THE GREENLINING INSTITUTE

2014 ENERGY · TELECOM · WATER · CABLE

SUPPLIER DIVERSITY REPORT CARD

UNEXPECTED ACHIEVEMENTS AND CONTINUING GAPS

Stephanie Chen • Energy and Telecommunications Policy Director

Noemí Gallardo • Law and Policy Consultant

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The Greenlining Institute

ACKNOWLEDGEMENTS

About The Greenlining Institute

Founded in 1993, The Greenlining Institute is a policy, research, organizing, and leadership institute working for racial and economic justice. We work to bring the American Dream within reach of all, regardless of race or income. In a nation where people of color will make up the majority of our population by 2040, we believe that America will prosper only if communities of color prosper.

About the Energy and Telecommunications Policy Teams

The Greenlining Institute's Energy and Telecommunications policy programs work to ensure that vital services such as electricity, gas, telephone and broadband are accessible to all, that low-income consumers and ratepayers are protected and that race, language or income are never barriers to these essential services.

About the Authors

Stephanie Chen, Energy and Telecommunications Policy Director

Stephanie directs Greenlining's advocacy in energy and telecommunications policy. She oversees Greenlining's legal counsel at the California Public Utilities Commission and the Federal Communications Commission, who advocate on a wide range of issues impacting underserved consumers and small businesses. Stephanie has litigated several high profile cases impacting billions of dollars in utility rates, winning broad statewide protections for communities of color, low income ratepayers and small business owners. Stephanie serves as Treasurer of the Board of Directors for the Conference of California Public Utility Counsel. Stephanie has a B.A. in Government from Dartmouth College and a J.D. from the University of San Francisco School of Law.

Noemí Gallardo, Law and Policy Consultant

Noemí is the owner and founder of Gallardo Law & Policy Consulting, an agency that provides consulting services in the non-profit, public and private sectors in a variety of policy areas, including language access, outreach, fundraising and economic development. Noemí's work with Greenlining began in 2012 as the Energy and Telecommunications Legal Fellow. She helped the team advocate for fair background check policies and increased language access in marketing and education to limited-English proficient communities. Prior to Greenlining, she established an interpreting and translating business. She now uses that expertise to advise California's Secretary of State on the translations of its online voter registration website and other material through the Language Access Advisory Committee. Noemí has a B.A. in International Studies and Spanish from Pepperdine University, an M.P.P. from the University of Southern California with a concentration in Urban and Social Policy and a J.D. from the University of California, Hastings College of the Law with an emphasis in Civil Litigation, Local Government and Mediation.

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I. EXECUTIVE SUMMARY

With the creation of General Order 156 over 25 years ago, the California Public Utilities Commission jump-started the state's supplier diversity efforts. In 2013 we experienced unexpected achievements and continuing gaps in performance. We saw another year of enormous growth for minority business enterprises, with an approximately $674 million increase over last year's total spending.[1] This increase in total spending was matched with proportional growth from most companies, and three companies exceeded the 30% mark. Despite reaching this benchmark, we also discovered decreases and slowing growth in several areas.

MBE Spending and Company Grades			
Company	% Spending	$ Spending	Grade
Sprint	31.73%	414M	A
SoCalGas	30.84%	291M	A
SDG&E	30.65%	310M	A
AT&T	29.94%	718M	A-
PG&E	27.35%	1.5B	A-
Edison	25.36%	889M	B+
Verizon	24.84%	59M	B
AT&T Wireless	22.90%	825M	C+
Verizon Wireless	19.92%	474M	C
Comcast	8.23%	24M	F+
Cox	5.86%	91M	F+
T-Mobile	4.79%	79M	F

Key Findings and Highlights

- Contracting with minority business enterprises increased by approximately $674 million from 2012 to 2013.
- Three companies surpassed 30% spending with MBEs, and one is hovering just below that mark.
- Latino spending increased across the board, with few exceptions.
- Decreases in African American spending and slowing growth in Asian American spending raise concerns about the future of these areas.
- Legal and Professional Services spending remains in urgent need of improvement.
- Native American contracting increased from 1.18% to 1.26% and continues to surpass this group's population percentage; however, most of the spending is coming from a few companies.
- This year we graded the wireless companies for the first time, including AT&T Wireless[2] and Verizon Wireless, which were assessed but not graded last year. While these companies demonstrate solid beginnings, spending is erratic across categories.
- We evaluated water companies in a separate section, which discusses their performance and progress as they transition to GO 156 reporting and expand their supplier diversity programs.

Recommendations for 2014

- Companies must rededicate themselves to areas that are leveling off or slipping, such as Asian American and African American spending.
- Although aggregate spending in the Native American category has increased, most companies must still focus their efforts to increase spending in this area.
- Companies must remain vigilant and aggressive with their proportional spending, especially as absolute contract dollars increase.
- Across industries, companies must share best practices and information about vendors with specialized expertise who can be difficult to find.
- Companies must diversify their portfolios and avoid relying either on a sole project or vendor for its results in a category.
- Companies must continue pushing their prime suppliers to commit to supplier diversity efforts.
- Companies must support Tier II vendors in building the capacity to reach Tier I status, in order for them to take on bigger contracts.
- Underutilized areas such as Legal and Professional Services spending must see results, not just promises.
- Water companies must develop uniform Standard Industrial Categories to ensure that reporting allows for apples-to-apples comparisons of their progress.

II. INTRODUCTION

Always on the cutting edge, California and many of the companies that operate here have long recognized that diversity is integral to good business. Nowhere is this culture more apparent than in the groundbreaking supplier diversity efforts taken on by its energy and telecommunications companies under the guiding principles of GO 156. According to the CPUC, companies participating in its Supplier Diversity Program hit a new milestone in 2013, procuring $8.5 billion in goods and services from diverse business enterprises out of the $24 billion total purchased by these companies.[3]

> In 2013, reporting companies spent $8.5 billion with diverse business enterprises.

The Greenlining Institute plays a key role in facilitating this process by publishing an annual Supplier Diversity Report Card that grades the state's energy, telecommunications and cable companies based on their voluntarily reported supplier diversity data. The report card includes rankings based on performance and improvement, and breaks down spending by ethnic categories,[4] minority women and disabled veterans, as well as across industrial categories. As advocates for people of color, we focus our attention on these categories, although others are also included under GO 156. We encourage advocates for other constituencies to conduct their own detailed analyses.

Additionally, the report examines crucial and timely topics related to supplier diversity, including emerging areas such as electric procurement, enhanced reporting practices for the water industry, and the chronic 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 reporting company.

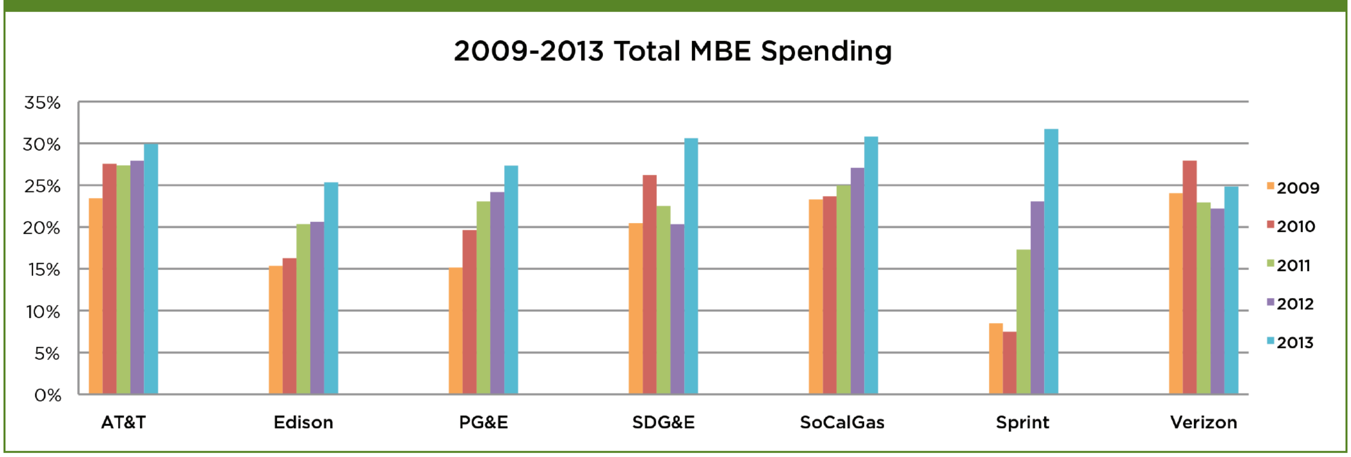
The only analysis of its kind in California, Greenlining's annual report card plays an important part in facilitating progress, holding companies accountable for their performance, and providing recommendations to improve results.

General Order 156: The CPUC's Supplier Diversity Program

Recognizing the difficulty that diverse small businesses face in trying to break through "old boy networks" to obtain contracting opportunities with major corporations, the state of California created a landmark supplier diversity program. For over 25 years, the CPUC has recognized the economic significance of supplier diversity in California's regulated utilities market, and promoted its expansion through GO 156. Enacted in 1988 pursuant to Public Utilities Code Sections 8281-8286, this order requires the state's largest regulated energy utility, water and telecommunications companies to annually report their percentages of contracts given to women-, disabled veteran-, and minority-owned business enterprises (collectively, "diverse business enterprises").

These companies have developed robust supplier diversity programs that remain the national gold standard. GO 156 has made it state policy to promote the interests of diverse businesses to "maintain and strengthen the overall economy of the state."[5] As the numbers of diverse business enterprises have steadily grown over the last two decades, they have become an essential component of both the regulated utilities market and the wider state economy.

MBE Spending for Companies Which Have Reported Data for the Past Five Years



Greenlining advocates that the GO 156 model should be adopted in a wide variety of industries and circumstances, and that doing so will help diverse small businesses and improve America's economy. For example, in 2012 California's AB 53 established similar reporting requirements for insurance companies. And in 2013, Greenlining partnered with eight of the largest banks in California to create the first granular, comprehensive report on supplier diversity for the banking industry.

GLOSSARY OF TERMS	
Supplier Diversity	A proactive business practice to provide diverse suppliers equal access to purchasing opportunities
Tier I	Suppliers that are paid directly by companies for goods and/or services
Tier II	Subcontractors hired by Tier I suppliers to supply goods and/or services required to fulfill the Tier I contract
MBE	Minority-Owned Business Enterprise. MBEs have at least 51% ownership by ethnic/racial minorities
DBE	Diverse Business Enterprise. Includes minority-, women-, and disabled veteran owned businesses
MWBE	Minority Women-Owned Business Enterprise
DVBE	Service Disabled Veteran-Owned Business Enterprise
SIC	Standard Industrial Categories
DNR	Did Not Report

Supplier Diversity as Economic Stimulus and Smart Business

The U.S.'s ongoing demographic revolution makes it urgent that all companies adopt robust supplier diversity programs. Communities of color already constitute nearly 60% of California, as seen below, and are projected to be the nation's majority by 2043.[6] As these communities of color grow, the customer base of the state's energy, water and telecommunications companies becomes increasingly diverse. Ultimately, how corporations invest in MBEs affects the success of the larger economy and the financial health of their customer base.

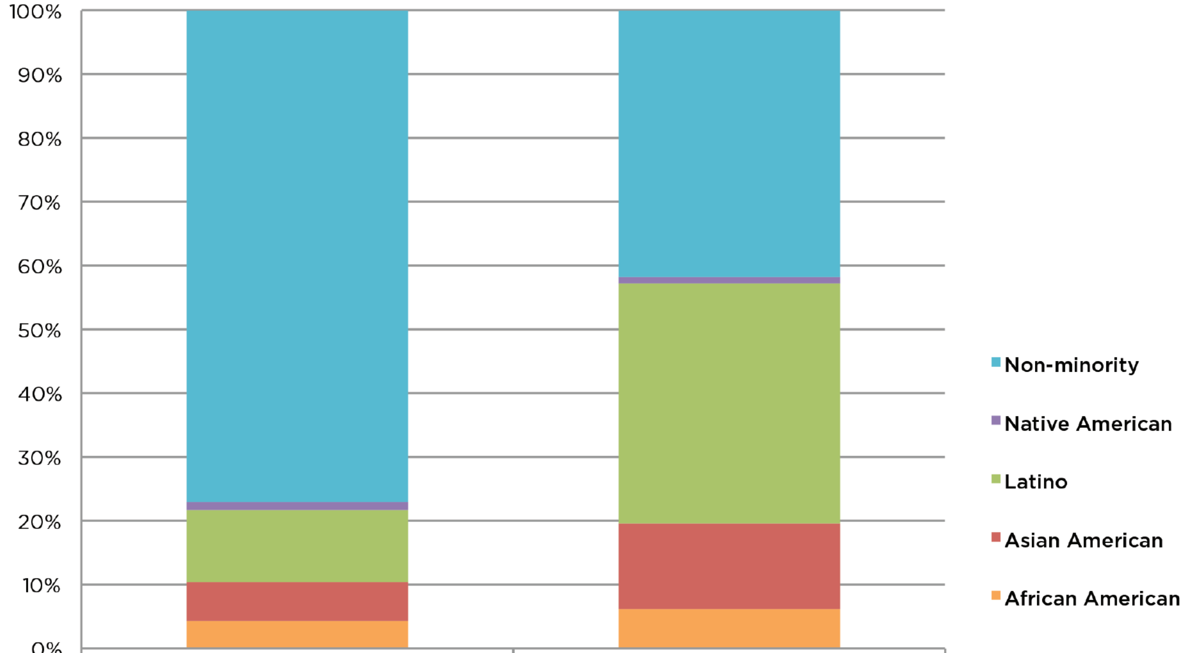
> "Small and diverse businesses are the backbone of our economy and play an important role in the state's economic well-being."
>
> *— CPUC President Michael Peevey*

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 many Americans deeply, the burden has fallen unequally on communities of color. Although the average rate of unemployment in California was 6.5% for white men last year, African American men and Latinos faced 13.1% and 9.1% unemployment, respectively.[7] Supplier diversity efforts are particularly effective as economic stimulus because they target the communities that need opportunity the most.

Supplier diversity in California is not simply a numbers game. Under GO 156, the energy and telecommunications companies have made serious commitments to develop initiatives that open their supplier networks to new and diverse businesses. By encouraging these diverse businesses to compete with entrenched suppliers, these companies 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 energy 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.

2013 GO 156 Spending (Includes Energy, Telecom & Water) vs. 2010 CA Demographics (2010 US Census)

**Does not include multi ethnic/other category*



	2013 GO 156 Spending	2010 California Demographics
Non-minority	76.6%	41.8%
Native American	1.2%	1.0%
Latino	11.2%	37.6%
Asian American	6.1%	13.4%
African American	4.3%	6.2%

Moreover, supplier diversity efforts are a targeted form of economic development, as they proactively invest in diverse-owned businesses and bring wealth into communities of color. The diverse suppliers that are introduced into the companies' supply chain are not only adept at hiring from underserved communities, but they can also improve the companies' 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% more return on investment for procurement than the average.[8]

The voluntary nature of GO 156 illustrates the mutually beneficial impact of supplier diversity in California. Companies reach new levels of competitiveness, and small businesses flourish from new opportunities. Supplier diversity should not be a "feel good" program — it makes business sense for both companies and diverse suppliers.

2013's Major Supplier Diversity Trends

Once again, California's energy and telecommunications companies have made great strides in their supplier diversity programs. The reporting companies spent almost $5.7 billion with MBEs, approximately $674 million more than in 2012.[9] Along with this continued growth in absolute dollar spending, all but two of the reporting 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, three companies this year, **Sprint**, **Southern California Gas** and **San Diego Gas & Electric** surpassed the 30% mark. **AT&T California** follows closely with 29.94% in MBE spending. Three companies surpassing 30% is an unexpected achievement.

2013 also marks the second year in which reporting numbers have reached population parity in a specific ethnic category. Overall Native American contract spending this year reached 1.26%, greater than Native Americans' California population percentage, which is 1%. Despite this overall accomplishment, spending is not distributed evenly across the companies. Several companies do around 2% to 3% of their contracting with Native American-owned business enterprises, offsetting those with zero.

Reporting companies spent almost $5.7 billion with MBEs, but still underperform in certain ethnic categories.

2013's results show the companies addressing 2012's dip in Latino contract spending, with all but two companies increasing their Latino spending in 2013 and the aggregate total for this category rising to 11.24%. Companies must continue to increase spending in this category. As Latinos are estimated to make up 39% of California's population in 2014,[10] it is critical that the reporting companies bolster their efforts in this area in order to move contracting more in line with the state's ethnic composition.

While overall MBE spending remains strong, several areas require attention. For example, in 2013 half of the reporting companies decreased their African American contract spending. African American spending for the energy and telecommunications companies totaled 4.44%, and no company other than **Sprint** has spent above 8% with African American contractors in the last four years.

Further, most companies have reached a plateau in their Asian American spending. In 2013, Asian American spending totaled 6.39% for the energy and telecommunications companies. Aside from **Verizon Wireless** and **Sprint**, no company has spent above 8% with Asian American contractors in the last two years. Companies must pay more attention to these categories in order for growth to remain balanced.

2013 also saw a dip in MWBE spending. Although six companies increased their spending in this category, total spending continues to fall from 2011's tepid 6.26% to last year's 5.64%, and again down to a disappointing 4.86% this year.

The 2014 Supplier Diversity Report Card grades wireless companies for the first time, and the grades for their MBE spending covered the spectrum. **Sprint**[11] obtained the top spot with an A for surpassing the 30% mark and improving significantly from last year. **AT&T Wireless** and **Verizon Wireless** received a C+ and a C respectively. **T-Mobile**, on the other hand, received an F, with the lowest MBE spending among the wireless companies at 4.79%.

We continue to analyze the Class A water companies separately as they transition to full GO 156 reporting. We hope that they will continue to move their programs and results in line with the telecommunications and energy companies. Already we see several water companies building strong foundations for their programs, and though the results are uneven, their efforts are bearing fruit. We look forward to seeing continued growth next year.

III. METHODOLOGY

Greenlining obtains the data for its annual report card from discussions with company representatives and the annual GO 156 filings of the largest energy, water and telecom companies in California. The energy companies include: **Pacific Gas & Electric**, **Southern California Edison**, **San Diego Gas & Electric**, and **Southern California Gas**. The telecommunications companies include **AT&T California ("AT&T")**, **Comcast**, **Cox**, **Time Warner Cable**, **Verizon California ("Verizon")**; and four wireless companies: **AT&T Wireless**, **Sprint**, **T-Mobile** and **Verizon Wireless**. The report also includes a limited analysis of California's Class A water companies: **California American Water**, **California Water Service**, **Golden State Water**, **Park Water/Apple Valley Ranchos**, **San Gabriel Valley Water**, **San Jose Water** and **Suburban Water**.

In developing letter grades, Greenlining looks at the following:

- Progress from previous years as demonstrated through percentage spent on diverse contracts;
- Performance in relation to industry peers; and
- Progress relative to the CPUC's overall goals of 15% of procurement from minority-owned businesses, 5% from women-owned businesses and 1.5% from disabled veteran-owned businesses.

For grading purposes, Greenlining does not include the "other or mixed race" category in any analytical portion of the report because not all of the companies currently report this category. We focus on spending in the following categories enumerated in GO 156: African American, Asian American, Latino, Native American and service-disabled veterans.

IV. 2013 SUPPLIER DIVERSITY RESULTS AND RANKINGS

MBE Spending and Company Grades

Company	% Spending	Grade
1) Sprint	31.73%	A
2) SoCalGas	30.84%	A
3) SDG&E	30.65%	A
4) AT&T	29.94%	A-
5) PG&E	27.35%	A-
6) Edison	25.36%	B+
7) Verizon	24.84%	B
8) AT&T Wireless	22.90%	C+
9) Verizon Wireless	19.92%	C
10) Comcast	8.23%	F+
11) Cox	5.86%	F+
12) T-Mobile	4.79%	F

Sprint, **SoCalGas**, and **SDG&E** received A's this year. All three surpassed the 30% mark, pushing expectations higher for all companies that file under GO 156. At 31.73%, **Sprint** significantly improved its overall MBE spending by almost nine points over 2012. **SoCalGas** raised its overall minority spending from over 27% in 2012 to 30.84% in 2013, showing yet again its leadership in supplier diversity. **SDG&E** showed the most improvement of all participants, increasing by over 10 points to reach 30.65% in MBE spending.

Three companies surpassed 30% spending with MBEs, and one hovers just below that mark.

Although **Sprint** had no contract spending in the Native American category, it improved in all other ethnic categories, especially in the African American and Asian American categories, where many other companies are languishing. **Sprint**'s MBE spending total would have been 35.1% if we had been able to include its Tier II spending. But because **Sprint** did not disaggregate this spending by ethnicity, to include it would have created internal inconsistencies in this report. The 31.73% figure we use throughout as **Sprint**'s MBE total represents only its Tier I spending.

SoCalGas' large increase in Latino contract spending secured its nearly 31% overall MBE spending. Although **SoCalGas** had the top spot in Latino spending, its spending decreased in all other ethnic categories except MWBE, where it came in second. Despite these drops across the board, this is the seventh consecutive year of growth in MBE spending for **SoCalGas**.

SDG&E's 2013 MBE spending came in at 30.65%, over 10 percentage points higher than 2012, largely driven by a big increase in Latino contract spending and indicating that **SDG&E** has made efforts to stop its recent regression. **SDG&E** also earned the top spot in the MWBE category with an increase of over five percentage points from last year. However, in the last three years, **SDG&E**'s contract spending levels in the Native American and African American categories seem to be leveling off.

AT&T earned the fourth spot and received an A-, following closely behind the top three companies with 29.94% in MBE contract spending. Although **AT&T** showed improvement, mostly due to its significant increase in the Latino category, several categories dropped, including African American, Asian American and MWBE. However, it earned the top spot for disabled veteran spending at 5.97% and doubled its percentage in Native American spending.

PG&E earned an A-, improving from last year and increasing its contract spending in every category. Despite slight increases, contract spending in some areas is starting to level off, including Native American, MWBE and DVBE. Overall, **PG&E**'s absolute MBE contracting dollar spending continues to impress us. **PG&E** spent approximately $1.5 billion on MBE contracting, the highest ever for **PG&E**, and worked with 356 unique MBEs in California.

Edison received a B+ and moved up in the rankings this year, increasing its overall MBE spending by almost five percentage points to 25.36%, largely driven by a significant increase in Latino contract spending. **Edison** also increased its contract spending in the DVBE and MWBE categories. However, its spending in the African American and Asian American categories is leveling off. **Edison** continues to incorporate significant numbers of diverse vendors in its contracting, working with 433 MBEs in 2013.

Verizon earned a B by achieving 24.84% MBE contract spending after two consecutive years of decline. **Verizon** ranked high in a few categories, coming in first in Native American spending, second in disabled veteran spending and third in African American spending. It also improved slightly in the Asian American and Latino categories, but its spending with MWBE has steadily decreased from 3.97% in 2011 to 3.18% in 2012 and 3.05% in 2013.

AT&T Wireless' MBE spending for 2013 comes in just under 23% and receives a C+. As we noted last year, despite decent overall MBE results, its spending across ethnic categories varies wildly. Aside from the Latino category, performance in all other spending categories fell well below the rest of the pack. Although **AT&T Wireless** experienced increases in all categories except DVBE, its overall improvement was slight.

Verizon Wireless earned a C for its 2013 results, falling below 20% in overall MBE contract spending. **Verizon Wireless**' spending varies sharply across ethnic categories. **Verizon Wireless** had only minimal spending in the Native American category, none with DVBE, and its spending with MWBE dropped precipitously.

Comcast slightly improved its overall MBE spending to 8.23% in 2013 and received an F+. **Comcast** achieved slight increases in all areas, but did not move above 1% in African American and MWBE contract spending. In the Native American and DVBE categories, spending remained at zero.

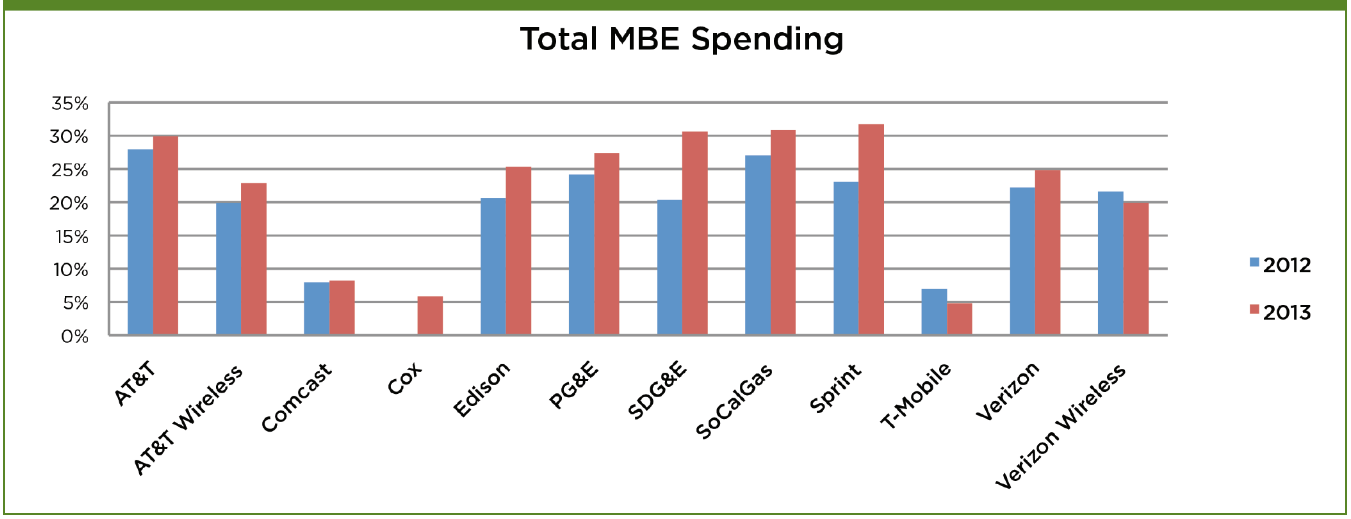
While **Cox** had one of the lowest MBE percentages and received an F+, we do note **Cox**'s continued commitment to supplier diversity. This is the first year that **Cox** has broken out its spending by ethnic categories, which shows it is moving in the right direction even though spending remains minimal.

Similarly, while **T-Mobile**'s spending is below 5%, and it received an F, **T-Mobile** is laying the groundwork for future success. For example, in 2012, **T-Mobile** added a full-time, dedicated Program Manager for Supplier Diversity who is helping the company improve its performance. However, in 2013, **T-Mobile** experienced decreases in every category except in DVBE spending, where it increased slightly, and in Native American spending, which remained at zero.

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

Total Minority-Owned Business Enterprise Spending

Minority Contracting Grew by $674 Million From 2012 to 2013 With Three Companies Breaking 30%



In 2013, all but two companies increased their minority contract spending.[12] 2013's results show **Sprint**, **SoCalGas** and **SDG&E** surpassing the 30% mark with **AT&T** hovering slightly under that mark. On the other end of the spectrum, **Verizon Wireless** and **T-Mobile** reduced their overall MBE contracting percentage.

PG&E considerably increased its minority contract spending for the second year in a row, bringing it up to 27.35% overall. **Edison** had a strong increase of almost five points. **AT&T Wireless** increased its spending by almost three percentage points, while **Comcast** remained essentially flat, with only a slight increase of .38%.

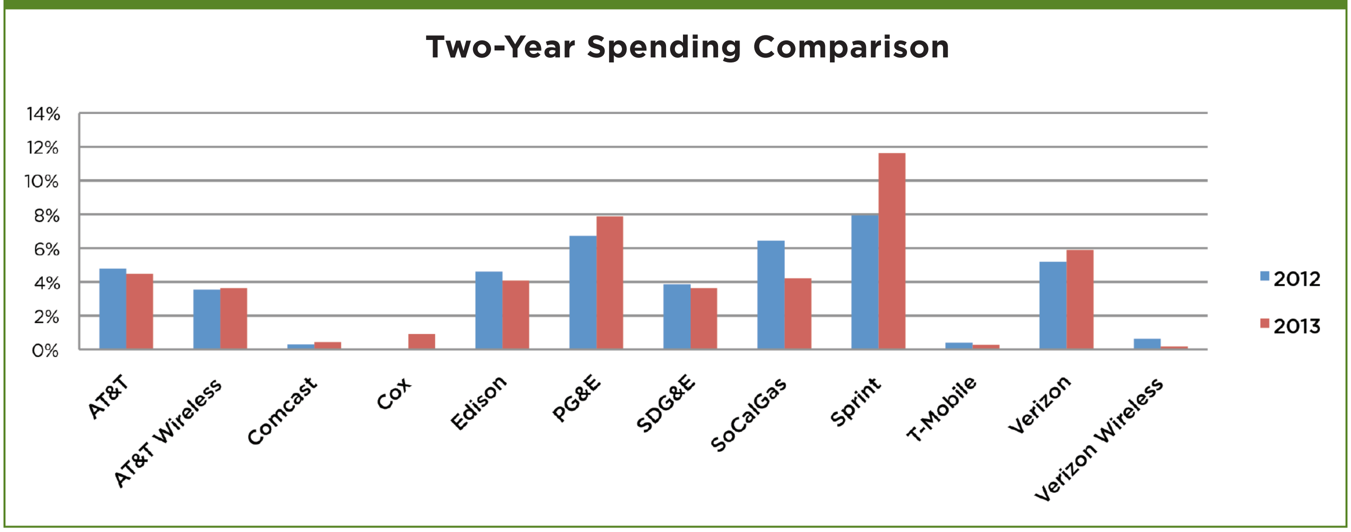
Cox came in with 5.86% in its first year of reporting MBE spending, giving us a point of comparison for next year.

African American Contract Spending

Spending and Grades		
Company	**% Spending**	**Grade**
Sprint	11.63%	A
PG&E	7.87%	A-
Verizon	5.89%	B
AT&T	4.47%	C+
SoCalGas	4.21%	C
Edison	4.08%	C
SDG&E	3.64%	C-
AT&T Wireless	3.64%	C-
Cox	.92%	F
Comcast	.45%	F
T-Mobile	.28%	F-
Verizon Wireless	.18%	F-

Combined, the energy and telecommunications companies spent 4.44% in the African American category in 2013. Half of the companies reduced their contract spending in this area from 2012. **SoCalGas** had the largest decline in this category, with a 2.24% drop. **Comcast**, **Cox**, **T-Mobile** and **Verizon Wireless** had spending under 1%. **Sprint**, the only company to achieve double digits in this category, took the top spot with 11.63%, up from 7.94% in 2012 and 4.59% the year before. **PG&E** continued to increase its spending to 7.87% in the African American category, capturing the second position.

Half of the Reporting Companies Reduced African American Spending

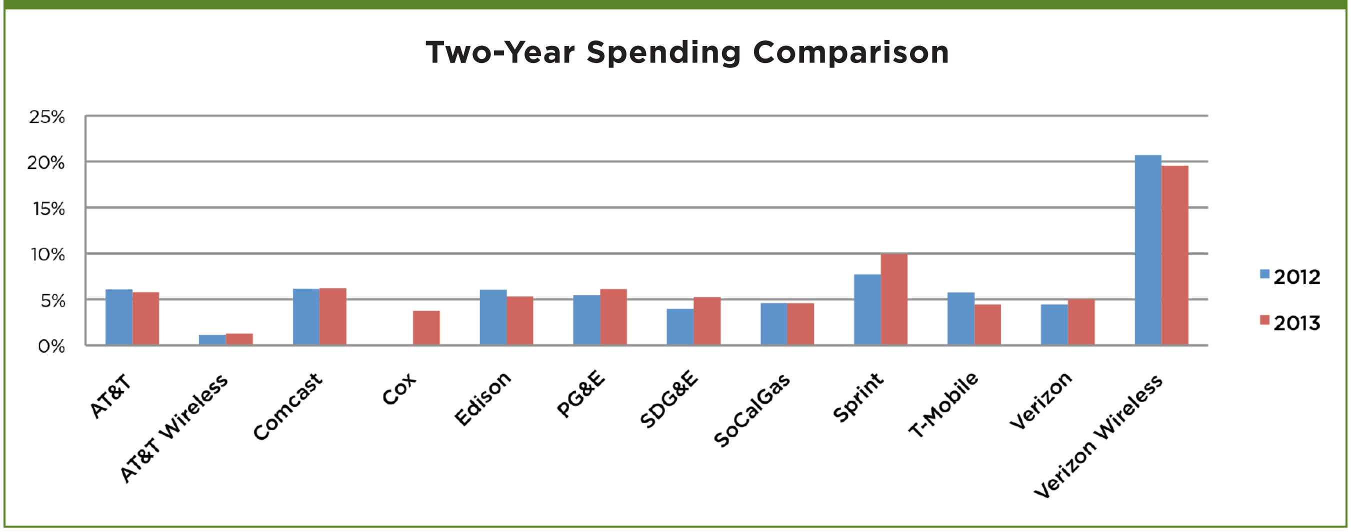


Asian American Contract Spending

Spending and Grades		
Company	**% Spending**	**Grade**
Verizon Wireless	19.53%	A
Sprint	9.92%	A-
Comcast	6.23%	B-
PG&E	6.10%	C+
AT&T	5.79%	C
Edison	5.30%	C
SDG&E	5.24%	C-
Verizon	5.01%	C-
SoCalGas	4.58%	D+
T-Mobile	4.44%	D+
Cox	3.73%	D
AT&T Wireless	1.27%	F

In 2013, the energy and telecommunications companies spent 6.39% in the Asian American category. **Verizon Wireless** receives the highest grade in this area, at 19.53%. It was the only reporting company to achieve double digit results in this category, yet its performance dipped slightly from last year. **Sprint** achieved the largest increase among the group, but that increase was less than three percentage points. Asian American spending has been a noticeably challenging category for three consecutive years. With only two companies exceeding 9% and everyone else at less than 7%, this area clearly needs renewed focus in order to reverse this downward trend.

Asian American Spending Begins to Plateau

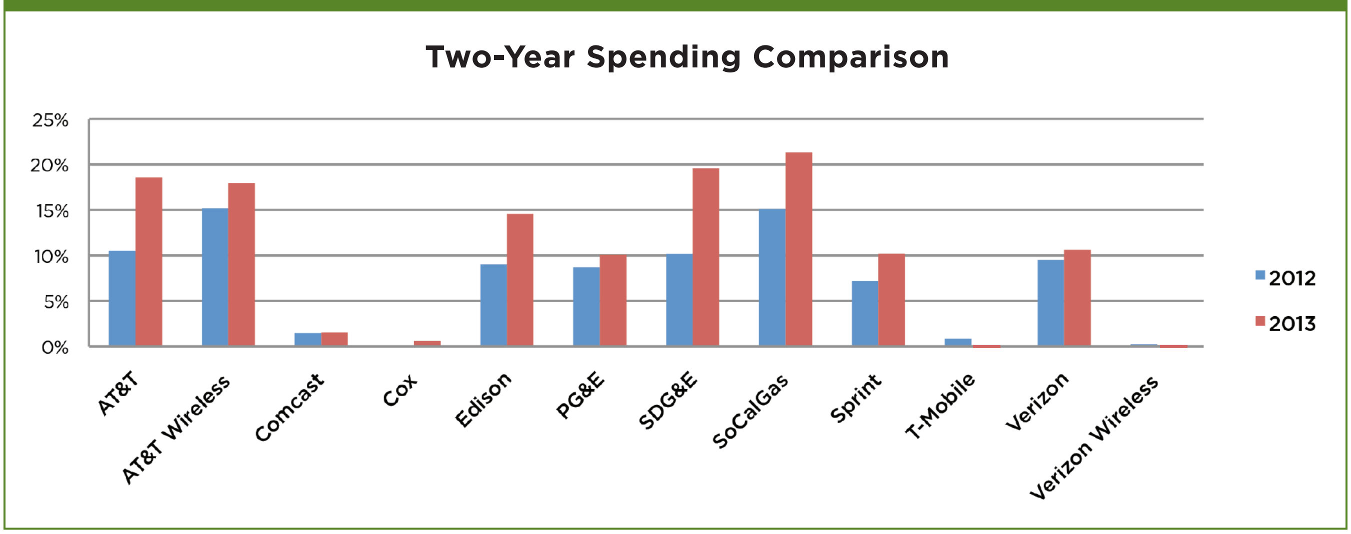


Latino Contract Spending

Spending and Grades		
Company	**% Spending**	**Grade**
SoCalGas	21.30%	A
SDG&E	19.57%	A
AT&T	18.58%	A-
AT&T Wireless	17.96%	B+
Edison	14.58%	B
Verizon	10.61%	C
Sprint	10.18%	C
PG&E	10.07%	C
Comcast	1.55%	F
Cox	.58%	F-
Verizon Wireless	.13%	F-
T-Mobile	.07%	F-

The energy and telecommunications companies spent 11.21% in the Latino category in 2013. With **SoCalGas** leading the pack at 21.30%, most companies significantly increased spending in this category. **SDG&E**, **AT&T** and **Edison** increased by more than five percentage points in this category. **AT&T Wireless**, **Verizon**, **Sprint** and **PG&E** posted more modest increases but also had spending reach double digits. While we are pleased to see the companies reverse the 2012 dip in Latino spending, gains in this area should not come at the expense of other areas, such as African American and Asian American spending.

Latino Spending Experienced Unexpected Growth

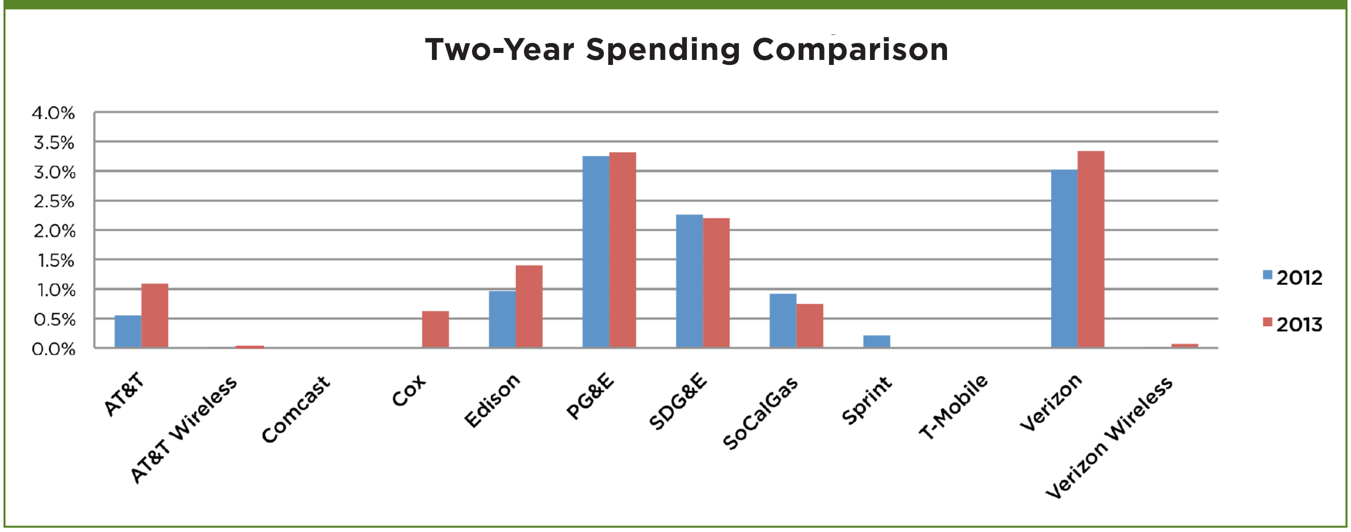


Native American Contract Spending

Spending and Grades		
Company	**% Spending**	**Grade**
Verizon	3.34%	A+
PG&E	3.32%	A+
SDG&E	2.20%	A-
Edison	1.40%	B
AT&T	1.09%	B
SoCalGas	.75%	D+
Cox	.62%	D
Verizon Wireless	.07%	F-
AT&T Wireless	.03%	F-
Comcast	.00%	FF
Sprint	.00%	FF
T-Mobile	.00%	FF

For the second consecutive year, contracting in a minority group category surpassed that group's percentage of California's population. Despite this overall accomplishment, spending is not distributed evenly across the companies. Three companies do roughly 2% to 3% of their contracting with Native American-owned business enterprises, which offsets those at or near zero. In 2013, two companies, **Verizon** and **PG&E**, broke the 3% mark for Native American spending. Several companies demonstrated slight growth, and **AT&T** more than doubled its contract spending percentage from 2012 to 2013. This year, **Sprint**, **Comcast** and **T-Mobile** fell to or remained at zero.

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



Minority Women Contract Spending

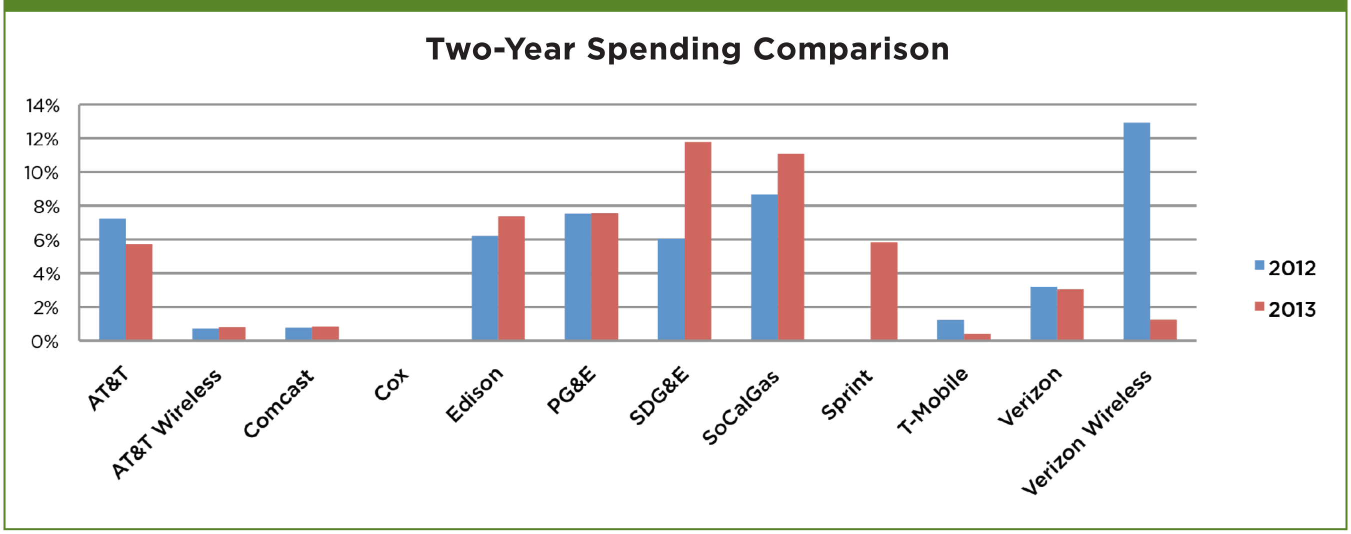
Company	% Spending	Grade
SDG&E	11.77%	A
SoCalGas	11.07%	A
PG&E	7.55%	B
Edison	7.36%	B
Sprint	5.84%	C
AT&T	5.72%	C
Verizon	3.05%	D
Verizon Wireless	1.24%	F+
Comcast	0.82%	F
AT&T Wireless	0.79%	F
T-Mobile	0.39%	F
Cox	DNR	FF

Spending and Grades

In 2013, the energy and telecommunication companies collectively had 4.86% in MWBE spending. **SDG&E** and **SoCalGas** both received A's in this category for leading the pack at 11.77% and 11.07%, respectively. Besides the two leaders, **PG&E** and **Edison** both surpassed 7%, our previous high-water mark for this category. This increase in a typically low-spending category is an encouraging step, and one which we hope to see more companies take.

Verizon Wireless, however, sharply decreased MWBE spending in 2013, falling more than 11 points to 1.24%. This is unfortunate because **Verizon Wireless** had the highest spending in 2012 at 12.92%. **AT&T Wireless**, **Comcast** and **T-Mobile** must work to ensure they do not fall below 1% again next year. Reporting its spending in the MWBE category in a similar fashion to other companies allowed us to count **Sprint**'s MWBE results this year, and helped it reach the top overall MBE spot. **Cox**, however, failed to separately report its spending with MWBEs.

Minority Women Spending Experiences Erratic Changes from 2012 to 2013

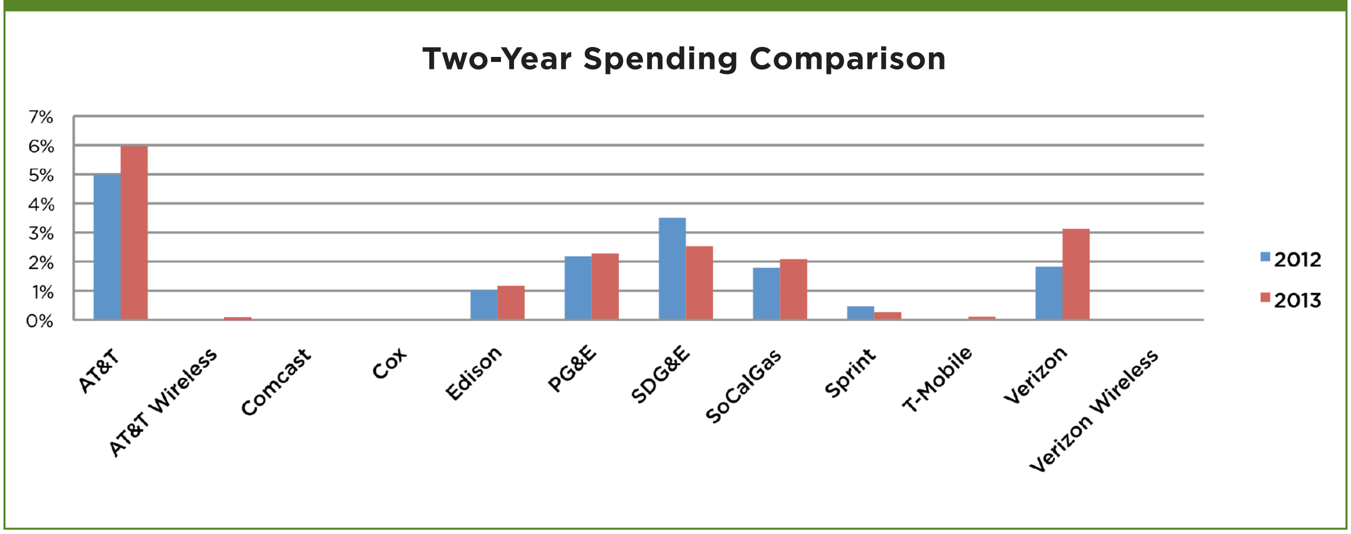


Disabled Veterans Contract Spending

Spending and Grades		
Company	**% Spending**	**Grade**
AT&T	5.97%	A
Verizon	3.13%	B+
SDG&E	2.53%	B
PG&E	2.28%	B
SoCalGas	2.09%	B-
Edison	1.17%	C
Sprint	.27%	F
T-Mobile	.11%	F
AT&T Wireless	.01%	F-
Comcast	.00%	FF
Cox	.00%	FF
Verizon Wireless	.00%	FF

In 2013, overall, the energy and telecommunications companies spent 1.51% in the DVBE category, with six of the companies increasing their spending over 2012. **AT&T** hovers just under the 6% mark in this area, earning an A for the third year in a row. **Verizon** earned the second place spot for its steady increase in spending from .72% in 2011 to 1.82% in 2012, and 3.13% in 2013. Most other companies did not perform as well. Six companies received failing grades for spending under 1% in 2013, with **Comcast**, **Cox** and **Verizon Wireless** at 0%. Although 2012 showed promising growth in this area, 2013 results demonstrate that DVBE spending needs more focused attention.

Disabled Veterans Contracting Improves Slightly but Needs More Focused Attention



V. AGGREGATED SPENDING IN EACH INDUSTRIAL CATEGORY BY RACE

Introduction

Looking at supplier diversity across industrial categories not only uncovers areas where focus is needed, but also encourages greater equity in contracting practices because the level of economic opportunity varies greatly between industries. This year's report card breaks down contracting across seven spending categories for each of the companies that reported categorical data.

Yet again, the analysis reveals significantly skewed spending across the different categories, with contracting related to Legal Services, Communications/Other Services, Technical Equipment/Analysis Instruments and Finished Products/Misc. Goods tending to be much less diverse than other areas.

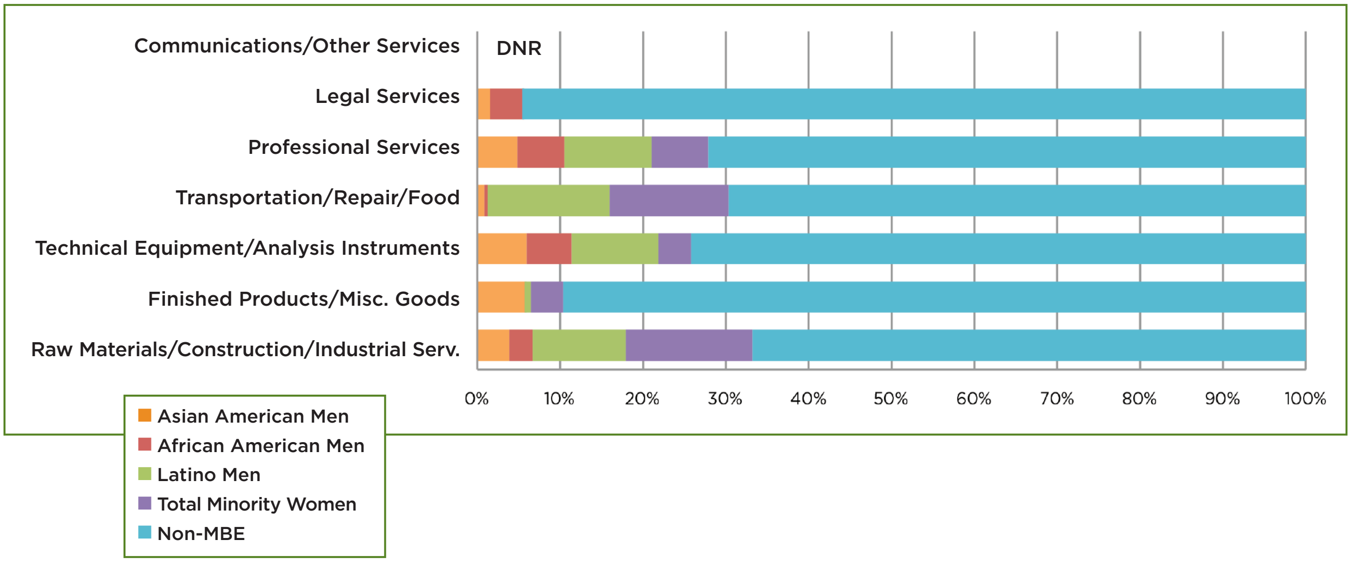
Methodology for Assessment of Standard Industrial Coding

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, MWBE (including African American women, Asian American women and Latinas) 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 listed below.

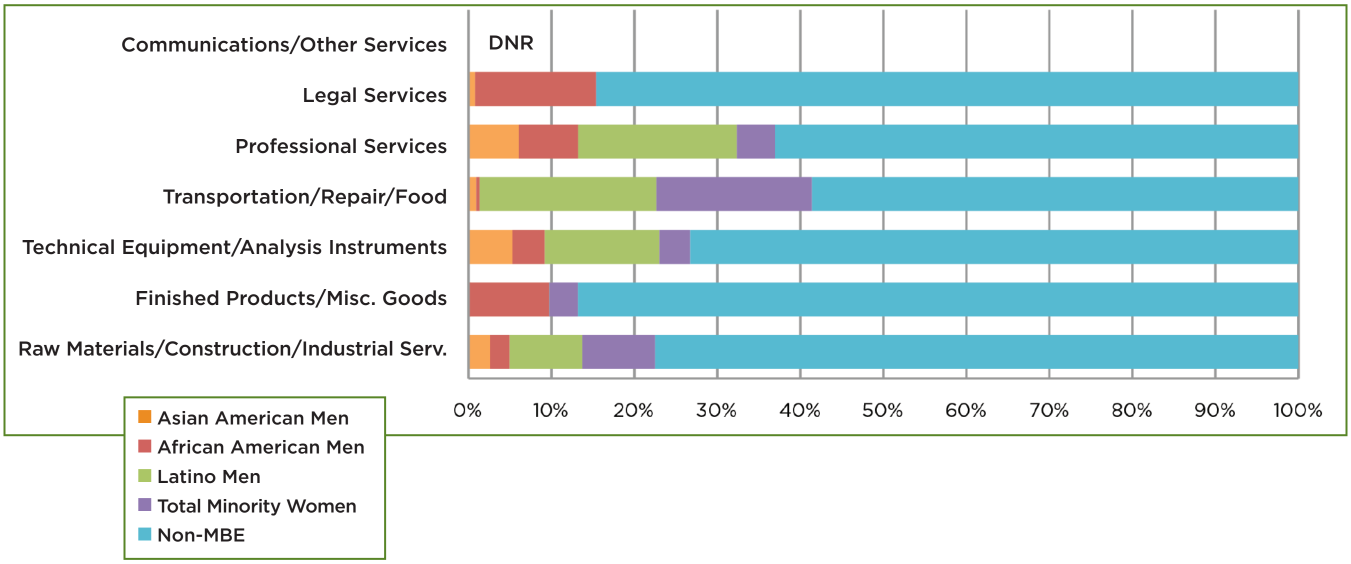
Greenlining Category	Corresponding Standard Industrial Categories
Raw Materials/Construction/Industrial Services	(7, 13, 14, 15, 16, 17, 24, 26, 28, 29, 30, 32, 33, 46, 49, 52)
Finished Products/Misc. Goods	(23, 25, 39, 50, 51, 56, 57, 59)
Technical Equipment/Analysis Instruments	(34, 35, 36, 38)
Transportation/Repair/Food	(37, 42, 45, 47, 55, 58, 75, 76)
Professional Services (formerly Business Services)	(60, 61, 62, 63, 64, 65, 67, 73, 87, 89)
Legal Services	(81)
Communications/Other Services	(27, 48, 72, 78, 79, 80, 83, 86)

Results of Standard Industrial Code Analysis[13]

AT&T 2012

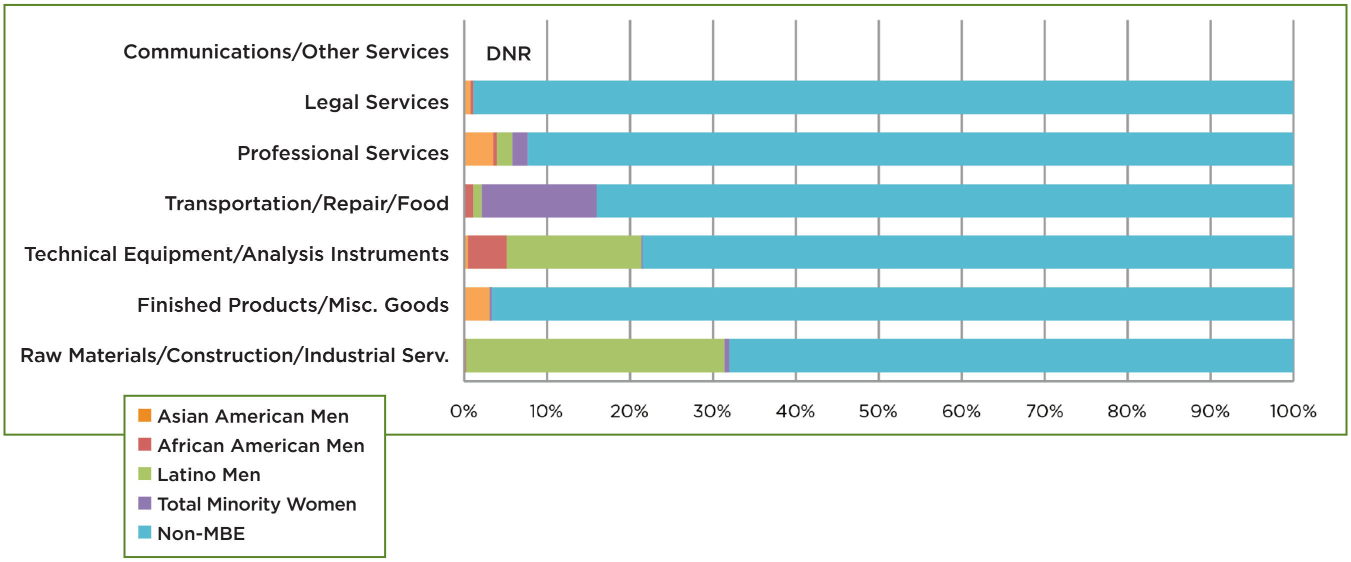


AT&T 2013

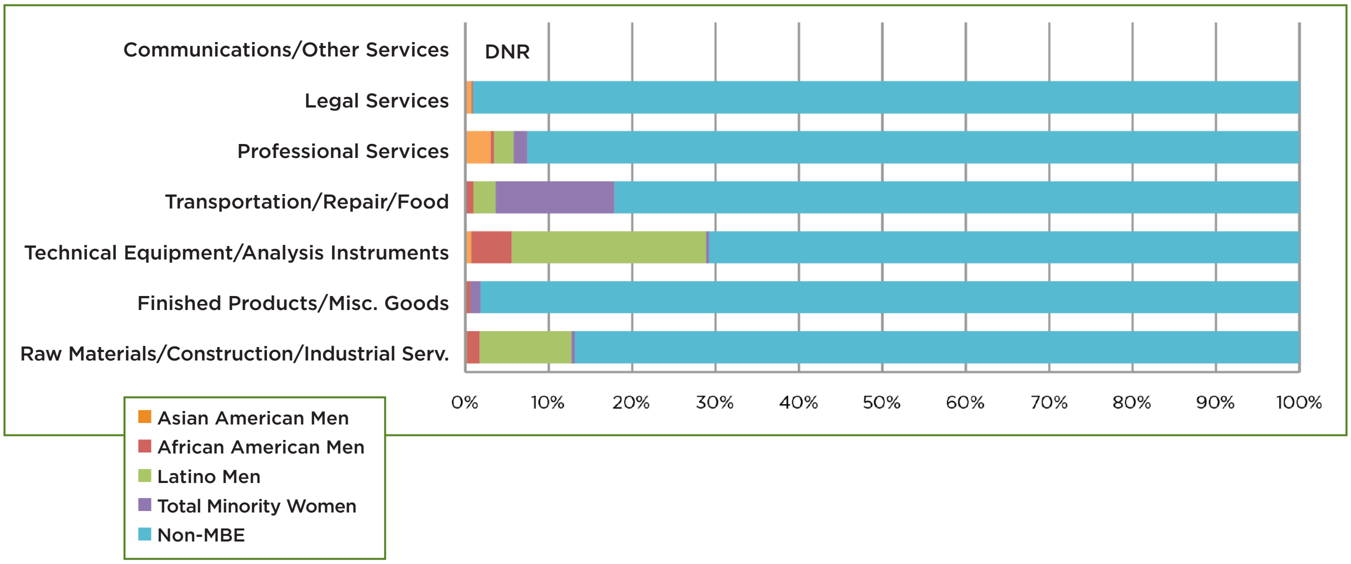


AT&T's minority contract spending increased overall, and **AT&T** saw upticks in Legal Services, Professional Services, Transportation/Repair/Food, Technical Equipment/Analysis Instruments and Finished Products/Misc. Goods. Raw Materials/Construction/Industrial Services had the only decrease, from over 30% in 2012 to less than 23% in 2013. At over 40%, Transportation/Repair/Food saw the biggest jump, and **AT&T** had the most spending of the reporting companies in Professional Services, at 19.13%. **AT&T** does not report spending in the Communications/Other Services category in a way that can be analyzed in this report.

AT&T Wireless 2012

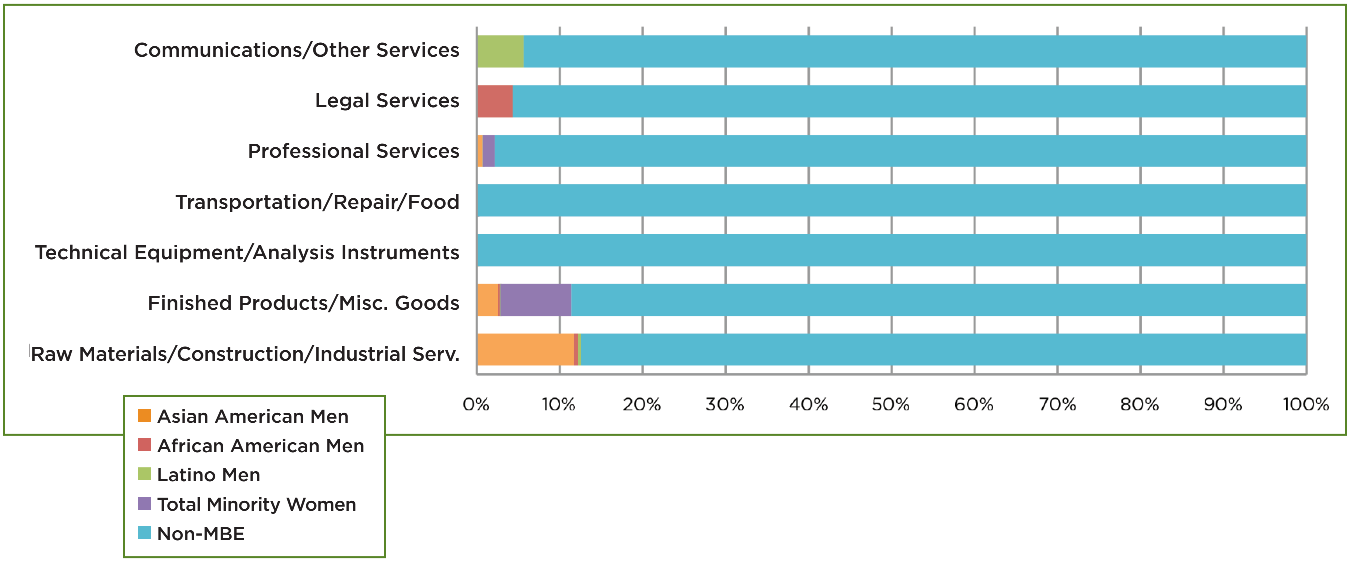


AT&T Wireless 2013

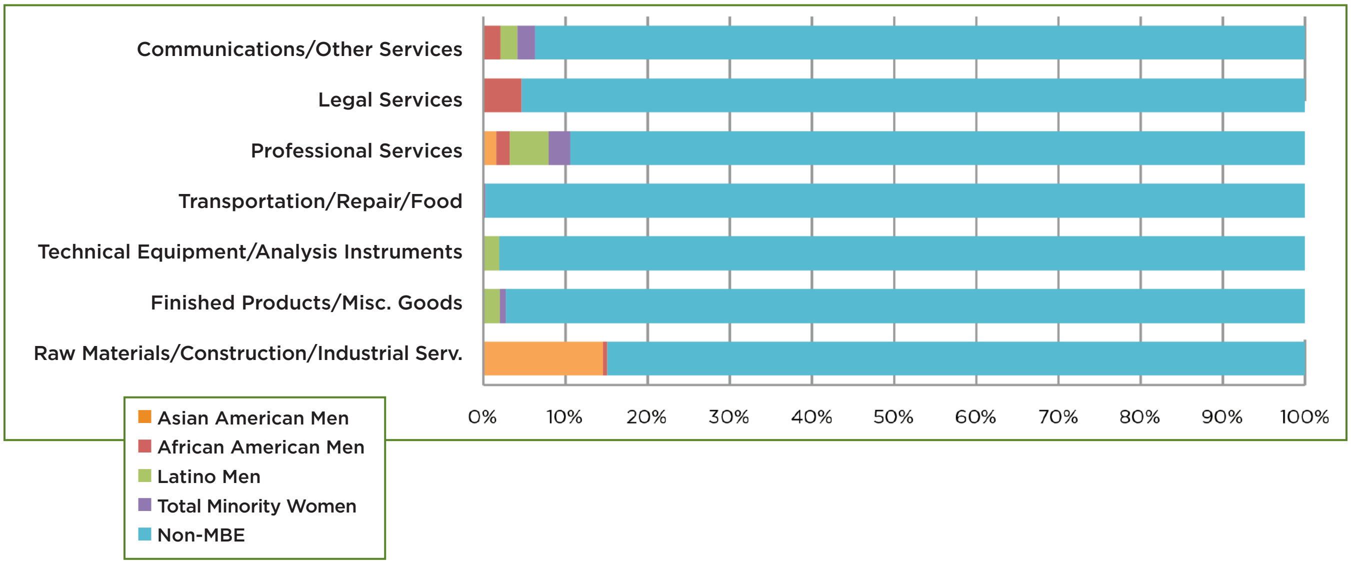


AT&T Wireless' highest minority contract spending category is Technical Equipment/Analysis Instruments, with just over 29% MBE spending — mostly due to Latino contract spending at 23.31%. Raw Materials/Construction/Industrial Services MBE spending decreased significantly from 2012 and is now at 13.15%. The SIC groupings most in need of attention are Legal Services and Finished Products/Misc. Goods, which are now both less than 2%. **AT&T Wireless** does not report spending in the Communications/Other Services category.

Comcast 2012

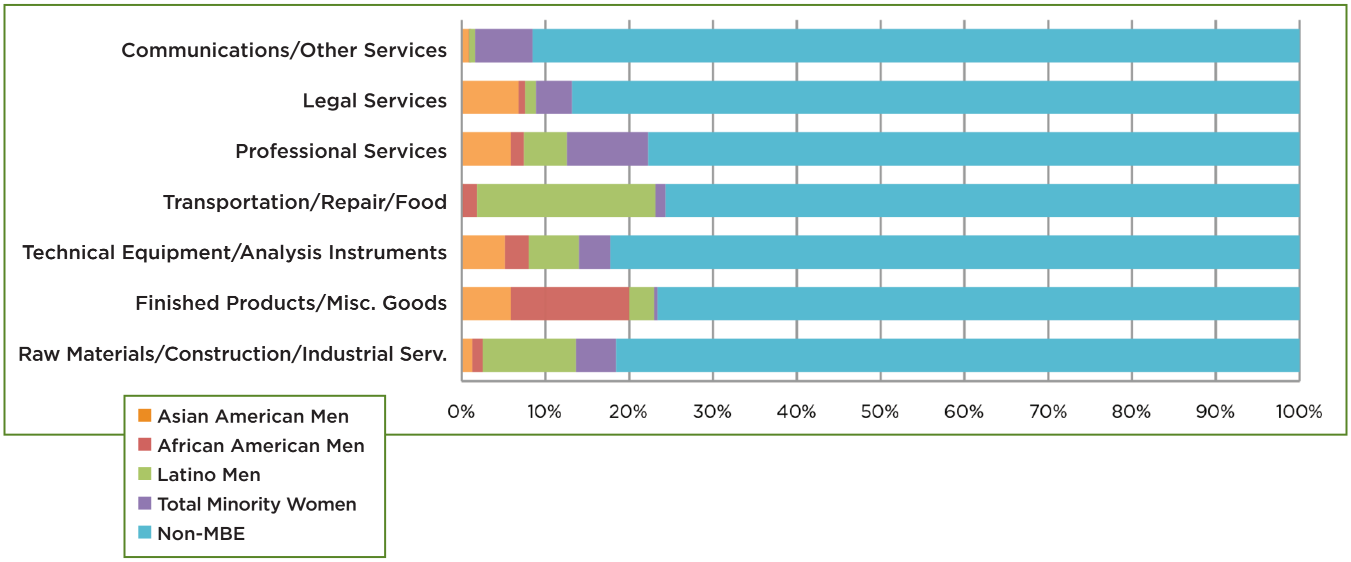


Comcast 2013

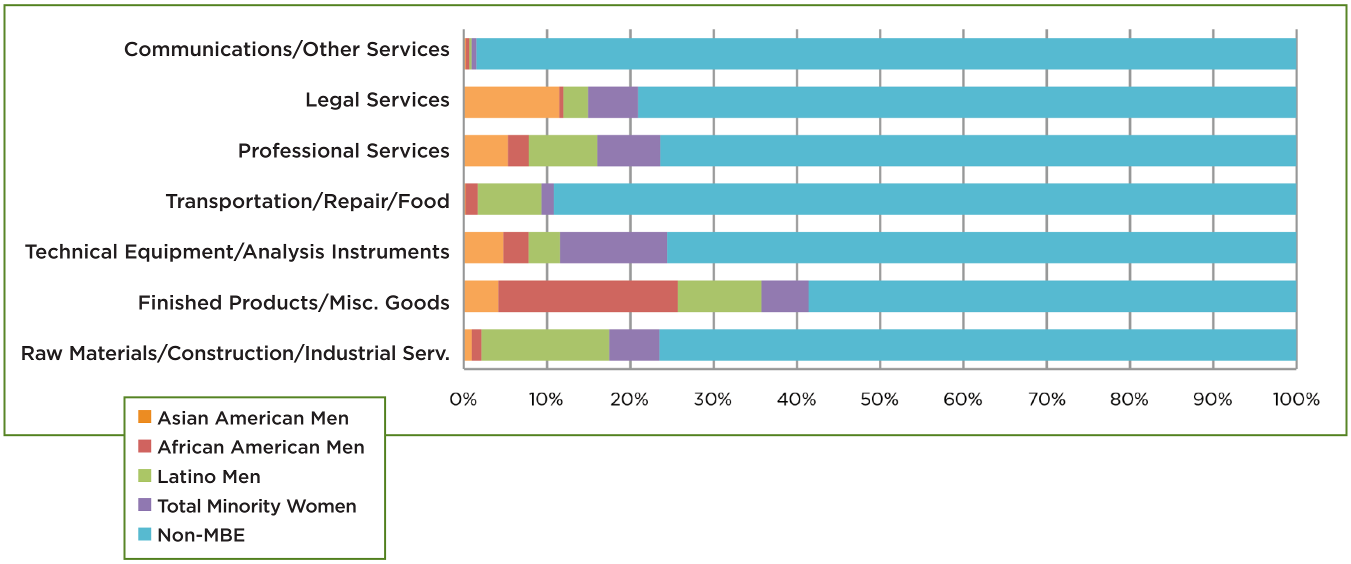


Comcast had some improvements and some declines compared to 2012: Communications/Other Services, Legal Services and Finished Products/Misc. Goods decreased, while Raw Materials/Construction/Industrial Services, Professional Services, Transportation/Repair/Food and Technical Equipment/Analysis Instruments increased. **Comcast** posted its highest minority contract spending in Raw Materials/Construction/Industrial Services, coming in at nearly 14%, with Asian American men comprising the bulk of the spending in that category. Despite the few upticks in 2013, most categories remain a concern at less than 5%.

Edison 2012

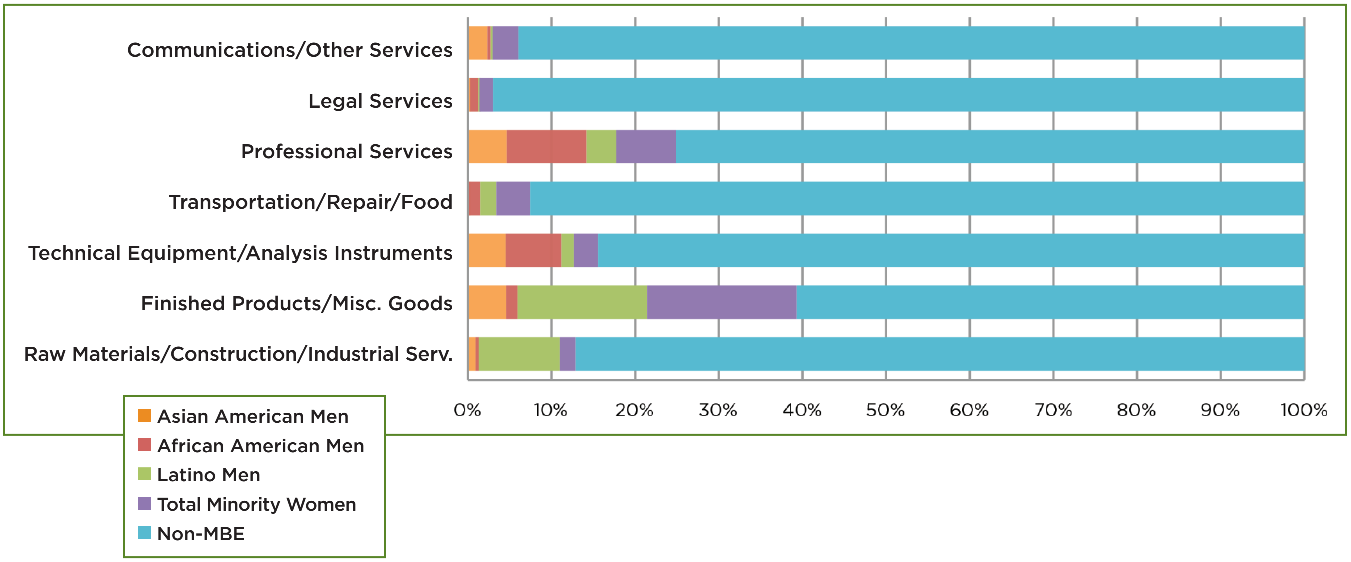


Edison 2013

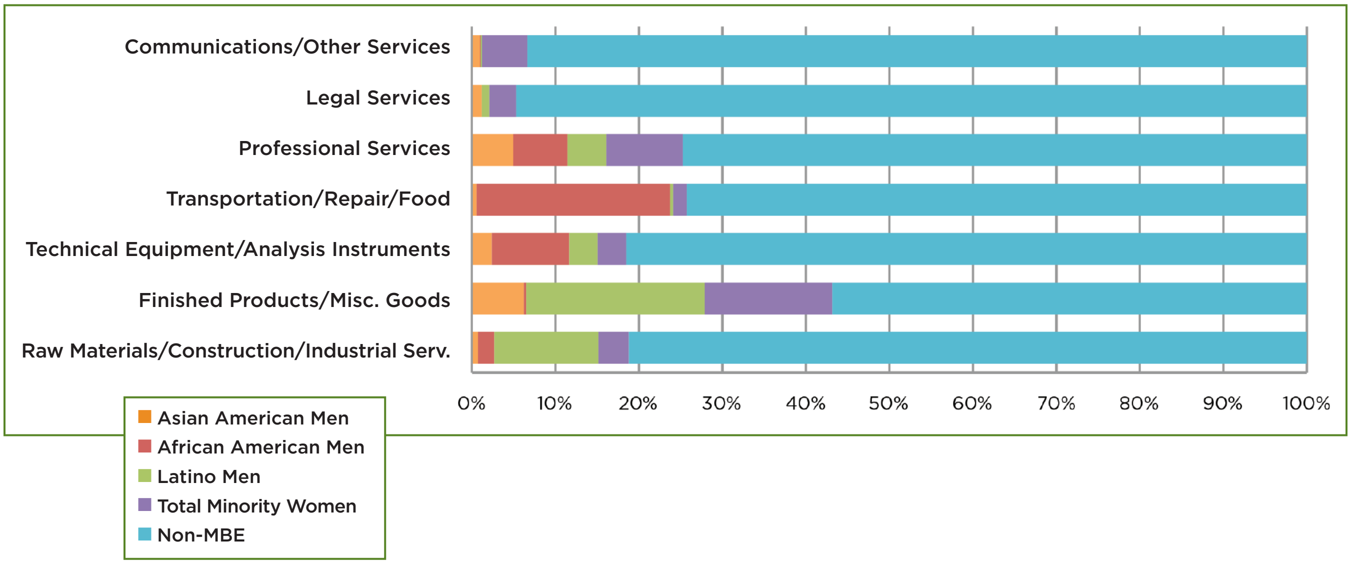


In 2013, **Edison** posted some increases and some decreases compared to 2012. Communications/Other Services dropped significantly from almost 10% down to less than 2%. The most significant increase was in Finished Products/Misc. Goods, which moved from nearly 25% in 2012 to slightly over 41% in 2013. **Edison** came in second place for Legal Services at 20.35%, well above 2012.

PG&E 2012

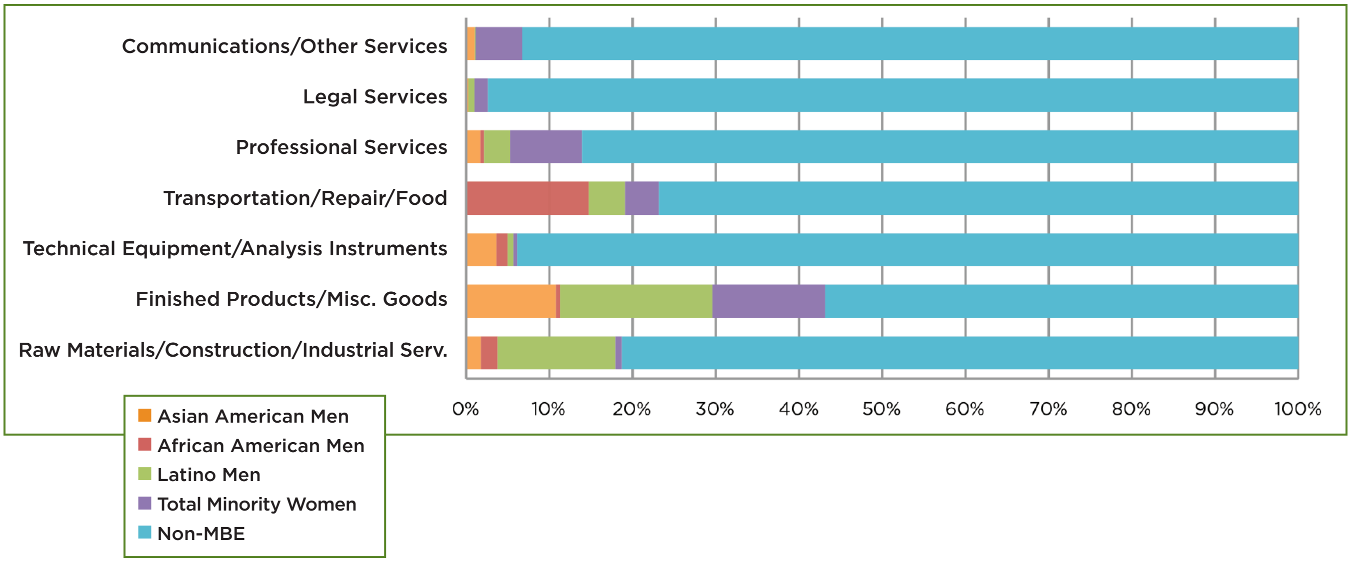


PG&E 2013

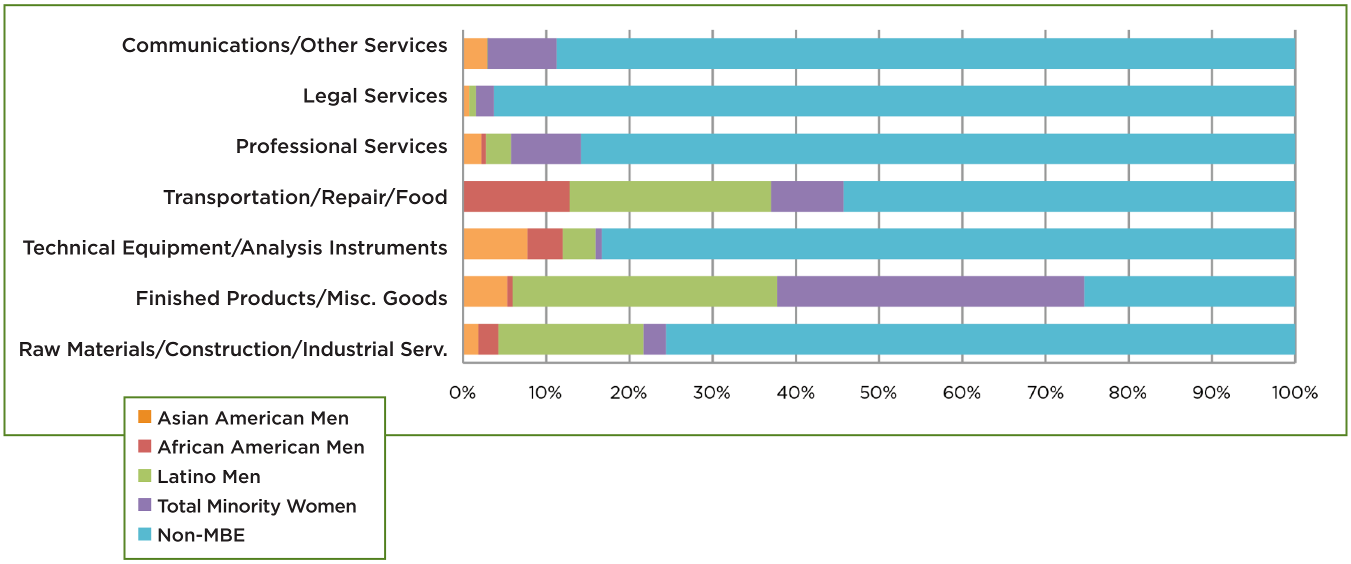


PG&E experienced little change or slight increases across the board, except for a significant increase in the Transportation/Repair/Food category, which is now above 25% in overall MBE contract spending, and Raw Materials/Construction/Industrial Services, which is now hovering just below 19%. The area of most concern for **PG&E** is Legal Services at less than 6%.

SDG&E 2012

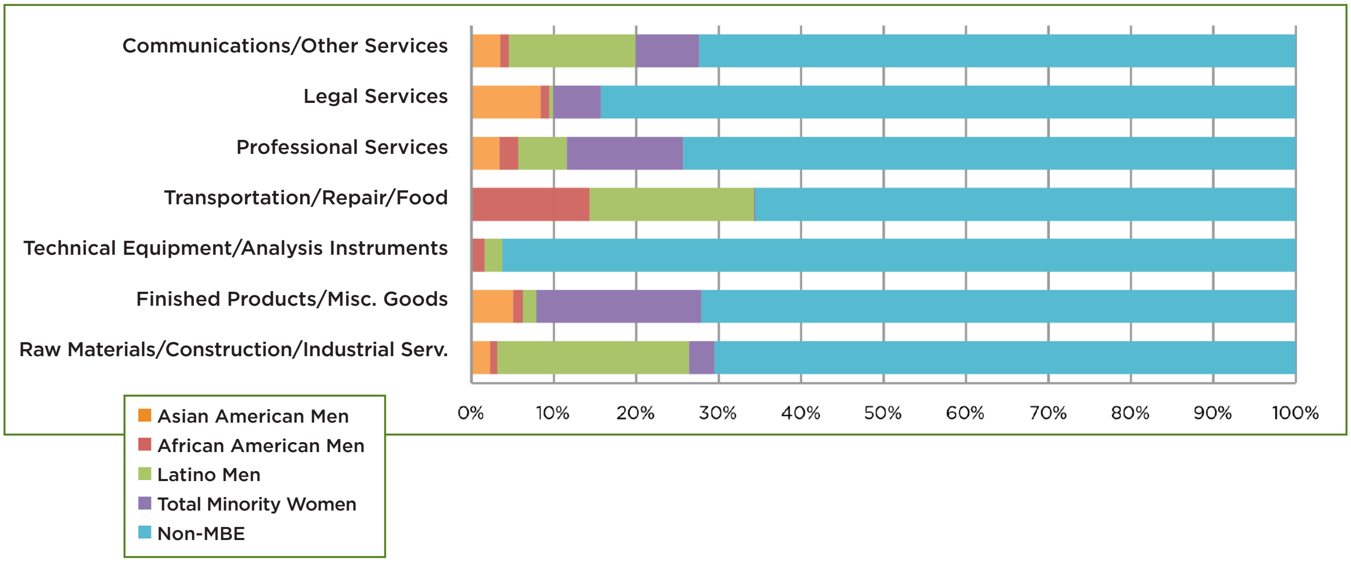


SDG&E 2013

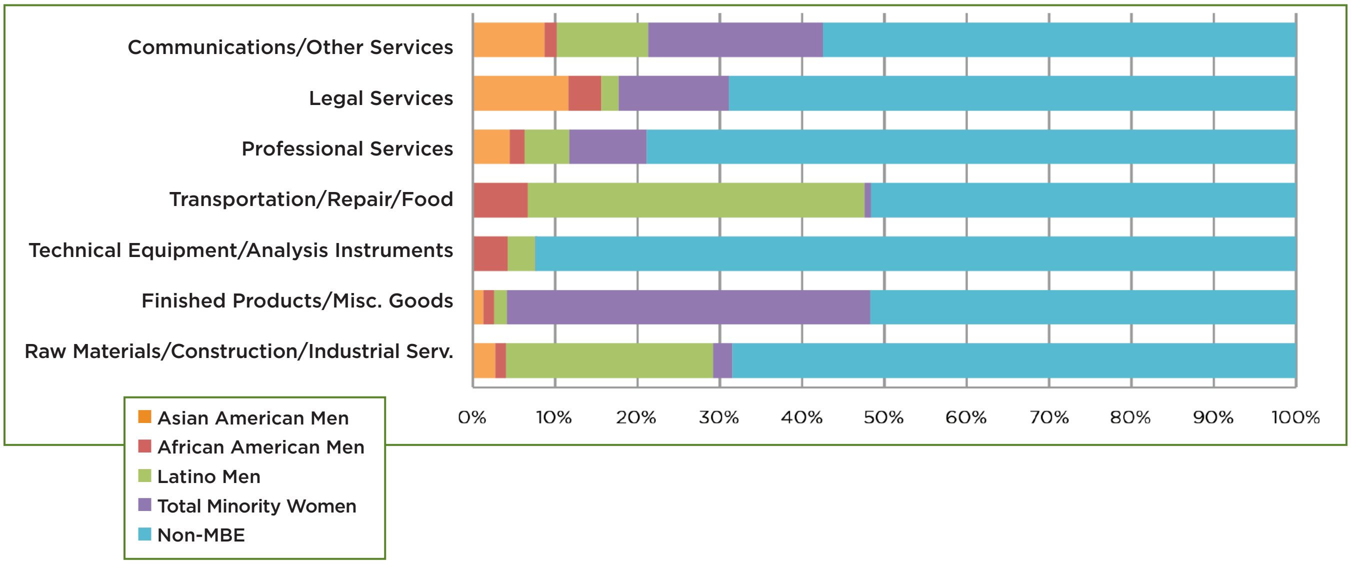


SDG&E experienced major increases in the Transportation/Repair/Food, Technical Equipment/ Analysis Instruments and Finished Products/Misc. Goods categories. Transportation/ Repair/ Food moved from just under 24% in 2012 to nearly 46% in 2013. Technical Equipment/ Analysis Instruments moved from under 10% to just below 13%. Finished Products/Misc. Goods jumped dramatically from just over 40% in 2012 to nearly 75% in 2013.

SoCalGas 2012

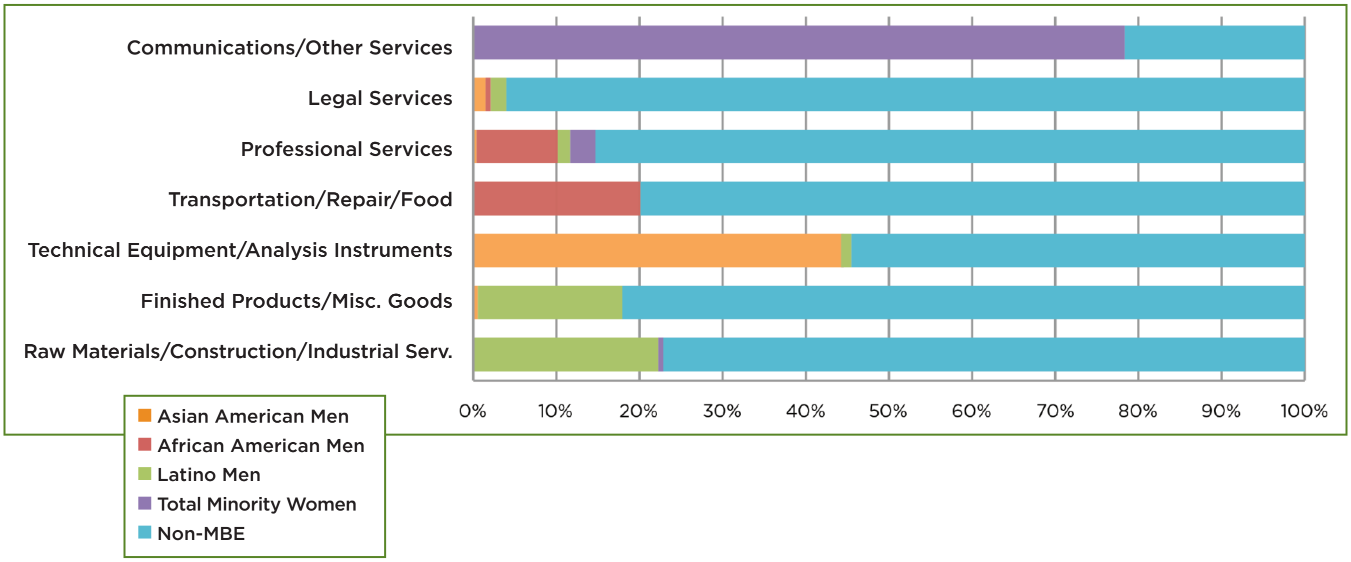


SoCalGas 2013

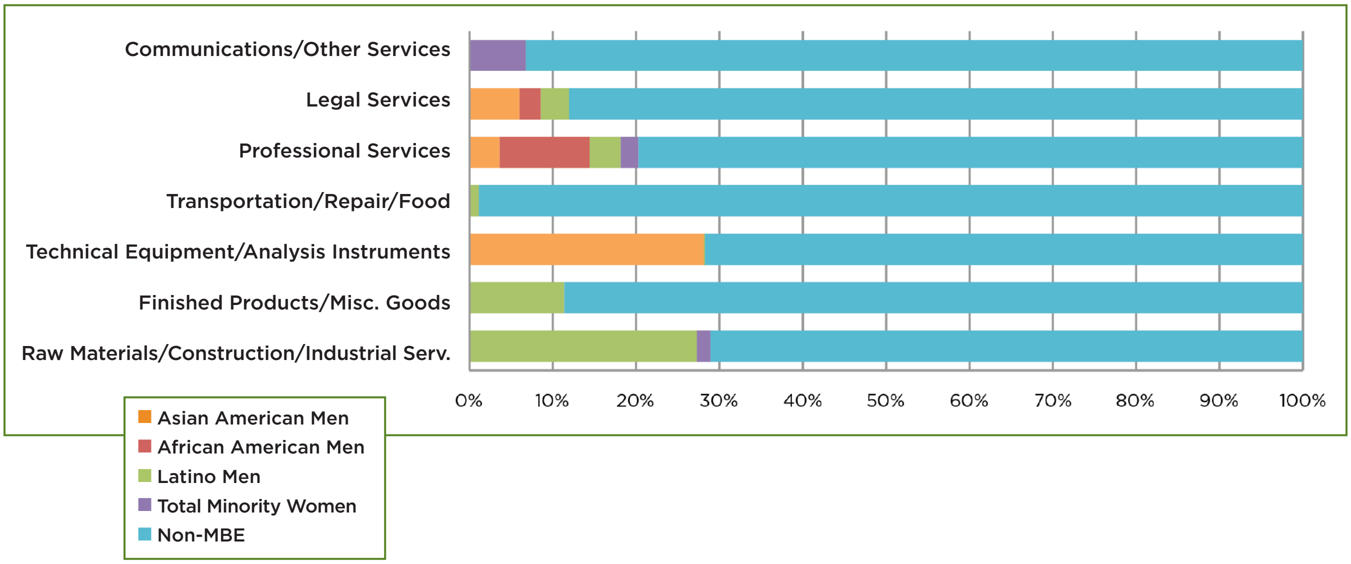


SoCalGas made major gains in most categories, including Communications/Other Services, Legal Services, Transportation/Repair/Food, Finished Products/Misc. Goods and Raw Materials/Construction/Industrial Services. Notably, spending in Legal Services doubled from around 15% in 2012 to over 31% in 2013, which gives **SoCalGas** the highest MBE spending in this category. Communications/Other Services spending increased from almost 28% in 2012 to over 42%, Transportation/Repair/Food went from under 40% to over 48%, Finished Products/Misc. Goods grew from under 30% to over 48% and Raw Materials/Construction/Industrial Services moved from about 30% to almost 32%. Professional Services decreased from around 25% to about 21%.

Verizon 2012

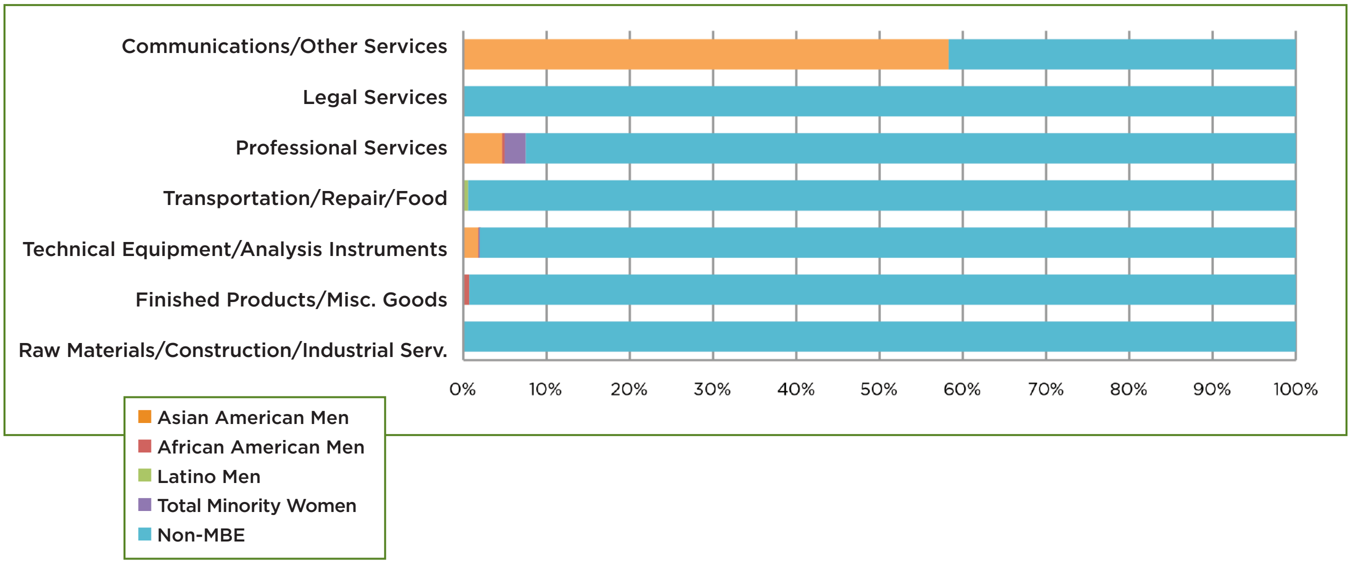


Verizon 2013



Verizon's minority contract spending decreased in several categories. The Communications/Other Services category, which ballooned from nearly 0% in 2011 to just below 80% in 2012, is now below 7%. Transportation/Repair/Food took a dramatic downswing from about 20% to slightly above 1%. Technical Equipment/Analysis Instruments also dropped from about 45% in 2012 to about 28% in 2013. All of these areas of concern require **Verizon**'s attention.

Verizon Wireless 2013



Verizon Wireless[14] has several areas of concern, with all but two SIC categories having less than 2% MBE spending. While spending in the Communications/Other Services category is dramatically higher than all other categories at over 58%, it is entirely comprised of Asian American spending. Similarly, Professional Services at almost 8% is mostly comprised of Asian American spending.

Total 2013 SIC Spending by Company

AT&T	Asian American Men	African American Men	Latino Men	Minority Women	Overall Spend (Millions)
Raw Materials/Construction/Industrial Services	2.63%	2.36%	8.71%	8.78%	$412
Finished Products/Misc. Goods	0.01%	9.74%	0.01%	3.42%	$4
Technical Equipment/Analysis Instruments	5.29%	3.92%	13.80%	3.69%	$1,304
Transportation/Repair/Food	0.95%	0.42%	21.29%	18.72%	$136
Professional Services	6.04%	7.18%	19.13%	4.62%	$514
Legal Services	0.81%	14.56%	0.00%	0.02%	$29
Communications/Other Services	DNR	DNR	DNR	DNR	DNR

AT&T Wireless	Asian American Men	African American Men	Latino Men	Minority Women	Overall Spend (Millions)
Raw Materials/Construction/Industrial Services	0.20%	1.51%	11.02%	0.42%	$441
Finished Products/Misc. Goods	0.00%	0.60%	0.00%	1.25%	$2
Technical Equipment/Analysis Instruments	0.73%	4.85%	23.31%	0.33%	$2,417
Transportation/Repair/Food	0.08%	0.90%	2.65%	14.22%	$52
Professional Services	3.05%	0.41%	2.35%	1.64%	$680
Legal Services	0.74%	0.14%	0.00%	0.00%	$11
Communications/Other Services	DNR	DNR	DNR	DNR	DNR

Comcast	Asian American Men	African American Men	Latino Men	Minority Women	Overall Spend (Millions)
Raw Materials/Construction/Industrial Services	13.34%	0.50%	0.00%	0.00%	$120
Finished Products/Misc. Goods	0.07%	0.00%	1.66%	0.62%	$29
Technical Equipment/Analysis Instruments	0.05%	0.00%	1.64%	0.00%	$20
Transportation/Repair/Food	0.00%	0.00%	0.00%	0.20%	$19
Professional Services	1.42%	1.43%	4.26%	2.35%	$35
Legal Services	0.00%	4.17%	0.00%	0.00%	$4
Communications/Other Services	0.00%	2.14%	2.07%	2.14%	$63

Edison	Asian American Men	African American Men	Latino Men	Minority Women	Overall Spend (Millions)
Raw Materials/Construction/Industrial Services	0.97%	1.13%	15.37%	6.00%	$1,520
Finished Products/Misc. Goods	4.13%	21.59%	10.02%	5.66%	$152
Technical Equipment/Analysis Instruments	4.77%	3.02%	3.77%	12.83%	$380
Transportation/Repair/Food	0.22%	1.44%	7.68%	1.46%	$84
Professional Services	5.30%	2.50%	8.21%	7.57%	$1,324
Legal Services	11.16%	0.49%	2.88%	5.82%	$32
Communications/Other Services	0.24%	0.42%	0.29%	0.57%	$16

Total 2013 SIC Spending by Company *cont.*

PG&E	Asian American Men	African American Men	Latino Men	Minority Women	Overall Spend (Millions)
Raw Materials/Construction/Industrial Services	0.74%	1.94%	12.45%	3.65%	$1,752
Finished Products/Misc. Goods	6.23%	0.26%	21.42%	15.25%	$540
Technical Equipment/Analysis Instruments	2.36%	9.29%	3.39%	3.43%	$392
Transportation/Repair/Food	0.58%	23.17%	0.38%	1.61%	$439
Professional Services	4.96%	6.48%	4.65%	9.18%	$2,248
Legal Services	1.19%	0.00%	0.92%	3.19%	$89
Communications/Other Services	0.94%	0.06%	0.22%	5.40%	$45

SDG&E	Asian American Men	African American Men	Latino Men	Minority Women	Overall Spend (Millions)
Raw Materials/Construction/Industrial Services	1.84%	2.40%	17.44%	2.74%	$311
Finished Products/Misc. Goods	5.31%	0.65%	31.77%	36.93%	$177
Technical Equipment/Analysis Instruments	5.95%	3.22%	3.03%	0.58%	$150
Transportation/Repair/Food	0.00%	12.82%	24.21%	8.65%	$34
Professional Services	2.20%	0.56%	2.99%	8.44%	$303
Legal Services	0.73%	0.00%	0.84%	2.15%	$30
Communications/Other Services	2.86%	0.03%	0.10%	8.23%	$4

SoCalGas	Asian American Men	African American Men	Latino Men	Minority Women	Overall Spend (Millions)
Raw Materials/Construction/Industrial Services	2.73%	1.31%	25.13%	2.35%	$350
Finished Products/Misc. Goods	1.27%	1.34%	1.55%	44.14%	$145
Technical Equipment/Analysis Instruments	0.07%	4.15%	3.31%	0.04%	$79
Transportation/Repair/Food	0.00%	6.70%	40.87%	0.81%	$57
Professional Services	4.47%	1.82%	5.45%	9.39%	$287
Legal Services	11.59%	4.00%	2.11%	13.39%	$9
Communications/Other Services	8.74%	1.48%	11.07%	21.22%	$15

Verizon	Asian American Men	African American Men	Latino Men	Minority Women	Overall Spend (Millions)
Raw Materials/Construction/Industrial Services	0.00%	0.00%	27.29%	1.66%	$56
Finished Products/Misc. Goods	0.05%	0.00%	11.33%	0.00%	$31
Technical Equipment/Analysis Instruments	28.12%	0.01%	0.14%	0.00%	$16
Transportation/Repair/Food	0.00%	0.00%	1.10%	0.00%	<1
Professional Services	3.65%	10.74%	3.77%	2.11%	$127
Legal Services	6.02%	2.54%	3.37%	0.00%	$5
Communications/Other Services	0.00%	0.00%	0.00%	6.76%	$61

Total 2013 SIC Spending by Company *cont.*

Verizon Wireless	Asian American Men	African American Men	Latino Men	Minority Women	Overall Spend (Millions)
Raw Materials/Construction/Industrial Services	0.05%	0.00%	0.00%	0.00%	$4
Finished Products/Misc. Goods	0.00%	0.69%	0.00%	0.00%	$2
Technical Equipment/Analysis Instruments	1.80%	0.06%	0.00%	0.09%	$576
Transportation/Repair/Food	0.00%	0.00%	0.58%	0.00%	<1
Professional Services	4.67%	0.30%	0.00%	2.52%	$1,153
Legal Services	0.00%	0.00%	0.00%	0.00%	$2
Communications/Other Services	58.29%	0.00%	0.00%	0.00%	$642

Company-by-Company SIC Spending Highlights

AT&T

- MBE contracting comprises more than 41% of Transportation/Repair/Food spending, making it the most diverse category, with Professional Services following closely behind at 36.97%.
- Latino contract spending (both men and women) makes up the majority of Transportation/Repair/Food at almost 40%.
- In contrast, AT&T spent nothing with Latino men and next to nothing with MWBE in the Legal Services category.

AT&T Wireless

- Latino men and MWBE constitute the most spending, with Latino men comprising 11.02% of Raw Materials/Construction/Industrial Services and 23.31% of Technical Equipment/Analysis Instruments, while MWBE comprise 14.22% of Transportation/Repair/Food.
- However, African American spending is less than 5% across the board and Asian American spending is less than 3.5% across the board.
- No minority group exceeds 1% in the Legal Services category and only MWBE spending exceeds 1% in the Finished Products/Misc. Goods category.

Comcast

- There is next to no MBE spending in Transportation/Repair/Food, with only .2% of spending in this category going to MWBE.
- MWBE accounted for 2.35% of Professional Services spending and 2.14% of Communications/Other Services spending, but little or none of any other category.
- Comcast does 13.34% of its procurement in Raw Materials/Construction/Industrial Services with Asian American Men, but little or none with all other groups.

Edison

- No group exceeds 1% spending in the Communications/Other Services category.
- Asian American spending (both men and women) is about 16% of Legal Services contracting.
- MWBE make up almost 13% of the Technical Equipment/Analysis Instruments category, the highest of any company.

PG&E

- Except for Legal spending with African American men, all minority groups (including MWBE) have some contract spending in each category.
- African American men make up 23.17% of the Transportation/Repair/Food category, the highest among all other companies
- Spending with MWBE exceeds other minority groups in Legal Services and Communications/Other Services, at 3.19% and 5.40%, respectively.

SDG&E

- No Asian American men contract spending in Transportation/Repair/Food, and no African American spending in Legal Services.
- In 2012, Latino men and MWBE contract spending comprised 18.31% and 13.57% of the Finished Products/Misc. Goods category, respectively, but increased markedly in 2013 to 31.77% and 36.93%.
- This was the highest combination of spending of any other combination of men and women across categories.

SoCalGas

- MWBE had the most Finished Products/Misc. Goods contract spending of any minority group, soaring to 44.14% from 20.04% in 2012 and 11.70% in 2011 — the highest amount of spending for MWBE in any category across companies.
- No Asian American contract spending in the Transportation/Repair/Food category for two consecutive years.
- African American men contract spending in Transportation/Repair/Food has dropped from 26.83% in 2011 to 14.43% in 2012 to 6.70% in 2013.

Verizon

- There is no Asian American men or African American men contract spending in the Raw Materials/Construction/Industrial Services and Transportation/Repair/Food categories.
- There is no Asian American men, African American men or Latino men contract spending in the Communications/Other Services categories.
- No MWBE contract spending in the Finished Products/Misc. Goods, Technical Equipment/Analysis Instruments, Transportation/Repair/Food and Legal Services categories.

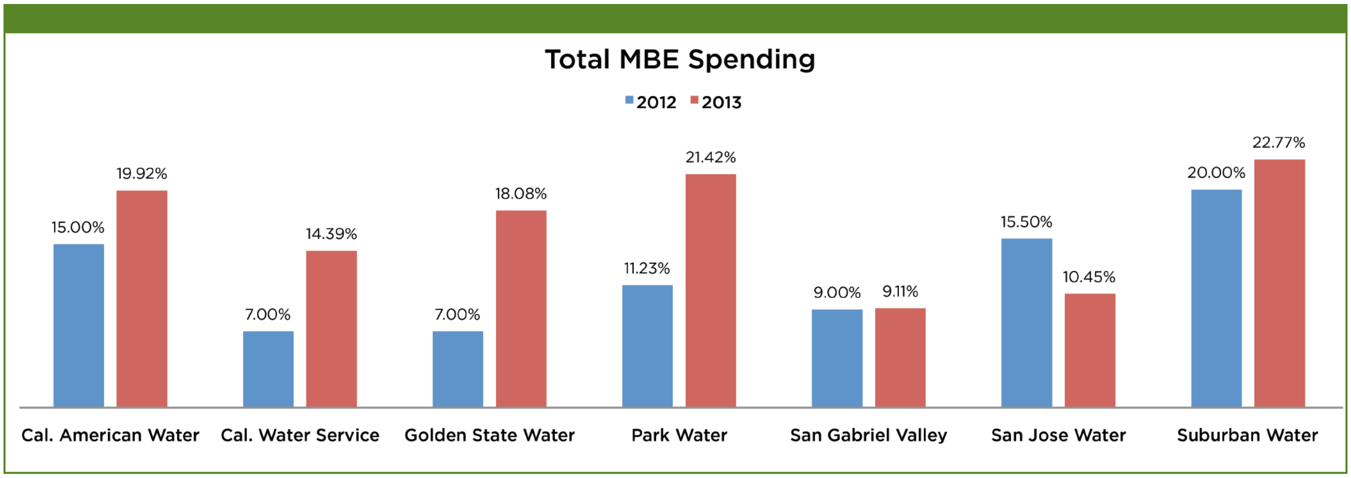
Verizon Wireless

- No MBE contract spending in the Legal Services category.
- No MWBE contract spending in the Raw Materials/Construction/Industrial Services, Finished Products/Misc. Goods, Transportation/Repair/Food and Legal Services categories.
- Asian American men contract spending comprised just over 58% of the Communications/Other Services category, which is the highest spending of any category or group.

VI. KEY SUPPLIER DIVERSITY OPPORTUNITIES

The Water Industry

The 2013 report marks the third year that the water companies have reported under GO 156. Transitioning from Memoranda of Intent to the robust reporting required by GO 156 can be a significant change in information gathering, reporting structure and internal processes. This year's reports have shown steps in the right direction, but strongly indicate that 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, only three accepted our invitation: **California American Water**, **Golden State Water** and **San Gabriel Valley Water**.



Note: Park Water includes Apple Valley Ranchos. Park Water Company and Apple Valley Ranchos function as two separate units in California, but filed jointly and combined their data in 2013.

Results from the water companies are not yet as comprehensive as the other participants reporting under GO 156, but they are making major strides. For example, all companies are now making an effort to report their data by uniform standard industrial categories, which makes looking at underutilized areas much easier. Improvement is still needed, however, to ensure consistency in reporting across companies.

In 2013 all but three water companies exceeded the CPUC MBE spending goal of 15%, whereas only three met the goal in 2012.

As demonstrated in the graph above, all but one of the water companies have improved their MBE contract spending compared to 2012. In 2013 all but three companies exceeded the CPUC MBE spending goal of 15%, whereas only three companies met the goal in 2012. In order for the companies to build on their results, they must all continue to focus on exceeding the CPUC goals. Learning from the best practices established by the telecommunications and energy companies will help advance the water companies' supplier diversity efforts.

Despite this irregular reporting across companies, these trends within the industry deserve specific attention:

- **Institutionalizing Supplier Diversity Best Practices.** Over the last year, we have seen growth in supplier diversity departments and creation of positions dedicated to increasing and improving supplier diversity efforts. **California American Water**, for example, recently established a position for a National Supplier Diversity Manager. We have also seen a surge in the commitment of leadership to supplier diversity efforts within the water industry. Having leadership engaged in these processes accelerates the success of supplier diversity efforts. **Golden State Water**, for example, credits the commitment of its CEO for its increase in diverse spending and helping the company surpass the CPUC goal of 21.5% DBE spending in 2013. Specifically, **Golden State Water**'s CEO mandated a portion of employee compensation be tied to achievement of GO 156 goals.

- **Tier II Spending.** Efforts to engage prime suppliers in the companies' supplier diversity efforts have resulted in increases to second tier spending. For example, **San Gabriel Valley Water** has implemented a vendor registration program to get the word out to their prime suppliers about opportunities with diverse subcontractors. Utilizing diverse subcontractors has increased **California American Water**'s Tier II spending from $280,000 in 2012 to $1.8 million in 2013.

- **Under-utilized Areas.** Much like their energy and telecommunications peers, water companies struggle to secure diverse contracts in professional and legal services.

- **Sharing Information.** Similar to other industries, the water companies have found it difficult to obtain certified diverse vendors for areas that require special expertise. Within and across industries, companies must share best practices and information about specialists, who are difficult to find.

Tier II Programs

Developing a robust Tier II supplier diversity program has quickly become a critical step in improving supplier diversity results. Many companies have robust capacity efforts in place as part of these Tier II programs to help Tier II suppliers scale up to meet bigger contracting opportunities.

AT&T California, for example, established a Prime Supplier Program in 1989 that has helped prime suppliers increase contracting with diverse vendors. As a result of these efforts, **AT&T California** had a 25% year-over-year increase in Tier II spending, from $402 million in 2012 to $502 million in 2013, and a 6% increase in the number of Prime Suppliers reporting subcontracting results.

As another example, **California American Water**'s results, described above, show the degree to which a focused effort in Tier II spending can dramatically improve supplier diversity results. Getting suppliers invested in its company's supplier diversity program enabled **California American Water** to bolster its diverse contracting dollars through its prime suppliers' contracts, increasing its Tier II spending over six-fold from 2012 to 2013.

Spending in Legal and Professional Services

Greenlining has highlighted Legal and Professional Services as weak areas for several years now, and still no real progress has been made toward sustainable performance. Contracting in Legal and Professional services has stagnated, if not regressed, for most companies this year. This problem is becoming critical and may require more prescriptive action.

A few companies improved their Legal Services spending. **SoCalGas** doubled its contract spending over 2012 in the Legal Services category, leading the pack at 31.08% for overall MBE spending. **Edison** also increased its overall MBE Legal Services spending to 20.35% and came in second place. Despite these few gains, too many companies have zero to minimal spending in certain ethnic categories or no MBE spending whatsoever. **Verizon Wireless**, for example, spent nothing with MBEs in legal services in 2013. **AT&T Wireless** spent less than 1% in overall MBE Legal Services. **Comcast** had zero spending in several ethnic categories, including Asian American Men, Latino men and total MWBE.

> Despite years in the spotlight, results in Legal and Professional Services continue to languish.

Additionally, it seems some companies report the portion of their legal spending with majority firms for work done by minority lawyers and paralegals together with their spending with minority-owned firms. As we noted last year, reporting the minority employees at majority firms is not supplier diversity, and does not count towards GO 156 reporting. Workforce diversity in majority firms is important, but different from supplier diversity efforts because supplier diversity specifically seeks to increase ownership by minority-owned business enterprises. Although reporting workforce diversity spending at majority law firms is voluntary for GO 156 purposes, for next year, we suggest including two tables highlighting these distinct diversity efforts.[15]

Professional Services has similarly experienced relative stagnation. Unlike Legal Services, however, which lacked spending in several ethnic categories, all but one company had at least some Professional Services spending in each ethnic category. For those companies that did show spending, the range of percentages was as low as .30% (achieved by **Verizon Wireless** in the African American men category) and as high as 19.13% (achieved by **AT&T** in the Latino men category). Three companies had less than 1% spending in at least one ethnic category, and three companies had less than 10% overall MBE spending.

Neither of these categories has received the dedicated attention they need to expand and flourish. The telecommunications and energy companies need to turn their attention and efforts to these categories in order to continue to grow their supplier diversity programs.

Energy Procurement

SDG&E nearly doubled its DBE energy spending from $77 million in 2012 to $146 million or 30.8% in 2013; of that, $66 million was spent with MBEs. **SDG&E** also added 14 new DBE wholesale power suppliers, 7 of whom were MBEs. To continue improving its efforts in this area, **SDG&E** has developed a mentoring program to help DBEs fast-track their entry into power and fuel procurement.

SoCalGas increased its DBE fuel procurement from $210 million or 15.2% to $329 million or 19.3% in 2013. Additionally, through its mentorship program **SoCalGas** obtained its first contract with a DVBE for natural gas purchases.

PG&E spent 11% more in 2013 with DBEs in electric procurement compared to 2012, including two Renewable Power Products contracts with one MBE. Additionally, **PG&E**'s Core Gas Supply department purchased 17.57% of total natural gas purchases. **PG&E**'s Core Gas Supply department also fostered the development of a new DVBE through targeted mentorship matchmaking with a diverse vendor.

Edison also increased its diversity spending in power procurement, with over $180 million in natural gas and power transactions with DBEs in 2013, more than five times the 2012 total. Of that amount, **Edison** spent nearly $140 million with MBEs. **Edison** procured over 30% of its natural gas from DBEs. Additionally, **Edison**'s first DBE power generating Power Purchase Agreement came online and started deliveries in January 2013.

In the coming years, Greenlining expects to see continued gains in this area, both with prime suppliers and Tier II suppliers. We expect the companies to set their own goals and create stronger programs in this lucrative growth area.

Pipeline Safety Enhancement Plans

One of the CPUC's objectives is to ensure pipeline safety. In order to facilitate this objective, the gas companies are implementing Pipeline Safety Enhancement Plans (PSEP), in which they test and/or replace all natural gas transmission pipelines that have not been tested to meet current standards. The PSEP endeavor provides significant opportunities to incorporate supplier diversity efforts.

SDG&E and **SoCalGas** began their PSEP-related field activities in July of 2013. Combined, **SDG&E** and **SoCalGas** spent 19.8% of its PSEP funding with MBEs and added 10 new MBEs to its PSEP in 2013. Organizing PSEP-specific events and launching a supplier interest portal on **SoCalGas**' website has helped the companies reach potential suppliers.

PG&E has also been incorporating supplier diversity efforts into its PSEP planning. In 2013, PG&E increased DBE spend by more than $77 million or 19.8%. **PG&E** selected 11 additional MBEs to support gas operations projects in 2013.

In the future, we hope to see the gas companies incorporate each minority group into these efforts.

VII. RECOMMENDATIONS

General Recommendations

1. **Companies must rededicate themselves to areas that are leveling off or slipping, such as Asian American, African American and DVBE spending.** African American spending declined dramatically in 2013, with half of the companies reducing spending in this category. **Cox**, **Comcast**, **T-Mobile** and **Verizon Wireless** had spending under 1%. Asian American spending appears to be leveling off and, with one exception, the percentage of spending remains low overall. Asian American spending has been noticeably challenging for three consecutive years, with only two companies exceeding 9%. In the DVBE category, six companies received failing grades for spending under 1% in 2013, with **Comcast**, **Cox** and **Verizon Wireless** at 0%. Renewed focus must be brought to all of these categories in order to reverse this downward trend.

2. **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 proportional spending, not just the absolute dollar spending, is critical. As companies continue to improve their overall spending percentage, bolstering untapped categories, like Legal and Professional services, will help strengthen results.

3. **Across industries, companies must share best practices and information about vendors with specialized expertise who may be difficult to find.** We encourage reporting companies to continue to share best practices amongst themselves and work in collaboration, especially in areas that remain challenging for all companies. For example, many companies face challenges securing DBEs for work that requires particular expertise or training. Once found, the names of these specialists should be shared across industries to help increase the work for these vendors and ensure that other reporting companies can benefit from these specialized skills.

4. **Companies must diversify their portfolios and avoid relying either on a sole project or vendor for its results in a category.** Although major projects can increase spending significantly in a category, they can also create precipitous declines as soon as the project ends, especially if there is no other project or vendor lined up to make up for those drops.

5. **Companies must continue pushing their prime suppliers to commit to supplier diversity efforts.** By making contractual agreements for prime suppliers to incorporate supplier diversity into Tier II contracting, companies can increase their diverse contracting and more diverse businesses will be able to participate.

6. **Companies must support Tier II vendors in building the capacity to reach Tier I status, in order for them to take on bigger contracts.** It is not enough for companies to spend contract dollars on subcontractors. With the right tools, resources and mentorship to grow, vendors can successfully take on more work from companies when bigger contracts come along.

7. **Water companies must develop uniform SIC categories to ensure reporting allows for apples-to-apples comparisons of their progress.** GO 156 requires much more detailed reporting than required by the MOIs under which the water companies previously reported. Completing this transition means including reporting by SICs, as well as full breakdowns by ethnicity. While we have already seen progress from some companies in their reporting efforts, we encourage all to keep moving toward full reporting, as well as toward improving performance.

8. **Underutilized areas must see results, not just promises.** This is the fourth year that Greenlining has called on the energy and telecommunications companies to improve their spending practices in underutilized areas. While continued growth in overall minority contracting is important, where that money goes demands urgent attention. 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. Furthermore, in reporting Legal Services spending, companies must disaggregate spending with majority firms for work done by minority lawyers and paralegals. As we noted in the 2013 Supplier Diversity Report Card, reporting the minority employees at majority firms is not supplier diversity, and does not count towards GO 156 reporting.

Company-Specific Recommendations

1. **AT&T must set new goals for total minority contracting while focusing its attention on underutilized categories.** We laud **AT&T** for improving its overall MBE spending and coming in at just under the 30% mark. However, **AT&T** must take care not to rest on its laurels. Several categories experienced a decline in spending, necessitating renewed focus on African American, Asian American and MWBE spending. **AT&T**, as an industry leader, should use its position to tackle areas that have proven challenging for the entire industry, including Legal and Professional services. Additionally, **AT&T** must report its spending in Communication Services consistent with the way it reports its spending in other SIC categories.

2. **AT&T Wireless must focus on areas that are lacking minority contracting. AT&T Wireless** made a strong entrance in to our annual report in 2012, with 19.92% minority contracting, and improved in 2013 at just under than 23%. However, its spending is not consistent across the board. For example, **AT&T Wireless** finished in last place for Asian American spending at only 1.28%, far below the accomplishments of industry leaders. In contrast, **AT&T Wireless** achieved almost 18% in the Latino spending category. All categories other than Latino spending are in dire need of attention to bring **AT&T Wireless** in line with its competitors. **AT&T Wireless** must also pay attention to underutilized SIC categories, especially critical areas like Legal Services where overall MBE spending is less than 1%.

3. **Comcast must pay direct attention to untapped categories while strengthening existing spending. Comcast** has made steady progress towards more transparency and better results, for which it should be lauded. However, **Comcast** still needs improvement across the board. **Comcast** should pay particular attention to critical areas with no spending such as the Native American and DVBE categories. Although **Comcast** increased its DBE spending by $8 million, even its highest category — Asian American — still has not broken the 7% mark.

4. **Cox's commitment to and recent investment in supplier diversity has made it easier to evaluate its efforts.** While **Cox** had one of the lowest MBE spending percentages and received a failing grade, **Cox** is moving in the right direction, and we encourage continued efforts and progress. This year, **Cox** has disaggregated its spending by ethnic categories, which will help direct the growth needed in all areas. We encourage **Cox** to disaggregate its MWBE spending as a next step, and to continue to identify opportunities for growth with MBE contractors.

5. **Edison must continue to improve across the board, not just in select categories. Edison** received a B+ and moved up in the rankings this year, increasing its overall MBE spending by almost five percentage points to 25.36%. However, this increase was largely driven by a significant increase in Latino contract spending. Meanwhile, it decreased its contract spending in the African American and Asian American categories. **Edison** must take care to balance its spending across demographic groups and spending categories, to ensure steady progress. Edison must be commended for its efforts in Legal Spending, where 20.3% went to MBE firms.

6. **PG&E must not let its high overall spending obscure the need to maintain proportional spending and renew focus on categories that are not keeping pace. PG&E** struggles to make gains in its proportional spending largely due to its high absolute dollar spending, which reached over $1.5 billion in 2013 on minority contracting alone, the highest ever for **PG&E**. **PG&E** must focus on categories that are leveling off, including the MWBE and DVBE categories.

7. **SDG&E must renew its focus on areas that are leveling off. SDG&E** has turned around last year's decline in proportional minority contracting and surpassed the 30% mark in MBE spending. In order to continue its performance, **SDG&E** should renew its attention to categories that have been leveling off, such as Native American and African American spending. SDG&E must maintain diverse spending in its core business operations as well as in special projects, to ensure stable growth.

8. **SoCalGas must continue to build on existing practices and replicate these efforts in underutilized areas.** While surpassing the 30% MBE contracting mark in its seventh consecutive year of growth, **SoCalGas** should turn its attention to underutilized categories. Although **SoCalGas** had the top spot in Latino spending, it declined in all other ethnic categories except MWBE, where it came in second. **SoCalGas** must ensure that its performance does not rely too heavily on just a small handful of projects.

9. **Sprint must continue paying attention to underutilized categories to maintain its performance levels. Sprint** continues to experience success, and we appreciate its disaggregation of MWBE contract spending. While **Sprint** demonstrated relative success in the African American and Asian American categories, where many other companies are languishing, its minimal spending in the DVBE category is disappointing. Further, **Sprint** must modify its reporting in order to come fully in line with GO 156 conventions. We congratulate **Sprint** for disaggregating its MWBE spending, but we were unable to analyze the SIC data provided because of the way data was reported. Additionally, **Sprint** did not disaggregate its Tier II spending in 2013, which we recommend it do next year in order to help secure its spot as an industry leader.

10. **Time Warner Cable continues to show apathy towards supplier diversity. Time Warner** failed to file any report with the CPUC in 2013, further demonstrating a lack of interest in these efforts. This is unacceptable in a state like California where communities of color are the majority, and where other companies' efforts have made such remarkable progress.

11. **T-Mobile must improve its numbers using the groundwork it has built in the last two years.** While its numbers are low, resulting in an F grade and last place finish, **T-Mobile** is moving in the right direction. **T-Mobile** must increase its minority contracting across the board, facilitated by the programmatic improvements and outreach efforts it implemented in recent years. Additionally, **T-Mobile** has made great strides to move toward reporting its SIC spending in a way that we can analyze, though further reform is needed to allow for complete analysis.

12. **Verizon must bolster its efforts across the board to continue its progress. Verizon** earned a B with 24.84% MBE contract spending, a welcome increase after two consecutive years of decline. **Verizon** must focus its efforts in Asian American and Latino spending, where growth has been incremental, and turn around its steady decline in MWBE contract spending. Further, **Verizon** must work on spending more equitably across SIC categories.

13. **Verizon Wireless must improve performance in underperforming ethnic categories. Verizon Wireless**' results show erratic spending across ethnic categories. **Verizon Wireless** must first focus on areas that are struggling and on finding vendors in areas where it has no to minimal spending, such as Native Americans, DVBE and MWBE. It must also look to improve its SIC spending, especially in areas with zero spending, such as Legal Services. We appreciate that **Verizon Wireless** disaggregated its SIC spending in 2013, which allowed us to analyze its results.

VIII. REFERENCES

[1] These numbers are based on Greenlining's calculations.

[2] The formal name for the company commonly referred to as AT&T Wireless is AT&T Mobility.

[3] CPUC Press Release, (March 6, 2014). CPUC Supplier Diversity Program Hits Procurement Milestone. Retrieved from: http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M088/K899/88899091.PDF.

[4] GO 156 includes the following as diverse business enterprises: women, minority and disabled veteran-owned business enterprises. Per GO 156 Section 1.3.3, the CPUC uses the following terms for ethnic categories: Black Americans, Hispanic Americans, Native Americans and Asian Pacific Americans. In this report, to cover the same categories we use the following terms: African Americans, Latinos, Native Americans and Asian Americans. For more details about the CPUC's definitions go to http://docs.cpuc.ca.gov/PublishedDocs/PUBLISHED/GRAPHICS/171157.PDF.

[5] GO 156 (current as of May 2011), Rules Governing the Development of Programs to Increase Participation of Women, Minority and Disabled Veteran Business Enterprises in Procurement of Contracts from Utilities as Required by Public Utilities Code Sections 8281-8286 (Adopted April 27, 1988. Effective May 30, 1988) (D. 88-04-057 in R. 87-02-026).

[6] U.S. Census Bureau. (2012). U.S. Census Bureau Projections Show a Slower Growing, Older, More Diverse Nation a Half Century from Now. Retrieved from: http://www.census.gov/newsroom/releases/archives/population/cb12-243.html.

[7] U.S. Census Bureau. (2013). Preliminary 2013 Data on Employment Status by State and Demographic Group. Retrieved from http://www.bls.gov/lau/ptable14full2013.pdf.

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

[9] These calculations only include the energy and telecommunications companies, not the water companies.

[10] Governor's Budget Summary – 2014-15, p. 150. (January 10, 2014)
Retrieved from http://www.ebudget.ca.gov/2014-15/pdf/BudgetSummary/FullBudgetSummary.pdf.

[11] Sprint reports its wireless and wired services spending in California together, making Sprint a unique company compared to the other telecommunications companies. However, because the majority of Sprint's spending — over 60% — is for wireless services, we have included in the wireless section for purposes of this report.

[12] Because Cox did not disaggregate its state data from its national data in 2012, we had no basis to compare its information and subsequently could not report any changes.

[13] This section does not include Sprint or T-Mobile because they did not report their data in a way that we could analyze.

[14] We did not have 2012 data available for Verizon Wireless.

[15] 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.

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