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Dear Prime Supplier:

Pacific Gas and Electric Company (PG&E) recently submitted its 2013 supplier diversity results to the California Public Utilities Commission (CPUC). I am pleased to announce that PG&E had another breakthrough year. We spent over \$2.3 billion, or 42.1% of our overall procurement, with diverse business enterprises (DBEs). This success would not have been possible without our prime suppliers' active engagement. Thank you for your inclusion of DBEs in the goods and services that you provide to PG&E.

In order to recognize the important work that you are doing in this area and include it in your supplier scorecard, PG&E business unit results and PG&E's Supplier Diversity Annual Report to the California Public Utilities Commission, subcontracting reports must have proper documentation. Last November, I sent a letter (attached) to many of our prime suppliers with a reminder of the need for accuracy when submitting your monthly supplier diversity subcontracting reports.

An integral part of PG&E's commitment to data integrity is an annual prime supplier subcontracting audit. Prime suppliers are selected to participate in the subcontracting audit through a random sampling of subcontractors. Each year you have the potential of being selected for an audit. In order to help you be successful in future audits, I want to share some of the 2013 subcontracting audit learnings as well as expectations moving forward.

Prime suppliers were asked to submit the following paperwork in support of the 2013 audit:

- **Contracts or Purchase Orders** between the prime supplier and subcontractor.
- **Invoices from Subcontractor** to the prime supplier for PG&E work. The invoice must clearly state the work was performed, or material was purchased, for PG&E.
- **Payments to Subcontractor.** Payments must link directly back to the invoice and must show it was paid in 2013. Valid payment documentation includes front and back copy of a check or an electronic funds transfer payment such as an ACH debit document.
- **Signed Letter from Company Officer** assuring accuracy of the subcontracting documentation.

Some of the major issues found in the 2013 subcontracting audit, as a whole, included:

- Paperwork did not clearly show that the subcontracting was done on behalf of PG&E.
- Subcontracting dollars were reported for a year other than 2013
- Subcontracting dollars were reported based upon "invoiced" instead of "paid" within 2013
- Sufficient linkage did not exist between subcontractor invoices and payments
- Documentation was missing such as Contracts and/or Purchase Orders

Some suppliers were well-prepared to provide the necessary documentation. Other suppliers were not as organized. Without the required documentation, we will not be able to accept the supplier diversity subcontracting results you report in 2014. You will have the opportunity in the near future to participate in training sessions about these documentation and reporting requirements. I urge you to participate in those sessions in order to gain a more in-depth understanding of results reporting, requirements and expectations.

Thank you for your continued support of PG&E's supplier diversity initiatives. Should you have questions, please contact Redacted

Sincerely,