

The external website promotes PG&E's unwavering commitment to a world-class Supplier Diversity program. PG&E's prospective supplier intake portal

continued to receive numerous registrations and profiles of companies seeking to do business with PG&E. A large percentage of these profiles were submitted by minority, women and service-disabled veteran-owned businesses. The supplier profile database has search capabilities that include geographical location, type of business, diversity classification and other criteria. DBEs can find information on minimum contractor requirements, how to become certified, outreach events, a list of PG&E Supplier Diversity representatives and a comprehensive set of answers to frequently asked questions. The website also provides supplier diversity best practices and additional reference and resource information.

The Supplier Diversity Business Calendar of Events continued to be a valuable component of the external website. The annual calendar lists outreach events for in-person meetings with PG&E representatives throughout the year. The calendar was updated monthly.

In 2011, PG&E launched a website<sup>1</sup> to continue to grow its *Diverse Suppliers Go Green* (DSGG) program. The site includes an online toolkit that serves as a one-stop shop for workshop resources, additional training information, energy efficiency offerings and green business standards.

PG&E's internal website, available to more than 20,000 employees, provides details on PG&E's supplier diversity initiatives and processes. The website prominently features the corporate supplier diversity mission statement and supplier diversity spending goals. This information helps employees understand that supplier diversity is a competitive advantage for the company and not just a regulatory mandate. The website provides information on how to find DBEs, organizational supplier purchases and how to contact the Supplier Diversity team. It also provides the company's supplier diversity history, definitions of MBE, WBE, and DVBE, as well as updated information on the certifying agencies that PG&E recognizes.

The internal website also provides information on G.O. 156 CPUC regulatory obligations, spending goals and the prior year's Supplier Diversity Annual

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<sup>1</sup> <http://www.pge.com/diversesuppliersgogreen/>

Report & Plan. The quarterly Supplier Diversity newsletter, *Powered by Diversity*, can also be accessed by employees through the website.

3. Key Meetings and Conferences

Supplier diversity was on the agenda of key PG&E meetings and conferences throughout the year in order to reinforce that supplier diversity is a strategic competitive advantage. To support achievement of the company's ambitious 2011 goal, supplier diversity was highlighted at meetings such as the Annual Supplier Conference, LOB team meetings, officer level meetings, employee Supplier Diversity LOB Champion meetings and company-sponsored external activities. Leadership restated the call for all employees to help the company meet its supplier diversity spending goals through innovative inclusion strategies and to ensure that DBEs are included in the company's top spending projects.

Executive-level meetings were also held between supply chain leadership and the leadership of various LOBs that procure goods and services. Supplier diversity results and gap closing plans were reviewed with strategic leaders in the business. Meetings included the participation of PG&E's Senior Vice President of Safety and Shared Services & Chief Procurement Officer along with the Vice President of Supply Chain. Meetings were held on a regular basis between Supplier Diversity team members and Sourcing teams. Supplier Diversity team members managed supplier diversity goals across several business entities and spend categories. They were contributing members and DBE advocates on purchasing decision teams.

4. Employee Communications

PG&E's enterprise-wide internal website served as the essential communication vehicle for all employees. It shared company and product news, industry features and messages from officers to the employee body. During the year, prominent supplier diversity successes were featured in the Top News section of the page. These online news briefs provided educational information about supplier diversity accomplishments, outreach events, recognition and training.

Additionally, the Supplier Diversity program's quarterly newsletter, *Powered by Diversity*, was a key vehicle for communicating supplier diversity information to all employees. The Supplier Diversity internal website also informed employees about current supplier diversity matters. These types of employee communications reinforced the relevance of supplier diversity to the company's vision and values.

### **C. Employee Recognition**

In 2011, PG&E spent over \$1.6 billion, or greater than 36% of its procurement base with DBEs. Both dollars and percent achieved are an all-time high. In celebration of this great accomplishment, the Supplier Diversity team recognized all of its LOB Champions, Sourcing portfolio managers and other key personnel who were contributors to PG&E's success in meeting this goal. Recognition included certificates of appreciation, awards presented during various company meetings and acknowledgment of their contributions during LOB Champion meetings. Special supplier diversity awards were presented by PG&E officers to employees with exceptional 2010 supplier diversity performance at the 2011 Supplier Diversity Achievement Awards. President, Chris Johns, presented the "President's Award," which was given to the individual who best exemplified role-model leadership and implemented best practices in the course of producing excellent supplier diversity results. Other individuals and team members were called to the stage to receive their awards from many of the company officers. CPUC President Michael R. Peevy recognized the efforts of the award winners during his keynote address and challenged PG&E to achieve 35% - a mark PG&E is proud to have exceeded.

### **D. Coverage of Results**

PG&E shared its supplier diversity performance with key internal and external stakeholders through multiple channels. PG&E began by publishing the company's Supplier Diversity 2010/2011 Annual Report. Upon completion, the report was distributed internally to officers, Supplier Diversity LOB Champions, operating units and others. PG&E also sent the Annual Report to more than 100 community partner organizations. PG&E continued to distribute the Annual Report by request throughout the year.

Results were also shared with other utilities and suppliers. Again, this past year, PG&E published year-end results in its *Powered by Diversity* newsletter produced by the Supplier Diversity team. PG&E's 2011 results were also covered in a *PG&E@Work Today* article on PG&E's internal website.

Annual supplier diversity results were also shared via PG&E's annual Corporate Responsibility Report. This report described company-wide initiatives that made PG&E a leading corporate citizen. Supplier Diversity was highlighted in the Report, which was made available on the company's website.

PG&E's Chief Procurement Officer communicated supplier diversity results at an annual PG&E Board of Directors' Public Policy Committee Meeting. The Public Policy Committee regularly reviews Supplier Diversity's policies and practices. This meeting provided an excellent forum to share the previous year's results, current progress and the strategy for the upcoming year.

The coverage of supplier diversity results did not end with annual reporting. PG&E ensured that there were ongoing communications about supplier diversity performance throughout the year. Each month, supplier diversity was tracked along with other key metrics and shared with senior management. The President held his direct reports accountable for supplier diversity performance. Officers performing below goal were requested to provide a variance explanation that included actions to close the gap.

At each monthly Supplier Diversity LOB Champion meeting, the Champion from each line of business provided an update on monthly performance and shared any key accomplishments, strategies, risks and assumptions. These cross-functional meetings, led by the Director of Supplier Diversity, included the Chief Procurement Officer, Chief Diversity Officer, Vice President of Supply Chain and representatives from Supplier Diversity and Sourcing.

PG&E's internal subcontracting review of results with the LOBs is a regular and ongoing process that provides an opportunity to share best practices, to celebrate accomplishments and to take action in areas where there is a gap to goal. In addition to the dissemination of results through the LOB review process, there are many additional internal requests for

updates on supplier diversity performance. Results are available company-wide through the company's Supplier Diversity reporting systems. The team also responded to ad hoc requests for data and analytics on an ongoing basis. PG&E understands that management review of metrics drives performance and continued to develop reports and review processes that supported goal achievement.

#### **E. DVBE Program**

In 2011, PG&E achieved 1.8% spend with service-disabled veteran-owned businesses. This is an increase in spend over the previous year and the second consecutive year that PG&E has exceeded the CPUC DVBE goal of 1.5%. PG&E achieved these results by maintaining a steadfast focus on DVBEs. The importance of reaching the DVBE goal was a frequent topic at the company's monthly Supplier Diversity LOB Champion Meetings. The team continued an initiative in which each of PG&E's LOB representatives identified at least one DVBE to promote within their LOB. The LOBs without a current DVBE supplier were asked to make a commitment to meet with potential DVBEs within their respective areas. This initiative continues to increase awareness of the specific DVBEs that could provide products and services to PG&E. In 2011, Supplier Diversity also created a cross-functional team across all of Supply Chain called the "Special Forces Team" that met regularly to exclusively examine DVBE opportunities. Together these efforts contributed to outstanding results.

#### **F. Subcontracting**

For many years the Supplier Diversity program has been helping PG&E suppliers increase the utilization of women-, minority- and service-disabled veteran-owned businesses in the supply chain through subcontracting and the inclusion of DBEs as business solution partners. In accordance with federal and regulatory requirements, contracts over \$500,000 (\$1M for construction) require prime suppliers to report on subcontracting to DBEs. Prime suppliers are asked to set goals and report subcontracting monthly, detailing their progress towards these goals. In addition, PG&E performs an annual subcontracting audit to ensure PG&E's prime suppliers continue the development and growth of their DBE subcontractors and business solution partners. In 2011, PG&E's supplier diversity subcontracting performance remained strong, as its prime suppliers reported nearly \$500M in spending with DBEs.

In 2011, the Supplier Diversity team and Sourcing teams continued to work with prime suppliers to develop and increase the utilization of DBEs. Strategically sourced contracts established subcontracting goals of 30%+ and many strategic suppliers developed plans that established DBEs as business solution partners. PG&E's Supplier Diversity team continued to work with PG&E executives to measure and monitor prime supplier performance. Executive management personally communicated with prime suppliers to drive diversity goal achievement. Supplier Diversity worked with the lines of business and Sourcing to ensure DBEs continued to be developed in key product/service areas throughout the supply chain. The lines of business also helped identify DBEs with the potential for growth and expansion.

### **G. DBE Supplier Verification**

Last year PG&E conducted certification workshops for DBEs. Each workshop explained GO 156 and the advantages of being certified by the CPUC Clearinghouse. PG&E's Supplier Diversity staff also made certification presentations to employees so they were knowledgeable on the subject and better able to work with suppliers to facilitate their certification.

Prime suppliers were educated about the need to have DBE subcontractors certified by the CPUC Clearinghouse. This certification training was done to ensure the continued accuracy and integrity of PG&E's supplier diversity results reporting.

In 2011, PG&E continued to conduct an audit of its prime suppliers' subcontracting results. Reported subcontracting of a statistically valid sample of suppliers was audited prior to submitting PG&E's CPUC General Order 156 Annual Report. Prime suppliers were required to provide diverse subcontractors' invoices and corresponding payments to their diverse second tier suppliers. A corresponding letter from a company officer assuring all data was valid accompanied each submission. All second tier suppliers were verified as CPUC certified. Overall results were excellent.

### **H. Internal Publications**

In 2011, internal publications that highlighted supplier diversity contributions and accomplishments included PG&E's Supplier Diversity quarterly newsletter, "*Powered by*

*Diversity.*” This quarterly newsletter shared new information on DBEs, best practices and success stories including:

- *PG&E Suppliers Recognized for Excellence at Supplier Conference*
- *PG&E Continues to Support Diverse Supplier Development via a Formalized Program*
- *PG&E’s 2011 Ad Campaign*
- *PG&E’s Technical Assistance Program*
- *Prime Supplier Business Matchmaking Event for our Gas and Electric Operations LOBs*
- *PG&E Recognized as one of the “2011 Corporations of the Year” by the US Pan Asian American Chamber of Commerce*

PG&E’s internal online publication, *PG&E@Work Today* featured a story on supplier diversity by covering Supplier Diversity’s “30 & 30” Achievement Awards event.

## **I. PG&E Global Strategic Sourcing**

The Supplier Diversity team worked hand-in-hand with the Sourcing team along with key individuals from the lines of business to maximize both direct and subcontracting opportunities for DBEs on strategic sourcing initiatives. Strategic sourcing has resulted in increased efficiencies in quality, cost, service, and supplier diversity. The 2011 increase in supplier diversity results were due, in part, to strategic sourcing managers’ unwavering focus on supplier diversity optimization while developing initiatives in general contracting, environmental remediation, telecom procurement, and photovoltaic energy generation among other areas.

## **J. Supplier Diversity Continuous Improvement**

The Supplier Diversity organization continued to focus on ways to refine and improve processes within the program. The team has continued implementing many process and program improvements. Highlights included:

- *Hosting Supplier Diversity monthly LOB Champion meetings* to share best practices, strategies and results. Each month the meeting was led by PG&E’s Senior Vice President of Safety and Shared Services & Chief Procurement Officer along with the

Director of Supplier Diversity. Also in attendance were the Chief Diversity Officer, Vice President of Supply Chain, LOB Champions and the sourcing team.

- *Teaming with key internal stakeholders.* In 2011, Sourcing, Supplier Diversity and LOB Champions met during the first month with PG&E Officers to set supplier diversity goals, develop strategies and share best practices.
- *Conducting internal audits to ensure PG&E's processes comply with state and federal regulations.* PG&E continued to optimize its processes, looking for additional ways to work more efficiently and expand its Supplier Diversity program by hiring a 3<sup>rd</sup> party WMBE consultant to audit its spend.
- *Supplier Diversity Client Service Excellence* - This process management tool focuses on providing excellent customer service to internal and external customers. This tool defines roles and responsibilities which allow the PG&E Supplier Diversity team to manage service levels based on available resources.
- *Branding.* The Supplier Diversity team worked with a WBE to develop program brand and marketing collateral that aligned with PG&E's corporate vision and values. This campaign won a prestigious advertising industry award.
- *Participation in PG&E Diversity & Inclusion Steering Committee.* PG&E's Chief Diversity Officer leads this Committee of officers who provide advice and counsel on diversity initiatives. The Director of Supplier Diversity attends these meetings to share progress on Supplier Diversity initiatives and receive guidance.
- *DVBE Special Forces Team.* A cross-functional team was established in 2011 that met regularly to exclusively examine DVBE opportunities.
- *Formal Multi-Tier Technical Assistance Program.* This program is a three-tiered approach to provide technical assistance to DBEs that tailors offerings to the size and experience of the DBE.
- *Quarterly Supplier Diversity review meetings with PG&E's President.* Each quarter, the Supplier Diversity Director documented key supplier diversity issues and initiatives for review and discussion with the President, the Senior Vice President of Shared Services, the Chief Diversity Officer and the Vice President of Regulatory Relations.

## **K. Supplier Diversity Breakthroughs/Success Stories**

PG&E continued to work across all lines of business and product and service categories to develop opportunities for DBEs to participate in its supply chain. Supplier diversity goal achievement and opportunity creation were championed by employees at every level from the President to employees in the field.

### Transportation

In 2011, a Native American family-owned business continued to provide quality vehicle fabrication for PG&E's fleet of utility vehicles. In addition, it expanded its business by providing a diverse solution to another PG&E supplier in need of Class-8 vehicles for PG&E projects. This DBE added value by installing hydraulic systems onto the supplier's vehicles. To address the growing work with PG&E and others, the DBE has taken steps to increase its production capabilities. In 2009, the company had a total of 57 employees in two Northern California locations with a manufacturing floor space of nearly 37,000 square feet. By 2011, the company's workforce had expanded to 77 employees, a 35% increase from 2009, and the supplier acquired an additional facility, increasing total production floor space to more than 80,000 square feet, a 117% increase in square footage since 2009.

### Photovoltaic

PG&E worked with a Hispanic woman-owned business to expand its service capabilities to the renewable energy arena. The supplier provided site preparation for a photovoltaic (PV) solar power plant built in 2011. The company was honored at PG&E's Supplier Awards for alignment with PG&E's commitment to environmental leadership. This commitment is evidenced through its recycling of 95% of the materials from a PV demo project site.

In 2011, a Hispanic-owned business that PG&E has historically used for maintenance, repair and operations also grew its business into the renewable energy space. The supplier worked as a subcontractor on two of the three sites of the utility-owned PV program and added value by providing innovative and cost-effective solutions in this new endeavor. The supplier was able to deliver a 10% savings on the logistics it managed for the PV jobsite.

### Hydro

In 2011, a disabled veteran-owned business began its largest project with PG&E working on Phase 1 of the Pit 3, 4, and 5 License Recreation Improvement. This is a multi-year initiative to improve recreation sites at existing recreation facilities and develop new facilities within the Pit 3, 4, and 5 Hydroelectric Project area. The first phase of the implementation included construction of thirteen of the twenty-nine sites, all of which are located along the Pit River in Northeast Shasta County. This company's expertise in the areas of environmental assessments and compliance has been instrumental in supporting PG&E's environmental stewardship initiatives.

#### Gas Operations

In 2011, one of the top performing gas and electric construction suppliers more than doubled its business with PG&E. This Asian American-owned business worked with PG&E on its gas transmission leak survey and is a key supplier in support of PG&E's Pipeline Safety Enhancement Plan. PG&E worked with the supplier to obtain necessary technical certifications to facilitate its growth into the gas construction area. The supplier is now part of the emergency storm response pool of qualified suppliers to help with both gas and electric emergencies.

#### Electric Operations

In 2011, an Asian American-owned company that provides technical and engineering services to support PG&E's delivery of gas and electricity collaborated with PG&E to help innovate current processes and drive down costs. The supplier developed innovative structure designs at substations which have been approved by PG&E's standards group at substations such as Breaker and a Half. The supplier was especially effective in helping PG&E reduce its costs by suggesting improvements in the design phase of projects, leading to savings on materials and construction services.

#### Contingent Labor

In 2011, PG&E's supplier for contingent labor completed its first full year of service with PG&E. This African American woman-owned company strongly supports PG&E's commitment to supplier diversity by managing a broad team of diverse subcontractors. In 2011, the company subcontracted more than 70% to DBEs while serving several new business units within PG&E.

**L. Technical Assistance and Capacity Building**

Joint Utility Multi-Tier Technical Assistance Program

PG&E supports a broad range of diverse business technical assistance and capacity building initiatives in collaboration with many different community organizations. Adhering to the Joint Utility’s Multi-Tiered Technical Assistance and Capacity Building Program adopted by the Commission in 2011, PG&E’s formal Technical Assistance Program (TAP) offers training to a broad base of DBEs in the communities that it serves and in California as a whole. The program divides the provision of technical assistance into three tiers:

Tier	Description	Solution
Tier 1 Smaller DBEs	1-3 years experience, less than \$1M revenue	Supplement small business development offerings provided by existing groups such as SBA, SBDC, Community Colleges
Tier 2 Mid-Size DBEs	3+ years experience, revenue more than \$1M	Provide business management skills training through programs such as UCLA Management Development for Entrepreneurs Program
Tier 3 Advanced Technology / Emerging Market DBEs	5+ years experience, demonstrated readiness to grow	Prepare DBEs to expand into emerging technologies with the utilities through the University of California Advanced Technology Management Institute

The First Tier is designed to have the utilities support and leverage the numerous existing programs for start-up, micro and small business training and incubation. The Second Tier is designed to support the mid-stage, mid-size diverse businesses that are ready to work on their growth strategy and strengthen their infrastructure. The Third Tier is a new program that is being incubated by the Joint Utilities in 2011 to help already strong and successful diverse businesses succeed in the utilities' emerging technology supply chains. Whether cloud computing, wireless, or smart grid and renewable energy, the program

supports DBEs to be poised to be front and center in cutting edge technology and areas of future spend.

#### Diverse Supplier Business Conferences (supports Tier 1, 2, 3 TAP)

Prior to PG&E's Annual Supplier Conference, Supplier Diversity held a focused matchmaking session with prime suppliers in the field of renewable generation. Six prime suppliers sent representatives to meet with over 20 diverse businesses in one-on-one 15-minute interview sessions, spanning the course of three hours. The matchmaking session allowed prime suppliers to meet potential diverse partners in an effort to improve subcontracting performance and open additional networking channels with members in the DBE community.

A successful prime supplier business matchmaking event was organized for its Gas & Electric Operations lines of business on November 29, 2011. The event facilitated business introductions between 11 of PG&E's top spend non-diverse prime suppliers and 19 qualified diverse suppliers. The goal was to develop potential subcontracting relationships to help prime suppliers improve their second tier supplier diversity results. Members of PG&E's Sourcing organization also attended to facilitate supplier introductions and to answer DBE questions regarding PG&E business opportunities.

#### Diverse Suppliers Go Green (supports Tier 1, 2, 3 TAP)

*Diverse Suppliers Go Green*, PG&E's environmental technical assistance initiative, continued to expand in 2011 providing training and resources for DBEs to implement their own green business strategy. The program offerings included a Green Policy Statement Contest, an online DSGG Green Business Toolkit, in-person trainings and a piloted DSGG webinar.

The year kicked-off with a Green Policy Statement Contest for 2010 workshop participants. Encouraging companies to start the year with a green goal, the contest asked workshop participants to submit their company's green policy statement to enter to win a prize and have their statement showcased on PG&E's external website. The contest received eight submissions and two winners were selected at random. In the second quarter of 2011, the winners' green policy statements were posted on the newly launched DSGG Green Business Toolkit. The online toolkit serves as a one-stop shop for

workshop resources, additional training information, energy efficiency offerings and green business standards.

Eight workshops were conducted in 2011, partnering with the following community partners to provide training to a broad cross section of entrepreneurs:

3/4	San Francisco	National Asian American Coalition
5/25	Livermore	American Indian Chamber of Commerce of California
7/21	Chicago	The Elite SDVOB Network
8/11	San Jose	California Hispanic Chamber of Commerce
10/25	San Jose	US Asian American Coalition
10/27	Stockton	CPUC Small Business Expo
11/3	San Francisco	PG&E Collaboration of Supplier Diversity, Customer Energy Efficiency and the Pacific Energy Center
11/16	Webinar	Asian Business Association - LA

In addition to having participants draft a green policy statement and conduct a green self-assessment, the hands-on workshops explored green innovations and the Green Tenant Toolkit, which assisted tenants and landlords in reaching sustainability goals within commercial buildings.

#### Diverse Suppliers Go Global (supports Tier 1, 2, 3 TAP)

PG&E kicked off this new signature initiative in 2011 by conducting a seminar on the competitive business advantages of evaluating and participating in the global marketplace. The Northern California Minority Supplier Development Council hosted the event which was open to all DBEs.

#### Diverse Business Workshops (supports Tier 1, 2 TAP)

PG&E expanded its partnerships in 2011 with expert organizations to develop Diverse Business workshops and training programs related to Leadership Excellence, Access to Capital, Business Growth Strategies, Microenterprise Business Development, Doing Business with the Utilities, etc.

- Foundations in Leadership Excellence Workshop

PG&E was very excited to partner with Bovo-Tighe, LLC to conduct a unique leadership workshop for the diverse business community in November 2011. The three-hour session, held at PG&E's general offices in San Francisco, provided a full house of over 55 DBE attendees with a fresh and very powerful approach to engage the full capacity of the people in their work teams. Tested by Bovo-Tighe in more than four hundred organizations, the approach reveals the foundational reasons for human motivation and a specific systematic method to allow each leader to be much more powerful and achieve greater results.

Attendee feedback was extremely positive, rating the workshop's value and relevance at 4.8 out of 5. According to one diverse business attendee, "This was the single best event like this I have ever attended!"

- Growth Strategies that Attract Capital Workshop

PG&E partnered with the Alliance for Community Development (ACD) to host a November workshop on a very relevant topic for the diverse businesses community during the current economic climate. The training educated DBEs on how leadership, good planning and execution structure can accelerate growth. A panel of bankers and non-traditional lenders also outlined the steps for building successful relationships with financing sources.

UCLA Management Development for Entrepreneurs (MDE) Program (supports Tier 2 TAP)

In 2011, PG&E sponsored five women and minority business owners for the UCLA MDE Program at the Tech Mart Center in Santa Clara and at the UCLA campus in Southern California. The MDE Program is an intensive certificate program that is offered to owners and managers of entrepreneurial businesses to develop management skills and strengthen their ability to build effective organizations. The entrepreneurs devoted four to ten days to attend courses taught by the Anderson School's award winning faculty including Senior Associate Dean and Professor, Al Osborne. Dr. Osborne is an award-winning scholar who founded the MDE Program to bring UCLA expertise to the diverse business community. The courses were specifically designed for entrepreneurs in such areas as management theory and practice, marketing, finance, operations, and quality

management. Last year's program focused on the trends in the current economy and how entrepreneurs could manage growth in challenging times.

International Organization for Standardization (ISO) Certification Training  
(supports Tier 2, 3 TAP)

PG&E and a woman-owned business have jointly developed a program to provide DBEs with dual ISO 9001 Business Quality Standard and ISO 14001 Environmental Standard certification training via webinar at an over 70% cost reduction. The program offered a free introductory webinar to educate DBEs on the value of ISO quality certification and the competitive advantage it provides. In 2011, one of PG&E's woman-owned suppliers achieved ISO 9001, TL 9001 and ISO 14001 through this program. An additional four DBEs, a number of whom received scholarships from PG&E, are expecting program completion and certification in 2012.

Trade Missions to Industry Tradeshows (supports Tier 2, 3 TAP)

PG&E kicked off a new TAP initiative in 2011 to further integrate supplier diversity into large industry events. Aligning with the company's efforts to focus on its core business, Supplier Diversity joined PG&E business and Sourcing staff at the following power generation conferences to further strengthen the participation of DBEs. The initiative provided access and potential scholarships for DBEs to join PG&E on trade missions to these industry tradeshows.

DBEs joined PG&E at the following industry tradeshows:

June 19-22, 2011	RAPID Conference	Clearwater, FL
July 19-22, 2011	HydroVision: Clean Energy Conf.	Sacramento, CA
Dec. 13-15, 2011	POWER-GEN International	Las Vegas, NV

Industry conferences are an excellent forum for technical experts, market leaders, and suppliers to share trends, issues and technology impacting the industry. They also provide an invaluable opportunity to meet prospective customers and business partners. PG&E implemented a variety of strategies to promote technical capacity building and marketing connections for DBEs at these conferences. These strategies included:

1. Offering more than 50 technical assistance scholarships to DBEs to attend trade shows.
2. Exhibiting a Supplier Diversity booth to share information on PG&E's program and support.
3. Conducting meetings with prime suppliers to communicate expectations on subcontracting performance.
4. Initiating networking introductions between DBEs and prime suppliers.
5. Holding "Meet & Greet" networking sessions with PG&E Sourcing team members.

Attendance at industry trade shows allowed diverse entrepreneurs and small businesses to learn about industry trends and technologies, as well as explore new networking opportunities. At Hydrovision, a DVBE supplier was able to meet with key sourcing leads and line of business engineers, thereby further strengthening their relationship with PG&E. Since the event, PG&E has reassessed the DVBE's qualifications and awarded a \$3.5M contract for work to be done in 2012.

Another outcome of PG&E's Industry Trade Show initiative was discovering new products at POWER-GEN International. On the trade show floor of over 2,000 exhibitors, a WMBE construction company discovered a torque tool that will enable them to firmly clamp down solar panels on a PV construction project.

#### University of California Advanced Technology Incubation Program (supports Tier 3 TAP)

PG&E, along with the Joint Utilities supported the development of this program in 2011 to help strengthen mature DBEs to expand with California utilities into new and emerging technologies. PG&E looks forward to sharing the successes obtained through the program's 2012 implementation and launch.

#### **M. Supplier Development**

##### Capacity Building in the Environmental Health and Safety Arena

In 2011, a small woman-owned business won a \$2.9M contract to perform environmental compliance support for the Carrizo to Midway reconductoring project. This project

supports solar development in the Carrizo Plains to move power to the grid. Prior to this award the company, a Track 1 supplier in PG&E's Supplier Development program, had only worked on projects less than \$80,000 in value. The company won the bid by assembling the highest quality technical team while delivering 9% cost savings to PG&E.

PG&E competitively bid two multimillion dollar environmental remediation projects resulting in supplier diversity successes. The Hunters Point Power Plant (HPPP) Area 1 Site Restoration project was awarded to a woman-owned business and a contract with a non-diverse prime committing to over 50% diverse subcontracting was made in the Shell Pond Remediation and Wetland Restoration project.

#### Gas Transmission and Distribution (T&D) Services

In support of PG&E's efforts to include DBEs in its key initiatives, an Asian WBE was awarded a five year agreement to provide Third Party Logistics (TPL) services to assist with the upgrade of PG&E's pipeline infrastructure. Over the years, beginning in 2003, this diverse company has grown from providing coolant and lubricants, to its current position as a full service product and services supplier; providing over 8,300 industrial products and services, including training, equipment calibration, and inventory management services.

The new TPL agreement will more than double this supplier's business with PG&E in 2012 and will allow PG&E to increase its operational efficiencies as it relates to the material provisioning, inventory, and cost management activities for the pipe and fittings required for PG&E to complete its pipe replacement program.

#### General Contracting

In 2011, PG&E completed an extensive strategic sourcing effort in General Contracting. Casting a wide net and including 76 DBEs in the selection process, bidders were evaluated on their proposals and clarification interviews. In the end, master service agreements were awarded to 13 suppliers, five of whom are DBEs.

#### Sourcing Recognizes Diverse Suppliers

In 2011 PG&E's Sourcing team held its annual supplier conference. Approximately 100 prime and diverse suppliers were in attendance. One of the awards was given to a prime

supplier who subcontracted 48% of its spend with DBEs. This prime supplier has a nationally recognized record of effectively utilizing diverse businesses. It has sponsored numerous small disadvantaged business conferences and actively participates in PG&E's diversity events to assist with the development of certified diverse subcontractors. It has assigned a Small Business Liaison Officer to develop small and disadvantaged firms whose capabilities match customer needs and requirements. This is an example of how the Supplier Diversity team works with its prime suppliers' internal programs to support the development of DBEs.

PG&E's Small Business Supplier of the Year winner was a California-based woman-owned business. It contributed to improving public safety by reducing the time for completing hydro-tests of gas pipelines. It additionally reduced impacts to the environment by eliminating and shortening 29 hydro-tests. Finally, it stimulated economic growth in California by hiring 114 people from within the state for PG&E projects.

PG&E's Green Supplier of the Year was a WMBE. This company participates in PG&E's Supplier Development program and supports PG&E at many community outreach events. It implemented a Natural Resources Code of Conduct, installed solar panels at its facilities and reduced energy consumption by more than 70%. The supplier recycled 95% of the materials from a photovoltaic demo project and took measures to reduce emissions from its construction equipment.

PG&E's Electric Transmission and Distribution Supplier of the Year was a woman-owned business that has steadily increased its business with PG&E over the past 5 years. It developed quality control construction standards while positively impacting local California businesses by hiring locally when increasing its workforce. In addition, it demonstrated alignment with PG&E's commitment to environmental sustainability by maintaining a constant level of total fuel consumption while more than doubling its workforce.

PG&E's Corporate Services Supplier of the Year was an MBE that participates in PG&E's Supplier Development program and grew its business tremendously over the past two years in working with PG&E. It consistently demonstrated an innovative

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approach to environmental remediation and helped save PG&E more than 10% while also reducing the amount of time for investigating Manufactured Gas Plants which also provided environmental sustainability benefits.

PG&E's overall Supplier of the Year was an MBE that is an integral part of PG&E's supply chain and is part of PG&E's Supplier Development Program. This supplier provides distribution and inventory solutions in innovative ways that saved PG&E 10% on the logistics for one of its PG&E jobsites.

2. **EXTERNAL PROGRAM ACTIVITIES** -

**A. California Utilities Diversity Council (CUDC) and California Joint Utilities Committee (JU)**

PG&E continued its active engagement with the California Utilities Diversity Council (CUDC), a broad-based collaboration of utilities, diversity stakeholders and representatives from the California Public Utilities Commission. The CUDC focused on the shared mission to leverage California's rich diversity resources. Bill Harper, PG&E Vice President and Chief Diversity Officer served as the vice-chair. PG&E's Director of Supplier Diversity participated as a co-chair of the CUDC Procurement Committee which worked to address challenges to diverse businesses in low utilization areas.

In July of 2011, PG&E participated in the CUDC Diverse Advertising and Media Outreach Forum. PG&E's Vice President of Corporate Relations sat on a panel of utility officers moderated by CPUC Commissioner Sandoval to discuss PG&E's advertising, media and direct mail procurement and how it is managed. Discussion included success stories and challenges. Additionally, Joan Kerr, PG&E's Director of Supplier Diversity moderated a panel discussing the expansion of opportunities in advertising, media buying and direct marketing amongst utility agencies of record. The Summit provided an opportunity to discuss initiatives to include diverse businesses in all advertising, media buying, direct mail and other customer communication. There was discussion of the supplier diversity requirements that PG&E places on its first tier advertising, media and direct mail suppliers and how it utilize DBEs as subcontractors. The Summit developed recommendations on how utilities can better influence an increase in supplier diversity spend in marketing and advertising activities.

PG&E was the lead utility this past year for the California Joint Utilities Committee (JU). The JU met quarterly to discuss regulatory and legislative issues, Clearinghouse operations and best practices. As the lead utility for the JU, PG&E also had oversight for the Clearinghouse – cost management, outreach participation and system improvements and upgrades.

**B. External Activities to Increase DVBE Utilization**

PG&E worked closely with the California DVBE Alliance and the Elite Service-Disabled Veteran-Owned Business (SDVOB) Network to identify DVBEs for direct and subcontracting opportunities and to communicate important matchmaking and community outreach events. PG&E also worked with the California Department of Veteran Affairs' DVBE advocate team to market key matchmaking and community outreach events throughout 2011.

PG&E participated in the 2011 Keeping the Promise expo in support of the California Disabled Veteran Business Alliance in Los Angeles, CA. Supplier Diversity and PG&E Sourcing participated in a business matchmaking session at this event.

PG&E also participated in the 8<sup>th</sup> Annual Elite National Convention in Chicago, IL. PG&E provided a *Diverse Suppliers Go Green* workshop at this event to help educate business owners on the advantages of adopting an environmental policy. PG&E participated in a business matchmaking session at this event.

In 2011, PG&E attended the Joint Utilities Diversity Council (JUDC) to discuss issues related to Disabled Veteran Business Enterprises. Based on feedback from council members, PG&E developed and sponsored a Joint Utilities DVBE matchmaking event on August 22<sup>nd</sup>, 2011. The purpose of the event was to enable DVBEs to meet directly with sourcing and contracting agents from PG&E, Southern California Edison, San Diego Gas and Electric, Southern California Gas, and AT&T. DVBEs were provided with the opportunity to provide a summary of their products and services directly to the contacting agents represented by the Joint Utilities. This matchmaking event also raised the awareness of the vast variety of DVBEs that the Joint Utilities can consider for their current or future projects. Over 113 DVBEs attended the event, and 19 Joint Utilities contracting professionals attended.

### **C. Advertising**

In 2011, PG&E ensured that an ad was displayed prominently in the booklets for those outreach events it attended. PG&E's ad proudly heralded the 2010 achievement of surpassing \$1 billion and 32% for the first time. The colorful ad additionally celebrated the 30<sup>th</sup> anniversary of the Supplier Diversity program.

PG&E advertised in the following publications and events:

- Asian Business Association 34<sup>th</sup> Annual Awards Luncheon
- Black Economic Council 6<sup>th</sup> Annual Urban Economic Conference
- California Hispanic Chamber of Commerce Annual Convention
- National Minority Supplier Development Council Conference and Business Opportunity Fair
- Disabled Veteran Business Enterprise Conference
- National Minority Supplier Development Council Annual Report
- Northern California Minority Supplier Development Council Business Opportunity Expo
- US Pan Asian American Chamber of Commerce
- Women's Business Enterprise National Council National Conference and Business Fair
- Diversity Careers Magazine – April/May and June/July
- MBE Magazine
- US Pan Asian American Chamber of Commerce CelebrAsian Business Opportunity Conference
- Alliance for Community Development Bay Area Capital Connections Conference IV
- Elite Service-Disabled Veteran-Owned Business Network 8<sup>th</sup> Annual National Convention
- American Indian Chamber of Commerce of California EXPO '11
- Diversity Plus
- National Asian American Coalition 8<sup>th</sup> Annual Conference

In addition, PG&E was featured in a number of external publications that demonstrated the company's commitment to supplier diversity, as well as green supply chain.

PG&E's green initiatives, green jobs, sustainability best practices, and Supplier Diversity program were showcased in:

- National Minority Supplier Diversity Council's Annual Report
- WBENC Online President's Report

The company's highly successful annual Supplier Diversity Achievement Awards, "30 & 30," recognized PG&E employees for exemplary work in driving supplier diversity results. The event celebrated the 30<sup>th</sup> year of the program at PG&E along with surpassing 30% diversity spend for the first time. Coverage of the event was featured in the following publications:

- Sacramento Asian Pacific Chamber and CALASIAN e-newsletter
- PG&E Currents Newsletter
- PG&E President's blog

Diversity/Careers in Engineering & Technology interviewed PG&E's Director of Supplier Diversity, and one of PG&E's diverse energy efficiency program managers to discuss supplier diversity in the engineering and technology arenas. The publication named PG&E its Reader's Pick as:

- "Best Diverse Company"

Hispanic Business Magazine featured PG&E's Diversity and Inclusion Program and captured the company's outstanding supplier diversity results. The magazine named PG&E as one of the:

- Top 60 Diversity Elite Companies

PG&E's Director of Supplier Diversity was listed as a "Top 30 Champion" in Diversity Plus magazine.

Additionally, the Supplier Diversity operations manager was invited to speak on Radio KBCC and KBTV's (Asia Network) live radio shows to highlight PG&E's commitment to supplier diversity and the training, tools and resources PG&E offers to help DBEs implement sustainable business practices that deliver a competitive advantage.

#### **D. Stakeholder Publications**

PG&E distributed Supplier Diversity brochures at each outreach event that the team attended throughout the year. The brochure included valuable information about the steps to become a supplier to PG&E including how to become certified through the CPUC Clearinghouse. PG&E released its 2011 Corporate Responsibility Report and included information on its Supplier Diversity program.

**E. Loan Fund**

PG&E supported access to capital for minority-owned businesses. As in years past, PG&E was an investor in the Business Consortium Fund (BCF) in 2011. 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. The BCF is funded through several sources including corporations, state governments and foundations.

**F. Conferences, Meetings, Outreach and Tradeshow**

In 2011, PG&E maintained its active participation in local and national supplier diversity outreach events to meet and promote diverse firms, to introduce prime suppliers to the diverse supplier communities, to learn and share best practices with other Supplier Diversity Program Managers. Throughout the year, PG&E employees were actively engaged with the community: involving officers, directors, sourcing managers, supplier diversity professionals, and PG&E prime suppliers. These representatives worked the event booths, attended workshops, matchmakers and made themselves available to DBEs, community based diversity and small business organizations and their members as well as national diversity organizations.

Attending DBE conferences, meetings, outreach events and tradeshow is a clear indication of PG&E's commitment to support the communities which it serves. PG&E's active participation helps it realize its vision of becoming the leading utility in the United States.

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

- Alliance for Community Development - Acquiring Capital for the First Time
- Alliance for Community Development - Created in Oakland Program Celebration
- Alliance for Community Development - Bay Area Capital Connections Conference IV
- Alliance for Community Development - Alliance Supplier Access to Credit Workshop

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- American Indian Chamber of Commerce of California - Diverse Suppliers Go Green Workshop
- American Indian Chamber of Commerce of California - EXPO '11 Annual Conference
- Asian American Business Institute Resource Center - Spring Expo
- Asian Business Association, Los Angeles - Small Business Exchange
- Asia Business Association, Greater Los Angeles African American Chamber of Commerce, Latino Business Chamber – Joint Mixer
- Asian Society - Asian Pacific American Heritage Dinner
- Black Economic Council - 6th Annual Urban Economic Conference "Bridging the Economic Gap"
- Black Economic Council - Business Success Strategies Workshop
- Black Economic Council – Bridge Builders and Game Changers
- CalAsian Chamber & The API Legislative Caucus - 2nd Annual Legislative Summit & Reception: Converse and Connect
- California Black Chamber of Commerce Foundation - Ron Brown Commerce Summit & Gala
- California Black Media - 4th Annual Newsmakers Summit
- California DVBE Alliance - 2011 Keeping the Promise Expo
- California Hispanic Chamber of Commerce - Matchmaking 101: The Basics Webinar
- California Hispanic Chamber of Commerce, San Jose - Secrets to Doing Business with the Utilities
- California Hispanic Chamber of Commerce, Stockton - Secrets to Doing Business with the Utilities
- California Hispanic Chamber of Commerce - 32nd Annual Convention: Advocacy, Empowerment & Education for California's Emerging Businesses
- California Public Utilities Commission - CPUC Burbank Small Business Expo and Matchmaking Fair
- California Public Utilities Commission - Electric Procurement Reporting Workshop
- California Public Utilities Commission - CPUC Legal Symposium
- California Public Utilities Commission - Joint Informational Hearing on the Senate Select Committee on Procurement and the CPUC to Examine Barriers to

Procurement Opportunities for Emerging Diverse Firms in California's Public Utility Companies and Public Pension Funds

- California Public Utilities Commission - Stockton Small Business Expo and Business Matchmaking Event
- California Small Business Day™ 2011 - California Small Business Day™ 2011
- California Utilities Diversity Council - Diverse Advertising and Media Outreach Forum
- Edison Electric Institute - 28th Annual Supplier Diversity Conference: New Energy, New Strategies for Generating Growth through Utilities
- Elite SDVOB Network - 8th Annual Elite SDVOB Network National Convention of Service-Disabled Veteran Owned Businesses
- GE Energy - GE Energy California Supplier Diversity Event: How to Do Business with GE
- Green for All Business Academy - Supporting Green Entrepreneurs in the Bay Area
- HydroVision 2011 Conference - Clean Energy
- Institute for Supply Chain Management - ISM's 96th Annual International Supply Management Conference and Educational Exhibit
- Joint Utilities - SDVBE Business Matchmaking
- Latino Coalition – America's Small Business Summit
- National Minority Supplier Development Council – Minority Business Leadership Awards
- Small Business Development Center of Northern California - Small Business Summit
- Latino Coalition and US Chamber of Commerce, Washington D.C. - America's Small Business Summit
- Latino Coalition, Los Angeles – Southern California Economic Summit
- National Asian American Coalition - Micro-Business Training
- National Association of Minority & Women Owned Law Firms - Regional Meeting
- National Gay and Lesbian Chamber of Commerce (NGLCC) - National Business and Leadership Conference
- National Minority Supplier Development Council (NMSDC) - 2011 NMSDC Conference and Business Opportunity Fair: Minority Businesses and Corporate America: Raising the Bar through Sustainable Strategies

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- Northern California Minority Supplier Development Council (NCMSDC) - 2011 Annual NCMSDC Awards Gala Masquerade
- Northern California Minority Supplier Development Council - 2011 Minority Business Expo
- Power-Gen International - POWER-GEN International 2011
- RAPID - RAPID Technical Conference & Vendor Exhibit
- Sacramento Asian Chamber of Commerce - A Return to Your Business and Green Contract Opportunities
- San Francisco Chamber of Commerce - 2011 Business After Hours Grand Expo
- San Francisco American Legion Post Conference - "Veterans Helping Veterans"
- Southern California Minority Supplier Development Council (SCMSDC) - 35th Annual Minority Business Opportunity Day
- US Pan Asian American Chamber of Commerce - CelebrAsian Business Opportunity Conference 2011
- West Contra Costa Business Development Council - Contractor's Opportunity Fair
- Women's Business Enterprise National Council - 2011 WBENC Summit & Salute: The Opportunity Connection
- Women's Business Enterprise National Council - 2011 National Conference and Business Fair

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

- American Indian Chamber of Commerce: Advisory Board
- Asian Business Association Los Angeles: Advisory Board
- California Disabled Veteran Business Enterprise Alliance: Corporate Advisory Board
- California Utilities Diversity Council: Procurement Committee Co-Chair
- Edison Electrical Institute: Supplier Diversity Advisory Board
- National Minority Supplier Development Council: Corporate Member
- Northern California Minority Supplier Development Council: Corporate Member, Corporate Coordinators Committee, Board of Directors
- Women's Business Enterprise National Council: Corporate Member
- California Joint Utilities Committee: Lead Board Member

PG&E employees, including company officers, actively participated in the following organizations:

- The Salvation Army, Golden State Division
- American National Red Cross Bay Area Chapter
- Monument Crisis Center
- United Negro College Fund
- Big Brothers Big Sisters Bay Area
- Alliance for Community Development of the San Francisco Bay Area
- San Francisco Food Bank
- Contra Costa Solano Food Bank
- YMCA of the Central Bay Area

PG&E's Community Affairs and Government Relations participated in the following activities:

- African American Art & Cultural Complex, San Francisco, Partnership, Sponsor Annual Event
- African American Network, Kern, Sponsor Annual Outreach Luncheon
- Alameda County Hispanic Chamber, Alameda, Membership, Sponsorship, Advisory Board Member
- Asian American Recovery Services, San Francisco, Partnership, Sponsor Annual Event
- Asian Americans For Community Involvement, Santa Clara, Sponsorships
- Asian Business Institute and Resource Center (ABIRC), Fresno, Board of Directors, Advisory Board, Sponsorship
- Asian Inc., San Francisco, Partnership, Sponsor Annual Event
- Asian Law Caucus, San Francisco, Partnership, Sponsor Annual Event
- Asian Pacific American Heritage Month, San Francisco, Partnership, Sponsor Annual Event
- Asian Week Foundation- Hep B Free, San Francisco, Partnership, Sponsor Annual Event
- Bay Area Business Roundtable, Alameda, Sponsorship, Board Member
- Bayview Hunter's Point Multipurpose, San Francisco, Partnership, Sponsor Annual Event

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- Bayview Merchants' Association (Renaissance Entrepreneurship), San Francisco, Partnership, Sponsor Annual Event
- Bethel African Methodist Episcopal Church – Martin Luther King, San Francisco, Partnership, Sponsor Annual Event
- Black Chamber of Commerce, Kern, Membership
- Black Economic Council, Alameda, Sponsor Annual Dinner and Conference
- Black Expo, Alameda, Sponsor Conference
- Center For Community Advocacy, Monterey and Santa Cruz Counties, Board of Directors, Sponsorships
- Central Valley Asian American Chamber, San Joaquin, Membership
- Centro Latino, San Francisco, Partnership, Sponsor Annual Event
- Chinatown Community Development Center, San Francisco, Partnership, Sponsor Annual Event
- Chinatown New Year's Festival and Parade, San Francisco, Partnership, Sponsor Annual Event
- Chinese American Voters Education Committee, San Francisco, Partnership, Sponsor Annual Event
- Chinese Consolidated Benevolent Fund, San Francisco, Partnership, Sponsor Annual Event
- Chinese For Affirmative Action, San Francisco, Partnership, Sponsor Annual Event
- Chinese Historical Society, San Francisco, Partnership, Sponsor Annual Event
- Chinese Hospital, San Francisco, Partnership, Sponsor Annual Event
- Civic Pride, Alameda, Sponsor Annual Conference
- Clear- Visitation Valley Community Center (Inner City Youth), San Francisco, Partnership, Sponsor Annual Event
- Coalition For Rural Pueblos Economic Development, Fresno, Sponsor Green Job Program
- Community Enrichment Organization, Alameda, Sponsor Annual Community Activity
- Community of Opportunity (CIF of The San Francisco Foundation), San Francisco, Partnership, Sponsor Annual Event
- Contra Costa Hispanic Chamber, Contra Costa, Membership, Sponsorship
- Community Youth Center, San Francisco, Partnership, Sponsor Annual Event

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- Cypress Mandela Training Institute, Alameda, Sponsor Workforce Development Program
- East County NAACP, Contra Costa, Sponsor Annual Dinner
- Ella Hill Hutch, San Francisco, Partnership, Sponsor Annual Event
- Equality California, San Francisco, Partnership, Sponsor Annual Event
- Filipino American Chamber of Solano County, Solano, Membership, Sponsorships, Board of Directors
- Filipino American Development Foundation (Bayanihan) , San Francisco, Partnership, Sponsor Annual Event
- Foothill De Anza Community Colleges Foundation - (APALI), Santa Clara, Sponsor Leadership Program
- Fresno Area Hispanic Chamber of Commerce, Fresno, Advisory Board, Membership, Sponsorship
- Fresno County Women's Chamber of Commerce, Fresno, Sponsor Mother of The Year Awards
- Friends of The Urban Forest, San Francisco, Partnership, Sponsor Annual Event
- Girls 2000, San Francisco, Partnership, Sponsor Annual Event
- Girls, Inc, Alameda, Sponsorship, Board Member
- Glide Memorial United Methodist Church (Mo's Kitchen At Glide Church), San Francisco, Partnership, Sponsor Annual Event
- Gonzales Chamber of Commerce, Monterey, Sponsorship
- Hispanic Chamber of Commerce, Kern, Membership
- Hispanic Chamber of Marin, Marin, Membership
- Hispanic Chamber of San Joaquin County, San Joaquin, Membership, Board of Directors
- Hispanic Chamber of Sonoma County, Sonoma, Membership, Sponsorship, Advisory Committee Member
- Hispanic Foundation, Santa Clara, Sponsorships
- Instituto Laboral De La Raza, San Francisco, Partnership, Sponsor Annual Event
- Interfaith Power and Light (The Regeneration Project), San Francisco, Partnership, Sponsor Annual Event
- Japanese Community Youth Council (JCYC), San Francisco, Partnership, Sponsor Annual Event

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- Japanese Cultural & Community Center, San Francisco, Partnership, Sponsor Annual Event
- Japantown Task Force, San Francisco, Partnership, Sponsor Annual Event
- Jewish Vocational Services, San Francisco, Partnership, Sponsor Annual Event
- Kern Community Foundation, Kern, Board of Directors, Sponsorship
- Lend A Hand, Alameda, Sponsor Resource Center
- Lotus Bloom, Alameda, Sponsor Community Event
- Merced Hispanic Chamber, Merced, Membership
- Mission Education Project Inc., San Francisco, Partnership, Sponsor Annual Event
- Mission Housing Development Center, San Francisco, Partnership, Sponsor Annual Event
- Mission Language & Vocational School, San Francisco, Partnership, Sponsor Annual Event
- Mission Neighborhood Centers, San Francisco, Partnership, Sponsor Annual Event
- National Center For Lesbian Rights, San Francisco, Partnership, Sponsor Annual Event
- NICOS Services Center, San Francisco, Partnership, Sponsor Annual Event
- North Bay Black Chamber, Membership, Sponsorship
- Oakland African American Chamber, Alameda, Sponsorship, Board Member
- Omega Boys Club, San Francisco, Partnership, Sponsor Annual Event
- Organization of Chinese Americans, Alameda, Sponsorship Annual Event
- Pacific Asian American Women Bay Area Coalition, San Francisco, Partnership, Sponsor Annual Event
- Richmond Build, Contra Costa, Partnership, Sponsor Workforce Development
- Richmond Community Foundation, Contra Costa, Sponsorship, Board Member
- Sacramento Asian Chamber, Sacramento, Membership, Sponsorships, Board of Directors
- Sacramento Black Chamber, Sacramento, Membership, Sponsorships
- Sacramento Hispanic Chamber, Sacramento, Membership, Sponsorships, Board of Directors, PAC Board
- Salinas United Business Association, Monterey, Sponsorship of Annual El Grito Festival
- Samoan Community Center, San Francisco, Partnership, Sponsor Annual Event

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- San Francisco Chinatown Lions Club, San Francisco, Partnership, Sponsor Annual Event
- San Francisco Clean City Coalition, San Francisco, Partnership, Sponsor Annual Event
- San Francisco Hispanic Chamber Foundation (Economic Empowerment Fund), San Francisco, Partnership, Sponsor Annual Event
- San Francisco LGBT Center (The Community Center Project of SF, Inc.), San Francisco, Partnership, Sponsor Annual Event
- San Francisco LGBT Historical Society, San Francisco, Partnership, Sponsor Annual Event
- San Francisco State: College of Ethnic Studies, San Francisco, Partnership, Sponsor Annual Event
- San Joaquin Valley Black Chamber of Commerce, Fresno, Membership, Sponsorship
- San Leandro African American Business Council, Alameda, Sponsorship Annual Event
- San Mateo Latino Leadership Council, San Mateo, Partnership, Sponsor Annual Event
- Self-Help For The Elderly, San Francisco, Partnership, Sponsor Annual Event
- Silicon Valley Hispanic Chamber, Santa Clara, Sponsorship
- So San Joaquin County Hispanic Chamber, San Joaquin, Membership
- Solano Black Chamber, Solano, Memberships
- Solano Hispanic Chamber, Solano, Membership, Sponsorship
- Spanish Speaking Unity Council, Alameda, Sponsorship Annual Event
- Sun Reporter Foundation, San Francisco, Partnership, Sponsor Annual Event
- Sunset District Autumn Festival (Bay Culture, Inc), San Francisco, Partnership, Sponsor Annual Event
- Sunset District Community Development, San Francisco, Partnership, Sponsor Annual Event
- Tenderloin Neighborhood Development Center, San Francisco, Partnership, Sponsor Annual Event
- Tulare Hispanic Chamber of Commerce, Tulare, Membership
- Vietnamese Community Center, San Francisco, Partnership, Sponsor Annual Event
- Voto Latino, San Francisco, Partnership, Sponsor Annual Event

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- West Bay Filipino Multi-Service Center, San Francisco, Partnership, Sponsor Annual Event
- YMCA of The East Bay - Richmond, Contra Costa, Partnership
- Hispanic Chamber of Commerce of Sonoma County, Annual membership
- Black Chamber of Commerce, Sonoma, Annual membership
- YWCA of Sonoma County, Annual partnership
- Sonoma Black Chamber of Commerce- Annual membership
- Marin City Community Development Corporation – Annual partnership
- Canal Alliance (Marin) - Annual partnership
- Latino Council, (Marin) - Annual membership
- El Concilio of San Joaquin and Stanislaus Counties, Sponsor Annual Events
- Black Expo, Stockton, Sponsor Annual Event
- Homeless Veteran’s Stand Down Event, Stockton, Sponsor Annual Event
- NAACP of San Joaquin County, Sponsor of Annual Event
- Tracy Women’s Forum, Sponsor Annual Event
- San Joaquin County Women’s Center, Sponsor Annual Event
- Central Valley Chapter Asian Pacific Islander American Public Affairs Association, San Joaquin County, Sponsor Annual Event
- American GI Forum of Stanislaus County, Partnership, Sponsor Annual Event
- NAACP of Merced County, Sponsorship of Annual Event
- Merced Lao Family Community, Annual Sponsorship of Hmong New Year
- High Desert Hispanic Chamber of Commerce Foundation; Legislative Power event sponsorship for underserved students to learn about the state legislature
- Juneteenth Celebration; Bethany Christian Fellowship Barstow Area
- Barstow Community College District Foundation; Scholarships for underserved students
- California Veteran's Home of Barstow; co-sponsor walk/run dis abled vets
- Five Tribes Scholarship Program; Colorado River Indian Tribes
- Fort Mohave Indian Days
- Hualapai Tribe Cultural Center Event
- Hinkley Senior Center Holiday Events
- Chemehuevi Tribe's Elders Recognition Event
- Boy's and Girl's Club Barstow

- Hinkley Area Wellness Initiative
- Workforce Development Training & Job Readiness Program
- African American Museum, Black History Month Celebration Banquet
- Asian Business Institute and Resource Center
- Center for Multicultural Cooperation
- Central California Asian Pacific Women
- Central California Legal Services Inc.
- Coalition for Rural Pueblos Economic Development
- El Concilio De Fresno Inc
- Fresno Area Hispanic Foundation
- Fresno Center for New Americans
- Fresno Interdenominational Refugee Ministries
- Fresno Metro Black Chamber Foundation
- Fresno Regional Foundation
- Fresno West Coalition for Economic Development
- Pacific News Service
- Ruiz for Kids Inc
- Stone Soup Fresno

#### **G. Presentations and Training**

Sharing supplier diversity best practices and coaching on how to do business successfully with PG&E was part of the PG&E culture. Again in 2011, PG&E representatives made a number of presentations to DBEs, supplier diversity advocacy organizations and industry forums. PG&E presentations were given at the following events:

- California Hispanic Chamber of Commerce - Matchmaking 101: The Basics Webinar [Panel]
- California Hispanic Chamber of Commerce (San Jose), July – “Secrets to Doing Business with the Utilities” [Panel]
- California Hispanic Chamber of Commerce (San Jose), August – “Secrets to Doing Business with the Utilities” [Panel]
- California Public Utilities Commission - Stockton Small Business Expo and Business Matchmaking Event [Panel]

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- Northern California Minority Supplier Development Council - 2011 Minority Business Expo
- National Asian American Coalition – Micro-Business Training
- PG&E Pacific Energy Center – “Diverse Suppliers Go Green” and SMB Energy Solutions
- Alliance for Community Development – Alliance Supplier Access to Credit Workshop
- Asian American Business Institute Resource Center – Spring Expo [Workshop]
- American Indian Chamber of Commerce of California – “Diverse Suppliers Go Green” Workshop
- Elite SDVOB Network - 8<sup>th</sup> Annual Elite SDVOB Network National Convention of Service-Disabled Veteran Owned Businesses [Workshop]
- California Black Chamber of Commerce – “Diverse Suppliers Go Green” Workshop
- PG&E Academy – Transformational Leadership Workshop for Diverse Suppliers [Workshop]
- UN Women – United Nations Global Compact [Panel]
- Women’s Business Enterprise National Council - 2011 National Conference and Business Fair [Panel]
- Diversity Inc. Webinar – Global Diversity [Panel]
- California Public Utilities Commission - CPUC Burbank Small Business Expo [Panel]
- Sacramento Asian Chamber of Commerce – “A Return to Your Business and Green Contract Opportunities” [Panel]
- Latino Coalition and US Chamber of Commerce, Washington D.C. - America’s Small Business Summit [Panel]
- Black Economic Council - 6th Annual Urban Economic Conference "Bridging the Economic Gap" [Panel]
- Green for All Business Academy – Supporting Green Entrepreneurs in the Bay Area [Panel]
- Institute for Supply Chain Management - ISM's 96th Annual International Supply Management Conference and Educational Exhibit [Presentation]
- California Black Media – 4<sup>th</sup> Annual Newsmakers Summit [Presentation]
- RAPID Technical Conference and Vendor Exhibit [Presentation]

- Alliance for Community Development - Bay Area Capital Connections Conference IV [Presentation]
- National Association of Minority & Women Owned Law Firms – Regional Meeting [Presentation]

#### PG&E Hosted Events

- Supplier Diversity Business Matchmaking - Power Generation (Nuclear, Fossil, Hydro, Renewables)
- “Diverse Suppliers Go Green” and SMB Energy Solutions
- Transformational Leadership Workshop for Diverse Suppliers
- NCMSDC - Global Expansion Strategies: How to Compete in the Global Marketplace
- Joint Utilities Supplier Diversity Business Matchmaking - DVBE
- Supplier Diversity Business Matchmaking - Gas and Electric Operations

#### **H. Awards and Recognition**

PG&E’s efforts and accomplishments in promoting diversity in areas such as community, workforce and supply chain have been widely recognized over the years. Most recently PG&E was:

- Ranked No. 2 on the 2011 *DiversityInc* Top Regional Utilities
- Ranked No. 9 on the 2011 *DiversityInc* Top Companies for Latinos
- Ranked No. 8 on the 2011 *DiversityInc* Top Companies for Supplier Diversity
- Named “Corporation of the Year” by the Northern California Minority Supplier Diversity Council
- Named “Corporation of the Year” by the US Pan Asian American Coalition West Region
- Presented with “Supplier Diversity Excellence” award for outstanding leadership by the Edison Electric Institute
- Named Best Diversity Company in the Diversity/Careers 2011 Readers Choice Survey
- Named to *Black Enterprise* 40 Best Companies for Diversity
- Presented with the “Emerging Leader” award by the Black Economic Council

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- PG&E's Director of Supplier Diversity was presented with the Eleanor Roosevelt Economic Freedom award by the Black Economic Council.
- Presented with "Charles McDonald" award by the Institute for Supply Management for supplier diversity leadership in the supply management profession for a Sourcing Director.
- Named "Best Supplier Diversity Company" by *Diversity/Careers in Engineering & Technology*
- Honored by the Minority Corporate Council Association with "Employer of Choice" award for the law department's success in internal and external diversity initiatives.

**Sec. 9.1.2 Summary of Purchases**

**Supplier Diversity Annual Results by Ethnicity**

Line No.			2011			
			Direct \$	Sub \$	Total \$	%
1	Minority	Asian-Pacific	103,020,528	25,244,751	128,265,279	2.91%
2	Men	Black	170,839,790	9,280,925	180,120,715	4.09%
3		Hispanic	160,014,472	203,242,033	363,256,505	8.25%
4		Native-American	26,684,624	35,844,452	62,529,076	1.42%
5		Total Minority Men	460,559,413	273,612,161	734,171,574	16.67%
6	Minority	Asian-Pacific	47,395,509	43,008,105	90,403,615	2.05%
7	Women	Black	75,839,637	9,920,226	85,759,863	1.95%
8		Hispanic	11,744,559	34,250,188	45,994,747	1.04%
9		Native-American	48,359,496	11,673,678	60,033,174	1.36%
11		Total Minority Women	183,339,201	98,852,197	282,191,399	6.41%
12	Total Minority Business Enterprise (MBE)		643,898,614	372,464,359	1,016,362,973	23.07%
13	Women Business Enterprise (WBE)		413,934,104	100,272,069	514,206,173	11.67%
14	Subtotal Women, Minority Business Enterprise (MWBE)		1,057,832,719	472,736,428	1,530,569,147	34.74%
15	Service Disabled Veteran Business Enterprise (DVBE)		54,833,325	25,329,350	80,162,675	1.82%
16	TOTAL DBE		1,112,666,043	498,065,778	1,610,731,822	36.56%
17	Gross Procurement		4,405,275,958			
18	Exclusions					
19	Net Procurement		4,405,275,958			

\*Totals may not add due to rounding.

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**Supplier Diversity Direct \$ Procurement by Products and Services Category**

Line No.			Products		Services		TOTAL		
			\$	%	\$	%	\$	%	
1	Minority	Asian-Pacific	Direct	30,430,566	2.70%	72,589,962	2.21%	103,020,528	2.34%
2	Men	Black	Direct	27,029,042	2.40%	143,810,748	4.39%	170,839,790	3.88%
3		Hispanic	Direct	108,616,652	9.64%	51,397,820	1.57%	160,014,472	3.63%
4		Native-American	Direct	19,698,338	1.75%	6,986,285	0.21%	26,684,624	0.61%
5		Total Minority Men	Direct	185,774,598	16.48%	274,784,815	8.38%	460,559,413	10.45%
6	Minority Women	Asian-Pacific	Direct	33,786,493	3.00%	13,609,016	0.42%	47,395,509	1.08%
7		Black	Direct	964,297	0.09%	74,875,340	2.28%	75,839,637	1.72%
8		Hispanic	Direct	3,194,587	0.28%	8,549,972	0.26%	11,744,559	0.27%
9		Native-American	Direct	7,588,092	0.67%	40,771,404	1.24%	48,359,496	1.10%
10		Total Minority Women	Direct	45,533,469	4.04%	137,805,732	4.20%	183,339,201	4.16%
11	Total Minority Business Enterprise (MBE)		Direct	231,308,067	20.52%	412,590,548	12.59%	643,898,614	14.62%
12	Women Business Enterprise (WBE)		Direct	77,289,637	6.86%	336,644,467	10.27%	413,934,104	9.40%
13	Total Women, Minority Business Enterprise (MWBE)		Direct	308,597,704	27.37%	749,235,015	22.86%	1,057,832,719	24.01%
14	Service Disabled Veteran Business Enterprise (DVBE)		Direct	26,957,146	2.39%	27,876,178	0.85%	54,833,325	1.24%
15	TOTAL DBE		Direct	335,554,850	29.77%	777,111,193	23.71%	1,112,666,043	25.26%
16	Gross Procurement			4,405,275,958					
17	Exclusions								
18	Net Procurement			4,405,275,958					
19	Total Product Procurement			1,127,301,881					
20	Total Service Procurement			3,277,974,076					
21	Net Procurement			4,405,275,958					
22	Percentages for "Products" expenditures are DBE expenditures compared to "Total Product Procurement" expenditures.								
23	Percentages for "Services" expenditures are DBE expenditures compared to "Total Service Procurement" expenditures.								
24	Percentages for "TOTAL" expenditures are DBE expenditures compared to "Net Procurement" expenditures.								

\*Totals may not add due to rounding.

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**Supplier Diversity Subcontracting \$ Procurement by Products and Service Categories**

Line No.				Products		Services		TOTAL	
				\$	%	\$	%	\$	%
1	Minority	Asian-Pacific	Sub	7,342	0.00%	25,237,409	0.77%	25,244,751	0.57%
2	Men	Black	Sub	19,022	0.00%	9,261,903	0.28%	9,280,925	0.21%
3		Hispanic	Sub	182,558	0.02%	203,059,476	6.19%	203,242,033	4.61%
4		Native-American	Sub	0	0.00%	35,844,452	1.09%	35,844,452	0.81%
5		Total Minority Men	Sub	208,922	0.02%	273,403,240	8.34%	273,612,161	6.21%
6	Minority	Asian-Pacific	Sub	664,279	0.06%	42,343,826	1.29%	43,008,105	0.98%
7	Women	Black	Sub	0	0.00%	9,920,226	0.30%	9,920,226	0.23%
8		Hispanic	Sub	20,659	0.00%	34,229,529	1.04%	34,250,188	0.78%
9		Native-American	Sub	0	0.00%	11,673,678	0.36%	11,673,678	0.26%
10		Total Minority Women	Sub	684,939	0.06%	98,167,259	2.99%	98,852,197	2.24%
11	Total Minority Business Enterprise (MBE)		Sub	893,860	0.08%	371,570,498	11.34%	372,464,359	8.45%
12	Women Business Enterprise (WBE)		Sub	1,086,847	0.10%	99,185,222	3.03%	100,272,069	2.28%
13	Total Women, Minority Business Enterprise (MWBE)		Sub	1,980,708	0.18%	470,755,720	14.36%	472,736,428	10.73%
14	Service Disabled Veteran Business Enterprise (DVBE)		Sub	7,788	0.00%	25,321,563	0.77%	25,329,350	0.57%
15	TOTAL DBE		Sub	1,988,495	0.18%	496,077,283	15.13%	498,065,778	11.31%
16	Gross Procurement			4,405,275,958					
17	Exclusions								
18	Net Procurement			4,405,275,958					
21	Total Product Procurement			1,127,301,881					
22	Total Service Procurement			3,277,974,076					
23	Net Procurement			4,405,275,958					

- 24 Percentages for "Products" expenditures are DBE expenditures compared to "Total Product Procurement" expenditures.  
 25 Percentages for "Services" expenditures are DBE expenditures compared to "Total Service Procurement" expenditures.  
 26 Percentages for "TOTAL" expenditures are DBE expenditures compared to "Net Procurement" expenditures.

\*Totals may not add due to rounding.

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Table 6a  
Summary of Procurement from Women: 2011  
Minority and Caucasian Women (in Dollars and as a Percentage of  
Large Utilities' Total Corporate Expenditures)

	Minority Women	Caucasian Women	Combined Women	Total Corporate
<b>PG&amp;E</b>				
<b>direct</b>	\$183,339,201 4.16%	\$413,934,104 9.40%	\$597,273,305 13.56%	
<b>subcontracting</b>	\$98,852,197 2.24%	\$100,272,069 2.28%	\$199,124,267 4.52%	
<b>combined</b>	\$282,191,399 6.41%	\$514,206,173 11.67%	\$796,397,572 18.08%	\$4,405,275,958

Table 7a  
2011 DVBE Procurement for Large and Small Utilities  
(in Dollars and as Percentage of Total Corporate Procurement)

	DVBE Procurement		Total Procurement
<b>PG&amp;E</b>	\$80,162,675	1.82%	\$4,405,275,958

\*Totals may not add due to rounding.

Table 1A  
2011 Supplier Diversity Procurement Results for Large Utilities

	Total Procurement	MBE	WBE	DVBE	Total DBE
<b>PG&amp;E</b>					
<b>Direct</b>		\$643,898,614 14.62%	\$413,934,104 9.40%	\$54,833,325 1.24%	\$1,112,666,043 25.26%
<b>Subcontracting</b>		\$372,464,359 8.45%	\$100,272,069 2.28%	\$25,329,350 0.57%	\$498,065,778 11.31%
<b>Combined</b>	\$4,405,275,958	\$1,016,362,973 23.07%	\$514,206,173 11.67%	\$80,162,675 1.82%	\$1,610,731,822 36.56%

\*Totals may not add due to rounding.

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**DBE Procurement SIC Code Legend**

PACIFIC GAS & ELECTRIC COMPANY		
CALENDAR YEAR 2011		
G.O. #156 Sec. 9.1.2		
Major Group Code	Major Group Description	Description of Items
07	Agricultural Services	Ornamental Shrub and Tree Services, Ornamental floriculture
15	General Business Contractors	Industrial Buildings and Warehouses, Residential Building, Other Than Single-Family
17	Special Trade Contractors	Carpentry
24	Lumber and Wood Products	Work, concrete, electrical, excavation
25	Furniture and Fixtures	Wood poles
26	Paper and Allied Products	Office furniture, metal household furniture
27	Printing and Publishing	Envelopes, coated paper, paper mills
28	Chemicals and Allied Products	Bookbinding and Related Work, typesetting, commercial printing
29	Petroleum and Coal Products	Chemical preparation, Industrial chemicals, paints, varnishes
30	Rubber and Misc. Plastics Products	Lubricating oils and greases
32	Stone, Clay, and Glass Products	Plastic products, rubber and plastic hoses
33	Primary Metal Industries	Concrete products, ready-mixed concrete, cement
34	Fabricated Metal Products	Primary metal products, steel pipe
35	Industrial Machinery and Equipment	Heating Equipment, Fabricated Structural Metal, Miscellaneous Fabricated Wire Products
36	Electronic & Other Electric Equipment	Mechanical Power Transmission Equipment, Steam, Gas, and Hydraulic Turbines, and Turbine Generator Set Units
37	Transportation Equipment	Switchgear and Switchboard
38	Instruments and Related Products	Apparatus, Power, Distribution, and Speciality Transformers
39	Miscellaneous Manufacturing Industries	Truck and Bus Bodies, Aircraft Engines and Engine Parts
42	Trucking and Warehousing	Instruments for Measuring and Testing of Electricity and Electrical Signals
45	Transportation By Air	Signs and Advertising Specialties, Marking Devices
46	Pipelines, Except Natural Gas	Local Trucking
47	Transportation Services	Air Transportation
48	Communications	Pipelines
49	Electric, Gas, and Sanitary Services	Arrangement of Transportation of Freight and Cargo
50	Wholesale Trade-Durable Goods	Telephone
51	Wholesale Trade-Nondurable Goods	Communications, Communications Services
52	Building Materials & Garden Supplies	Refuse Systems, Electric Services (hydroelectric power generation)
55	Automotive Dealers & Service Stations	Electrical Apparatus and Equipment, Wiring Supplies and Construction Materials, computers
56	Apparel and Accessory Stores	Petroleum and Petroleum Products
58	Eating and Drinking Places	Wholesalers, Stationery and Office Supplies
63	Insurance Carriers	Hardware Stores, Lumber and Other Building Materials
65	Real Estate	Motor Vehicle Dealers
72	Personal Services	Miscellaneous Apparel and Accessory Stores
73	Business Services	Eating and Drinking Places
75	Auto Repair, Services, and Parking	Fire, Marine, and Casualty Insurance
76	Miscellaneous Repair Services	Real Estate Agents Managers
78	Motion Pictures	Hotels and Motels
80	Health Services	Help Supply Services, Computer Programming Services, Advertising Agencies
81	Legal Services	Top, Body, and Upholstery Repair Shops and Paint Shops, Automotive Repair Shops
87	Engineering & Management Services	Electrical and Electronic Repair Shops
		Motion Picture and Video Tape Production
		Offices and Clinics of Doctors of Medicine
		Law firms
		Engineering Services, Accounting, Auditing, and Bookkeeping Services, Management Consulting Services

9.1.2 - Supplier Diversity Procurement By Standard Industry Code – Detail

Line No.	SIC Category	Asian		Black		Hispanic		Native-Amer.		Total Minority Men	Total Minority Women	Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Subtotal Women, Minority Business Enterprise (WMBE)	Service Disabled Veterans Business Enterprise (DVBE)	Total DBE	Total Exp
		Men	Women	Men	Women	Men	Women	Men	Women								
1	07. Agricultural Services	\$ 1,665	2,454,220	283,951	0	18,117,792	1,293,437	2,825,463	0	21,228,871	3,747,657	24,976,528	9,378,497	34,355,025	587,677	34,942,702	157,782,351
2		% 0.00%	1.56%	0.18%	0.00%	11.48%	0.82%	1.79%	0.00%	13.45%	2.38%	15.83%	5.94%	21.77%	0.37%	22.15%	
3	15. General Business Contractors	\$ 1,682,214	3,946,207	3,320,644	1,305,663	13,858,958	1,648,901	3,905,033	8,743,718	22,766,848	15,644,489	38,411,338	22,672,850	61,084,187	16,371,666	77,455,853	290,325,922
4		% 0.58%	1.36%	1.14%	0.45%	4.77%	0.57%	1.35%	3.01%	7.84%	5.39%	13.23%	7.81%	21.04%	5.64%	26.68%	
5	17. Special Trade Contractors	\$ 1,144,752	218,314	965,526	0	150,385,643	26,612,445	4,788,309	36,992,126	157,284,229	63,822,885	221,107,114	141,768,533	362,875,648	6,087,875	368,963,523	770,846,865
6		% 0.15%	0.03%	0.13%	0.00%	19.51%	3.45%	0.62%	4.80%	20.40%	8.28%	28.68%	18.39%	47.07%	0.79%	47.86%	
7	24. Lumber and Wood Products	\$ 489,171	0	6,016	0	46,783	0	0	0	541,970	0	541,970	4,367,580	4,909,550	4,715	4,914,265	17,231,895
8		% 2.84%	0.00%	0.03%	0.00%	0.27%	0.00%	0.00%	0.00%	3.15%	0.00%	3.15%	25.35%	28.49%	0.03%	28.52%	
9	25. Furniture and Fixtures	\$ 0	0	22,109	0	0	0	0	0	22,109	0	22,109	2,968,362	2,990,471	4,819,815	7,810,287	13,711,472
10		% 0.00%	0.00%	0.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.00%	0.16%	21.65%	21.81%	35.15%	56.96%	
11	26. Paper and Allied Products	\$ 0	0	0	0	0	0	0	0	0	0	0	132,070	132,070	0	132,070	8,237,223
12		% 0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	1.60%	1.60%	0.00%	1.60%	
13	27. Printing and Publishing	\$ 2,677,212	0	0	0	297,251	609,381	0	0	2,974,463	609,381	3,583,844	3,144,248	6,728,093	0	6,728,093	12,553,786
14		% 21.33%	0.00%	0.00%	0.00%	2.37%	4.85%	0.00%	0.00%	23.69%	4.85%	28.55%	25.05%	53.59%	0.00%	53.59%	
15	28. Chemicals and Allied Products	\$ 263,030	0	0	0	0	0	0	0	263,030	0	263,030	81,390	344,420	0	344,420	12,172,987
16		% 2.16%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.16%	0.00%	2.16%	0.67%	2.83%	0.00%	2.83%	
17	29. Petroleum and Coal Products	\$ 0	0	0	0	0	0	0	0	0	0	0	1,213	1,213	0	1,213	8,992,917
18		% 0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.01%	0.00%	0.01%	
19	30. Rubber and Misc. Plastics Products	\$ 0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20		% 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%
21	32. Stone, Clay, and Glass Products	\$ 0	0	0	0	58,743	233,453	0	0	58,743	233,453	292,195	0	292,195	0	292,195	5,065,095
22		% 0.00%	0.00%	0.00%	0.00%	1.16%	4.61%	0.00%	0.00%	1.16%	4.61%	5.77%	0.00%	5.77%	0.00%	5.77%	
23	33. Primary Metal Industries	\$ 0	0	0	0	0	0	0	0	0	0	0	180,446	180,446	0	180,446	2,006,894
24		% 0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	8.99%	8.99%	0.00%	8.99%	
25	34. Fabricated Metal Products	\$ 134,472	5,717,931	0	0	1,052,443	0	0	0	1,186,915	5,717,931	6,904,846	219,329	7,124,175	0	7,124,175	56,690,149
26		% 0.24%	10.09%	0.00%	0.00%	1.86%	0.00%	0.00%	0.00%	2.09%	10.09%	12.18%	0.39%	12.57%	0.00%	12.57%	
27	35. Industrial Machinery and Equipment	\$ 6,239,355	1,283,008	15,478,392	0	6,314,722	86,411	76,344	0	28,108,813	1,369,419	29,478,232	26,558,817	56,037,049	1,546,091	57,583,140	321,777,826
28		% 1.94%	0.40%	4.81%	0.00%	1.96%	0.03%	0.02%	0.00%	8.74%	0.43%	9.16%	8.25%	17.41%	0.48%	17.90%	
29	36. Electronic & Other Electric Equipment	\$ 654,988	0	0	0	2,091,593	719,871	0	0	2,746,581	719,871	3,466,452	7,956,355	11,422,807	2,272,318	13,695,125	107,904,576
30		% 0.61%	0.00%	0.00%	0.00%	1.94%	0.67%	0.00%	0.00%	2.55%	0.67%	3.21%	7.37%	10.59%	2.11%	12.69%	
31	37. Transportation Equipment	\$ 0	0	0	0	390,353	0	19,236,449	0	19,626,802	0	19,626,802	0	19,626,802	1,317,012	20,943,814	47,095,688
32		% 0.00%	0.00%	0.00%	0.00%	0.83%	0.00%	40.85%	0.00%	41.67%	0.00%	41.67%	0.00%	41.67%	2.80%	44.47%	
33	38. Instruments and Related Products	\$ 244,196	0	7,077,073	0	0	519,175	0	0	7,321,269	519,175	7,840,444	112,580	7,953,024	817,464	8,770,488	30,663,879
34		% 0.80%	0.00%	23.08%	0.00%	0.00%	1.69%	0.00%	0.00%	23.88%	1.69%	25.57%	0.37%	25.94%	2.67%	28.60%	
35	39. Miscellaneous Manufacturing Industries	\$ 0	0	0	0	0	0	0	0	0	0	0	54,164	54,164	0	54,164	1,095,793
36		% 0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	4.94%	4.94%	0.00%	4.94%	
37	42. Trucking and Warehousing	\$ 0	535	2,322,688	569,051	2,280	3,920	0	0	572,971	2,325,503	2,898,474	956,460	3,854,934	3,369,260	7,224,193	12,904,270
38		% 0.00%	0.00%	0.00%	18.00%	4.41%	0.02%	0.03%	0.00%	4.44%	18.02%	22.46%	7.41%	29.87%	26.11%	55.98%	
39	45. Transportation By Air	\$ 0	0	0	0	840,054	0	0	0	840,054	0	840,054	3,560,275	4,400,329	0	4,400,329	13,227,478
40		% 0.00%	0.00%	0.00%	0.00%	6.35%	0.00%	0.00%	0.00%	6.35%	0.00%	6.35%	26.92%	33.27%	0.00%	33.27%	

\*Totals may not add due to rounding.

Supplier Diversity  
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9.1.2 - Supplier Diversity Procurement By Standard Industry Code – Detail (cont'd)

Line No.	SIC Category	Asian		Black		Hispanic		Native-Amer.		Total Minority Men	Total Minority Women	Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Subtotal Women, Minority Business Enterprise (WMBE)	Service Disabled Veterans Business Enterprise (DVBE)	Total DBE	Total Exp
		Men	Women	Men	Women	Men	Women	Men	Women								
41	46. Pipelines, Except Natural Gas	\$ 0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	646,148
42		% 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%	
43	47. Transportation Services	\$ 0	0	0	0	6,426	0	0	0	6,426	0	6,426	18,885	25,311	0	25,311	1,161,979
44		% 0.00%	0.00%	0.00%	0.00%	0.55%	0.00%	0.00%	0.00%	0.55%	0.00%	1.63%	5.55%	2.18%	0.00%	2.18%	
45	48. Communications	\$ 0	0	0	0	0	0	0	0	180,760	0	180,760	0	180,760	0	180,760	8,362,709
46		% 0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.16%	0.00%	2.16%	0.00%	2.16%	0.00%	2.16%	
47	49. Electric, Gas, and Sanitary Services	\$ 5,427,729	72,488	1,222,296	1,904,792	1,718,963	463,358	714,161	0	9,083,149	2,440,638	11,523,787	59,470,693	70,994,479	825,517	71,819,996	115,862,105
48		% 4.68%	0.06%	1.05%	1.64%	1.48%	0.40%	0.62%	0.00%	7.84%	2.11%	9.95%	51.33%	61.27%	0.71%	61.99%	
49	50. Wholesale Trade-Durable Goods	\$ 31,245,858	37,911,328	1,314,104	227,432	107,693,152	6,075,712	19,704,280	9,357,327	159,957,394	53,571,799	213,529,193	22,982,547	236,511,740	183,246	236,694,987	573,396,120
50		% 5.45%	6.61%	0.23%	0.04%	18.78%	1.06%	3.44%	1.63%	27.90%	9.34%	37.24%	4.01%	41.25%	0.03%	41.28%	
51	51. Wholesale Trade-Nondurable Goods	\$ 11,399	0	0	0	2,159,302	20,993	0	0	2,170,701	20,993	2,191,694	829,563	3,021,257	228	3,021,485	15,074,605
52		% 0.08%	0.00%	0.00%	0.00%	14.32%	0.14%	0.00%	0.00%	14.40%	0.14%	14.54%	5.50%	20.04%	0.00%	20.04%	
53	52. Building Materials & Garden Supplies	\$ 0	0	0	0	0	0	0	0	0	0	2,820	2,820	0	2,820	5,500,939	
54		% 0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%	0.05%	0.00%	0.05%		
55	55. Automotive Dealers & Service Stations	\$ 0	0	6,066,102	0	910,138	0	0	0	6,976,240	0	6,976,240	0	6,976,240	0	6,976,240	8,087,250
56		% 0.00%	0.00%	75.01%	0.00%	11.25%	0.00%	0.00%	0.00%	86.26%	0.00%	86.26%	0.00%	86.26%	0.00%	86.26%	
57	56. Apparel and Accessory Stores	\$ 0	0	0	0	0	0	0	0	0	0	0	0	27,985	27,985	174,025	
58		% 0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	16.08%	16.08%		
59	58. Eating and Drinking Places	\$ 0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,451,247	
60		% 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%	
61	63. Insurance Carriers	\$ 0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,393,925	
62		% 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%	
63	65. Real Estate	\$ 683,158	376,446	64,513	0	1,118,158	20,172	80,016	0	1,945,845	396,618	2,342,463	11,760,525	14,102,988	10,400	14,113,388	46,284,550
64		% 1.5%	0.8%	0.1%	0.0%	2.4%	0.0%	0.2%	0.0%	4.2%	0.9%	5.1%	25.4%	30.5%	0.0%	30.5%	
65	72. Personal Services	\$ 10,002	474,175	0	102,824	0	0	33,007	0	43,009	576,999	620,008	238,045	858,053	379,051	1,237,104	2,924,884
66		% 0.34%	16.21%	0.00%	3.52%	0.00%	0.00%	1.13%	0.00%	1.47%	19.73%	21.20%	8.14%	29.34%	12.96%	42.30%	
67	73. Business Services	\$ 15,646,189	5,957,152	7,410,679	72,804,656	8,125,502	5,423,558	797,384	827,422	31,979,735	85,012,787	116,992,522	77,725,821	194,718,343	28,502,724	223,221,066	546,340,759
68		% 2.86%	1.09%	1.36%	13.33%	1.49%	0.99%	0.15%	0.15%	5.85%	15.56%	21.41%	14.23%	35.64%	5.22%	40.86%	
69	75. Auto Repair, Services, and Parking	\$ 0	0	0	0	0	0	0	0	0	0	0	0	9,600	9,600	13,041,282	
70		% 0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.07%	0.07%		
71	76. Miscellaneous Repair Services	\$ 0	0	0	0	0	0	0	0	0	0	362,066	362,066	0	362,066	17,886,016	
72		% 0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.02%	2.02%	0.00%	2.02%		
73	78. Motion Pictures	\$ 0	0	0	0	0	0	0	0	0	0	0	0	0	0	128,673	
74		% 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%		
75	80. Health Services	\$ 0	975,640	0	0	0	0	0	0	975,640	975,640	130,437	1,106,077	0	1,106,077	2,883,905	
76		% 0.00%	33.83%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	33.83%	33.83%	4.52%	38.35%	0.00%	38.35%		
77	81. Legal Services	\$ 132,414	180,452	1,310,224	264,704	81,715	0	0	0	1,524,353	445,156	1,969,509	6,743,811	8,713,320	14,746	8,728,065	75,060,212
78		% 0.18%	0.24%	1.75%	0.35%	0.11%	0.00%	0.00%	0.00%	2.03%	0.59%	2.62%	8.98%	11.61%	0.02%	11.63%	
79	87. Engineering & Management Services	\$ 61,577,476	30,835,718	135,579,087	6,827,104	47,419,762	2,265,800	10,364,729	3,931,822	254,941,054	43,860,244	298,801,298	109,827,793	408,629,091	13,015,285	421,644,376	1,079,327,558
80		% 5.71%	2.86%	12.56%	0.63%	4.39%	0.21%	0.96%	0.38%	23.62%	4.06%	27.68%	10.18%	37.86%	1.21%	39.07%	
81	Total	\$ 128,265,279	90,403,615	180,120,715	85,759,863	363,256,505	45,994,747	62,529,076	60,033,174	734,171,574	282,191,398	1,016,362,973	514,206,173	1,530,569,147	80,162,675	1,610,731,822	4,405,275,958
82		% 2.91%	2.05%	4.09%	1.95%	8.25%	1.04%	1.42%	1.36%	16.67%	6.41%	23.07%	11.67%	34.74%	1.82%	36.56%	

\*Totals may not add due to rounding.

**Sec. 9.1.3 Program Expenses**

<b>Expense Category</b>	<b>2011 Actuals</b>
Wages	\$1,313,932
Other Employee Expense	\$168,689
Program Expense	\$643,522
Reporting Expense	\$44,300
Training	\$65,001
Consultants*	\$120,294
Other Employee Expense	\$91,937
<b>TOTAL</b>	<b>\$2,447,675</b>

\*Consultants: PG&E portion of the cost of the CPUC Clearinghouse

- Wages: salary and payroll-related costs of employees working on DBE matters.
- Other Employee Expenses: office space, travel and other non-wage costs.
- Program Expenses: printing, postage, supplies, outreach and other costs directly related to programs.
- Reporting Expenses: computer, accounting, printing and other expenses in preparing reports to the CPUC.
- Training: costs related to training employees (internal) and suppliers (external).
- Other: miscellaneous costs/credits that do not fall in other categories.

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

<b>Category</b>	<b>Current Year Results</b>	<b>Current Year Goals</b>
Minority Men	16.67%	12.00%
Minority Women	6.41%	3.00%
Minority Business Enterprise (MBE)	23.07%	15.00%
Women Business Enterprise (WBE)	11.67%	5.00%
Subtotal Women, Minority Business Enterprise (WMBE)	34.74%	20.00%
Service Disabled Veteran Business Enterprise (DVBE)	1.82%	1.50%
<b>Total DBE</b>	<b>36.56%</b>	<b>21.50%</b>

Note: Totals may not add due to rounding.

PG&E spent 36.6% with DBEs. This amount represents greater than \$1.6 billion spent with DBEs, which is approximately \$500 million greater than the amount spent with DBEs in 2010.

### Sec. 9.1.5 Summary of Utilization of DBE Subcontractors

Line No.	A summary of prime contractor utilization of DBE subcontractors.							
1								
2		Minority Men	Minority Women	Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Women, Minority Business Enterprise (WMBE)	Service Disabled Veterans Business Enterprise (DVBE)	TOTAL DBE
3	<b>Direct \$</b>	460,559,413	183,339,201	643,898,614	413,934,104	1,057,832,719	54,833,325	1,112,666,043
4	<b>Subcontracting \$</b>	273,612,161	98,852,197	372,464,359	100,272,069	472,736,428	25,329,350	498,065,778
5	<b>Total \$</b>	734,171,574	282,191,399	1,016,362,973	514,206,173	1,530,569,147	80,162,675	1,610,731,822
6								
7	<b>Direct %</b>	10.45%	4.16%	14.62%	9.40%	24.01%	1.24%	25.26%
8	<b>Subcontracting %</b>	6.21%	2.24%	8.45%	2.28%	10.73%	0.57%	11.31%
9	<b>Total %</b>	16.67%	6.41%	23.07%	11.67%	34.74%	1.82%	36.56%
10								
11	<b>Gross Procurement</b>	\$4,405,275,958						
12	<b>Exclusion</b>							
13	<b>Net Procurement</b>	\$4,405,275,958						

\*Totals may not add due to rounding.

As previously reported in 2011, substantial required investments in infrastructure projects have posed a major challenge to PG&E's supplier diversity efforts. Few DBEs are large enough to independently handle major projects in energy generation. The Supplier Diversity team has addressed that challenge in a number of ways. The team continued to follow up with the largest prime contractors concerning their DBE subcontracting plans, as well as communicating the results of these conversations to project managers and responsible officers. By continuing to monitor prime supplier diversity performance and provide prime suppliers with supplier diversity education and coaching, we achieved a nearly \$500 million subcontracting spend in 2011.

Working with prime suppliers to improve supplier diversity subcontracting results was an ongoing effort at PG&E in 2011. The Supplier Diversity team has increased awareness of DBE subcontracting needs in the bid process both internally and externally. Diversity expectations were communicated to suppliers frequently, including at bid meetings, performance reviews, and at PG&E's Annual Supplier Conference. Sourcing professionals, LOB representatives, and Supplier Diversity team members will continue to emphasize DBE subcontracting as beneficial to community economic development and critical to helping the company meet its goals.

**Sec. 9.1.6 Supplier Complaints**

A list of DBE complaints received during the past year accompanied by a brief description of the nature of each complaint and its resolution or current status.

G.O. 156 Ruling on August 24, 2006 ended the requirement to summarize complaints.

**Sec. 9.1.7 Exclusions**

Summary of Purchases and/or contracts in excluded categories.

G.O. 156 Ruling on November 14, 2003 ended the excluded category.

### **Sec. 9.1.8 Supplier Recruitment in Low Utilization Areas**

A description of any efforts made to recruit DBEs of products or services in procurement categories where DBE utilization has been low, such as legal and financial services, fuel procurement, and areas that are considered highly technical in nature.

#### **1. FINANCE**

PG&E's Finance organization was steadfast in finding channels to expand the DBE base and increase spend with DBE 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.

##### **A. Banking**

- PG&E selected an African American-owned investment bank to be one of three joint lead managers for a \$250 million offering of 10-year senior notes that closed September 12, 2011. The minority-owned investment bank received the same amount of fees and was an equal partner with Morgan Stanley and Citigroup. This represents the second bond transaction that PG&E has completed with a minority-owned investment bank as a lead manager.
- PG&E allocated 14.3% of its debt financing fees in 2011 to minority-owned banks, the highest amount ever for PG&E and an increase from 5.3% in 2007.
- In May 2011, an Asian American-owned bank participated in PG&E's \$4.2 billion credit facility refinancing.
- PG&E placed \$4.1 billion of commercial paper, representing 24% of the program, through a minority-owned investment bank in 2011.

##### **B. Pension Management**

- The Employee Benefit Committee has the fiduciary responsibility for PG&E's pension investments and has a long history of supporting diversity-owned investment managers and encouraging all managers to utilize diversity-owned brokers. In 2010, PG&E selected Russell Investments to develop its Select Broker Program, which targets

diversity-owned brokers in transition management assignments. In 2011, PG&E conducted one transition with Russell Investments in its retirement plan. Diverse firms accounted for 17.3% of the brokerage volume for this transition.

- At the end of 2011, nearly \$1 billion of PG&E's Employee Benefit and Nuclear Decommissioning Trust assets were invested with diverse or emerging managers. Fees on these assignments were approximately \$3.7 million in 2011.
- PG&E funded an African American-owned fixed income manager in 2011 to manage its Nuclear Decommissioning Trust fixed income account.
  - This DBE was selected through a Request for Proposal process, which included seven other DBEs.
  - PG&E's funding was the DBE's first nuclear decommissioning assignment. This contract is expected to significantly increase its credibility among other utilities with nuclear facilities.
  - PG&E has demonstrated a commitment to business development by mentoring this diverse company on the unique circumstances regarding bond management for a California qualified Nuclear Decommissioning Trust.
- PG&E continued to partner with an African American-owned index manager for Employee Benefit Trusts and Nuclear Decommissioning Trust equity accounts. PG&E also continued to partner with a woman-owned hedge fund as fund manager for employee benefit trusts.
- In 2011 PG&E invested with a local Hispanic American-owned investment management firm focused on publicly listed real estate investment trusts. PG&E's investment doubled the firm's assets under management in its global product.
- In 2011, PG&E initiated a Request for Proposal for emerging fixed income managers for its Employee Benefit Trusts.

### **C. Audit and Reporting**

- In 2011, PG&E referred two new suppliers to obtain CPUC certifications; the suppliers subsequently registered with PG&E as DBEs.
- In line with strides towards improving supplier diversity performance, PG&E hired a woman-owned firm to produce the Compliance & Ethics annual training video.

- In 2011, PG&E’s Risk and Audit department recommended two diverse suppliers to participate in its Supplier Development Program.
- PG&E hired a minority-owned firm in its Insurance Services area.
- PG&E commenced the mentoring of a minority woman-owned firm in the audit and reporting area in 2011.
- In 2011, PG&E engaged a Hispanic-owned CPA firm to perform “agreed upon procedures” for the ClimateSmart initiative.
- PG&E selected a DBE for the audit of benefit plans in 2011.
- PG&E worked with its independent auditor to partner with a diverse firm to complete the audit of the Company’s Nuclear Decommissioning Trust in 2011.

#### **D. Outreach**

Finance members participated in or sponsored the following events:

- A Joint Utilities DVBE Matchmaking Event for DVBE suppliers to meet with key contracting managers.
- A Joint Informational Hearing of the Senate Select Committee on Procurement and the California Public Utilities Commission to Examine Barriers to Procurement Opportunities for Emerging and Diverse Firms in California’s Public Utility Companies and Public Pension Funds.
- A diverse catering supplier event.

## **2. BRAND ADVERTISING**

PG&E’s Brand Advertising department is charged with communicating company innovation and energy conservation programs to all customers. For more than a decade, PG&E has placed a strong emphasis on dedicating funds to ensure that PG&E’s communications reach California’s multicultural residents.

### **A. Results Summary and Highlights:**

- Brand Advertising worked with a range of minority suppliers to strategically and creatively execute effective advertising efforts on behalf of PG&E, resulting in an exceptional 100% total spend with diverse firms.
- Historically, most corporations limit the role of DBE-certified ad agencies to ethnic marketing campaigns. For 2011 brand advertising campaigns, PG&E utilized four distinct diverse agencies to reach its customer base.
- PG&E's largest brand advertising firm in 2011 was a woman-owned enterprise that is PG&E's lead agency in communicating with the broader general public. Additionally, PG&E works with three agencies focused exclusively on communicating with a specific ethnic market: African American, Asian, and Hispanic.
- PG&E's total investment with these three firms totaled more than \$2,940,000 in diverse spend in 2011.

## **B. Solutions Marketing**

Solutions Marketing worked with a range of DBE-certified agencies and companies in addition to ethnic media outlets to strategically and creatively execute effective multicultural marketing efforts on behalf of PG&E. These initiatives targeted African American, Asian and Hispanic customers using a variety of approaches including television, radio, print and online banners.

Building on the success from the CUDC Diverse Advertising and Media Outreach Forum, a cross-functional team comprised of Supplier Diversity, Sourcing and the LOB increased its efforts to help identify an MBE for subcontracting the media component of PG&E's customer marketing program. This MBE began working with the non-diverse prime supplier on PG&E's Winter Gas Savings marketing campaign and contributed to an increase in diverse spend in this area.

## **3. LEGAL**

The Law Department embraced the vision and values statement of PG&E. The department strived to cultivate a workplace based on values of inclusion, acceptance and mutual respect. The Law Department's activities in support of diversity included its Diversity Committee, pipeline programs, support of organizations promoting diversity in the legal profession, and use of diverse attorneys at non-DBE firms.

### Diversity Committee

The Law Department's Diversity Committee was open to all attorneys in the department and included attorneys of different genders, ethnic backgrounds and orientations. Each member of the committee was supported by the department in maintaining and expanding the department's relationship with a particular minority bar group. Members met with prospective DBE law firms and looked for new opportunities to include DBEs in the products and services utilized by the Law Department. The Diversity Committee supported attorneys in the Law Department who hired outside counsel by monitoring and evaluating the diversity of large majority-owned law firms engaged by the department.

The Law Department has organized a variety of events to facilitate networking and diversity opportunities, including individual meetings, lunches and receptions. The Law Department worked with law firms that are interested in hosting receptions to provide DBEs with greater access to in-house counsel and allow attorneys at majority-owned firms who might provide partnering opportunities to network with attorneys at minority owned firms.

### Pipeline Programs

Pipeline programs encouraged and supported the entry of diverse attorneys into the legal profession. By working with PG&E's Charitable Contributions department as well as specialty bar associations, the Law Department supported a range of diversity pipeline programs. In addition, the department sponsored its own internship program for diverse law students.

The Law Department was proud to be the first in-house law department to fully fund a Bay Area Minority Law Student Scholarship through the Bar Association of San Francisco Foundation. In 2011, the Law Department provided \$10,000 to support a talented student who has been admitted to a top law school in California and has significant financial need. PG&E and the Law Department are proud to be leaders by supporting this effort to expand access to the profession to all students.

Diverse bar associations hosted charitable events as part of their work to raise funds for student scholarships, and the Law Department supported those events as part of its pipeline program. Examples include the Wiley Manuel Law Foundation scholarships.

The PG&E Law Department also took great pride in its Diversity Pipeline Internship Program, which truly demonstrated the department's commitment to diversity. The Diversity Committee was responsible for interviewing and selecting second year students for fall internships which allow students to earn class credit from their law school. Two students were selected based on criteria that included academic excellence, personal or professional achievement in overcoming hardship, and a demonstrated commitment to diversity. The program provided an opportunity for students to learn about the multifaceted energy practice and working in an in-house law department. During the course of the internship, members of the Diversity Committee also introduced the interns to other attorneys at both minority- and majority-owned firms to expand the students' networks. Thereafter, Diversity Committee members become part of a continuing network supporting diversity in the profession by maintaining contact with the student interns, providing mentoring and support as they begin their legal careers.

#### Summary of Activities and Recognitions

In 2011, the Law Department participated in the following activities to increase the utilization of DBE law firms and strengthen contacts in the minority legal community:

- Recipient of the 2011 Minority Corporate Counsel Association, Employer of Choice Award winner for the Western Region, recognizing PG&E's commitment to diversity and inclusion.
- Recipient of the 2011 California Minority Counsel Program, John Essex and Guy Rounsaville In-House Counsel Diversity Award, recognizing PG&E's commitment to diversity and inclusion.
- Continued active engagement in the California Minority Counsel Program, whose mission is to promote diversity in the legal profession.
- Continued its involvement with local diverse bar associations through participation in events and networking with members of the organizations. These include events sponsored by the Asian Law Caucus, the Charles Houston Bar Association, and the Korean American Bar Association.
- Continued to sponsor the Vault/MCCA Guide to Law Firm Diversity Programs, which publishes detailed data about diversity at majority-owned firms.
- Continued its practice of requiring Law Department attorneys to consider DBE law firms when they hire outside counsel.

Supplier Diversity  
2011 Annual Report and 2012 Annual Plan

- Met regularly with PG&E's Supplier Diversity representatives to review Department spending on goods and services and identify areas of opportunity to increase utilization of DBEs.
- Added additional DBE law firms to the Law Department database. Law Department attorneys refer to the database when looking for outside counsel candidates.
- Continued to seek partnering opportunities for DBE law firms to work with majority-owned law firms.
- In conjunction with other investor-owned utilities, coordinated quarterly meetings designed to introduce minority-owned firms to attorneys from the Law Department and majority-owned firms who might be able to offer partnering opportunities.

### **Summary of Affiliations**

The Law Department supported the following organizations during 2011 or participated in their events. Each of these organizations supports diversity in the legal profession:

- Asian American Bar Association
- Asian Law Caucus
- California Minority Counsel Program
- Charles Houston Bar Association
- Corporate Counsel Women of Color
- Filipino Bar Association of Northern California
- Korean American Bar Association
- Minority Corporate Counsel Association
- National Asian Pacific American Bar Association
- National Association of Minority & Women Owned Law Firms
- National Bar Association
- National Native American Bar Association
- Wiley Manuel Law Foundation

The Law Department values these relationships and works to strengthen them.

### **PG&E's Utilization of DBE Lawyers and Paralegals at Non-DBE Law Firms**

Supplier Diversity  
2011 Annual Report and 2012 Annual Plan

The following table illustrates the extent to which non-DBE law firms retained by PG&E's Law Department have assigned DBE lawyers and paralegals to work on PG&E engagements.

Supplier Diversity  
2011 Annual Report and 2012 Annual Plan

**PG&E's Utilization of DBE Lawyers and Paralegals at Non-DBE Firms**

The following table shows the extent to which non-DBE law firms retained by PG&E's Law Department have assigned DBE lawyers and paralegals to work on PG&E engagements. These law firms, which supplied the data on which the table is based, together account for approximately 80 percent of the law department's payments to non-DBE firms in 2011 for lawyer and paralegal services.

<b>ATTORNEY TIME PAID IN 2011</b>			
LINE NO.			TOTAL (\$)
1	<b>ALL MEN</b>		<b>\$26,597,697</b>
2	<b>MINORITY MEN</b>	ASIAN PACIFIC M	\$718,777
3		BLACK M	\$739,255
4		HISPANIC M	\$977,720
5		NATIVE AMERICAN M	\$0
6		MULTI-ETHNIC M	\$655,036
7		<b>TOTAL MINORITY MEN</b>	<b>\$3,090,788</b>
8	<b>ALL WOMEN</b>		<b>\$17,163,269</b>
9	<b>MINORITY WOMEN</b>	ASIAN PACIFIC W	\$2,797,794
10		BLACK W	\$501,364
11		HISPANIC W	\$775,970
12		NATIVE AMERICAN W	\$0
13		MULTI-ETHNIC W	\$182,095
14		<b>TOTAL MINORITY WOMEN</b>	<b>\$4,257,223</b>
15		<b>TOTAL MINORITY</b>	<b>\$7,348,011</b>
16	<b>NON-MINORITY WOMEN</b>		<b>\$12,906,045</b>
17	<b>SERVICE DISABLED VETERAN</b>		<b>\$0</b>
18	<b>TOTAL MINORITY, NON-MINORITY WOMEN &amp; VETERANS</b>		<b>\$20,254,056</b>
<b>PARALEGAL TIME PAID IN 2011</b>			
LINE NO.			TOTAL (\$)
1	<b>ALL MEN</b>		<b>\$2,321,258</b>
2	<b>MINORITY MEN</b>	ASIAN PACIFIC M	\$192,760
3		BLACK M	\$70,150
4		HISPANIC M	\$127,306
5		NATIVE AMERICAN M	\$787
6		MULTI-ETHNIC M	\$14,142
7		<b>TOTAL MINORITY MEN</b>	<b>\$405,145</b>
8	<b>ALL WOMEN</b>		<b>\$2,390,584</b>
9	<b>MINORITY WOMEN</b>	ASIAN PACIFIC W	\$107,633
10		BLACK W	\$12,557
11		HISPANIC W	\$293,069
12		NATIVE AMERICAN W	\$0
13		MULTI-ETHNIC W	\$8,585
14		<b>TOTAL MINORITY WOMEN</b>	<b>\$421,844</b>
15		<b>TOTAL MINORITY</b>	<b>\$826,989</b>
16	<b>NON-MINORITY WOMEN</b>		<b>\$1,968,741</b>
17	<b>SERVICE DISABLED VETERAN</b>		<b>\$0</b>
18	<b>TOTAL MINORITY, NON-MINORITY WOMEN &amp; VETERANS</b>		<b>\$2,795,730</b>
<b>TOTAL FIRM MINORITY, NON-MINORITY WOMEN &amp; VETERANS</b>			<b>\$23,049,786</b>
<b>TOTAL FEES - VENDORS</b>			<b>\$48,472,808</b>

Note: The data set forth herein is accurate within approximately +/- 5%. This is due to, among other things, variances between data submitted by law firms used to compile the table and PG&E's records of actual spending.

**Sec. 9.1.9 Justification of Excluded Areas**

A justification for the continued existence of any “excluded category” of products or services which has been removed from the procurement dollar base used to set goals because of established unavailability of DBEs. Such justification must include description of any efforts made to find any/or recruit DBEs of products or services in the excluded category.

G.O. 156 Ruling on November 14, 2003 ended the excluded category.

## 2012 ANNUAL PLAN

### Sec. 10.1.1 DBE Annual Short-, Mid- and Long-Term Goals By Products and Services Category

Considerable effort was made during the most recent goal-setting cycle to build alignment across the business, gain greater understanding of spend and ensure ownership and accountability for supplier diversity that extends beyond the Supply Chain organization. This process is designed to establish and maintain world-class supplier diversity initiatives and results through a careful multi-layered approach to DBE inclusion and development.

Prior to establishing goals, representatives from Supply Chain and the business worked diligently to establish a spend forecast, project plan and specific strategic opportunities to help meet the goals. Reasonable, yet challenging supplier diversity goals that contribute to PG&E's overall target were set as a result.

On an annual basis, PG&E uses historical information, as well as input from the LOBs regarding projected spend to reassess company goals. Every effort is made to continue to grow spend with DBEs. PG&E does not set specific goals by product and services categories. However, as a long-term strategy, PG&E is focused on technical assistance and capacity building strategies to develop suppliers in the following areas:

- Energy Products and Services
- Hydro and Power Plant Experience
- Nuclear Engineering
- Photovoltaic Services – Renewable Energy
- Professional Services (Accounting, Legal Firms, Management Consulting Firms)
- Smart Grid
- Substation Work, Engineering
- Transmission and Distribution (construction)
- Trenching and Paving

DBE Annual Short, Mid, and Long-Term Goals														
Short-Term 2012					Mid-Term 2014					Long-Term 2016				
Minority		Total Minority Business Enterprise	Women Business Enterprise	Disabled Veteran Business Enterprise	Minority		Total Minority Business Enterprise	Women Business Enterprise	Disabled Veteran Business Enterprise	Minority		Total Minority Business Enterprise	Women Business Enterprise	Disabled Veteran Business Enterprise
Men	Women	MBE	WBE	DVBE	Men	Women	MBE	WBE	DVBE	Men	Women	MBE	WBE	DVBE
10%	5%	15%	5%	1.5%	10%	5%	15%	5%	1.5%	10%	5%	15%	5%	1.5%

### Sec. 10.1.2 Program Activities Planned for 2012

A description of Supplier Diversity program activities planned for the next calendar year, which includes internal and external program activities.

PG&E's drive toward supplier diversity excellence begins with enhancing its existing program while incorporating new initiatives that align with PG&E's vision to become the leading utility in the United States. To that end, PG&E will continue to strengthen the role of the Supplier Diversity LOB Champions. PG&E also intends to focus more on supplier development in areas of company growth such as renewable energy and gas pipelines. PG&E will continue to carefully analyze the value chain of the specific sectors of its business that pose an ongoing challenge for supplier diversity, such as nuclear energy generation. The company will work with its prime suppliers in these sectors to identify opportunities for DBE participation. In addition, PG&E will execute the supplier diversity plans and commitments made through the 2011 strategic sourcing initiatives while setting challenging supplier diversity goals for the next wave of strategic sourcing in 2012.

PG&E also made significant gains towards meeting other objectives outlined in its 2011 Annual Report and will continue these activities in 2012:

- **Goal Development and Alignment:** Employ procedures to ensure that each LOB sets its targets and plans in collaboration with Supplier Diversity Champions to achieve supplier diversity goals. Targets are also driven down to Director levels.
- **Subcontracting Performance:** Work to ensure that prime contractors are accurately reporting their DBE subcontracting and that PG&E's prime contractors are held accountable for supporting the company's supplier diversity objectives.
- **Certification Monitoring:** Promote proactive efforts to manage certification of new and existing DBE suppliers.
- **Outreach:** Support activities and organizations that assist PG&E's efforts to reach its 2011 supplier diversity goals.
- **Safety:** Champion effective safety practices and communicate to all suppliers, including DBEs.
- **Green Supply Chain Program:** Include incumbent DBEs in this sustainability performance initiative.

- **Communications and Training:** Continue to incorporate strategies to communicate and educate both internal and external stakeholders about PG&E's Supplier Diversity Program.
- **People Plan:** Build and enhance talent within PG&E's Supplier Diversity organization.
- **Supplier Recognition:** Recognize the excellent performance of DBEs during PG&E's Supplier Conference.
- **Employee Recognition:** Recognize excellent performance of Sourcing and LOB champions that drive high levels of supplier diversity results and support Supplier Diversity initiatives.
- **Contract Compliance:** Drive increased prime supplier compliance with the company's supplier diversity policies and procedures.
- **Reporting:** Enhance reporting capabilities that help the company measure performance against goals.

PG&E will also work collaboratively with the Joint Utilities, CPUC and the Community Based Organizations to focus on several strategic initiatives to remain focused on the implementation of its Multi-Tiered Technical Assistance and Capacity Building Program:

- **Access to Capital:** Deliver workshops on growth strategy, business performance and financial management to qualify for debt financing and forums/conference on the equity acquisition process to overcome barriers.
- **Capacity Building:** Program will help DBEs expand their product/service offering to other LOBs within PG&E and/or to other potential customers.
- **Diverse Suppliers Go Global:** Conduct training session for DBEs on how global markets and supply chains can be leveraged to strengthen its businesses.
- **Diverse Suppliers Go Green:** Program will provide technical assistance and training to arm suppliers with the tools and terminology to gain a competitive "green" advantage.
- **Supplier Development:** Program to identify opportunities to develop DBEs to be successful and competitive in an ever-changing supply chain.
- **ISO 9001 and ISO 14001 Certifications:** Educate DBEs on the value of quality and environmental systems certification and helps them to build the necessary business practices for successful scalable growth.
- **Prime Supplier Program:** Work to ensure that prime contractors are developing robust diverse supplier plans and are accurately reporting their DBE subcontracting, and hold prime contractors accountable for supporting PG&E's supplier diversity objectives.

- **UCLA Management Development for Entrepreneurs:** Scholarships to a graduate level management development certificate program that supports supplier development.
- **SBA Partnership Training:** Partner with Small Business Association (SBA) and Small Business Development Assistance Centers (SBDC) across California to provide workshop trainings.
- **Industry Trade Shows:** Scholarships for DBEs to attend industry trade shows to get exposure to new trends and technology.

PG&E plans to develop and implement the training program “Diverse Suppliers Are Safe,” a signature initiative sharing the competitive business advantages of addressing the multiple facets of safety within the work environment. The program will train DBEs on how to implement safety programs and initiatives and apply to Tiers 1, 2 and 3 of PG&E’s TAP.

In addition, PG&E plans to continue its annual Supplier Diversity Achievement Awards to recognize the many employees who contribute to the company’s supplier diversity goal achievement. This annual event will not only recognize specific employees that have helped to achieve PG&E’s supplier diversity goals but will also reinforce the key roles all employees can play in PG&E’s supplier diversity success.

The Supplier Diversity team will strengthen its formal Supplier Development Program designed to strengthen the integration of DBEs into the value chain of the future. This program will continue to lay the foundation for PG&E’s long-term goal achievement.

The company also intends to enhance its communication efforts in order to give internal and external audiences a timely and clear view of what PG&E is doing to increase business with DBEs.

PG&E understands that sustainability is a growing opportunity for suppliers. The company wants to make sure that DBEs are at the forefront of green supply chain initiatives. PG&E intends to continue partnering with the Community Based Organizations to further educate the small minority, women and service-disabled veteran businesses on the competitive advantages that can be gained through PG&E’s “Diverse Suppliers Go Green” program. This initiative goes hand-in-hand with the company’s efforts to build strong DBE participation in its evolving supply chain.

Smart Grid Deployment Plan Roadmap

On June 30, 2011, PG&E filed its Smart Grid Deployment Plan with the CPUC (A. 11-06-006), presenting its 10-year vision for Smart Grid investments. The Deployment Plan presents PG&E’s high-level plan for evaluating, demonstrating, piloting, scaling up and ultimately deploying new technologies to improve electricity facilities and services in order to meet the needs of PG&E’s customers and achieve California’s energy policy objectives. The Commission is expected to issue its decision on the Deployment Plan by July 1, 2012.

PG&E recognizes the value in early communication and education about Smart Grid technology in the area of Supplier Diversity. PG&E intends to mirror its successful approach from the 250 MW Utility Owned Generation Photovoltaic program. The approach includes communication and outreach to diverse suppliers and supplier education on Supplier Diversity expectations. PG&E Smart Grid, Sourcing and Supplier Diversity will work collaboratively to identify suppliers of current and emerging Smart Grid-related technologies and host a kick-off meeting following approval of the Deployment Plan. The kick-off will communicate PG&E’s Supplier Diversity requirements and explain the competitive advantage from strong participation in the program. In addition, PG&E will coordinate a matchmaking session between prospective prime suppliers and diverse suppliers to allow them the chance to coordinate and collaborate on contract proposals.

In total, PG&E has identified 21 projects and initiatives that will enable PG&E to advance the strategic objectives and vision of the Smart Grid.

<b>Roadmap Initiatives</b>	
<b>Engaged Consumers</b>	<ul style="list-style-type: none"> <li>- Integration of Enhanced Demand Response Forecasting</li> <li>- Demand Response Optimization Engine</li> <li>- Home Area Network Pricing and Load Control Signals</li> <li>- Enable Access to SmartMeter Data via Open Automated Data Exchange (OpenADE)</li> </ul>
<b>Smart Energy Markets</b>	<ul style="list-style-type: none"> <li>- Improve Short-Term Demand Forecasting Using SmartMeter Data</li> <li>- Integrating Demand Response into Energy Procurement Operations</li> </ul>
<b>Smart Utility</b>	<ul style="list-style-type: none"> <li>- Integration of Demand Response with Transmission &amp; Distribution Operations and Planning</li> </ul>

	<ul style="list-style-type: none"> <li>- Substation Automation Interoperability Upgrade</li> <li>- Fault Location, Isolation and Service Restoration (FLISR)</li> <li>- Install Smart Grid Line Sensor Technology</li> <li>- Install Voltage and Reactive Power (Volt/VAR) Optimization System</li> <li>- Detect/Locate Distribution Line Outages &amp; Faulted Circuit Conditions</li> <li>- Manage Transmission Substation Transformer Asset Condition</li> <li>- Manage Distribution Substation Transformer Asset Condition</li> </ul>
<p><b>Foundational &amp; Cross-Cutting Infrastructure</b></p>	<ul style="list-style-type: none"> <li>- Cyber Security Architecture</li> <li>- Telecommunications Architecture</li> <li>- Information Management Architecture</li> <li>- Technology Evaluation, Standards Development and Testing</li> <li>- Smart Grid Customer Outreach</li> <li>- Workforce Development</li> <li>- Supplier Diversity</li> </ul>

Smart Grid Deployment Pilot Projects

The Deployment Plan lays out PG&E’s roadmap but does not include applications for specific projects. In November 2011, PG&E submitted the Smart Grid Deployment Pilot application ([A. 11-11-017](#)) requesting \$109 million from 2013 through 2016 for six of the 21 Smart Grid projects. While the work is not expected to commence until 2013, PG&E will be proactive about communicating these pilot projects in its 2012 Supplier Diversity outreach events.

<p><b>Pilot Projects</b></p>
<ul style="list-style-type: none"> <li>- Install Smart Grid Line Sensor Technology</li> <li>- Install Voltage and Reactive Power (Volt/VAR) Optimization System</li> <li>- Detect/Locate Distribution Line Outages &amp; Faulted Circuit Conditions</li> <li>- Improve Short-Term Demand Forecasting Using Smart Meter Data</li> <li>- Technology Evaluation, Standards Development and Testing</li> <li>- Smart Grid Customer Outreach</li> </ul>

### **Sec. 10.1.3 Supplier Recruitment in Low Utilization Areas**

Plans for recruiting DBEs of products or services where DBE utilization has been low, such as legal and financial services, fuel procurement, and areas that are considered highly technical in nature.

#### **1. LEGAL**

The Law Department's plans for 2012 include the following:

- Continue to be actively engaged with a variety of bar associations and legal aid organizations promoting professional diversity and equal access to the law.
- Provide unpaid internships supplying academic credit for up to two law students in fall of 2012.
- Provide paid internships for four law students in summer of 2012.
- Continue to identify additional DBE law firms to potentially work with.
- Continue to organize and participate in networking meetings jointly with other investor-owned utilities.
- Continue to require Law Department members to consider DBE law firms when procuring legal services.
- Continue to require Law Department members to consider engaging diverse partners at majority-owned firms when procuring legal services.
- Monitor the diversity of lawyers and legal assistants at non-DBE law firms used by PG&E.
- Meet regularly with the Company's Supplier Diversity representatives to review Law Department spending on goods and services and identify areas of opportunity to increase utilization of DBEs.
- Work with the Company's Sourcing and Supplier Diversity departments to identify new opportunities and expand on existing opportunities for use of DBE law firms and suppliers.
- Provide ongoing mentoring and support to student interns after they complete our program through access to Diversity Committee members, professional opportunities and diverse events.

#### **2. FINANCE**

DBE Finance plans for 2012 include the following activities:

- Continue to execute multi-year strategy to increase DBE spend.

- Provide opportunities for DBE investment banks to participate meaningfully in financings.
- Continue looking for other opportunities to do business with DBE investment banks, such as money market investments or as commercial paper dealers and pension managers.
- Mentor and conduct marketing activities with DBE investment banks.
- Continue best practices on use of DBEs in pension management.
- Provide comprehensive mentoring on the specifics of nuclear decommissioning bond management to two previously identified high-potential firms.
- Continue to identify opportunities to expand use of DBEs in audit and tax work.
- Continue to reach out to prime contractors to find subcontracting opportunities.
- Sponsor and actively participate in organizations that support DBEs and diverse finance students.

### **3. ADVERTISING and MINORITY MEDIA**

PG&E will continue to focus on including DBEs in minority media opportunities. The team will monitor subcontracting progress on a monthly basis.

PG&E will continue to work closely with its prime supplier in charge of its customer marketing program and the supplier's MBE media subcontractor to ensure continued success in 2012.

### **4. GENERATION**

PG&E understands the importance of increasing supplier diversity in the growing area of generation. In 2012, PG&E will continue to ensure that DBEs are made aware of the vast opportunities that are available in fossil fuel, hydroelectric and nuclear. Education is key to ensuring success in this important area of PG&E's business. PG&E will continue to hold workshops, webinars and matchmaking events to not only educate its DBEs but to educate prime contractors about PG&E's expectations. That means that PG&E will continue to set aggressive targets and provide the tools necessary to achieve supplier diversity.

**Sec. 10.1.4 Plans for recruiting DBEs in excluded categories.**

G.O. 156 Ruling on November 14, 2003 ended the excluded category.

**Sec. 10.1.5 Plans for Subcontracting**

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

PG&E plans to continue to work with prime contractors to extend subcontracting opportunities to DBEs. The company's plan is to follow up with prime suppliers who report low spend with DBEs, or who have not responded to requests for a subcontracting plan. PG&E leadership is committed to supporting the Supplier Diversity team and Sourcing in this endeavor. In 2011, PG&E senior leadership communicated to prime contractors the seriousness of PG&E's commitment to supplier diversity. The company continues to audit subcontracting spend with larger prime suppliers to promote compliance. The team plans to continue to follow up with prime suppliers and monitor performance through a performance scorecard process.

In addition, PG&E understands the need to assist its prime contractors in learning how to identify and develop qualified DBE subcontractors. The company will continue to ask prime suppliers to support outreach activities, support local educational programs such as the UCLA Management Development for Entrepreneurs Program, participate in external and internal matchmaking activities and to mentor DBEs. There are multiple ways that prime contractors can support supplier diversity even when there is little immediate opportunity to subcontract. These include starting a supplier diversity initiative if they do not currently have one and creating developmental opportunities for DBEs within the core of their business.

Most importantly, PG&E will advance its efforts to make supplier diversity a key consideration in strategic sourcing Request for Proposals that will continue into 2012 and beyond. Every strategic sourcing initiative will include an associated supplier diversity goal. The most encouraging component of this effort is that the Sourcing team is doing an outstanding job of challenging prime suppliers to address supplier diversity in areas where PG&E has struggled to gain supplier diversity in the past. With continued focus, PG&E is confident in its ability to balance business

priorities while advancing supplier diversity. The company's success requires that prime contractors meet their supplier diversity goals and strive to meet the stretch goals they set.

**Sec. 10.1.6 Plans for Complying with DBE Program Guidelines**

Plans for complying with the Supplier Diversity program guidelines established by the CPUC 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 CPUC's adoption.

PG&E will continue to comply with General Order (G.O.) 156 program guidelines. In 2012, PG&E will participate in the CPUC's Supplier Diversity Forums, and work in partnership with the Joint Utilities to address challenges to the full participation of eligible DBEs in the program.

## **Power Procurement Report**

### **2011 Annual Report**

#### **Sec. 9.1.1 Internal/External Activities**

The Power Procurement reporting requirement is new as of the 2011/2012 reporting cycle. PG&E has begun to lay the foundation to address the challenges of increasing DBE participation in this area of its business. PG&E is committed to capitalizing on over 30 years of experience in supplier diversity to maximize DBE participation in Power Procurement.

#### Communication and Outreach:

PG&E continued to provide a plethora of information about Power Procurement opportunities on its website. This is in addition to the Company's Supplier Diversity web page that includes information about how to do business with PG&E.

The Electric Procurement web site provides information on current energy prices and special programs offered to Independent Power Producers, including Qualifying Facilities. The Wholesale Electric Power Procurement page provides additional information on PG&E's competitive solicitation program and longer term opportunities under the Renewable Portfolio Standard ("RPS"), Renewable Auction Mechanism and available Renewable Feed-in Tariffs.

This website serves as the major information source to all suppliers interested in how they can participate in PG&E's Request for Offers (RFOs). In addition, there are individuals assigned to answer specific questions for the following:

- Energy Prices for Qualifying Facilities
- Power Procurement Information Center
- Qualifying Facility/ Combined Heat and Power (QF/CHP) Settlement.

PG&E participated in a Southern California Power Procurement DBE Outreach Workshop on December 14, 2011 and will continue to collaborate with other utilities on similar events.

In addition, PG&E will continue its involvement with organizations like the California Utilities Diversity Council and the Edison Electric Institute to benchmark on Power Procurement DBE strategies and suppliers.

### **Sec. 9.1.2 Summary of Purchases and/or Contracts**

In 2011, PG&E conducted three solicitations for renewable power:

- Solar PV PPA solicitation for photovoltaic projects up to 20 MW
- RPS RFO for renewables of all technologies and sizes
- Renewable Auction Mechanism (RAM) for renewable projects of any technology, up to 20 MW.

The RAM and RFO solicitations are still underway, with contracts expected to be signed the first half of 2012. PG&E expects to conduct similar solicitations in 2012. For each of these RFOs, PG&E's solicitation documents included language indicating its interest in signing contracts with DBEs or with suppliers with a significant DBE subcontracting commitment. Supplier diversity is a factor in PG&E's overall selection process.

The Solar PV, RAM and RPS Solicitations will result in long-term contracts for renewable power. The RAM and Solar PV contracts require sellers to deliver power within 18 months, plus some excused delays. The RPS RFO focuses on projects that will deliver power beginning in 2017 or later. Thus, should PG&E contract with DBEs via these RFOs, the power deliveries may not be reflected in these reports for several years.

In 2011, PG&E began the process to summarize its purchases and/or contracts with DBEs. The Power Procurement table provides a summary of power purchased from renewable and non-renewable sources, as well as fuels for generation from various sources.

Fuels for Generation Description:

#### Diesel

PG&E's Humboldt Bay, Colusa and Gateway Generating Stations burn a small amount of diesel for ignition with natural gas and also in emergencies as a recurring delivery service. Two firms, one of which is a diverse fuel distributor, are used for this purpose.

### Nuclear

The nuclear fuel cycle is divided into four main procurement activities: uranium procurement, conversion services, enrichment services, and fabrication of the final fuel assemblies. For uranium procurement, PG&E utilizes several of the primary producers in the world market. These suppliers include Cameco, UrAsia, Areva, and soon, BHP Billiton. These companies are Canadian, Russian/Canadian, French, and Australian, respectively. For conversion services, again, primary worldwide producers are contracted. These producers include Cameco, Areva, and ConverDyn. ConverDyn is a US owned company. Enrichment services are provided by Areva, Urenco, and USEC. Urenco is a British/Dutch/German owned company, USEC is a US owned company. PG&E's fabrication supplier is Westinghouse, a Japanese owned company (Toshiba). PG&E uses various suppliers to ensure security of supply, due to the uranium mining, conversion and enrichment activities primarily outside the US.

### Coal

Coal is not utilized for PG&E's generation portfolio.

### Natural Gas

PG&E purchases natural gas to serve its company-owned generating facilities and tolling agreements. Typically, DBEs choose to participate exclusively in U.S. natural gas markets. A portion of PG&E's natural gas supplies are purchased in Canada which limits DBE spending. PG&E's results for DBE purchases of natural gas are higher when excluding Canadian suppliers.

## **Sec. 9.1.3 Program Expenses**

There were no specific program expenses allocated to DBE power procurement in 2011. Any associated expenses are included in the overall Supplier Diversity Program Expenses (see section 9.1.3 of the Supplier Diversity 2011 Annual Report / 2012 Annual Plan).

## **Sec. 9.1.4 Goal Progress**

PG&E will set specific goals in 2012 after further analysis and benchmarking to determine what is reasonable considering the market conditions. PG&E anticipates that it will take time to locate and develop DBEs to become suppliers of power procurement. The company will set short and long-term goals to help meet this new reporting requirement accordingly.

#### **Sec. 9.1.5 Subcontractors**

PG&E communicates its supplier diversity goals to suppliers of power procurement. Supplier diversity is included in workshops to educate suppliers about upcoming RFOs. Suppliers not qualifying as DBEs are asked to consider DBEs as partners and subcontractors.

#### **Sec. 9.1.6 Complaints**

There were no Power Procurement related complaints filed in 2011.

#### **Sec. 9.1.7 Exclusions**

Summary of Purchases and/or contracts in excluded categories.

G.O. 156 Ruling on November 14, 2003 ended the excluded category.

#### **Sec. 9.1.8 Diverse Suppliers in Underutilized Areas**

PG&E's first year of reporting power procurement with DBEs indicate that this is an underutilized area of its business.

Efforts to contract for DBE power are complicated by the fact that in many cases, projects with PPAs are sold to others or significant ownership interest is sold to third parties prior to construction start or prior to commercial operation. Thus, even if PG&E contracts with a DBE or one that promises to subcontract to a DBE, it is unclear whether this ownership will be reflected in the eventual power deliveries.

Like other underutilized areas of its business, PG&E will work in cooperation with the CPUC and the other utilities to address issues, build strategies and make recommendations for improvement.

### **Sec. 9.1.9 Retention of All Documents/Data**

PG&E will retain all 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.

### **Sec. 9.1.10A Participation Results by Fuel Category**

PG&E's results by fuel category are displayed in Table I below.

### **Sec. 9.1.10B Market Conditions and Outreach**

PG&E plans for and acquires resources to ensure an adequate and reliable energy supply. PG&E has a number of procurement objectives, including assembling a portfolio of reliable and operationally flexible resources, supporting the development of environmentally preferred resources, and managing customer costs. PG&E's procurement process involves three phases: planning, competitive procurement, and economic dispatch.

#### Planning

In the planning phase, PG&E identifies the resource needs of its customers and complies with the State Loading Order, Energy Action Plan II and other Commission and legislative directives. PG&E also looks at the reliability and operational flexibility needs for its entire service area.

#### Competitive Procurement

After identifying the amount and timing of its need, the procurement process shifts to the competitive procurement phase. PG&E implements its Commission-approved Procurement Plan through various processes, including solicitations, bilateral negotiations and participation in various markets. PG&E enters into short-, medium- and long-term contracts that result from the competitive procurement process. In addition to contracting to attain stable prices, financial hedging within the framework approved by the Commission is employed.

#### Economic Dispatch

Supplier Diversity  
2011 Annual Report and 2012 Annual Plan

Consistent with Commission decisions, PG&E meets its electric load obligations consistent with the CPUC's Least Cost Dispatch requirements. Under Least Cost Dispatch, PG&E is obligated to minimize the total cost of meeting its electric load and ancillary service requirements, subject to contractual, legal, operational, and environmental requirements. To implement Least Cost Dispatch, PG&E dispatches resources or purchases energy with the lowest incremental cost of providing energy, which includes the variable operating costs of its retained generating resources, demand-side resources, power purchase agreements, and market transactions of energy.

ANNUAL POWER PRODUCT RESULTS BY ETHNICITY

	Product*	Unit	Asian-Pacific			African-American			Latino			Native American			Other			TOTAL WMDVBE	TOTAL
			Male	Female	Subtotal	Male	Female	Subtotal	Male	Female	Subtotal	Male	Female	Subtotal	Male	Female	Subtotal		
Power Purchased	Renewable Power Products	\$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$623
		%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	58%
		%**																	
	Non-Renewable Power Products	\$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$13
		%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
		%**																	
Fuels for Generation	Diesel	\$	\$0	\$0	\$0	\$0	\$0	\$0	\$1	\$0	\$1	\$0	\$0	\$0	\$0	\$0	\$0	\$1	\$1
		%	0%	0%	0%	0%	0%	0%	100%	0%	100%	0%	0%	0%	0%	0%	0%	100%	0%
		Billion Btu																	
	Nuclear	\$	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$71
		%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	7%
		Billion Btu																	
	Natural Gas	\$	\$0	\$27	\$27	\$0	\$4	\$4	\$0	\$0	\$0	\$2	\$0	\$2	\$0	\$1	\$1	\$34	\$363
		%	0%	7%	7%	0%	1%	1%	0%	0%	0%	1%	0%	1%	0%	0%	0%	9%	34%
		Billion Btu																	
	<b>Total \$</b>		\$0	\$27	\$27	\$0	\$4	\$4	\$1	\$0	\$1	\$2	\$0	\$2	\$0	\$1	\$1	\$35	\$1,071
<b>Total %</b>		0%	7%	7%	0%	1%	1%	100%	0%	100%	1%	0%	1%	0%	0%	0%	3%	100%	

Note:

\$ are in Millions

Amounts may not add due to the rounding

\*Physical or financial and excludes purchases from the CAISO, other IOUs, utilities, Federal entities, State entities, Munis and cooperatives

\*\*Includes Long Term Procurement Commitments after 2012 or as a result of RFOs after 2012

## **2012 Annual Plan**

### **Sec. 10.1.1 Goals**

PG&E's short-term goal is to lay the foundation to make improvements through collaboration, education, continued communication and to improve its procurement processes to allow for maximum DBE participation.

The Company's long-term strategy, through further education and benchmarking, is to set DBE numeric goals that are reasonable given the availability of DBEs.

### **Sec. 10.1.2 Planned Internal/External Activities**

In addition to the goals above, PG&E will hold a roundtable with the other utilities and designated experts in the Power Procurement market to fully understand the current availability of suppliers and to make recommendations on how to increase DBE participation.

PG&E understands that greater opportunities exist by examining the full supply chain of generation, procurement, transmission, distribution and end user services.

PG&E will examine opportunities for DBE participation in the following areas:

- Land acquisition, environmental studies, engineering, construction, O&M services, etc.
- Renewable projects
- Combined Heat and Power (CHP) and Qualifying Facilities (QFs)
- Energy (kwh)
- Resource adequacy
- Ancillary services
- Congestion revenue rights
- Computer models
- IT and communication systems
- Scheduling coordinator services
- Natural gas commodity
- Natural gas storage
- Energy efficiency programs

- Demand response programs
- On-site generation

These commodities and services represent some of the areas where DBEs could participate when viewing the complete value chain for electricity. PG&E will continue to identify suppliers and maintain a list of DBEs with these capabilities.

### **Sec. 10.1.3 Recruitment Plans for Suppliers in Underutilized Areas**

PG&E will execute on the goals communicated jointly with Southern California Edison and San Diego Gas & Electric at the Supplier Diversity Electric Procurement Workshop held on June 30, 2011.

- Collaboration and Education:
  - Host joint educational outreach workshops in each utility's service territory
  - Work with prime suppliers and subcontractors to foster strong DBE programs
  - Invite DBE companies to pre-bid conferences where procurement and interconnection staff discuss programs
- Communication:
  - Create communication materials and add a link on the Supplier Diversity web page that takes DBEs to the Electric Procurement page where they can learn about opportunities
  - Inform Community Based Organizations of existing opportunities (e.g. upcoming RFOs, RFPs and other programs)
- Procurement Process:
  - Inform potential suppliers during pre-bid conferences about DBE participation opportunities in future RFOs (both renewables and conventional solicitations)
  - Focus on Renewable Auction Mechanism (RAM) and Solar Energy Project (SEP) programs as early participation opportunities
  - Communicate RFO opportunities via a DBE targeted distribution list
  - Include DBE evaluation criteria in the RFOs
  - Promote supplier diversity by self-identification in the RFO process

### **Sec. 10.1.4 Plans for Recruiting DBEs in Excluded Categories**

G.O. 156 Ruling on November 14, 2003 ended the excluded category.

**Sec. 10.1.5 Planned Subcontracting Activities**

PG&E will evaluate the full list of Power Procurement suppliers and communicate supplier diversity goals and objectives accordingly. The Supplier Diversity team will continue to work with the Energy Supply organization on procurement processes to ensure that supplier diversity language is included in contracts, evaluation criteria and fully communicated in pre-bid conferences.

**Sec. 10.1.6 Program Compliance**

PG&E will comply with all DBE program guidelines.

## **Fuel Procurement for Non-Generation**

### **2011 Annual Report**

#### **Sec. 9.1.1 Description of 2011 Diverse Supplier Program Activities**

##### **INTRODUCTION**

PG&E purchases natural gas to serve its core (residential and small commercial) bundled gas customers. This section provides PG&E's Annual Utility Supplier Diversity Program Fuels Report for PG&E's core natural gas portfolio for 2011 and the Fuels Plan for 2012 as required by G.O. 156. The Fuels Report documents PG&E's Core Gas Supply DBE natural gas purchases during 2011, and the Fuels Plan submitted with this report reflects PG&E's strategies and objectives for core natural gas purchases from DBEs in 2012.

##### **DESCRIPTION OF 2011 DIVERSE SUPPLIER PROGRAM ACTIVITIES**

###### **Outreach Activities**

PG&E's Core Gas Supply allocated resources in 2011 to establish and maintain connections to DBEs. The staff continued to build business relationships through meetings, telephone discussions, and email communications. Core Gas Supply analysts worked directly with DBEs to establish or restore DBE certification, establish credit, and execute contracts. Core Gas Supply offered enhanced banking and payment options, structuring contract payment provisions to fit the individual needs of many DBEs. Core Gas Supply provided explanations of the Funds Transfer Agency (FTA) agreements, in which a bank serves as a fiduciary intermediary between the source supplier and the DBE. In 2011, many DBEs serving PG&E had to re-establish FTA agreements with a new bank. Core Gas Supply helped with the process by providing advice and assisting with the required documentation. Finally during 2011, PG&E's Core Gas Supply worked with the Supplier Clearinghouse and DBEs to ensure consistent SIC code designations are used, enabling natural gas producers to find and connect with DBEs more effectively. Assisting DBEs helped to increase their effectiveness, thereby increasing the value they provided to help serve PG&E's core customer supply portfolio.

## **PG&E's Website**

PG&E maintains supplier diversity information on its public website<sup>2</sup>. This electronic connection provides a description of PG&E's Supplier Diversity program. The website also provides information on how to become a diverse supplier and a description of resources available to assist such suppliers in selling products and services to PG&E and Core Gas Supply.

## **Expanded Opportunities**

During 2011, PG&E's Core Gas Supply analysts assisted DBEs with opportunities to provide broker services. Broker services enable DBEs 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, DBEs 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, DBEs are able to avoid many credit and operational risks.

## **Personal Contacts**

Core Gas Supply continuously reaffirms its commitment to G.O. 156 and its support of DBEs by personally encouraging natural gas producers to work with DBEs in marketing gas and services to PG&E, other utilities and end users.

## **Internal Activities**

Core Gas Supply maintains a Solicitation List of DBEs who have expressed an interest in selling gas to PG&E. Core Gas Supply uses this list to track certification status and to help ensure that DBEs are contacted on a regular basis regarding sales opportunities. PG&E's Core Gas Supply Diverse Supplier Solicitation List increased from 28 firms in 2010 to 31 in 2011. In 2011, Core Gas Supply executed transactions with 8 DBEs. In addition the group encouraged inactive DBEs to become active trading partners.

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<sup>2</sup> <http://www.pge.com/procure>

Tables I and II below depict Core Gas Supply’s natural gas DBE solicitation list by certification type and ethnic classification.

**Table I** -- Diverse Suppliers by Certification Type

Women-Owned	4
Minority Women-Owned	5
Minority Men-Owned	22
Disabled Veteran	0
<b>Total</b>	<b>31</b>

**Table II** -- Diverse Suppliers by Ethnic and Gender Classification

Caucasian Female	4
Asian Pacific Female	2
Asian Pacific Male	0
African American Female	3
African American Male	13
Latino American Female	0
Latino American Male	7
Native American Female	1
Native American Male	1
<b>Total</b>	<b>31</b>

**Sec. 9.1.2 Summary of Purchases**

**PG&E’s DIVERSE SUPPLIER NATURAL GAS PURCHASES**

PG&E provides opportunities for all suppliers, including DBEs, to compete for its business. In order to meet PG&E’s core natural gas demands, Core Gas Supply maintains a portfolio of supplies of different contract lengths and terms from various supply sources. Core Gas Supply traders typically negotiate prices or accept unsolicited proposals for longer term and prompt month baseload supplies, and purchase daily spot gas in the “swing” spot gas markets. During 2011, PG&E encouraged DBEs to participate in all market activities. Appendix A provides PG&E’s Core Gas Supply Diverse Supplier costs by ethnicity and gender.

**Table III** -- PG&E Core Gas Supply

Table III summarizes PG&E Core Gas Supply’s gas purchases from DBEs in 2011:

<b>Table III -- PG&amp;E Core Gas Supply</b> Natural Gas Purchases from Diverse Suppliers January 1, 2011 -- December 31, 2011			
Gas Supplies	Diverse Supplier Purchase Costs	% of total Supply Costs	% of total Supply Volume
(1) (U.S. and Canadian)	\$128,337,064	10.0	9.77
(2) U.S. Purchases Only	\$128,337,064	24.37	24.02

(1) In 2011, PG&E’s Core Gas Supply department purchased \$128,337,064 of natural gas supplies from DBEs. This figure represented 10.0 percent of total natural gas purchases by cost and 9.77 percent of total purchases by volume.

(2) Typically, DBEs choose to participate exclusively in U.S. natural gas markets. But, because the majority of natural gas supplies are purchased in Canada, opportunities to engage DBEs are limited. Excluding Canadian purchases, however, and comparing Diverse Supplier transactions to purchases made solely from U.S. markets would raise the 2011 DBE percent of total supply volume to 24.02 percent.

### **Sec. 9.1.3 Program Expenses**

There were no specific program expenses allocated non-generation fuel procurement in 2011. Any associated expenses are included in the overall Supplier Diversity Program Expenses (see section 9.1.3 of the Supplier Diversity 2011 Annual Report / 2012 Annual Plan).

### **Sec. 9.1.4 Goal Progress**

PG&E’s long-term fuels procurement goal of 21.5 percent spend with DBEs is based on the total cost of natural gas purchases in accordance with the long-term objective suggested by the CPUC in Decision 95-12-045.

Excluding Canadian purchases, PG&E’s 2011 DBE total supply volume was 24.02 percent. When combining U.S. and Canadian natural gas markets, the 2011 DBE supply volume result was 9.77 percent.

**Table IV – Diverse Supplier Goals, 2012 and Beyond**

<b>Period</b>	<b>2012</b>	<b>Beyond 2012</b>
Minority	15%	15%
Non-Minority Women	5%	5%
Disabled Veteran	1.5%	1.5%
<b>Total</b>	<b>21.5%</b>	<b>21.5%</b>

**Sec. 9.1.5 Summary of Utilization of DBE Subcontractors**

Natural gas, as a trading commodity, does not lend itself to subcontracting. PG&E's focus is to locate additional DBEs to serve as direct suppliers for its natural gas purchases.

**Sec. 9.1.6 Supplier Complaints**

There were no complaints in 2011 regarding Core Gas Supply’s Diverse Supplier natural gas purchase activity.

**Sec. 9.1.7 Exclusions**

Summary of Purchases and/or contracts in excluded categories.  
 G.O. 156 Ruling on November 14, 2003 ended the excluded category.

**Sec. 9.1.8 Diverse Suppliers in Underutilized Areas**

Geographical locations of natural gas suppliers and market conditions pose significant constraints on diverse procurement opportunities in this area.

Like other underutilized areas of PG&E’s business, the company will work in cooperation with the CPUC and the other utilities to address issues, build strategies and make recommendations for improvement.

### **Sec. 9.1.9 Retention of All Documents/Data**

PG&E will retain all 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.

### **Sec. 9.1.10A Participation Results by Fuel Category**

See Table V below.

### **Sec. 9.1.10B Market Conditions and Outreach**

## **FACTORS LIMITING DIVERSE SUPPLIER GROWTH**

### Competitive Challenges

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. Asset Management Arrangements (AMAs), in which a marketer or supplier not only provides reliable gas supplies, but also manages the buyer's contracts and assets, have become increasingly popular. These complex, commercial arrangements and the myriad of associated services demand that marketers possess critical skills and industry knowledge, commercial connections, and resources and capital in order to be successful. Unfortunately, very few DBEs have the necessary assets and resources to compete effectively in this challenging, fast-paced environment.

### Institutional Barriers

Even in the current low-price natural gas markets, industry participants face enormous financial and credit risks. Most DBEs are challenged to manage exposure to such risks. Many lack capital to meet collateral requirements and do not hold physical assets such as natural gas storage to help establish credit or limit exposure to performance risks. Another major detriment is that DBEs generally are not able to post sufficient collateral to cover the margin requirements of electronic or online trading platforms, which account for a significant percentage of all transactions in

today's fast-moving natural gas markets. As a result, many DBEs find that they are not competitive in the marketplace because of an inability to meet credit and other business requirements.

Major producers and wholesale suppliers may have their own diversity objectives and initiatives and PG&E will seek to learn more about their efforts to increase opportunities for DBEs in the products that they deliver to PG&E. As a result of these overall issues and challenges, the ability of DBEs to provide valuable services and compete with other, more sophisticated marketers has historically been quite limited.

PG&E continues to monitor its portfolio of gas supplies and to work with all suppliers in an effort to balance objectives of providing opportunities for DBEs while maintaining the highest degree of reliability possible and managing costs for its core customers.

## **2012 Annual Plan**

### **Sec. 10.1.1 Goals**

#### **Goal: Increase Diverse Supplier Participation**

Despite the factors limiting Diverse Supplier growth identified in section 9.1.10B, PG&E will affirm a 21.5% participation rate as a long-term objective and will continue in its efforts to reduce the barriers to entry and strive to expand the opportunities in which DBEs can participate during 2012.

### **Sec. 10.1.2 Planned Internal/External Activities**

#### **2012 Diverse Supplier Program Objectives**

Progress toward meeting the optimistic goals in Table IV may only be achieved through sustained efforts by gas purchasing personnel and by the continued growth and development of DBEs. For 2012, PG&E has established the following objectives:

##### Objective #1: Maintain Awareness

Formal and informal supplier diversity training will be conducted as needed to familiarize Core Gas Supply traders and staff with available minority suppliers and to emphasize PG&E's Diverse Supplier program goals.

##### Objective #2: Maintain Focus

Throughout the year, Core Gas Supply management will utilize internal communications and discussions to provide focus and instill enthusiasm among all employees for continued progress toward fulfillment of the G.O. 156 objectives.

##### Objective #3: Assist Diverse Gas Suppliers

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

##### Objective #4: Develop New, and Enhance Existing Opportunities

PG&E will encourage DBEs to conduct business with PG&E and to pursue new opportunities by offering creative contractual arrangements such as broker service agreements.

In 2011, Ruby Pipeline began providing transportation services to PG&E's service area. PG&E's Core Gas Supply will assist DBEs during 2012 with new opportunities to serve PG&E's core portfolio with Rocky Mountain natural gas supplies.

Objective #5: Measure Performance

Monthly Diverse Supplier activity reports will be provided to the Core Gas Supply staff and management. These monthly reports will document progress toward reaching PG&E's natural gas diversity goals, and will serve to stimulate discussions among staff and management to develop innovative solutions addressing issues and challenges, and to create economic opportunities for DBEs.

**Sec. 10.1.3 Recruitment Plans for Suppliers in Underutilized Areas**

PG&E will encourage DBEs to pursue new opportunities by offering them creative contractual arrangements such as broker service agreements. PG&E will also assist DBEs by seeking innovative solutions to credit issues, third-party contracts and payment options.

Ruby Pipeline will provide significant additional market opportunities for DBEs in 2012 to provide PG&E and other California customers with Rocky Mountain natural gas.

**Sec. 10.1.4 Plans for Recruiting DBEs in Excluded Categories**

G.O. 156 Ruling on November 14, 2003 ended the excluded category.

**Sec. 10.1.5 Planned Subcontracting Activities**

Subcontracting opportunities for natural gas commodity trading are limited due to the nature of how PG&E procures this commodity. PG&E will continue to focus on locating additional DBEs to serve as direct suppliers for its natural gas purchases.

**Sec. 10.1.6 Program Compliance**

PG&E will comply with all DBE program guidelines.

Table V – Diverse Supplier Natural Gas Purchases by Fuel Category - Total (Canadian and Domestic) - January – December 2011

ANNUAL FUELS FOR NON-GENERATION PRODUCT RESULTS BY ETHNICITY

Product	Unit	Asian-Pacific			African-American			Latino			Native American			Other			Minority Business Enterprise (MBE)	Women Business Enterprise (WBE)	Service Disabled Veteran Business Enterprise (SDVBE)	TOTAL DBE	TOTAL	
		Male	Female	Subtotal	Male	Female	Subtotal	Male	Female	Subtotal	Male	Female	Subtotal	Male	Female	Subtotal						
NATURAL GAS	SHORT TERM	\$ (MM)	0.00	19.07	19.07	1.02	0.00	1.02	2.46	0.00	2.46	3.20	0.00	3.20	0.00	0.00	0.00	6.68	19.07	0.00	25.75	25.75
		%	0.00	1.48	1.48	0.08	0.00	0.08	0.19	0.00	0.19	0.25	0.00	0.25	0.00	0.00	0.00	0.53	1.49	0.00	2.01	2.01
		Billion Btu	0	5,047	5,047	300	0	300	616	0	616	822	0	822	0	0	0	1,738	5,047	0	6,785	6,785
		%	0.00	1.48	1.48	0.09	0.00	0.09	0.18	0.00	0.18	0.24	0.00	0.24	0.00	0.00	0.00	0.51	1.48	0.00	1.99	1.99
	LONG TERM	\$ (MM)	0.00	28.95	28.95	39.01	0.00	39.01	0.00	0.00	0.00	13.97	0.00	13.97	0.00	0.00	0.00	52.98	49.61	0.00	102.59	102.59
		%	0.00	2.25	2.25	3.04	0.00	3.04	0.00	0.00	0.00	1.09	0.00	1.09	0.00	0.00	0.00	4.13	3.86	0.00	7.99	7.99
		Billion Btu	0	7,431	7,431	10,066	0	10,066	0.00	0.00	0.00	3,582	0	3,582	0	0	0	13,648	12,778	0	26,426	26,426
		%	0.00	2.19	2.19	2.96	0.00	2.96	0.00	0.00	0.00	1.05	0.00	1.05	0.00	0.00	0.00	4.01	3.76	0.00	7.77	7.77
	Total Natural Gas	\$	0.00	48.02	48.02	40.03	0.00	40.03	2.46	0.00	2.46	17.17	0.00	17.17	0.00	0.00	0.00	59.66	68.68	0.00	128.34	128.34
		%	0.00	3.74	3.74	3.12	0.00	3.12	0.19	0.00	0.19	1.31	0.00	1.34	0.00	0.00	0.00	4.62	5.35	0.00	9.97	9.97
		Billion Btu	0	12,479	12,479	10,366	0	10,366	616	0	616	4,404	0	4,404	0	0	0	15,386	17,825	0	33,211	33,211
		%	0.00	3.67	3.67	3.05	0.00	3.05	0.18	0.00	0.18	1.29	0.00	1.29	0.00	0.00	0.00	4.52	5.24	0.00	9.77	9.77
LPG	Total LPG	\$	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		Billion Btu	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	SHORT TERM	\$	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		Billion Btu	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	LONG TERM	\$	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		Billion Btu	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Combined	Total \$																					
	Total %																					

Note:  
Short Term Gas - No longer than one calendar month  
Long Term Gas - Greater than one calendar month but less than 1 calendar year  
Totals may not add due to rounding



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