



Joan Kerr
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Dear Supplier,

For more than three decades, Pacific Gas and Electric Company (PG&E) has been committed to creating a robust Supplier Diversity Program — one that contributes to the vitality of our communities, spurs innovation, increases competition, and supports economic development and job creation. Through this program, PG&E helps provide vital opportunities for a growing number of businesses owned by woman, minority, service-disabled veteran, and lesbian, gay, bisexual and transgender (LGBT) individuals, collectively known as Diverse Business Enterprises (DBE). PG&E first broke the \$2 billion barrier in 2012 by achieving \$2.1 billion spend with DBEs. We continue to sustain these tremendous results today.

Our prime suppliers' shared commitment to supplier diversity helps us to achieve our results each year, results we are required to report annually to the California Public Utilities Commission (CPUC). For this reason, PG&E's Prime Supplier Program is a key Supplier Diversity Program initiative that ensures our prime suppliers are developing robust supplier diversity plans and are accurately reporting DBE subcontracting.

PG&E continues to commit to aggressive spend targets with DBEs and strives to sustain strong supplier diversity performance every year. PG&E's Prime Supplier Program supports our prime suppliers, including your company, in doing three things:

- 1) Establishing or enhancing your own Supplier Diversity Program to include DBEs in your business with PG&E through subcontracting and Business Solution Partnership (BSP) arrangements,
- 2) Developing a Supplier Diversity Plan that sets goals and describes how your company can provide better business solutions to PG&E by working with DBE Business Solution Partners and subcontractors, and
- 3) Reporting your monthly DBE subcontracting results accurately.

We, at PG&E's Supplier Diversity Program, know you are committed to participating with us in this important initiative. In support of our commitment to you, we have developed the enclosed booklet "Pacific Gas and Electric Company's Prime Supplier Program Guide." This guide is designed to provide you with the tools to successfully complete the basic program requirements. Note that PG&E will also be holding Prime Supplier Program Training Webinars on the first Tuesday of each month to enhance your understanding of the Prime Supplier Program.

If you have not been a part of our program before, congratulations on taking this important first step with us. Should you have any questions, need further information, or if you would like to attend an upcoming Prime Supplier Program Training Webinar, please reach out to our Prime Supplier Program Manager, Lili Kwan, at 415-973-6044 or LLKE@pge.com.

Sincerely,

Joan Kerr
Director, Supplier Diversity and Sustainability
Pacific Gas and Electric Company

Enclosure
05/01/2015

Pacific Gas and Electric Company Prime Supplier Program Guide

A How-to Book for Supplier Diversity Programs



Pacific Gas and Electric Company's Guide to the Prime Supplier Program

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Section 1. The Prime Supplier Program

PG&E's over 30-year-old Supplier Diversity Program integrates the best practices of many world-class companies and is designed to meet the needs of our local business communities, our customers and our suppliers.

One very important part of our Supplier Diversity Program is the Prime Supplier Program, which focuses on the role that you, our suppliers, play in creating competitive advantage through a diversified supplier base.

In this guide, we have included the information you will need to fulfill your role as one of our valued suppliers. We have also simplified the reporting process to make your participation in this worthwhile effort easy and rewarding.

We hope you will take the time to read this important information and, most importantly, that you will use it as a guide to creating, maintaining, and growing your own Supplier Diversity Program. We look forward to seeing your progress as we continue to grow our business relationship together.

PG&E would like all of our prime suppliers to participate in this important initiative. As your customer, we expect nothing less than high quality goods and services, delivered on time, at the lowest cost, and that our suppliers support our business goals. We believe that our Supplier Diversity Program is an important business initiative that provides PG&E with a competitive advantage in the increasingly competitive energy marketplace.

Prime suppliers are those companies who have a contract or purchase agreement to provide goods or services to PG&E.

"Goods" may include items such as power transformer equipment or components, wire & cable, fabricated metals & structures, computer equipment or software, office supplies, furniture, and vehicles. Goods include every type of product that our company purchases from another company.

"Services" may include activities such as consultant services, training, architecture, surveying, legal, medical, accounting, transportation, delivery, courier, landscaping and maintenance, building maintenance, engineering, testing, repairs, and installation. Services include every type of work that is performed by another company at our request.



Section 1. (Cont.)

Pacific Gas and Electric Company's Commitment to Supplier Diversity

We, at PG&E, are committed to our Supplier Diversity Program. We have a long history of program growth which is based on the sound business value that DBEs have added to our products and processes, on our increasingly diverse customer base, and on our commitment to grow together with the communities we serve. We believe that a cross-cultural, ethnic and gender diverse supplier base for our purchases and for those purchases made by our suppliers will help us best serve our diverse customer base.

We believe our prime suppliers want to support our initiatives and want to contribute to the successful achievement of our goals. We are committed to continuous improvement in our program design and to assisting our prime suppliers in this program.

What Does "Supplier Diversity" Mean?

Supplier Diversity means achieving a base of suppliers which includes qualified women-, minority- and service-disabled veteran-owned businesses enterprises, as well as non-diverse suppliers.

Minority Business Enterprises (MBEs) include businesses which have been verified by the CPUC Clearinghouse (CHS), or a CPUC CHS comparable agency, to be at least 51% owned, operated and controlled by a minority individual or group. Minority includes, but is not limited to: Asian Americans, African Americans, Hispanic Americans, and Native Americans. Foreign-owned firms operating in the U.S. are not included in these definitions.

Women Business Enterprises (WBEs) include businesses which have been verified by the CPUC Clearinghouse, or a CPUC CHS comparable agency, to be at least 51% owned, operated and controlled by a woman or women.

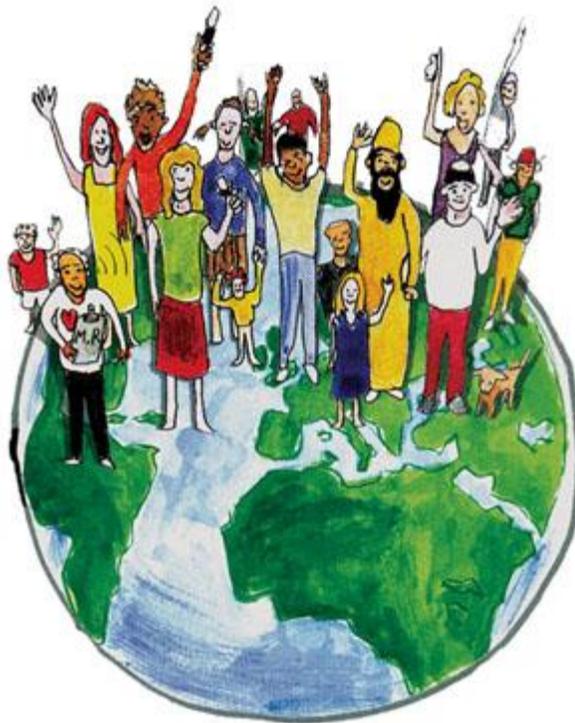
Disabled Veteran Business Enterprises (DVBE) include businesses which have been certified by the Association for Service Disabled Veterans or the California State Office of Small and Minority Businesses who are either: a sole proprietorship at least 51% owned by one or more service-disabled veterans; a publicly owned business with at least 51% of the stock owned by one or more service-disabled veterans; a subsidiary which is wholly owned by a parent corporation, but only if at least 51% of the voting stock of the parent corporation is owned by one or more service-disabled veterans; or a joint venture in which at least 51% of the joint venture's management and control and earnings are held by one or more service-disabled veterans. A service-disabled veteran is a veteran of the military, naval or air service of the United States with a service-connected disability.

Section 1. (Cont.)

Prime Supplier's Role

- 1) Implement a Supplier Diversity Program
- 2) Submit an Annual Supplier Diversity Plan to PG&E,
- 3) Submit Accurate Monthly Subcontracting Results to PG&E,

Our Prime Suppliers play a key role in our continued success. This booklet is designed to provide you with the tools, tips and techniques to complete these three responsibilities.



Section 2. Establishing Your Supplier Diversity Program

Introduction

A Supplier Diversity Program is the visible commitment your company makes to incorporate the products and services of qualified vendors, including women, minority and service-disabled veteran businesses into the delivery of goods and services to your customers. Well-designed programs are extensions of your company's mission statement or purpose.

For example, a well-designed and executed safety program would enable your employees to produce your products and services without the disruption and cost of lost time due to on-the-job accidents. An effective training program would provide the knowledge and skills your employees need to effectively meet your customer's expectations and increase sales.

An effective Supplier Diversity Program would provide the tools and resources to enable your company to work with a diverse group of subcontractors, business solution partners, or value-added resellers to deliver goods and services you provide to PG&E.

What Constitutes a Program?

All programs have at least 5 key elements:

- Performance Goals
- Corporate commitment of its' leadership
- Action plans to work toward goals
- Tracking and reporting process
- Continuous improvement system



In the following sections, we will explore each of these key program elements as it applies to establishing your Supplier Diversity Program.

Goals

A goal is a specified purpose or point to be reached. "Goal" means a target which, when achieved, indicates progress in a preferred direction. A goal is neither a requirement nor a quota.

Corporate Commitment and Leadership

Every business has multiple high priority items to manage. The priority objectives that are accomplished and the ones that get over-looked depend on the level of commitment demonstrated by the company's leadership. Business owners, corporate officers and senior management must communicate to their employees the commitment to and value of your Supplier Diversity Program.



Section 2. (Cont.)

Here are some basic ways in which your leadership can demonstrate its commitment:

- ⇒ Include Supplier Diversity Program goals in your company's mission statement
- ⇒ Review your progress, both successes and areas for improvement, during internal performance reviews and annual corporate-wide meetings
- ⇒ Get involved - demonstrate your understanding of the Supplier Diversity Program by engaging in brainstorming sessions with your supplier managers to stimulate improved results
- ⇒ Ensure that you do not discriminate against any qualified supplier
- ⇒ Publicize your Supplier Diversity Program results within your company along with other important results such as sales goals, profit levels, revenue targets, etc.
- ⇒ Publicly recognize individuals who have contributed to the success of your Supplier Diversity Program
- ⇒ Publicly recognize DBEs, and other small suppliers, for their contributions to your company's success
- ⇒ Include articles in your company newsletters about your Supplier Diversity Program and link it to the expectations of your customers
- ⇒ Identify a prominent executive level champion accountable for your company's program success
- ⇒ Dedicate time on your calendar for review of Supplier Diversity Program issues, both successes and areas for improvement

Developing a Plan for Success

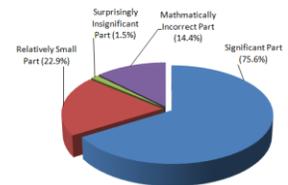
A plan to work towards your goals can be quite complex or relatively simple. Either way, for a plan to be effective, at a minimum, it must contain five elements:

- ⇒ Your plan should be linked to clear objectives with a stated time table. You need to know where you are going and when you need to be there
- ⇒ Your plan should provide a credible means to work towards the stated goal

Section 2. (Cont.)

- ⇒ Your plan should contain specific action steps
- ⇒ Your plan should be linked to specific measurements that can be used to evaluate success, in other words, how you can measure your progress
- ⇒ Your plan must have the endorsement and approval of senior management to commit the necessary resources and time

Specific information on how to prepare and submit your annual plan is contained in Section 3.



Tracking and Reporting Process

Many people cringe at the thought of measurements and reports, but business success depends upon tracking and reporting the results of our business initiatives. Results tracking and reporting can help us attain our goals and celebrate our successes. In order to report Supplier Diversity Program key results, your company must collect the following Supplier Information each month:

- ⇒ Total amount of actual sales to PG&E
- ⇒ Information on suppliers (subcontractors) your business used in providing goods and services to PG&E
 - name, address and telephone number
 - ethnic and gender code of each supplier (obtained from MBE and WBE suppliers)
 - DVBE verification status (obtained from supplier)
- ⇒ Total amount of purchases made by your company to each MBE, WBE and DVBE supplier

The above supplier information is used to calculate the following Supplier Diversity Program key results:

Total Purchase Dollars: For the month, what is your total revenue from PG&E? This is the total amount of sales your company made to PG&E.

Section 2. (Cont.)

Subcontracting Dollars: For the month, what is the total dollar amount of purchases you made from DBEs for goods or services in support of your sales to PG&E?

Business Solution Partnerships (BSP): For the month, what is the total dollar amount of your products that were sold to PG&E through a DBE Business Solution Partnership (such as Value-Added Resellers)?

Keeping track of your purchases from DBEs is one part of an effective results system. Using the results to achieve your goals is the other part. We have found through years of program development that employees want to achieve the company's goals. The challenge is keeping the goals in front of you as you perform your job in order to maximize every opportunity for success.

Here are some of the ways companies have used tracking and results processes to achieve their goals:

- ⇒ Publish your program results monthly
- ⇒ Discuss your results with your team and staff
- ⇒ Integrate your Supplier Diversity Program plan with your internal training program
- ⇒ Analyze your results to identify areas where your business needs the most improvement
- ⇒ Compare your results with other companies to stimulate new and creative ideas
- ⇒ Discuss your results with your PG&E contract manager and Supplier Diversity consultant

In addition to the internal value tracking and results reporting will bring to your company, as a prime supplier of PG&E, you are required to submit monthly results outlining your accomplishments. The process is simple and if you have gathered the supplier information and the key measurements outlined above, you will have no trouble submitting your results. Detailed information on results reporting to PG&E is contained in Section 5.



Continuous Improvement Measures

Every program should include a plan to monitor and improve its effectiveness. Your continuous improvement measures needs to include a way to assess how effective your program is. Although not the focus of this booklet, here are some of the ways to perform this important task:

**Section 2. (Cont.)**

- ⇒ Set up a tracking report which monitors your results each month. Are you getting closer to achieving your goals?
- ⇒ Ask your suppliers for feedback on their experiences with your Supplier Diversity Program. Do they find it easy to work with?
- ⇒ Ask your customers if your Supplier Diversity Program is meeting their expectations
- ⇒ Network with other companies to get new ideas on program development
- ⇒ Look at your most successful results and try to replicate the process in other areas of your business
- ⇒ Look at your data to spot trends and take action before a serious problem emerges
- ⇒ Do you have a mentoring program to work with all your suppliers to improve the quality of goods and services they provide to you?
- ⇒ Are your purchasing and marketing personnel trained in Supplier Diversity Program management?
- ⇒ Have you implemented brainstorming sessions to proactively look for ways to improve your results?

Section 3. Preparing and Submitting Your Annual Plan

Step 1 Estimate Your Projected Sales

Your Annual Supplier Diversity Plan is based on the projected sales you anticipate you will make to PG&E during the upcoming year. To identify this figure, you will need to talk with your PG&E customer regarding their future purchases. In addition, you will want to review your past history of sales to validate the volume of future sales. You are trying to determine what your annual sales will be for the next year.

For example, based on discussion with the customer and previous sales history, you project selling 1,000 widgets at \$100 each. Your projected annual sale is \$100,000 for the upcoming year.

Step 2 Establish Your Supplier Diversity Program Goals

There are three separate goals that you will need to establish:

- ⇒ 1) Your purchases from minority business enterprises (MBEs)
- ⇒ 2) Your purchases from women business enterprises (WBEs)
- ⇒ 3) Your purchases from disabled veteran business enterprises (DVBEs)

How are these goals set? There are many ways to establish participation goals. To be effective, business advisors say the goals should contain both realistic and stretch goals. If you have a contract with PG&E, your contract should contain your company's participation goals. Examples of goals are:

- ⇒ 20% of your sales to PG&E or its' affiliates to MBEs
- ⇒ 16% of your sales to PG&E or its' affiliates to WBEs
- ⇒ 3% of your sales to PG&E or its' affiliates to DVBEs

Following this example, if your projected sales to PG&E for the upcoming year is \$100,000; your goals would be:

MBE - 20% or \$20,000
WBE - 16% or \$16,000
DVBE - 3% or \$3,000

Step 3 Develop Your Action Plan to Achieve Results

Now that you have established your Supplier Diversity Participation goals in Step 2, you need to determine how you will achieve those goals. You can achieve Supplier Diversity Program results in two ways:

- 1) By purchasing from qualified, certified DBEs (Subcontracting)

Section 3. (Cont.)

- 2) By selling your product to a qualified, certified DBE who adds value to your product then sells that product to PG&E (Value Added Reseller relationship or other Business Solution Partnership)

In this step, you will decide how much of each goal will be achieved through subcontracting and how much through a Business Solution Partner (or VAR) relationship. Let's begin by understanding these two types of participation methods.

WHAT IS SUBCONTRACTING?

Subcontracting is the general term used when your company either outsources a part of your contract with PG&E to another firm or when your company purchases products/services that will be used in fulfilling your contract with PG&E.

For example, if your company purchases a connector from an MBE and uses that connector in the manufacturing of widgets sold to PG&E, you are subcontracting. In this example, if the connector is 10% of the price of the widget, your Subcontracting Plan would be 10% MBE.

It is important to remember that only purchases which can be directly connected to the products or services sold to PG&E can be reported. We call this "contract-specific" subcontracting.

For instance, if your company hires an MBE firm to conduct market research on the stock market for your firm's general investments, no portion of that service can be reported to PG&E since the service was not specifically connected to your contract with PG&E.

It is also important to note that contract-specific subcontracting can occur in the ***third, and possibly, fourth tier of the supply chain***. Second, third and, fourth tier Supplier Diversity subcontracting reporting allows PG&E to track diversity spending at all levels of PG&E's value chain. Prime Supplier participation in this process will contribute to the economic development of DBEs across the nation. *For example if your company purchases a product from a **non-diverse company**, who has outsourced the manufacturing of the product to an MBE, then you may obtain a report from the non-diverse company and report the value of the MBE tier-three subcontracting to PG&E.*

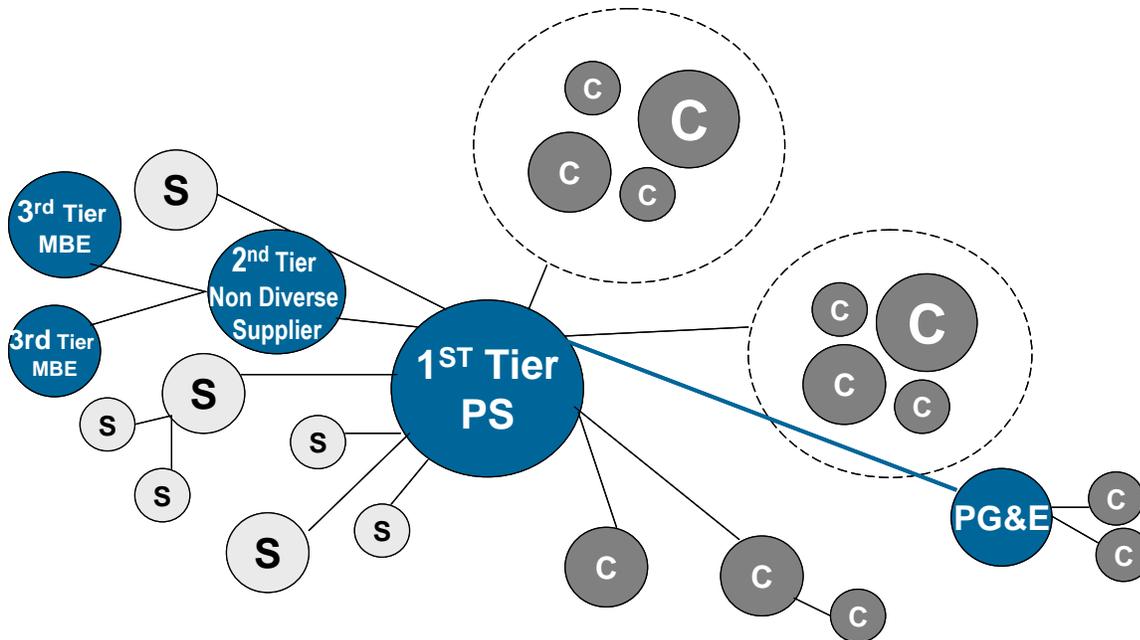
Section 3. (Cont.)

There are many, many ways to subcontract with DBEs. If your firm is providing goods to PG&E, here are just some of the ways you can fulfill your goals through subcontracting:

- purchase parts that go into the widgets from a DBE
- hire a DBE firm to assemble part of the widgets
- outsource the printing of widget labels to a DBE firm
- hire a DBE firm to deliver the widgets to PG&E,
- hire a DBE firm to write and document your product support information and user's guide
- hire a DBE to perform product testing on the widgets

If your firm is providing a service to PG&E, you might find subcontracting opportunities in other areas such as:

- hire a DBE firm to perform some part of the project's research
- outsource the printing of the report to a DBE firm
- purchase your office supplies to be used on the project from a DBE
- outsource the report reproduction and assembly work
- hire the services of a DBE professional to support the services you provide (for example, architect, attorney, surveyor, medical, accounting)
- hire a DBE business consultant for a portion of your contract



Note: **S** = supplier ; **PS** = Prime Supplier; **C** = customer

Section 3. (Cont.)

WHAT IS A VALUE ADDED RESELLER ARRANGEMENT?

Value Added Reseller (VAR) Arrangement is the term used to describe a strategic relationship with another company who will add value to your products and then sell those products directly to PG&E. Many companies already have VARs as business solution providers or another channel of product marketing and distribution.

Your firm may manufacture 80% of the widget then sell the product to a DBE firm who completes the manufacturing (20%), packages the product, and ships it to PG&E. As you might imagine, this can be complex to initially set up and your company, the VAR you select and PG&E must all agree that a valuable and viable business solution is produced by this relationship.

Another VAR arrangement is one where your firm completes the entire manufacture of widgets and sells them to a DBE distributor who performs the warehousing and distribution services and makes the sale of widgets to PG&E.

A third type of VAR arrangement is one where your firm completes the entire manufacture of widgets and sells them to a DBE who performs the site preparation services, installs and tests the widgets and also trains PG&E personnel on its usage.

In all three of these arrangements, 100% of the VAR sales to PG&E would be reported to PG&E as part of your supplier diversity effort.

Many prime suppliers use a VAR for 100% of their business with PG&E because they have found that partnering with a smaller supplier in these ways adds tremendous value to their business proposition.

DETERMINE YOUR SUBCONTRACTING AND VALUE-ADDED RESELLER GOALS

For each Supplier Diversity Goal identified in Step 2, you will want to identify what portion will be achieved through subcontracting and what portion through the establishment of a VAR arrangement.

Section 3. (Cont.)

Step 4 Identify Opportunities for Subcontracting and VAR Arrangements

Now that you know what your purchasing goals are, you are ready to identify the specific purchase opportunities for subcontracting or VAR arrangements.

Examine your product/service development and delivery flow. Start with aspects of that flow where there might be an opportunity to improve business processes. Could a smaller firm help deliver goods or services for you faster, cheaper or better customized for PG&E? Would it improve your business to have a local partner who could handle logistics and delivery? To do this, you will need to do some research to identify the specific purchase areas that you will focus on during the year.

Take another look at the suggestions for subcontracting some of the widget work. Look for similar products that you can purchase from qualified DBEs in your processes. Look for similar services that a qualified DBE can provide.

We have found that every business has numerous opportunities to purchase goods and services from DBEs.

⇒ Identify Your Purchase Requirements. Talk to your accounting department to find out what companies are receiving payments from your company for the products and services you are delivering to PG&E.

- List all the parts, raw materials, supplies you will purchase
- List the services you will need
 - training
 - installation
 - printing
 - delivery
 - warehousing
 - testing
 - consultants
 - professional services (architects, lawyers, surveyors, graphic artist)
- List the manufacturing equipment or material you will purchase
 - tools
 - bins
 - conveyer belts
 - safety equipment
 - test equipment



Section 3. (Cont.)

- List the general administrative products and services directly tied to the products and services you provide to PG&E

office supplies

office equipment

computer equipment and supplies

professional services (legal, accounting, consultants, training)

⇒ Find out how much you are buying from these firms, both the quantity of products or services and the total dollars spent. Also, find out when your next purchases will be and who in your company will be making the purchase decisions.

⇒ Now you are ready to identify DBEs that can provide the products or services you will soon be purchasing. There are several groups or organizations that can provide assistance in locating a DBE that matches your purchasing opportunities.

Your business is unique and will have its special opportunities for subcontracting or VAR arrangements. Remember, the more time you spend on the planning phase, the easier it will be to implement your plan later on.

Your Annual Plan should tell us four things:

- ⇒ 1) what you project your annual sales to PG&E will be
- ⇒ 2) what goals you have established for MBEs, WBEs and DVBEs
- ⇒ 3) what detailed and specific plans you have to achieve your results
- ⇒ 4) what exactly your DBE partners will be doing and who they are

To simplify your annual plan, we have developed a simple form for you to use. A copy of this form is contained as Appendix A of this guide.

Step 5 Submit Your Annual Supplier Diversity Plan to PG&E

Your initial detailed Annual Plan should be included as an exhibit in your contract with PG&E. All subsequent Annual Plans for upcoming years are due to PG&E's Supplier Diversity Program by Jan 31st of each year.

Completed Annual Plans for PG&E should be emailed to your PG&E Sourcing and Supplier Diversity partners.

Section 4. Achieving Your Results

Once you have completed your detailed Annual Supplier Diversity Plan, you will already have taken many of the steps necessary to achieve results. Here are some suggestions to help you achieve maximum results.

Internal Research

- ⇒ Review Your Existing Supplier List. Find out if some of the suppliers you are already doing business with are certified minority, women or service-disabled veteran business enterprises. Compare the list of your suppliers with the list of certified suppliers from the CPUC Clearinghouse or a CPUC CHS comparable agency.

Outreach Program

- ⇒ Ensure Your Suppliers are Certified. If some of your suppliers are owned by minority, women or service-disabled veterans, encourage them to complete the certification process by contacting the organizations listed in Appendix B of this guide. Remember, only purchases with companies who have been certified by the CPUC Clearinghouse or a CPUC CHS comparable agency are to be reported in your results to PG&E.
- ⇒ Contact Potential Suppliers. Once you have identified a few suppliers that seem to provide what you need, take some time to contact them. You will most often find DBEs are eager to do business with you and can meet your requirements. In addition, many times you will find using a small business can increase the quality of your product, decrease turnaround time, and assist you in achieving your Supplier Diversity Program goals. See Appendix D on How to Locate DBEs, for further assistance in contacting potential suppliers.

Mentoring and Development Program

- ⇒ Communicate
- Be realistic and clear about your requirements and time frames
 - Be realistic about your opportunities
 - Be flexible whenever possible
 - Look for purchases which match the supplier's current capabilities
 - Clarify whether you can offer a sustainable, long-term business partnership
- ⇒ Invest in the development of DBEs
- Assist in the development of new processes
 - Introduce and share financial network with your potential partner
 - Support your diversity partner during the implementation phase

Section 5. Submitting Your Monthly Results

The PG&E Supplier Diversity Program staff track and monitor subcontracting and VAR results each month. These reports provide vital information on our mutual efforts to diversify our supplier base. We also use this information to plan our Supplier Diversity Program activities for the upcoming months in order to maximize purchasing opportunities. In addition, each year we are required to submit reports to certain Public Utilities Commissions outlining our annual results for the preceding year. We include the monthly results that have been reported to us by each of the prime suppliers.

$$\begin{array}{ccccccc}
 \text{Pacific Gas and Electric} & & \text{Prime Supplier's} & & \text{Prime Supplier's} & & \text{Total Supplier} \\
 \text{Company's Purchases from} & + & \text{Subcontracting} & + & \text{VAR Results} & = & \text{Diversity Program} \\
 \text{DBEs} & & \text{Results} & & & & \text{Results}
 \end{array}$$

As you can see, the only way we will know about your achievements is through your company's efforts to fill out and submit your monthly results.

Monthly Results Reports identify the amount of purchases you made with certified DBEs during the month under report. We ask for monthly reports so we can gauge our progress and identify areas where suppliers may need more assistance. However, if you do not include a purchase in one month, you may include it in your next month's results. Just be sure not to double count your results.

Who must file a Monthly Report?

All prime suppliers who have a contract(s) over \$500,000 for goods or services with PG&E are required to submit monthly reports identifying your Supplier Diversity Program performance.

When are Monthly Reports Due?

The monthly reports are to be submitted to the PG&E Supplier Diversity Program ***no later than the tenth of the month following the month you wish to report. (Example: March data should be reported no later than April 10th).*** PG&E recognizes that not all ERP / financial system are in sync with this timeline, therefore, if your company cannot meet this schedule, notify the PG&E Supplier Diversity contact in order to discuss a schedule that is mutually agreeable.

Section 5. (Cont.)

What is the Reporting Process?

- Supplier Data Management System (SDMS) is a web-based application where prime suppliers report their payments to CPUC-certified diverse **subcontractors**.
- Diverse subcontractors reported must be CPUC-certified in order to count towards PG&E's subcontracting goals.
- Report subcontracting on PG&E's external website at:
 - <https://cvmas10.cvm solutions.com/pge/>
 - Contact – Perry Bumanlag at (415) 973-1225 or pvb1@pge.com for a user name and password.
- Payment data to diversity subcontractors is due to PG&E on a monthly basis – no later than the tenth of the month following the month you wish to report.
- Subcontracting results reported are subject to random audits to ensure accuracy

Calculating Your Participation Achievement for the Month

Remember, only suppliers who have been certified by the CPUC Clearinghouse or a CPUC CHS comparable agency are to be included in your results.

Minority Business Enterprises (MBE) include businesses which have been verified by the CPUC Clearinghouse or CPUC CHS Comparable Agency to be at least 51% owned, operated and controlled by a minority individual or group. It is presumed that minority includes, but is not limited to, Asian Americans, Black Americans, Hispanic Americans, Native Americans and other groups defined as disadvantaged by the Small Business Administration. Foreign-owned firms operating in the U.S. are not included in these definitions.

Women Business Enterprises (WBE) include businesses which have been verified by the CPUC Clearinghouse or CPUC CHS Comparable Agency to be at least 51% owned, operated and controlled by a woman or women.

Disabled Veteran Business Enterprises (DVBE) include businesses which have been certified by the California State Office of Small and Minority Businesses, or the Association for Service Disabled Veterans who are either a sole proprietorship at least 51% owned by one or more disabled veterans; or a publicly owned business, at least 51% of the stock owned by one or more disabled veterans; or a subsidiary which is wholly owned by a parent corporation, but only if at least 51% of the voting stock of the parent corporation is owned by one or more disabled veterans; or a joint venture in which at least 51% of the joint venture's management and control and earnings are held by one or more veterans. A disabled veteran is a veteran of the military, naval or air service of the United States with a service-connected disability who is a resident of California.

Section 5. (Cont.)

You will need to determine five key results. If you have collected your Supplier Information, as described in Section 2, Establishing Your Supplier Diversity Program and Section 4, Achieving Your Results, calculating your Monthly Results will be easy.

Step 1 Calculate Your Actual Revenues:

For the specified period, what is your total revenue from the PG&E. This is the total amount of sales your company made to PG&E.

Step 2 Calculate Your Actual Participation:

Subcontract Dollars

For the specified period, what is the total dollar amount of purchases you made from certified MBEs, WBEs and DVBEs for goods or services in direct support of your sales to PG&E? Only report subcontracting that can be directly traced to the specific product and services sold to PG&E.

Value Added Reseller Dollars:

For the specified period, what is the total dollar amount of your products that were sold to PG&E through a MBE, WBE or DVBE Value Added Reseller?

MBE, WBE and DVBE Participation results:

Add the subcontracting dollars and the VAR dollars to determine your Total MBE, WBE, and DVBE Supplier Diversity Results for the Month.

Calculate the Percent of Total Purchases. Divide the Total Supplier Diversity Results by the Total Purchase Dollars to determine the percent of participation.

Step 3 Submit Your Monthly Results:

- Report **subcontracting** on PG&E's external website at:
<https://cvmas10.cvmsolutions.com/pge/>
 - Contact – Perry Bumanlag at (415) 973-1225 or pvb1@pge.com for a user name and password.
 - For a step-by-step process on how to report your subcontracting please refer to Appendix C – Monthly Reporting Process

Accuracy and Documentation of Reported Subcontracting:

Accuracy of reported DBE subcontracting dollars is critical. Payments should be reported into SDMS only after you have paid your subcontractors, and in the year the PG&E work was done. If PG&E pays you in the last quarter of the calendar year, please make every effort to pay your subcontractors during that same calendar year so you can report those dollars in the same year.

In preparing your reports, please make sure to adhere to the following guidelines:

- Reported subcontracting dollars must be directly related to PG&E work.
- Reported subcontracting dollars must reflect payments made to suppliers, net of any voided transactions, estimates, early payment discounts, markups, etc.
- Records to document your subcontracting dollars must be kept for a period of three years. These records should clearly document that the work performed was for PG&E and that payment was made to the subcontractor.

WHERE TO GET ASSISTANCE

If you have questions about completing your Monthly Results Forms, please contact our Prime Supplier Program Manager.

Section 6. APPENDIX

APPENDIX A: ANNUAL SUPPLIER DIVERSITY PLAN

Double-Click on icon to view active Annual Plan Form



PSP Guide_Appendix
A_Plan.docx

APPENDIX B: DBE CERTIFICATION AGENCIES

1. California Public Utilities Commission (CPUC) Supplier Clearinghouse
2. California Department of General Services (for DVBEs)
3. National Minority Supplier Development Council (NMSDC)
4. Women's Business Enterprise National Council (WBENC)
5. National Gay & Lesbian Chamber of Commerce (NGLCC)

APPENDIX C: MONTHLY REPORTING PROCESS

Double-Click on icon to view active Monthly Report Process



PSP Guide_Appendix
C_Reporting.pdf

APPENDIX D: HOW TO LOCATE DBEs

Service-Disabled Veteran-Owned Businesses:

- Association for Service Disabled Veterans
- California Disabled Veteran Business Alliance
- The Elite SDVOB Network

California Public Utilities Commission Clearinghouse

National Minority Supplier Development Council (NMSDC)

Women's Business Enterprise National Council (WBENC)

National Gay & Lesbian Chamber of Commerce (NGLCC)

Local Chambers of Commerce:

- CA American Indian Chamber of Commerce
- CA Asian Pacific Chamber of Commerce
- CA Black Chamber of Commerce
- CA Hispanic Chamber of Commerce
- Golden Gate Business Association
- National Association of Women Business Owners
- National Center for American Indian Enterprise Development
- Western Regional Minority Supplier Development Council
- Purchasing Councils

Other Ways to Locate Suppliers:

- Publicize your opportunities to the DBE business community
- Place an advertisement in trade and focus papers
- Attend trade shows and technical conventions

Benchmark with other companies to increase your Supplier Diversity Program and share supplier lists and best practices

APPENDIX E: FREQUENTLY ASKED QUESTIONS

1. *What is the Prime Supplier Program?*

The Prime Supplier Program (PSP) is an integral component of PG&E's ability to achieve upwards of 40% DBE diversity participation. Only with the support and cooperation of our prime suppliers will PG&E be able to meet and exceed its goals. Moreover, the PSP is a way to assist other corporations in meeting their supplier diversity goals.

2. *Does my company have to participate in the PSP? If so, how do we participate?*

If your company has one or more contracts with PG&E which **cumulatively** are worth at least \$500,000, you must participate in the PSP.

Companies participating in the PSP must submit to PG&E at the beginning of each calendar year an annual plan which identifies how they will contribute to meeting PG&E's diversity achievement goal. Moreover, companies participating in the PSP must submit monthly reports to PG&E no later than the tenth of the month following the month they wish to report.

For assistance with developing your company's annual plan or submitting monthly reports, please refer to the Prime Supplier Participation Guide, available at the PG&E Supplier Diversity Web Site <https://cvmas10.cvmsolutions.com/pgae/>

3. *How does the PSP assist my company?*

When you submit your annual plan to PG&E for review and approval, we can help identify potential suppliers who may be able to act as Value-Added Resellers (VARs) or Subcontractors for your business. By using VARs and/or Subcontractors to assist in the execution of your contract (with manufacturing, delivery, service, etc.), your company can provide better, faster and more cost efficient service to PG&E. Thus, by utilizing VARs and/or Subcontractors, your company not only helps PG&E achieve its business objectives, but moreover, your company derives the benefit of improved contract performance as well as achieving your own diversity goals.

4. *What is the difference between a VAR and a Subcontractor?*

As an example, say your company manufactures widgets in Ohio and the product is to be shipped to PG&E in California. Let us also say that the manufacturing of those widgets has a ten-step process. It may take your company more time to complete those 10 steps and then deliver the product to PG&E than it would if you completed 7 of those steps and then utilized a VAR in California to complete the final 3 steps and deliver the product. The value-add in this case is faster

product manufacturing, faster delivery, and perhaps reduced shipping costs to PG&E.

Because VARs are direct service or product providers to PG&E, PG&E pays VARs directly.

Subcontractors, are companies that help our prime suppliers in meeting contract-specific goals, but do not provide direct service or goods to PG&E, and therefore are paid directly by your company (the prime supplier) and not PG&E. For example, let us say that your company has a contract to do construction work for PG&E. In order for you to meet the terms of the contract, you may need to hire a trucking firm to haul goods and supplies for you. Since your company pays the trucking firm directly, you are subcontracting some of the work to be able to deliver on your original contract with PG&E.

5. *What constitutes a diverse company that will help to meet PG&E's DBE goals? Will any VARs or Subcontractors my company utilizes count toward DBE Prime Supplier Participation goals?*

To ensure the integrity of our diversity reporting, only VARs and Subcontractors whose diversity status can be verified via the CPUC Clearinghouse or CPUC CHS Comparable Agency will be able to be counted toward diversity achievement. Some of these comparable agencies include National Minority Supplier Development Council (NMSDC) and its regional affiliates, the Women Business Enterprise National Council (WBENC) and its regional affiliates, and the California Department of General Services (for certified DVBEs).

Please note that due to variations in state regulations, PG&E require that diversity certification be verified by specific entities. For example, in California, in order for a diverse company to count toward DBE participation goals, that company must be certified by the CPUC. Therefore, even if that diverse company was certified by the NMSDC, we would not be able to count those results in California, unless that company was also certified by the CPUC as well. Again, the Prime Supplier Participation Guide lists which certification agencies are recognized by PG&E.

NOTE: Effective 2009, the CPUC now acknowledges NMSDC, WBENC, and The California Department of General Services (for DVBE), as “comparable agencies” to the Clearinghouse.

6. *Should my company be submitting CUMULATIVE data on our monthly reports?*

Preferably, NO! PG&E needs to track results by month, and therefore, all numbers and figures in the monthly reports should be for the reporting month in question only. If, however, this stand-alone monthly data reporting is not feasible or counter productive with your own process, then proceed with the submission of your **clearly-stated or presented** cumulative data.

7. ***My company has a contract with PG&E to provide widgets, yet we can't find any DBEs who can act as VARs or Subcontractors. If my company utilizes a diverse-owned janitorial company, and if PG&E represents 30% of my overall revenues, can I report 30% of my business with the janitorial company toward DBE participation goals?***

NO! PG&E only counts "contract-specific" diversity achievement, that is, diversity achievement that contributes to a direct service or good for which PG&E has contracted with your company. "Commodity results", as shown in the example above, DO NOT count toward diversity achievement.

8. ***What information should the monthly reports contain?***

The monthly reports should list the amount of revenues you have received during that month from the PG&E subsidiary for which you are reporting. For example, if your company has revenues from PG&E in the amount of \$1M your monthly report submission for PG&E should state that your revenues for the month were \$1M.

Additionally, your monthly reports should include the certified VARs and/or subcontractors you utilized for the PG&E during the month. Any VARs and/or subcontractors listed should include contact information, the diversity status (i.e., minority, woman or service-disabled veteran) and the revenues being claimed for DBE purposes (in the case of a VAR, the amount of revenue the VAR reports to you having been paid by the PG&E; in the case of a subcontractor, the amount of revenue you paid to that subcontractor.)

9. ***How will PG&E verify and validate the numbers my company submits on monthly reports?***

In the case of the amount of revenue your company claims to have received from PG&E during the month, we will verify that data against our accounts payable system reports. Similarly, we will follow the same procedure for verifying VAR spend, since PG&E pays VARs directly.

In the case of subcontracting spend, PG&E Supplier Diversity will conduct random audits to verify the information reported on monthly reports.

10. ***My company is already a certified DBE. Do we still have to submit an annual plan and monthly reports?***

If your company has one or more contracts with PG&E which equal at least \$500,000, then YES, you must still submit an annual plan and monthly reports. PG&E believes in and encourages further diversity participation from all of our prime suppliers, even if your company is already a diverse-certified firm.

11. ***It costs and it's expensive to get re-certified. Can expenses be charged***



back to PG&E?

The answer is NO! We do recognize that re-certification entails some administrative costs. Getting certified with the CPUC Clearinghouse, however, ***is free and is valid for three years***. PG&E is one of several California utility companies who pay for the administration of the CPUC Clearinghouse. PG&E's commitment is that 100% of the dollars that we include in our results are certified by the CPUC or a CPUC CHS comparable agency. Comparable agency verification process often expedites any additional certification requirements. It is recommended that suppliers opting for a second certification consider the CPUC CHS since there is no additional cost involved and certification is valid for three years.

12. *Is it true that PG&E's recognized agencies have more formal and rigorous approval process than others?*

YES! In addition to the CPUC Clearinghouse, the other comparable agencies recognized by PG&E are nationally-recognized organizations and have more formal and rigorous processes in place. Their certification processes have been acknowledged as acceptable by the DBE business communities all across the nation. The process has been developed over time to ensure the status of the business that choose to market as a DBE are verified through these generally recognized agencies.