



March 2, 2015

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Mr. Timothy Sullivan
Executive Director
California Public Utilities Commission
505 Van Ness Avenue, Room 5222
San Francisco, CA 94102-3298

Dear Mr. Sullivan:

Please find the attached electronic copy of San Jose Water Company's 2014 Supplier Diversity Annual Report and 2015 Annual Plan describing procurement activities with Women, Minority and Service Disabled Veteran Business Enterprises (U-168-W), pursuant to the General Order 156.

Should you have any questions, please feel free to contact Palle Jensen at 408-270-7970.

Sincerely,

A handwritten signature in black ink that reads 'Charmaine Jackson'.

Charmaine Jackson
Manager, Supplier Diversity and Community Involvement

cc: Palle Jensen, Senior Vice President, Regulatory Affairs
Wes Owens, Manager, Regulatory Affairs

Attachment



(U-168-W)

**Utility Supplier Diversity Report to the California Public Utilities Commission
Women-owned, Minority-owned and Disabled Veteran-owned Business Enterprise Procurement**

2014 Report and 2015 Plan

**Prepared by: Charmaine Jackson, CPSD (U-168-W)
Manager, Supplier Diversity and Community Involvement**

In response to CPUC General Order 156

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2014 Utility Supplier Diversity Program Report



It is with great pleasure I can report on Supplier Diversity at San Jose Water Company (SJWC), and share with you the significant contributions diverse suppliers make in ensuring a strong supply chain to meet the vital water and service needs that impact the daily lives of all our customers. Serving one of the largest metropolitan areas in the United States with high quality, safe, reliable water at fair and reasonable rates requires a supply chain delivering superior service, quality and service at the lowest possible cost. In committing ourselves to diversity and inclusion in our supply chain, diverse suppliers are increasingly a part of our service solution.

As with any area of our business, since the inception of our Supplier Diversity program, we have focused on operational excellence and sustainability. Our program has evolved and grown stronger with each year, and for the first time we are pleased to report we have exceeded the CPUC goal of 21.5% spend with diverse businesses. In 2014, SJWC spent \$22.9M with diverse business, representing an impressive 25.2% of our total procurement, and a 26% increase over 2013.

While we are extremely proud of these achievements, we are equally proud of our program activities that made it all possible. We helped develop and implement the Mentor Protégé Program resulting in a contract with a local MBE supplier focused on increasing the efficiency in forecast planning of our fuel supply. Additionally, as we began one of our largest and technically complex capital intensive projects, the Montevina Water Treatment plant upgrade, a WBE engineering firm provided critical remediation services. As we continue our multi-year Montevina project, which will shift the majority of our procurement activity to highly specialized, capital intensive sourcing, we will draw on our strong program fundamentals, including our expanding subcontracting program, to help us meet the challenges of maintaining diverse supplier inclusion.

As I conclude, I am confident the program we have built will serve d SJWC as we continue to leverage diverse suppliers in the delivery of our service and operational excellence.

W. Richard Roth
Chairman, President and CEO
San Jose Water Company

2014 Utility Supplier Diversity Program Report

This filing is in compliance with the requirements of California Public Utilities Commission (CPUC) General Order 156, and contains the 2014 Annual Report and the 2015 Annual Plan of San Jose Water Company's Utility Supplier Diversity Program (USDP). The annual report describes the program activities and results achieved by San Jose Water Company (SJWC) for the period of January 1 through December 31, 2014.

This report will serve as SJWC's third report to the CPUC under the guidelines of General Order 156.

2014 Annual Report Summary of Program and Highlights

SJWC's commitment to the CPUC USDP program and its goal to provide access and opportunity to women-, minority- and disabled veteran- owned business (WMDVBE) enterprises continues to progress through program and process development.

SJWC's overall eligible procurement totaled \$90 million in 2014. The company's procurement for goods and services with WMDVBE's represents \$22.8 million or 25.3 % of total company procurement. Our 2014 diversity spend results increased by \$4.7 million or 26% compared to 2014. The company's collaborative efforts with the other Class A water companies furthered key program initiatives to help build best in class sustainable supplier diversity initiatives. SJWC's year over year procurement growth with MWDVBE's resulted in San Jose Water Company exceeding the CPUC WMDVBE goal of 21.5% for the first time in San Jose Water Company's program participation.

Highlights of SJWC's 2014 USDP Success

Major SJWC achievements include the following:

- In 2014, SJWC overall spend with diverse suppliers increased to \$22.8 million, representing an increase of 26% in total qualifying procurement activity in comparison to 2013. Through focused procurement efforts, diverse spend increased by \$4.7M in 2014.
- SJWC procured services from 137 suppliers in 2014.
- SJWC focused on its commitment to the CPUC's OIR outlining a comprehensive Technical Assistance and Capacity Building program. Through the development and implementation of the Mentor Protégé Pilot program (MP3) the contract for SJWC's fuel-services was awarded to a local and minority owned and business. This resulted in over \$160K in direct procurement from this supplier.
- SJWC's Manager of Supplier Diversity continued to lead the collaborative efforts of the California Water Association (CWA) USDP Committee by serving as Committee Chair. The ongoing strategic efforts resulted in program participation in CWA's MP3 program implementation and successful completion.

The USDP efforts at SJWC show a year on year increase in spend and program development. The company's focus on finding qualified suppliers and participation in the MP3 program demonstrates its' consistent progress from year to year. In 2014, SJWC exceeded the CPUC's 21.5% goal for the utility to procure goods from women minority and disabled veteran owned businesses. SJWC improved significantly in both the minority and women business enterprise categories...

Under the guidelines of GO 156

Year	Total eligible Procurement	Diverse Procurement
2011	\$70,511,821	\$12,295,595
2012	\$96,313,252	\$17,507,376
2013	\$92,429,415	\$18,145,595
2014	\$90,949,889	\$22,880,429

Year on Year Progress with New Vendors

Year	Diverse Suppliers	Newly Awarded Contracts
2011	90	10
2012	104	14
2013	138	34
2014	137	-1

9.1.1 Internal /External Activities

In 2014, SJWC's internal and external program activities were a key factor in our improved supplier diversity performance. During the year, the program focused on development and participation in the MP3 program.

SJWC continued to create program awareness both internally and externally through various communication and community based partnerships.

Internal Activities

In 2014 the SJWC USDP focused on the key strategic growth areas

- 1) Mentor Protégé Pilot program participation
- 2) Improved and customized reporting systems

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- 3) Increased communication on supplier diversity progress at inter-departmental meetings
- 4) Increased communication and program visibility through targeted publications

San Jose Water Departmental Champions Program

SJWC continues to rely on the active participation of its internal champions. USDP efforts benefit from is Champion Program Initiative “C.AP. (Commit to providing opportunities for diverse businesses, Attend outreach events to engage potential suppliers, and Participate in strategic and operational meetings for the program).

2014 CAP program initiative direct results:

- Newly awarded fuel procurement contract with MBE
- Champion presentation at the CWA hosted Business Opportunity hosted to educate and encourage diverse business inclusion in the Montevina water treatment plant upgrades through prime supplier sub-contracting efforts
- An increase of \$1.2 M in procurement with diverse businesses through prime supplier sub-contracting participation
- Diverse business participation goals for the Montevina water treatment plant upgrades

External Activities

SJWC continues the company’s outreach efforts by participating in community events that include partnerships with Women, Minority and Disabled Veteran owned business enterprises both locally and throughout the State of California. Relationships are key to engaging company leaders who can define and identify potential opportunities. SJWC partners with the

2014 Utility Supplier Diversity Program Report

organizations listed below which enables key decision makers to participate and play a key role in educating diverse business on the process of doing business with SJWC:

National Minority Supplier Development Council

Women’s Business Enterprise Council West

Institute for Supply Management

CPUC Sponsored Small Business Expos

Elite Disabled Veteran Network

DVBE Alliance

Western Regional Minority Supplier Development Council

Partner Organization Presentations

In 2014 the Manager of Supplier Diversity presented at the Construction Financial Management Association – Silicon Valley monthly membership meeting. The presentation outlined and detailed the value of diverse supply chain benefits. The workshop discussion included information on the partnership and role CWA plays in the efforts of all the Class A water utility programs.

Joint Utility Meetings

The SJWC USDP Manager of Supplier Diversity actively participates in the CPUC’s joint utilities quarterly meetings and is a key contributor in the planning developing of process that impact the way diverse business do business with California’s large and small utilities.

2014 Business Opportunity Fairs

In 2014 SJWC partnered with the CWA Class A member waters companies to host two business opportunity fairs (BOF). These fairs held in northern and southern California provided information on how to participate in key water company capital projects. During the northern California BOF, the Senior Vice President of Regulatory affairs emphasized the importance of “how a diverse supply chain is a key component of reaching that goal” and establishing water company operational excellence.

SJWC will continue to work with organizations such as the Elite Service Disabled Veteran-Owned Business (SDVOB) Network to locate DVBE’s that can work with SJWC as direct contractors and subcontractors.

SJWC’s participation at outreach and community events listed below afford supplier diversity champions the opportunity to introduce qualified suppliers to the procurement process. A brief list of 2014 outreach participation includes:

Community Based and Minority Based Organization Events

- American Indian Chamber of Commerce
Annual Conference and Trade Show
- Black Business Association
Black Business Association Luncheon and Procurement Expo

Professional and Trade Based Organization Events

- National Association of Regulated Utilities
Utility Market Access ad-hoc Committee Meeting
- Northern California Minority Supplier Development Council
- Northern California Minority Supplier Development Council
Excellence in Supplier Diversity Awards
- California Water Association
Utility Supplier Diversity Program Committee Meetings

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- California Disabled Veteran Business Alliance
Keeping the Promise Expo and Business Matchmaking
- Elite Service Disabled Business Network Annual Conference and Trade Fair
- National Minority Supplier Development Council
Annual Conference and Business Opportunity Fair
- National Utilities Diversity Council
Brooklyn Brainstorm
- Women Business Enterprise National Council
National Conference and Trade Fair
- Women Business Enterprise National Council
Summit and Salute

CPUC Sponsored Outreach Events

- California Public Utilities Commission
Statewide Small Business Expo Series
- CPUC Annual EnBanc Hearing

Employee Education

In order for SJWC to expand its supplier diversity program process and practices, the company relies on a vast level of participation by its staff to develop best and next practices in supply chain trends. Employee education is an important investment in building a successful program. In 2014, SJWC sponsored its' staff to attend various state, regional and training with organizations focused on improving these processes: Such training included:

- Institute of Supply Management Conference Supply Chain Summit
- Diversity Information Resources Best Practices in Supplier Strategies
- NMSDC Annual Conference
- Women Business Enterprise National Conference
- National Utilities Diversity Council

Website Enhancement

The SJWC USDP website continues to be a portal that provides information on the WMDVBE program at SJWC. The website continues to publish outreach participation as well as upcoming procurement opportunities. Suppliers are provided instruction and links to supplier diversity resources and certification information. In 2014 over 120 diverse businesses registered utilizing the portal. To further utilize the portal as a conduit for continued engagement, meetings are scheduled with key project managers to determine if the supplier's goods/services fit SJWC's current or future business needs.

2014 Utility Supplier Diversity Program Report

9.1.2 Statistical Reports / Summary of Purchases

UTILITY SUPPLIER DIVERSITY PROGRAM ANNUAL RESULTS BY ETHNICITY						
2014						
			Direct \$	Sub \$	Total \$	%
1	Minority	Asian-Pacific	15,297	225,539	240,836	0.3%
2	Men	African-American	104,942		104,942	0.1%
3		Hispanic	7,887,419	441,142	8,328,561	9.2%
4		Native American	395,259	18,615	413,874	0.5%
5		Other	1,813,639	0	1,813,639	2.0%
6		Total Minority Men	10,216,556	685,296	10,901,852	12.0%
7	Minority	Asian-Pacific	5,836,451	1,754	5,838,205	6.4%
8	Women	African-American	10,540		10,540	0.0%
9		Hispanic	76,611	494,890	571,500	0.6%
10		Native American	0	0	0	0.0%
11		Other		0	0	0.0%
12		Total Minority Women	5,923,601	496,644	6,420,245	7.1%
13	Total Minority Business Enterprise (MBE)		16,140,158	1,181,940	17,322,098	19.0%
14	Women Business Enterprise (WBE)		627,648	4,327,634	4,955,282	5.4%
15	Subtotal Women, Minority Business Enterprise (MWBE)		189,925	0	22,277,380	24.5%
16	Service Disabled Veteran Business Enterprise (DVBE)		319,154	103,051	422,204	0.5%
17	TOTAL WMDVBE		17,276,885	5,612,624	22,889,509	25.2%
18	Gross Procurement				\$ 197,117,118	
19	Non-Inclusion				\$ 106,167,229	
20	Net Procurement				\$ 90,949,889	

9.1.3 Program Expense**Utility Supplier Diversity Program Expenses**

EXPENSE CATEGORY	2012 (Actual \$)
Labor	\$102,846
Program Expenses	\$38,651
Reporting Expenses	\$5,239
Training	\$5,923
Other Expense	\$25,688
TOTAL	\$178,374

- * Other Expenses: Membership expenses – Expenses captured and disbursed for Mentor Protégé Pilot program through CWA for Class A water companies.

9.1.4 Goal Progress

SJWC made significant measurable progress towards meeting the CPUC goal of 21.5% of procurement activity with minority-owned, women-owned and disabled veteran-owned business enterprises. In 2014 SJWC spend totaled \$22.8 million or 25.2% with diverse businesses.

This represents a 26% increase over diverse procurement in 2013 and marks San Jose Water Company first program performance of exceeding the CPUC 21.5% goal.

2014 Utility Supplier Diversity Program Report

9.1.5 Summary of Utilization of WMDVBE Subcontractors

1 San Jose Water Company Summary of Utilization of WMDVBE Subcontractors

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 WMDVBE
3	Direct \$	10,216,556	5,923,602	16,140,158	627,648	189,925	319,154	17,276,885
4	Subcontracting \$	685,296	496,644	1,181,940	4,327,634	0	103,051	5,612,625
5	Total \$	10,901,852	6,420,246	17,322,098	4,955,282	22,277,380	422,205	22,889,510
6								
7	Direct %	12%	7.1%	17.7%	0.7%	0.2%	0.4%	19.0%
8	Subcontracting %	0.8%	0.5%	1.3%	4.8%	0.0%	0.11%	6.2%
9	Total %	12.7%	7.6%	19.0%	5.4%	0.2%	0.5%	25.2%
10								
11	Gross Procurement	\$ 197,117,118						
12	Non-Inclusion	\$ 106,167,229	*Purchase Water, Power, Pump Tax					
13	Net Procurement	\$ 90,949,889						

* Totals may not add due to rounding

9.1.6 Complaints

SJWC did not receive any formal complaints about the USDP program in 2014.

9.1.7 Summary of Purchases and or Contracts in Excluded Categories

The amount shown on Table 9.1.2 as “Non-Inclusion” is the total of payments made in the categories of Purchased Water, Purchased Power, and Groundwater Extraction Fees (pump taxes). Other categories subject to Section 8.9, Other Utilities, Taxes, Franchise Fees, and Postage, have not been included in the Gross Procurement.

The reporting of these categories as “Non-Inclusion” on Table 9.1.2 by water companies is intended to provide information to CPUC staff regarding these categories and to be consistent with the procurement reporting by the energy companies. This procurement reporting for water companies results from workshops convened by the Commission’s Utility Supplier Diversity Program Staff, pursuant to Ordering Paragraph No. 4 of D.11-05-019 (in R.09-07-027), and subsequent additional discussions, in order for the Staff and utilities to reach a common understanding of what is to be reported as a result of the amendments to General order 156 and to address and resolve any issues related to the adoption of the water companies’ procurement reporting requirements under General Order 156.

9.1.8 Diverse Suppliers in Underutilized Areas

During 2014 SJWC worked to increase diverse spending in areas where such supplier utilization has traditionally been low. As a result SJWC increased diverse spend in the following categories

- Increase in Minority Women business spend resulting in an overall increase in total minority business spend
- Increase in Women Business Enterprise resulting in a substantial increase in Women Business spend
- Increase in sub-contracting participation, resulting in an overall increase in WMDVBE spend

SJWC will continue its efforts to recruit minority owned business in consultant services areas to the extent possible.

Mentor Protégé Pilot Program – San Jose Water Company’s Technical Assistance and Capacity Building Success Story

San Jose Water Company prides itself of being a leader in the provision of water service and delivering exemplary customer service. The commitment of utilizing suppliers that provide exceptional service levels at a competitive price spans throughout the supply chain. SJWC relies on its largest suppliers to assist in USDP efforts.

Western States Oil participation in the Technical Assistance and Capacity Building - Mentor Protégé pilot program (MP3) led to the success of Western States Oil being named as the source supplier for fuel services to SJWC.

SJWC success in meeting the Commissions’ 21.5% goal is in part due to the award of this contract. In December 2014 Western States Oil completed ten months of MP3 program participation targeted to provide access and optimize Water Company sourcing processes thus increasing potential contract participation in areas of opportunity.

In collaboration with Class A member water companies, CWA held its first MP3 achievement ceremony. This ceremony was to acknowledge all program participants.

San Jose Water’s success was due in part to the following program elements:

- Pro-active participation of key stakeholders which included:
 - Executive Management
 - Director of Purchasing and Logistics
 - Manager of Fleet Services
 - Manager of Security Services
 - Manager of Supplier Diversity
- Participation in monthly forecasting meetings
- Participation and collaboration of information technology systems integration
- Maximized utilization of financial systems including corporate procurement card benefits
- Participation in local outreach efforts aimed to maximize Western States Oil’s exposure to other water utilities

Key supply chain benefits:

- Pro-actively sought to integrate small and diverse businesses into our procurement and sourcing opportunities for long term contracts resulting in cost savings and backup emergency fuel reserves
- Educated the WSO staff on the benefits and process of working with water and investor owned utilities
- Formalized reporting process to provide forecast fleet usage on a month by month basis

2015 Annual Plan

10.1.1 Goals

Category	Current Year Results	Current Year Goals
Minority Men	12.0%	12.0%
Minority Women	7.1%	3.0%
Minority Business Enterprise (MBE)	19.1%	15.0%
Women Business Enterprise (WBE)	5.4%	5.0%
Subtotal Women, Minority Business Enterprise (WMBE)	24.5%	20.0%
Service Disabled Veteran Business Enterprise (DVBE)	0.5%	1.5%
Total WMDVBE	25.2%	21.5%

In 2015, SJWC's USDP will focus on achieving the following results:

- Work with supplier diversity champions to provide diverse business request for proposal participation on capital projects.
- Participate in the Mentor Protégé Program to optimize knowledge and provide technical assistance to increase capacity and growth for MWDVBE's
- Continue to meet with our largest prime suppliers to increase sub-contracting levels
- Implement supplier management tools to measure expense category according to diverse spend.
- Identify suppliers in low utilization areas and seeks means to include diverse businesses in these opportunities

10.1.2 Planned External/Internal Activities

External Activities

Supplier Development and Mentoring

In compliance with Ordering Paragraph No. 4 of CPUC D.11-05-019 (in R.09-07-027), SJWC will continue work closely with the CWA and its members to participate in the Tier 1 capacity building and technical assistance program

In 2015 SJWC will continue to work with CWA and its member companies to host Business Opportunity Fair meetings encouraging prime suppliers to increase sub-contracting participation

SJWC forms relationships with suppliers and will sponsor diverse business attendance at events, that are designed to educate suppliers on doing business with utilities and provide direction and instruction on increasing the probability of working with all CPUC utilities. In addition to facilitating engagement with other California owner invested utilities, the diverse business participation has led to extended contract opportunities in the private sector.

In 2014 SJWC sponsored event attendance to the following diverse businesses:

<u>Diverse Business</u>	<u>Event</u>
Excelerate Consulting	NMSDC Annual Conference
Western States Oil Company	Northern California Business Opportunity Conference

Internal Activities**Technical Resources**

SJWC will continue its efforts to implement supplier diversity reporting tools that will support the efforts of providing detailed program progress and departmental participation.

10.1.3 Recruitment Plans for Suppliers in Underutilized Areas

Included in SJWC USDP 2015 program planned activities are clear measurable goals progress to increase procurement contracts in lower utilized categories, SJWC will focus on increased communication and partnerships with local organizations in the following categories:

African American Owned Businesses

Native American Owned Businesses

Disabled Veteran Owned Businesses

10.1.4 Former Section 10.1.4 “Plans for Recruiting Diverse Suppliers in excluded Categories”

No longer applicable

10.1.5 Planned Sub-contracting

SJWC understands the importance of increasing diverse spend utilizing prime contractors as an extended participant of the USDP. As a result of focused outreach and partnership with prime suppliers SJWC will continue to hold prime supplier contractor meetings, and matchmaking events to increase sub-contracting opportunities with SJWC’s largest prime suppliers. SJWC will set targets and provide tools such as on-line subcontracting reporting (PRISM) necessary for our prime suppliers to actively participate and achieve such goals.

10.1.6 Plans for compliance with WMDVBE Program Guidelines

SJWC will comply with all provisions and revisions of General Order 156. SJWC works cooperatively with the Commission and its staff in the implementation of program objectives.

The USDP Program Manager will continue to pro-actively work with the USDP Champions to review, streamline, and improve policies that implement department goals and contract language to include diverse suppliers in capital projects.

Objective #1 Compliance with GO 156 - Reporting

Enhancements to reporting tools and online sub-contracting reporting will improve company-wide visibility and awareness in areas of procurement focus. This improvement will increase SJWC's ability to monitor program progress as well verify certification eligibility and improve USDP program participation in all business areas.

Objective #2 Increase Participation in Tier 1 Capacity Building (CB) and Technical Assistance Program (TA)

SJWC will work continue to work with CWA member water companies to participate in the Mentor Protégé Program (MP3).

Objective #3 Supplier Presentations

SJWC will work to implement "pitching with a purpose" in collaboration with its partner community business organizations. These supplier presentations hosted during partner events will allow the SJWC champions to meet with and learn about diverse business capabilities. The informal meetings will add to our outreach efforts by allowing diverse suppliers an opportunity to provide the "company pitch" relative to the services they provide to SJWC key stakeholders.