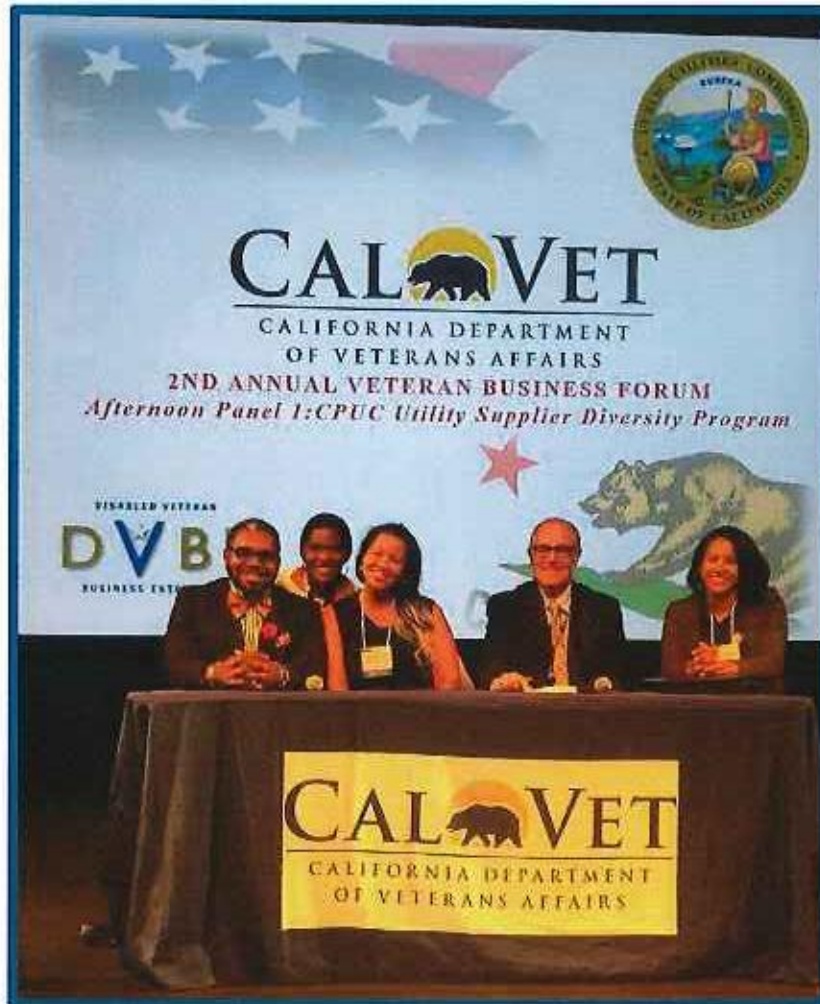




**Suburban
Water Systems**

A SouthWest Water Company



Supplier Diversity Manager, Lauren James, joins other Utilities on stage for the CPUC Panel for the Annual Veteran Business Forum.

Supplier Diversity Annual Report 2016

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 (WMDV/LGBTBE) 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 Suburban Water Systems' policy to support Supplier Diversity and 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 highly-qualified 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 the communities we serve by using local 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 GENERAL MANAGER



Richard Rich
General Manager

Suburban Water Systems (Suburban) is pleased to submit this 2016 Annual Report outlining its activities under the Utility Supplier Diversity Program (USDG).

Suburban remains 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 and that share our commitment to quality, safety, service, and the highest ethical conduct and professional standards.

In 2016, Suburban was successful in sufficiently increasing our diverse spend to 37.09% compared to 24.72% the prior year. Our spend in 2016 with certified diverse suppliers was \$6,897,910 which is \$1,804,514 above last year. We are very pleased with our results and the coordinated contributions of each member of Suburban's team to achieve these results.

Suburban continues our commitment to Supplier Diversity and is continually looking for opportunities that we can partner with diverse suppliers within our service area. In this annual report, we highlight both our successes and the activities that have sustained our Program. We also lay out our strategy for 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 2017 is to continue expanding our program and work with our prime contractors to encourage them to engage more diverse Sub-Contractors and provide follow up on how much was spent with each sub-contractor.

YEAR	DIVERSE SPEND (Millions)	% SPEND	NUMBER OF DIVERSE FIRMS
2016	\$6.9	37.09%	32
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

2016 PROGRAM HIGHLIGHTS

2016 included two large reservoir infrastructure projects which highlighted the importance of working with the primary contractors to contract with diverse sub-contractors. Suburban also focused efforts on areas of office supplies, meter replacement and water conservation. The punishing five year drought here in California created new opportunities to use local diverse suppliers to expand our conservation program. We increased spending with our diverse printing vendor and enlisted a diverse vendor to patrol our neighborhoods to identify water wasters. These are examples, of our commitment to not only support our vendors in our communities but also, to find new opportunities for diverse vendors to help us solve the problems we are facing today.

2016 Highlights include:

Focused involvement in the sourcing of diverse suppliers for bid opportunities

- 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

Expanded Supply Chain with Supplier Outreach

- Suburban's outreach activities in 2016 included individual meetings with diverse suppliers
- Attended CPUC and CWA Supplier Diversity sponsored events

Trained prime suppliers on creating opportunities to increase tier 2 opportunities

- A prime contractor event was held in 2016
- Attended by over 25+ diverse and non-diverse firms
- Trained on the importance sub-contracting and capturing tier 2 spend opportunities
- Provided business owners meeting opportunities to work together

Made 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

Ensured Diverse Vendors were included in Capital Projects

- 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

Increased Operation Team Involvement

- Provided mentoring to several existing suppliers who were referred to Suburban's Utility Supplier Diversity Program Manager (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

INTERNAL AND EXTERNAL ACTIVITIES

SECTION 9.1.1

EXTERNAL ACTIVITIES:

In 2016, Suburban participated in several events including the California Water Association's USDP "Prime Contractors Meeting." This event focused on subcontracting (Tier 2) efforts within the water utility industry. The event was held in Long Beach, CA, and was host to over 25 businesses. The event focused on prime contractors and their utilization of diverse firms.

In addition to key executive speakers from the water utilities, prime contractors joined a panel and 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 the water utilities' contracting personnel and prime contractors.

INTERNAL ACTIVITIES:

Efforts continued in 2016 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:

- Meter Replacement
- Office Supplies
- Legal Assistance

DIVERSE SUPPLIER SPOTLIGHT

EcoTech Services, Inc

Water conservation is their passion! EcoTech Services is a unique company that offers an array of water conservation services to water agencies. EcoTech is a certified minority business enterprise (MBE) through the Supplier Clearinghouse and is also certified as a small business (SB) with the State of California. The company is based in the beautiful city of Monrovia in Los Angeles County.

Marcos Quezada formed EcoTech in 2012 and has grown the company to over twenty employees. He has a strong belief in developing the EcoTech team by creating an environment for personal and professional development. The company is always looking for new technologies to offer the best service and value to their clients and consumers.

EcoTech is often referred to as a water conservation contractor, which is not a typical industry classification. The company helps private and public agencies implement indoor and outdoor water conservation programs throughout California. EcoTech holds a C-27 landscape contractor license as well as a C-36 plumbing license.

EcoTech specializes in both commercial and residential landscapes. The company has installed hundreds of smart irrigation controllers, retrofitted thousands of sprinklers and fixed countless water leaks to improve water-use efficiency. EcoTech has also converted nearly half a million square feet of turf into drought-tolerant gardens. EcoTech also specializes in indoor water-use efficiency. The has delivered and installed thousands of high-efficiency toilets, urinals, and faucet aerators for commercial and residential water customers. These types of retrofits have provided immediate and consistent water savings for EcoTech's water agency clients.



"EcoTech has been working with Suburban Water Systems for the nearly five years. Our team has helped Suburban's conservation department in the implementation of its toilet program. We have delivered over 5,000 high-efficiency toilets to Suburban's residential customers. It is truly a pleasure working side-by-side with Suburban's water conservation and communications team. Our synergetic relationship helped us develop and adapt the program to achieve the best and most cost-effective results. I look forward to our continued relationship with Suburban for I know that we share a passion for the efficient use of our most precious natural resource: water."

-Marcos Quezada, President of EcoTech Services, Inc.

Suburban Projects With EcoTech Services:

1. Toilet Program- distributed over 9,000 toilets to Suburban customers
2. Landscape Surveys
3. Smart Irrigation Control Installations

"Marcos Quezada and his team are very professional and hard working. Their work is very high quality and I know I can count on them to be efficient. I look forward to a continued working relationship with EcoTech and Marcos's team" -**Darleen Phares, Conservation Manager**

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

WMDV/LGBTBE ANNUAL RESULTS BY ETHNICITY						
	ETHNICITY	Direct \$	Sub \$	Total \$	Percent %	
1.	MINORITY MALE	Asian-Pacific	\$351,932		\$351,932	1.89%
2.		African-American	\$18		\$18	0.00%
3.		Hispanic	\$4,452,052		\$4,452,052	23.94%
4.		Native American				
5.		Total	\$4,804,001		\$4,804,001	25.83%
6.	MINORITY FEMALE	Asian-Pacific				
7.		African-American	\$3,887			
8.		Hispanic	\$117,497			
9.		Native American	\$5,880		\$5,880	0.03%
10.		Total	\$127,264		\$127,264	0.68%
11.	TOTAL MBE		\$4,931,265	\$4,931,265	26.51%	
12.	WBE		\$350,672	\$350,672	1.89%	
13.	LGBT		\$1,615,973	\$1,615,973	8.69%	
14.	Disabled Veteran Business Enterprise (DVBE)	0	0	0	0%	
15.	Other 8(a)	0	0	0	0%	
16.	Total WMDV/LGBTBE		6,897,910.23	\$6,897,910	37.09%	
17.	Net Procurement		\$ 18,598,714	\$18,598,714		

**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		
		\$	%	\$	%	\$	%	
1.	MINORITY MALE	Asian-Pacific	\$116,020	0.62%	\$235,912	1.27%	\$351,932	1.89%
2.		African-American	\$0	0.00%	\$18	0.00%	\$18	0.00%
3.		Hispanic	\$131,878	0.71%	\$4,320,173	23.23%	\$4,452,052	23.94%
4.		Native American						
5.		Total	\$247,898	1.33%	\$4,556,104	24.50%	\$4,804,001	25.83%
6.	MINORITY FEMALE	Asian-Pacific	\$3,887		\$0		\$3,887	
7.		African American			\$117,497		\$117,497	
8.		Hispanic	\$0		\$5,880	0.03%	\$5,880	0.03%
9.		Native American						
10.		Total	\$3,887		\$123,377		\$127,264	0.68%
11.	Total MBE		\$251,785		\$4,679,480		\$4,931,265	26.51%
12.	WBE		\$349,190	1.88%	\$1,482	0.01%	\$350,672	1.89%
13.	LGBTBE		\$0		\$1,615,973		\$1,615,973	8.69%
14.	DVBE							
15.	Other 8(a)							
16.	TOTAL WMDV/LGBTBE		\$600,975		\$6,296,935		\$6,897,910	37.09%
17.	Products Procurement		\$600,975					
18.	Service Procurement				\$6,296,935			
19.	Net WMDV/LGBTBE Procurement		\$6,897,910					
20.	Direct Procurement Total #		\$6,897,910					

**ITEMIZATION OF WMDV/LGBTBE PROGRAM EXPENSES
SECTION 9.1.2**

	Minority					Non-Minority		Total	
	MBE African American	Asian-Pacific	Hispanic	African American	WMBE Asian-Pacific	Hispanic	LGBT (n/a)		WBE (n/a)
1442			\$6,155					\$6,155	
1623			\$1,468,240				\$1,615,973	\$3,084,213	
1794			\$226,474					\$226,474	
1795			\$108,312					\$108,312	
1799			\$39,940					\$39,940	
2759			\$142,825				\$16,753	\$159,578	
3713		\$116,020						\$116,020	
3993					\$3,887			\$3,887	
4619			\$591,107					\$591,107	
5063							\$2,820	\$2,820	
5074							\$315,390	\$315,390	
5084							\$14,227	\$14,227	
5113			\$59,639					\$59,639	
7336				\$117,497				\$117,497	
7342						\$5,880		\$5,880	
7371		\$14,400						\$14,400	
7389	\$18							\$18	
7549							\$1,070	\$1,070	
7699							\$412	\$412	
782			\$219,450					\$219,450	
8111		\$146,742						\$146,742	
8711		\$29,270						\$29,270	
8712		\$45,500						\$45,500	
8734			\$72,239					\$72,239	
8742			\$256,815					\$256,815	
8748			\$68,759					\$68,759	
8999			\$1,192,097					\$1,192,097	
Total	\$18	\$351,932	\$4,452,052	\$117,497	\$3,887	\$5,880	\$1,615,973	\$350,672	\$6,897,910

**Number of WMDV/LGBTBE Suppliers and Revenue Reported to the Clearinghouse
SECTION 9.1.2**

2016 Report												
G. O. #156 Sec 9.1.2 (D.11-05-019 & D.06-11-028)												
Number of WMDV/LGBTBE Suppliers and Revenue Reported to the Clearinghouse												
# WMDV/LGBTBEs	Data on Number of Suppliers											
	Revenue Reported to CHS						Utility-Specific [Year] Summary					
	MBE	WBE	LGBTBE	DVBE	Other 8(a)*	Grand Total	MBE	WBE	LGBTBE	DVBE	Other 8(a)*	Grand Total
Under \$1 million	6	3					6	3				
Under \$5 million	4	4					4	4				
Under \$10 million	6	1					6	1				
Above \$10 million	5	2	1		0	32	5	2	1	0	0	32
TOTAL	21	10	1	0	0	32	21	10	1	0	0	32
WMDV/LGBTBE \$M	Revenue and Payment Data											
	Revenue Reported to CHS						Utility-Specific [Year] Summary					
	MBE	WBE	LGBTBE	DVBE	Other 8(a)*	Grand Total	MBE	WBE	LGBTBE	DVBE	Other 8(a)*	Grand Total
Under \$1 million	\$2	\$100k					\$1.5	\$5,000				
Under \$5 million	\$7	\$2.2					\$1.5	\$319k				
Under \$10 million	\$34.8	\$7					\$1.1	\$14k				
Above \$10 million	\$369	\$58	\$12				\$1.2	\$12k	\$1.6			
TOTAL	\$412.8	\$67.3	\$12	0	0	\$492.1	\$5.3	\$350k	\$1.6	0	0	\$6.9

**WMDVLGBTBE PROGRAM EXPENSES
SECTION 9.1.3**

EXPENSE CATEGORY	
Wages	\$ 46,125
Other Employment Expense	
Reporting Expense	
Training	
Consulting	\$900
Program Expense	\$ 2,354
TOTAL PROGRAM EXPENSES	\$ 49,379

**PROGRESS IN MEETING OR EXCEEDING SET GOALS
SECTION 9.1.4**

CATEGORY	CURRENT YEAR RESULTS	CURRENT YEAR GOALS
Minority Business Enterprise (MBE)	26.51%	15.00%
Women Business Enterprise (WBE)	1.89%	5.00%
Service Disabled Veteran Business Enterprise (SDVBE)	0.00%	1.50%
Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE)	8.69%	0.00%
TOTAL WMDV/LGBTBE	37.09%	21.50%

**SUMMARY OF PRIME CONTRACTOR UTILIZATION OF
WMDV/LGBTBE SUBCONTRACTORS
SECTION 9.1.5**

Information is not available.

**WMDV/LGBTBE COMPLAINTS RECEIVED
SECTION 9.1.6**

No WMDV/LGBTBE complaints were received.

**RECRUITMENT EFFORTS IN UNDERUTILIZED AREAS
SECTION 9.1.7**

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

2017 ANNUAL PLAN

WMDV/LGBTBE SHORT-, MID- AND LONG-TERM GOALS SECTION 10.1.1

Supplier Diversity Goals		
	2016 Results	2017 Goal
MBE	26.51%	15.00%
WBE	1.89%	5.00%
DVBE	0.00%	1.50%
LGBT	8.69%	0.00%
Total WMDV/LGBTBE	37.09%	21.50%

In 2017, Suburban's goal will continue to be consistent with that of the CPUC's stated goal of 21.5% spend with diverse businesses.

Drawing on our operational expertise and 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.

2017 STRATEGIC PROGRAM GOALS

In 2017, Suburban will focus on carefully selected areas for maximum results:

- o Tighter integration between project planning/forecasting and sourcing
- o Expansion of subcontracting program
- o Enhanced reporting
- o Specific focus on increasing purchases from Disabled Veteran Businesses.

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 WMDV/LGBTBE suppliers are in the supplier pool to meet upcoming procurement needs. Many of our projects for 2017 have already been sourced and will soon begin. Suburban worked diligently to make sure diverse suppliers were included in the projects whether they are prime contractors or subs. Suburban will also keep plugging away at the smaller opportunities that come up throughout daily operations.

In planning for 2018 and beyond, Suburban will continue to 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 2017 as we 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 Subcontracting 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 with 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's 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 2017.
- 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

- In 2016, we made 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 WMDV/LGBTBE SUPPLIERS IN UNDERUTILIZED AREAS (FINANCIAL, LEGAL, ETC.)

SECTION 10.1.3

Suburban will continue to identify opportunities for effective sourcing with diverse firms in underutilized areas. Suburban will continue to seek to build new relationships with diverse suppliers through communication and collaboration with key stakeholders in the community.

PLANS FOR SEEKING OR RECRUITING WMDV/LGBTBE SUPPLIERS FOR EXCLUDED CATEGORIES

SECTION 10.1.4

Not applicable

PLANNED SUBCONTRACTING OPPORTUNITIES

SECTION 10.1.5

Continue to encourage our prime suppliers to utilize diverse suppliers as sub-contractors and share in our commitment to diversity and creating more opportunities for diverse suppliers.

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 14th 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 businesses to increase value added to our supply chain. Working smarter, not harder, with our three-pronged strategic approach of planning, subcontracting and reporting, will enable Suburban to continue to successfully support the program.

As always we will continue to engage our executive and mid-manager teams to support and execute our 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 to assist us in meeting our business needs.

RodPaz Bros. Construction

RodPaz Bros. Construction is one of the oldest pipeline construction companies Suburban uses, and it has one of the longest working relationships with Suburban. 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 emergency repair work," said Jorge Lopez, Director of Engineering for Suburban. "They are reliable and capable, and are a supplier we routinely use."

RodPaz Bros. was awarded \$591,106 in Suburban contracts in 2016.

RodPaz Bros. is a Hispanic-owned, MBE company.



Rod Paz contractors pictured with Pat Pooler, Suburban's Field Superintendent.

Analysis of 2016 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 2016, but NOT resulting from our attendance at diverse events, meetings of diverse organizations, matchmakings, etc.		
Capital-related	541,199.07	2.91%
Expense-related	\$120,848	0.65%
Certified suppliers used for the first time in 2016, 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 2016	\$662,047	3.56%
Continued use of certified suppliers		
Capital-related	5,357,010	28.80%
Expense-related	\$878,854	4.73%
TOTAL DIVERSE SPEND	\$6,897,910	37.09%

For more information about Supplier Diversity at Suburban, contact:

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