

DIVERSITY MATTERS: Consistency is Key

2014 Annual Report to the California
Public Utilities Commission

March 2, 2015



CALIFORNIA
AMERICAN WATER

At California American Water the ideals of integrity and equal opportunity have been lasting foundational elements of our 125-year corporate history.



POLICY

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



VISION

We will create, develop and maximize administrative procurement processes to include, educate, mentor and develop diverse suppliers. We will actively seek to provide contract opportunities to diverse suppliers who meet our high standards for product and/or service delivery, cost effectiveness and administrative efficiencies.



MISSION

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

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PRESIDENT'S MESSAGE



Rob MacLean, President

I am proud of our entire team's effort in making diversity matter in 2014:

- ★ Total diverse spend of **21.53%**, the fourth year our company has exceeded the goal of 21.5%.
- ★ Addition of **19** qualified diverse suppliers.
- ★ Second tier diverse spend of **\$3.5 million** which is nearly double the amount of spend from 2013.
- ★ Continued leadership in industry events and governance diversity.

Diversity Matters: Consistency is Key

In 2015, any business must focus on diversity to serve its customers and other stakeholders well. A continued focus on diversity in areas of employee recruitment and retention, employee benefits, procurement, community involvement and governance has resulted in improvements in our company culture and customer service, while bringing us closer to the communities we serve.

After several years of focusing on and measuring our results in these areas, we have surpassed the California Public Utilities Commission goal of 21.5% diverse spend. Now we must ask ourselves, what is next: How do we take the benefits of a consistent approach and company-wide commitment and use that to bring our programs to the next level?

I am proud to announce that in 2015, we are putting even more metrics in place to measure and reward key employees who reach goals on diverse spend. We will also measure and report back to our Prime Suppliers on their diverse spend. These tools will assist us to ensure we are on target to reach our goals, and will enable us to treat our employees and vendors in a manner that is fair by equipping them with the information needed to "up their game" in the diversity arena.

Using a data-driven approach to empower our partners with the tools they need to succeed is exactly how any business would approach an issue, so it is only natural to apply this to our work in the area of diversity and inclusions.

I am especially proud that we added 19 new diverse suppliers this year, and we almost doubled our second tier (subcontractor) diverse spend working with our Prime Suppliers.

I would be remiss if I did not thank our employees, vendors, community partners and others who have been instrumental in helping us reach our diversity goals and improve our culture – a culture that demonstrates a commitment to diversity at its core. The 2014 results on the following pages are theirs, and I thank them.

Sincerely,

Rob MacLean
President

2014 HIGHLIGHTS

\$3.5 million

The total second tier diverse spend of \$3.5 million for 2014 was a 94% increase over the previous year's second tier spend.

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

In 2013, we advised that an effective Supplier Diversity Program should be considered as more far reaching than the numbers achieved. Further, we stated that the success of 2013 “compels us to strive beyond the numbers,” and as a result, we are pleased to report that the areas we targeted in 2014 delivered results. For 2015, we have identified more critical areas of focus including short-, mid- and long-term goals to: (1) make diligent efforts to promote, educate and invite our Prime Suppliers into discussion about our Commitment to supplier diversity and its Objectives; (2) provide continued growth and expansion opportunities to increase the volume of diverse suppliers added to our Supply Chain; and (3) review existing and new diverse supplier relationships to increase capacity building and technical assistance. Our consistent approach in these areas delivered the following results:

- **21.53% Diverse Spend.** We are proud to maintain our status in **meeting the diverse spend goal of 21.53%**. As our program continues to mature, we hope to build and improve upon this result.
- **19 New Diverse Suppliers Added to Supply Chain.** In 2014, we continued our outreach to identify new diverse suppliers that could provide goods and services to meet our needs. As a result, we are proud to welcome **19 new partners to our team.**
- **Increased Second Tier Diverse Spend: \$3.5 million.** This **94% increase over 2013 second tier spend** demonstrates that consistency really is key in educating and engaging Prime Suppliers to assist in our pursuit of diverse subcontractors.
- **Established Mentor Protégé Pilot Program (MP3).** Through our membership with California Water Association and in collaboration with three Class A water utilities, California American Water participated in the design and implementation of a Mentor Protégé Pilot Program. This program identified and selected diverse suppliers that could meet service needs of the utility. Through consistent collaboration and support of the California American Water team, this program worked to prepare and encourage Women, Minority and Disabled Veteran Business Enterprise (WMDVBE) suppliers for potential water utility contract opportunities. This program will continue for 2015.

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

2014 HIGHLIGHTS

SECTION 9.1.1 - Internal/External Activities

2014 Outreach Activities

California American Water remained active and engaged in outreach events throughout California. Our parent company, American Water, also added a Corporate Supplier Diversity leader to assist us with national relationships and visibility. Oftentimes, coordinators/sponsors of these events invited California American Water to present and/or act as a panelist to speak on supplier diversity and our commitment to it. We appreciate these opportunities to “get the word out” that California American Water is at the table and ready to do business with diverse suppliers. Undoubtedly, this helped us add 19 new suppliers in 2014.

2014 Diversity Events

FEBRUARY	9	National Association of Regulatory Utility Commissioners/Utility Market Access, Panelist - Washington, DC
	14	California Utility Diversity Council Monthly Meeting - San Francisco, CA
	19	Utility Supplier Diversity Program Committee Monthly Meeting - Fontana, CA
MARCH	5	Southern California Minority Supplier Diversity Council, Matchmaking (Hard Hat Pavilion) - Universal City, CA
	26	Joint Utilities Quarterly Meeting - Downey, CA
	27	Utility Supplier Diversity Program Committee Meeting - Covina, CA
APRIL	11	California Utility Diversity Council - WebEx
	16	Utility Supplier Diversity Program Committee Monthly Meeting - San Jose, CA
	17	Service Disabled Veteran Owned Business - Orange County Network, Speaker - Laguna Hills, CA
MAY	12	Utility Supplier Diversity Program Committee Monthly Meeting - Los Angeles, CA
	12-13	Keeping the Promise Disabled Veteran Business Alliance, Matchmaking - Los Angeles, CA
	20-22	National Utilities Diversity Council - Brooklyn Brainstorm, Forum Participant - New York, NY

2014 HIGHLIGHTS

JUNE	13	California Utility Diversity Council Monthly Meeting - WebEx
	18	Utility Supplier Diversity Program Monthly Meeting - San Jose, CA
	19	Utility Supplier Diversity Program Committee Prime Contractor's Event - San Jose, CA
	25	Black Business Association 40th Annual Awards Dinner - Los Angeles, CA
	27	Joint Utilities Quarterly Meeting - San Francisco, CA
JULY	17	Utility Supplier Diversity Program Committee Meeting - Coronado, CA
	20-22	American Indian California Chamber of Commerce - Rancho Mirage, CA
AUGUST	8	California Utility Diversity Council - WebEx
	13-15	California Hispanic Chamber of Commerce Annual Convention - Garden Grove, CA
	14	Western Region Minority Supplier Diversity Council Business Expo - Santa Clara, CA
	17	Regalettes Annual White Linen Affair - Los Angeles, CA
	20-21	Elite Service Disabled Veteran Owned Business 11th Annual National Conference - New York, NY
SEPTEMBER	11	Mentor Protégé Pilot Program Network Luncheon - Ontario, CA
	12	California Utility Diversity Council Monthly Meeting - Ontario, CA
	17	Utility Supplier Diversity Program Committee Monthly Meeting - Ontario, CA
	18	Utility Supplier Diversity Program Committee Prime Contractors Event - Ontario, CA
	24	Joint Utilities Quarterly Meeting - Coronado, CA

2014 HIGHLIGHTS

OCTOBER	24	NAACP Annual Convention, Panelist - Redwood City, CA
NOVEMBER	2-5	National Minority Supplier Diversity Council - American Water Corporate Supplier Diversity, Forum Sponsor, Leading Supplier Academy Host - Orlando, FL
	12-14	California Water Association Annual Conference - Monterey, CA
	12	Utility Supplier Diversity Program Committee Monthly Meeting - Monterey, CA
	14	California Utility Diversity Council - Downey, CA
DECEMBER	10	Joint Utilities Quarterly Meeting - San Francisco, CA
	12	California Utility Diversity Council - WebEx
	17-18	Utility Supplier Diversity Program Committee Meeting/Planning Retreat - Ontario, CA

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



2014 HIGHLIGHTS

94%

In 2014, our partnership with and encouragement of our Prime Supplier partners resulted in a 94% increase over our 2013 second tier spend.

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

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

Overall **spend with diverse suppliers increased in 2014 by \$2.3 million dollars**. This amount recognizes a consistent year over year increase in diverse spend since 2010. As we continue to mature our Supplier Diversity Program in all component areas, we anticipate that there will be further opportunities for outreach and inclusion of diverse suppliers at both the Prime and/or subcontractor level. We are reaching out to our Prime Supplier partners as necessary to introduce our objectives for supplier diversity and further encourage their participation in utilizing diverse suppliers. We are developing more consistent administrative procurement processes that will be customized to the projects approved by the California Public Utilities Commission.

In 2014, there were **64 direct contracts/projects awarded to diverse suppliers**. Six of these direct contracts/projects were awarded to new diverse suppliers. The remaining 13 new suppliers were second tier subcontractors. We will continue our efforts to identify, recruit, and partner with diverse suppliers as we continue to strategically align diverse organizations with member suppliers that are able to provide products and services needed.

Our second tier spend with diverse suppliers has shown a consistent rise over 2012 and 2013 reporting. In 2014, our partnership with and encouragement of our Prime Supplier partners resulted in **\$3.5 million dollars in second tier spend with diverse suppliers**. This is a **94% increase over our 2013 second tier spend** of \$1.8 million. We are pleased with our progress in this component of supplier diversity and will continue our efforts in all areas to achieve consistencies and efficiencies that will advance our Supplier Diversity Program to maturing levels. At California American Water, **Diversity Matters: Consistency is Key**.

2014 HIGHLIGHTS

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

UTILITY SUPPLIER DIVERSITY PROGRAM ANNUAL RESULTS BY ETHNICITY – 2014					
	Ethnicity	Direct \$	Sub \$	Total \$	%
MINORITY MALE	Asian-Pacific	\$454,835	\$0	\$454,835	5.2%
	African American	\$1,672,352	\$21,804	\$1,694,156	19.5%
	Hispanic	\$6,032,163	\$55,260	\$6,087,423	70.0%
	Native American	\$413,207	\$44,653	\$457,860	5.3%
	Other	\$0	\$0	\$0	0.0%
	Total Minority Male		\$8,572,557	\$121,717	\$8,694,274
MINORITY FEMALE	Asian-Pacific	\$11,776	\$139,580	\$151,356	4.5%
	African American	\$8,000	\$20,961	\$28,961	0.9%
	Hispanic	\$614	\$0	\$614	0.0%
	Native American	\$0	\$0	\$0	0.0%
	Other	\$2,874,793	\$275,385	\$3,150,178	94.6%
	Total Minority Female		\$2,895,183	\$435,926	\$3,331,109
Subtotal Minority Business Enterprise (MBE)		\$11,467,740	\$557,643	\$12,025,383	10.79%
Subtotal Women Business Enterprise (WBE)		\$8,559,684	\$2,060,343	\$10,620,027	9.52%
Total Women, Minority Business Enterprise (WMBE)		\$20,027,424	\$2,617,986	\$22,645,410	20.32%
Subtotal Service Disabled Veteran Business Enterprise (DVBE)		\$445,224	\$910,416	\$1,355,640	1.21%
Total Business Enterprises (WMDVBE)		\$20,472,648	\$3,528,402	\$24,001,050	21.53%
Gross Procurement		\$164,311,967			
Exclusions		\$(52,846,781)			
Net Procurement		\$111,465,186			

NOTE: The amount shown above, labeled “Exclusions,” is the total of payments made in the categories of Purchased Water, Purchased Power and Pump Taxes. Other categories subject to Section 8.9: Other Utilities, Taxes, Franchise Fees and Postage have not been included in the Gross Procurement total as allowed.

2014 HIGHLIGHTS

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

UTILITY SUPPLIER DIVERSITY PROGRAM ANNUAL RESULTS BY PRODUCTS AND SERVICES – DIRECT – 2014					
	Ethnicity	Product \$	Services \$	Total \$	%
MINORITY MALE	Asian-Pacific	\$233,361	\$221,474	\$454,835	5.3%
	African American	\$0	\$1,672,352	\$1,672,352	19.5%
	Hispanic	\$50,099	\$5,982,064	\$6,032,163	70.4%
	Native American	\$0	\$413,207	\$413,207	4.8%
	Other	\$0	\$0	\$0	0.0%
	Total Minority Male	\$283,460	\$8,289,097	\$8,572,557	100.0%
MINORITY FEMALE	Asian-Pacific	\$0	\$11,776	\$11,776	0.4%
	African American	\$0	\$8,000	\$8,000	0.3%
	Hispanic	\$0	\$614	\$614	0.0%
	Native American	\$0	\$0	\$0	0.0%
	Other	\$0	\$2,874,793	\$2,874,793	99.3%
	Total Minority Female	\$0	\$2,895,183	\$2,895,183	100.0%
Subtotal Minority Business Enterprise (MBE)		\$283,460	\$11,184,280	\$11,467,740	56.0%
Subtotal Women Business Enterprise (WBE)		\$345,872	\$8,213,812	\$8,559,684	41.8%
Total Women, Minority Business Enterprise (WMBE)		\$629,332	\$19,398,092	\$20,027,424	97.8%
Subtotal Service Disabled Veteran Business Enterprise (DVBE)		\$10,160	\$435,064	\$445,224	2.2%
Total Business Enterprises (WMDVBE)		\$639,492	\$19,833,156	\$20,472,648	100.0%
Total Products Procurement		\$639,492			
Total Service Procurement		\$19,833,156			
Net Procurement – Direct Products and Services		\$20,472,648			

2014 HIGHLIGHTS

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

UTILITY SUPPLIER DIVERSITY PROGRAM ANNUAL RESULTS BY PRODUCTS AND SERVICES – SUBCONTRACTORS – 2014				
	Ethnicity	Product \$	Services \$	Total \$
MINORITY MALE	Asian-Pacific	\$0	\$0	\$0
	African American	\$0	\$21,804	\$21,804
	Hispanic	\$0	\$55,260	\$55,260
	Native American	\$0	\$44,653	\$44,653
	Other	\$0	\$0	\$0
	Total Minority Male		\$0	\$121,717
MINORITY FEMALE	Asian-Pacific	\$0	\$139,580	\$139,580
	African American	\$0	\$20,961	\$20,961
	Hispanic	\$0	\$0	\$0
	Native American	\$0	\$0	\$0
	Other	\$0	\$275,385	\$275,385
	Total Minority Female		\$0	\$435,926
Subtotal Minority Business Enterprise (MBE)			\$557,643	\$557,643
Subtotal Women Business Enterprise (WBE)		\$1,443,824	\$616,519	\$2,060,343
Total Women, Minority Business Enterprise (WMBE)		\$1,443,824	\$1,174,162	\$2,617,986
Subtotal Service Disabled Veteran Business Enterprise (DVBE)		\$247,513	\$662,903	\$910,416
Total Business Enterprises (WMDVBE)		\$1,691,337	\$1,837,065	\$3,528,402
Total Products Procurement – Subcontract		\$1,691,337		
Total Service Procurement – Subcontract		\$1,837,065		
Net Procurement – Direct Products and Services		\$20,472,648		
Net Procurement – Subcontractors Products and Services		\$3,528,402		
Total Diverse Procurement		\$24,001,050		

2014 HIGHLIGHTS

SECTION 9.1.2D – Procurement SIC Code Detail

WMDVBE PROCUREMENT BY STANDARD INDUSTRIAL CATEGORIES - DETAIL											
SIC CODE	CATEGORY	ASIAN-PACIFIC	AFRICAN AMERICAN	HISPANIC	NATIVE AMERICAN	OTHER	TOTAL MINORITY BUSINESS ENTERPRISE (MBE)	TOTAL WOMEN BUSINESS ENTERPRISE (WBE)	SUBTOTAL WOMEN MINORITY BUSINESS ENTERPRISE (WMBE)	SUBTOTAL DISABLED VETERAN BUSINESS ENTERPRISE (DVBE)	TOTAL WMDVBE
781	LANDSCAPE SVCS							\$46,169	\$46,169		\$46,169
782	LANDSCAPE SVCS	\$18,838		\$103,054			\$121,892		\$121,892		\$121,892
783	LANDSCAPE SVCS			\$128,082			\$128,082		\$128,082		\$128,082
1521	GEN CONTRACTOR - CONSTRUCTION		\$169,578				\$169,578		\$169,578		\$169,578
1541	GEN CONTRACTOR - CONSTRUCTION				\$413,207		\$413,207		\$413,207		\$413,207
1622	HIGHWAY CONSTRUCTION			\$55,260			\$55,260		\$55,260		\$55,260
1623	WATER, SEWER, PIPE CONSTRUCTION			\$3,842,659		\$2,874,793	\$6,717,452	\$3,896,039	\$10,613,491		\$10,613,491
1629	HEAVY CONSTRUCTION							\$315,358	\$315,358		\$315,358
1711	PLUMBING, HEATING, A/C							\$10,200	\$10,200		\$10,200
1731	ELECTRICAL WORK		\$8,000	\$232,977			\$240,977	\$177,961	\$418,938		\$418,938
1781	WATER WELL DRILLING							\$813,212	\$813,212		\$813,212
1795	DEMOLITION WORK							\$44,920	\$44,920		\$44,920
1799	SPECIAL TRADE CONTRACTORS			\$614		\$275,385	\$275,999	\$440,928	\$716,927		\$716,927
2819	INDUSTRIAL CHEMICALS							\$328,923	\$328,923		\$328,923
3321	DUCTILE IRON FOUNDRIES							\$436	\$436		\$436
3443	FABRICATED PLATEWORK							\$248,346	\$248,346		\$248,346
3589	SVC INDUSTRY MACHINERY							\$3,871	\$3,871		\$3,871
3621	MOTORS & GENERATORS			\$50,099			\$50,099		\$50,099		\$50,099
3669	COMMUNICATION EQUIPMENT							\$7,392	\$7,392		\$7,392
4619	PIPELINES							\$402,073	\$402,073		\$402,073
4941	WATER SUPPLY	\$51,711					\$51,711		\$51,711		\$51,711
5047	SAFETY EQUIP & SUPPLIES	\$11,776					\$11,776	\$5,668	\$17,444		\$17,444
5063	CONSTRUCTION MATERIALS	\$233,361					\$233,361		\$870,516		\$870,516
5072	HARDWARE							\$8	\$8		\$8
5085	INDUSTRIAL SUPPLIES				\$44,653		\$44,653		\$44,653		\$44,653
5088	TRANSPORTATION EQUIP & SUPPLIES							\$1,284	\$1,284		\$1,284
5099	DURABLE GOODS									\$247,513	\$247,513
5172	PETROLEUM PRODUCTS WHOLESALERS							\$1,041,751	\$1,041,751		\$1,041,751
5599	AUTOMOTIVE DEALERS		\$1,341,454				\$1,341,454		\$1,341,454		\$1,341,454
6531	REAL ESTATE AGENTS/MGRS							\$18,165	\$18,165		\$18,165
7319	ADVERTISING							\$1,599,357	\$1,599,357		\$1,599,357
7338	COURT REPORTING SERVICES							\$1,845	\$1,845		\$1,845
7349	BLDG CLEANING AND MAINTENANCE							\$142,251	\$142,251		\$142,251

2014 HIGHLIGHTS

SECTION 9.1.2D – Procurement SIC Code Detail

WMDVBE PROCUREMENT BY STANDARD INDUSTRIAL CATEGORIES - DETAIL											
SIC CODE	CATEGORY	ASIAN-PACIFIC	AFRICAN AMERICAN	HISPANIC	NATIVE AMERICAN	OTHER	TOTAL MINORITY BUSINESS ENTERPRISE (MBE)	TOTAL WOMEN BUSINESS ENTERPRISE (WBE)	SUBTOTAL WOMEN MINORITY BUSINESS ENTERPRISE (WMBE)	SUBTOTAL DISABLED VETERAN BUSINESS ENTERPRISE (DVBE)	TOTAL WMDVBE
7359	EQUIPMENT RENTAL & LEASING							\$39,398	\$39,398		\$39,398
7361	EMPLOYMENT AGENCIES	\$87,571					\$87,571		\$87,571		\$87,571
7379	COMPUTER RELATED SERVICES		\$21,804				\$21,804		\$21,804		\$21,804
7692	WELDING REPAIR							\$2,161	\$2,161		\$2,161
8732	ECONOMIC RESEARCH		\$19,305				\$19,305		\$19,305		\$19,305
8111	LEGAL SERVICES	\$128,043					\$128,043		\$128,043		\$128,043
8711	ENGINEERING SERVICES	\$33,171		\$3,200			\$36,371	\$256,799	\$293,170		\$293,170
8712	ARCHITECTURAL SERVICES	\$6,500					\$6,500	\$7,818	\$14,318		\$14,318
8713	SURVEYING SERVICES							\$113,484	\$113,484		\$113,484
8734	TESTING LABS			\$6,505			\$6,505		\$6,505		\$6,505
8741	MANAGEMENT SERVICES		\$22,635	\$1,260,855			\$1,283,490		\$1,283,490		\$1,283,490
8742	MGMT CONSULTING SVCS			\$151,075			\$151,075	\$367,359	\$518,434		\$518,434
8748	BUSINESS CONSULTING SVCS		\$140,341	\$253,657			\$393,998		\$393,998		\$393,998
8999	SERVICES	\$35,220					\$35,220	\$286,851	\$322,071		\$322,071
561115	OFFICE SUPPLIES									\$10,160	\$10,160
721537	CONSTRUCTION DESIGN, BUILD SVCS									\$39,011	\$39,011
761115	BLDING CLEANING & MAINTENANCE									\$396,053	\$396,053
771015	ENVIRONMENTAL RESEARCH									\$657,503	\$657,503
821316	AERIAL PHOTOGRAPHY									\$5,400	\$5,400
TOTAL		\$606,191	\$1,723,117	\$6,088,037	\$457,860	\$3,150,178	\$12,025,383	\$10,620,027	\$22,645,410	\$1,355,640	\$24,001,050

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

California American Water employees Salvador Navar, Meter Reader; Karen Wilhelm, Conservation Specialist; Spencer Philips Sr., Engineering Technician



2014 HIGHLIGHTS

SECTION 9.1.3 – Itemization of WMDVBE Program Expenses

EXPENSE CATEGORY	AMOUNT
Wages, Training and Employment	\$110,219
Other Employment Expenses	\$0
Reporting Expenses (estimate)	\$2,923
Training	\$0
Outreach	\$14,777
Marketing Collateral	\$0
TOTAL EXPENSES	\$127,919

California American Water employees Tino Gamboa, Utility Worker; Veronica Aguilera, Water Conservation Specialist; Martin Salas, Utility Worker



2014 HIGHLIGHTS

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

California American Water has [consistently met or surpassed stated diverse spend goals](#) of 21.5% as set forth by the California Public Utilities Commission (CPUC). While we continue to increase our total spend with diverse suppliers, we are cognizant that there are specific categories in which we have much opportunity for improvement. In 2014, we were very close to attaining the stated spend with Disabled Veteran Business Enterprises (DVBE) and increased spend marginally with African American men. We will continue to be diligent in identifying, and hopefully utilizing, diverse suppliers in the Native American, Asian-Pacific, African American and Disabled Veteran categories while maintaining spend with the categories in which we have been historically successful. There were no extenuating circumstances that caused California American Water to fall short of its goals.

CATEGORY	CPUC CURRENT YEAR GOALS	CALIFORNIA AMERICAN WATER CURRENT YEAR SPEND
Subtotal Minority Business Enterprise (MBE)	15.00%	10.79%
Subtotal Women Business Enterprise (WBE)	5.00%	9.52%
Total Woman, Minority Business Enterprise (WMBE)	20.00%	20.32%
Subtotal Service Disabled Veteran Business Enterprise (SDVBE)	1.50%	1.21%
TOTAL BUSINESS ENTERPRISES (WMDVBE)	21.50%	21.53%

California American Water employees Eric Rojas, Pump Operator; Tricia Glass, Lab Technician; Hector Torres, Meter Operator



2014 HIGHLIGHTS

**\$1.8
million to
\$3.5
million**

The 2014 second tier spend increased from \$1.8 million in 2013 to \$3.5 million in 2014, due to utilization of diverse contractors.

SECTION 9.1.5 – Summary of Prime Contractor Utilization of WMDVBE Subcontractors

California American Water's Second Tier Program, encouraging our Prime Supplier partners to identify and utilize diverse suppliers, has consistently increased captured spend since its inception in 2013. The 2014 results represent a **94% increase over the results reported in 2013**. We continue to actively work with our Prime Supplier partners to further encourage diverse supplier utilization in every feasible aspect of California American Water-awarded contracts. This partnership creates additional opportunities for diverse suppliers to expand and grow their businesses, and creates a significant economic impact on the communities we serve.

SECOND TIER DIVERSE SUBCONTRACTORS		
District	Diverse Subcontractor	Prime Contractor
National	Vitesse Recruiting and Staffing	YOH SERVICES
National	Act 1 Group	YOH SERVICES
National	APR Consulting	YOH SERVICES
Sacramento	Martin Bros Construction <i>New for 2014</i>	SYBLON REID
Monterey	Ventanna Engineering <i>New for 2014</i>	GRANITE CONSTRUCTION
Monterey	Moore Twining Associates	GRANITE CONSTRUCTION
Monterey	G SJ Utility & Supply	GRANITE CONSTRUCTION
Monterey	Maskell Pipe <i>New for 2014</i>	GRANITE CONSTRUCTION

District	Diverse Subcontractor	Prime Contractor
Monterey	KRC	GRANITE CONSTRUCTION
Monterey	Beebe Construction	GRANITE CONSTRUCTION
Monterey	Kroeker, Inc. New for 2014	GRANITE CONSTRUCTION
Monterey	Pinnacle Petroleum New for 2014	GRANITE CONSTRUCTION
Monterey	California Construction Survey	GRANITE CONSTRUCTION
Monterey	Pacific Coast Drilling New for 2014	GRANITE CONSTRUCTION
Monterey	111th Aerial & Architectural Photography New for 2014	GRANITE CONSTRUCTION
Monterey	Nitta, Inc.	GRANITE CONSTRUCTION
Monterey	Denise Duffy & Associates	CDM SMITH CONSTRUCTORS, INC.
Monterey	Joni Janecki New for 2014	CDM SMITH CONSTRUCTORS, INC.
Monterey	TDI New for 2014	CDM SMITH CONSTRUCTORS, INC.
Los Angeles/Ventura	CalPower New for 2014	STETSON ENGINEERS
Los Angeles/Ventura	Petra Environmental New for 2014	BROWN & CALDWELL

2014 HIGHLIGHTS

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

California American Water received no complaints from WMDVBEs.

SECTION 9.1.7 – Summary of Purchases and/or Contracts for Products and Services in Excluded Categories

With the exception on Purchased Water and Power, California American Water included all categories of products and services allowed to define gross procurement.

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

In 2014, there were no regional opportunities to utilize diverse suppliers providing service in low utilization categories.

SECTION 9.1.9 – Document Retention

California American Water will retain all documents and data utilized to prepare the 2014 Annual Supplier Diversity report to the California Public Utilities Commission for three years in conformance with our document retention policies. These documents and any data will be provided to the California Public Utilities Commission upon request.

California American Water employees Joe Risso, Distribution Foreman; Michael Hannon, Water Treatment Operator III, & Jered Silvas, Water Treatment Operator II



2014 HIGHLIGHTS

DIVERSE SUPPLIER SHOWCASE – Dyson Electrical Contractors



California American Water implemented a Mentor Protégé Pilot Program in collaboration with California Class A Water Utilities and Infinity Business Solutions. This program was established to enhance the capability of diverse business enterprises (DBEs) to compete for California American Water procurement opportunities. The Mentor Protégé Pilot Program is a 15-month effort and is in compliance with the guidelines set forth by the California Public Utilities Commission for diverse supplier Technical Assistance and Capacity Building assistance from the regulated utilities.

Dyson Electrical Contractors was selected by California American Water in 2014 as its diverse supplier protégé. This selection was made based on recognized need for the services provided by Dyson Electrical Contractors and the tenacity of its owner, Deborah Dyson, in seeking opportunities. Dyson Electrical Contractors was established in 2007 and is a second-generation entrepreneurial effort. Deborah's father was the first African American General Contractor in the Pasadena area and one of the entrepreneurial leaders founding the National Association of Minority Contractors in the Los Angeles area. This familial background and success led Deborah to pursue her own path as an entrepreneur after 24 years of professional and educational experience with the California State Prison System.

Dyson Electrical Contractors connects people to power. They specialize in new electrical systems, data/CCTV, low and high voltage wiring and termination, panel upgrades, troubleshooting, renovation and expansion, and new and remodel construction.

Dyson Electrical Contractors boasts a significant list of satisfied clientele across many industries. This includes successful partnerships with Becker & Sons, Kiewit, Metro Transit Authority, Southern California Gas Company and Webco Construction to name a few. Dyson also maintains solid relationships with the State of California Highway Patrol and the State of California Department of Employment Development. Finally, Deborah Dyson sits on the Board of Los Angeles Unified School District Small Business Advisory Council and the Metro Transportation Advisory Board as one of its Directors.

California American Water appreciates the challenge presented by Dyson Electrical Contractors to our Supplier Diversity Program and staff to understand and work towards meeting the needs of diverse suppliers seeking opportunities to provide goods and services.

We look forward to working with Dyson Electrical Contractors in 2015.

2015 ANNUAL PLAN

In 2014, California American Water had many great starts:

- **Implemented a Mentor Protégé Pilot Program**
- **Hired a National Supplier Diversity Manager**
- **Established an internal Supplier Diversity Council**
- **Held a Community Based Organization Forum**

With these actions, we have **begun to strategically work through details and strategies** in several Supplier Diversity Program essential component areas: Technical Assistance and Capacity Building (Mentor Protégé Pilot Program), Second Tier Program Expansion (National Supplier Diversity Manager), In-reach Staff Education (Supplier Diversity Council) and Outreach Alignment (Community Based Organization Forum). **2015 will be a year of building and continuous improvement.** Identifying necessary resources and tools needed to create or improve upon foundations of administrative support required for the sustainability of our program will be the focus. We will continue what we started in 2014 and look forward to the challenges and the potential to meet and overcome barriers. We are committed to these tasks as we strongly believe, **Diversity Matters: Consistency is Key.**

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

We are driven to succeed in surpassing Supplier Diversity Goals set, notwithstanding the fluid environment in which we operate and provide service. It is always our intent to be diligent in all aspects of Procurement Sourcing to **ensure inclusion of diverse suppliers** at the competitive table.

We understand that this will take an “All-In” approach with California American Water leaders and staff, Prime Supplier partners, diverse suppliers and Community Based Organizations, all of whom are knowledgeable and efficient in their areas of responsibility, and desiring of continuously contributing their professional strengths to reach the ultimate objective. From these combined efforts we expect a **positive impact on the goals set.** Our short-, mid- and long-term goals are presented below:

CATEGORY	SHORT-TERM 2015	MID-TERM 2017	LONG-TERM 2020
Minority Business Enterprise (MBE)	15%	15%	15%
Women Business Enterprise (WBE)	5%	5%	5%
Disabled Veteran Business Enterprise (DVBE)	1.5%	1.5%	1.5%

2015 ANNUAL PLAN

SECTION 10.1.2 – Planned Internal/External Activities

As the Supplier Diversity Program at California American Water matures, we are confident that **consistency is the key** to ensuring its status as world class. 2015 will bring a more focused and consistent approach to pursuing success in varying component areas, as needed, to strengthen the program as a whole. Primarily, we recognize opportunities to **increase diverse spend with minority women and service disabled veterans**. To that end, we will seek alignment with specific organizations and/or diverse suppliers whose members represent the categories needed to effectively compete for the products and services required to deliver water service to our communities. We will consistently work with our Prime Supplier partners to **further their education and knowledge of what supplier diversity means to us and the economic impact on the communities we serve**. We will develop consistent and stronger in-reach to California American Water staff to **ensure complete and thorough knowledge** of the supplier diversity conversation. And lastly, we will consistently seek to **advance current diverse supplier relationships and capabilities** to potentially maintain long-term business to business partnerships and help to create supplier sustainability.

PLANNED INTERNAL ACTIVITIES

- ▶ **Supplier Diversity Council** - This cross functional employee council will educate and direct supplier diversity goals and objectives to California American Water staff at large.
- ▶ **Community Based Organization Forums to Introduce to California American Water Staff**
- ▶ **Project/Division Specific Diversity Forums**
- ▶ **Identify specific diverse spend targets with Prime Supplier partners to further increase diverse spend objectives**

PLANNED EXTERNAL ACTIVITIES

- ▶ **Prime Supplier Partner Interviews to further supplier diversity knowledge and education of objectives, and to require monthly second tier spend reporting of diverse supplier subcontracting utilization**
- ▶ **Joint Utilities participation**
- ▶ **National Utility Diversity Council participation**
- ▶ **Mentor Protégé Pilot Program**
- ▶ **Participation, Support and Sponsorship (as appropriate) to Community Based Organizations**

2015 ANNUAL PLAN

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

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

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

California American Water excludes only Purchased Water and Purchased Power as allowed. To that end, we are unaware of any WMDVBE supplier able to supply the volume of water needed and that can provide such a supply within the regulatory requirements set forth by the California Public Utilities Commission. We would welcome an introduction to any diverse supplier that can provide high-volume services in this area and is knowledgeable of regulatory compliance requirements for water delivery.

SECTION 10.1.5 – Planned Subcontracting Opportunities

In 2015, we will begin to notify diverse suppliers of upcoming subcontracting opportunities via our website at www.californiaamwater.com. The information provided will include project name, Prime Supplier contact information, and timeline for response. We will educate our Prime Supplier partners of this and will coordinate with them on best practices for introduction. We will also require a monthly report identifying diverse supplier utilization and associated spend.

SECTION 10.1.6 – Program Compliance

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

GOVERNANCE

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

2015 Board Members

- ★ **Mr. Walter Lynch**
CHIEF OPERATING OFFICER, American Water
- ★ **Mr. Robert MacLean**
PRESIDENT, California American Water
- ★ **Sen. Kevin Murray (ret.)**
RETIRED CALIFORNIA STATE SENATOR, 26TH DISTRICT
- ★ **Ms. Cheryl Norton**
PRESIDENT, Kentucky American Water
- ★ **Edward Vallejo**
VICE PRESIDENT INVESTOR RELATIONS, American Water
- ★ **Hon. Blanca Estela Zarazúa De Leon**
HONORARY CONSUL TO MEXICO

Holley Joy, Program Manager
Supplier Diversity

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