SUPPLIER DIVERSITY REPORT CARD

2010

WHO'S GETTING THE CONTRACTS?

SAMUEL KANG Managing Attorney | SAMAR SHAH Legal Associate

THE GREENLINING INSTITUTE

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About the Greenlining Institute

The Greenlining Institute is a national policy, organizing, and leadership institute working for racial and economic justice. We ensure that grassroots leaders are participating in major policy debates by building diverse coalitions of grassroots leaders that work together to advance solutions to our nation's most pressing problems.

Our Leadership Academy has become the "farm system" for tomorrow's social justice leaders, training the best and brightest from our communities. Our policy experts conduct research and coordinate multi-pronged strategies on major policy issues, including but not limited to the environment, wealth creation (asset building), philanthropy, health, energy, communications, and higher education. Central to all of Greenlining's work is the "big picture" recognition of the interrelatedness of issues facing low-income and minority communities.

About Greenlining's Consumer Protection Program and Our Legal Team

Led by Managing Attorney Samuel Kang, Greenlining uses in-house legal experts to ensure that there is equity in the state's energy, telecom, and cable industries. Greenlining's legal team is one of the few active racial justice advocates at the California Public Utilities Commission, the Federal Communications Commission, and other regulatory bodies. They work closely with grassroots leaders to ensure that the needs and solutions of communities of color are represented in the halls of these commissions. Greenlining plays a critical role in ensuring that California's regulated companies remain leaders on issues of diversity and economic equity. In addition, our legal team builds bridges between grassroots leaders and corporate CEOs to ensure that positive dialogue leads to win-win solutions.

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Introduction: California's Diversity Culture

The California Public Utilities Commission's (CPUC) Supplier Diversity Program has developed into one of the most critical institutions for economic development and job creation in diverse communities across California. [1] The CPUC's leadership has transformed the way the state's largest utility and telecom companies contract with businesses owned by women, people of color, and disabled veterans. In turn, these diverse business enterprises (DBEs) are building wealth and employing people in their communities.

Despite some underperformers, utility and telecom companies under the purview of the CPUC are making positive strides in their commitment to supplier diversity. These companies have begun to develop robust supplier diversity programs that are changing the corporate culture of how DBEs are viewed and valued. Companies are realizing the increased productivity and innovation found in DBEs that in turn enhance the value of their companies.

"Businesses acting as businesses, not as charitable givers, are arguably the most powerful force for addressing the issues facing our society."
-Harvard Business School Professor Michael Porter

The success of the CPUC's supplier diversity program still only represents "planted seeds." Much work lies ahead in the form of cultivation and refinement if California is to fully realize the economic impact that robust supplier diversity programs can bring. While we are pleased with the upward results of this report, we are also wary of signs of stagnation. There is still a long way to go before spending with DBEs reaches parity with the state's diverse demographics. If the CPUC's goal remains at 15% when communities of color will make up 72% of the population by 2050, we will have lost an opportunity for inclusion. [2]

This report identifies spending categories that could be harnessed that are currently underutilized. In addition, we recommend an overall increase of diverse spending goals to ensure that an upward trend in supplier diversity continues.

The success of the CPUC's supplier diversity program depends on consistent reporting requirements, goal setting, hearings, and above all strong regulatory leadership. The CPUC framework for supplier diversity represents the gold standard and should be emulated across the country by other corporate regulators including the California Department of Insurance, the Federal Communications Commission, the Federal Reserve, and the Securities and Exchange Commission.

Supplier Diversity in the Economic Downturn

Communities of color and their businesses continue to suffer from the recent economic downturn. A recent report by Institute on Assets and Social Policy (IASP) at Brandeis University's Heller School for Social Policy and Management documents the increase of the racial wealth gap. [3] This study shows that the wealth gap between White and African American families increased more than

General Order 156: The CPUC's Supplier Diversity Program

For over twenty years, the California Public Utilities Commission (CPUC) has recognized the economic significance of supplier diversity in California's regulated utilities market, and promoted its expansion through the provisions of General Order 156 (GO 156). Enacted in 1988, and pursuant to Public Utilities Code sections 8281-8286, this Order requires the state's largest regulated utilities and telecommunications companies to annually report the percentage of contracts given to women-, disabled veteran-, and minority-owned business enterprises.

GO 156 has made it state policy to promote the interests of diverse businesses to "maintain and strengthen the overall economy of the state." [7] 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.

four times between 1984-2007, from $20,000 to $95,000. According to the report, "The growth of the racial wealth gap significantly affects the economic future of American families."

This racial wealth gap is evident in employment rates as well. The national unemployment rate has hovered at around 10%, yet Latino and African American unemployment has continued to rise to 12.6% and 16.5% respectively. [4] Similar unemployment rates are found among different Asian American and Pacific Islander subgroups.

Supplier Diversity Rankings

Industry Leaders	1. Sempra Energy Utilities
	2. Verizon
	3. AT&T
Needs Improvement	4. Southern California Edison
	5. PG&E
Failing	6. Cox Communications
	7. Sprint Corporation
Noncompliant	8. Comcast Corporation
	9. Time Warner Cable

Findings and Highlights

- Overall spending with minority-owned business enterprises (MBE) **increased** by **18.64%** (an increase of $341,091,177).
- Spending towards **African American** and **Latino**-owned businesses **increased**.
- Spending towards **Asian American/Pacific Islander** and **minority women**-owned businesses **decreased**.
- Spending towards MBEs was **disproportionally skewed** towards finished goods, raw materials, construction, transportation and repair rather than towards technical equipment and professional services.
- Greater effort must be undertaken to include MBEs in projects involving the developing **broadband industry** and the **green economy**.
- **PG&E** was the only company to see a proportional **decline** in spending towards MBEs.

California's economy cannot fully recover without the economic integration of communities of color. California is already a "majority-minority" state with communities of color expected to make up almost three quarters of the population in just 40 years [5].

The state's minority owned businesses are also growing at a much faster rate than US businesses in general. Between 1997 and 2002, the last years in which data are available, the number of Latino-owned businesses grew 31%, the number of African American-owned businesses at 45%, and the number of Asian American-owned businesses at 24%. [6] Taking these growth rates into account, we project that California is now home to between one million to 1.5 million minority owned businesses. Supporting the minority businesses that will drive the economy of the future will be essential to economic recovery.

Supplier Diversity Must Lead the Recovery

Supplier diversity, when fully adopted by all major corporations, can be a powerful force in ensuring economic prosperity for all Americans. Harvard Business School Professor Michael Porter recently wrote, "Businesses acting as businesses, not as charitable givers, are arguably the most powerful force for addressing the issues facing our society." [8] He added that major corporations can play a huge role in revitalizing inner cities by sourcing from the businesses found there. In short, supplier diversity is the vehicle for revitalizing communities of color. We recommend three broad methods for improving supplier diversity in California:

1. **Companies must increase their supplier diversity in accordance with the growing diversity of the state.** Many of the companies have already surpassed the original goals set 22 years ago. If the 15% goal is not updated, MBE spending may start to level off or even decline, as is the case with **PG&E** this year.

2. **Companies must adopt supplier diversity goals across all spending categories.** This year's report features a new focus on how minority spending differs across different industrial categories. The analysis shows areas of spending that represent opportunities for more supplier diversity. Companies should set goals for all relevant spending categories in order to avoid the possibility of building "racialized" spending practices.

> While Greenlining commends the efforts undertaken by companies to date, there has never been a more pressing and opportune time to expand and develop California's supplier diversity practices.

3. **Companies should incorporate minority spending into their lucrative capital projects.** These projects lead to high returns for the companies and often lead to higher rates for consumers. To justify these rate increases, companies should demonstrate that major economic opportunities are being allocated equitably and are representative of the consumer base that supports these companies. Equitable capital project procurement is essential to the development of the green economy and in broadband deployment. These two industries are heavily subsidized by the public and promise to lead the economy in the future.

Glossary of Commonly Used Terms

MBE	Minority Business Enterprise
DBE	Diverse Business Enterprise, which includes minority, women, or disabled veteran ownership
MWBE	Minority Women-owned Business Enterprise
SIC	Standard industrial categories used by the State of California
Procurement	Outside purchase of goods and services necessary for a company's operation
Supplier	A business that supplies goods and/or services to another company

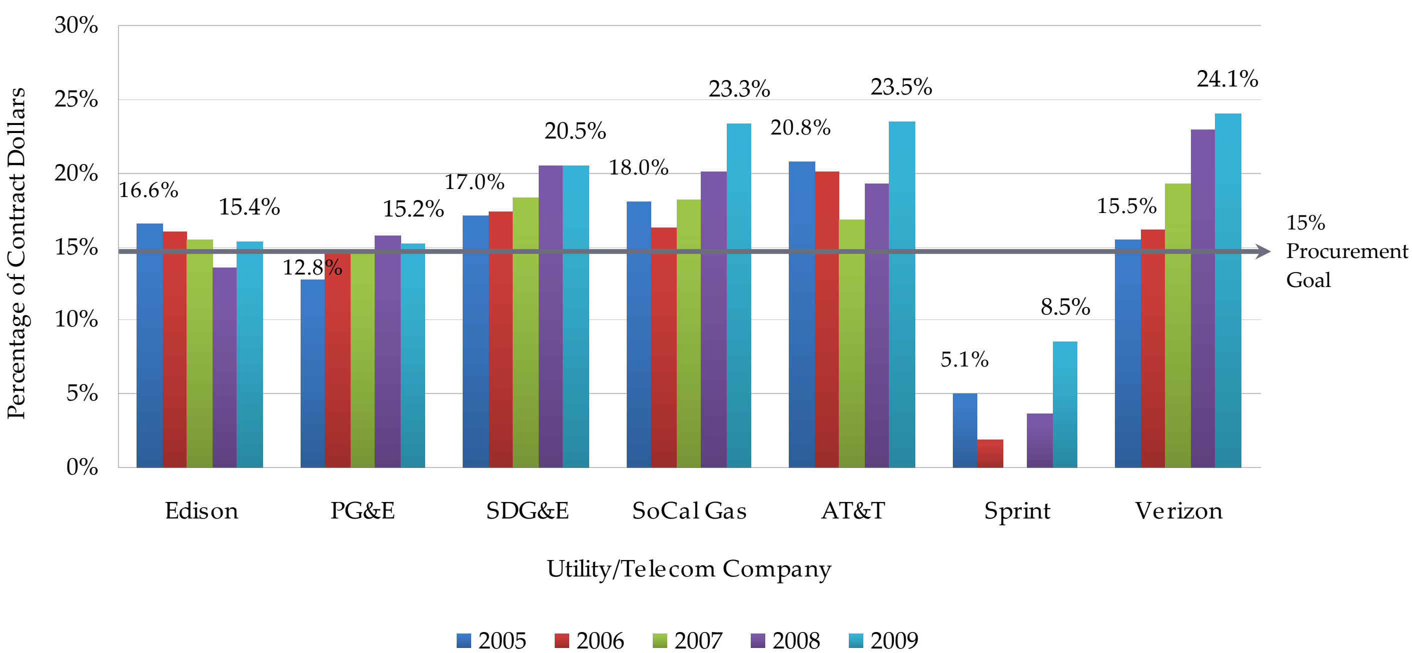
Supplier Diversity Data

Total Minority-Owned Business Enterprise Spending

Company Name	Percentage of Contract Dollars	Grade
Verizon	24.06%	A
Southern California Gas	23.29%	A
AT&T	22.24%	A-
San Diego Gas & Electric	20.45%	A-
Southern California Edison	15.34%	D
Pacific Gas & Electric	14.89%	D-
Cox Communications	8.79%	FF
Sprint Corporation	8.13%	FF
Comcast Corporation	Did not report MBE spending	N/A
Time Warner Cable	Did not report MBE spending	N/A

Overall MBE spending grew at a slower pace from 2008 to 2009. **Verizon** and the **Sempra Energy Utilities** (**SoCal Gas** and **SDG&E**) maintained their position as leaders with steady growth. Meanwhile, **AT&T's** large increase in MBE spending enabled it to join the industry leaders. After a disappointing decrease in proportional spending with MBEs, **PG&E** fell below the CPUC's 15% procurement goal. Sprint remained at the bottom of the pack despite a notable increase in MBE spending. Data on five year trends for the cable companies was not available, and both **Comcast** and **Time Warner Cable** failed to report on MBE spending.

Total Minority Spending 2005-2009*



**Five-Year Spending Trends include spending towards multiethnic/other categories, while Greenlining's grading methodology excludes these categories.*

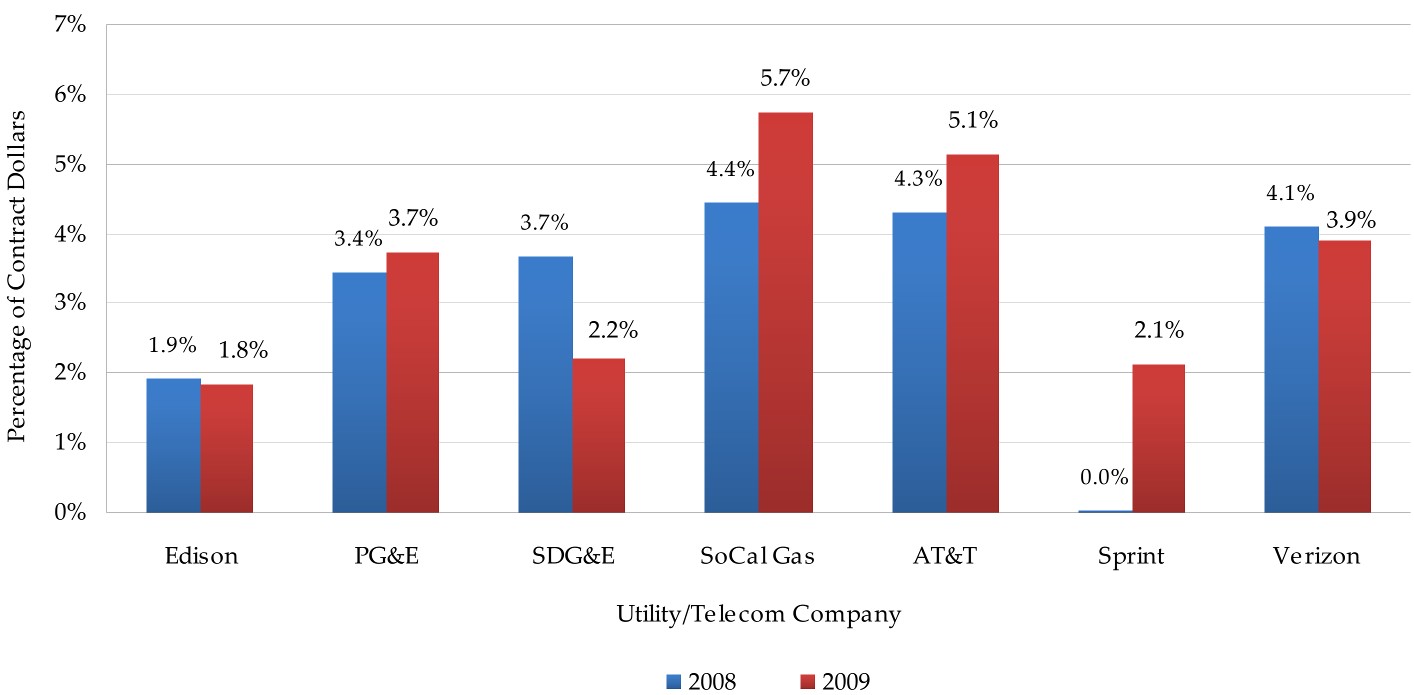
NOTE: GO 156 Data for Sprint in 2007 is unavailable due to an inadequate filing with the CPUC; 2005 data for AT&T uses pre-merger data from SBC.

African American-Owned Business Enterprise Spending

Company Name	Percentage of Contract Dollars	Grade
Southern California Gas	5.74%	A-
AT&T	5.14%	B+
Verizon	3.90%	C+
Pacific Gas & Electric	3.74%	C
San Diego Gas & Electric	2.21%	D-
Sprint Corporation	2.12%	D-
Southern California Edison	1.83%	F

After declining trends from 2007 to 2008, the utilities and telecoms rebounded and reported mostly encouraging growth in spending with African American-owned businesses from 2008 to 2009. After a commendable increase in spending, **SoCal Gas** reported spending in this category well above any of its peers. After a concerning decline in spending towards this category last year, **AT&T** reversed the trend with a strong increase in spending. **SDG&E's** spending with African American-owned businesses witnessed a sharp decline. Both **Southern California Edison** and **Sprint** remained at the bottom of their industries, allocating disturbingly low proportions of their spending to African American-owned businesses.

African American Spending

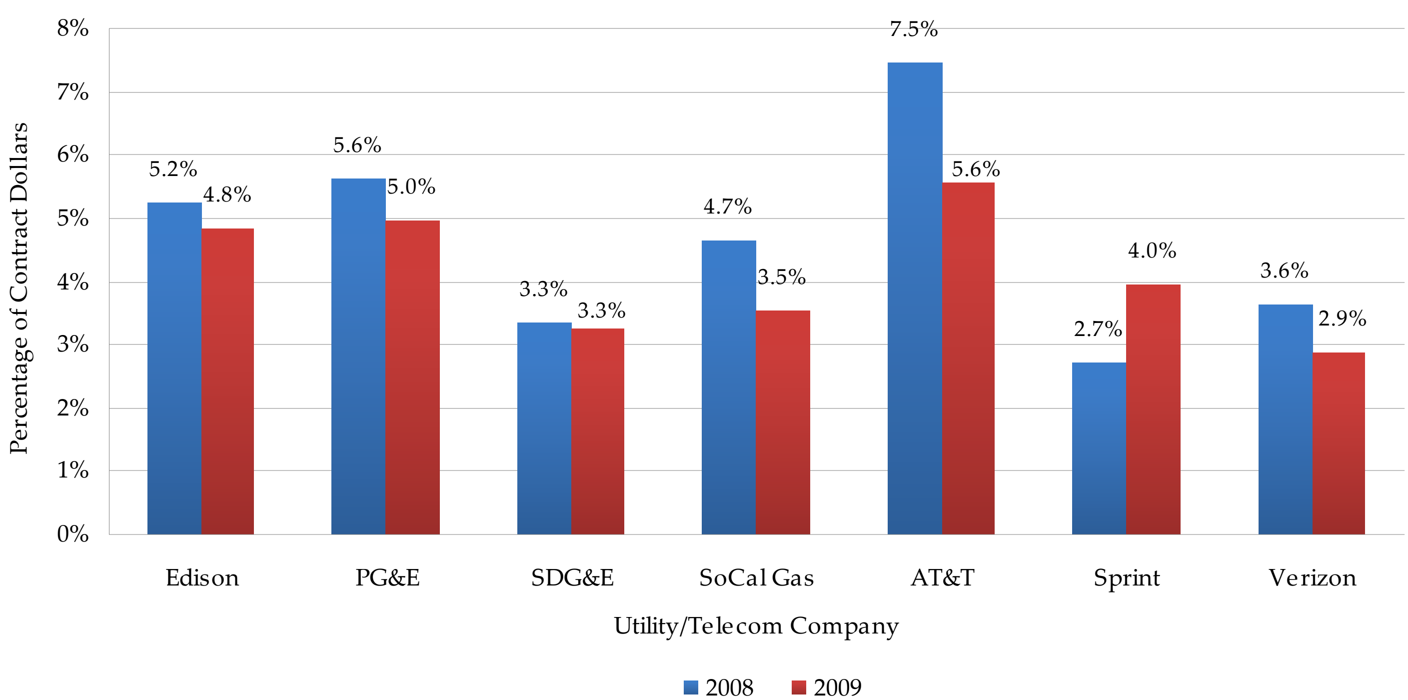


Asian American/Pacific Islander-Owned Business Enterprise Spending

Company Name	Percentage of Contract Dollars	Grade
AT&T	5.56%	B-
Pacific Gas & Electric	4.98%	C+
Southern California Edison	4.84%	C
Sprint	3.95%	C-
Southern California Gas	3.53%	D+
San Diego Gas & Electric	3.27%	D+
Verizon	2.87%	D

Almost without exception, utility and telecom spending with Asian American-owned businesses suffered a precipitous drop from 2008 to 2009. As a result, no "A's" were awarded in this section, with the leading company, **AT&T**, meriting only a "B-" after procuring a significantly smaller portion of its total goods and services from Asian American-owned businesses. Given sustained population growth within this demographic, such a decline is troubling. Clearly, supplier diversity programs must utilize greater outreach efforts to counter this negative trend in the coming year.

Asian American/Pacific Islander Spending

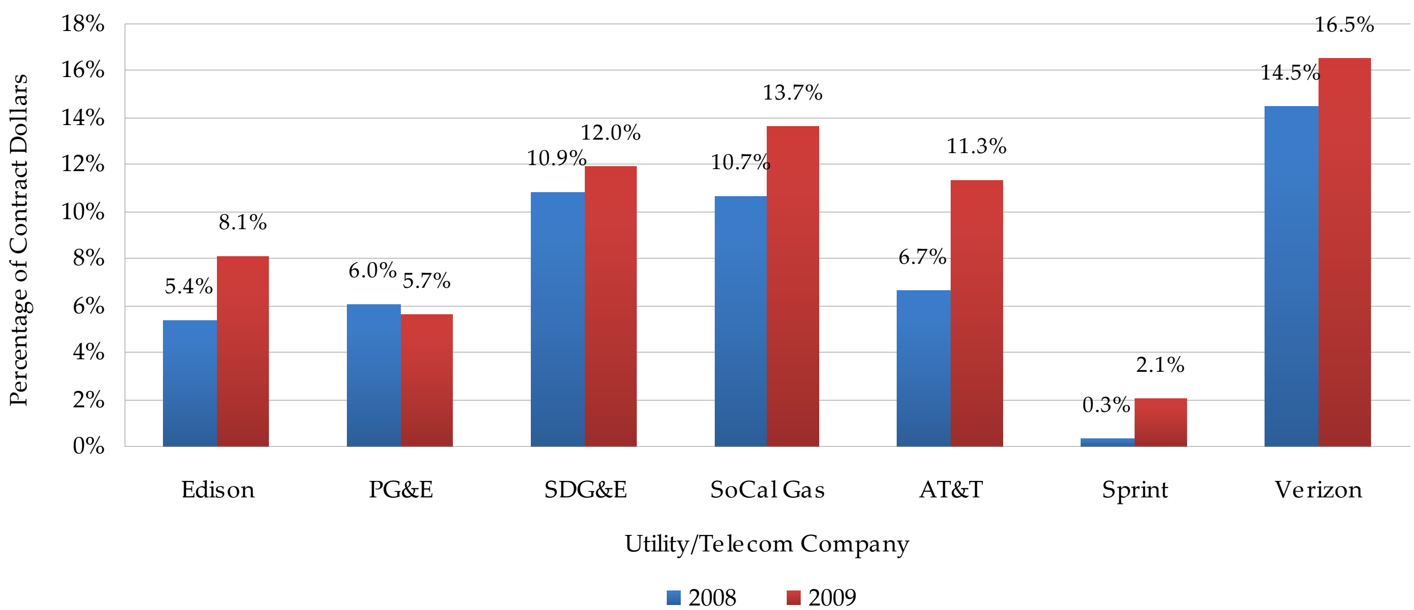


Latino-Owned Business Enterprise Spending

Company Name	Percentage of Contract Dollars	Grade
Verizon	16.53%	A
Southern California Gas	13.69%	A-
San Diego Gas & Electric	11.97%	B+
AT&T	11.31%	B+
Southern California Edison	8.11%	C+
Pacific Gas & Electric	5.66%	D-
Sprint Corporation	2.05%	F

Utilities and telecoms increased their spending with Latino-owned businesses from 2008 to 2009. Persistent growth in a category that already features the highest spending percentage of all MBE spending categories is encouraging. However, more work will be necessary because supplier diversity growth pales in comparison to overall growth in California's Latino population. **Verizon's** ability to sustain growth even while leading among its peers demonstrates the capability for all companies to better pursue opportunities with Latino-owned businesses. On the other hand, **PG&E** was the only company to see its spending to Latino-owned business decline, maintaining a position well below its industry peers.

Latino Spending



Native American-Owned Business Enterprise Spending

Company Name	Percentage of Contract Dollars	Grade
San Diego Gas & Electric	3.00%	A
Verizon	0.76%	C
Southern California Edison	0.56%	C-
Pacific Gas & Electric	0.51%	C-
Southern California Gas	0.34%	D+
AT&T	0.23%	D-
Sprint	0.00%	FF

Although Native American-owned business spending generally increased from 2008 to 2009, the utilities' and telecoms' spending remained miniscule, with one exception. **SDG&E** must be congratulated for increasing spending in this category despite already being far above any other peer. Given its past success in this category, **Southern California Edison** disappointed this year by decreasing its spending with Native American-owned businesses. **Sprint** received an 'FF' for reporting nearly zero spending with Native American-owned businesses.

Disabled Veteran-Owned Business Enterprise Spending

Company Name	Percentage of Contract Dollars	Grade
San Diego Gas & Electric	1.90%	B+
AT&T	1.67%	B
Pacific Gas & Electric	1.33%	C+
Southern California Gas	0.93%	D+
Sprint	0.55%	F+
Southern California Edison	0.19%	F-
Verizon	0.12%	FF

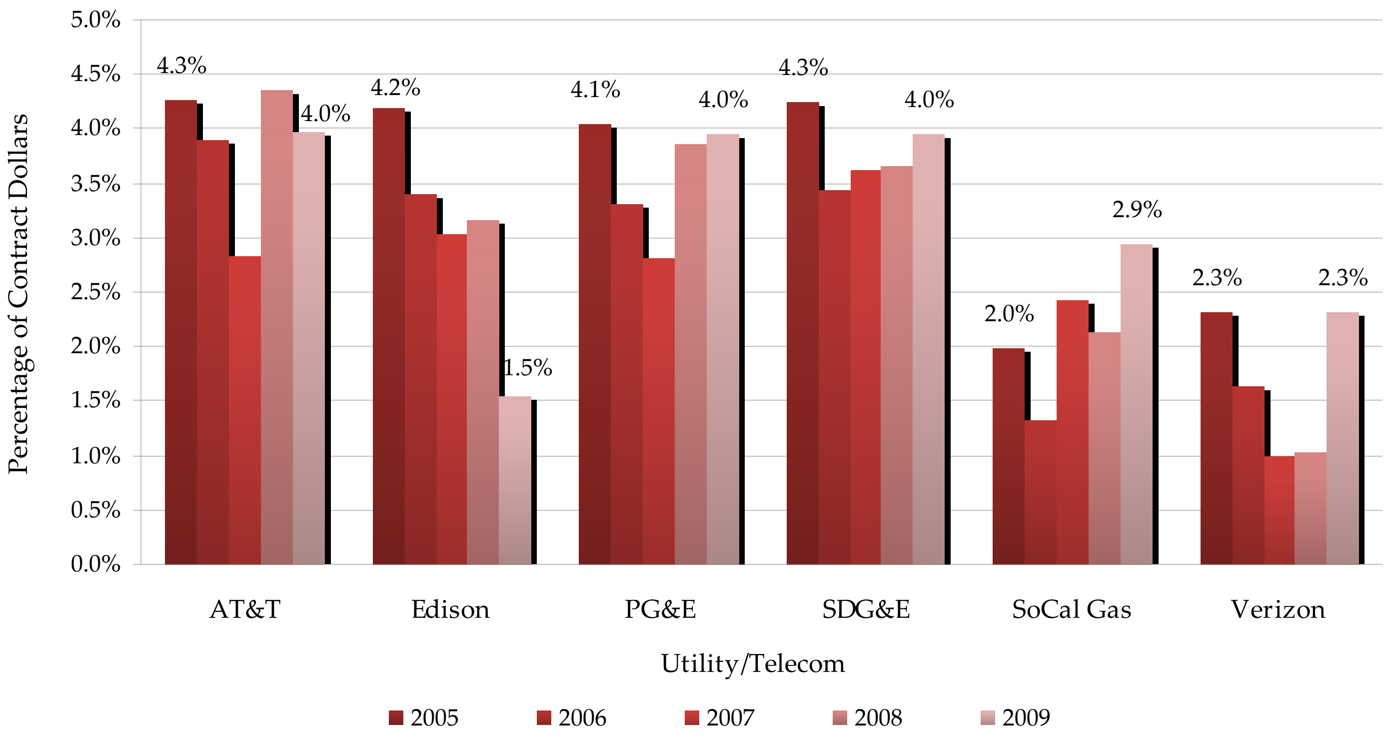
AT&T, **PG&E**, and the **Sempra Energy Utilities** all reported substantial increases in their spending with Disabled Veteran-owned Businesses. Both **AT&T** and **SDG&E** are now above the CPUC's goal of 1.5% spending to Disabled Veteran-owned Businesses. **Verizon's** poor performance in this category is uncharacteristic, given its status as an industry leader.

Minority Women-Owned Business Enterprise Spending

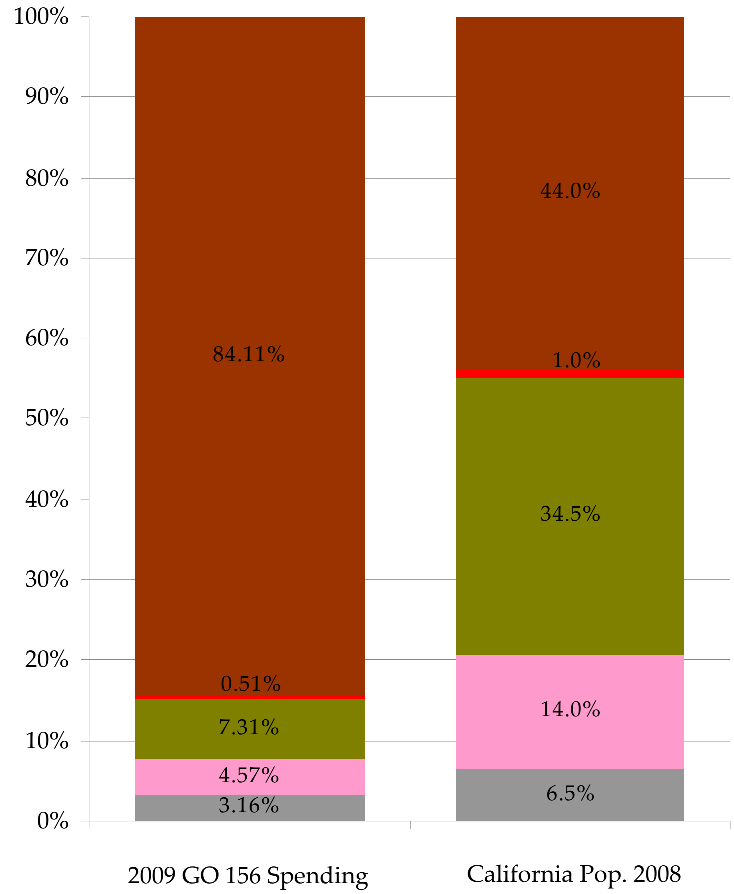
Company Name	Percentage of Contract Dollars	Grade
AT&T	3.97%	C+
Pacific Gas & Electric	3.96%	C+
San Diego Gas & Electric	3.96%	C+
Southern California Gas	2.94%	C-
Verizon	2.32%	D+
Southern California Edison	1.54%	F
Sprint Corporation	Did not report minority women data	N/A

Spending with minority women-owned enterprises remains very low. As a result no utility or telecom received a grade higher than a 'C+'. **Southern California Edison's** poor performance is underscored by an overwhelmingly negative five year trend. Analysis of five year trends showed that almost all of the utilities and telecoms were in worse positions in 2009 than in 2005. Additionally, spending in this category has been plagued by extreme inconsistency. Across racial categories, Asian American women received the largest share of spending. The data demonstrates the crippling effect of the racialized gender gap, which must be addressed with greater outreach efforts to minority women-owned businesses.

Five Year Minority Women Spending Trends



NOTE: 2005 data for AT&T uses pre-merger data from SBC.

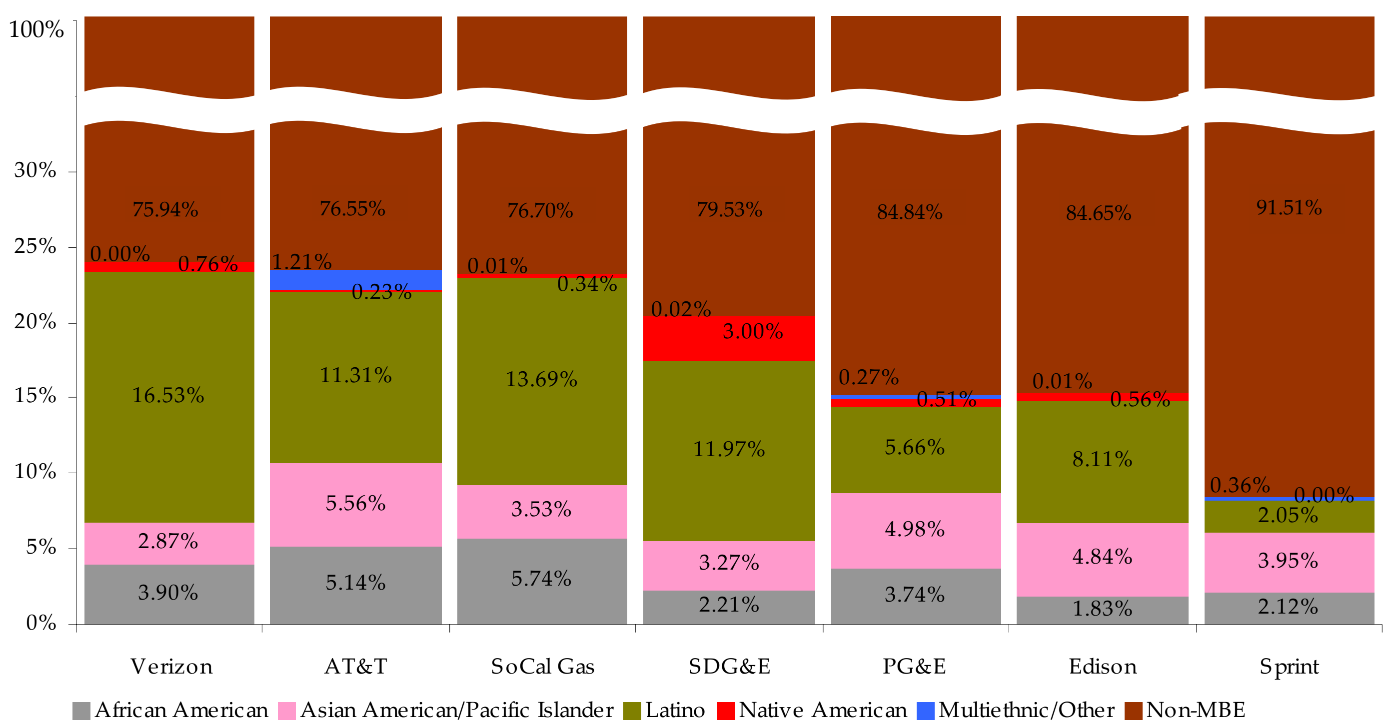


2009 GO 156 Spend vs. 2008 CA Population Demographics

The chart to the left compares aggregated MBE spending by utilities and telecoms in 2009 with California's racial demographics as measured in 2008. [9] This comparison illustrates that wide disparities remain between supplier diversity performance and the state's actual diversity. The biggest gap to bridge is the 27.2% disparity between Latino-owned businesses' share of spending and the proportion of Latinos in California's population. These disparities reflect the need for higher overall MBE spending goals from the companies to promote steady progress.

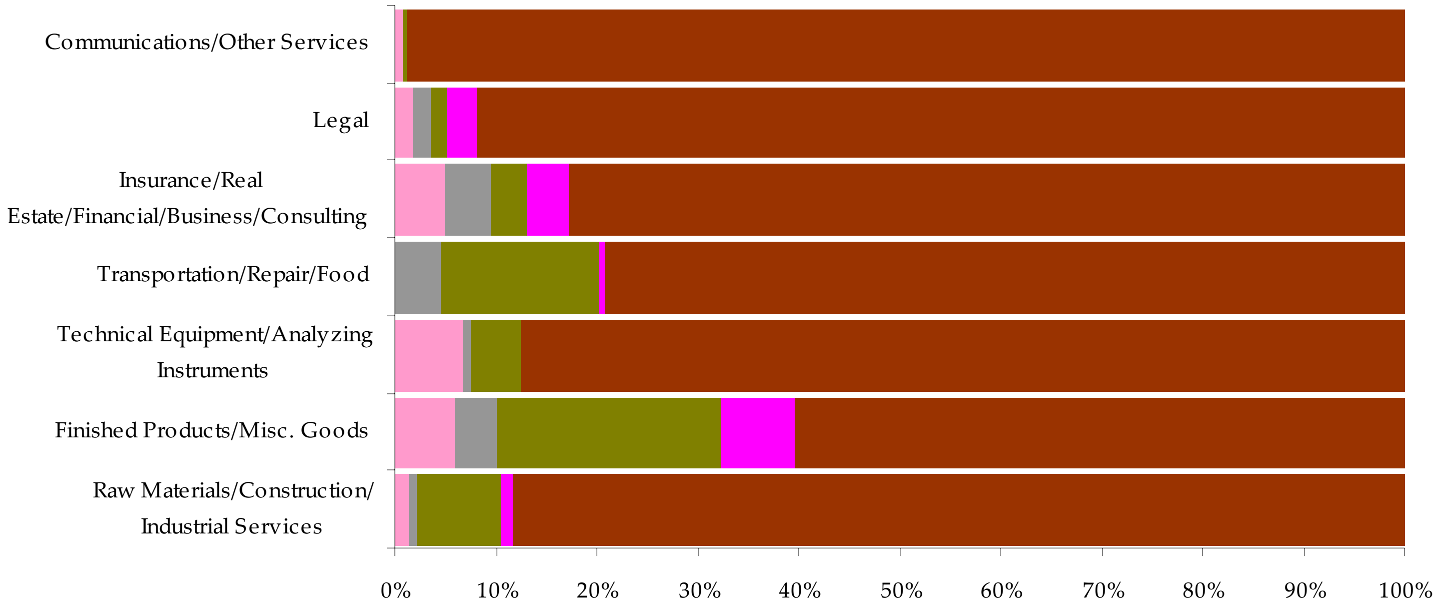
The chart below provides a visual comparison of the racial breakdown of spending across utilities and telecoms.

Summary of MBE Spending By Utility and Telecom Companies

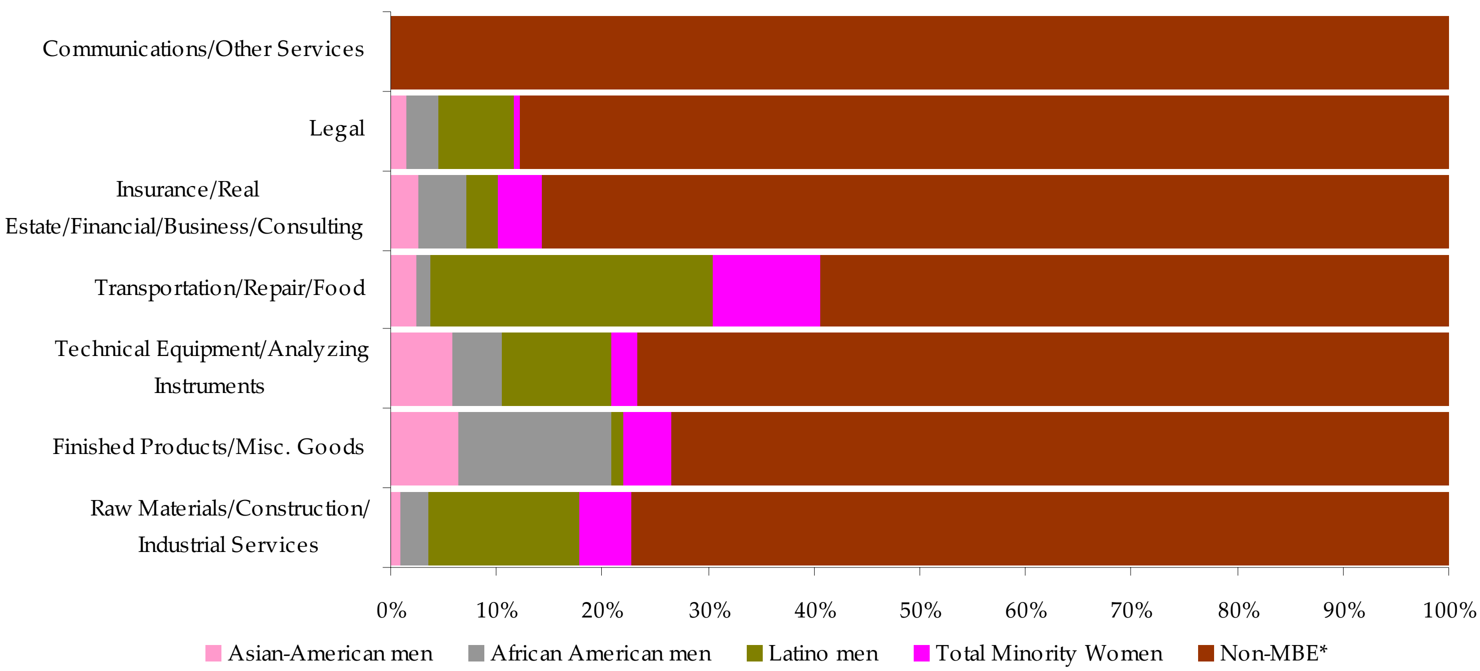


Aggregate Spending in Each Industrial Category by Race

Aggregated Utility Spending



Aggregated Telecom Spending



* Includes Native Americans, Other, and Disabled Veterans because categorical spending with these groups is negligible.

The charts on this page depict aggregated utility and telecom spending in each procurement category broken down by race. Spending in each of the seven procurement categories is divided into five demographic categories: African American men, Asian American men, Latino men, minority women, and non-MBE. The tables on the opposing page display the proportion of spending going towards minorities for each spending category. For simplicity, we aggregated the Standard Industrial Categories into the broader categories in the charts above. Unusual percentages are a result of reporting lags and other inaccuracies in the company's GO 156 filing. "Total Spend" refers to the total amount of spending by the company, including MBE and non-MBE procurement.

AT&T	Asian American	African American	Latino	Minority Women	Total Spend (Millions)
Raw Materials/Construction/ Industrial Services	1.40%	1.71%	3.17%	7.14%	$315
Finished Products/Misc. Goods	12.98%	26.86%	2.07%	0.05%	$19
Technical/Analysis Instruments	5.54%	4.75%	10.39%	2.40%	$1,407
Transportation/Repair/Food	2.66%	1.25%	28.49%	10.87%	$104
Business Services	3.83%	4.54%	4.17%	5.71%	$274
Legal Services	0.37%	3.55%	8.82%	0.00%	$38
Communications/Other Services	0.00%	0.00%	0.00%	0.00%	$0

Pacific Gas & Electric	Asian American	African American	Latino	Minority Women	Total Spend (Millions)
Raw Materials/Construction/ Industrial Services	0.13%	0.05%	0.73%	1.79%	$1,438
Finished Products/Misc. Goods	0.10%	23.50%	99.27%	56.94%	$53
Technical/Analysis Instruments	9.22%	0.00%	0.19%	0.17%	$428
Transportation/Repair/Food	0.00%	1.95%	14.21%	0.13%	$151
Business Services	5.52%	8.32%	5.03%	5.63%	$1,286
Legal Services	1.65%	3.98%	0.32%	0.30%	$40
Communications/Other Services	0.75%	0.17%	0.00%	0.02%	$590

Southern California Edison	Asian American	African American	Latino	Minority Women	Total Spend (Millions)
Raw Materials/Construction/ Industrial Services	3.14%	0.85%	15.58%	0.45%	$865
Finished Products/Misc. Goods	3.27%	3.07%	2.83%	0.05%	$233
Technical/Analysis Instruments	6.15%	1.74%	10.01%	0.08%	$535
Transportation/Repair/Food	0.24%	2.97%	0.47%	0.30%	$56
Business Services	4.99%	1.68%	3.09%	2.10%	$1,339
Legal Services	3.26%	0.29%	4.68%	6.00%	$32
Communications/Other Services	0.11%	0.00%	0.08%	0.06%	$30

San Diego Gas & Electric	Asian American	African American	Latino	Minority Women	Total Spend (Millions)
Raw Materials/Construction/ Industrial Services	0.04%	4.47%	12.35%	1.20%	$269
Finished Products/Misc. Goods	11.70%	0.04%	37.76%	1.01%	$126
Technical/Analysis Instruments	4.47%	0.00%	0.22%	0.00%	$95
Transportation/Repair/Food	0.00%	0.00%	12.01%	2.18%	$58
Business Services	2.47%	0.52%	1.77%	3.12%	$230
Legal Services	0.05%	0.00%	0.00%	0.19%	$22
Communications/Other Services	0.00%	0.00%	0.18%	0.00%	$3

Southern California Gas Company	Asian American	African American	Latino	Minority Women	Total Spend (Millions)
Raw Materials/Construction/ Industrial Services	3.33%	3.16%	23.18%	0.22%	$221
Finished Products/Misc. Goods	9.47%	0.30%	0.20%	4.61%	$68
Technical/Analysis Instruments	0.00%	0.00%	0.08%	0.00%	$70
Transportation/Repair/Food	0.03%	20.90%	44.38%	0.04%	$45
Business Services	2.25%	4.27%	1.54%	7.43%	$168
Legal Services	1.72%	2.07%	0.01%	12.71%	$6
Communications/Other Services	0.00%	0.04%	35.63%	0.56%	$6

Verizon	Asian American	African American	Latino	Minority Women	Total Spend (Millions)
Raw Materials/Construction/ Industrial Services	0.17%	4.04%	30.46%	1.40%	$220
Finished Products/Misc. Goods	0.00%	2.88%	0.24%	8.45%	$20
Technical/Analysis Instruments	16.85%	0.22%	11.10%	0.00%	$48
Transportation/Repair/Food	0.00%	0.79%	5.14%	0.21%	$8
Business Services	0.39%	4.84%	0.73%	1.46%	$160
Legal Services	6.76%	0.23%	0.20%	2.21%	$8
Communications/Other Services	0.00%	0.00%	0.00%	0.00%	$0

Examining Supplier Diversity Trends

Growth in utility and telecom procurement from MBEs has been positive. In total, the seven companies increased their share of spending to MBEs by 14%; from 13.65% in 2008 to 15.55% in 2009. The fact that this growth in the share of spending occurred during the economic downturn can be attributed in part to GO 156's continued effectiveness.

Within the general increase in MBE spending, different groups faced distinct trends, with some seeing increased opportunity and others witnessing a decrease in procurement. By far, Latinos experienced the largest growth in proportional spending, increasing 32% to reach 7.31% in 2009.

The wide disparity in 2009 performances amongst utilities and telecoms indicates the existence of clear leaders and under-performers.

While this is a positive development, it also highlights less successful results in other areas. The African American share of spending only increased marginally to 3.16%. Furthermore, Asian American procurement actually *decreased* by 9% to 4.57%. Meanwhile, the Native American and minority women categories, plagued by continued inattention, experienced marginally positive or negative trends. The Native American share inched up to 0.51% in 2009; minority women spend accounted for only 2.42% of total procurement (a decline of 15%).

Disparate Trends: Leaders and Underperformers

There are clear leaders and underperformers in MBE spending. **Verizon** increased its MBE share by 5% to remain the leader in percentage spend allocated to minorities, at 24.06%. **AT&T** took the largest positive stride in MBE spending, increasing its MBE share of spending by 20%. **Southern California Gas Co.** also experienced encouraging growth in MBE spending to maintain its position as an industry leader in supplier diversity. While **San Diego Gas & Electric's** historical supplier diversity success leaves its position as a leader intact, its MBE share of spending actually dipped this year in a departure from years of positive growth.

Among the underperformers, **Southern California Edison** saw its portion of spending allocated to MBEs increase considerably, yet its absolute numbers remain well below the standards set by its peers. The energy utility with the largest service territory, **Pacific Gas & Electric**, actually decreased the share of its spending with MBEs by 4%. Finally, while **Sprint's** substantial minority spending increase is encouraging, their numbers continue to remain far below the rest of the industry, indicating that this company must revolutionize its supplier diversity efforts.

The Need for Increased Goals

A majority of companies surpassed the CPUC's 15% MBE spending goal, highlighting the need for higher minority procurement goals. At the time of its establishment, the 15% goal appeared extraordinarily high compared to the companies' spending practices. While this goal has proved effective in encouraging strong positive growth in minority share of spending, MBE spending may plateau if goals are not increased.

The need for increased goals becomes even more apparent when California's rapidly changing demographics are considered. The 15% MBE goal remains low in comparison to the state's current ethnic makeup (56% minorities in 2008) [10] and its projected future demographics (72% minorities in 2050). [11]

Although Latino spending experienced a substantial increase to reach 7.31% across the reporting companies, this number is still not representative of the current 34.5% share of Latinos in the population of California. [12] Latinos are projected to comprise 52% of the state in 2050, indicating that even if companies maintain diverse spending at current percentages, their practices will become increasingly inequitable because the disparity between representation in the population and in the pool of suppliers will increase. [13] [14]

Leaders such as the **Sempra Energy Utilities**, **AT&T**, and **Verizon** have resoundingly proven that the 15% MBE goal no longer poses a challenge of any kind to companies willing to put the necessary effort into their supplier diversity programs.

Even if companies maintain diverse spending at current percentages, their practices will become increasingly inequitable because the disparity between representation in the population and in the pool of suppliers will increase.

For underperformers such as **Sprint**, **PG&E**, and **Edison**, the 15% MBE goal has not been high enough to encourage the companies to catch up with their peers. These companies should embrace higher goals to demonstrate their commitments to the industry standard. With GO 156 and supplier diversity already well-established in California, increased commitments from reporting companies would merely represent an acknowledgement that diversity remains a top corporate priority.

Large companies both benefit from their stronger ties to an increasingly diverse population through robust supplier diversity programs, and are a major catalyst for the growth of opportunity in communities of color through encouraging growth in the MBE sector. Growth of minority business enterprises, in turn, provides more diverse supplier choices for large companies.

Minority Women: The Racialized Gender Gap

There has been little progress over the last 5 years in spending with minority women-owned businesses. The only company to exhibit a significant increase in MWBE spending percentages, **Verizon**, had previously been far below the industry standard, reaching only 2.32%. Furthermore, companies like **Edison** saw its MWBE spending percentage decrease by 51%. It has become clear that minority women are suffering from not only racial disparities in spending, but also a gender gap in supplier diversity. These compounding factors as well as the growing minority women population demographic make minority women the most overlooked group of suppliers. However, this underperformance represents an exciting opportunity going forward for the companies to tap into a new range of diverse suppliers.

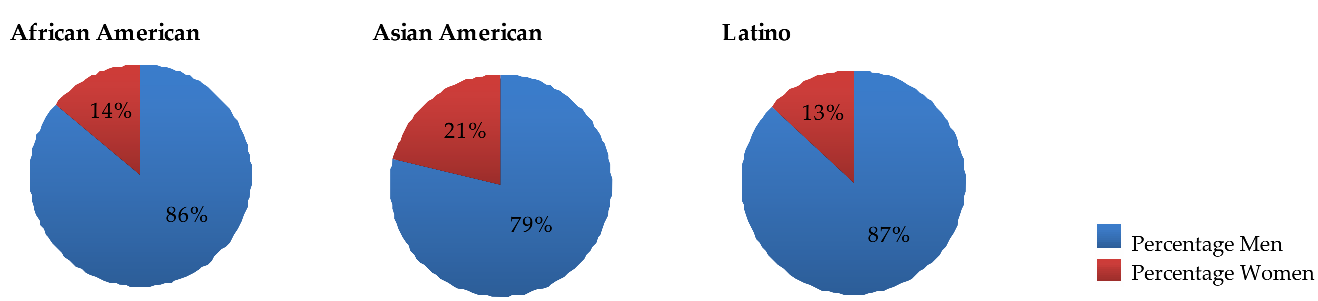
More than consistency, minority women require innovation in supplier diversity outreach. Utilities and telecoms must recognize MWBEs as a category that requires a specific focus.

Asian American women were allocated the most equitable portion of spending, receiving 21% of total spending with Asian American suppliers, while African American and Latina women only received 14% and 13%, respectively.

Similar disparities in success occurred at the individual company level. For example, Latina women received only 5% of **Southern California Edison's** total spending with Latino-owned enterprises in 2009. **PG&E** reported only 0.27% spending with African American women out of its total procurement, while the company's spending towards Latina and Asian American women was much higher, at 1.54% and 1.75%, respectively.

More than consistency, minority women require innovation in supplier diversity outreach. Utilities and telecoms must recognize MWBEs as a category that requires a specific focus. **Sprint** exemplifies the need for improvement in this regard in its refusal to report specific minority women data in their 2009 GO 156 filing despite having done so in previous filings. As companies look to broaden their procurement to reach new levels of MBE spending, it is critical that they increase contracting with the most underutilized group of suppliers, minority women.

Gender Breakdown of Utility and Telecom Spending By Race



A Deeper Analysis of Minority Procurement

Greenlining recommends that greater attention be paid to all spending categories. By taking a more nuanced look at exactly what utilities and telecoms are procuring from MBEs, we hope to deepen the reach of supplier diversity. This categorical analysis shows that in many instances a majority of spending with one racial group becomes pigeonholed into one or two spending categories. Moreover, certain spending categories are often underrepresented by minority suppliers. Overall supplier diversity success is compromised if the spending itself is racialized across different categories.

A dollar spent in one procurement category cannot simply be considered equal to a dollar spent in another. Because some categories provide greater economic opportunity than others, distortions in categorical spending translate into greater inequity. For example, technical equipment and analyzing instruments can garner larger profit margins than raw materials. In addition, certain categories such as professional services may prove more economically stable than others like construction. Finally, some spending categories, such as those involving the green economy and digital broadband deployment, are better primed for future growth than others.

A dollar spent in one procurement category cannot simply be considered equal to a dollar spent in another. Because some categories provide greater economic opportunity than others, distortions in categorical spending translate into greater inequity.

Categorical spending analysis provides companies with the opportunity to increase diverse spending by identifying areas that traditionally underutilize MBEs. If companies fail to expand the areas in which they consistently procure from different minority groups, they may soon be unable to increase their MBE spending any further, prematurely stunting supplier diversity growth. Moreover, broader diversity will provide companies with substantial benefits in the form of innovation and productivity.

Some companies have undertaken efforts to improve equity within spending categories, yet attention to the issue from the industries or regulatory bodies has not yet translated into results. With this report, Greenlining aims to present the merits of focusing on spending categories in order to take supplier diversity in California to the next level.

Categorical Spending Trends

AT&T, **Verizon**, **Pacific Gas & Electric**, **San Diego Gas & Electric**, **Southern California Gas**, and **Southern California Edison** reported comprehensive data on MBE spending by Standard Industrial Category (SIC). [15] Greenlining applauds these companies for their transparency and believes that the findings of the categorical spending analysis will strongly aid them in improving their supplier diversity practices. However, **Sprint** and the cable companies do not supply such comprehensive categorical spending data, and so their businesses are not as transparent as those of their competitors.

Notable Examples of Skewed Spending Across Procurement Categories

PG&E

- Zero spending with African-American or Latina women for Legal Services.
- Almost no contracts for Technical/Analyzing Instruments went to African Americans and Latinos.
- Latino men accounted for 76% of Transportation Equipment spending.
- Only 4% of Legal Services and 8% of Business Services procurement was from African American men.

San Diego Gas & Electric

- Only marginal Product procurement from minority women, with zero MWBE contracts for Industrial or Technical/ Analyzing products.
- Only 0.24% of spending with MBEs was for Legal Services, with no Legal Service procurement from African American men and Latino/a men and women.
- 4.6% of Business Services contract dollars went to Asian American women.

Southern California Gas

- 40% of African American Service procurement came from Freight Transportation and Warehousing.
- Almost 100% of Latino male Product spending came from Automotive/Gasoline/Transportation categories.
- With the exception of Latino males, all other minority categories received no contracts for technical/analyzing instruments.
- Zero MBE spending in Real Estate and Credit Institutions.
- 10.5% of Business Services contracts dollars went to African American women.

Southern California Edison

- Zero spending towards MBEs in the Insurance category.
- Almost 0% MBE spending in the Communications category.
- Nearly 0% of contract dollars for Technical/Analyzing Instruments went to African Americans and Latinos.
- 14% MBE spending in Legal Services, but only 0.4% to African Americans.

AT&T

- Zero Legal Services procurement with Minority women.
- MBEs accounted for more than 40% of spending in the Transportation/Repair/Food category versus less than 18% of the spending in the Technical/Analyzing Instruments, Legal, and Business Categories.
- Latino men accounted for 16% of Electronic Equipment spending and 8.8% of Legal Services spending.
- Zero MBE procurement in Engineering, Accounting, Research, and Management Services.

Verizon

- Zero spending with Latino women for Business or Legal Services.
- Zero spending with minority women for Electronic Equipment.
- Asian American males accounted for only 0.02% of Business services procurement.
- 90% of Latino male and 99% of Latino female spending came from Raw Materials/Construction/Industrial Services.
- Asian American males accounted for 22.8% of spending on Electronic Equipment and 6.8% of Legal Services spending.

Sprint

- Sprint failed to include categorical spending information by race and Standard Industrial Category.

Cable Companies

- None of the cable companies included any information on categorical spending.

With companies reporting spending in up to 40 different SICs, this report simplifies the analysis by aggregating SICs into 7 broad categories. (See table on page 22 for breakdown.) Whereas previous analyses focused on spending in select categories, these results allow for a fair assessment of each company's total procurement 'pie.' Spending in each of the seven categories is divided into five categories: African American men, Asian American men, Latino men, minority women, and non-MBE. Because absolute spending with Native Americans remains marginal, categorical analysis of their procurement is statistically insignificant. As a result, the 'Native American' and 'other' categories are grouped with the non-MBE category. Furthermore, because spending with minority women remains low across the board, they are analyzed as a group as opposed to being disaggregated by race.

Raw Materials, Construction and Industrial Services
This category accounted for 26% of utility MBE procurement and 21% of telecom MBE procurement. **Verizon** and **SDG&E** both depended substantially on this category for their MBE spending, with 73% of **Verizon's** MBE spending coming from this category even though the category made up only 47% of the company's total spending. In contrast, only 2.7% of **PG&E's** spending in this category was with MBEs. While African American and Asian American men accounted for only small portions of spending in this category, utilities procured 8.2% of raw materials, construction and industrial services from Latino men and telecoms procured 14.4% from Latino men.

Finished Products/Miscellaneous Goods
Utility MBE spending was highest proportionally in this category, with almost 40% of procurement dollars going to minorities. Telecoms had less success procuring finished products and goods from minorities, with only 26% of contract dollars going towards MBEs. Minority women accounted for the largest percentage of procurement by utilities in this category over any other, obtaining 7.2% of total procurement. Meanwhile, utilities procured 22% of their products and goods from Latino men while telecoms only spent 1% with Latino men-owned enterprises.

Technical/Analyzing Equipment and Instruments
Telecoms have had greater success in procuring from MBEs in this category (almost 23% of total spending in the category) than the utilities. Despite rising budgets in a category that includes instruments and equipment that will be crucial for the budding green economy, only 13% of utility procurement in this category went to MBEs. Although Asian American men obtained a substantial 6.8% of this spending, utilities only procured 0.8% and 0.1%, respectively, from African American men and minority women. **Southern California Gas** had the lowest proportional spending to MBEs in this category at 0.04%. In contrast, both **AT&T** and **Verizon** procured about one fourth of their technical equipment and instruments from MBEs.

> General success in supplier diversity can mask possible areas for future improvement, making categorical analysis crucial.

Transportation, Repair and Food
Utilities and telecoms incorporated minority suppliers at a substantial level in this category. The telecoms' proportional spending with MBEs in this category, at nearly 41%, was the highest of any category. Latino men received 26.8% and 15.6% of total spending in this category from utilities and telecoms, respectively. **Southern California Gas** spent the most proportionally towards MBEs in this category, including 44% with Latino men, 21% with African American men, but less than 0.1% with Asian American men and minority women combined.

Business Services
Utilities and telecoms spent only 17% and 14%, respectively, of their procurement dollars with MBEs in this category, which includes general business and management services as well as consulting, insurance, and financial services. The relatively even distribution of MBE spending between African American, Asian American and Latino men and minority women shows that the companies appear to have established some success at instilling diversity in the category, but must

amplify their efforts to obtain higher proportions for each group. For best practices in this spending category, Greenlining recognizes **PG&E's** and **SDG&E's** successes in working with minority-owned banks in each of their $250 million bond offerings this year. [16] [17] However, a majority of MBE spending in this category came from general business services as opposed to real estate, insurance, and finance. Thus, the companies should also look closely within the category for areas that need improvement.

Legal Services

Diverse procurement in this category remains in need of attention. Utilities and telecoms, respectively, allocated 8% and 12% of their legal services spending towards MBEs. In a sharp contrast from its absolute MBE spending numbers, **SDG&E** procured only 0.24% of their legal services from MBEs, the lowest proportion out of any company. General success in supplier diversity can mask possible areas for future improvement, making categorical analysis crucial. Given the influence and economic opportunity wielded by the legal field, a greater commitment from the companies to supplier diversity in the category of legal services will foster greater equality in the profession in general.

Communications, Social, Personal and Other Miscellaneous Services

Utilities procured only 1.2% of their supplies from MBEs in this category, while the telecoms procured none. The only company with substantial spending in this category was **Southern California Gas**, led by its social services procurement with Latino men. The utilities and telecoms clearly need to work towards improvement in what is by far the least diverse spending category.

Turning Underutilization into Opportunity

The categorical analysis shows wide disparities within each category between spending with each racial group and by each company. Greenlining hopes that the utilities and telecoms will attempt to transpose the methods from instances of success to cultivate greater diversity in underemphasized areas.

Furthermore, adoption of a more simplified set of spending categories similar to the one formulated in this report will help the companies as well as the CPUC in analyzing deeper trends related to supplier diversity. Greenlining urges the utilities and telecoms to add categorical spending goals to the absolute spending goals already in place. **Verizon** already provides a potential template in its 2009 Annual Report and Plan, outlining short-term, mid-term, and long-term goals for MBE spending in each of the spending categories it utilizes. With a sharper focus that scrutinizes the make-up of MBE procurement, companies will be able to address deficient areas and simultaneously identify opportunities to increase supplier diversity.

Spending Category Designations

Categories Used in this Report	Corresponding Standard Industrial Categories
Raw Materials/Construction/ Industrial Services	7, 13, 14, 15, 16, 17, 24, 26, 28, 29, 30, 32,33, 46, 49, 52
Finished Products/Misc. Goods	23, 25, 39, 50, 51, 56, 57,59
Technical/Analysis Instruments	34, 35, 36, 38
Transportation/Repair/Food	37, 42, 45, 47, 55, 58, 75, 76
Business Services	60, 61, 62, 63,64,65, 73, 87, 89
Legal Services	81
Communications/Other Services	27, 48, 72, 78, 79, 80, 83, 86

Public Benefits from Public Money

The increasing role of the green economy will expand the role of utilities, telecoms and cable companies, which will call for greatly increased spending on capital projects. Including traditionally underserved communities in these economic opportunities will be crucial to the future social equity of the state.

Because these expensive capital projects will be largely shouldered by all of California's ratepayers and taxpayers, the utilities, telecoms, and cable companies must work to share the economic opportunity equitably among California's businesses. While capital projects promise to increase productivity and quality of service, they will also greatly increase the total amount of revenue that companies will reap to implement these projects. Increasing costs for greater welfare in the long-term is a worthy tradeoff. However, the sacrifice will be borne by consumers who will face higher rates, not the companies who will likely remain protected by guaranteed rates of return.

Because these expensive capital projects will be largely shouldered by all of California's ratepayers and taxpayers, the utilities, telecoms, and cable companies must work to share the economic opportunity equitably among California's businesses.

In part because of infrastructure investment and capital outlays on renewable energy projects, Californians may see consistent 5-7% annual utility rate increases in the coming years. [18] The California Independent Service Operator and the California Energy Commission predict that California utilities will require up to $7.6 billion in order to update the grid's capacity and another $250 billion to modernize the grid. [19] Thus, even though electricity costs continue to drop, utilities are increasing rates because of this heavy investment.

Utilities apply to the CPUC for these rate increases, which allows them to maintain their rate of return largely regardless of the success of these projects. Uncertainty due to the current economic climate and the burden of the cost increases are passed onto the consumers. While Greenlining agrees that there is a pressing need for revitalizing and expanding the utility, telecom and cable sectors of the economy, these companies must share the economic benefits in an equitable manner by making commitments to supplier diversity.

An example of such a commitment came in 2009 in the form of a leadership agreement between the **Sempra Energy Utilities (SEU)** and the Greenlining Institute regarding the utility's solar photovoltaic application. In this agreement, **SEU** pledged their dedication to corporate social responsibility practices of philanthropy, supplier diversity, and workforce diversity. [20] With this agreement, **SEU** progressed to a more socially equitable use of their revenues accrued from California's ratepayers.

In striking contrast, when applying to increase rates in order to fund a costly photovoltaic project, **PG&E** refused to solidify their commitment to supplier diversity for the project. All Californians bear the burden of rate increases in tough economic times. Without industry-wide commitments to supplier

Best Practices in Capital Projects
SDG&E and the Kumeyaay Wind Farm

Already the clear leader in procurement with Native American suppliers, **San Diego Gas & Electric's** partnership with the Campo Kumeyaay Nation (CKN) of San Diego demonstrates a commitment to including traditionally underserved communities in the growing green economy. CKN is working with SDG&E to expand its reservation's 50 MW wind farm to provide an additional 160 MW of renewable energy to the surrounding communities. [21] The project will utilize local contracting and crews to produce enough energy to power 54,000 homes every year. The project epitomizes corporate social responsibility, with SDG&E joining with the tribe in order to reach the 20% renewable energy procurement goal set for utilities by California's Renewable Portfolio Standards. [22]

diversity in capital projects, the resulting benefits are maximized for the utility while the risk and burden are socialized among ratepayers.

Signposts for California's Economic Future

In the green and broadband economies, expansionary capital projects will provide additional and expanded opportunities for procurement. Even as some companies face stagnant or even reduced revenues in the economic downturn, budgets for these capital projects will continue to increase, representing an area that is ripe for increased MBE spending. Government stimulus also promises to boost spending in certain sectors such as renewable energy, grid retrofits, and broadband deployment.

As companies plan expansion into these markets, associated capital projects represent more than just increased spending. These projects serve as signposts for the future composition of California's economy. As utilities develop projects such as solar plants and wind farms, they signal a permanent shift towards renewable energy generation. The incorporation of broadband into the grid and increased cable capacity will likewise define the future of cable and telecom companies. Diverse procurement in these projects today will build equity directly into the markets that will lead the economy of the future. Greenlining includes a focus on the broadband and green economies due to their critical importance to utilities, telecoms and cable companies.

The Green Economy

As California organizes to lead the way on climate consciousness, utilities have become crucial actors in the adoption of renewable energy alternatives. SB 107 introduced California's Renewable Portfolio Standards, requiring utilities to procure 20% of their electricity from renewable sources by 2010. [23] The Governor's Renewable Electricity Standards further require 33% procurement from renewable sources by 2020. [24] In response, a greater share of utility procurement will go towards updating the energy grid and building renewable energy sources.

At the moment, MBE spending in categories critical to the green economy remains disappointingly low. With the exception of **Southern California Edison**, none of the utilities reported any significant spending in the metering and technical devices standard industrial category, which is crucial to the green economy due to the importance of smart meters and other grid retrofits.

Proportional Spending for Metering and Technical Devices

	Asian American	African American	Latino	Minority Women	Total Spending in Category*
PG&E	0.10%	0.00%	0.00%	0.00%	$26M
SCE	0.90%	3.30%	6.30%	0.00%	$61M
SoCal Gas	0.00%	0.00%	0.10%	0.00%	$19M
SDG&E	0.00%	0.00%	0.00%	0.00%	$22M

** Total Spend refers to the total amount of spending by the company, including MBE and non-MBE procurement. NOTE: Data calculated from SIC 38*

It is imperative that traditionally underserved communities become economic stakeholders in the green economy. As renewable energy leads the nation and the state to economic recovery, it can also serve as a force for greater social equity. Utilities can play a crucial role by using their close relationships with renewable industries to foster robust supplier diversity practices.

The large scale solar industry, for example, has an abundance of innovation and profits, yet lack a strong commitment to social responsibility. Greenlining's report, "The State of Solar: California's New Landscape of Opportunity" finds that the top solar companies working in California lack commitments to diversity in leadership, workforce, and procurement. [25] As the industry's largest consumers, utilities are well positioned to motivate these companies to adopt diversity practices.

Broadband Deployment

With only 27% of Americans subscribing to broadband services, the US ranks 15th in the world in per capita broadband adoption. [26] Such gaps in implementation represent the enormous economic opportunity of untapped markets. As the Obama administration introduces Federal stimulus measures aimed at increasing American broadband adoption, companies can expect rapid industry growth driven by the broadband sector.

Reflecting President Obama's desire to revitalize the information 'super-highway,' the Federal Communications Commission released recommendations for universal broadband implementation in the form of the National Broadband Plan (NBP) in March 2010. Funded by the American Recovery and Reinvestment Act [27], the NBP aims to stimulate broadband adoption, with the broad goal of extending 100 Mbit/s connections to 100 million American households.

The greatest success can be achieved by reaching out to the millions of minorities and low-income communities that have been left behind by the broadband revolution. As large companies reap the direct benefits of public stimulus, they must pass along the economic opportunity to MBEs and diverse consumer bases.

The GO 156 Modernization Bill (AB 2758)

In recognition of the growing importance of renewable energy, wireless, broadband, smart grid and hi-tech public transit systems, California Assemblyman Steve Bradford is authoring legislation supported by the CPUC to improve GO 156's ability to examine supplier diversity in these green technology sectors.

Specifically, AB 2758 amends Sections 8281-8286 of the Public Utilities Code to:

- Specify and enumerate the sectors that are most crucial for economic and job recovery.
- Require reporting of procurement of diverse business enterprises in California for each of these enumerated sectors.

Encouraged by both the NBP and the growing demand for broadband connection, **AT&T, Verizon,** and the cable companies will increasingly lead capital projects in the broadband sector. The industry will be deeply involved in infrastructure projects, ranging from laying fiber optic cable to building routers. By contracting with MBEs and passing along supplier diversity best practices to larger infrastructure development companies, many of which are based in Silicon Valley, the companies can significantly influence minority inclusion in this promising economic sector.

Increasing supplier diversity in the broadband economy will also improve efforts to reduce digital inequality and the problem of dissipating content diversity. Greenlining's 2009 report, "Digital Inequality: Information Poverty in the Information Age," defined digital inequality as a trend in which the level of technology expertise mirrors racial and socioeconomic inequities. [28] For example, 86% of White Californians benefit from computers at home compared to only 48% of Latinos. Through expanded supplier diversity efforts, companies can increase the share of economic and technological benefits that minorities receive. By drawing on underserved communities to drive broadband adoption, the companies can create awareness of diverse needs.

Evaluating the Cable Industry

As the cable industry's role in the economy expands due to broadband expansion, its companies must demonstrate a stronger commitment to supplier diversity and corporate social responsibility. Cable companies in California have always shown reluctance to collaborate with entities such as the CPUC to improve their procurement diversity. Consequently, a stark divide exists between the performance of cable companies and that of the utilities and telecoms. Despite the lack of regulation in the industry, Greenlining recognizes the potential for cable companies to voluntarily raise their supplier diversity standards to the level of the other industries.

At present, the cable companies' MBE spending numbers are well below the bar set by the utilities and telecoms. As the only company to report separate minority procurement, **Cox's** 8.79% spend with MBEs remains well below any utility and telecom except **Sprint**. Although **Comcast** abstained from reporting minority spending data, the company's contracting to minority, women, and disabled veteran-owned businesses totaled only 15.4%. Meanwhile, **Time Warner Cable** declined to file any information regarding supplier diversity at the CPUC.

The cable companies must fully embrace not just the components, but also the culture of supplier diversity that GO 156 has instilled into California's business practices.

The cable companies' failure to comprehensively report supplier diversity data impedes efforts to identify potential methods for improvement. None of the companies filed any information on the breakdown of spending across minority groups or industrial categories. Without such information, the cable industry remains in the dark, and its chances of improving may be bleak without regulatory or legislative intervention.

Furthermore, **Comcast's** proposed merger with **NBC Universal** has the potential to jeopardize the industry's prospects for improvement in diversity practices. If the merger is approved, the vertically-integrated Comcast-NBCU conglomerate will wield a dominating share of several markets. Comcast's history of poor customer service and lack of diversity commitments coupled with NBCU's lack of content diversity negatively influence the rest of the industry.

The cable companies continue to believe that they should be allowed to operate with little state regulation even as they compete for customers with regulated companies. Absent greater commitments to diversity, competition from the cable companies takes customers away from regulated companies with better social practices, detracting from GO 156's success. However, the increased cooperation exhibited by **Cox** gives hope that the industry can change. The cable companies must fully embrace not just the components, but also the culture of supplier diversity that GO 156 has instilled into California's business practices. Otherwise, regulatory and/or legislative intervention may be necessary to prevent the cable industry from further diluting GO 156.

Recommendations

Overall Recommendations

1. **Utilities, telecoms, and cable companies should increase their absolute diverse procurement goals to reflect growing diversity in California.** Current supplier diversity commitments remain well below population parity, even as California's communities of color continue to grow. Higher goals will be necessary so that supplier diversity will continue to keep up with an increasingly diverse California.

2. **Utilities, telecoms, and cable companies must identify new methods of incorporating minority women-owned businesses into their procurement.** Almost no progress has been made for minority women in the past five years. 2009 witnessed significant declines in spending with this group by some companies. As minority women clearly suffer a racialized gender gap, they deserve greater attention from supplier diversity programs.

3. **Supplier diversity programs must undertake a more critical evaluation of spending practices by examining the racial distribution of spending across procurement categories.** By adopting a simplified system of spending categories, similar to the one presented in this report, and attaching goals to these categories, companies can identify areas of underutilization. Broadly allocated diverse procurement will be necessary to achieve greater overall supplier diversity successes in the future.

4. **Minority business enterprises must be included in expansionary capital projects in sectors such as the broadband and green economies.** California's diverse businesses must be afforded a fair shot at these publicly-funded projects. Incorporation of MBEs directly into the projects that will define the new economy will be critical to California's overall recovery.

5. **GO 156 and supplier diversity programs must take steps to improve reporting and transparency.** While some companies have begun to consistently release comprehensive reports, others continue to file incomplete, inaccurate, and inconsistent reports that hinder progress and evaluation. Greenlining echoes the suggestion of several utilities, telecoms, and minority businesses in recommending the institution of an external auditing mechanism as a possible remedy.

> Diverse procurement in renewable energy and broadband capital projects today will build equity directly into the markets that will lead the economy of the future.

Company Specific Recommendations

1. **Sempra-owned San Diego Gas and Electric and Southern California Gas Company should build upon their current leadership in supplier diversity.** These companies continue to serve as the model utilities due to their visionary commitment to supplier diversity and good corporate social responsibility practices, leading Greenlining to declare 2010 the 'Year of Sempra.' The Sempra utilities lead the way in immeasurable intangibles, exemplified by their commitment to incorporate diversity practices with their major suppliers. While SoCal Gas' proportional MBE spending increased laudably, SDG&E's numbers actually dipped slightly. Given SDG&E's steady performance and its strategic long-term planning on supplier diversity, Greenlining trusts that this does not represent a plateau for the company.

2. **Verizon must continue to set higher standards to encourage other companies to learn from their best practices.** The company has been successful in achieving the highest proportional supplier diversity spending of all companies analyzed. Verizon will potentially see significant increases in spending as the company tries to meet increasing demand for spectrum; such projects represent the ideal opportunity to include MBEs. Verizon must also improve spending practices with African American and Asian American/Pacific Islander businesses, which were both areas of notable decline in 2009.

3. **AT&T should dedicate more of their outreach efforts towards increasing minority women suppliers.** After several years of inconsistency, AT&T achieved one of the strongest improvements in proportional spending with MBEs. Greenlining commends the centralized organization of AT&T's procurement process which instills accountability and leads to clear results. However, 2009 witnessed a decline in proportional spending on minority women-owned businesses, which is especially concerning because of the success of AT&T's outreach programs.

4. **Southern California Edison needs to work up to the standards set by industry leaders.** The company has reversed its steady negative trend by increasing their supplier diversity above the CPUC's 15% goal. Edison's recent success can be attributed partially to an improvement from its poor reporting practices of the past. Furthermore, Edison has had the most success in incorporating MBEs into its smart grid retrofitting projects and should share its practices with the other utilities. Minority women and Asian American/Pacific Islander-owned businesses are critical areas in need of vast improvement.

5. **Pacific Gas and Electric's regression indicates the need for stronger commitment and organization from its supplier diversity program.** As the only utility to take a significant step backwards, PG&E is now the industry's worst supplier diversity performer. Greenlining specifically urges PG&E to improve its MBE spending for Technical and Analytical Instruments and reverse a negative trend in Asian American/Pacific Islander procurement.

6. **Cox must improve its reporting and overall spending substantially before it can be considered on the same level as the utilities and telecoms.** The company is ahead of its cable industry peers in supplier diversity, and is the only cable company to report specific data on MBE spending, placing it in the best position to improve its supplier diversity. Cox's enthusiasm for diversity practices gives it the opportunity to lead the way in revamping the image of a cable industry that has long shirked corporate social responsibility. The company appears on the verge of including more comprehensive racial and categorical spending data. Greenlining urges and encourages Cox's continued progress.

7. **Sprint would be better served by expending more effort to learn from the leaders in supplier diversity rather than criticizing them. Otherwise, it could be further incapacitated by its own "financial duress."** Despite some improvements in its supplier diversity program, Sprint remains far behind the curve in MBE spending as well as quality of reporting. Greenlining hopes that 2010 marks the end of the inconsistent reporting and poor supplier diversity outreach that led to its dismal results. Having spent 2009 fixing reporting problems, the company must now focus on making enormous strides to catch up with its peers. It should begin by reporting more comprehensively on minority women and categorical spending. Furthermore, Sprint must exhibit an improved attitude towards supplier diversity. Rather than focusing on improving its own poor performance, the company seems to spend an inordinate amount of effort criticizing the success of its competitors.

8. **Comcast needs to improve both its supplier diversity practices and its GO 156 filing.** Both leave much to be desired for a company with such expansive operations in California. Although Comcast appears willing to improve its diversity problem, it must also improve its reporting in order to better identify areas of underutilization and bolster its supplier diversity program. Even then, Comcast's pending merger with NBC Universal would require an even stronger commitment to supplier diversity.

9. **Time Warner Cable should follow the lead of its peers in the cable industry by filing GO 156 numbers next year.** The company's refusal to participate in GO 156 demonstrates a lack of commitment to diversity that is unacceptable for companies operating in California.

All Californians suffer from rate increases in tough economic times. Without industry-wide commitments to supplier diversity in capital projects, the resulting benefits are minimized to the utility while the risk and burden are socialized among ratepayers.

Methodology

Greenlining obtains the data in its annual report card from the yearly GO 156 filings of the seven largest 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.** This year's report also includes a limited analysis of three cable companies operating in California: **Comcast, Cox,** and **Time Warner**. Greenlining issues a grade to each of these companies based on the following guidelines:

- Progress from previous years;
- Performance in relation to industry peers; and
- Progress toward 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:

- To highlight the successes and failures of California's utilities and telecoms in upholding their commitments to California's diversity and economic security; and
- To present ideas and recommendations on how diversity can continue to strengthen California's utilities and telecom companies.

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