



2008 SUPPLIER DIVERSITY REPORT CARD



APRIL 2008

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

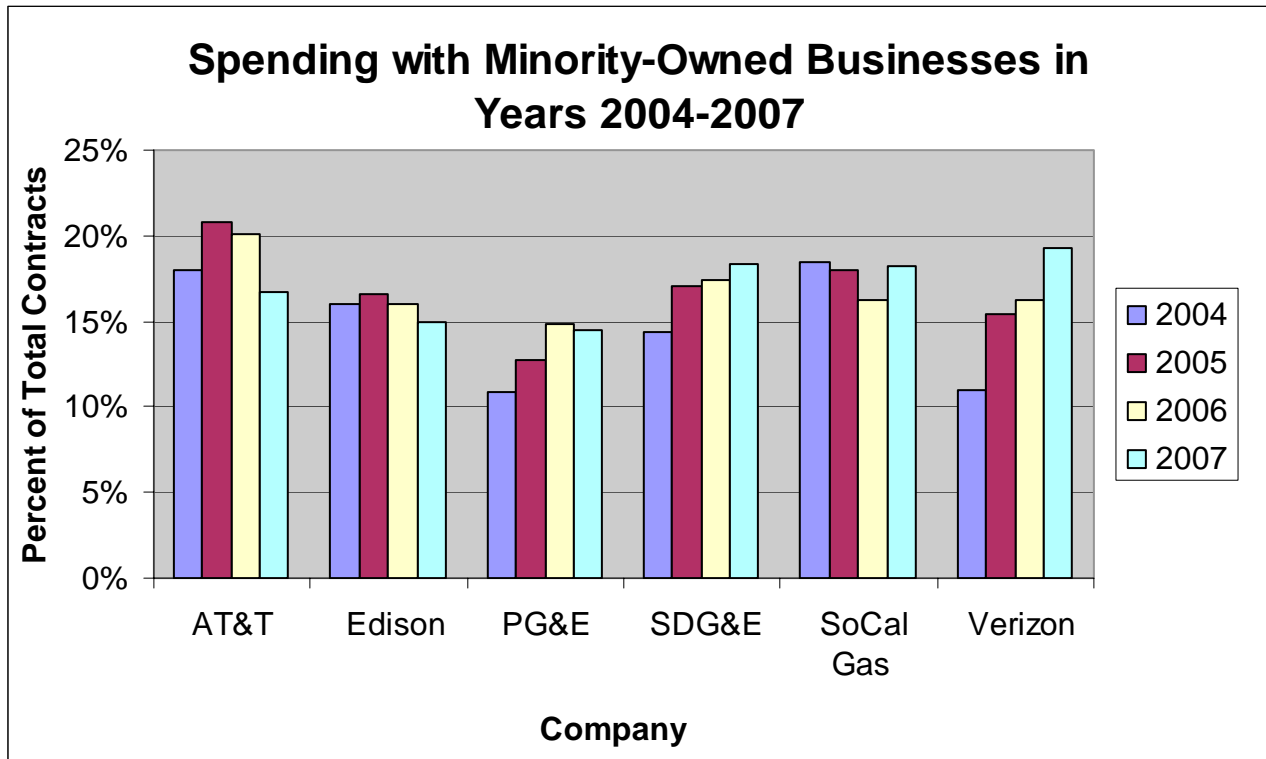
The grades in the 2008 report card are awarded based on the overall record of each utility and broadband company from previous years, as well as their existing commitments and ability to meet their future diversity goals for all minorities.

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.

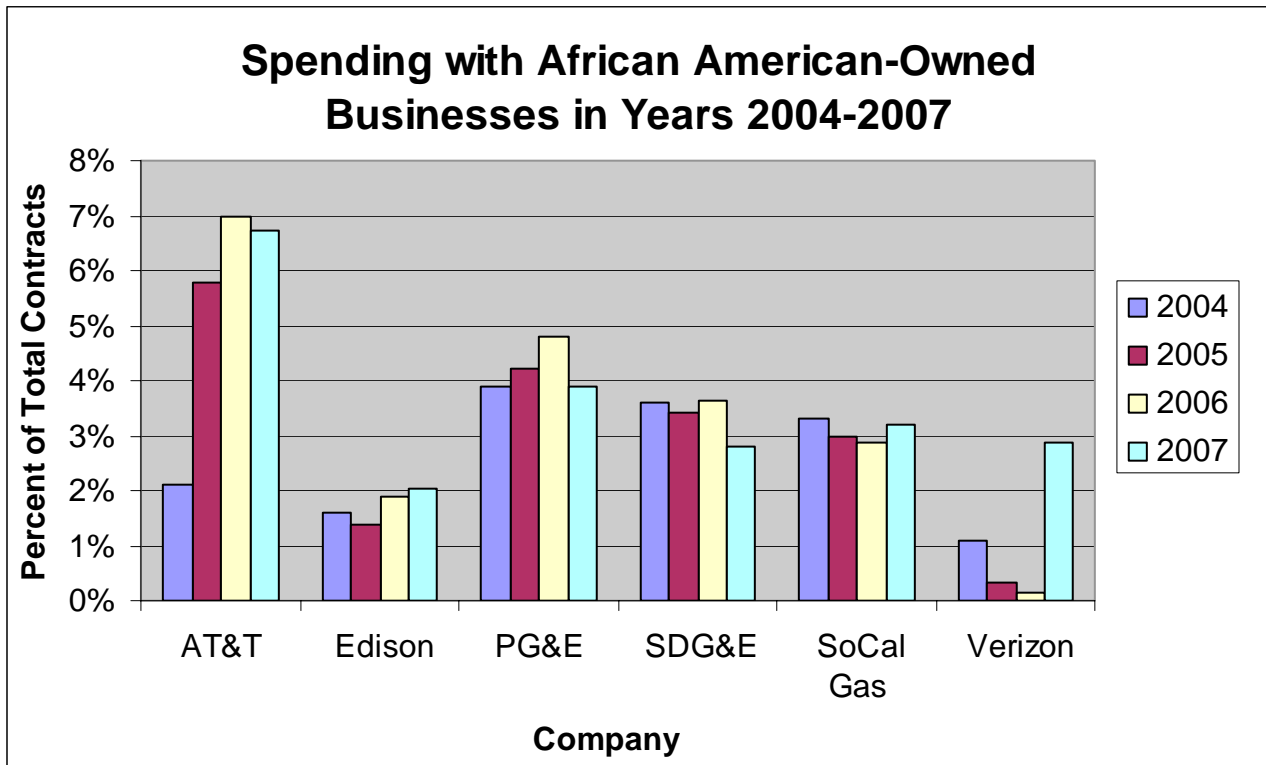


SECTION TWO: AFRICAN AMERICAN OWNED BUSINESS ENTERPRISES

	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.



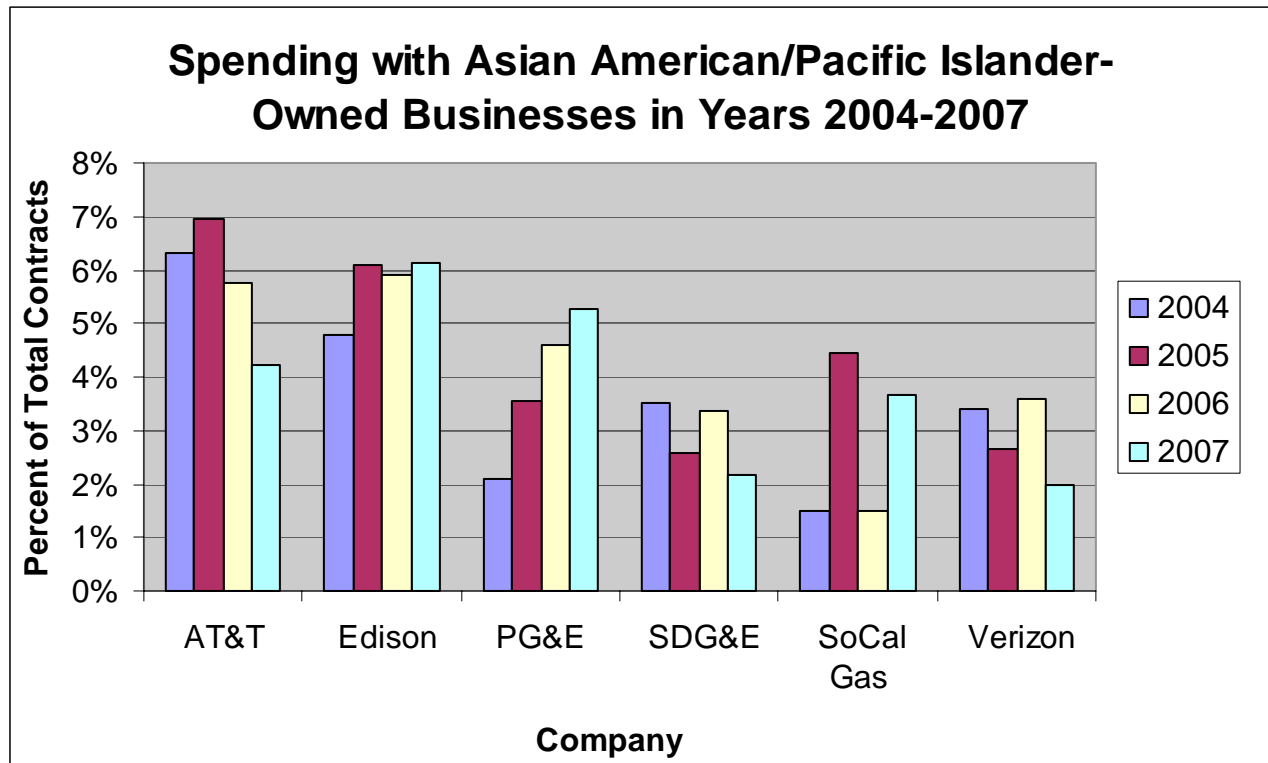
SECTION THREE: ASIAN AMERICAN/PACIFIC ISLANDER OWNED BUSINESS ENTERPRISES

	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.



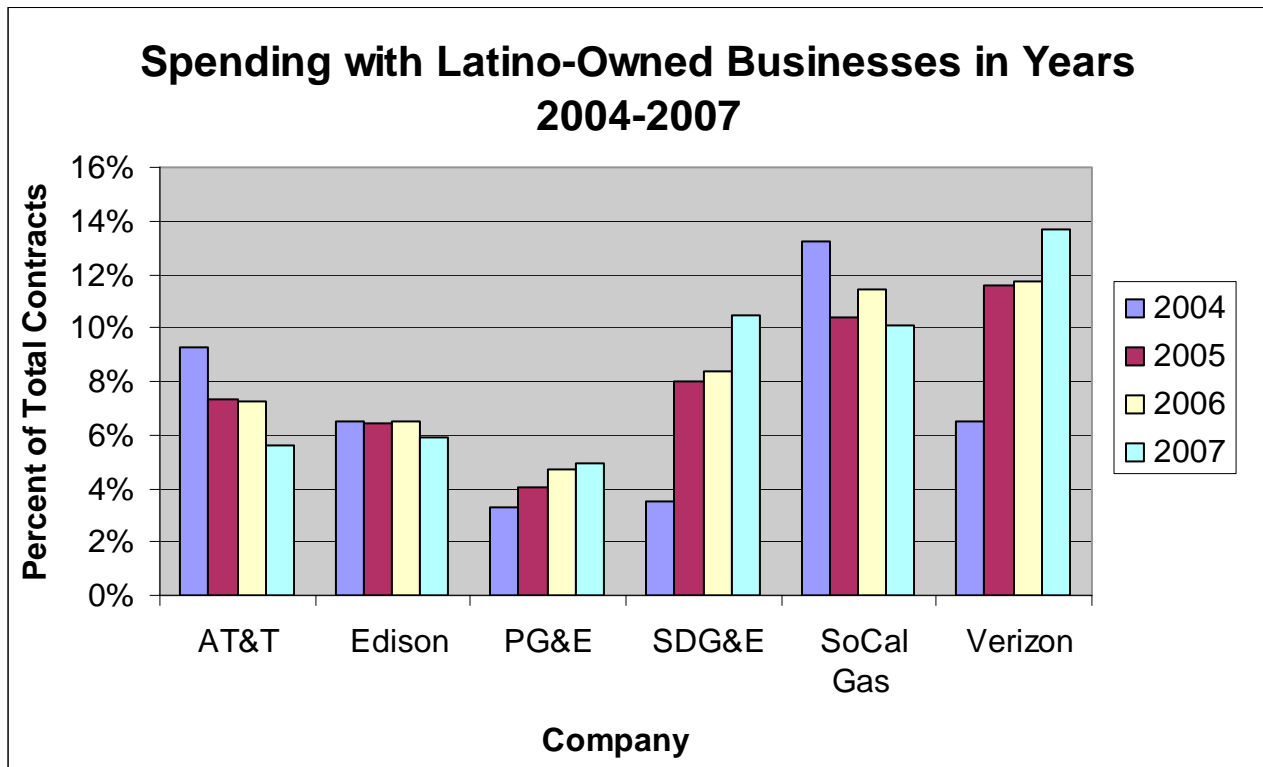
SECTION FOUR: LATINO OWNED BUSINESS ENTERPRISES

	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-.”

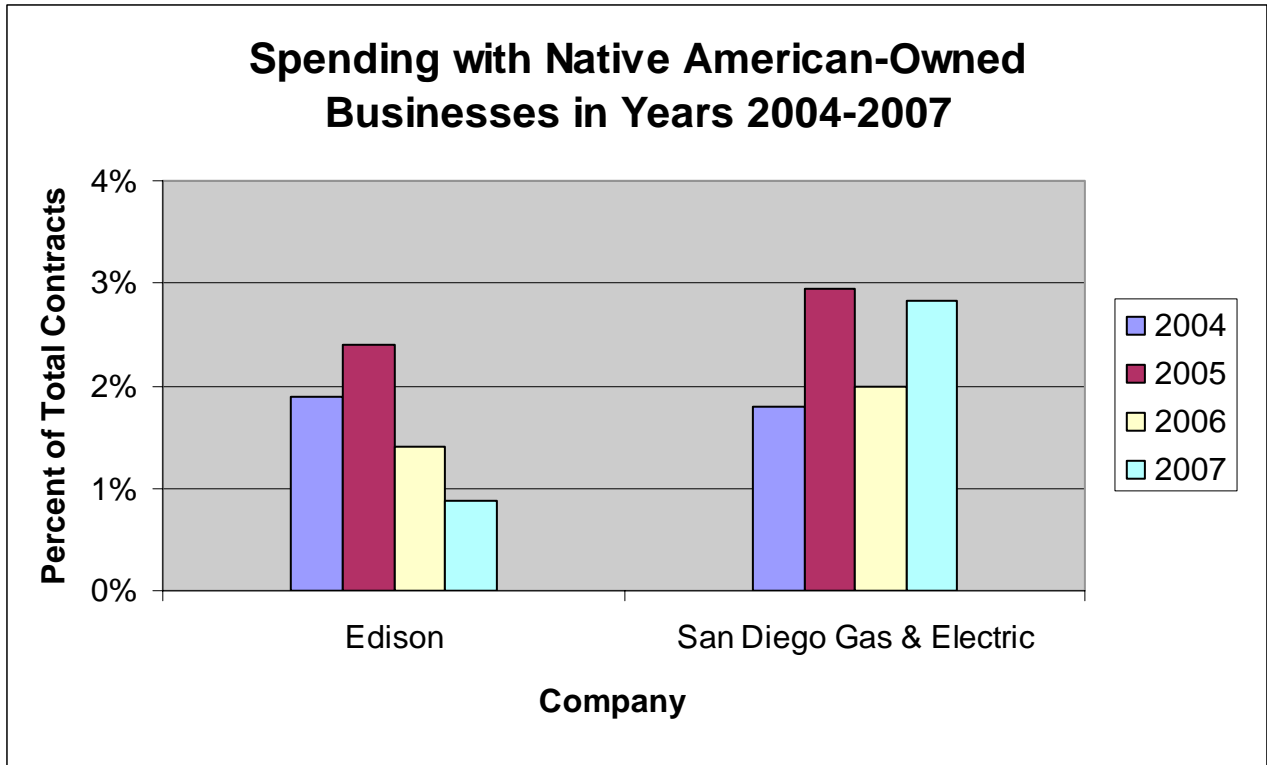


SECTION FIVE: NATIVE AMERICAN OWNED BUSINESS ENTERPRISES

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.

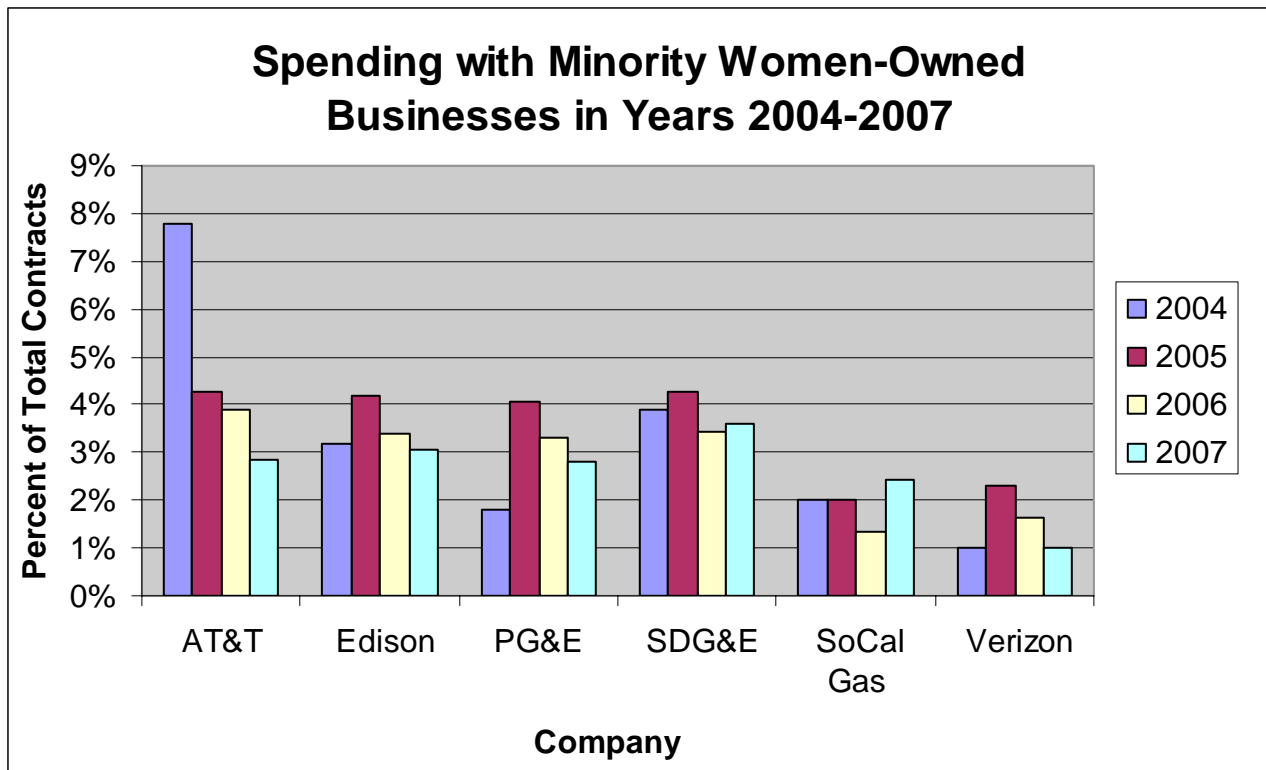


SECTION SIX: MINORITY WOMEN OWNED BUSINESS ENTERPRISES

	Company	Percentage (%)	Grade
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).

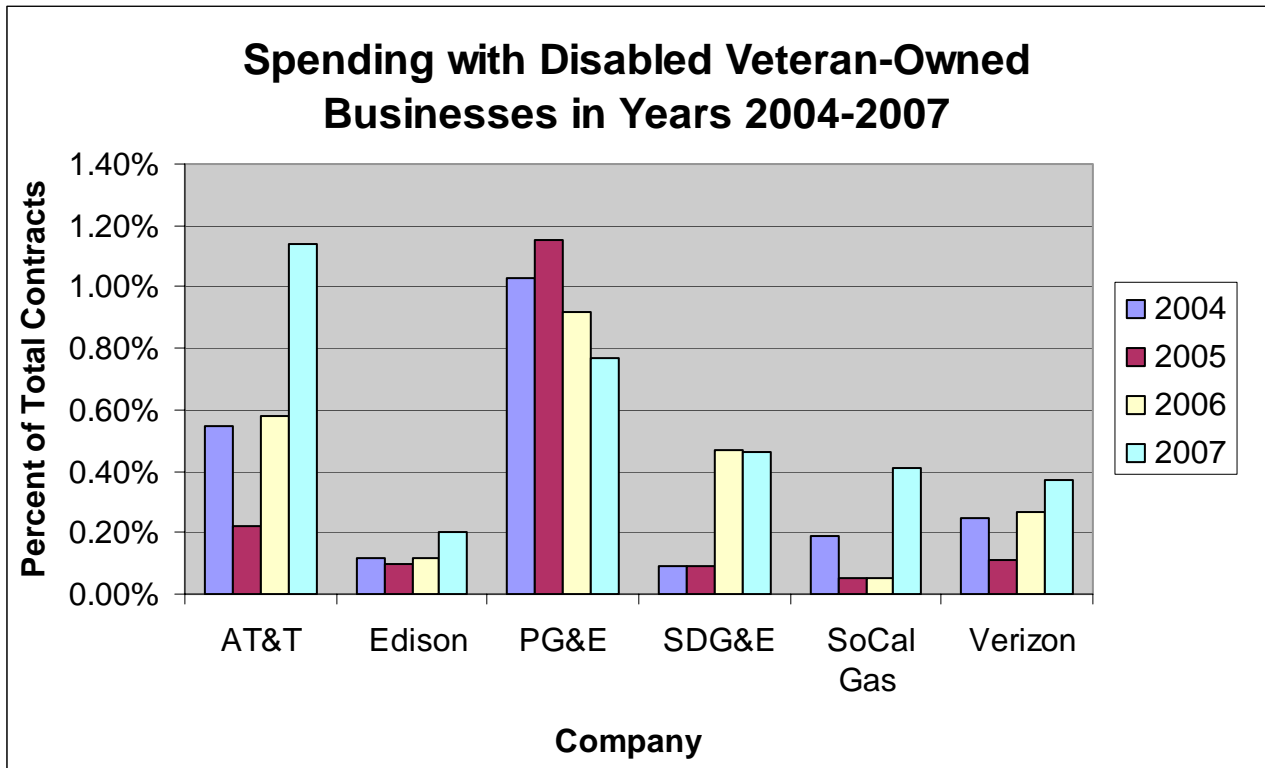
Verizon received a grade of “F” for its staggeringly low percentage of minority women contracts.



SECTION SEVEN: DISABLED VETERAN OWNED BUSINESS ENTERPRISES

	Company	Percentage (%)	Grade
1	AT&T	1.14%	C+
2	Pacific Gas & Electric	0.77%	D-
3	San Diego Gas & Electric	0.46%	F
4	Southern California Gas	0.41%	F
5	Verizon	0.37%	F
6	Southern California Edison	0.20%	FF

All utilities had an overwhelmingly low percentage of contracts for disabled veteran-owned businesses, and no utility was able to reach the modest CPUC goal of 1.5% (Exhibit 10). AT&T was the only utility close to reaching the CPUC goal, and received the highest grade among the six utilities. Southern California Edison performed the worst with only 0.20% of contracts going to disabled veterans, earning the lowest Greenlining grade of “FF.”



SECTION EIGHT: RECOMMENDATIONS

Greenlining makes the following recommendations to the CPUC to ensure that California's corporations continue to strive for national leadership in the area of supplier diversity and foster economic empowerment across the state:

1. Verizon should be commended for its significant progress in minority contracting and the Commission should review Verizon's progress in 2007 holistically and urge the corporation to remain a leader in contracting with all minority communities. The Commission should also urge Verizon to expand its outreach and training programs to promote "win-win" growth for the corporation and California.
2. The Commission should strongly urge Edison's chief executive officer to meet the company's twenty-year-old supplier diversity goal and uphold its agreements, as set forth by the CPUC in its May 2006 rate decision. Edison was among the lowest performing of the six major utilities and broadband companies in 2007, and continues to decline. Edison should be urged to strive to meet its and the Commission's goals for supplier diversity.
3. The Commission should urge AT&T's chief executive officer re-evaluate and improve the company's supplier diversity programs. While AT&T was the leader in supplier diversity in 2006, it has unilaterally declined in all areas of minority contracting in 2007. AT&T must strive to address this decline if it is to meet its 2005 merger goal of 27% minority contracts by 2010.
4. The Commission should encourage all companies to increase their contracts to disabled veteran-owned businesses to reach the 1.5% goal. In 2007, no utility was able to reach this goal. All utilities should focus efforts to prioritize disabled veteran contracts.
5. The Commission should emphasize creating Commission-sponsored programs that focus on contracting opportunities for minority women-owned businesses. Since 2005, no utility or broadband company has reached 4%. All companies should seek opportunities to collaborate with local and regional organizations to develop strategies targeted opportunities for minority women-owned businesses.
6. All companies should challenge themselves to increase African American contracting. The Commission is aware that contracts to African American-owned businesses have been historically low, and with the exception of AT&T, no company reached 4% in 2007. All companies should consider developing stronger employment outreach programs to increase their African American contracts and strive to spend a minimum of \$1 million annually on technical assistance and capacity building programs for African American-owned businesses.
7. The Commission should promote the use of small businesses to improve supplier diversity. There are over 1.5 million minority-owned small businesses in California. The six major utilities and broadband companies endeavor to increase contracting and sub-contracting opportunities for small businesses to create more robust supplier diversity programs.
8. Order the Commission staff, utilities and broadband companies to work with Asian Inc. to provide a less cumbersome "online" application process, without compromising the integrity of applicants. The mail-in application process being used today is antiquated, inefficient, costly to business owners, and out of place in today's technological world.
9. The Commission should consider imposing sanctions on companies that fail to meet goals, such as requiring them to invest additional funding into minority business technical support programs.

SECTION NINE: PROFESSIONAL SERVICES

In 2007, all of the six utilities and broadband companies published data regarding their legal service contracts, highlighting their progress in using the services of minority attorneys. Each company indicated an increase in spending on minority lawyers, with AT&T and PG&E each reporting an impressive sum of over \$3 million spent with minority attorneys. While these numbers appear impressive, the reported dollars reflect dollars spent with minority attorneys at *majority-owned firms*, not minority-owned firms.

In fact, the number of contracts awarded to minority-owned law firms is actually quite low. In 2007, only 3.54% of Southern California Edison's legal contracts went to minority-owned law firms. Since majority-owned law firms dominate the corporate legal field in California, it is understandable that these figures are low. However, even the number of hours billed by minority lawyers working in the majority-owned law firms constitutes only a fraction of the total amount of legal spending by the six major utilities and broadband companies. To properly consider the data reported by the utilities and broadband companies, the Commission must examine the roles of these minority attorneys at the majority-owned firms to ensure that these lawyers are not part of any forms of professional ethnic tokenism.

Greenlining firmly believes that the legal and financial services professions will be left behind in an increasingly global marketplace if they do not holistically embrace diversity as other industries have, not only in California but internationally. One way to encourage the legal and financial services professions to fully integrate the value of diversity into their corporate culture is for their clients, such as utility and broadband companies, to require continued transparency of the majority-owned law firms they contract with.

In addition to increasing direct spend with minority-owned law firms, Greenlining recommends that the utility and broadband companies promote the use of minority attorneys within majority-owned law firms by setting good faith goals to contract only with majority-owned law firms that:

1. Have significant goals and achievements for minority associates, equity partners and non-equity partners;
2. Develop specific targeted recruitment programs, focused on educational pipelines;
3. Ensure minority attorneys have substantial responsibility in utility and broadband company cases with the intention of preparing them to, if they wish, form minority-owned law firms that can represent the utilities in the future;
4. Commit significant resources to pro bono programs designed to address the needs of underserved communities.

Trends similar to that discussed above occur in the financial services sector, where majority-owned firms also dominate. The six utilities and broadband companies published less detailed data on their financial services spending, and mainly focused on their outreach efforts. Given the Commission's focus on diversity in the financial services arena, Greenlining recommends that the companies pay significant attention in 2008 to increasing diverse spend the area of professional financial services.

While the progress the utilities and broadband companies have made for minorities in professional services is commendable, greater transparency is needed to understand how supplier diversity is (or is not) increasing in these sectors. The utilities must create tangible goals or programs aimed at improving professional supplier diversity, not just a list of outreach attempts. Although minority spending has increased for professional services, the utilities must affirmatively demonstrate that these professionals are not mere tokens.

SECTION TEN: ADDITIONAL SPENDING OPPORTUNITIES

Preparing California's Future Workforce

Recognizing that California's labor market demands an educated workforce, and that diversity in the workforce is not only a business imperative, but positively impacts communities and enhances the credibility of what the utilities and broadband companies do for customers, clients, and partners, there is an *immediate* need for strategic programs to increase educational opportunities for future leaders in all sectors. The six utilities and broadband companies should consider investing in educational programs that both prepare a diverse California-based workforce and support the growth of their companies.

Supplier Diversity

To facilitate the expansion and impact of supplier diversity initiatives, the six utilities and broadband companies should consider: 1) increasing investments in educational pipelines to ensure a fully educated business community; 2) creating additional "mentoring" opportunities with tier I and tier II suppliers; 3) expanding technical assistance and capacity building programs for minority-owned and disabled veteran-owned businesses; and 4) developing mechanisms for increased contracting opportunities for small businesses.

Broadband and Bridging the Digital Divide

Efforts should be focused to ensure that increased deployment of broadband technology is fully supported by universal access to essential tools, such as hardware and software. For this to happen it is imperative that greater collaboration occurs between three fundamental partners: *broadband providers, computer companies and software developers*.

Environmental Sustainability

The importance of developing and supporting "green collar" jobs in California cannot be overstated. By focusing on environmental sustainability companies can invest in a future that is cleaner, greener, and more energy efficient for all communities. To reach these goals there must be increased cooperation and cohesiveness between private and public partners to drive policies and initiatives that create investments in clean energy technology and energy efficiency. This will provide job opportunities for Californians in a new sector of well-paid, "green collar" jobs and at the same time position California as a leader in clean energy products and services.

The development of "green" minority-owned businesses is a critical but often-overlooked resource that can simultaneously impact both environmental and supplier diversity initiatives at the six utilities and broadband companies. There are currently 1.5 million small minority-owned businesses in California. These businesses represent an untapped resource for the six utilities and broadband companies. By investing in these small minority-owned businesses the six utilities and broadband companies will not only impact those businesses, but create economic empowerment throughout California.

Lastly, the utility companies must invest greater time, resources, and intellectual capital in the Low Income Energy Efficiency (LIEE) and California Alternate Rates for Energy (CARE) programs. Both programs have the potential to provide enormous benefits to California's underserved communities, as well as advance the CPUC's environmental stewardship goals. As such, each utility should consider commitments to increase CARE enrollment by a minimum of 2.5% every five years between 2008 and 2030, and to increase LIEE enrollment by a minimum of 5% every five years between 2008 and 2030.

SECTION ELEVEN: APPENDIX OF EXHIBITS

Exhibit 1



Exhibit 2

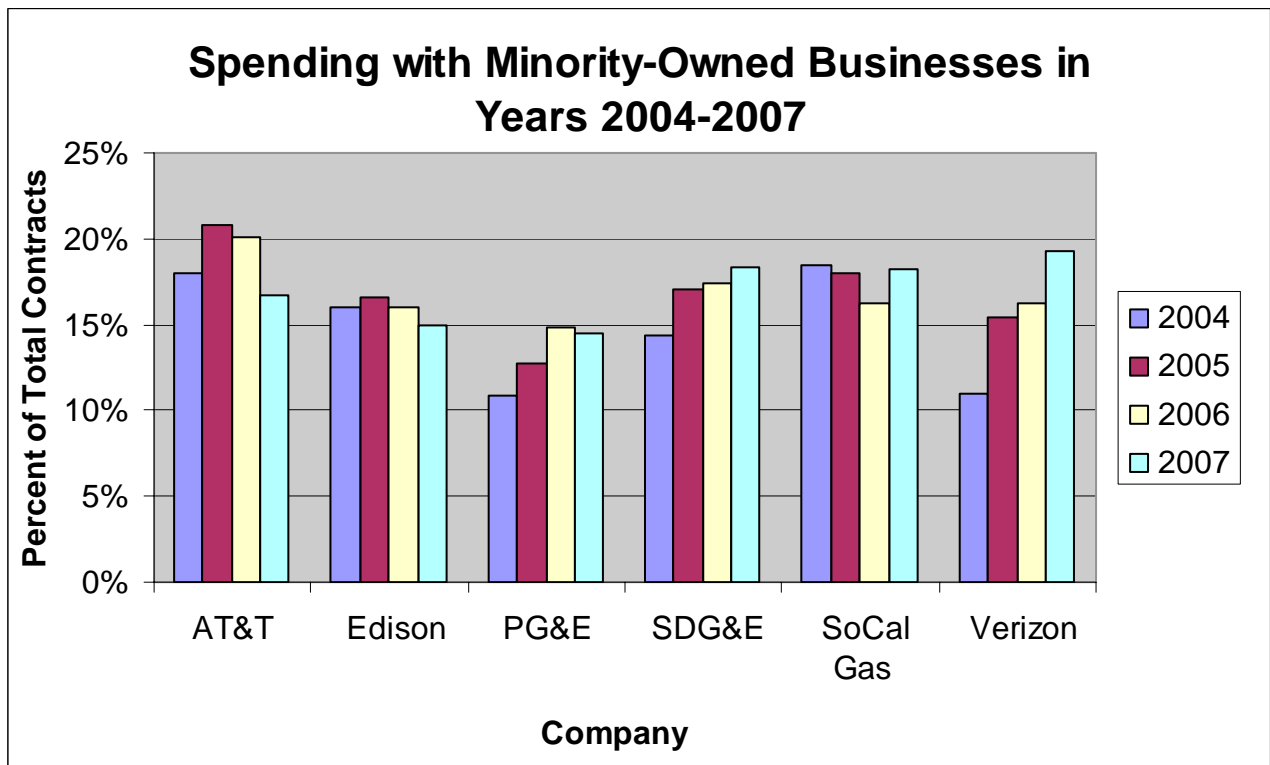


Exhibit 3.1

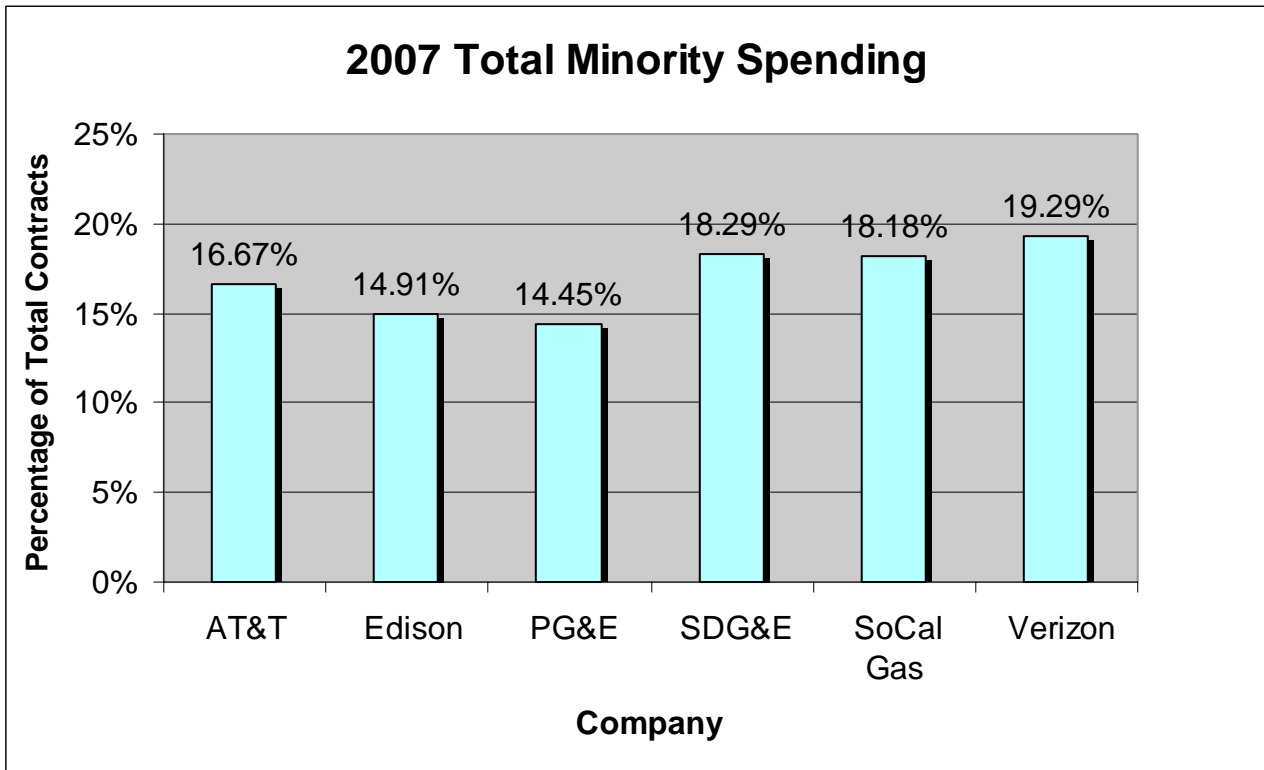


Exhibit 3.2

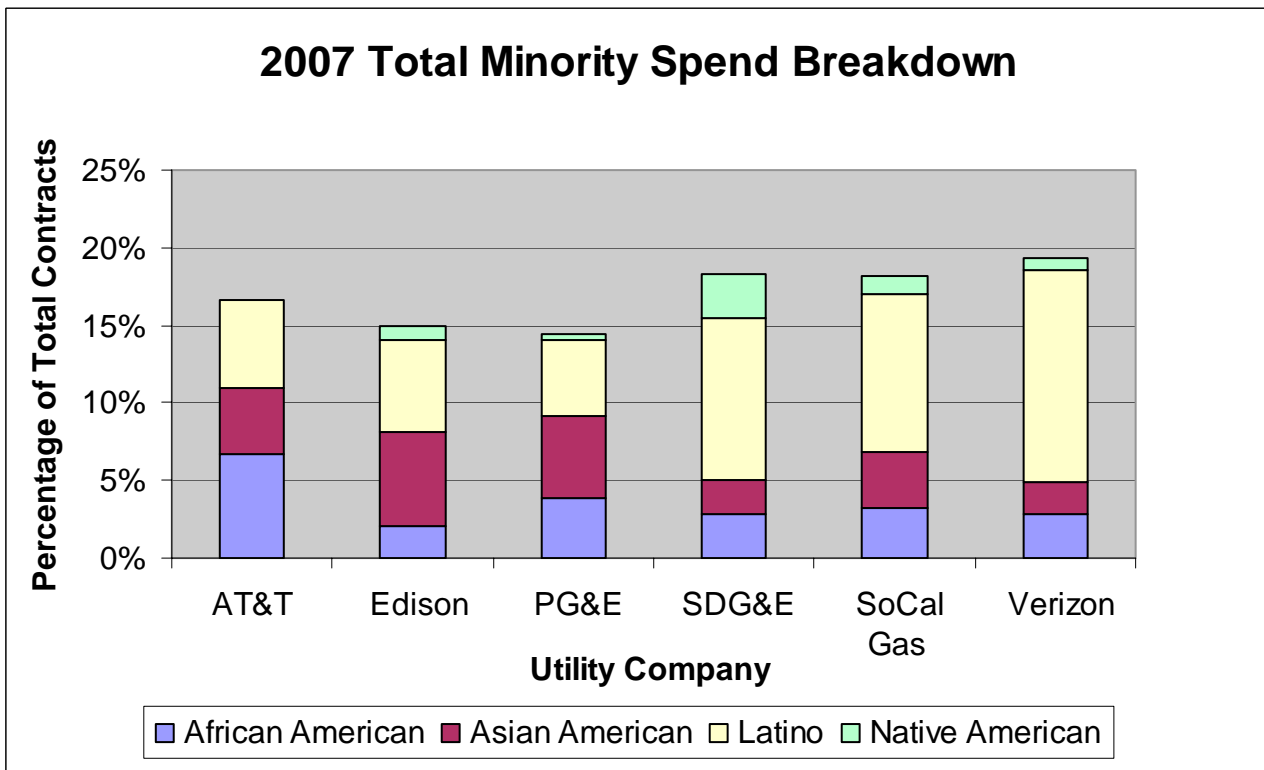


Exhibit 4.1

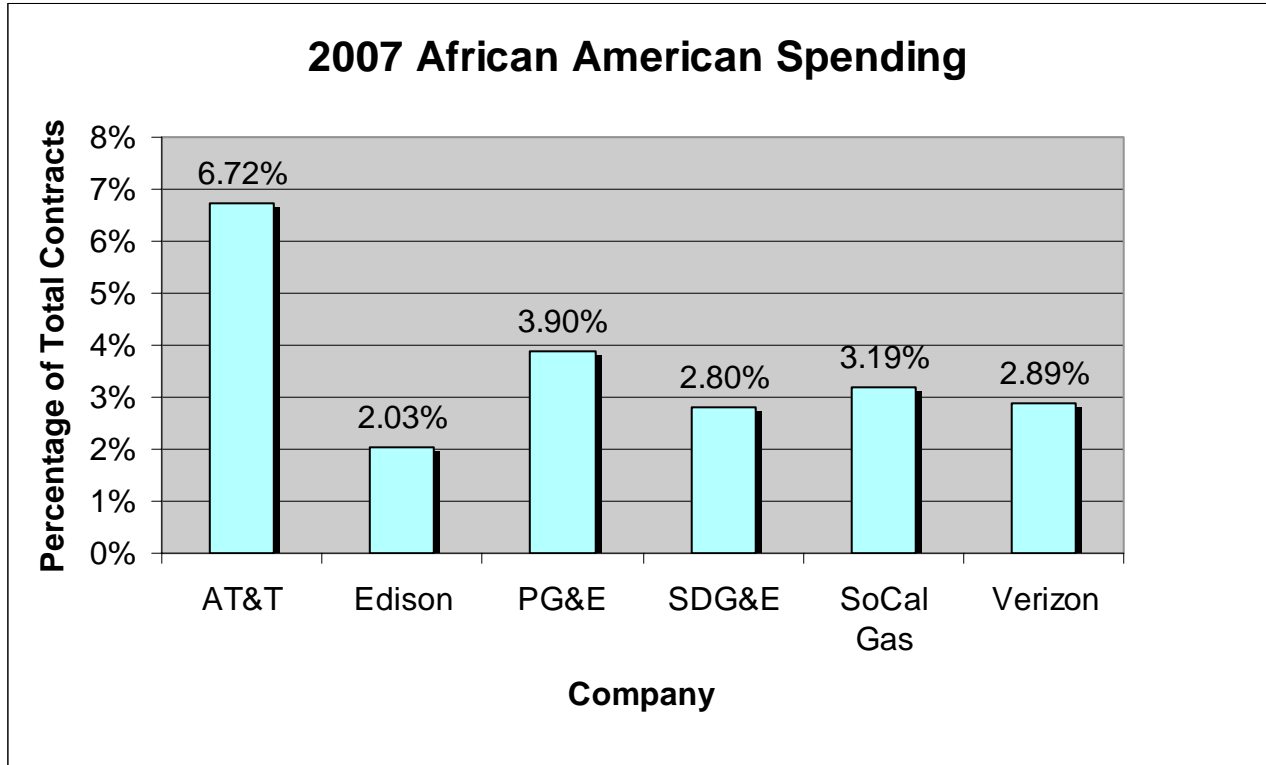


Exhibit 4.2

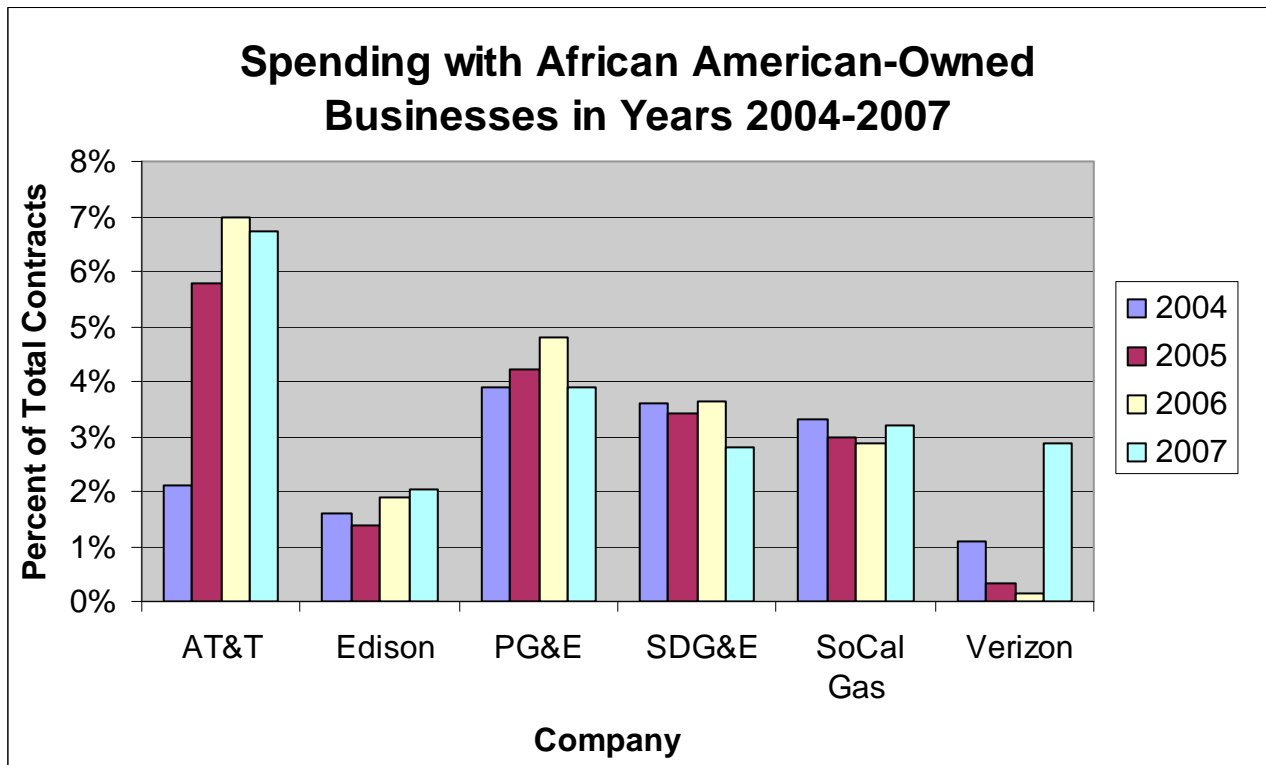


Exhibit 5.1

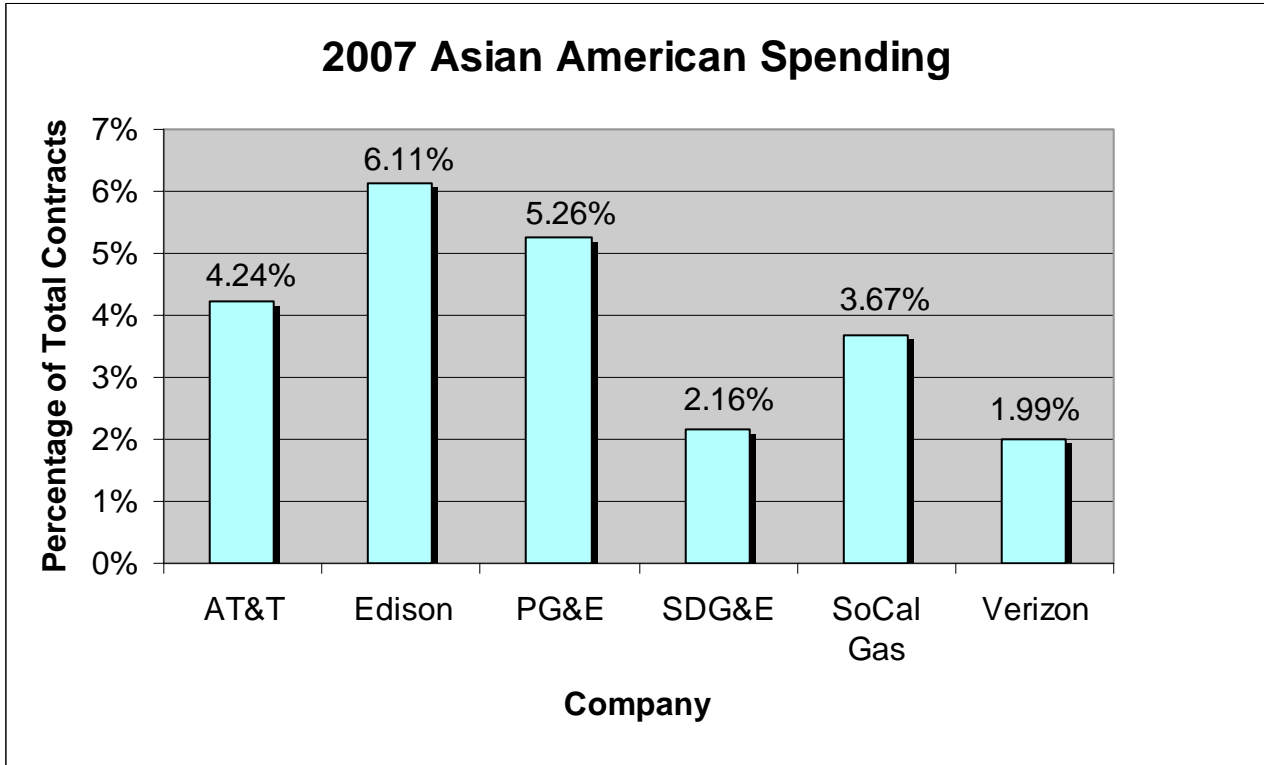


Exhibit 5.2

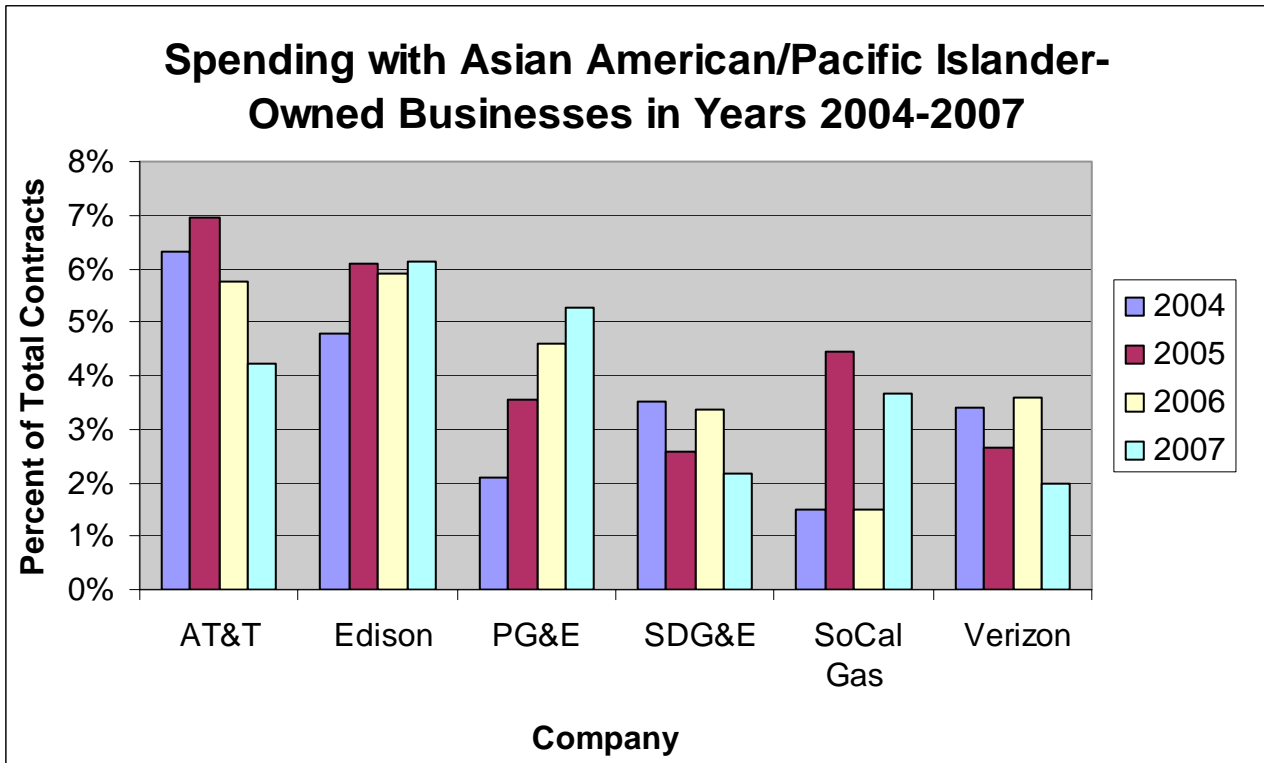


Exhibit 6.1

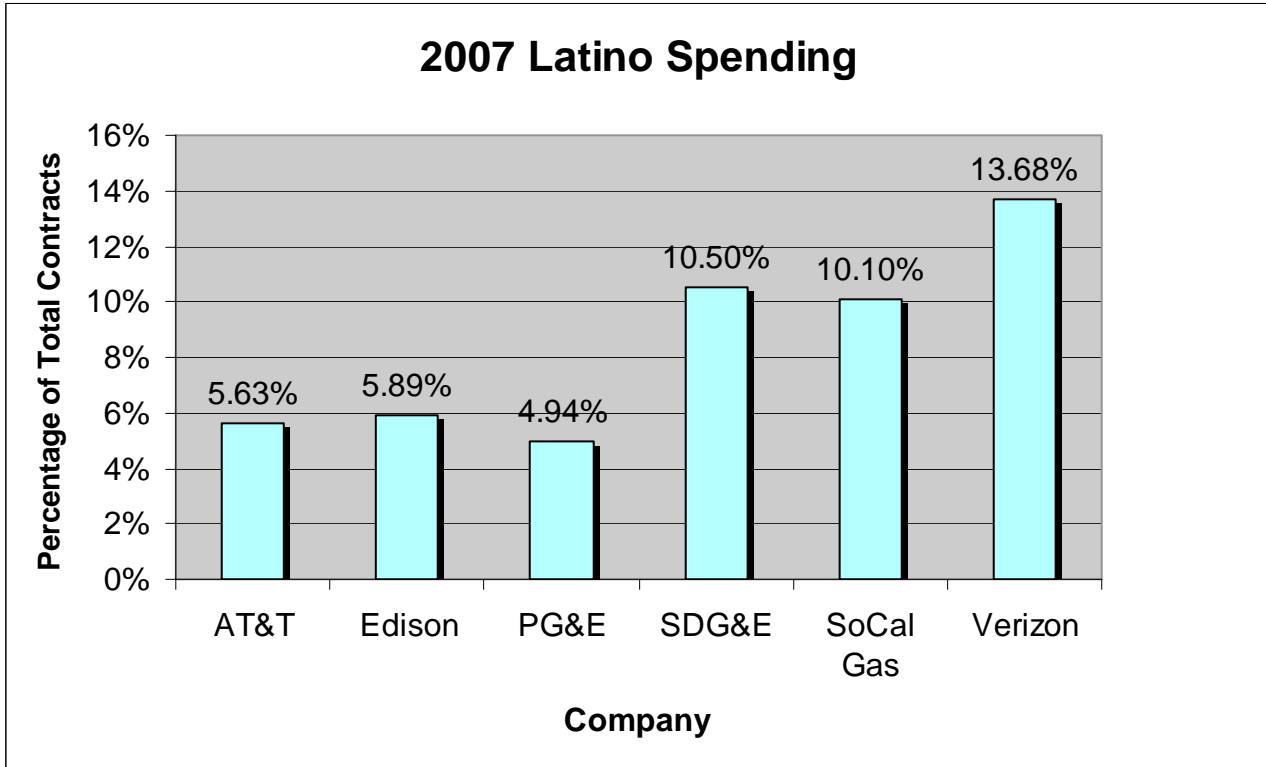


Exhibit 6.2

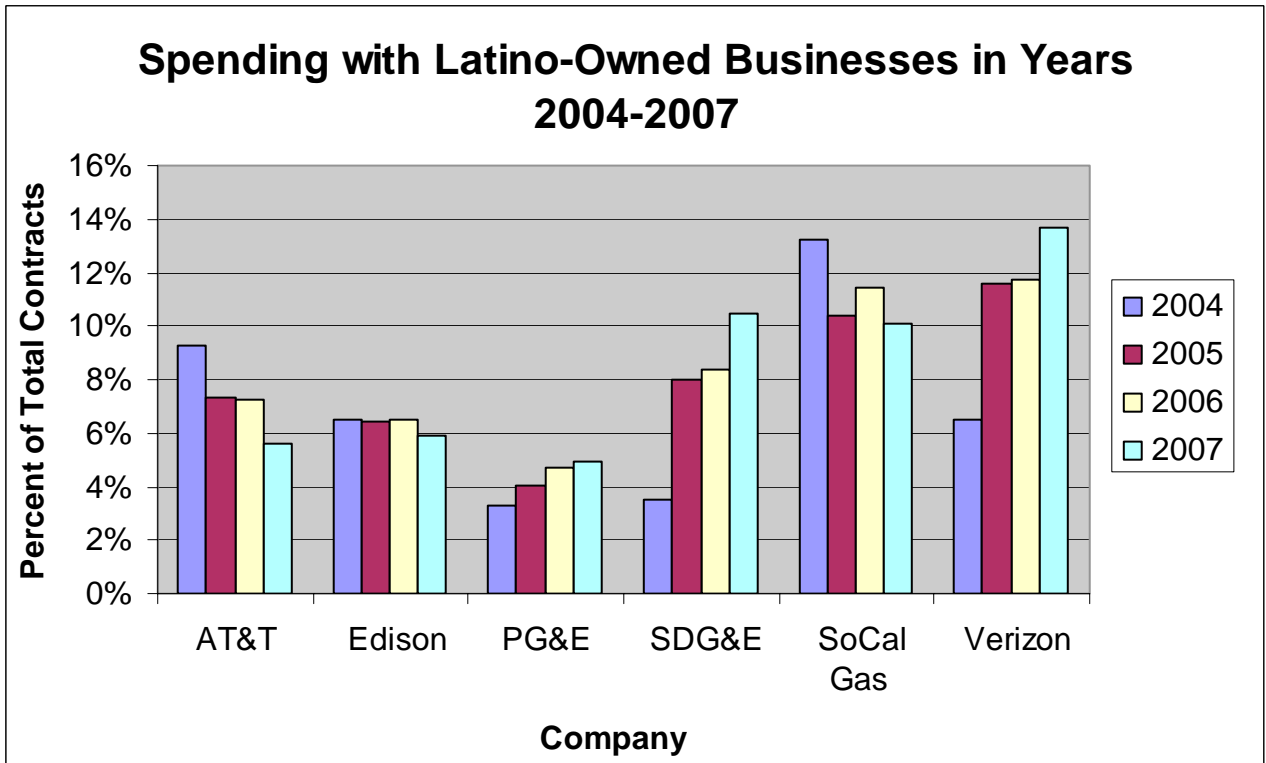


Exhibit 7.1

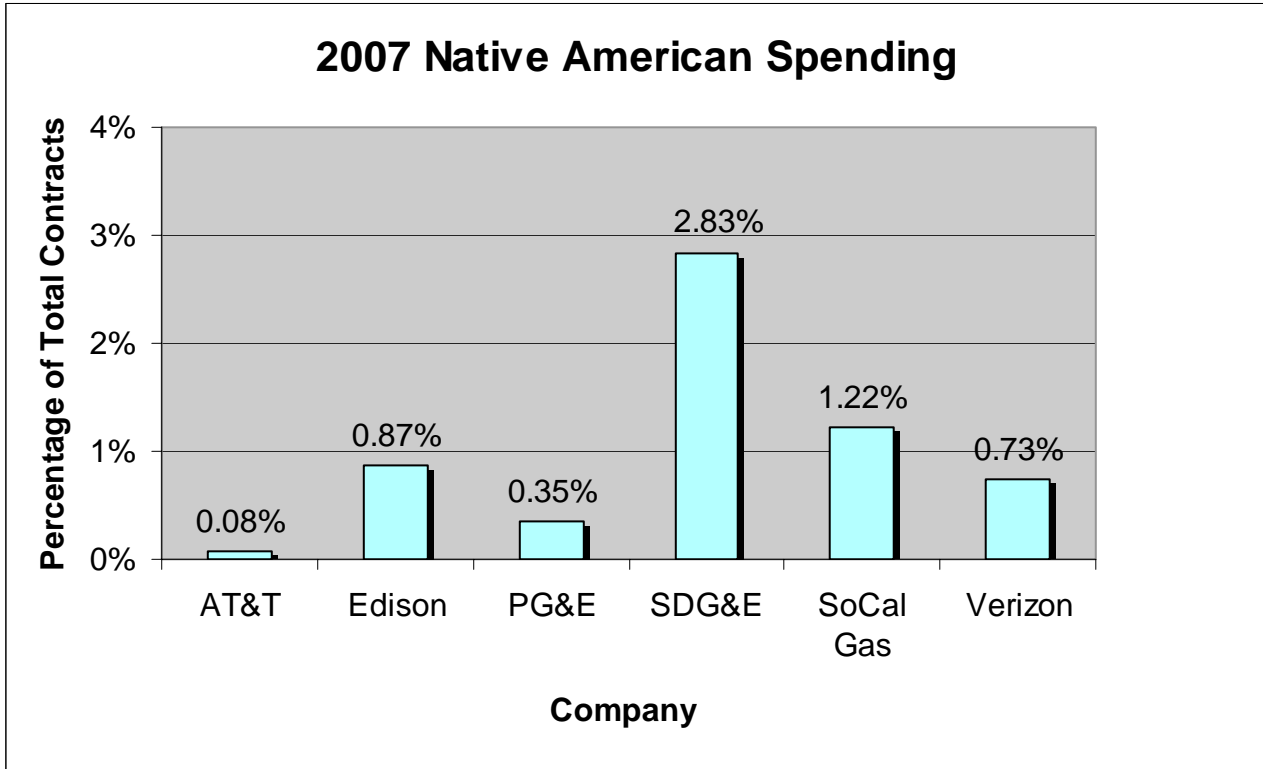


Exhibit 7.2

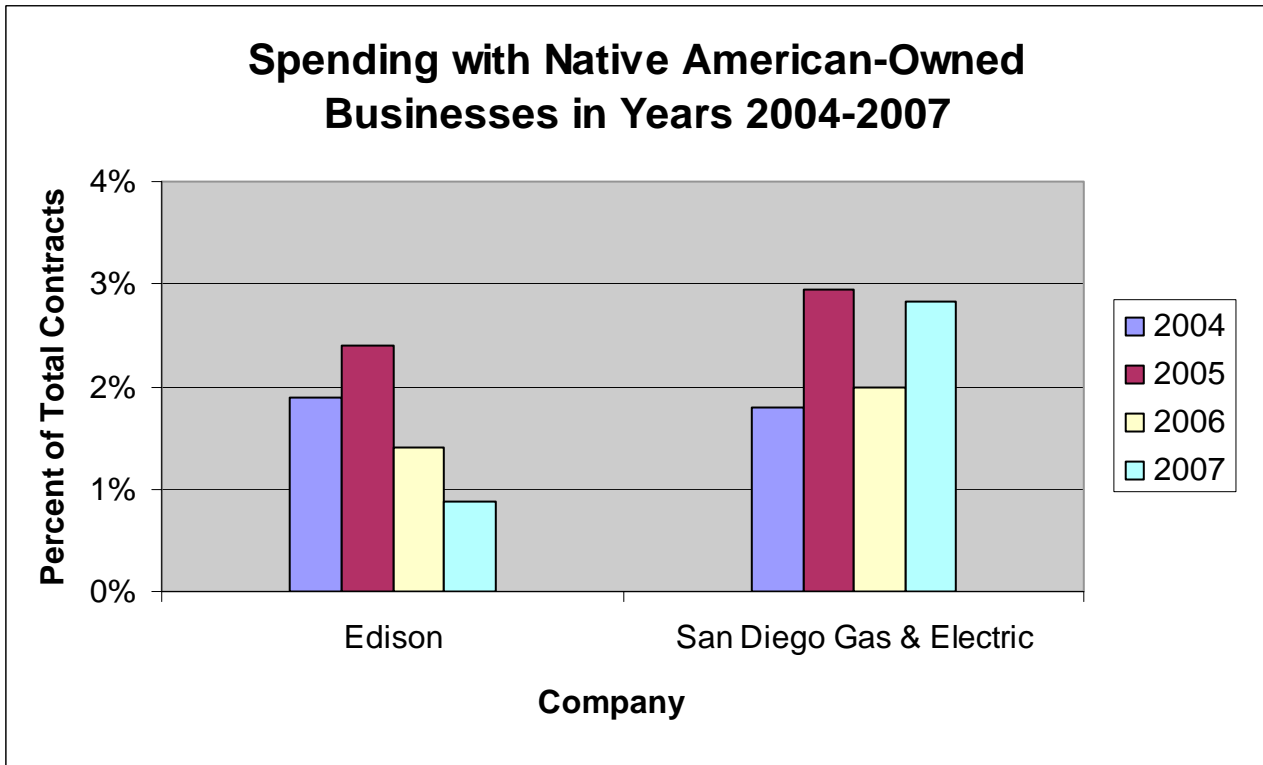


Exhibit 8.1

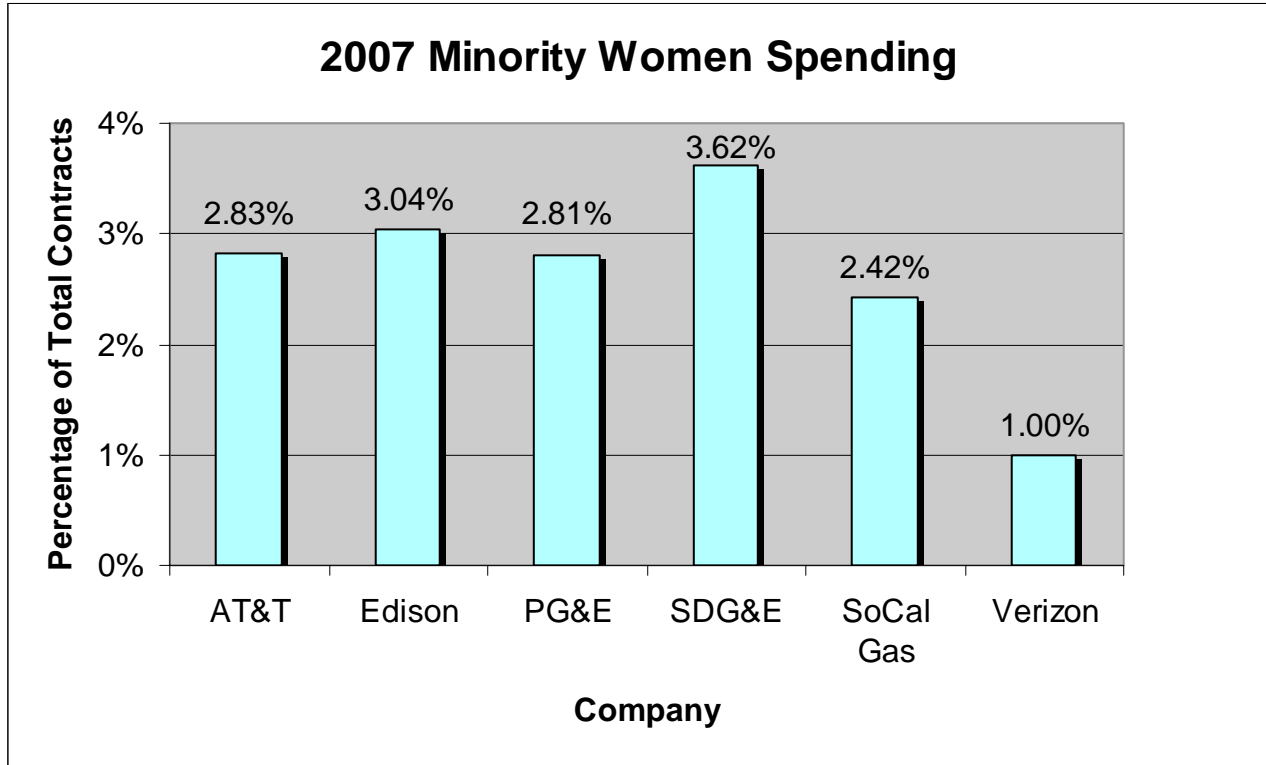


Exhibit 8.2

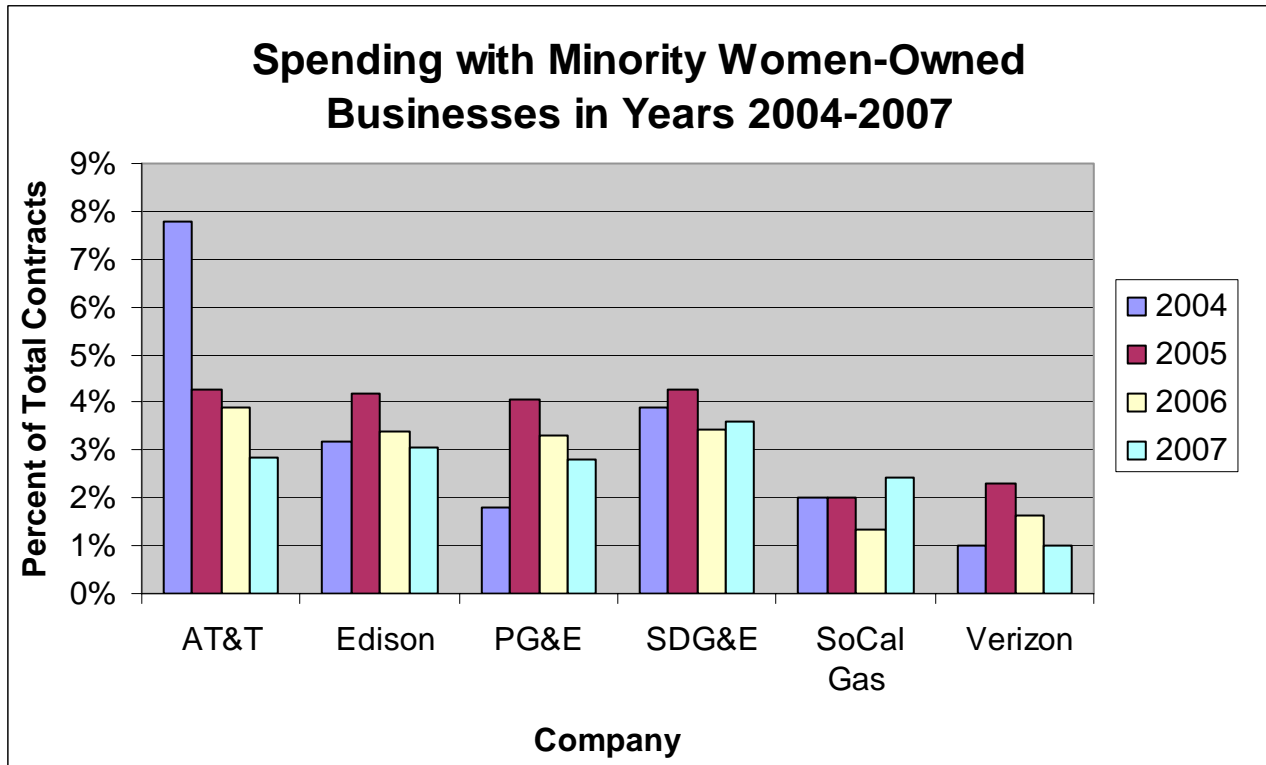


Exhibit 9.1

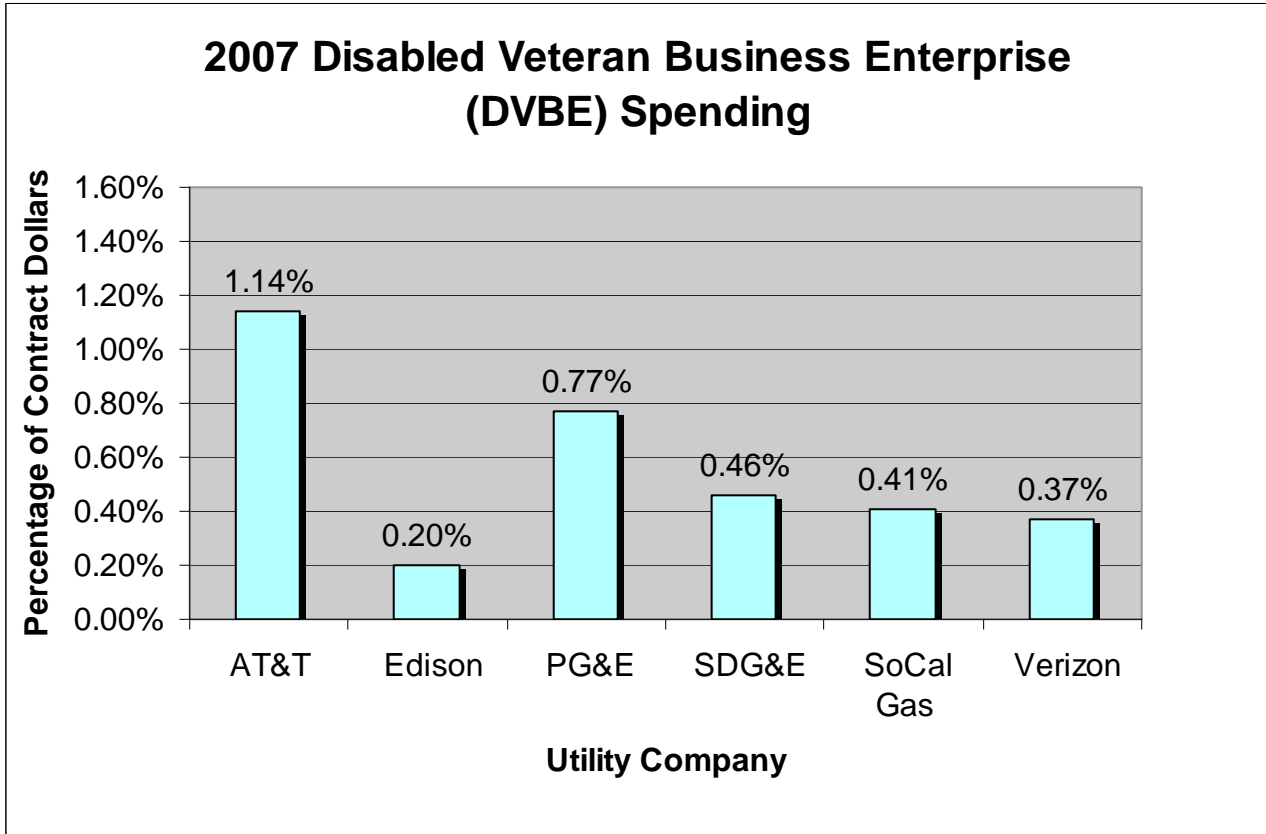
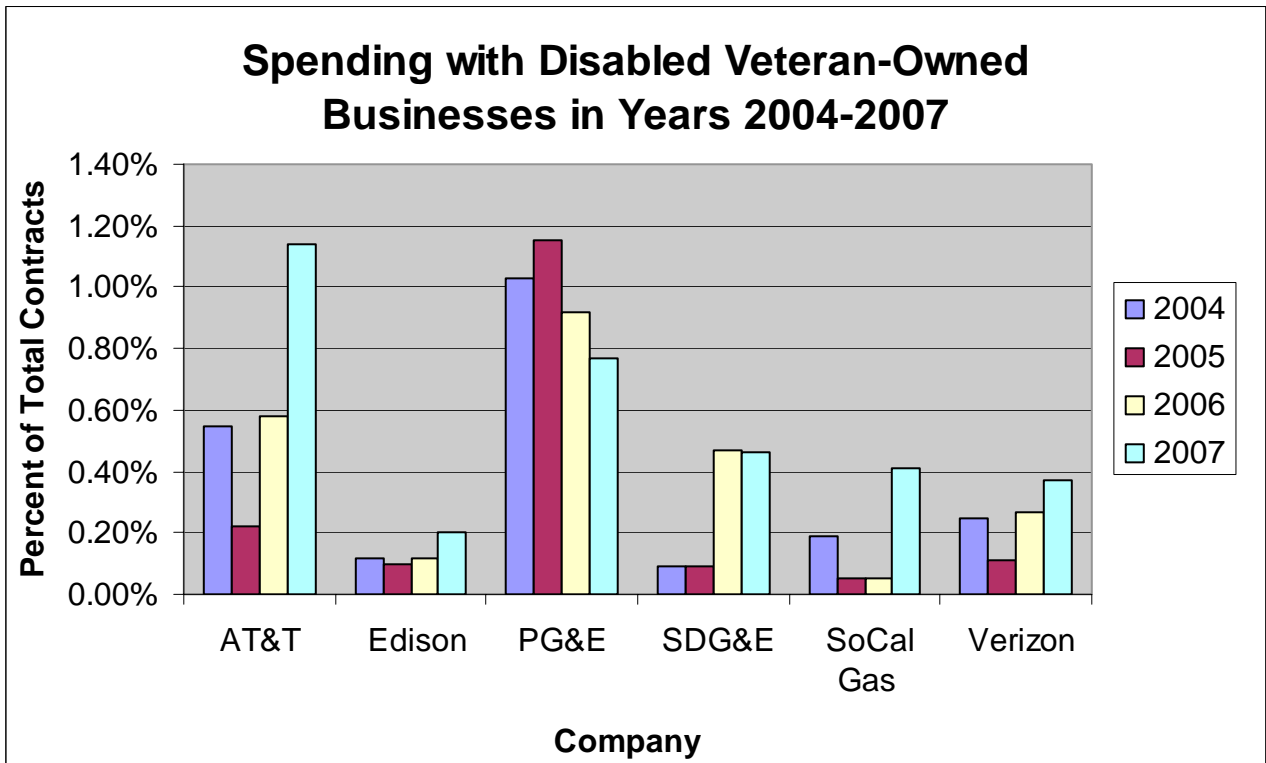


Exhibit 9.2



GREENLINING MISSION STATEMENT

The Greenlining Institute's mission is to empower communities of color and other disadvantaged groups through multi-ethnic economic and leadership development, civil rights and anti-redlining activities.

THE GREENLINING COALITION

Allen Temple Baptist Church

American G.I. Forum

Antioch Baptist Church

Asian Business Association

Black Business Association

Black Economic Council

California Hispanic Chamber

California Journal

California Rural Legal Assistance

CHARO

Chicana/Latina Foundation

Chicano Federation, San Diego

Community Resource Project, Inc.

Council of Asian American

Business Associations

Economic Business Development

El Concilio of San Mateo County

Filipino-American Political Association

First AME Church, Los Angeles

Greater Phoenix Urban League

Hernandad Mexicana Latinoamericana

Hispanic Chamber, Orange County

Hmong-American Political Association

KHEIR Center

La Maestra Family Clinic

Mabuhay Alliance of San Diego

Mexican American Grocers Association

Mexican American Political Association

Minority Business Council

Mission Language & Vocational School

NaFFAA

OCCUR

Our Weekly

San Francisco African American Chamber

Search to Involve Pilipino-Americans

Southeast Asian Community Center

TELACU

West Angeles Church of God in Christ

West Coast Black Publishers



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