

California Assembly Committee on Utilities and Commerce

Supplier Diversity Legislative Hearing

June 17, 2011

SoCalGas & SDG&E's Supplier Diversity Efforts
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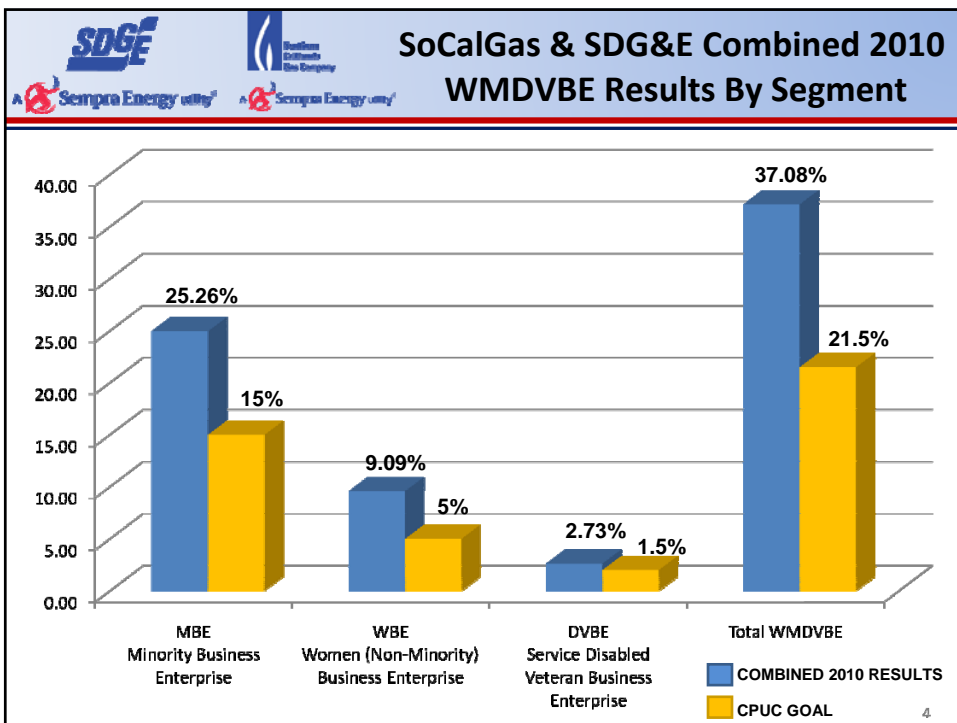
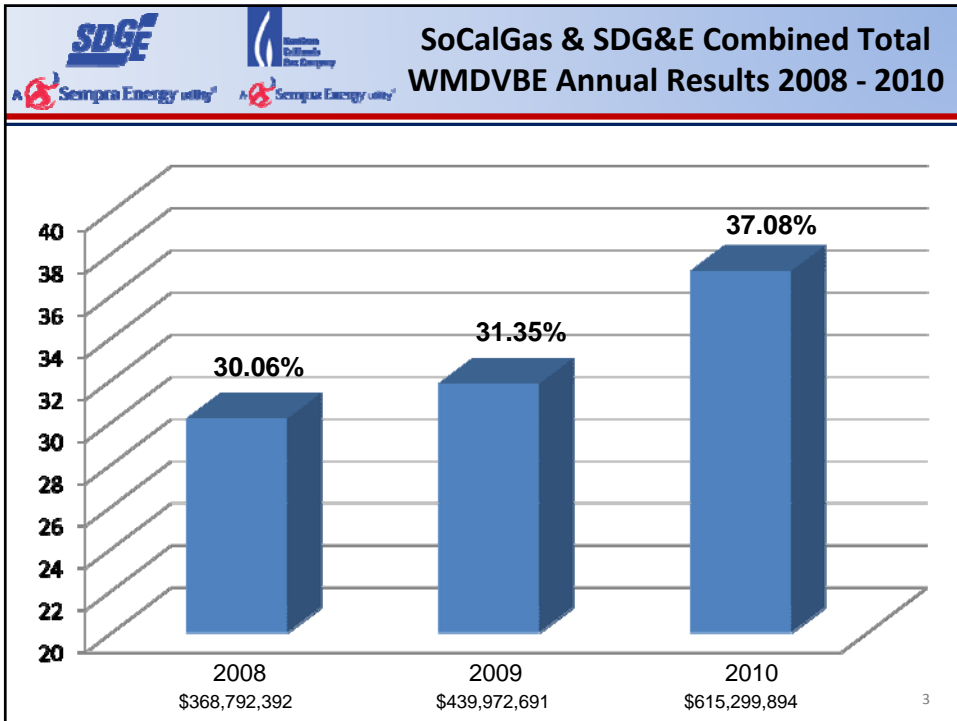
PRELIMINARY DRAFT

SoCalGas & SDG&E supplier diversity: it's in our DNA

- Active supplier diversity efforts for 30+ years
- Clear goals and commitment from top down
- Company culture promotes diversity
- All employees participate
- DBE goals considered in incentive pay
- DBE increases competition

Track record of success

- Our combined Sempra Energy utilities achieved more than 30% in DBE spending – 2008, 2009, 2010 – and doubled our total MBE dollars spent for both SoCalGas & SDG&E over the last 5 years.





Our “Recipe” For DBE Success




We have created a “recipe” with comprehensive strategies to develop suppliers & opportunities, in which we:

- **Search for, identify and bring in the strongest DBE’s**
 - We search multiple databases: NMSDC, CPUC, SBA, WBENC, etc.
 - Ask Chambers & small business non-profits to suggest suppliers
- **Bring in best of DBEs to meet internal and external decision makers**
 - Networking with Utility managers, Directors, VPs & Prime contractors
- **Unbundle larger contracts or break apart opportunities to fit DBEs’ capabilities**
 - Identify Prime and subcontracting roles for DBEs

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Our “Recipe” For DBE Success



(continued)

- **Provide Technical Assistance, Mentoring and Capacity Building**
 - **Technical Assistance** provides educational programs
 - Program expanded 10-fold in last 3 years
 - Quantifiable results—we have procured more than \$1.4 billion with UCLA-trained DBEs alone
 - **Mentoring** helps spur growth of best-managed DBEs
 - Insight on internal company culture/rules, expectations, projects, opportunities
 - Industry introductions
 - **Capacity Building** develops abilities, fosters growth and enables high-potential entrepreneurs to take on larger projects
 - Coaching, marketing advice, website review, assigned mentors (internal & external)
 - Meetings with utility decision-makers & Primes

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Typical Barriers for Small DBEs: SoCalGas & SDG&E's Solutions

- **Bundling of contracts/Projects too large for DBEs**
SOLUTION: "Break apart" big contracts; Match best DBEs to segments of work
 Encourage Primes to Subcontract up to 30%
- **Limited knowledge, experience with large companies**
SOLUTION: Mentoring regarding big company culture and expectations;
 Host Mixers for DBEs with Utility decision makers & Primes
- **Capital funding, insurance & bonding limit opportunities**
SOLUTION: Encourage Primes & DBEs to work together
 Leverage small business agility with deeper resources of larger partner
 Larger Partners can help with bonding or accessing financing options
- **Lack of knowledge about opportunities**
SOLUTION: Host both focused outreach and open house events; mentor suppliers

Given these challenges, SoCalGas & SDG&E decided we needed to go beyond usual solutions and provide individualized assistance, so...

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SCORE's Goals

...we created SCORE:

Smaller Contractor Opportunity Realization Effort


SCORE's Goals:

- Promote wider inclusion in supplier base
- Develop capacity of smaller businesses
- Develop closer focus on growth

Expected Result:

- An expanding pool of qualified contractors able to compete for our business

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SCORE's Multi-Team Focused Approach

Multiple teams created with clear objectives:

1. **A cross-functional internal team charged with identifying projects in our core construction areas**
 - Find "fit" by matching projects with qualified diverse suppliers
 - Develop new, smaller DBE participants; Mentor regarding bidding process
2. **A policy team comprised of internal and external parties**
 - Address barriers to participation in core construction services
 - Provide wider perspective for developing solutions
3. **A communications team of utility managers**
 - Enhance outreach & communication to target smaller DBEs
 - Create focused matchmaking events
4. **An internal team working with Primes**
 - Encourage Primes to mentor DBEs; Host one-on-one meetings

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SCORE Initiative: Initial Accomplishments

- **We are signing six new contractors in identified areas**
 - Gas storage, paving, trenching, gas infrastructure protection
- **Early phases of SCORE contracting effort yielding more than \$1 million worth of opportunities**
- **Created & distributed new communication:**
 - Diverse Business Enterprises GPS ("Guiding Professional Suppliers") Newsletter
- **SDGE meeting with minority business community groups to develop opportunities in energy efficiency**

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The future of SCORE

- It's a long-term effort that we expect will produce lasting benefits to DBE supplier engagement efforts
- Will be closely monitored & fine tuned
- Designed to serve as a model for other low-utilization areas (i.e., Asian-, and Native-American suppliers, and low segments)
- Initial results promising, expect to see larger impact in 2012

We believe SCORE, combined with our other initiatives, is the right step to further expand our base of qualified contractors and provide them with new opportunities