

## 2009 SUPPLIER DIVERSITY REPORT CARD

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**W**ith the arrival of the Obama Administration, the Green Economy and the telecommunications industry have been placed at the forefront of new job creation and are poised to revolutionize our economy. This is a critical time to engage California's communities of color, which have traditionally been excluded, through discrimination or systemic disinvestment, from the vanguards of progress.

This report seeks to engage the leadership of utilities and telecoms to invest in the communities that will be most impacted by the changing economic paradigm.

### **Section I: Transforming the Paradigm of Recovery & Prosperity**

Over the last 150 years, our nation's economy has transformed several times, experiencing periods of both tumultuous upheaval and booming growth. During this time, America has demonstrated her resiliency to not only bounce back from periods of economic distress, but the ability to re-create our national economy.

From the ashes of the Civil War, the US economy was revitalized by the Industrial Revolution. Out of the depths of the Great Depression and World War II, the United States became the world's largest economy. In the wake of the languishing stagflation of the 1970s and 80s, the internet and

### **This Year's Highlights**

- Overall supplier diversity spending among the six major utilities and telecoms increased from 2007-2008 by **12.83% (\$200,633,195)<sup>1</sup>**.
- **Verizon, San Diego Gas & Electric, and Southern California Gas** remain industry leaders in procuring diverse business contracts, exceeding the CPUC's goals with **over 20% minority-owned business contracts**.
- **Southern California Edison and Sprint Corporation** had the lowest percentage of supplier diversity spending in their respective industries, falling below the CPUC's stated goals.
- Spending among Asian/Pacific Islander, Latino, and minority women-owned businesses increased while African American and disabled veteran figures declined.
- Greenlining invited companies outside of CPUC jurisdiction that offer telecommunications services and products (Cox Communications, Time Warner Cable Inc., Comcast Cable, and Google Inc.) to participate in this report, but received no response.

<sup>1</sup> Sprint data was not included in this figure due to an inadequate GO 156 filing with the CPUC in 2007.



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information technology launched a period of unprecedented economic expansion. When America bounces back, it does not simply recover, it re-envision what is possible.

However, the resiliency and ingenuity of our economy is blemished by another conspicuous pattern. When the national economy booms, communities of color fall behind. Minority communities are disproportionately impacted by dirty energy production and are the first to be pushed out of jobs made obsolete by advances in technology. While the 20th century made the United States the wealthiest country in the history of civilization, child mortality rates in our inner cities rival those of the world's poorest countries. When the United States ushered in a new era of 21st century technology, we proliferated a digital divide that is ever growing into a technological chasm.

The next evolution of the American economy presents both a challenge and an opportunity. This nation must once again flex its innovative muscle to recover from the worst recession since the Great Depression. But this time, there is an unprecedented opportunity for underserved communities to not only play a part in the recovery but to share in the coming prosperity. California's utilities and telecommunication companies are at the heart of this vision.

### **Planting New Trees: The Future of Supplier Diversity**

2009 will be a critical year for the advancement of California's diverse businesses, not only because of the state's increasingly diverse demographics, but also because of the major national shift in policy as articulated by the Obama Administration.

President Obama has made it clear that he intends to transform two major components of America's infrastructure: energy and telecommunications. In energy, the Obama administration is pushing for the adoption of clean and renewable sources of power. In the area of telecommunications, Mr. Obama has voiced great interest in closing the digital divide,

particularly through expanding high-speed broadband access to a larger share of American households.

Reforming a society to combat climate change and closing the digital divide will require an enormous, long-term overhaul of our national infrastructure. Retrofitting buildings, promulgating high-speed broadband, and revamping the energy grid are only some of the colossal tasks ahead in remaking our current economy into one that is green and technologically accessible.

This kind of transformation affords a natural and necessary opportunity to re-tool the Commission's vision – one that shifts away from the limited thresholds of grabbing at the same "low-hanging fruits" to planting new trees that will cultivate entire orchards.

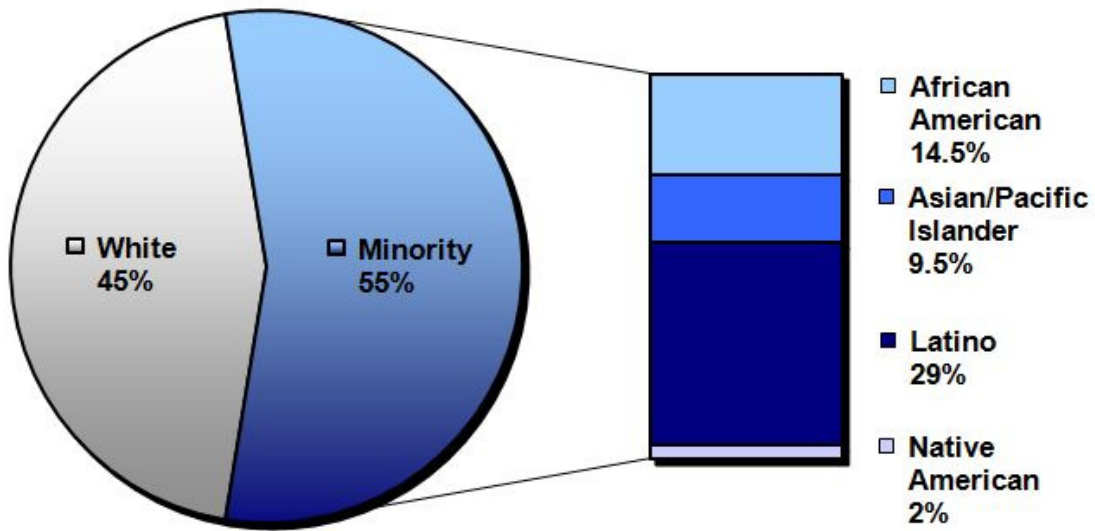
The process of transforming our economy will create new entrepreneurial, wealth-building opportunities for those who need new avenues of economic advancement. The question is, what is the role of diversity?

The US Census bureau projects that by 2050, ethnic minorities will become a majority, comprising 54% of the American population. In California, however, that future has already arrived, with 56% of the state's population consisting of ethnic minorities (see charts on following page).

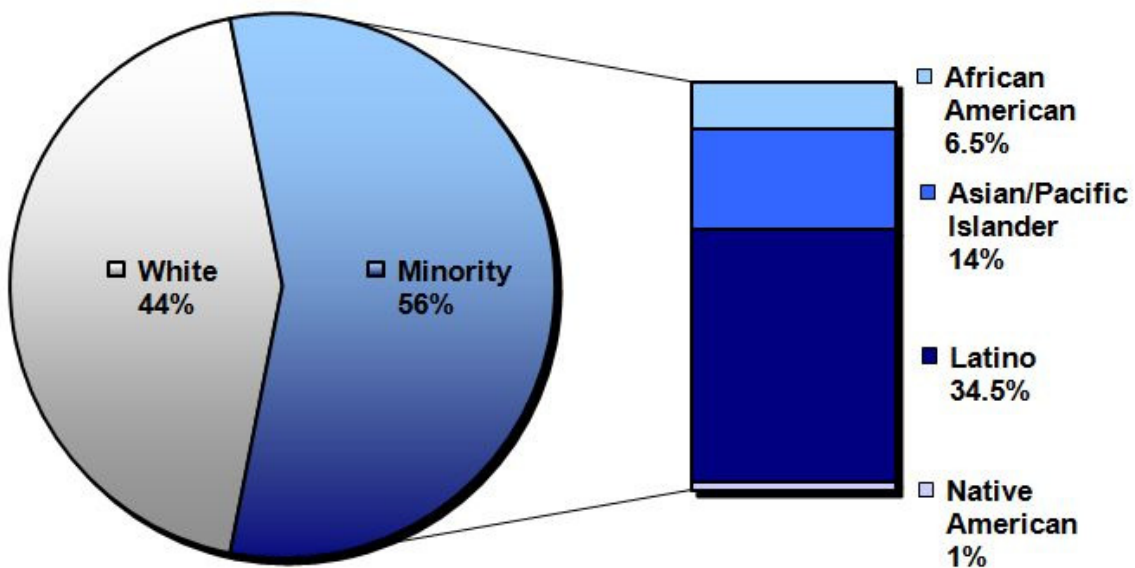
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Since California's population foreshadows what the nation will eventually look like, it is essential that the utilities and telecoms capitalize on the state's major resource – its diversity – in order to have a

## Projected US Population in 2050



## California Population 2008



SOURCE: US Census Bureau Population Estimate and Projection 2008.

competitive cutting edge in the future energy and communications markets.

A comprehensive and sustainable transformation in our economy requires a vision that infuses the participation of the nation's increasingly diverse populace. California's minority-majority populace and the CPUC's pioneering role in tackling climate change and the digital divide primes this Commission, its utilities, and telecom companies to lead this effort.

### **California Public Utilities Commission and GO-156**

For over twenty years, the California Public Utilities Commission (CPUC) has recognized the economic significance of supplier diversity in California's regulated utilities market through the provisions of General Order 156 (GO156), which orders the state's major regulated utilities and telecommunications companies to annually report their percentage of contracts given to women, disabled veteran, and minority-owned business enterprises.

This General Order was enacted in 1988 under the precedent of Public Utilities Code sections 8281-8286, which declared an overarching state policy of aiding the interests of diverse businesses to "maintain and strengthen the overall economy of the state."<sup>2</sup> As the numbers of women, disabled veteran, and minority-owned businesses have steadily grown in the last two decades, these businesses have become an essential component in both the regulated utilities market and the wider state economy.

To further promote the development and growth of California's diverse businesses, the Greenlining Institute issues an annual report card that evaluates the GO 156 filings of California's major utilities and telecommunications companies. This report card examines the efforts that these companies make in encouraging diversity and safeguarding the state's economic future.

### **Methodology**

Greenlining culls the data in its annual report card from the yearly GO 156 filings of seven major utilities

and telecom companies in California: Southern California Edison, Pacific Gas & Electric, San Diego Gas & Electric, Southern California Gas, AT&T, Verizon, and Sprint Corporation. Greenlining issues a grade to each of these seven companies based on: **1)** Progress from previous years, **2)** Performance in relation to industry peers, and **3)** Adherence to the CPUC's overall goals of procuring 15% contracts to minority-owned businesses, 5% contracts to women-owned businesses, and 1.5% contracts to disabled veteran-owned businesses.

Through these annual report cards, Greenlining attempts to achieve two key objectives. First, to highlight the successes and failures of California's utilities and telecoms in upholding its responsibilities to California's diversity and economic security. And second, to present ideas and recommendations on how diversity can continue to strengthen California's utilities and telecom companies.

### **Greenlining Recommendations**

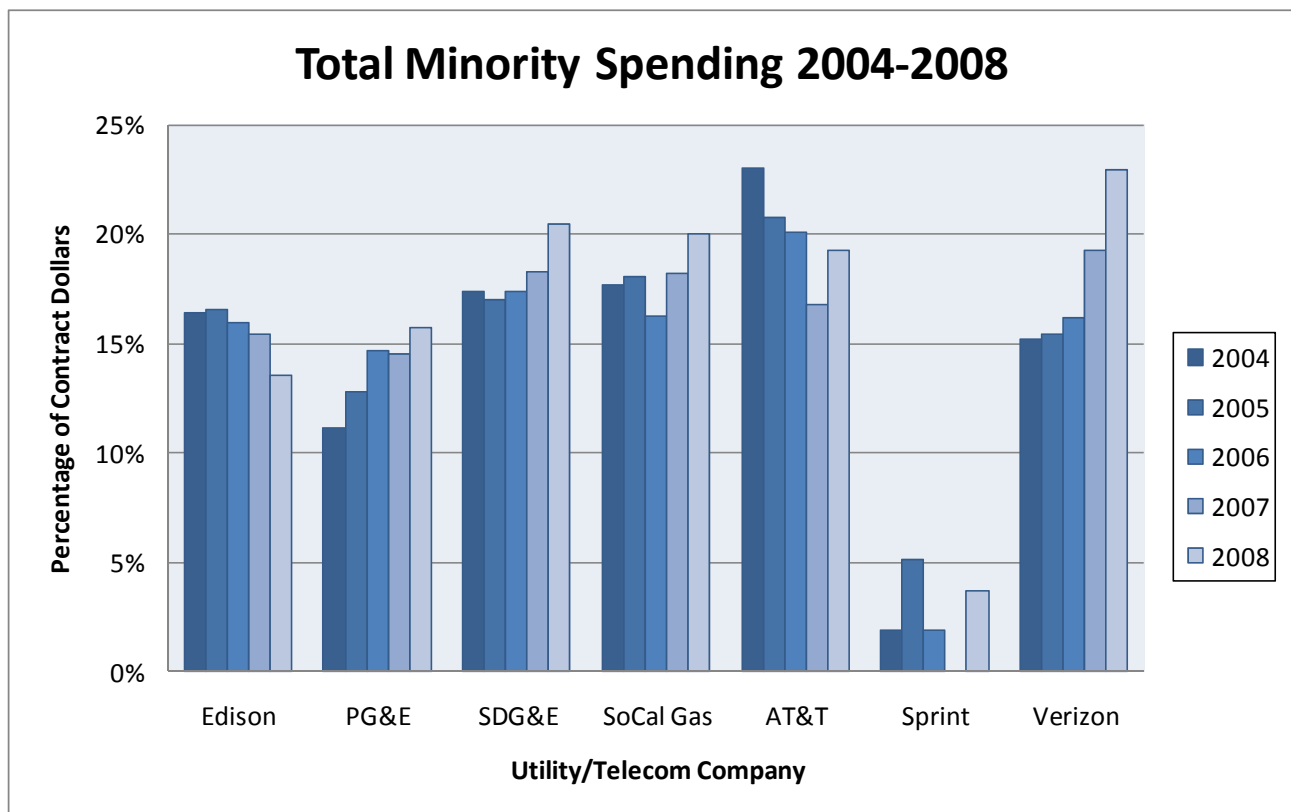
Given the overall growth in supplier diversity contracts in 2008, Greenlining recommends that the commission increase its procurement goals to encourage the major utilities and telecoms to continue their investments in diverse business enterprises. Moreover, Greenlining recommends that the utilities and telecoms simultaneously expand their supplier diversity programs with their investments in renewable energy and broadband services to provide new opportunities for procuring contracts. Lastly, Greenlining encourages the CPUC to consider incorporating renewable energy companies (such as solar companies) and major cable companies into the framework of GO 156. As the demand for these companies continue to grow, it is essential that the CPUC holds these firms accountable for supplier diversity. A further detailed list of Greenlining's recommendations are presented in Section VIII on page 11.

<sup>2</sup> California Public Utilities Code §8281 (a).

## Section II: Total Minority-Owned Business Enterprise Spending

Company Name	Percentage of Contract Dollars	Greenlining Grade
Verizon	22.99%	A
San Diego Gas & Electric	20.49%	A-
Southern California Gas	20.06%	A-
AT&T	19.31%	B+
Pacific Gas & Electric	15.71%	C-
Southern California Edison	13.56%	F
Sprint Corporation	3.67%	FF

Overall, Minority Business Enterprise (MBE) spending increased from 2007-2008. Verizon and the Sempra-owned utilities San Diego Gas & Electric and Southern California Gas were industry leaders in their total spending with minority-owned businesses, and exhibited a continuing growth trend. Southern California Edison and Sprint Corporation did not meet the CPUC's 15% procurement goals for minority-owned businesses, and Edison continued a five-year trend of decline. Sprint received Greenlining's lowest grade of "FF" for its lack of investment in minority-owned businesses, procuring only one-fifteenth of Verizon's percentage of contract dollars.

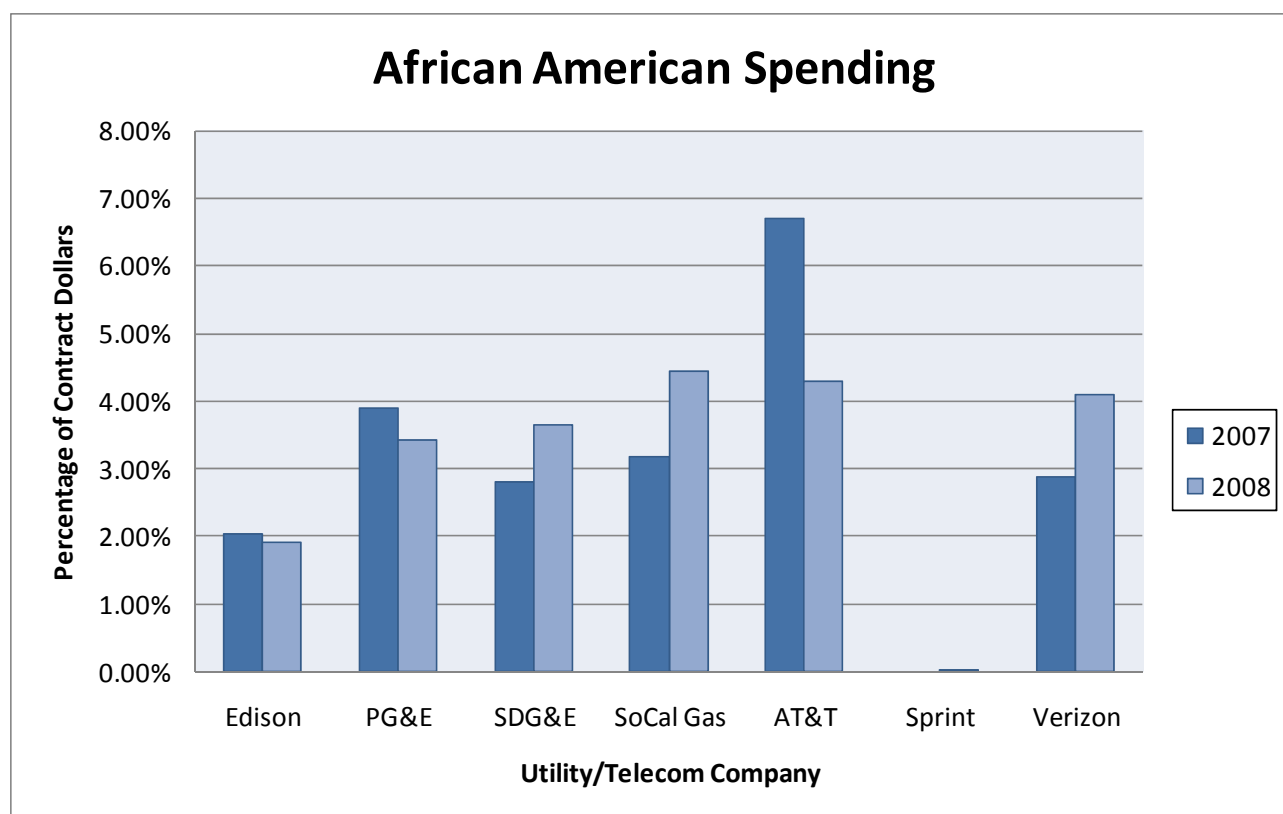


NOTE: GO 156 Data for Sprint in 2007 is unavailable due to an inadequate filing with the CPUC; 2004-2005 data for AT&T and 2004 data for Sprint use premerger data from SBC and Nextel, respectively.

## Section III: African American-Owned Business Enterprise

Company Name	Percentage of Contract Dollars	Greenlining Grade
Southern California Gas	4.44%	B
AT&T	4.30%	B-
Verizon	4.10%	B-
San Diego Gas & Electric	3.66%	C
Pacific Gas & Electric	3.43%	C-
Southern California Edison	1.91%	F
Sprint Corporation	0.02%	FF

Contracts to African American-owned businesses generally declined from 2007-2008, with no utility or telecom company meeting a modest goal of 5% to earn an “A” grade. In particular, AT&T’s spending among African American-owned businesses declined by 36% in 2008, and PG&E continued a three-year trend of decline, falling 12% from 2007-2008. Southern California Edison and Sprint Corporation spent the lowest percentage of contract dollars to African American-owned businesses in their respective industries, with Sprint only granting 0.02% of its contracts dollars to African American-owned businesses.



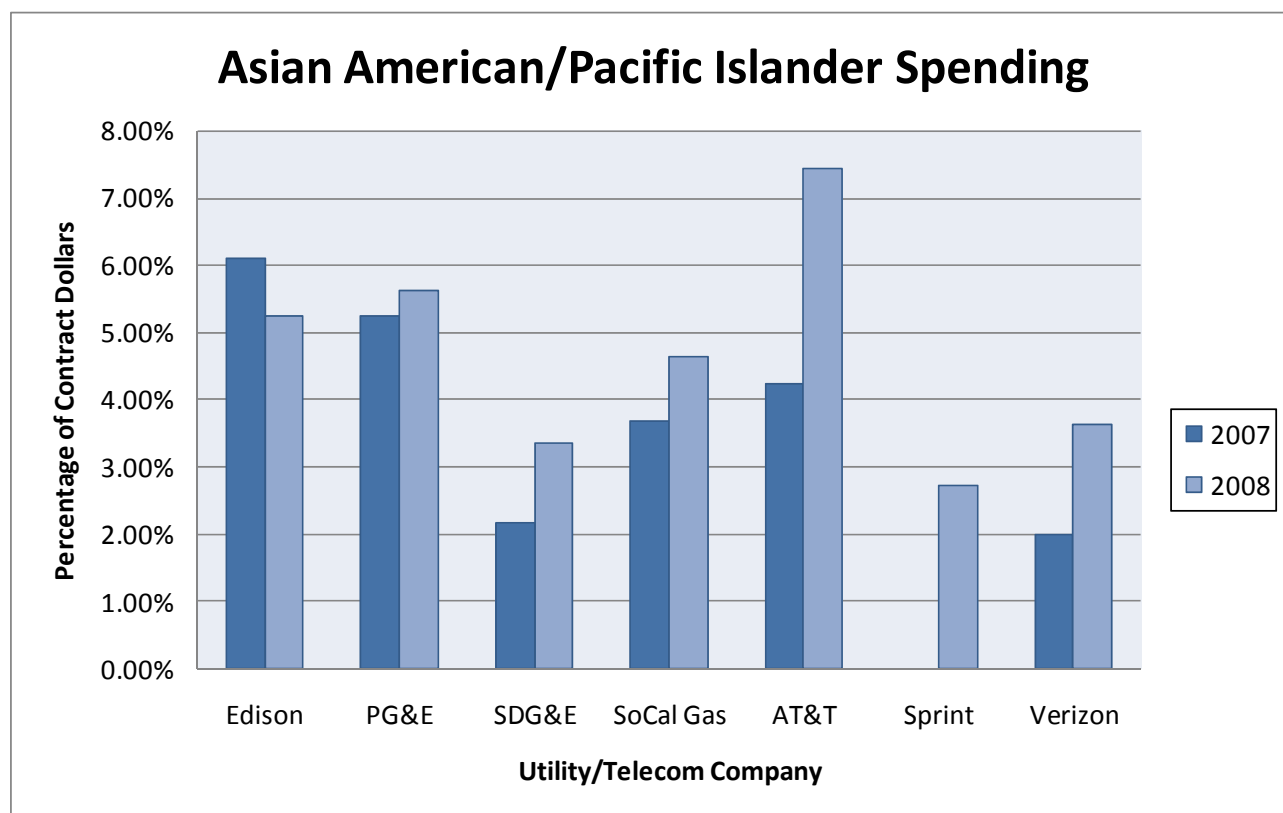
NOTE: GO 156 Data for Sprint in 2007 is unavailable due to an inadequate filing with the CPUC.



## Section IV: Asian American/Pacific Islander-Owned Business Enterprise Spending

Company Name	Percentage of Contract Dollars	Greenlining Grade
AT&T	7.46%	A-/A
Pacific Gas & Electric	5.63%	B-/B
Southern California Edison	5.24%	C+
Southern California Gas	4.65%	C/C+
Verizon	3.63%	C-
San Diego Gas & Electric	3.35%	C-
Sprint Corporation	2.72%	D+

Contracts awarded to Asian American/Pacific Islander-Owned Businesses saw an overall increase in 2008, with nearly all the companies significantly improving from their low 2007 figures. AT&T nearly doubled its contract spending from 2007-2008 and received the only “A” among its peers. Despite this growth, most of the utilities and telecoms scored within the “C” range for 2008 because the procurement of Asian American/Pacific Islander-owned businesses is still low across the board.

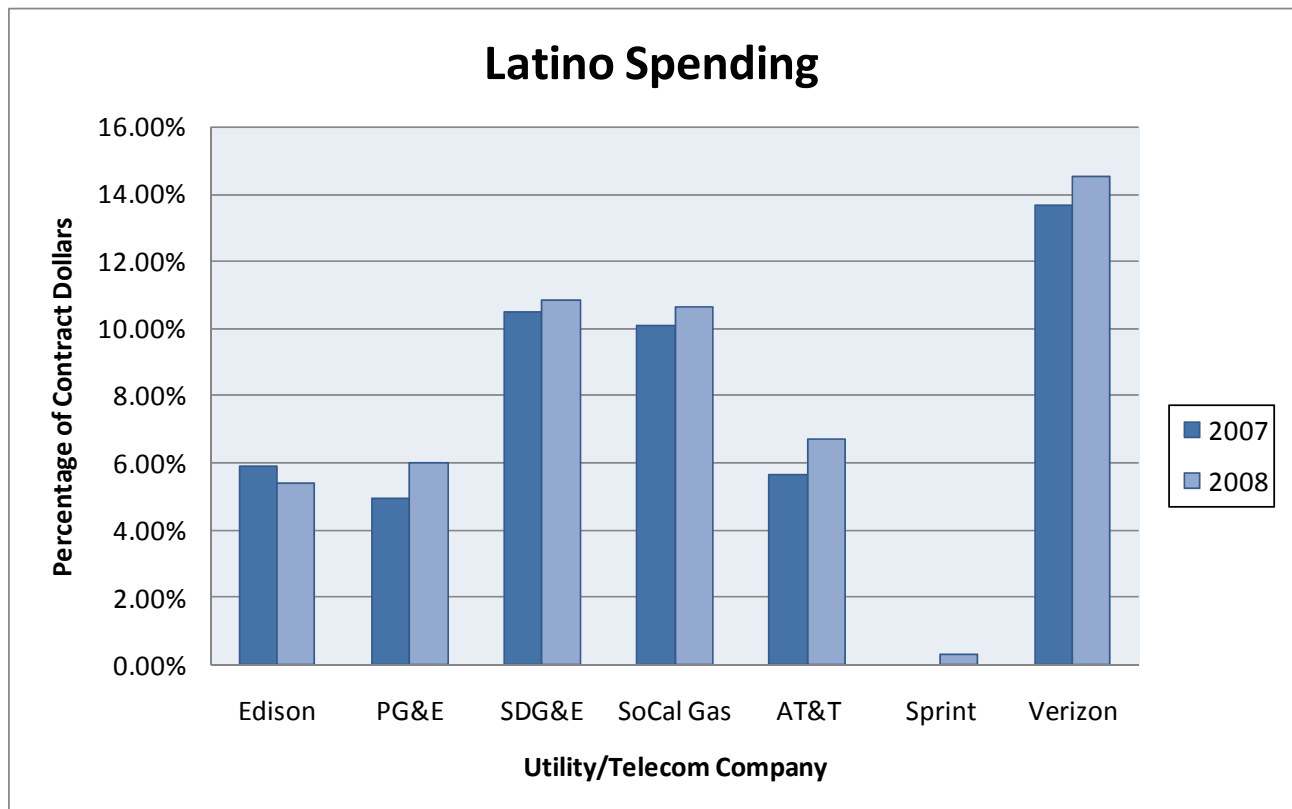


NOTE: GO 156 Data for Sprint in 2007 is unavailable due to an inadequate filing with the CPUC.

## Section V: Latino-Owned Business Enterprise Spending

Company Name	Percentage of Contract Dollars	Greenlining Grade
Verizon	14.52%	A
San Diego Gas & Electric	10.87%	B+
Southern California Gas	10.67%	B+
AT&T	6.69%	C
Pacific Gas & Electric	6.02%	D+/C-
Southern California Edison	5.39%	D-
Sprint Corporation	0.32%	FF

Latinos received the highest percentage of contract dollars among the major utilities and telecoms in 2008, and exhibited an overall growth over 2007 figures. Verizon received an “A” for ranking first among its industry peers and granting close to 15% of its contracts to Latino-owned businesses. While nearly all of the utilities demonstrated growth in contracts to Latino-owned businesses, Southern California Edison was the only utility to exhibit a decline, with an 8% decrease from 2007 figures. Sprint spent the lowest percentage of contract dollars to Latino-owned businesses and received a grade of “FF” for its lack of investment in a category where there has been consistent general improvement.



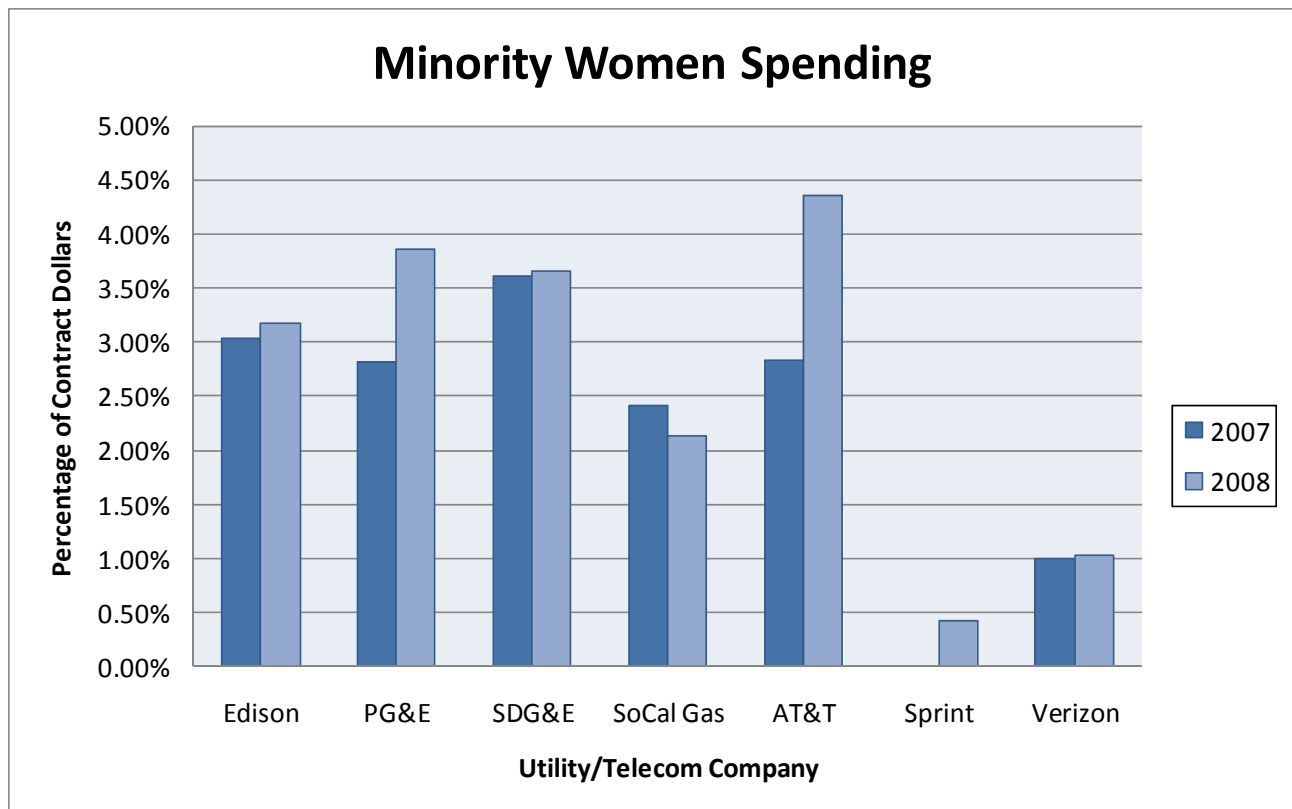
NOTE: GO 156 Data for Sprint in 2007 is unavailable due to an inadequate filing with the CPUC.



## Section VI: Minority Women-Owned Business Enterprise Spending

Company Name	Percentage of Contract Dollars	Greenlining Grade
AT&T	4.36%	B/B+
Pacific Gas & Electric	3.86%	C+/B-
San Diego Gas & Electric	3.66%	C
Southern California Edison	3.17%	C
Southern California Gas	2.14%	D+
Verizon	1.03%	F
Sprint Corporation	0.42%	FF

While contracts awarded to minority women-owned businesses generally increased from 2007-2008, the utilities and telecoms still exhibited a slow rate of progress in regards to minority women, with stagnant growth within the last five years. AT&T did see a significant growth, nearly doubling its 2007 figures, but still has room for improvement. Since no company received an “A” grade in this category, Greenlining urges improved outreach and cultivation of diverse women suppliers, especially in regards to Sprint, Verizon, and Southern California Gas.

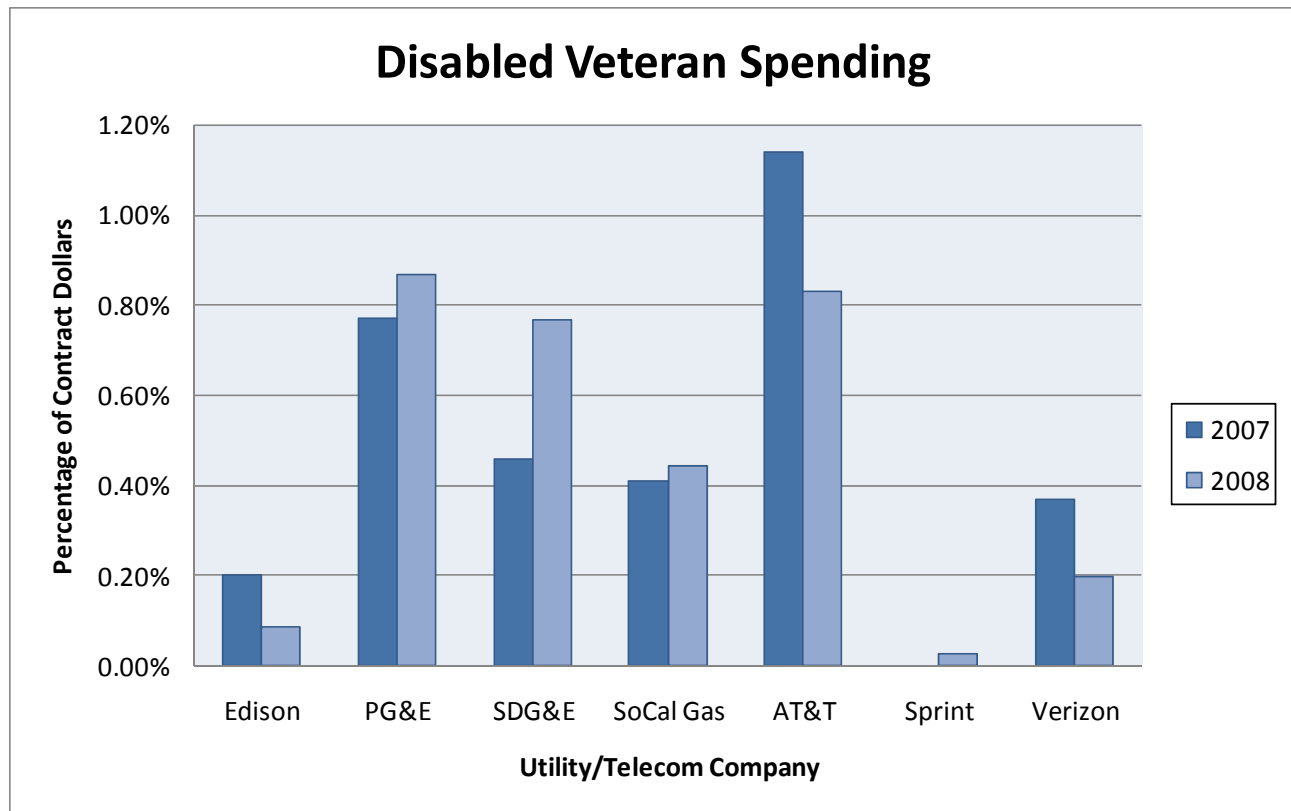


NOTE: GO 156 Data for Sprint in 2007 is unavailable due to an inadequate filing with the CPUC.

## Section VII: Disabled Veteran-Owned Business Enterprise Spending

Company Name	Percentage of Contract Dollars	Greenlining Grade
Pacific Gas & Electric	0.87%	D
AT&T	0.83%	D-
San Diego Gas & Electric	0.77%	D-
Southern California Gas	0.44%	F
Verizon	0.20%	F-
Southern California Edison	0.09%	FF
Sprint Corporation	0.03%	FF

Contracts awarded to disabled veteran-owned businesses declined in 2008 and continued to be well below the CPUC's procurement goal of 1.5%. While PG&E awarded the highest percentage of contract dollars among both the utilities and telecom companies, it only met roughly half of the CPUC's goal. Southern California Edison and Sprint Corporation both received grades of "FF" for falling far behind its industry peers.



NOTE: GO 156 Data for Sprint in 2007 is unavailable due to an inadequate filing with the CPUC.

## Section VIII: Recommendations

### Overall Recommendations

1. **Greenlining strongly urges the CPUC to raise the bar for total minority spending to 25%.** Given the substantial progress that most utilities have made in the past five years, the CPUC should consider raising its supplier diversity goals as ordered in GO 156. Rather than having a goal of 15% contracts for total minority spending, this year's results indicate that a 25% goal is well within reason.
2. **Utilities and telecom companies should prioritize their supplier diversity programs to meet the demands of changing demographics and the overhaul of our national infrastructure.** The imminent transformation of the country's national infrastructure places utilities and telecom companies at the center of new procurement opportunities. This not only gives reason to why a 25% procurement goal is well within reason, but also presents the utilities and telecom companies with opportunities to forge new relationships and "plant new trees" to grow their supplier diversity programs. Specifically, the growing demand for a "Green Economy" and wider technological access provides utilities and telecoms with many new avenues to recruit an increasingly diverse workforce and invest in communities of color.
3. **California's legislature should consider whether cable companies are ripe for regulation under the CPUC.** Cable companies are branching into telecommunication services that may fall under CPUC jurisdiction. The absence of CPUC regulation over the cable industry, combined with the cable companies' apparent disinterest to report their supplier diversity statistics, is creating an unlevel playing field for the telecom industry. Placing the cable industry under the jurisdiction of the CPUC would require cable conglomerates to report supplier diversity data under GO 156.
4. **New energy companies coming before the CPUC should set diversity goals.** A preliminary review of the nation's and the state's largest solar companies yielded no substantive program in supplier diversity. Since renewable energy is now expected to become an integral part of California's energy policy, the CPUC must examine how it will hold renewable energy providers, such as solar companies, accountable for its diversity efforts.

### Utility and Telecom Recommendations

1. **Southern California Edison must dramatically boost its supplier diversity efforts to catch up to the other utilities or risk falling further behind should the CPUC set higher goals.** Over the last five years, Southern California Edison's supplier diversity program has steadily declined, leading the utility to fall below the CPUC's current supplier diversity goals. Edison's steep and continuing slide is especially concerning when compared to the rising performance of its industry peers. Fortunately, the emerging areas of renewable energy and energy efficiency will present ample opportunity for Edison to improve.
2. **Pacific Gas and Electric needs to expand its outreach to Latino communities and businesses.** While PG&E has shown steady progress in procuring contracts to diverse businesses over the last five years, it has just barely met the CPUC's goals of 15% minority-owned business procurement in 2008. To assure that PG&E can continue to expand its supplier diversity program, Greenlining urges PG&E to expand its outreach to Latino communities and businesses, an area where the company is falling behind its peers.

## Section VIII: Recommendations

3. **The Sempra-owned San Diego Gas and Electric and Southern California Gas Company should be recognized and commended for their consistent commitment to supplier diversity.** As industry leaders, these companies have far exceeded the CPUC's goals and have set a positive example for other utilities to follow. Greenlining urges SDG&E and SoCal Gas to maintain and solidify its current relationships with minority-owned businesses in order to continue its success in 2009. Moreover, Greenlining also encourages these companies to boost their investments with African American, minority women, and disabled veteran-owned businesses, which are areas in need of significant improvement.
4. **AT&T has demonstrated a strong devotion to its supplier diversity program, but must take preventative measures to correct its downward slide.** While AT&T has consistently met the CPUC's supplier diversity goals over the last five years and increased its overall supplier diversity spending by over \$77 million from 2007-2008, the telecom has also gradually declined in its total minority-owned business spending. Greenlining urges AT&T to remain active in its supplier diversity outreach and corporate support, particularly with the Latino community, where the company is falling behind its peers. AT&T must address its general pattern of decline in total minority spending before it becomes a cause for serious concern.
5. **Sprint's supplier diversity program must be reevaluated and strictly scrutinized.** Based on its GO 156 reports, Sprint seemingly has no substantive supplier diversity program. Any statistically significant figure seems to have been achieved by accident. Sprint's lack of supplier diversity efforts is further amplified by the enormous progress of its industry peers. Given these results, the Commission should investigate Sprint's ability to even compete in California's diverse marketplace.
6. **Verizon continues to be an industry leader in supplier diversity, and deserves high praise for its progress.** Verizon's supplier diversity record indicates that the CPUC's 15% procurement goal for minority owned-businesses is not only reachable, but should be an expectation. To remain an admired industry leader, Greenlining recommends that Verizon foster stronger relationships with the Asian American/Pacific Islander communities to develop new avenues for improvement. Moreover, Greenlining urges Verizon to increase its investment among minority women and disabled-veteran businesses, where the company's lack of progress detracts from the other accomplishments which have made it a leader in supplier diversity.



### THE GREENLINING INSTITUTE

Greenlining is a multi-ethnic advocacy, research, leadership development, and public policy organization whose ultimate goal is to increase the role that low-income and minority Californians play in the civic arena in order to create equitable policies and improve quality of life for all communities.

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

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