2013

2013 Supplier Diversity Report Card

California Breaks $8 Billion

SAMUEL KANG General Counsel and ERIN DELANEY Legal Associate | The Greenlining Institute

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About the Greenlining Institute

The Greenlining Institute is a national policy, research, 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 that work together to advance solutions to our nation's most pressing problems. Greenlining builds public awareness of issues facing communities of color, increases civic participation, and advocates for public and private policies that create opportunities for people and families to make the American Dream a reality.

Supplier Diversity

Entrepreneurship is a key element of the American Dream. For millions of Americans, starting and owning a business has been the route to success and security. According to the U.S. Small Business Administration, people of color own 4.1 million firms that generate $694 billion in revenues and employ 4.8 million people, but communities of color continue to lag behind whites in terms of small business ownership and profit.

Recognizing the difficulty that diverse small businesses faced in trying to break through "old boy networks" to obtain contracting opportunities with major corporations, the state of California has created a landmark supplier diversity program for utilities and telecommunications companies regulated by the California Public Utilities Commission (CPUC). Under the leadership of the CPUC's General Order 156, these companies have developed robust supplier diversity programs that have developed over the past two decades into the national gold standard.

Adopted as a result of legislation passed in 1988, GO 156 has made it state policy to promote the interests of diverse businesses to "maintain and strengthen the overall economy of the state." It requires the state's regulated utilities and telecommunications companies to annually report their percentages of contracts given to businesses owned by women, disabled veterans and people of color (collectively, "diverse business enterprises").

By creating economic opportunities in communities most in need of them, supplier diversity helps to stimulate the entire state economy. And by encouraging diverse businesses to compete with entrenched suppliers, it also helps the utility and telecom companies to obtain better products and services at lower prices.

The Greenlining Institute plays a key role in facilitating this program by analyzing the supplier diversity data reported annually by the companies. We compile this analysis into our annual **Supplier Diversity Report Card**, issued in late spring each year. The report card grades the firms on their performance and breaks down spending by ethnic categories and industrial categories for each company. The only analysis of its kind in California, Greenlining's annual report card plays an important part in facilitating progress and holding companies accountable for their performance.

Greenlining believes that GO 156 is a model that can be adapted to a wide variety of industries and circumstances, and that doing so will help diverse small businesses and increase the vibrancy of America's economy. We are actively working in select areas to promote the model.

About the Authors

Samuel S. Kang, General Counsel
Samuel Kang is the general counsel for The Greenlining Institute and is a co-author of the Supplier Diversity Report Card. Sam oversees Greenlining's legal advocacy and has led several successful campaigns impacting state and national policy, including the expansion of supplier diversity in California's regulatory industry. He has litigated several high profile cases impacting the allocation of billions of dollars in utility rates and regularly testifies before the California legislature. He also serves on a state body that advises the Insurance Commissioner of California on issues affecting underserved and diverse communities. Sam has been interviewed and quoted in hundreds of media outlets across the country. He was previously a Coro Fellow and recognized as one of the top young Korean American leaders in the United States by the Network of Korean American Leaders. Sam received his B.A. from Occidental College and his J.D. from the University of San Francisco School of Law.

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Erin is the legal associate at Greenlining and works on a variety of efforts ranging from increasing supplier diversity in Californian companies to assessing the Patient Protection and Affordable Care Act and evaluating how to ensure equal access to its provisions. Erin has worked for the city government, as well as the 9th Circuit Court of Appeals, and has served as the chairperson for the city of La Mesa's Youth Commission which advocated for the interests of the city's young. Erin has completed her 3rd year at the University of California, Berkeley where she has served as Solicitor General to the student government and is studying both Political Science and Rhetoric.

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I. Executive Summary

With the creation of General Order 156 over 20 years ago, the California Public Utilities Commission (CPUC) jump-started the state's supplier diversity efforts. In 2012 we saw another year of enormous growth, this time exceeding last year's spending with minority-owned businesses by $1.5 billion. This increase in total spending was matched with proportional growth from almost every company.

Key Findings and Highlights

- Contracting with minority business enterprises (MBEs) increased by approximately $1.5 billion from 2011 to 2012.
- Two companies are moving towards reaching 30% spending with minority-owned businesses.
- Decreases across the board in Latino spending and low contracting rates with Minority Women raise concerns about the future of these areas.
- Improvement is still urgently needed in both Legal and Professional services.
- Native American contracting reached 1.18%, surpassing the population rate.
- We have added AT&T Wireless and Verizon Wireless to our evaluations for the first time. The results from these companies fluctuate wildly from category to category, and thus indicate a need for more focused attention.
- One company in particular, San Diego Gas & Electric, has increased diverse spending in the areas of electric and fuel procurement and smart grid.
- Water companies now required to report under GO 156 are now featured in a special section which discusses their results and inconsistencies in reporting methods while transitioning to GO 156 reporting.

Greenlining's Recommendations for 2013

- Companies must remain vigilant and aggressive with their proportional spending, especially as absolute contract dollars increase.
- Telecommunications companies and utilities must push their prime suppliers more to commit to supplier diversity efforts.
- The telecoms and utilities must rededicate themselves to areas that are slipping, such as Latino and Minority Women spending.
- Water companies must report in ways that allow for apples-to-apples comparisons of their progress.
- Underutilized areas, such as legal spending, must see greater results rather than just promised action.

II. Introduction

Always on the cutting edge, California and the companies that operate within it have a long tradition of recognizing that diversity is an integral part of good business. Perhaps nowhere is this culture more apparent than in the groundbreaking supplier diversity efforts taken on by its utilities and telecommunications companies. Under the leadership of the California Public Utilities Commission's General Order 156, these companies have established robust supplier diversity programs that have developed over the past two decades into the national gold standard.

The Greenlining Institute facilitates this process by releasing an annual report that grades the state's utilities, telecoms, and cable companies based on their voluntarily reported supplier diversity statistics. Our report includes rankings and a breakdown of spending by ethnic categories as well as across industrial categories for each company. In addition, the report examines crucial and timely topics related to supplier diversity, including the new requirement to report supplier diversity in electric procurement, the water industry, and the need to improve efforts in legal and professional services. The report concludes with comprehensive recommendations for both the overall GO 156 program as well as each individual company.

General Order 156: The CPUC's Supplier Diversity Program

For over 20 years, the CPUC has recognized the economic significance of supplier diversity in California's regulated utilities market, and promoted its expansion through General Order 156 (GO 156). Enacted in 1988 pursuant to Public Utilities Code Sections 8281-8286, this order requires the state's largest regulated utilities and telecommunications companies to annually report their percentages 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." 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.

Glossary of Terms

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

2012's Major Supplier Diversity Trends

Once again, California's telecoms and utilities have made great strides in their Supplier Diversity programs. The companies reported a whopping $8.1 billion in contracts with diverse business enterprises (DBEs) in 2012 alone. Of that, $5 billion went to minority businesses, a $1.5 billion increase over last year. Even with these continuing developments in absolute dollar spending, all but two companies managed to increase their proportional spending.

This upward trend in both absolute dollar spending and proportional contracting with MBEs shows signs of continued progress. In fact, the top two companies this year, **AT&T** and **Southern California Gas Company**, are each hovering just under the 30% mark.

2012 also marks the first year that we have seen reporting numbers reach population parity with a specific ethnic category. Overall Native American contract spending this year reached 1.18%, which puts it above the 1% of the population comprised of Native Americans in the state of California. While this is an accomplishment for the companies overall, this contracting percentage is not spread evenly across the companies. Rather, several companies are securing around 3% of their contracting with Native American-owned business enterprises, which is offsetting those with 0%.

While the companies remain strong overall, 2012 has seen the start of a few trends within MBE contract spending that need attention. Namely, in 2012 all but two companies experienced a decrease in Latino and Minority Women contract spending. As Latinos make up over 37% of the California population, it is critical that the telecoms and utilities bolster their efforts in this area in order to move contracting more in line with the state's ethnic composition. However, the Minority Women Category raises perhaps the biggest concern, reaching only 5.64% of this year's contract spending, as compared to 2011's already meager 6.26%. More attention and focus needs to be brought to these struggling categories in order for companies to strengthen their programs.

This year's report also introduces **AT&T Wireless** and **Verizon Wireless** into our assessment process. Since this is our first year measuring their results, we are not issuing grades to them. Rather, we will be providing them feedback so that they are prepared for grading next year. Although they both have strong initial overall MBE contract spending, their contract spending across ethnic categories is erratic. While some categories have the highest spending of any reporting company, in other categories these two companies have near zero minority contracting. For the coming year, these companies should look at bringing attention to those areas where they currently have no or very low minority contracting.

This year's report has been expanded to include the water companies that also report under GO 156. By bringing attention to their supplier diversity efforts, we hope that they will start to move their programs and results in line with the telecoms and utilities. Because this is the first year we have examined their reports, we will not be assigning grades to each water company, but instead are reviewing where the companies share strengths and weaknesses, so that they may start to make their supplier diversity programs more robust. Because the water companies decided as an industry not to meet with The Greenlining Institute and discuss their reports, all data was drawn directly from the reports they filed with the CPUC, without any further explanation or context from the companies. The water companies' reports show many inconsistencies in reporting that keep us from obtaining a full view of their progress. Many have yet to report their data as disaggregated by SIC, which makes it impossible to see what areas their contract spending is affecting. Next year we hope to see more openness from the water companies, both in their willingness to discuss their programs and results, and in their reporting methods.

Supplier Diversity as Economic Stimulus

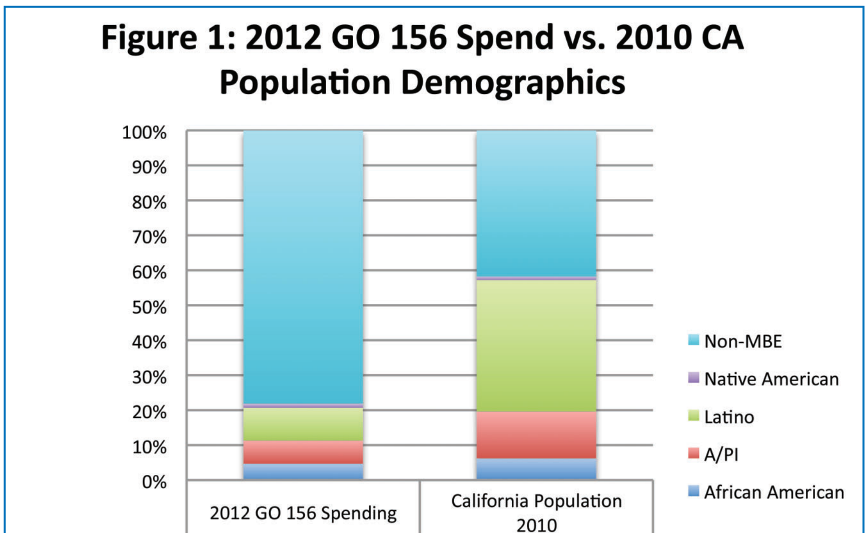
When adopted comprehensively, supplier diversity can serve as an economic catalyst for corporations, their diverse suppliers, and California's communities. While the current recession has hurt all Americans deeply, the burden has fallen unequally on communities of color. Although the average rate of unemployment in California was 10% for white men last year, African American men and Latinos faced 17.80% and 12.10% unemployment, respectively.[1] Supplier diversity efforts serve as a particularly effective form of economic stimulus because they target the communities that need opportunity the most.

[1] U.S. Census Bureau. (2012). Preliminary 2012 Data on Employment Status by State and Demographic Group. Retrieved from http://www.bls.gov/lau/ptable14full2012.pdf on March 27, 2013.

Supplier diversity in California is not simply a numbers game. Under GO 156, the utilities and telecoms have made serious commitments to develop initiatives to open their supplier networks to new and diverse businesses. By encouraging these diverse businesses to compete with entrenched suppliers, the utilities and telecoms can use market competition to lower prices and increase the quality of the products and services they receive. In the case of the investor-owned utilities that receive a guaranteed rate of return, supplier diversity can be one of the most significant drivers of competition. All of this translates into better service and lower rates for California's consumers.

Supplier diversity also translates into tangible benefits for the companies that employ it. The diverse suppliers that are introduced into the companies' supply chain are not only adept at hiring from underserved communities, but they are also able to increase the company's ability to engage with the different communities and cultures in their service territories. Additionally, research has shown that among leading companies supplier diversity facilitates the discovery of new revenue streams. Moreover, procurement departments that focus on supplier diversity achieve 33%[2] more return on investment for procurement than the average.

The voluntary nature of GO 156 is indicative of the mutually beneficial impact of supplier diversity in California. Companies reach new levels of competitiveness and small businesses flourish from new opportunities.



	2012 GO 156 Spending	California Population 2010
Non-MBE	77.96%	41.8%
Native American	1.18%	1.0%
Latino	9.35%	37.6%
A/PI	6.60%	13.4%
African American	4.67%	6.2%

Figure 1

[2] Source: The Hackett Group.
"The Hackett Group: Supplier Diversity Does not Drive Increased Costs." 17 August 2006. Retrieved from: http://www.thehackettgroup.com/about/alerts/alerts_2006/alert_08172006.jsp

III. 2012 Supplier Diversity Rankings and Results

Supplier Diversity Rankings	
Industry Leaders	1. AT&T
	2. Southern California Gas
	3. Pacific Gas & Electric
Leveling	4. Verizon
	5. Southern California Edison
Emerging	6. San Diego Gas & Electric
Improving	7. Sprint
	8. Comcast Corporation
	9. T-Mobile
Inconclusive	10. Cox Communications
Noncompliant	11. Time Warner Cable

AT&T and **Southern California Gas Company** both received A's this year and tied for the top spot, proving themselves industry leaders in supplier diversity efforts. **SoCal Gas** raised its overall minority spending from 24.99% in 2011 to over 27% in 2012. **AT&T** was able to expand further, coming in just under 28% in overall minority spending. Both of these companies are close to reaching the 30% mark, pushing expectations higher for all companies that file under GO 156.

AT&T's increase in Service Disabled Veteran, Minority Women, and Asian American contract spending secured its nearly 28% overall MBE spending. Additionally, **AT&T** has the highest Disabled Veteran contract spending at 4.99%. **SoCal Gas's** proportional minority contract spending grew in every ethnic category this year while also increasing its MBE contract spending by $23 million. Impressively, this is SoCal Gas's *sixth* consecutive year of growth in proportional MBE spending.

PG&E earned a B+ and the third-place rank for the second year in a row. Through an increase in minority contract spending in every major ethnic category aside from Latino spending, **PG&E** managed to build on its 23% from 2011, reaching MBE spending of 24.18%. **PG&E**'s absolute MBE contracting dollar spending is truly impressive. Last year alone, **PG&E** managed to spend over $1.2 billion on MBE contracting and over $2 billion on diverse contracting. **PG&E** also holds the highest percentage of contracting in the Native American spending category at 3.25%.

In 2012, **Verizon** experienced its second consecutive decline in overall MBE contract spending. **Verizon** experienced growth in Service Disabled Veteran, Native American, and African American spending, but had decreases in all other major spending categories. The decline in overall spending in 2011 was largely due to decreases in both African American and Asian American contracting. In 2012, **Verizon** was able to turn around the downward trend in African American spending, but decreases in Asian American and Minority Women spending have kept it from moving out of the number four spot.

Southern California Edison moved up in the rankings this year, increasing its overall MBE spending slightly. Last year, **Edison** claimed the top spot in Minority Women spending, but this year dropped its lead in this category, realizing a decrease from 6.91% to 6.20%. **Edison** did manage to more than double its Service Disabled Veteran spending, though it continues to fall short of the industry leaders in this category. However, **Edison** expects to make its 1.50% Service Disabled Veteran contract spending goal next year through its Veterans and Edison Teaming Successfully (VETS) program, which is a 12-month training program designed to mentor SDVBEs and increase their contracting capacity. Notably, **Edison** far exceeded the other companies in incorporating the highest number of diverse firms in its contracting. **Edison** contracted with 794 diverse firms, while the next highest company contracted with 518 firms.

San Diego Gas & Electric's total MBE spending in 2012 came in at 20.33%, just about 2 percentage points lower than in 2011. Importantly, this means that **SDG&E**'s numbers have regressed to their 2008 levels, which were 20.49% including multi-ethnic and other. This decline is largely due to its marked decline in Latino spending, which dropped over 5 percentage points this year. Although **SDG&E** experienced moderate gains in Asian American, African American, and Native American contract spending, these increases were not enough to offset the loss in Latino and Minority Women contract spending. This year marks **SDG&E**'s second consecutive year of decline in MBE spending. On a brighter note, **SDG&E** reported 21.3% in DBE spending (11.9% with MBE firms) in the electric and fuel procurement area. This is where **SDG&E** is a clear leader.

Sprint once again had a surprising jump in MBE contracting, building on last year's gains. Moving from 17.07% in 2011 to 23.07% in 2012, **Sprint** has made considerable improvement. **Sprint** increased African American spending alone by almost 3 percentage points, reaching 7.94%, topping this category. **Sprint** managed another three percentage point increase in Latino spending, reaching 7.20%. However, **Sprint**'s low grade is the result of its failure to report in ways that allow for comparisons with the other companies. **Sprint** has once again failed to report its data as disaggregated by SIC, and has failed to report its Minority Women spending. Should **Sprint** choose to start reporting in ways consistent with their industry peers, the company's grade would improve.

2012 marks the first year that **Comcast** has reported its spending by SIC, a great step in the right direction. Overall **Comcast**'s minority contract spending declined in 2012 from 8.73% to 7.95%. **Comcast** managed to slightly increase African American spending while increasing its Asian American contract spending by almost one percentage point. This brings its Asian American spending to 6.13%, **Comcast**'s highest spending category. However, **Comcast**'s contract spending dropped in both Minority Women and Latino contract spending. **Comcast** had 0.00% MBE contract spending in the Native American and Service Disabled Veteran categories. In order to start bringing its spending up to its industry peers, **Comcast** must give attention to untapped categories while strengthening existing spending.

Similarly, this was **T-Mobile**'s first year reporting in line with GO 156. While its numbers are low, **T-Mobile** is in the process of laying the groundwork for future success. It is encouraging that the substance and depth of **T-Mobile**'s reporting has improved, but the company still has a considerable way to go. One aspect of **T-Mobile**'s reporting that prevents us from fully evaluating its 2012 report is that its SIC spending is grouped in such a way that we cannot view each category individually. Therefore, we cannot evaluate its SIC spending in accordance with our grouping. In the future, we hope to see **T-Mobile** build a strong and robust program that reports its information in a more standardized and accessible way.

For the first time, we have evaluated both **AT&T Wireless** and **Verizon Wireless**'s GO 156 reporting. Because this is the first year we have looked at these two, they are not receiving grades, though we are including them in our analysis. We will begin grading these companies' progress next year, after they have had a chance to see where they need to strengthen their efforts.

AT&T Wireless's MBE spending for 2012 comes in at just under 20%, indicating a promising start. Despite this strong overall number, its spending across ethnic categories varies wildly. For example, Asian American spending is only 1.16%, far below what the industry leaders are accomplishing, yet Latino spending is the highest of all the companies at 15.19%. Categories such as Service Disabled Veterans, Minority Women, and Native American spending are in need of much attention to bring them in line with the rest of the industry.

Verizon Wireless spent an incredible $2.2 billion in California in 2012. Of that, 21.59%, or almost $477 million was spent on minority contracting. While this absolute and percentage minority contract spending is impressive and shows it is off to a strong start, like **AT&T Wireless**, **Verizon Wireless** also has erratic spending across ethnic categories. **Verizon Wireless**'s Asian American contract spending broke 20%, more than double the percentage of the next highest company. However, its Latino spending is a glaring 0.26%. Additionally, **Verizon Wireless** grouped its SICs together in a way that prevents us from analyzing its results. Bringing focus to low areas will help **Verizon Wireless** establish itself as an industry leader.

While **Cox** met with us to discuss its reporting this year, the company's California-specific spending cannot be disaggregated from its national spending. Therefore, we were unable to compare **Cox**'s progress to other companies that file reports pursuant to GO 156. **Cox** has expressed its commitment to promoting supplier diversity, and has even gone so far as to include LGBT companies in its program. **Cox** has dedicated $500,000 aimed at improving its reporting infrastructure and analytics, which we hope will assist Cox in meeting the reporting specifications of GO 156 as well as catch up to other companies who file under GO 156.

Time Warner Cable failed to report under GO 156, once again demonstrating apathy towards these efforts.

Total Minority-Owned Business Enterprise Spending

Company Name	% Spend	Grade	Total MBE Spend ($ millions)
AT&T	27.93%	A	634M
SoCal Gas	27.07%	A	225M
PG&E	24.18%	B+	1278M
Verizon	22.21%	B	50M
Edison	20.64%	C+	823M
SDG&E	20.33%	C+	244M
Sprint	23.07%	C	502M
Comcast	7.95%	F+	20M
T-Mobile	6.99%	F	81M
Cox	DNR	DNR	

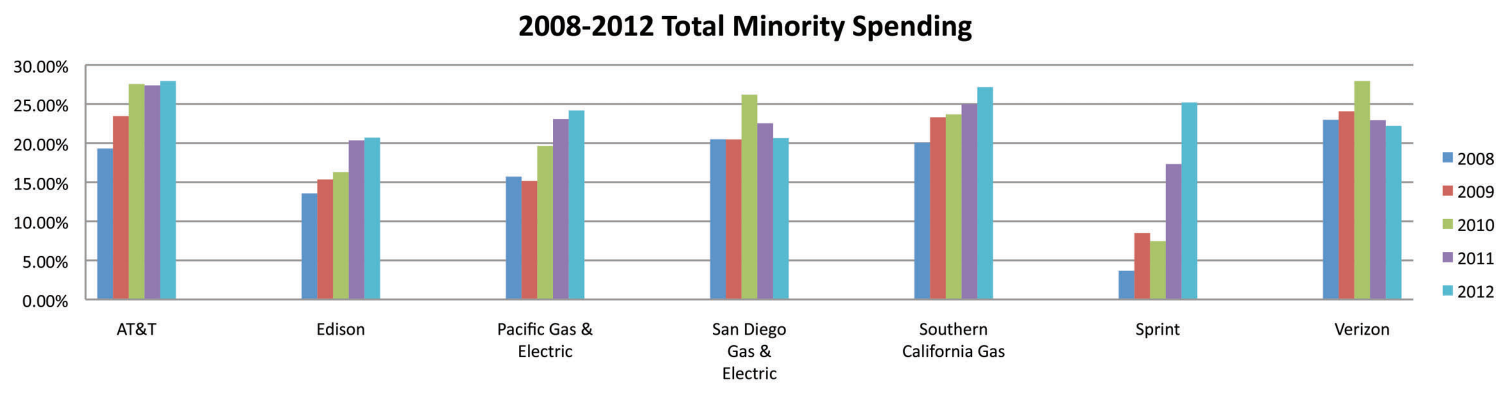


Figure 2

Minority Contracting Grew by $1.5 Billion and Diverse Contracting Grew to $8.1 Billion

In 2012, we saw all but three companies increase their minority contract spending, an impressive feat given the $1.5 billion increase in minority contracting alone. 2012's results show **AT&T** and **SoCal Gas** getting closer to surpassing the 30% mark. On the other end of the results, **Verizon**, **Comcast**, and **SDG&E** experienced losses in their overall MBE contracting percentage.

Sprint made a considerable increase in its minority contract spending for the second year in a row, bringing it up to 23.07% overall. **Edison** had a slight increase of 0.38 percentage points, and **PG&E** increased its minority spending by 1.11 percentage points.

T-Mobile comes in with 6.99% this year, giving us a point of comparison for next year. **AT&T Wireless** and **Verizon Wireless**, while not receiving grades, both show strong potential, reporting at 19.92% and 21.59% respectively.

African American Contract Spending

Company	% Spend	Grade
Sprint	7.94%	A
PG&E	6.73%	B+
SoCal Gas	6.45%	B+
Verizon	5.20%	B-
AT&T	4.79%	C+
Edison	4.61%	C+
SDG&E	3.86%	C
T-Mobile	0.40%	F
Comcast	0.30%	F

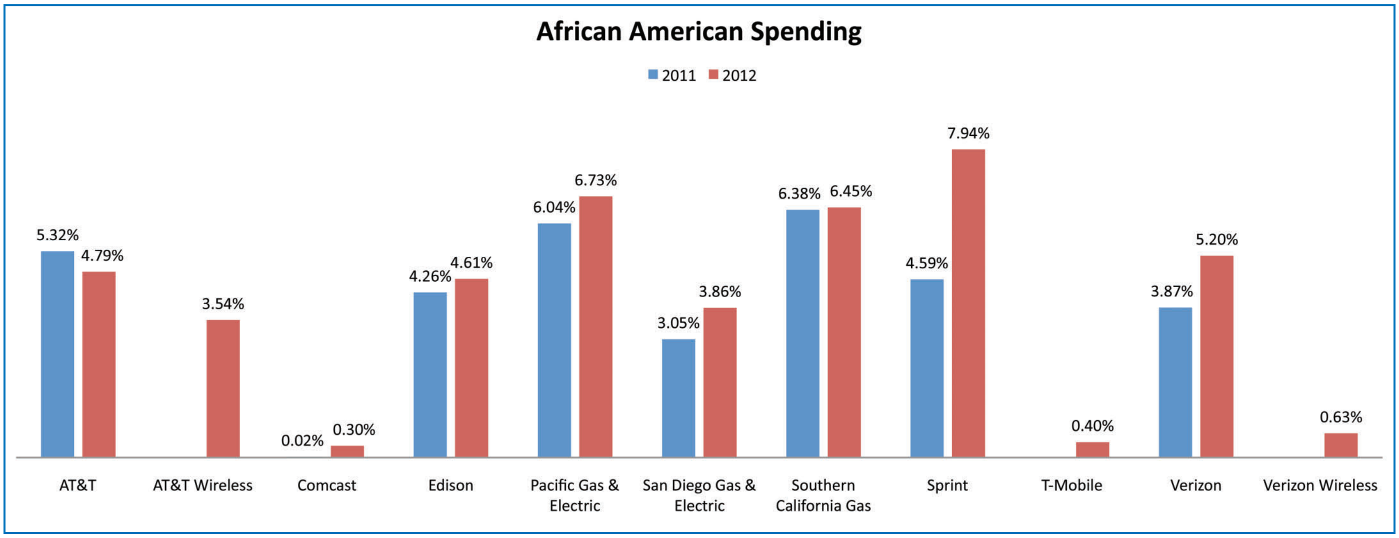


Figure 3

Modest Improvement in African American Spending with Sprint Taking the Lead

Every company except for **AT&T** saw an uptick in African American contract spending this year. In its second year of surprising growth in this category, **Sprint** took the top spot with 7.94% spending, up from 4.59% last year, and only 1% the year before. **Sprint**'s upward trend in this category is encouraging and now sets a new bar for other companies **T-Mobile** and **Comcast** round out the bottom, with .40% and .30% spending, respectively.

Asian American Contract Spending

Company Name	% Spend	Grade
Sprint	7.71%	B+
Comcast	6.13%	C+
AT&T	6.07%	C+
Edison	6.04%	C+
T-Mobile	5.74%	C
PG&E	5.48%	C
SoCal Gas	4.60%	D+
Verizon	4.44%	D+
SDG&E	3.97%	D-

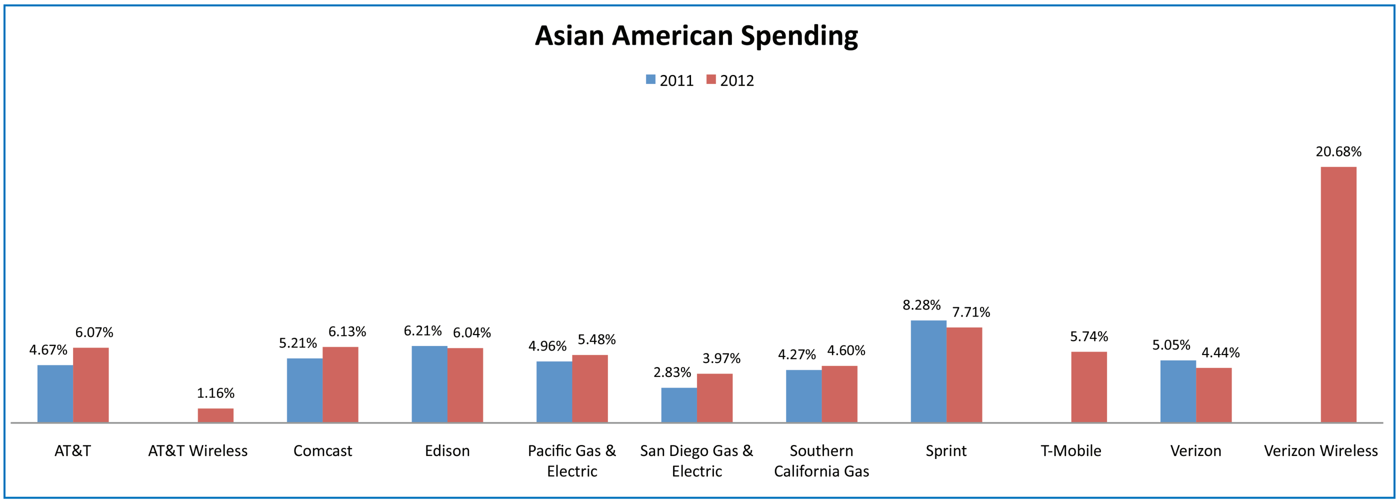


Figure 4

Asian American Spending Continues to Struggle

Sprint receives the highest grade in this category, a B+ for coming in with the most Asian American contract spending at 7.71%. Across the board there was relatively little change, or slight decreases in this spending category. Asian American spending was a noticeably challenging category for two consecutive years. With only one company exceeding 7%, it is clear that renewed focus must be brought to this area in order to reverse this downward trend.

Latino Contract Spending

Company Name	% Spend	Grade
SoCal Gas	15.11%	A-
AT&T	10.50%	B-
SDG&E	10.16%	B-
Verizon	9.54%	C
Edison	9.03%	C
PG&E	8.72%	C-
Sprint	7.20%	D
Comcast	1.50%	F
T-Mobile	0.84%	F-

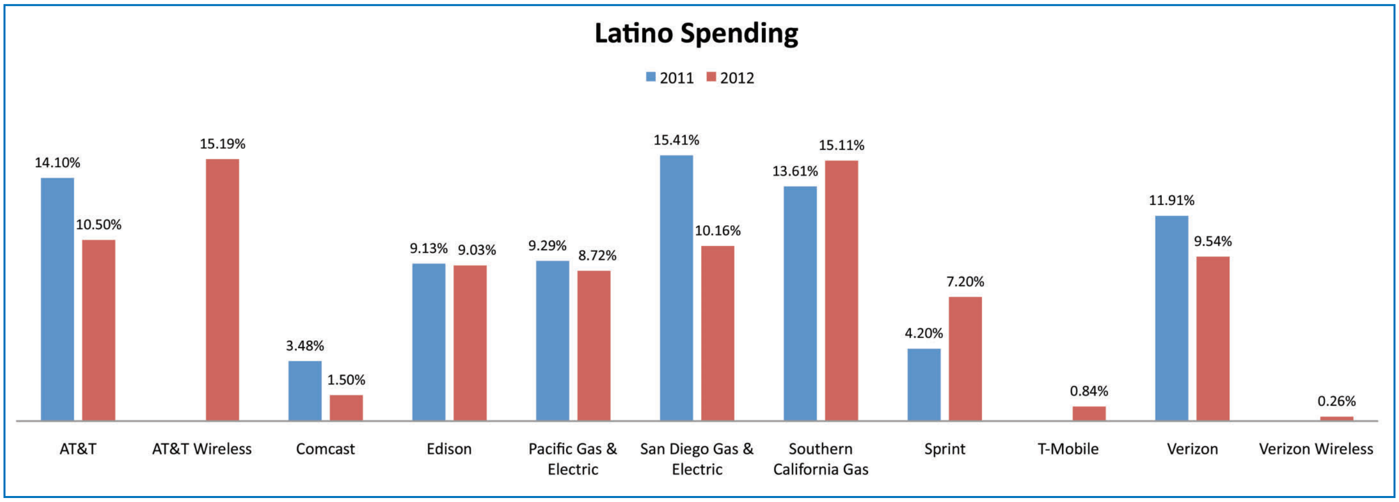


Figure 5

Latino Spending Plateaus

In last year's report we highlighted what seemed to look like an industry-wide plateau in Latino contract spending. Whereas 2011 saw modest gains from all but two companies, this year saw losses from all but two companies. **SoCal Gas** was one of these companies to experience growth, reaching the 15% mark. **Sprint**, the other company which experienced growth, managed to increases its spending by 3 percentage points, but is still trying to catch up to the industry leaders and has only reached 7.20% spending. Although **AT&T** saw a decrease of 3.6 percentage points from 2011, it maintained over 10% contract spending. Similarly, **SDG&E** lost approximately one-third of its contract spending in this area, but still hovers above 10%.

Native American Contract Spending

Company Name	% Spend	Grade
PG&E	3.25%	A+
Verizon	3.02%	A+
SDG&E	2.26%	A
Edison	0.96%	C+
SoCal Gas	0.92%	C+
AT&T	0.55%	D
Sprint	0.21%	F
Comcast	0.00%	FF
T-Mobile	0.00%	FF

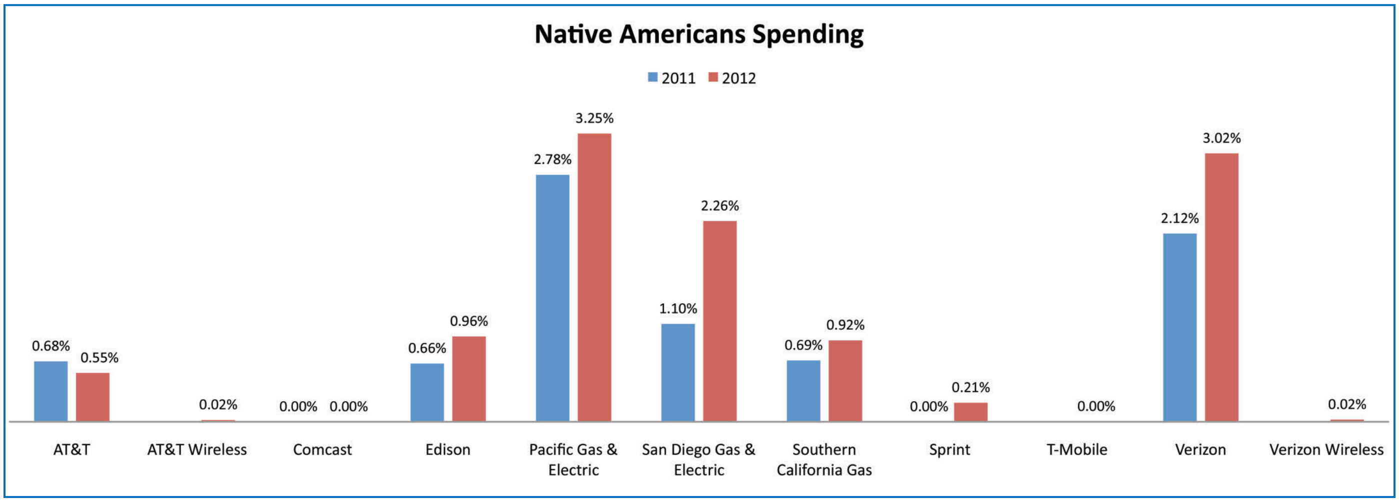


Figure 6

Native American Spending Continues to Grow, Exceeding State's Population Proportion

For the first time, contracting in a minority group category surpassed that group's percentage of California's population. Native American contract spending reached 1.18% this year, with Native Americans making up 1% of the state's population. This year, two companies, **PG&E** and **Verizon**, broke the 3% mark for Native American spending. With the exception of **AT&T**, growth is seen across the board from all companies. **SDG&E** more than doubled its percent contract spending from last year. **AT&T** on the other hand, has dropped from 0.68% to 0.55%, a disappointing turn in an already low-spending category.

Disabled Veteran-Owned Business Enterprise Spending

Company Name	% Spend	Grade
AT&T	4.99%	A
SDG&E	3.51%	B+
PG&E	2.18%	B-
Verizon	1.82%	C+
SoCal Gas	1.79%	C+
Edison	1.02%	D
Sprint	0.46%	F
T-Mobile	0.00%	FF
Comcast	0.00%	FF

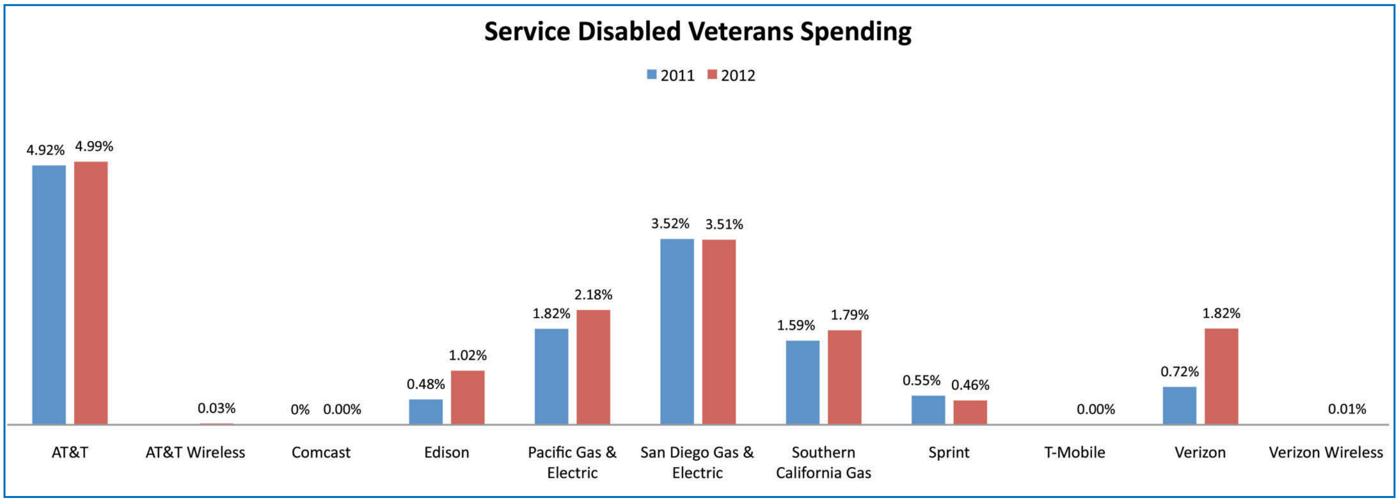


Figure 7

Promising Growth in Service Disabled Veteran Contracting

AT&T is hovering just under the 5% mark in Disabled Veteran contract spending, earning an A in this category for the second year in a row. Though coming in at the middle of the pack with 1.82%, **Verizon** more than doubled its proportional contract spending in this category, which was only 0.72% in 2011. The only company that experienced a decline this year was **Sprint**, moving from 0.55% to 0.46%. It should be noted that had **Verizon** credited all of its SDVBE spending in California, the company would have reached 11.07% SDVBE spending this year. But due to **Verizon**'s own accounting structure, contracted money spent in California is not credited towards its GO 156 results.

Minority Women Contract Spending

Company Name	% Spend	Grade
SoCal Gas	8.67%	A
PG&E	7.53%	B+
AT&T	7.24%	B+
Edison	6.20%	B-
SDG&E	6.05%	B-
Verizon	3.18%	D
T-Mobile	1.23%	F+
Comcast	0.77%	F+
Sprint	DNR	DNR

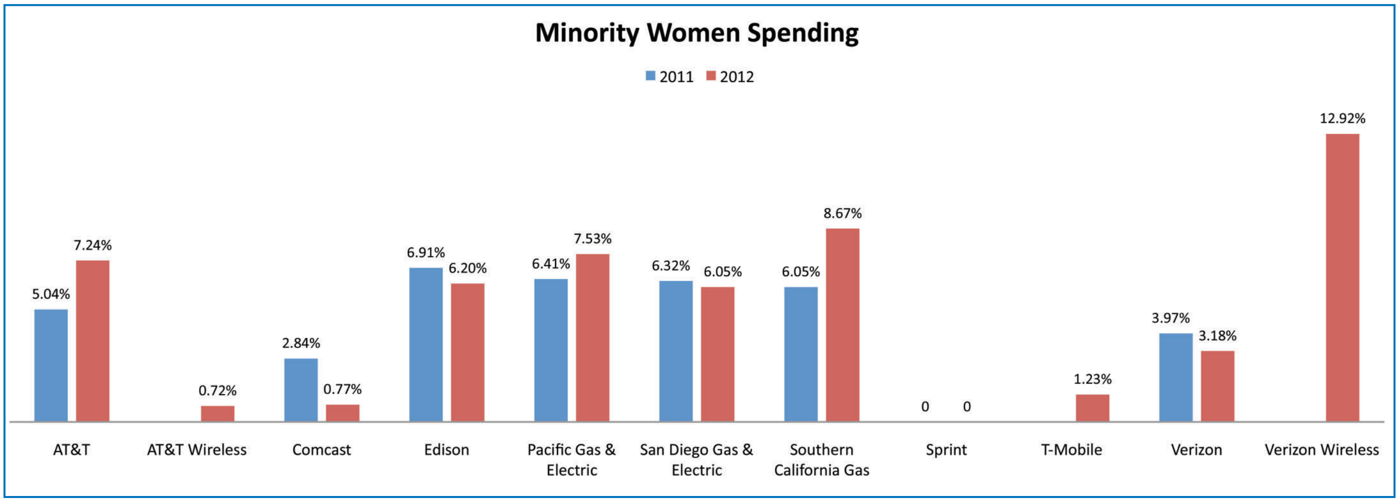


Figure 8

Unimpressive Improvements Jeopardize Last Year's Progress

SoCal Gas leads the pack, coming in at 8.67%, a 2.59 percentage point spurt over 2011. Last year, **Edison** had the highest contract spending at 6.91%, which three companies have now topped. This increase in a typically low-spending category is an encouraging step in the right direction, though more dedication is still needed to bring this spending into parity with the population. **PG&E** and **AT&T** also reached 7%. **Edison** dropped from leading the pack to middling this year, coming down to 6.20%. **Comcast** lost over two percentage points in this already low contracting category, reaching only 0.77%. **Sprint** once again failed to report its spending in a way that allows us to examine its results in this category.

IV. Aggregated Spending in Each Industrial Category by Race

Introduction

Three years ago marked the first time that Greenlining took a comprehensive look at spending across industrial categories. This year's report card continues that practice by once again breaking down diverse contracting across seven spending categories for each of the companies that reported categorical data. This effort to deepen the penetration of supplier diversity is crucial in enabling companies to continue to increase their spending with minority enterprises.

Yet again, the analysis depicts significantly skewed spending across the different categories, with contracting related to legal and professional services and technological equipment tending to be much less diverse than other areas. Looking at supplier diversity by spending category not only uncovers areas that should be targeted by supplier diversity programs, but also encourages the deepening of equity in contracting practices because the level of economic opportunity varies greatly between industries.

Methodology

The charts on the following pages 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 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 following charts.

Greenlining Category	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 Equipment/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, 67, 73, 87, 89)**
Legal Services	**(8 1)**
Communications/Other Services	**(27, 48, 72, 78, 79, 80, 83, 86)**

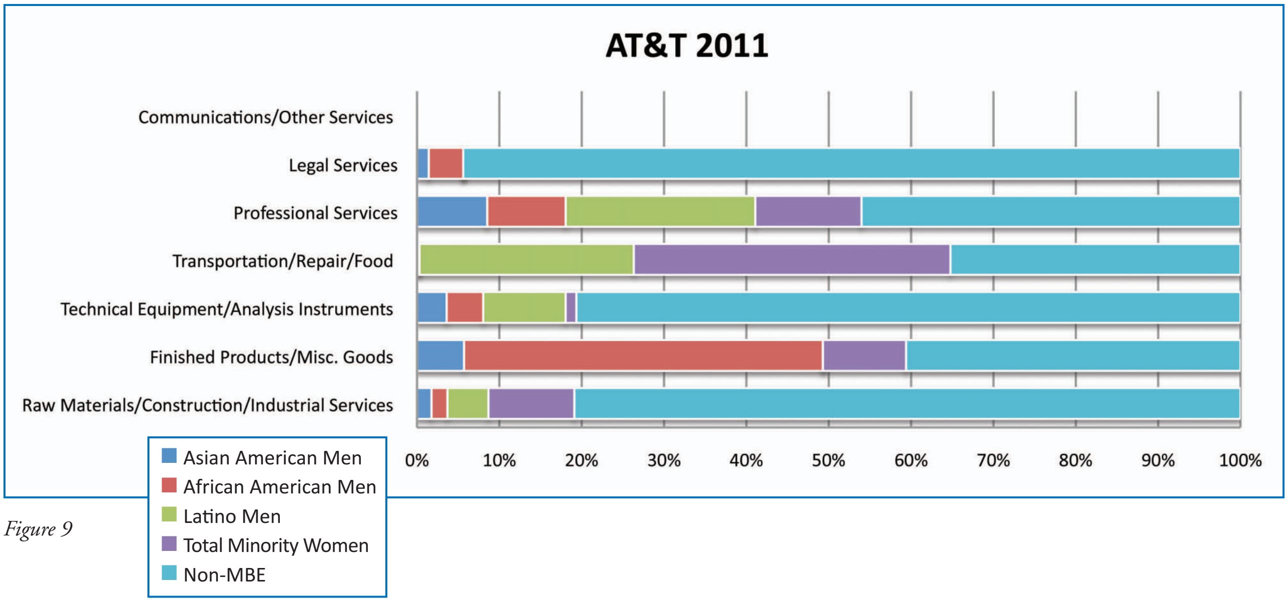


Figure 9

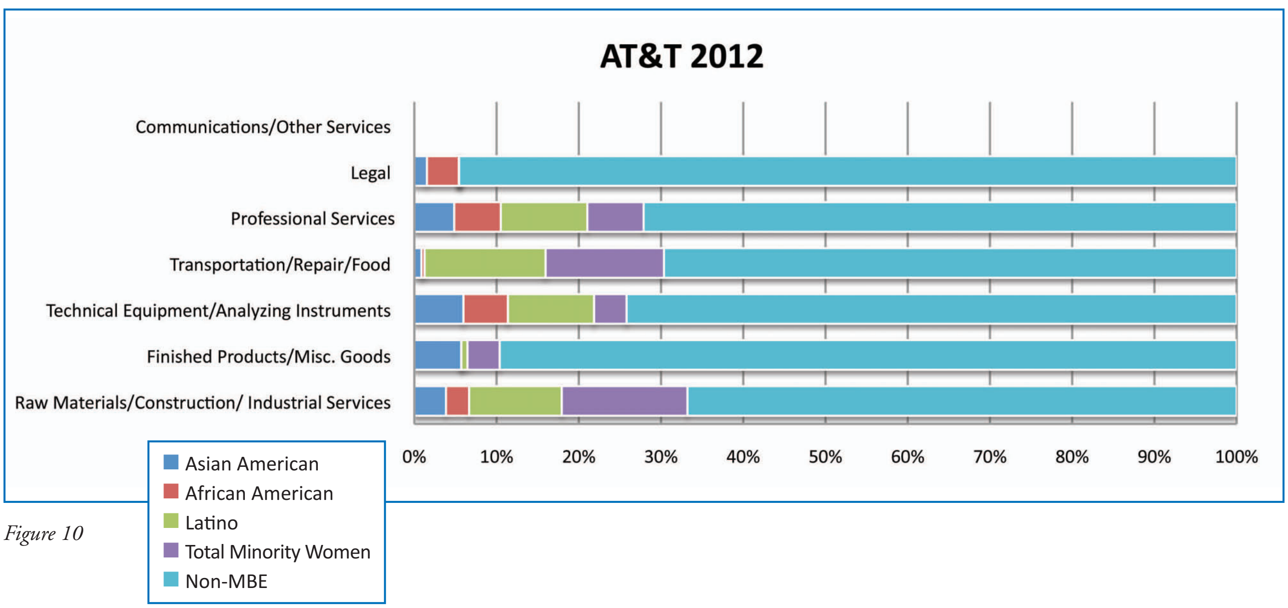


Figure 10

AT&T's minority contract spending has diminished across SIC groupings in which it has historically done remarkably well. For instance, last year **AT&T**'s minority spending in the Transportation category reached over 60%, while this year's barely broke 30%. Similarly, this year **AT&T**'s Professional Services category is just under 30%, a marked decrease from last year, which surpassed 50%. Despite proportionate drops in this category, **AT&T** saw upticks in the Raw Materials and Technical Equipment categories. Legal spending has remained largely unchanged.

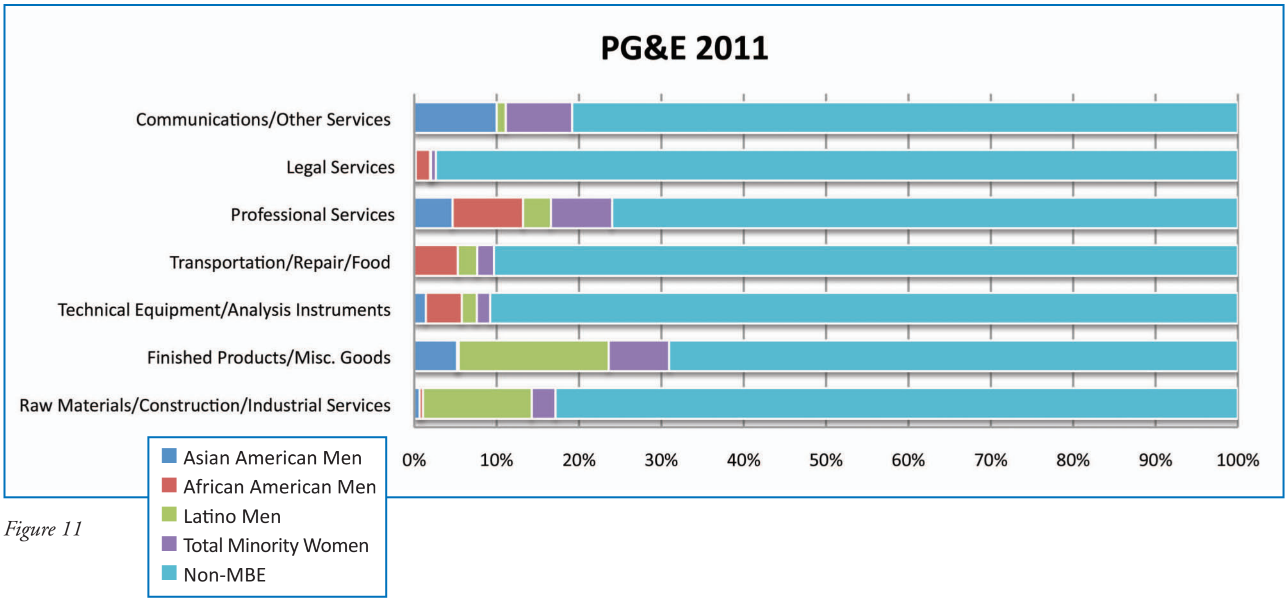


Figure 11

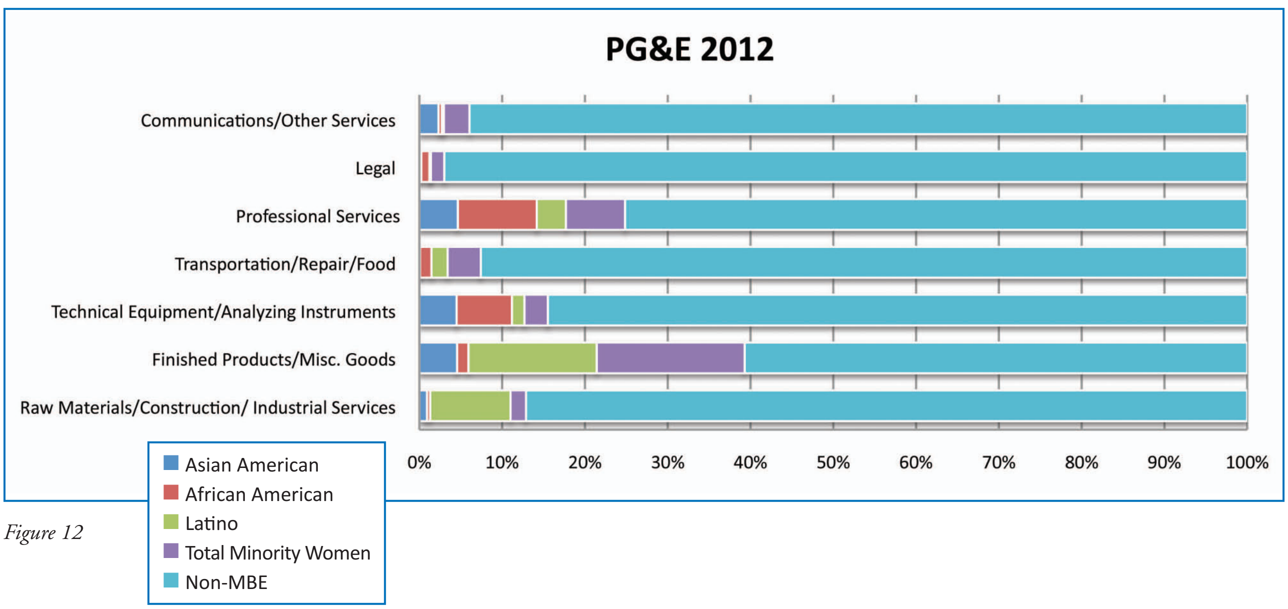


Figure 12

PG&E experienced notable increases in minority contracting in the Technical Equipment and Finished Products categories, but slight drops in Transportation and Raw Materials. Professional Services has stayed hovering around 25% minority contract spending, with legal far behind at 3.01%.

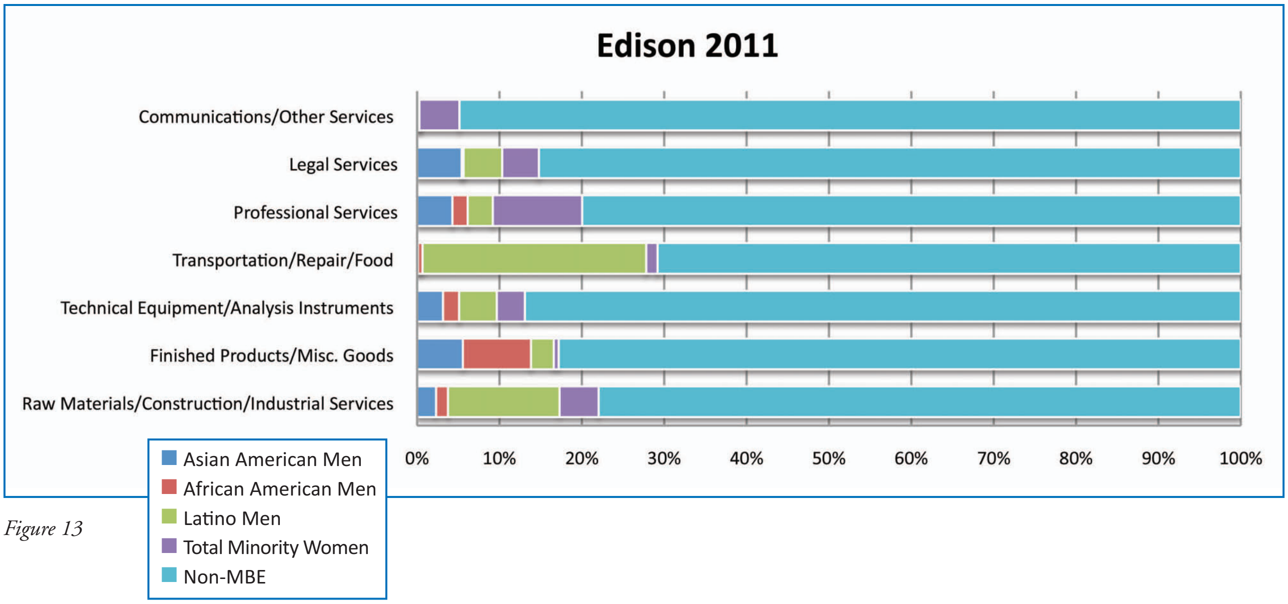


Figure 13

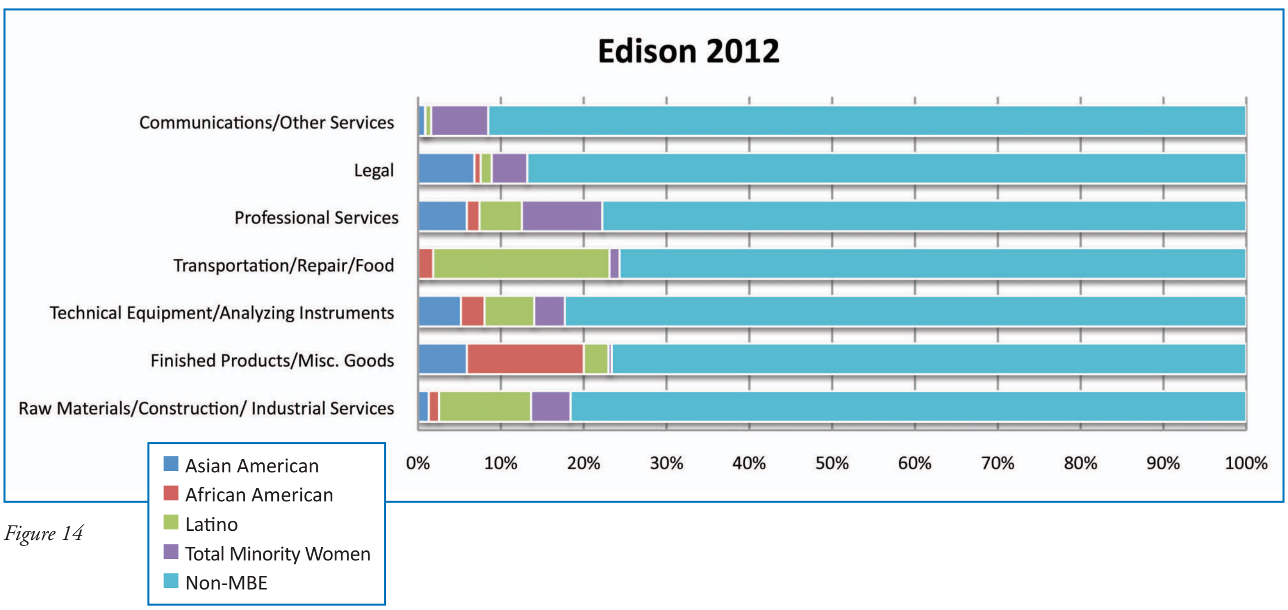


Figure 14

Edison experienced either no change or slight losses in every category except Finished Products, which moved from under 20% in 2011 to nearly 25% minority contracting in 2012. While 2011 saw growth in nearly every category, 2012 saw essentially no gain.

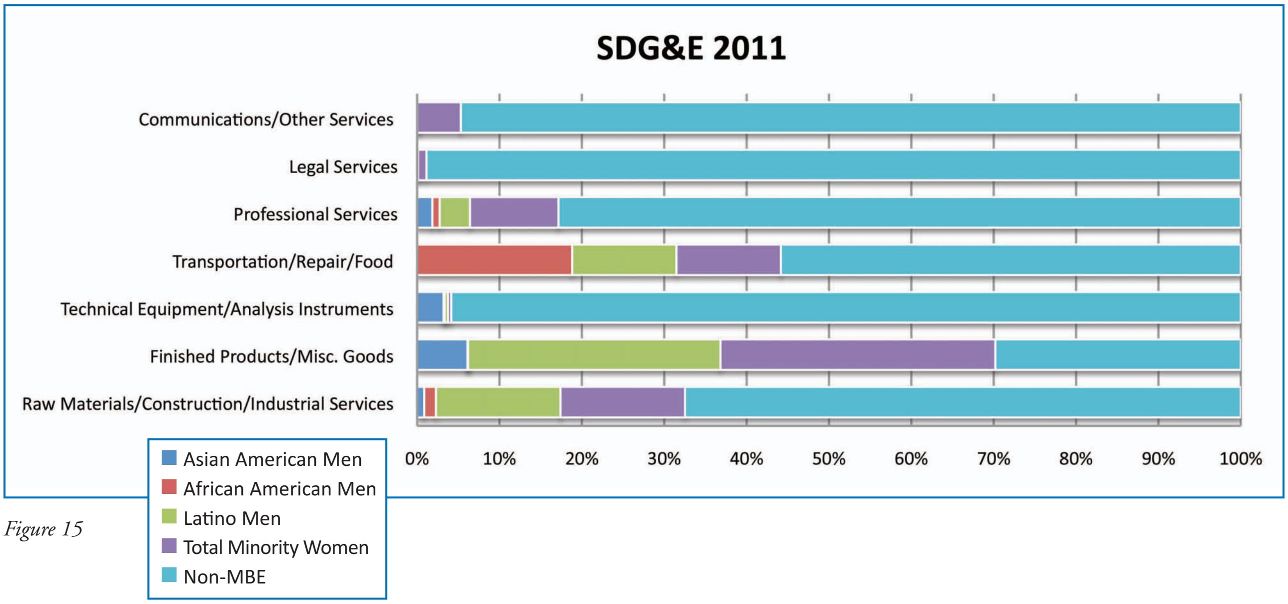


Figure 15

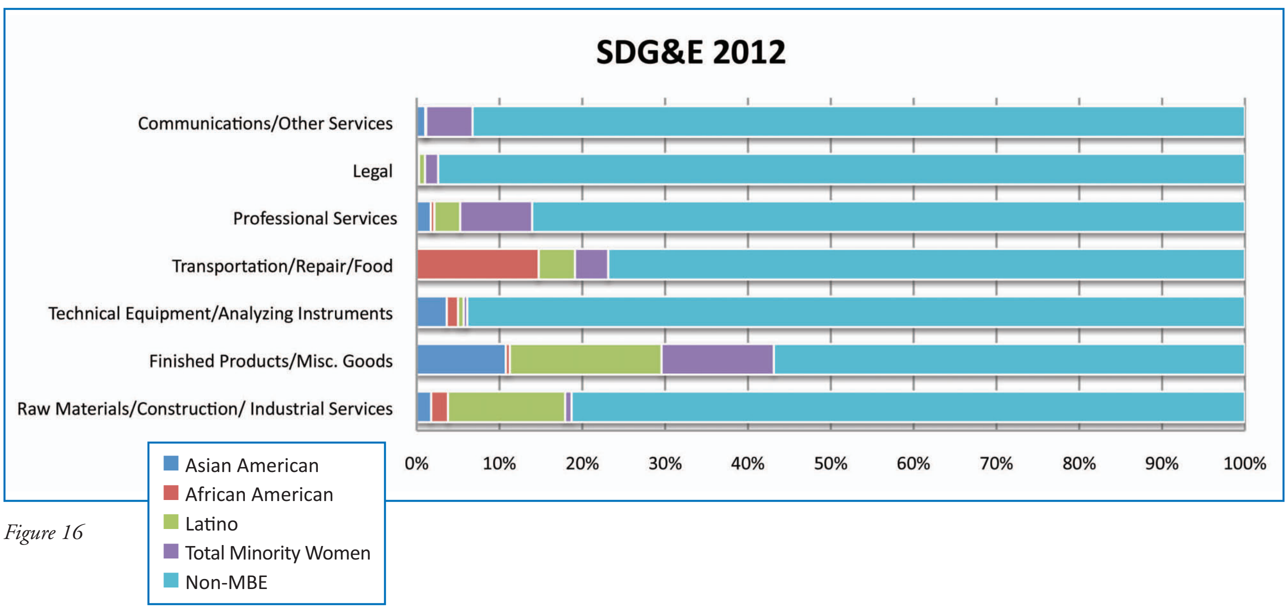


Figure 16

SDG&E saw a large drop-off in the Finished Products category, which went from 59% in 2011 to just over 43% in 2012 due to the completion of the Sunrise Powerlink project. The Transportation category also experienced a large decrease, moving from around 33% in 2011 to just under 24% in 2012, also due to the completion of the Sunrise Powerlink project. Raw materials had a slight increase of less than one percentage point, while the remainder of **SDG&E**'s proportional spending remained largely stagnant.

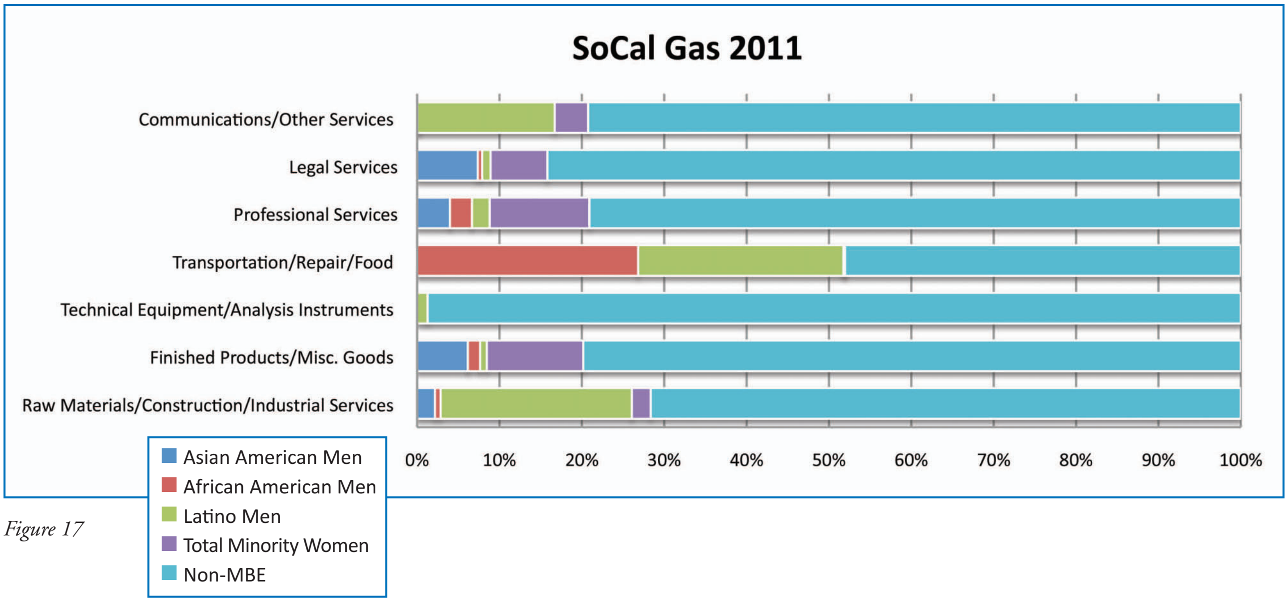


Figure 17

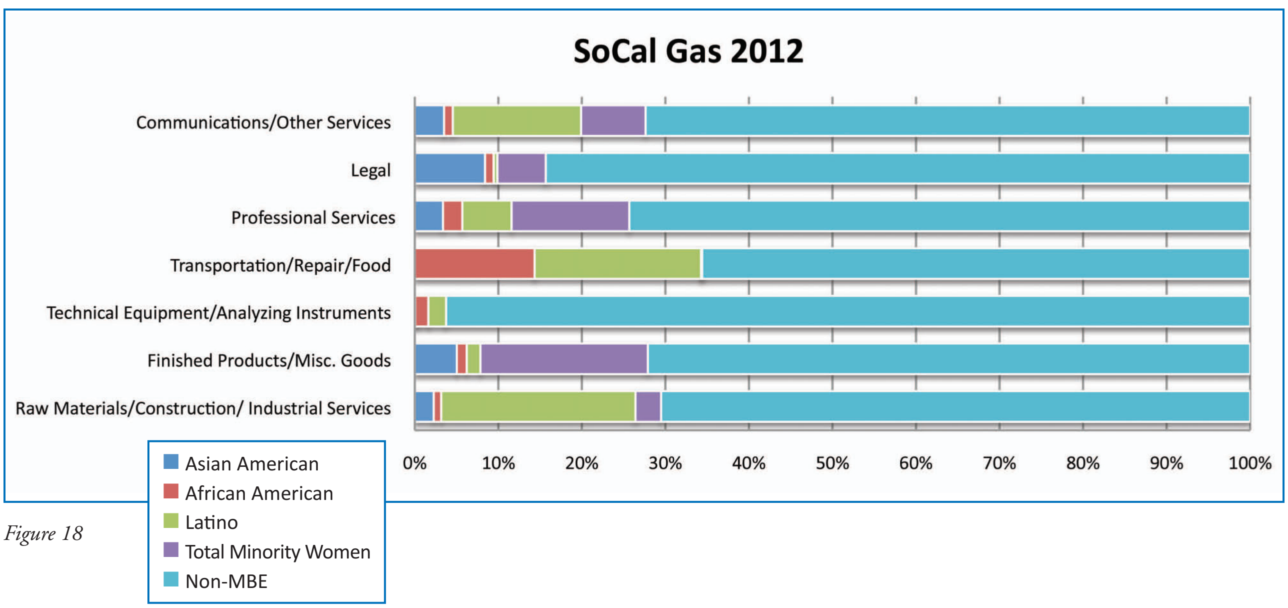


Figure 18

SoCal Gas's spending in the Transportation category declined from over 50% in 2011 to 35% in 2012. However, moderate gains were made in other categories. For instance, Communications spending increased from just over 20% to almost 28% and Professional Services increased from 20% to around 25%. Legal spending has stayed around 15%, which gives **SoCal Gas** the highest percentage spending in this category.

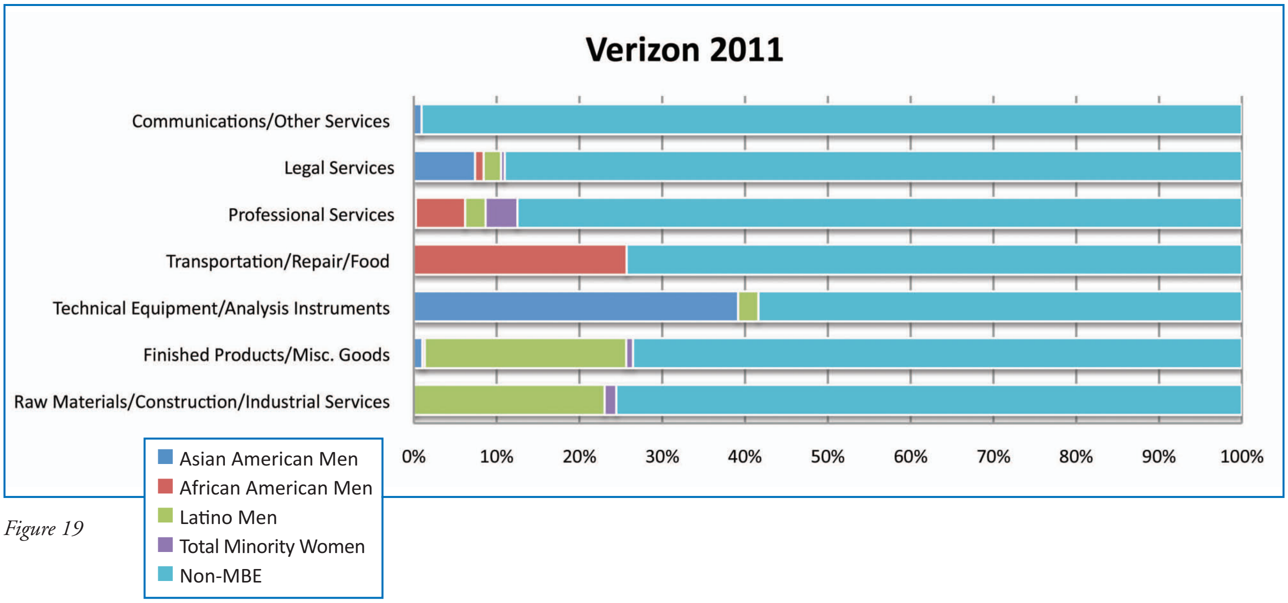


Figure 19

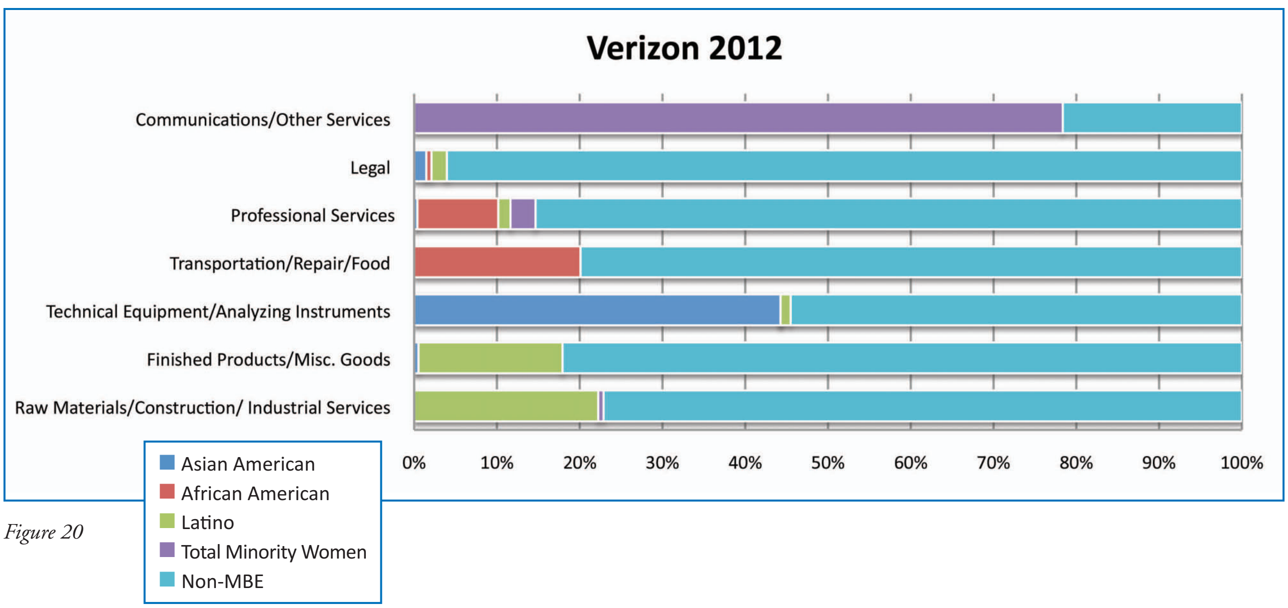


Figure 20

Verizon's minority contract spending in the Communications category grew from nearly 0% to just below 80%, making it the largest proportional growth of any category. With the exception of this and the Technical Equipment category, which saw a slight gain, all of the other categories remained equal or dropped slightly.

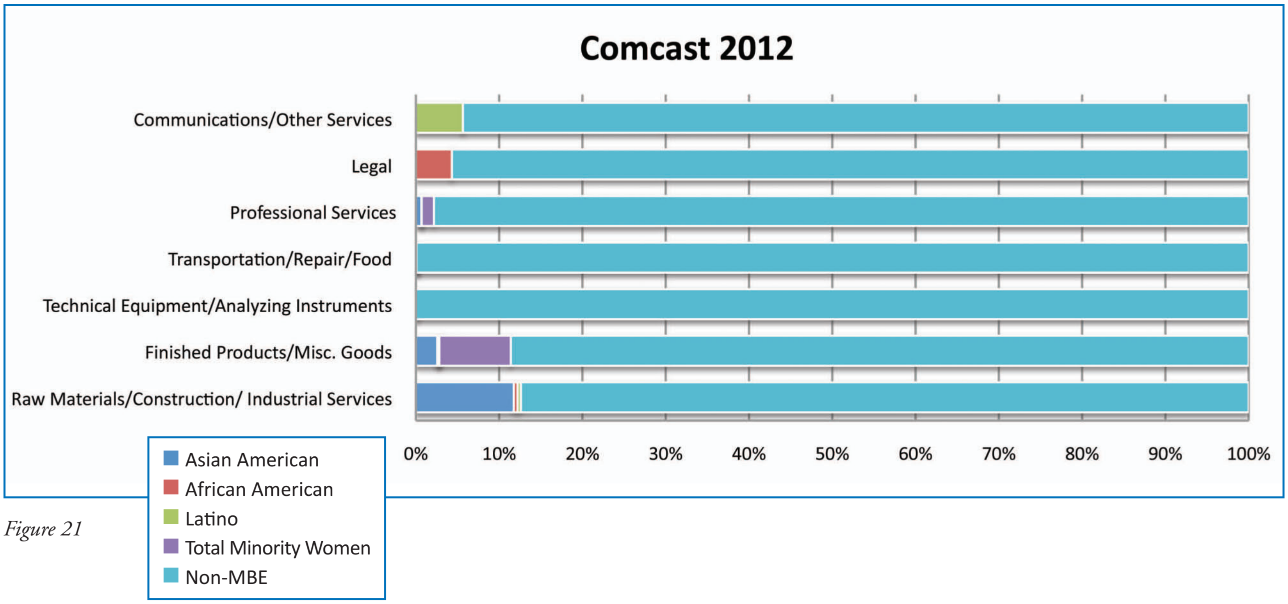


Figure 21

Comcast's highest minority contract spending category is Raw Materials, coming in at 12.61%. With the exception of the Raw Materials and Finished Products categories, each SIC grouping has less than 10% minority contract spending. The most concerning weakness in **Comcast**'s reporting is the Technical Equipment category, which has no minority contract spending whatsoever and Transportation, which has only 0.08% minority spending.

*While Comcast does not include its tier-two contracting in its overall contract spending, because its tier-two spending is part of its SIC reporting, we have included it in its total company procurement. This results in our dollar amount of Comcast's total contracting being higher than in its GO 156 report.

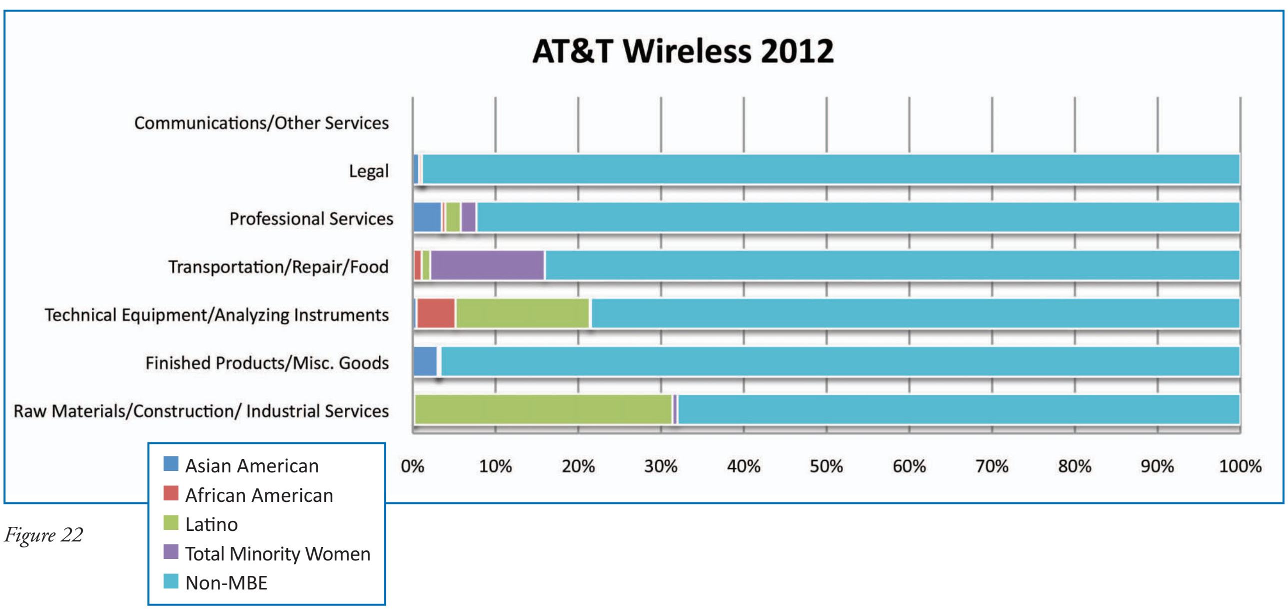


Figure 22

AT&T Wireless's highest minority contract spending category is Raw materials, which has over 30% minority spending. While this is **AT&T Wireless**'s highest category, the minority spending is entirely comprised of Latino contract spending. The SIC groupings most in need of attention are Legal Services and Finished Products, which come in with under 2% and 5%, respectively.

Total 2013 SIC Spending by Company

AT&T	Asian American Men	African American Men	Latino	Minoirty Women	Overall Spend (Millions)
Raw Materials/Construction/ Industrial Services	3.83%	2.80%	11.24%	15.23%	$372
Finished Products/Misc. Goods	5.71%	0.00%	0.75%	3.92%	$4
Technical/Analysis Instruments	5.94%	5.37%	10.41%	3.93%	$1,127
Transportation/Repair/Food	0.86%	0.38%	14.69%	14.36%	$179
Business Services	4.83%	5.64%	10.49%	6.81%	$558
Legal Services	1.54%	3.89%	0.00%	0.02%	$29
Communications/Other Services	0.00%	0.00%	0.00%	0.00%	$0

Pacific Gas & Electric	Asian American Men	African American Men	Latino	Minoirty Women	Overall Spend (Millions)
Raw Materials/Construction/ Industrial Services	0.93%	0.38%	9.70%	1.87%	$1,633
Finished Products/Misc. Goods	4.56%	1.37%	15.49%	17.87%	$738
Technical/Analysis Instruments	4.50%	6.69%	1.51%	2.83%	$609
Transportation/Repair/Food	0.08%	1.38%	1.95%	4.00%	$151
Business Services	4.65%	9.54%	3.53%	7.14%	$1,983
Legal Services	0.24%	0.98%	0.18%	1.61%	$105
Communications/Other Services	2.32%	0.40%	0.25%	3.09%	$64

Southern California Edison	Asian American Men	African American Men	Latino	Minoirty Women	Overall Spend (Millions)
Raw Materials/Construction/ Industrial Services	1.28%	1.23%	10.97%	4.70%	$1,319
Finished Products/Misc. Goods	5.90%	14.10%	2.97%	0.41%	$239
Technical/Analysis Instruments	5.18%	2.86%	5.99%	3.70%	$631
Transportation/Repair/Food	0.03%	1.81%	21.27%	1.21%	$96
Business Services	5.88%	1.52%	5.11%	9.67%	$1,654
Legal Services	6.81%	0.75%	1.34%	4.29%	$28
Communications/Other Services	0.85%	0.04%	0.70%	6.88%	$19

San Diego Gas & Electric	Asian American Men	African American Men	Latino	Minoirty Women	Overall Spend (Millions)
Raw Materials/Construction/ Industrial Services	1.75%	2.03%	14.15%	0.78%	$439
Finished Products/Misc. Goods	10.76%	0.49%	18.31%	13.57%	$135
Technical/Analysis Instruments	3.64%	1.36%	0.68%	0.43%	$166
Transportation/Repair/Food	0.00%	14.74%	4.37%	4.02%	$65
Business Services	1.70%	0.44%	3.11%	8.68%	$361
Legal Services	0.28%	0.00%	0.73%	1.59%	$32
Communications/Other Services	1.04%	0.00%	0.11%	5.59%	$4

Southern California Gas	Asian American Men	African American Men	Latino	Minoirty Women	Overall Spend (Millions)
Raw Materials/Construction/ Industrial Services	2.27%	0.89%	23.25%	3.07%	$299
Finished Products/Misc. Goods	5.03%	1.19%	1.64%	20.04%	$109
Technical/Analysis Instruments	0.05%	1.58%	2.12%	0.00%	$66
Transportation/Repair/Food	0.00%	14.34%	19.93%	0.13%	$60
Business Services	3.38%	2.31%	5.90%	14.09%	$278
Legal Services	8.41%	1.04%	0.45%	5.79%	$9
Communications/Other Services	3.50%	1.05%	15.35%	7.72%	$9

Verizon	Asian American Men	African American Men	Latino	Minoirty Women	Overall Spend (Millions)
Raw Materials/Construction/ Industrial Services	0.00%	0.00%	22.25%	0.64%	$62
Finished Products/Misc. Goods	0.53%	0.00%	17.40%	0.00%	$26
Technical/Analysis Instruments	44.27%	0.00%	1.22%	0.00%	$16
Transportation/Repair/Food	0.00%	20.10%	0.00%	0.00%	$6
Business Services	0.40%	9.77%	1.90%	2.59%	$105
Legal Services	1.47%	0.63%	1.86%	0.00%	$11
Communications/Other Services	0.00%	0.00%	0.00%	78.37%	<1

Comcast	Asian American Men	African American Men	Latino	Minoirty Women	Overall Spend (Millions)
Raw Materials/Construction/ Industrial Services	11.75%	0.46%	0.40%	0.00%	$113
Finished Products/Misc. Goods	2.57%	0.19%	0.06%	8.58%	$18
Technical/Analysis Instruments	0.00%	0.00%	0.00%	0.00%	$24
Transportation/Repair/Food	0.02%	0.00%	0.00%	0.05%	$13
Business Services	0.66%	0.00%	0.04%	1.47%	$27
Legal Services	0.00%	4.33%	0.00%	0.00%	$5
Communications/Other Services	0.00%	0.00%	5.65%	0.00%	$53

AT&T Wireless	Asian American Men	African American Men	Latino	Minoirty Women	Overall Spend (Millions)
Raw Materials/Construction/ Industrial Services	0.09%	0.10%	31.18%	0.61%	$321
Finished Products/Misc. Goods	3.02%	0.00%	0.06%	0.27%	$2
Technical/Analysis Instruments	0.46%	4.71%	16.21%	0.14%	$2,305
Transportation/Repair/Food	0.10%	0.98%	1.03%	13.85%	$50
Business Services	3.51%	0.43%	1.87%	1.89%	$589
Legal Services	0.77%	0.31%	0.02%	0.01%	$10
Communications/Other Services	0.00%	0.00%	0.00%	0.00%	$0

Figure 23

Company-by-Company SIC Spending Highlights

AT&T

- Technical/Analysis Instruments makes up roughly half of all of **AT&T**'s minority contracting
- Latino and Minority Women contract spending together make up nearly 15% of Technical/Analysis Instruments
- Latino spending has reached over 10% in all but two categories

PG&E

- All minority groups (including minority women) have some contract spending in each category
- Asian American, African American, and Latino spending are each under 1% in Legal Services
- Minority women make up almost 18% of Finished products contracting

Southern California Edison

- Latino contract spending is more than 20% of the Transportation/Repair/Food category
- Asian American spending is nearly 7% of Legal Services contracting, and Minority Women make up over 4%
- Asian American, African American, and Latino contract spending each contribute less than 1% to Communication Services spending

San Diego Gas & Electric

- African American spending is less than 1% in the Finished Products Category, whereas every other minority spending group makes up over 10% of the spending
- No African American spending in Communication Services
- In 2011, Latino and Minority Women contract spending comprised 30.65% and 22.12% of the Finished Products category, respectively. In 2012 these categories decreased to 18.31% and 13.57% respectively

Southern California Gas Company

- Minority Women contract spending makes up 20.04% of Finished Products category, up from 11.70% in 2011
- No Asian American contract spending in the Transportation category
- African American contract spending in Transportation dropped from 26.83% in 2011 to 14.43% in 2012

Verizon

- No Minority Women contract spending in Finished Products, Technical Instruments, Transportation, or Legal Services
- 78.37% of Communications category is comprised of Minority Women spending
- No Asian American, African American, or Latino spending in Communications Services

Comcast

- No minority contracting in Technical Instruments
- No Asian American, African American, or Minority Women contract spending in Communications Services
- Only 0.08% minority spending in Transportation category

AT&T Wireless

- Latino contract spending makes up over 30% of the Raw Materials category
- Asian American spending only exceeds 3% in two categories and is less than 1% in the remaining categories
- No minority group exceeds 1% in the Legal Services group

V. Key Supplier Diversity Trends and Opportunities

The Water Industry

Beginning in 2004, the seven California water utilities with a revenue of $25 million or more began filing voluntary Memorandums of Intent (MOI) with the CPUC per its Utility Supplier Diversity Program. Although this program was not exactly the same as GO 156, both share a goal of increasing supplier diversity contracting through sharing challenges, best practices, and quantitatively tracking progress.

GO 156 has been requiring regulated utilities and telecoms to report their supplier diversity spending since 1988. Over 20 years later, this program has created an effective means of tracking supplier diversity trends, successes, and struggles. Beginning two years ago, GO 156 brought under its purview the water companies who had been submitting MOIs.

The 2012 reports mark the second year of their full reporting under GO 156. Transitioning from MOIs to the robust reporting required by GO 156 can be a significant change in information gathering, reporting structure, and internal discussion. This year's reports have shown steps in the right direction, but strongly indicate that much more progress is needed. Although each reporting water utility was invited to Greenlining to discuss its transition to GO 156 and help contextualize its challenges and progress, all declined the invitation to meet with Greenlining.

Results and Reporting

Results from the water utilities are not yet as comprehensive as the other telecoms and utilities that this report analyzes. Not every company yet reports its data by standard industrial category (SIC), which makes looking at under-utilized and weak areas impossible. Despite this irregular reporting across companies, there are trends within the industry that deserve specific attention.

Suburban Water Systems had the highest combined minority and service-disabled veteran spending of the seven water companies, with 19.92%. Of that 19.92%, 19.87% came from minority-men contract spending, 0.00% came from SDVBE, and only 0.05% came from female-minority contract spending. While its overall diverse contract spending is encouraging, the disparity between female and male minority contract spending is concerning.

Suburban Water Systems demonstrates the issues shared across the industry. In looking at the water companies' total MBE spending, all but two have surpassed the 10% mark, indicating that there are already two distinct tiers of accomplishment. In order for the companies to build on their results, they must all turn their attention to the CPUC goals and work towards them. Learning from the example set by the telecoms and power utilities would help the water companies jumpstart their programs.

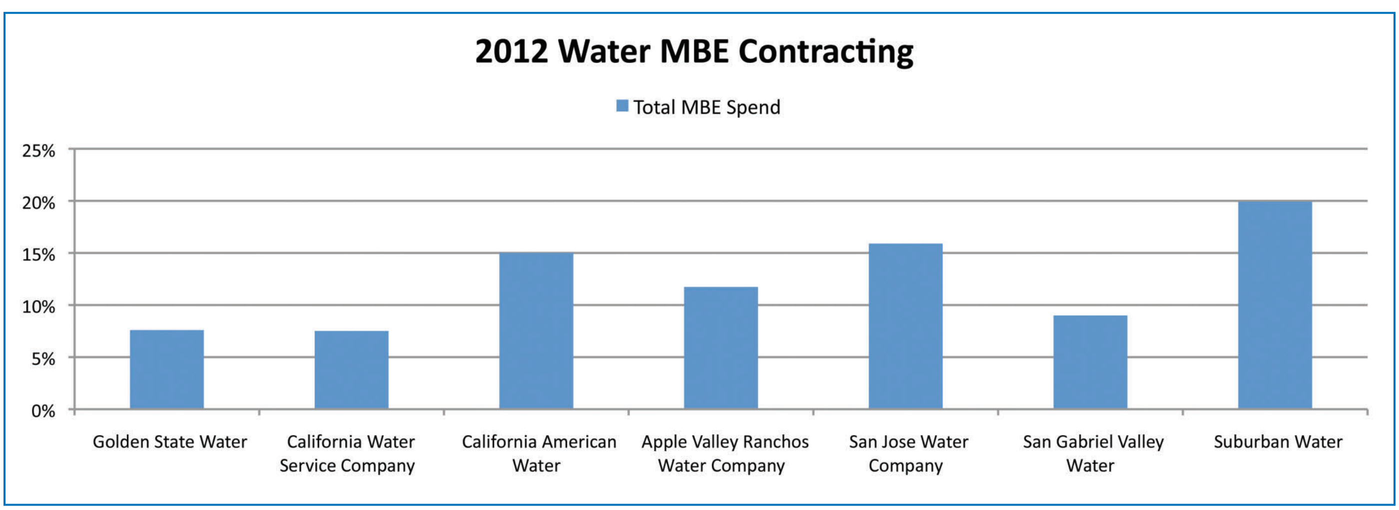


Figure 24

Under-utilized Areas

The newly-reporting water utilities are running into many of the same challenges faced by the telecoms and utilities which have been reporting under GO 156 for years. Across the board, industries are struggling to secure diverse contracts in professional service realms, such as legal services. Although each water company expresses a desire to increase its supplier diversity in professional services, only a handful provided tangible ways that they plan to start accomplishing this. Additionally, each water company reports its legal spending at majority firms that goes to minority lawyers and paralegals. **Reporting the minority employees at majority firms is not supplier diversity, and does not count towards GO 156 reporting numbers. Giving themselves credit for contracts that are awarded to majority firms that are not diverse-owned is not something that should be allowed to continue.**[3] Their time and effort would be better spent actively working to increase their supplier diversity in under-utilized areas rather than reporting information that does not fall under the GO 156 definition of supplier diversity.

Legal and Professional Fields

Greenlining has been highlighting Legal and Professional Services as weak areas for two years now. Despite annually highlighting poor results in these categories, no real progress has been made. Notably, there were no significant or even moderate increases in Legal spending this year. The only noticeable shift in scores is a decrease from **Verizon**, which went from just under 10% to below 4%.

SDG&E had unforeseen legal expenses this year due to litigation stemming from wildfires. **SDG&E** cites this as a reason for its lack of progress in this arena. Although the expenses may have been unforeseen, these events are not unusual. Therefore, telecoms and utilities should prepare for these unforeseen expenses by cultivating firms in this practice area now, so they are ready for work when and if unusual events (and their expenses) arise.

Professional Services has similarly experienced relative stagnation, with only a couple of improvements. **AT&T**'s Professional Services minority contracting dropped from almost 55% last year to under 30% this year, marking the most significant decline among the companies. **SoCal Gas** managed to increase a few percentage points, moving from just over 20% to slightly over 25%. **Verizon** experienced about a three-percentage point increase as well.

Neither of these categories have received the dedicated attention they need to expand and flourish. The telecoms and utilities need to turn their attention and efforts to these categories in order to continue to grow their supplier diversity programs.

Tier-Two Programs

Developing a robust tier-two supplier diversity program is quickly becoming the next important step in increasing supplier diversity efforts. Using **Verizon** as an example, we can see the importance of this program through its diverse contract spending (which includes white women) in 2012. **Verizon**'s diverse spending totals 50.40% of its contract spending in the last year. This is largely because of the strong second-tier programs within women-owned business enterprises. By getting suppliers invested in their company's supplier diversity program, **Verizon** was able to bolster its diverse contracting dollars through its prime suppliers' contracts.

Energy Procurement

Last year's report highlighted that in 2011 the CPUC started to require all electric utilities to include their suppler diversity levels in electric procurement in their GO 156 reports. Initial reporting in this area was understandably low as the companies had not yet had time to fully adjust to incorporating supplier diversity plans into their electric procurement. However, this year we see stronger results and plans.

In the past year, **SDG&E** has mobilized its efforts in this field. 35.50% of its total gas procurement was with DBE firms and 21.30% of its total energy products were spent on contracts with diverse firms. Coming in at 21.30% DBE contracting, **SDG&E** falls just 0.02% under the CPUC goal in this area.

[3] Companies reporting under GO 156 may, but are not required to, report their diverse contracting at majority firms. These contracting dollars do not count towards their minority procurement numbers for the CPUC.

SDG&E was able to achieve these numbers through setting internal goals early and following through on them. **SDG&E** sought out potential suppliers to educate and cultivate, which resulted with five suppliers that could participate in power purchase deals.

PG&E has also been working to incorporate supplier diversity into its energy procurement. **PG&E** helped prepare prospective DBEs for upcoming opportunities through several outreach events and also reached out to its prime suppliers regarding supplier diversity requirements. **PG&E** secured DBE incorporation agreements with its prime suppliers up to as much as 50% of their contracting.

Edison in turn reports efforts in this area, highlighted by its first natural gas transactions with MBEs for over $18 million. However, **Edison** does not provide the percentage of these expenditures that is met by diverse suppliers. Next year, we hope that the companies will report their efforts in a way that disaggregates their data and allows us to compare their results.

In the coming year, Greenlining expects to see continued gains in this area, both with prime suppliers and tier-two suppliers. Even though **SDG&E** is close to accomplishing the CPUC goal, we expect the company to set its own goals and create a strong program in this lucrative growth area.

Pipeline Safety Enhancement Project and Supplier Diversity

One of the CPUC's objectives is to ensure that pipelines are safe. In order to facilitate this objective, the gas utilities are engaging in the Pipeline Safety and Enhancement Project, in which they test and/or replace all natural gas transmission pipelines that have not been tested to meet today's standards. This endeavor provides opportunities to incorporate supplier diversity efforts.

Southern California Gas and **SDG&E** have articulated the first phase of their plan, spanning four years. In this plan, they have delineated their goal of reaching 35% DBE contracting in the course of their pipeline tests and replacements. Moreover, **SoCal Gas** plans to expand its successful SCORE program to pipeline-related work. The SCORE program was created in 2011 and features a four-pronged team approach that aims to provide diverse firms with pilot projects to help them adapt to the work while helping **SoCal Gas** identify barriers to contracting in order to make the process easier. So far, through the SCORE program **SoCal Gas** has been able to contract with 25 small diverse contractors. Applying the SCORE program's mentoring and development aspects to PSEP will help them create a successful and robust supplier diversity program that can identify diverse firms and help them grow.

PG&E has also been incorporating supplier diversity efforts into its PSEP planning. In 2011, **PG&E** secured 29% of its contracting through diverse firms, and built on this in 2012, reaching 35%. In the coming years, we hope to see these companies ensure that each minority group is being incorporated into these efforts in order to support the strengthening of California's diverse firms.

VI. Recommendations

Overall Recommendations

1. **Companies must remain vigilant and aggressive with their proportional spending, especially as absolute contract dollars increase.** With the absolute dollar spending for minority contracting reaching new heights each year, it is important for all of the companies to remember that it is the proportion of spending, not just the absolute dollar spending, that is critical. As companies continue to improve their overall spending percentage, accessing untapped categories, like Legal and Professional services, will help strengthen results.

2. **Telecoms and utilities must push their prime suppliers more to commit to supplier diversity efforts. Verizon**'s unprecedented 50.40% DBE spending was made possible largely by engaging its prime suppliers and getting them invested in supplier diversity. By making contractual agreements for prime suppliers to incorporate supplier diversity into second-tier contracting, companies can increase their minority contracting and strengthen their programs.

3. **The telecoms and utilities must rededicate themselves to areas that are slipping, such as Latino and Minority Women spending.** This year saw a notable decline in both Latino and Minority Women spending. With all but two companies seeing drops in Latino spending and a disappointing 5.64% for Minority Women contracting, it is clear that more effort is needed. Especially in a state where Latinos make up the largest single ethnic group, seeing their contracting dollars continue to regress is cause for concern. Likewise, Minority Women spending is disturbingly low and in need of directed focus.

4. **Water companies must report in ways that allow for apples-to-apples comparisons of their progress.** GO 156 requires a much more detailed reporting method than required by the MOIs the water companies were previously reporting under. Completing this transition means moving to reporting SICs, as well as full breakdowns by ethnicity. Many water companies are hesitant to start reporting under SICs because they are anticipating an imminent transition to NAICS codes. However, in order to understand their spending practices and identify their strengths and weaknesses, they must report in accordance with GO 156. Greenlining also hopes that the water companies will be more willing to discuss their results with us in future years.

5. **Underutilized areas, such as legal spending, must see greater results than just promised action.** This is the third year that Greenlining has called on the utilities and telecoms to improve their spending practices in these areas. While continuing to grow overall minority contracting is important, paying attention to where that money goes is equally critical. Contracting in Legal and Professional services has stagnated, if not regressed, across the board. This problem is becoming critical and may require more prescriptive action.

Company Specific Recommendations and Evaluations

1. **AT&T must vigorously set new goals for total minority contracting procurement while focusing its attention on underutilized categories. AT&T** should be lauded in tying for the top spot this year. However, we believe that the potential of **AT&T**'s sophisticated and dedicated supplier diversity results can and should yield even better results. Additionally, while **AT&T** saw a slight increase in its overall spending, many of the subcategories saw a decline this year. **AT&T** needs to bring renewed focus to these areas. As **AT&T** has secured its status as an industry leader, they should use this position to trailblaze in areas that have proven challenging for the entire industry. **AT&T** should focus on increasing its Legal and Professional services procurement and move the industry towards improvement in this area.

2. **SoCal Gas must continue to build on existing practices and replicate these efforts in underutilized areas.** Securing the sixth consecutive year of proportional growth in minority contract spending has secured **SoCal Gas**'s place at the top of our charts. On top of this, **SoCal Gas** saw an increase in the percent spending of every ethnic category this year, demonstrating impressive dedication to delivering equitable results. While approaching the 30% minority contracting mark, **SoCal Gas** should turn its attention to underutilized categories to demonstrate to its industry peers that it is possible to bolster these areas. Greenlining looks forward to **SoCal Gas**'s continued growth and leadership.

3. **PG&E must rededicate itself to categories that are slipping while working to maintain proportional spending in light of its high absolute spending.** Despite dropping in the Latino contracting category, **PG&E** has remained strong across the board. **PG&E** struggles to make gains in its proportional spending largely due to its high absolute dollar spend, which reached over $1.2 billion on minority contracting alone. **PG&E** should bring attention to categories like Latino spending in order to bring them in line and surpass past successes. **PG&E** should also be commended for achieving the highest amount of Native American contract spending, reaching 3.25%, which helped overall Native American contract spending match the state's population.

4. **Verizon must reverse what has become a consecutive-year decline. Verizon** saw a decline in its MBE contracting percentage again this year after spiking in 2010. **Verizon** saw gains in African American, Native American, and Service Disabled Veteran spending, but saw losses in all other categories. Further, **Verizon** must work on incorporating contracting with minority firms into the SIC categories, some of which are lacking spending in several ethnic categories. Minority Women contracting in particular is in desperate need of focused attention. Minority Women contracting is completely absent from the Legal, Technical Equipment, Finished Products, and Transportation categories. **Verizon** must correct these losses in order to reverse this downward trend.

5. **Edison must reinvigorate its efforts in order to stave off stagnation.** This year, **Edison** experienced almost no change or a slight drop in every SIC category. They also went from having the top spot in the Minority Women category with 6.91% in 2011 to the middle of the pack with 6.21% this year. Despite doubling its Service Disabled Veteran contract spending, this category remains low. However, Greenlining hopes the VETS program will help **Edison** increase these numbers.

6. **SDG&E was unable to turn around last year's decline in proportional minority contracting. SDG&E**'s five-percentage point drop in Latino spending and decreases in Minority Women spending overshadowed modest increases in other MBE areas. This resulted in a loss of 2.07 percentage points from 2011. **SDG&E** must renew its attention to African American contracting across the SICs.

7. **Sprint continues to experience success, but inconsistent reporting inhibits a full understanding of its efforts. Sprint** was able to make a 6 percentage point jump in overall minority spending this year, continuing a pattern of large increases. However, **Sprint** continues not to report its information as disaggregated by SICs, and does not report its data by gender. This keeps us from being able to see the company's progress in minority women contracting as well as where its contracts are ending up within the SICs. **Sprint** must report according to the standards of GO 156, and as followed by its peers.

8. **Comcast must use its new full-reporting to focus on weak areas for improvement.** Greenlining is encouraged to see that **Comcast** has started to report its GO 156 numbers in a fashion consistent with its peers. **Comcast** has made steady progress towards more transparency and better results, for which they should be lauded. This new information shows that **Comcast** still needs improvement across the board. Despite moving in the right direction in its reporting methods, **Comcast**'s overall minority spending dropped by 0.78 percentage points, which highlights a need to refocus efforts.

9. **T-Mobile must build on the groundwork it created this year in order to jumpstart its supplier diversity efforts. T-Mobile**'s numbers this year reflect its early efforts to focus on growth in its supplier diversity program. **T-Mobile** needs to increase its minority contracting across the board, which should be made easier by its outreach efforts that began this past year. For next year, **T-Mobile** should ungroup its SIC reporting so that we can identify strong and weak areas within its spending.

10. **AT&T Wireless must focus on areas that are lacking minority contracting. AT&T Wireless** made a strong entrance into our annual report, reaching 19.92% minority contracting. However, in looking at its spending across ethnic categories, it is clear that this 19.92% is not consistent across the board. For example, while exceeding 15% in Latino spending, **AT&T Wireless** has only reached 0.02% Native American contract spending. We hope to see **AT&T Wireless** incorporate these changes for next year when it begins receiving grades.

11. **Verizon Wireless must bring efforts to all ethnic categories, and report SIC data by individual category. Verizon Wireless** also emerged strong in this year's report with 21.59% minority contract spending, though they face similar problems as **AT&T Wireless**. While surpassing 20% spending in Asian American contracting, **Verizon Wireless** only accomplished 0.26% Latino contract spending. These discrepancies indicate that the company should focus on areas that are struggling. **Verizon Wireless** also groups its SICs, which keeps us from seeing how its spending lines up with our criteria. **Verizon Wireless** should report its SICs individually so its progress can be more precisely measured.

12. **Cox remains dedicated to supplier diversity, but its reporting methods make evaluation impossible. Cox** seems dedicated to supplier diversity efforts, going so far as to include LGBT as a diverse category they want to actively contract with. However, because all of its contracting is done at the national level, the CPUC does not see its report as conforming with GO 156. Therefore, we have not analyzed it here. However, **Cox** is investing $500,000 to improve its internal reporting methods and analytics, which we hope will allow it to make its report align with GO 156 in the future.

13. **Time Warner Cable continues to show apathy towards supplier diversity. Time Warner** failed to file any report with the CPUC this year, further demonstrating a lack of interest in contributing to these efforts. This lack of effort or concern is unacceptable in a state like California where efforts have made such remarkable progress.

Methodology

Greenlining obtains the data in its annual report card from the yearly GO 156 filings of the six largest utilities and telecom companies in California: **Southern California Edison**, **Pacific Gas & Electric**, **Southern California Gas**, **San Diego Gas & Electric**, **AT&T**, and **Verizon**. The report also includes a limited analysis of three cable companies operating in California: **Comcast**, **Cox**, and **Time Warner**; and four wireless companies: **Verizon Wireless**, **AT&T Wireless**, **Sprint**, and **T-Mobile**. Greenlining issues a grade to each of these companies based on the following guidelines:

- Progress from previous years as demonstrated through percentage spent on diverse contracts;
- 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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