



# 2008 SUPPLIER DIVERSITY REPORT CARD



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*a project of*



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## INTRODUCTION

In 1988, the California legislature enacted Public Utilities Code sections 8281 - 8286, and thereby authoritatively acknowledged the positive impact that equitable public policies confer upon private enterprise in California, stating:

*“It is the declared policy of the state to aid the interests of women, minority, and disabled veteran business enterprises in order to preserve reasonable and just prices and a free competitive enterprise, to ensure that a fair proportion of the total purchases and contracts or subcontracts for commodities, supplies, technology, property, and services for regulated utilities are awarded to women, minority, and disabled veteran business enterprises, and to maintain and strengthen the overall economy of the state.”*

To put these inspirational words into practice, twenty years ago this month, on April 27, 1988, the California Public Utilities Commission (CPUC), under the direction of executive director Steve Larson adopted General Order 156. To ensure that the goals of these forward thinking Public Utilities Code sections and General Order are met, the Greenlining Institute (Greenlining) issues an annual report on supplier diversity at California’s six largest publicly regulated utilities and telecommunications companies.

The CPUC, by its continued focus on supplier diversity through both the regulatory process and public policy programs, has been a leader in supporting increased opportunities for California’s minority-owned businesses. Last year, under CPUC leadership and review, the six major utilities and broadband companies awarded nearly \$9.7 billion in contracts in California. This represents an increase of more than 10% from the \$8.7 billion in contracts awarded in 2006. Unfortunately, this success comes with continued challenges for minority-owned businesses, since even though contract spending increased in 2007 (Exhibit 1), the percentage of contracts to minority owned businesses (“supplier diversity contracts”) actually declined (Exhibit 2).

It appears that there at least three significant factors which may have led to this decline:

1. *The challenges faced by small businesses, which represent well over 99% of this state’s 1.5 million minority owned businesses, to become certified to do business with utilities and broadband companies. With rare exceptions, small minority-owned businesses have not received adequate technical assistance and the much needed resources to increase their capacity and opportunities.*
2. *A failure to meet targets and good-faith goals for minority women-owned businesses. In fact, no company awarded even 4% of contracts to minority women-owned businesses and none have developed focused programs to prioritize significant changes.*
3. *A failure to aggressively and effectively increase contracting with disabled veteran and Native American-owned businesses.*

To address the above-identified factors, Greenlining recommends that the CPUC, regulated utilities and broadband companies place a targeted and strategic focus on assisting California’s 1.5 million small minority-owned businesses. This effort should include, but not be limited to, specific emphasis on capacity building, technical assistance, and revisions of contract proposals to accommodate small businesses, as well as allow for viable consortia or cooperatives among them.

Verizon currently leads California’s utility and broadband companies in supplier diversity success, with 19.29% of its contracts going to minority-owned businesses. Verizon also appears to be the national leader among the Fortune 500 corporations that verify supplier diversity data. Both Edison and PG&E have decreased the percentage of their contracts awarded to minority-owned businesses. These declines have

occurred despite this Commission's urging in Edison's May 2006 rate decision that Edison move towards 22.5%, and despite PG&E's commitment to be the national leader by reaching 27% by 2013. AT&T's considerable decline is the most perplexing, since its former CEO publicly aspired to place a high priority on leading the nation in supplier diversity, urged CEOs of other Fortune 500 corporations to follow AT&T's example, and committed to reach a goal of 27% by 2010 as a critical component of its 2005 merger with SBC.

Given the declines in 2007, this Commission should prioritize review of a requirement that all regulated companies set aspirational goals for supplier diversity as part of rate, merger, and other proceedings. Additionally, this Commission should consider imposing sanctions on companies for failure to meet goals and commitments. To encourage corporate accountability at all levels, both holding company and utility company chief executive officers should be required to testify regarding their efforts to: *a) substantially improve and to meet CPUC goals for disabled veterans, b) at least double contracting with minority women-owned businesses, and c) develop aggressive minority-owned small business strategies.*

**SECTION ONE: ALL MINORITY OWNED BUSINESS ENTERPRISES**

	Company	Percentage (%)	Grade
1	Verizon	19.29%	A-
2	Southern California Gas	18.18%	B+
3	San Diego Gas & Electric	18.29%	B+
4	AT&T	16.67%	C
5	Pacific Gas & Electric	14.45%	D
6	Southern California Edison	14.91%	F

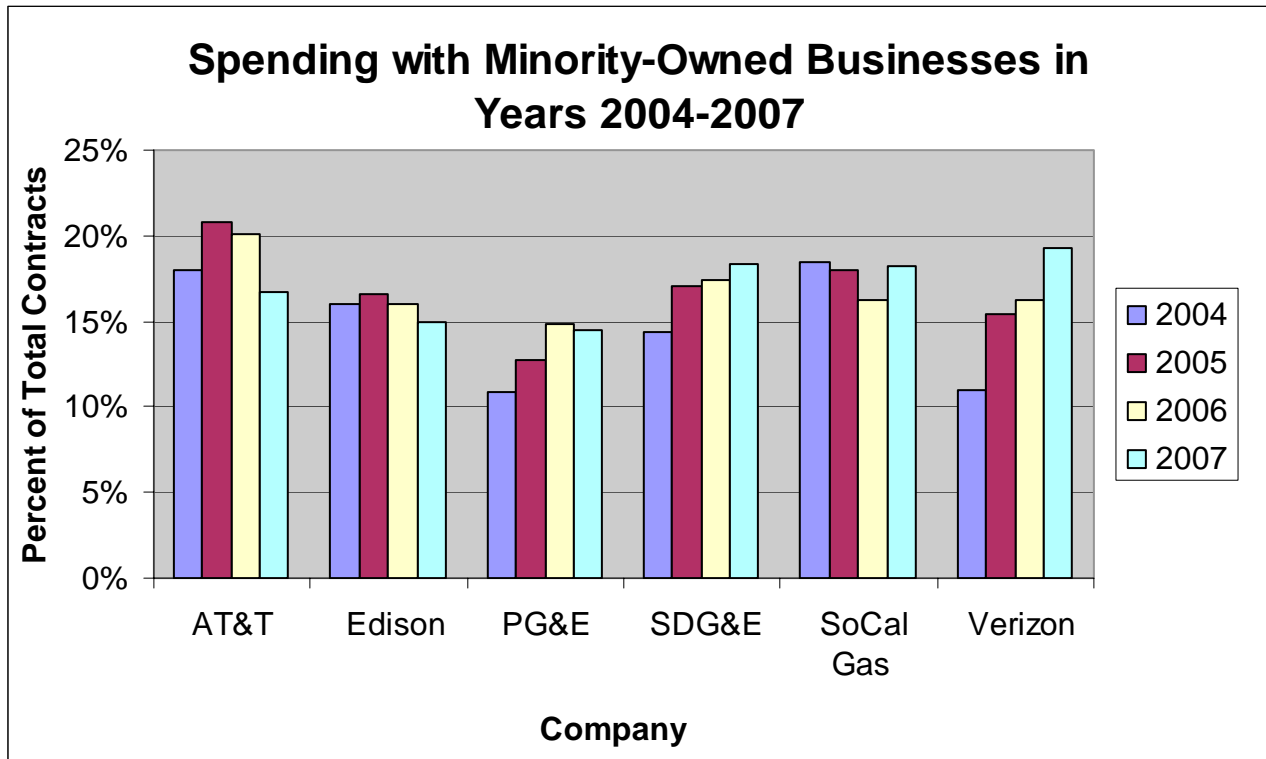
The grades in the 2008 report card are awarded based on the overall record of each utility and broadband company from previous years, as well as their existing commitments and ability to meet their future diversity goals for all minorities.

In 2007, Verizon had the highest percentage of overall minority contracts (Exhibit 3) and showed the greatest improvement, increasing almost 20% from its 2006 figures. Since it is likely that Verizon will exceed its 2010 goals of 20% contracting in 2008, the company ranked first and earned an “A-.”

Southern California Gas ranked second with a “B+” for showing major improvements (12% growth from 2006 figures) and setting major supplier diversity goals.

While Pacific Gas & Electric had the lowest percentage of overall minority contracts, Southern California Edison ranked last with an “F” after showing a significant decline in its overall minority contracts and an inability to meet its CPUC goals.

Southern California Edison is now farther than ever from its twenty-year-old goal of 22.5% minority contracts and far from meeting the CPUC’s May 11, 2006 directive to meet those goals.

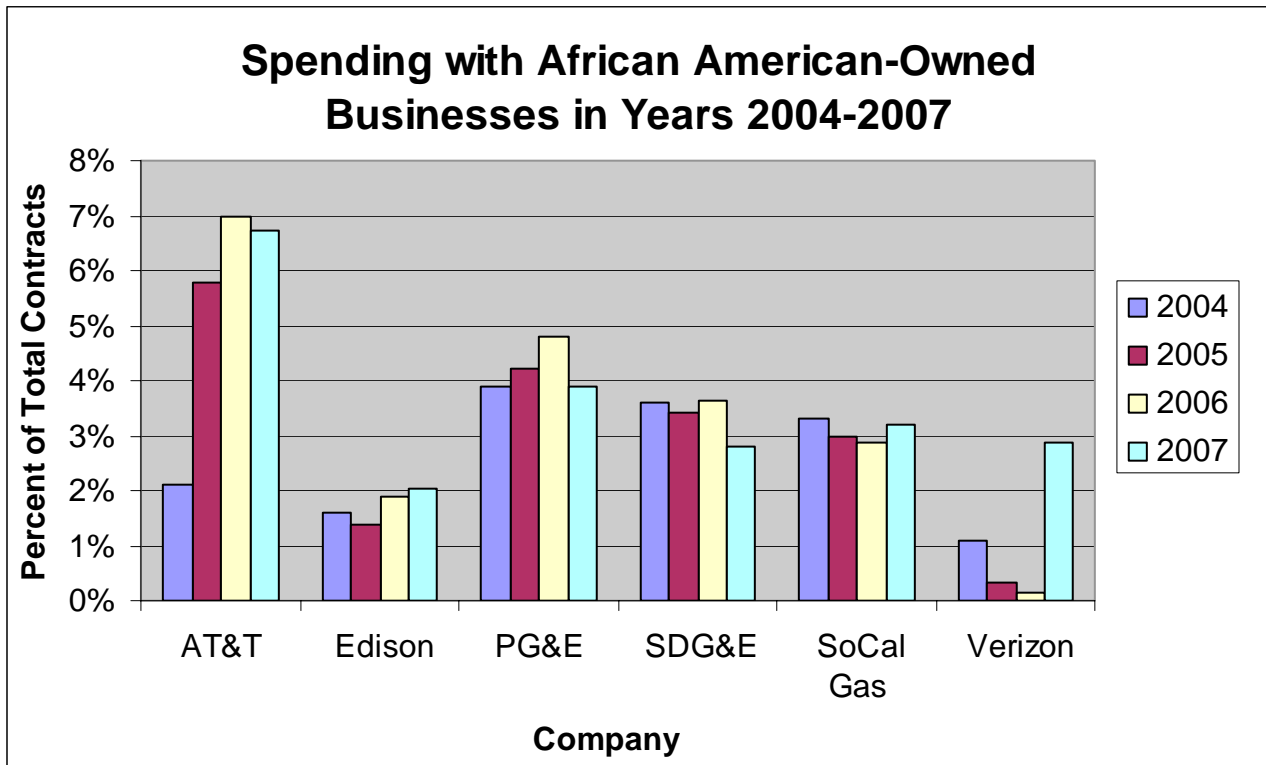


**SECTION TWO: AFRICAN AMERICAN OWNED BUSINESS ENTERPRISES**

	Company	Percentage (%)	Grade
1	AT&T	6.72%	A-
2	Pacific Gas and Electric	3.90%	C
3	Southern California Gas	3.19%	C-
4	Verizon	2.89%	C-
5	San Diego Gas & Electric	2.80%	C-
6	Southern California Edison	2.03%	D-

AT&T ranked first among African American contracts (Exhibits 4 and 5), but showed a 3.7% decline from 2006 figures, earning an “A-.” AT&T has remained a consistent leader in the last three years and continues to eclipse the other utilities in terms of African American contracts.

Pacific Gas & Electric ranked second for having the second highest percentage of African American contracts, but earned a “C” for showing a nearly 20% decline from 2006 figures. Although most utilities experienced a decline in African American contracts in 2007, Verizon demonstrated the most significant growth, rising from 0.16% in 2006 to 2.89% in 2007. Southern California Edison ranked last with a “D-” for having the lowest percentage of African American contracts.



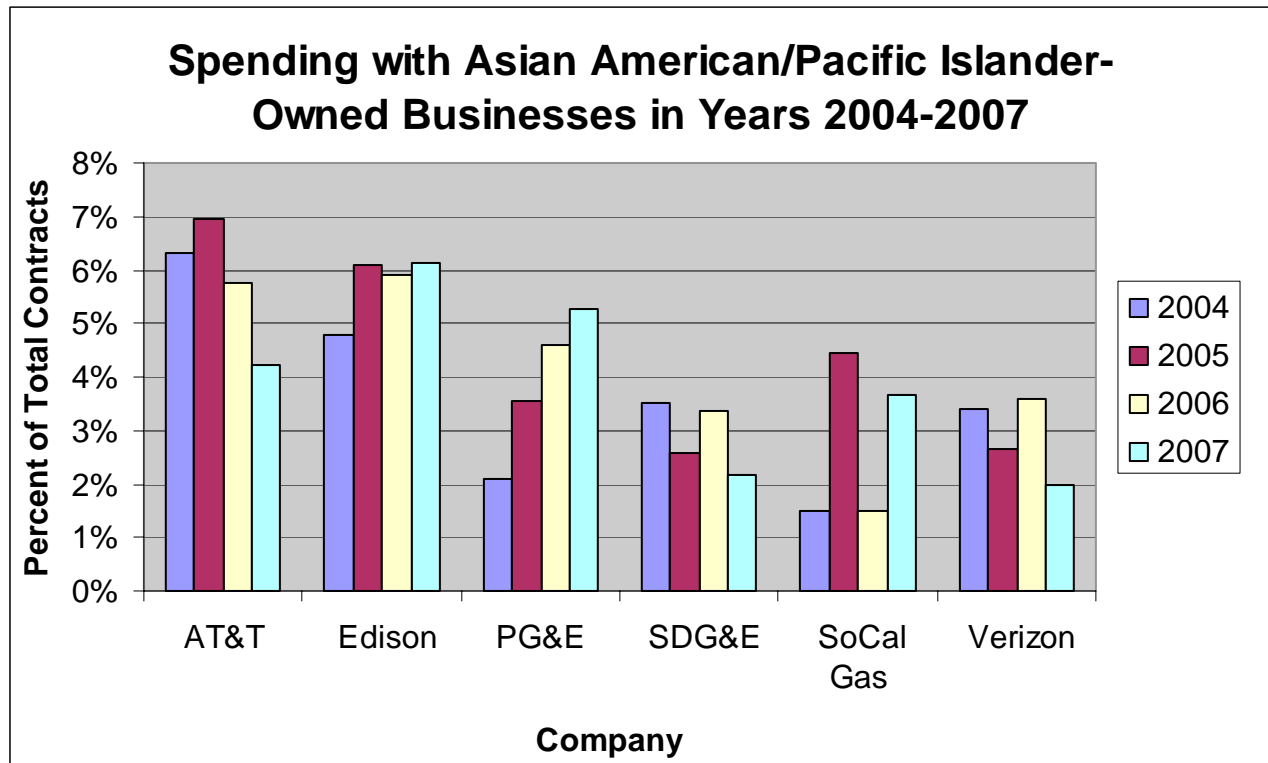
**SECTION THREE: ASIAN AMERICAN/PACIFIC ISLANDER OWNED BUSINESS ENTERPRISES**

	Company	Percentage (%)	Grade
1	Southern California Edison	6.11%	B
2	Pacific Gas and Electric	5.26%	B-
3	AT&T	4.24%	C
4	Southern California Gas	3.67%	C
5	San Diego Gas & Electric	2.16%	D
6	Verizon	1.99%	D-

While estimates have projected that the number of Asian American businesses in California grew to nearly 450,000 in 2007, most utilities had a relatively low percentage of Asian American contracts (Exhibit 4).

Southern California Edison increased from 2006 figures and had the highest percentage of Asian American contracts in 2007 (Exhibit 6), ranking first with a “B.” Southern California Gas, which was awarded the lowest Greenlining grade of “FF” for Asian American contracts in 2006, showed a considerable improvement in 2007 and earned a “C.”

Verizon ranked last with a “D-” for having the lowest percentage of contracts and dropping 45% from 2006 figures.



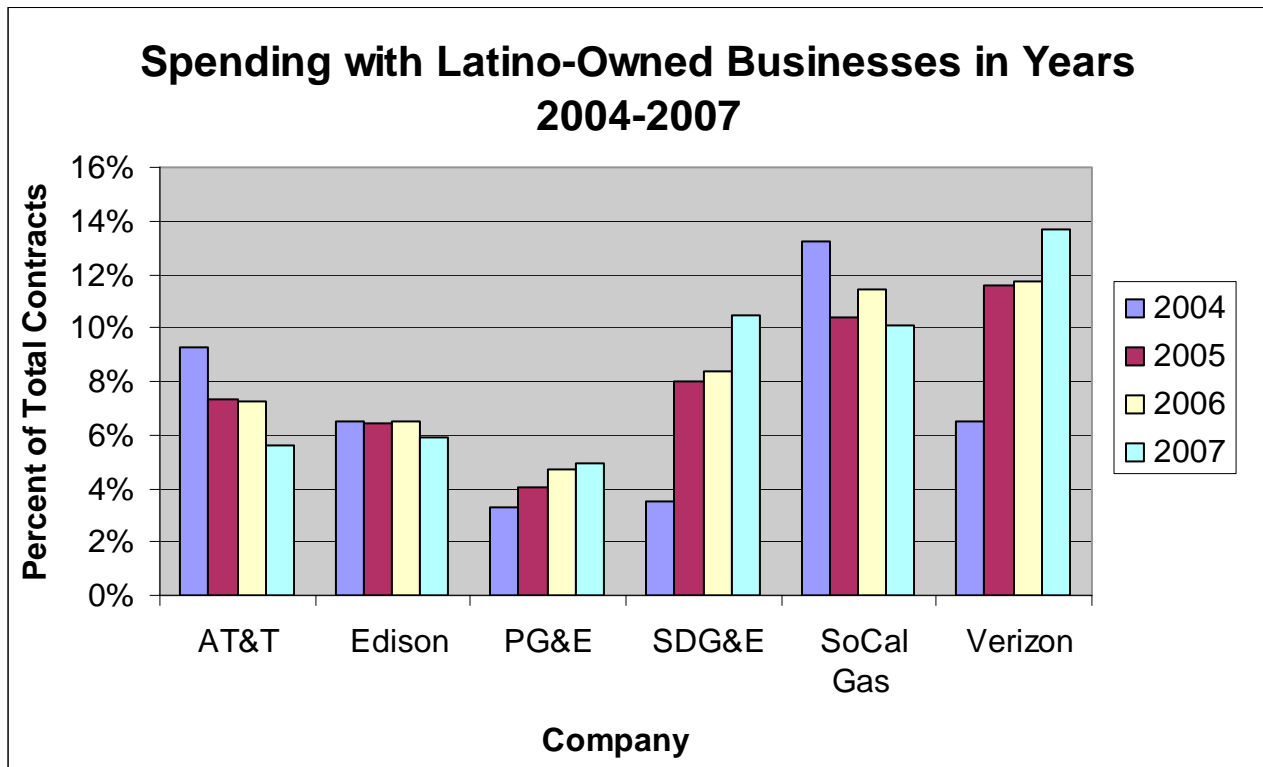
**SECTION FOUR: LATINO OWNED BUSINESS ENTERPRISES**

	Company	Percentage (%)	Grade
1	Verizon	13.68%	A
2	San Diego Gas & Electric	10.50%	B
3	Southern California Gas	10.10%	B-
4	Southern California Edison	5.89%	D
5	AT&T	5.63%	D
6	Pacific Gas and Electric	4.94%	D-

Verizon earned an “A” for remaining the leader in Latino contracts in 2007 (Exhibits 4 and 7) and for achieving a notable increase from 2006.

San Diego Gas & Electric also grew from 2006 figures and ranked second in 2007 with a “B.”

Pacific Gas & Electric saw a minor increase from its 2006 figures but remained significantly far behind its leading competitors, earning a “D-.”

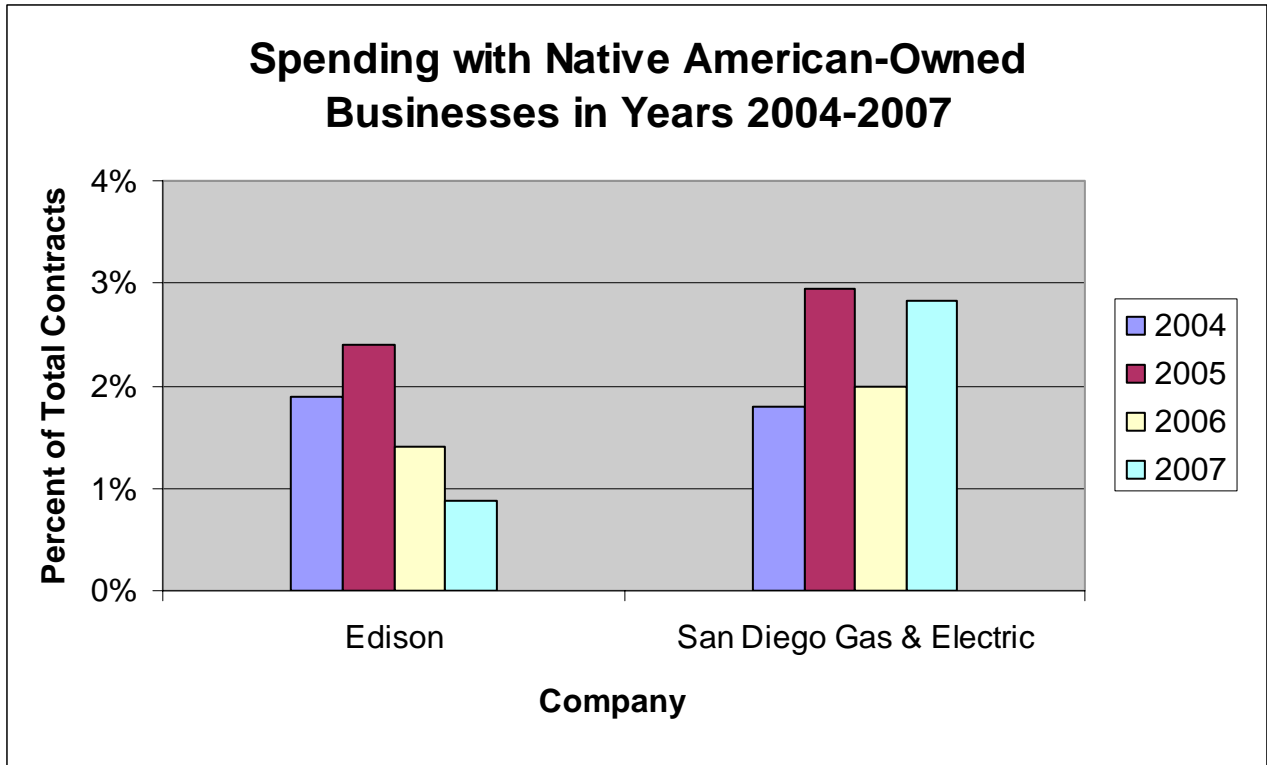


SECTION FIVE: NATIVE AMERICAN OWNED BUSINESS ENTERPRISES

San Diego Gas & Electric was the only utility to surpass 2% in contracting to Native Americans in 2007 (Exhibit 8), growing from 1.99% in 2006 to 2.83% in 2007.

Southern California Edison, a leader in Native American contracts in previous years, saw a 38% decline from 1.40% in 2006 to 0.87% in 2007.

While San Diego Gas & Electric and Southern California Edison have been long-term leaders in Native American contracts, Southern California Gas had the second highest percentage of Native American contracts (1.22%), surpassing Southern California Edison.



**SECTION SIX: MINORITY WOMEN OWNED BUSINESS ENTERPRISES**

	<b>Company</b>	<b>Percentage (%)</b>	<b>Grade</b>
1	San Diego Gas & Electric	3.62%	C
2	Southern California Edison	3.04%	C
3	AT&T	2.83%	C-
4	Pacific Gas and Electric	2.81%	C-
5	Southern California Gas	2.42%	C-
6	Verizon	1.00%	F

All utilities received poor grades for minority women contracts in 2007. No utility reached 4% in this category, and most of the utilities showed a decline from 2006 figures, with the exceptions of San Diego Gas & Electric and Southern California Gas (Exhibit 9).

Verizon received a grade of “F” for its staggeringly low percentage of minority women contracts.

