



Suburban Water Systems

A SouthWest Water Company



Crews from WMDVLGBTBE vendor Doty Bros work with Suburban's Utility Crew to repair a 20" steel water main across Whittier Blvd.

Supplier Diversity Annual Report 2015

COMMITMENT, POLICY, AND VISION

Commitment

- Suburban Water Systems (Suburban) is committed to developing mutually beneficial business relationships with Woman, Minority and Disabled Veteran, Lesbian, Gay, Bisexual, and Transgender Business Enterprises (WMDVLGBTBE) that have the capability to meet or exceed our requirements for products and services. Identifying these businesses, providing them opportunities to do business with us, and helping them succeed are essential elements in our own success and are directly in line with our mission and core values. Supplier diversity for Suburban is not just a “program”, but a way of doing business.

Policy

- It is the policy of Suburban Water Systems through its supplier diversity initiative to increase business opportunities for certified diverse business enterprises. We recognize the value of creating opportunities for all suppliers to participate in sourcing of products and services as they arise within our company.
- All employees are encouraged to assist in providing avenues of support and opportunities for diverse suppliers who may also be valued customers. Our policy directs sourcing activities throughout our organization in a collaborative environment so that those who are tasked with varied procurement responsibilities play a key role in making our corporate objective a reality.

Vision

- Develop a strong base of high-quality diverse suppliers.
- Include all qualified suppliers in bid opportunities.
- Measure, track, benchmark and report Suburban’s company-wide diverse supplier spend.
- Strengthen economic growth within our supply chain by using diverse suppliers.
- Suburban believes in and values supplier diversity. We remain committed to making supplier diversity a way of doing business in all that we do.

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A MESSAGE FROM OUR PRESIDENT



Richard Rich
General Manager

Suburban Water Systems (Suburban) is pleased to submit this 2015 Annual Report outlining its activities under the Utility Supplier Diversity Program (USDP).

Suburban is committed to providing equal opportunities to all potential business partners. Our goal is to collaborate with businesses, large and small, that can help us fulfill our mission of providing safe, reliable, high-quality water, in a cost-effective manner that maximizes company resources and minimizes costs to Suburban's customers. We seek out companies that are diverse, but which also share our commitment to quality, service, and the highest ethical conduct and professional standards.

In 2015, our spend with diverse suppliers was \$5,093,395 which is \$758,451 above last year, and represents a diverse spend percentage of 24.72% compared to last year's 23.88% far exceeding our 2015 goal of 21.5%. We are pleased with our results and the coordinated contributions of the Suburban team to achieve these results. Though this recent improvement is impressive, moving forward into 2016 it is important to be mindful that the complement of pipeline construction projects in any given year is a significant driver of Suburban's supplier diversity spend.

While we continue our commitment to Supplier Diversity, 2015 consisted of only 2 major capital projects. This required us to explore new ways to ensure that diverse suppliers had an opportunity to support Suburban in the delivery of our services. In this annual report, we both highlight our successes and the activities that have sustained our Program, as well as lay out our strategy for embracing the challenge of providing opportunities for diverse subcontractors to add value to our supply chain in light of a changing project landscape.

Suburban's commitment to supplier diversity remains strong; our goal in 2016 is to continue expanding our program and work with our prime contractors to encourage them to engage more diverse Sub-Contractors.

YEAR	DIVERSE SPEND (Millions)	% SPEND	NUMBER OF DIVERSE FIRMS
2015	\$5.1	24.72%	27
2014	\$4.3	23.88%	23
2013	\$3.0	32.18%	28
2012	\$7.2	32.87%	33
2011	\$2.2	20.54%	34
2010	\$2.8	20.03%	21

2015 PROGRAM HIGHLIGHTS

2015 was a year focused on overcoming the challenges faced when having major capital projects that do not allow for a lot of diverse spend throughout the year. However, Suburban worked diligently to overcome this challenge and focused attention on finding diverse firms in commodity areas which historically have not been as present in Suburban's supply chain. Suburban was successful in adding 4 new diverse vendors which increased our spend from 2014. For example, Suburban hired a diverse law firm to assist our legal team with debt financing. This is a huge accomplishment for Suburban and a testament to our hard work and keen eye to detail.

2015 Highlights include:

- **More focused involvement of procurement in the sourcing of diverse suppliers for bid opportunities**
 - In 2015 we redeployed resources into more fertile areas.
 - Continued collaboration at the front end of buying decisions, ensuring diverse businesses are included in bid opportunities.
 - Updated master services contracts with supplier diversity language as well as right-sized insurance requirements making sure that these requirements are not excessive for the work being done.
- **Supplier Outreach to expand Suburban's supply chain**
 - Suburban's outreach activities in 2015 included individual meetings with diverse suppliers, attendance at various CPUC and CWA Supplier Diversity sponsored events.
- **Training to prime suppliers to increase tier 2 opportunities**
 - Two prime contractor events were held in 2015 and attended by over 50 diverse and non-diverse firms who were there to learn about subcontracting and its importance to the water utilities. Business owners met to discuss opportunities to work together.
 - Diverse firms are now flagged within the company's system making it easier to identify diverse firms within Suburban's supply chain thereby enhancing procurement strategies.

Progress In Suburban's Use Of Diverse Firms

- Increased utilization of diverse firms in the area of water conservation material printing, meter installation and signage.

Progress In Involvement With Suburban Infrastructure

The changing mix of projects can have a significant impact on diverse supplier participation. Nevertheless, we have been very successful in our efforts to involve and grow diverse contractors.

- Increased utilization of new suppliers



Progress In Involving Operations

- Provided mentoring to several existing suppliers who were referred to Suburban's USDPM for coaching and evaluation of certification eligibility.
- Continued partnership and collaboration between district offices and USDPM in the areas of procurement practices, internal process and district requirements and enhanced supplier communications.
- A diverse law firm was introduced.
- Re-working of Master Services Agreements to include supplier diversity language.

INTERNAL AND EXTERNAL ACTIVITIES

SECTION 9.1.1

EXTERNAL ACTIVITIES:

In 2015, Suburban participated in several events including the California Water Association's USDP "Prime Contractors Meeting" in June. This event focused on subcontracting (Tier 2) efforts within the water utility industry. The event was held in nearby Ontario, CA, and was host to over 50 businesses. The event focused on prime contractors and their utilization of diverse firms.

In addition to key executives speakers from the water utilities, Max Out Inc. gave a presentation about their work with water utilities. They outlined their own implementation of a tier 2 subcontracting program and the success it has brought their company in both enhancing their operations and meeting the diversity goals of those who they do business with. The event concluded with a networking session in which these diverse firms were able to get acquainted with water utilities' contracting personnel and learn about possible contracting opportunities.

INTERNAL ACTIVITIES:

Efforts continued in 2015 and opportunities were taken to ensure that supplier diversity was woven into the procurement process. Through various meetings and conversations throughout the year, Suburban's USDPM continued to share information and educate staff about Suburban's supplier diversity program.

These opportunities included:

- Mid-manager's meetings
- Executive staff meetings
- District and departmental meetings
- Information shared in company newsletter

Information included in these forums included:

- Awards of contracts to new or existing diverse firms
- Introduction of new diverse firms to districts
- Review of bidding opportunities
- Discussion of outcomes of bidding opportunities.

Efforts to involve diverse businesses in bid opportunities included:

- Regulatory (accounting firms)
- Customer Service/IT (credit card program)
- Legal Assistance



DIVERSE SUPPLIER SPOTLIGHT

BRKICH CONSTRUCTION

In addition to being a **certified LGBT**, Robert Brkich Construction Corp. is a signatory to the Operating Engineers, Construction Laborers, and Teamsters Unions. Brkich possesses Class A and HAZ California Contractor's Licenses.

For over seventy years, the Brkich name has been in the water industry in Southern California. They started as a sole proprietor plumbing business by a Croatian immigrant in the 1930s and have grown into one of the most respected general contracting firms in the San Gabriel Valley. Three generations of the Brkich family have made it their business to provide quality and reliable construction services to their clients. In 1969, Robert Brkich, Sr. inherited his father's knowledge and founded the Robert Brkich Construction Corp. specializing in water, sewer, and storm drain pipeline construction.

In the past forty years they have installed tens of thousands of miles of pipeline, everything from small service work to intricate treatment plants, everywhere from the Inland Empire to Ventura County. Robert Brkich Construction Corp. has prided itself on stable, consistent growth. Because they are a privately held firm, the owners and upper management have a direct vested interest in the success of projects and the satisfaction of their client partners. This conservative approach to business has allowed them to withstand economic downturns, thrive in upturns, and allowed them to always meet the requests of their client partners even in demanding climates.

Their relatively small size of 4 full time office staff and 30 field employees is advantageous for their client partners in that they can provide a hands-on approach to project completion. The majority of their employees have been with their company for over 15 years so they are well trained in all aspects of construction and perform well as an entire team.

Suburban Projects Constructed By Brkich:

1. West Covina Sports Complex
2. Santa Gertrudes Pipeline Project
3. Water Quality Sampling Stations
4. Emergency Repair Work



"Brkich Construction has been working with Suburban Water Systems for over 25 years and this long standing partnership is a testament to Suburban's commitment to fostering and maintaining strong relationships with their contractors. We have successfully completed hundreds of projects together, from small service repair work in residential neighborhoods to large pipeline work on heavily traveled roadways. Each project we have worked on with Suburban has been met with a hands-on approach that has ensured our mutual success. Suburban's outstanding staff, engineers, and management are always available, approachable, and open to new and innovative ideas. I am confident that our mutual successes will continue to strengthen and enhance our business relationship for years to come and we are honored to be doing business with Suburban Water Systems." – **Robert Brkich Jr., Owner of Brkich Construction**

"Brkich has been providing value to Suburban for a very long time, value in terms of high quality, safety, responsiveness and low costs. I hope to continue working collaboratively with Brkich for many more years." - **Jorge Lopez, Suburban Director of Engineering**

DIVERSE SUPPLIER SPOTLIGHT

ACP Publications & Marketing



"We applaud Suburban Water Systems' commitment to its Diversity Program. Being a Small-Minority-Owned Business, ACP Publications & Marketing truly appreciates Suburban Water Systems' initiative to include businesses such as ours as vendor/partners. The opportunities to assist with projects where our experience and knowledge have helped to strengthen Suburban's communications and marketing are extremely important to ACP, we truly appreciate each opportunity to earn their trust. The relationship we have built with Suburban Water Systems has had an enormous positive impact on our company, and we look forward to continuing to serve Suburban Water Systems for many, many years to come." -**Roger and Carmina Ortiz, Owners, ACP Publications & Marketing**

ACP Publications & Marketing and Suburban have been working together since 2014. ACP is Suburban's go to vendor for all printing needs.

ACP Publications & Marketing was started in 2006 by Roger and Carmina Ortiz with the intent of offering personal service, expertise and quality print/marketing services to clients in Southern California. Roger Ortiz has worked in the printing industry since the 1980s learning the printing business from the ground up. He worked at various prestigious printing firms in Orange County gaining the experience that helped him to fulfill his dream of becoming an entrepreneur. Carmina Ortiz's experience is in the administrative/accounting field. The husband-wife team has grown their business with an emphasis on Water Agencies, Local and County Government and Educational Institutions. It is the goal of the company to become its clients' #1 choice by continually improving its services and products.

Certified Diverse SBE Through:

Metropolitan Water District of Southern California
Port of Long Beach
San Diego County Water Authority
Minority Business Development Agency
Port of Los Angeles
Los Angeles Unified School District
Los Angeles Community College District
City of Long Beach

**SUMMARY OF PURCHASES OR CONTRACTS BY ETHNICITY
SECTION 9.1.2**

WMDVLGBTBE ANNUAL RESULTS BY ETHNICITY					
	ETHNICITY	Direct \$	Sub \$	Total \$	Percent %
MINORITY	Asian-Pacific	\$238,117		\$238,117	1.16%
MALE	African-American	\$549		\$549	0.00%
	Hispanic	\$3,685,715		\$3,685,715	17.89%
	Native American				
	Total	\$3,924,381		\$3,924,381	19.05%
MINORITY	Asian-Pacific	\$360			
FEMALE	African-American	\$2,750			
	Hispanic	\$201,007		\$201,007	0.98%
	Native American				
	Total	\$204,117		\$204,117	0.99%
TOTAL MBE		\$4,128,498		\$4,128,498	20.04%
WBE		\$192,924		\$192,924	0.94%
Subtotal MWBE		\$4,321,421		\$4,321,421	20.97%
LGBT		\$771,974		\$771,974	3.75%
TOTAL WMDVLGBTBE		\$5,093,396		\$5,093,396	24.72%
Gross Procurement		\$44,224,307		\$44,224,307	
Exclusions		\$23,618,740		\$23,618,740	
Net Procurement		\$20,605,567		\$20,605,567	

**SUMMARY OF PURCHASES OR CONTRACTS BY PRODUCTS AND SERVICES
(DIRECT)
SECTION 9.1.2**

ANNUAL RESULTS BY PRODUCTS AND SERVICES - DIRECT							
	ETHNICITY	Products \$	%	Services \$	%	TOTAL \$	%
MINORITY	Asian-Pacific	\$14,509	0.07%	\$223,607	1.09%	\$238,117	1.16%
MALE	African-American	\$0	0.00%	\$549	0.00%	\$549	0.00%
	Hispanic	\$65,848	0.32%	\$3,619,867	17.57%	\$3,685,715	17.89%
	Native American						
	Total	\$80,358	0.39%	\$3,844,023	18.66%	\$3,924,381	19.05%
MINORITY	Asian-Pacific	\$360				\$360	
FEMALE	African American			\$2,750		\$2,750	
	Hispanic			\$201,007	0.98%	\$201,007	0.98%
	Native American						
	Total	\$360		\$203,757		\$204,117	0.99%
Total MBE						\$4,128,498	20.04%
WBE		\$18,005	0.09%	\$174,919	0.85%	\$192,924	0.94%
Subtotal MWBE						\$4,321,421	20.97%
LGBT				\$771,974		\$771,974	3.75%
TOTAL WMDVLGBTBE						\$5,093,396	24.72%
Net Procurement		\$20,605,567					
Products Procurement		\$98,363					
Service Procurement		\$4,994,673					
Net WMDVLGBTBE Procurement		\$5,093,036					

**ITEMIZATION OF WMDVLGBTBE PROGRAM EXPENSES
SECTION 9.1.3**

WMDVLGBTBE PROCUREMENT BY STANDARD INDUSTRIAL CATEGORIES - DETAIL

	Minority						Non-Minority		Total
	MBE			WMBE			LGBT	WBE	
	African American	Asian-Pacific	Hispanic	African American	Asian-Pacific	Hispanic	(n/a)	(n/a)	
1442			\$60						\$60
1623			\$2,412,538				\$771,974		\$3,184,512
1711								\$171,269	\$171,269
1794			\$234,306						\$234,306
1799			\$44,835						\$44,835
2759						\$197,757			\$197,757
3713		\$14,509							\$14,509
3993					\$360				\$360
5063								\$721	\$721
5112								\$17,284	\$17,284
7342						\$3,250			\$3,250
7371		\$29,184							\$29,184
782			\$292,835						\$292,835
8111		\$101,228							\$101,228
8711		\$93,195							\$93,195
8734			\$65,848						\$65,848
8741	\$549								\$549
8742			\$433,290						\$433,290
8744								\$3,650	\$3,650
8748			\$26,902	\$2,750					\$29,652
8999			\$175,102						\$175,102
Total	\$549	\$238,117	\$3,685,715	\$2,750	\$360	\$201,007	\$771,974	\$192,924	\$5,093,396

EXPENSE CATEGORY	
Wages	\$0
Other Employment Expense	
Reporting Expense	
Training	
Consulting	
Program Expense	\$5,045
TOTAL PROGRAM EXPENSES	\$5,045

PROGRESS IN MEETING OR EXCEEDING SET GOALS
SECTION 9.1.4

CATEGORY	CURRENT YEAR RESULTS	CURRENT YEAR GOALS
Minority Business Enterprise (MBE)	20.04%	15.00%
Women Business Enterprise (WBE)	0.94%	5.00%
Sub Total Women, Minority Business Enterprise (WMBE)	<u>20.97%</u>	<u>20.00%</u>
Service Disabled Veteran Business Enterprise (SDVBE)	0.00%	1.50%
Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE)	<u>3.75%</u>	<u>0.00%</u>
TOTAL WMDVLGBTBE	<u>24.72%</u>	<u>21.50%</u>

SUMMARY OF PRIME CONTRACTOR UTILIZATION OF WMDVLGBTBE SUBCONTRACTORS
SECTION 9.1.5

Information is not available.

WMDVLGBTBE COMPLAINTS RECEIVED
SECTION 9.1.6

No WMDVLGBTBE complaints were received.

RECRUITMENT EFFORTS IN UNDERUTILIZED AREAS
SECTION 9.1.8

Recruitment efforts for WMDVLGBTBE firms will remain part of Suburban’s ongoing business strategy. Efforts to attract innovative suppliers who can provide exceptional value, quality, service and pricing will remain a part of our day-to-day procurement sourcing efforts. Steps continue to be taken to more successfully recruit and retain new diverse firms. Suburban has been carefully monitoring its success and challenges in locating and doing business with diverse firms.

2016 ANNUAL PLAN

WMDVLGBTBE SHORT-, MID- AND LONG-TERM GOALS SECTION 10.1.1

Supplier Diversity Goals

	2015 Goal	2016 Goal
MBE	15.00%	15.00%
WBE	5.00%	5.00%
DVBE	1.50%	1.50%
Total WMDVLGBTBE	21.50%	21.50%

In 2016 and for the foreseeable future, Suburban's goal will continue to be consistent with that of the CPUC's stated goal of 21.5% spend with diverse businesses. As a water company with approximately 75% of procurement spend resulting from capital projects, and with 2015 largely comprised of a highly technical reservoir project for which there are a limited number of suppliers, diverse and non-diverse, we recognized that sustaining performance similar to previous years would be a slight challenge.

However, from our lessons learned, and drawing on our operational expertise in long range planning, our strategic approach identified below will help ensure the best possible inclusion of diverse businesses in the procurement of our goods and services going forward.

2016 STRATEGIC PROGRAM GOALS

In 2016, Suburban Water will focus on a few core areas for maximum results:

- Tighter integration between project planning/forecasting and sourcing
- Expansion of subcontracting program
- Enhanced reporting
- Specific focus on increasing purchases from Women Business Enterprises.

Integration of Sourcing and Planning

Because much of Suburban's spend comes from projects requiring long range planning, the project lead time provides an opportunity to identify if WMDVLGBTBE suppliers are in the supplier pool to meet upcoming procurement needs. Many of our projects for 2016 have already been sourced and will soon begin. Though diverse businesses were included in our original sourcing process in 2015 for these 2016 projects, the mix of diverse prime suppliers bidding for and winning core projects was less than in recent years.

This highlights the extraordinary importance of advanced planning in sourcing of our projects. To mitigate against similar scenarios in the future, in planning for 2016 and beyond, Suburban will exercise early due diligence to assess where gaps in DVBE service providers exist so efforts can be made to identify new suppliers and/or encourage subcontracting where appropriate.

Subcontracting Program

As a matter of standard practice, Suburban requests its prime suppliers to identify intended subcontractors. However, our program will be enhanced to include the ability to track and measure the disparity between planned and actual utilization of subcontractors, and to capture those results. This will be important for Suburban in 2016 as it will increasingly look to subcontracting as an avenue for diverse businesses to support our procurement needs and help us service our customers. Toward this end, the following will be key areas of focus:

- Amending current contracts/purchase orders to reflect subcontracting program requirements
- Ensuring prime suppliers are consistently made aware of subcontracting requirements
- Tracking and monitoring adherence of subcontracting requirements

Enhanced Reporting

To support both an expanded subcontracting program and the tighter integration of sourcing and planning, access to information will be critical. Suburban will continue to enhance its reporting capabilities to provide decision makers will relevant and timely data.

PLANNED INTERNAL/EXTERNAL ACTIVITIES

SECTION 10.1.2

In addition to the key strategic activities listed above in section 10.1.1, Suburban will continue to engage in the internal and external activities that have contributed to our program successes.

Planned Internal Activities

- Continued review and analysis of procurement processes to ensure supplier diversity is a part of the process day-to-day.
- Incorporating sourcing for diverse suppliers into the early stages of the planning processes.
- The expansion of subcontracting with a goal of reporting Tier 2 spend results in 2016.
- Enhanced reporting to gain more visibility about spend information and support strategic goals
- Enhance contract readiness (capacity-building and technical assistance) in accordance with General Order 156 guidelines.

Planned External Activities

- The Women Business Enterprises participation rate has fallen from 8.95% in 2014 to only .94% in 2015. The reason is that Suburban's largest WBE supplier, while having been an active Suburban vendor throughout 2015, during the year changed their diversity classification from WBE to LGBT. Nevertheless in 2016 we will be making a special effort to restore WBE spend to its former level.
- Increased communications in the supplier community to raise awareness of Suburban's program, enlarging the company's footprint in the diverse supplier community.

- Strategic participation in various outreach events and meetings.
- Collaboration with other IOUs on the identification of suppliers.

PLANS TO SEEK AND RECRUIT WMDVLGBTBE SUPPLIERS IN UNDERUTILIZED AREAS (FINANCIAL, LEGAL, ETC.)

SECTION 10.1.3

Suburban will continue to identify opportunities for effective sourcing to diverse firms in underutilized areas. Suburban will seek to build new relationships in which opportunities can be shared and utilization of diverse firms can be accomplished through communication and collaboration with key stakeholders in the community.

PLANS FOR SEEKING OR RECRUITING WMDVLGBTBE SUPPLIERS FOR EXCLUDED CATEGORIES

SECTION 10.1.4

Not applicable

PLANNED SUBCONTRACTING OPPORTUNITIES

SECTION 10.1.5

As mentioned above, subcontracting is identified as an area of focus for Suburban. Therefore, encouraging our prime suppliers to utilize diverse suppliers and share our commitment to diversity will be a strategic shift for Suburban in 2016 and allow us to better diversity our supply chain.

PROGRAM COMPLIANCE

SECTION 10.1.6

Suburban remains committed to supporting Supplier Diversity and we continue to evolve our program and build on our strengths. As we enter our 13th year of a formal program, we understand that to sustain and grow our program requires not just doing what we have always done, but finding new solutions to meet our sourcing challenges and to provide maximum opportunities for diverse business to increasing value added to our supply chain. Working smart, not harder, with our three pronged strategic approach of planning, subcontracting and reporting, will enable Suburban to do so.

As always we will continue to engage our executive and mid-manager levels in supporting our strategies and executing on strong procurement practices. Additionally, actively seeking the support of external stakeholders will remain a key program element. As Suburban looks to provide the best products and services to our customers at the best possible cost, we will continue to look to diverse suppliers as a solution in meet our business needs.

Doty Bros. Construction

Founded in 1935, Doty Bros. Construction is one of the oldest pipeline construction companies Suburban Water Systems uses, and it has one of the longest working relationships with the utility. The company prides itself on "delivering the job on time, every time." Clients include several California utilities and municipalities. "They have the equipment and the manpower necessary to manage our largest pipeline projects," said Jorge Lopez, Director of Engineering for Suburban. "They are reliable and capable, and are a supplier we routinely use."

Doty Bros. was awarded \$1,160,568 in Suburban contracts in 2015. A major portion of that was for one of the utility's largest pipeline projects in Whittier along Whittier Boulevard, a major thoroughfare and one of the city's busiest streets. Doty Bros. is a Hispanic-owned company.



Analysis of 2015 Diverse Supplier Spend

	Total Diverse Spend	Percent of Total Procurement Less Exclusions
Getting existing suppliers certified	\$0	0.00%
Certified suppliers used for the first time in 2015, but NOT resulting from our attendance at diverse events, meetings of diverse organizations, matchmakings, etc.	\$0	0.00%
Capital-related	\$0	0.00%
Expense-related	\$302,095	1.47%
Certified suppliers used for the first time in 2014, which resulted from our attendance at diverse events, meetings of diverse organizations, matchmakings, etc.	\$0	0.00%
OUR TRUE MEASURE OF ADDED DIVERSE SPEND IN 2015	\$302,095	1.47%
Continued use of certified suppliers		
Capital-related	3,887,567	18.87%
Expense-related	\$903,733	4.39%
TOTAL DIVERSE SPEND	\$5,093,396	24.72%

For more information about supplier diversity at Suburban, contact:

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