



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking for the Purpose of Reviewing and Potentially Amending General Order 156 and to Consider Other Measures to Promote Economic Efficiencies of an Expanded Supplier Base and to Examine the Composition of the Utilities' Workforce.

Rulemaking 09-07-027
(Filed July 30, 2009)

**COMMENTS OF THE GREENLINING INSTITUTE ON THE UTILITIES' INTERIM
STEPS TOWARDS GENERAL ORDER 156 GOALS**

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I. Introduction and Background

The Greenlining Institute ("Greenlining") respectfully submits the following comments to the California Public Utilities Commission ("Commission" or "CPUC") in the above-captioned proceeding, the Commission's Rulemaking for the Purpose of Reviewing and Potentially Amending General Order 156 and to Consider Other Measures to Promote Economic Efficiencies of an Expanded Supplier Base and to Examine the Composition of the Utilities' Workforce ("Rulemaking") ("OIR").

In the Scoping Memo dated March 17, 2010, the Commission requested information from participating utilities in response to two questions:

1. Identify specific one-year and two-year interim steps (e.g. increase MBE spend by 10% per year) you aspire to achieve in 2011 and 2012 in furtherance of your commitment to the target goals of GO 156. Include not only steps toward growth in WBEs, MBEs and DVBEs, but also any sub-group or procurement category which you have identified as particularly under-utilized by your company's procurement team (e.g., increase spend by 5% per year on minority disabled veteran suppliers, create a program for mentoring financial services suppliers, etc.)
2. Is there any specific assistance you want to better advance your aspirations of achieving the identified interim steps for any procurement category or DBE group?¹

Participating utilities filed their responses on May 26, 2010. Pursuant to the Scoping Memo, Greenlining submits the following comments on the utilities' May 26 responses.

¹ Scoping Memo, pp. 14-15.

II. Discussion

Over the course of this proceeding and, indeed, the last twenty-plus years since the adoption of GO 156, stakeholders in the diversity dialogue have developed a variety of approaches to the challenge of diversifying utility supplier pools. Some have worked, some have not. Even where certain strategies have worked well in the past, there is still work left to be done today and in the coming years. The process, like any other, evolves over time, and this evolution is driven by proactive industry leaders as well as by the Commission's watchful stewardship. In this field, leaders are defined by their specificity and their assertiveness. The exercise of sharing goals and plans for their attainment among stakeholders stands to benefit those parties that have not yet distinguished themselves as leaders in supplier diversity.

1. Winning Strategies Poised to Succeed

The utilities' responses to the questions posed in the Scoping Memo contain a broad array of strategies for progress, ranging from education to proactive implementation. Rather than comment on all individual strategies presented, or on individual utilities' overall plans and performance, Greenlining's comments will be limited to those strategies that seem best-poised for success.

A. Identify Areas of Potential Progress

Some responses were more specific than others in identifying where increased focus is likely to produce progress. For example, Sempra's response identified not only broad categories of professional services where progress could be made, but further identified specialties within each broad category on which it plans to focus.² This level of specificity seems to indicate broad consideration of supplier diversity across all lines of business, and will advance the company's supplier diversity efforts well beyond the low-hanging fruit.

Prime supplier programs were also frequently emphasized in the utilities' responses. Edison and AT&T, for example, describe assertive, even aggressive, prime supplier programs designed to bring their primes on board as partners in the utilities' supplier diversity efforts.³

² Response of San Diego Gas & Electric Company and Southern California Gas Company, pp. 3-6.

³ Response of Southern California Edison Company, p.3; Response of AT&T California and Certain of its Regulated Affiliates, pp. 2-3.

These plans take full advantage of the role of the utility as customer in the utility-prime relationship, and the weight that the priorities of so large a customer carry with potential contractors. In order for any utility to make the most out of their prime supplier program, efforts must evolve beyond simple outreach and education, and focus on incentives and other mechanisms that are all but guaranteed to deliver results.

AT&T's response discussed applying its proven Prime Supplier Program, developed in its wireline business, to its wireless and emerging technologies business lines. Evolving an existing model to new lines of business will help any utility build upon existing successes as their business grows and shifts, ensuring that technological progress does not hinder supplier diversity progress.

Finally, many responses identified specific demographic groups on which the company intends to focus. Minority Women Owned Businesses are a specific focus for Sempra⁴ and for AT&T,⁵ and Service Disabled Veteran Owned Businesses are a specific focus for Sempra,⁶ PG&E,⁷ AT&T,⁸ and Verizon.⁹ These areas of focus seem to be on-track, as these groups are commonly underutilized across all responding utilities. However, as noted elsewhere, the strategies most likely to succeed are those that employ proactive, results-oriented tactics, beyond information and outreach.

While Greenlining acknowledges that GO 156 does not disaggregate the MBE category into racial groups, Greenlining's Annual Supplier Diversity Report Card does go into this level of detail, and each year finds inconsistent performance at each utility across racial groups. Greenlining urges participating utilities to focus their efforts on underutilized racial groups within the MBE category as well, to promote equity as well as supplier diversity success.

⁴ Response of San Diego Gas & Electric Company and Southern California Gas Company, p. 2.

⁵ Response of AT&T California and Certain of its Regulated Affiliates, p. 3.

⁶ Response of San Diego Gas & Electric Company and Southern California Gas Company, pp. 2-3.

⁷ Pacific Gas & Electric Company's Interim Steps, pp. 8-9.

⁸ Response of AT&T California and Certain of its Regulated Affiliates, pp. 2-3.

⁹ Response of Verizon, Verizon Business and Verizon Wireless, pp. 2-3.

B. Identify Best Practices

Both in terms of advancing supplier diversity generally and within identified subcategories, utilities' responses contained a range of tactical approaches, from those focused more on outreach and education to those focused on individual mentorship and relationship building. Granted, each utility is at a unique place in terms of the evolution of its own supplier diversity program. With the understanding that solutions will never be one size fits all, it is still safe to say that more personal, hands-on approaches will be more successful than general ones.

Regardless of the nature of a company's business, the technical prowess it displays, certifications, qualifications, capitalization, or any other substantive factor, at the end of the day business is about people. Business relationships are, at heart, relationships between people – or at least the more successful ones are. General discussions of supplier diversity and of the possibilities available through diverse suppliers are essential to opening the door to new business partnerships, but relationships are vastly more likely to develop where they are actively facilitated. A diverse business that has a close relationship to a utility's supplier diversity team is decently positioned to win a contract. A diverse business that has a close relationship with the individual making procurement decisions for his/her particular line of business, in addition to the supplier diversity team, is *well* positioned to win a contract.

As such, the strategies that are most likely to succeed are those that move from the general to the specific. These strategies start by bringing their companies, and their line-of-business decision-makers, on-board with general supplier diversity goals. They then turn the general discussion into a tangible reality by making introductions and facilitating relationship building between diverse businesses and company decision-makers. To the extent that several parties have mentioned during the course of this proceeding that by the time an RFP is issued, top contenders have already been identified, this evolving strategy will help to ensure that diverse businesses are among those top contenders.

2. Most, But Not All, Utility Requests For Commission Assistance Should Be Granted

Paralleling the responses to the first question, responses to the Scoping Memo's second question ranged in specificity and depth. The most common request was Commission assistance in facilitating matchmaking events, particularly in underutilized procurement areas and with prime contractors.

The underutilized areas in which the utilities requested matchmaking events, similar to existing Commission efforts around legal and financial services, are generally the professional service categories. However, PG&E notes that Transmission and Distribution has presented a diversity challenge, and requests Commission assistance in this spend category as well.¹⁰ AT&T notes, in its request for the Commission to co-host a prime supplier forum for consulting services, that an invitation sent by the Commission will carry more weight than even an invitation from a company as sizeable and well-respected as AT&T and its participant peers.¹¹ Greenlining recommends that the Commission grant the utilities' requests for this type of forum, in the most efficient and thorough manner possible.

Not all requests, however, should be granted. Greenlining respectfully urges the Commission not to grant Verizon's request to readopt exclusions.¹² Verizon states that elimination of exclusions in 2003 lowered reportable DBE spend but had no demonstrable effect on absolute amount of diverse spend.¹³

First, the impact of eliminating exclusions on absolute diverse spend is likely unknowable, as it would require isolation of that one factor from all other economic and circumstantial factors impacting supplier diversity performance in that year, and the years before and after it. But the impact of exclusions on spend is of secondary importance to the larger policy implications at play. It should be noted at the outset that participating utilities are in no way penalized for "low" supplier diversity performance, nor are they rewarded for "high" performance. The numbers reported, therefore, are merely a means of assessing the business

¹⁰ Pacific Gas & Electric Company's Interim Steps, pp. 6-7.

¹¹ Response of AT&T California and Certain of its Regulated Affiliates, p. 4.

¹² Response of Verizon, Verizon Business and Verizon Wireless, pp. 4-5.

¹³ *Id.* at 5.

landscape around the energy, telecommunications, and water industries that keep California – all of California – running.

Because they serve as an indicator in this manner, excluding certain categories will only serve to paint a picture that is rosier than the economic reality it seeks to depict. Exclusions, in effect, turn a blind eye to the very institutionalized inequities that supplier diversity in part seeks to mitigate. The Commission must not settle for being the one-eyed man that is king in the realm of the blind. Addressing the totality of the circumstances head-on is the *only* way progress will ever be made. As such, Greenlining urges the Commission to reject Verizon’s request to reinstitute exclusions.

3. Notable Efforts Outside the Big Six

As has been noted throughout the proceeding, the vast majority of diverse procurement (and indeed, procurement in general) comes from the “Big Six” utilities. However, two key examples of success do stand out.

Cox Cable, which participates voluntarily in GO 156, has taken great strides to improve and expand its supplier diversity program on a national scale. It has invested in improving its tracking and reporting mechanisms, and has brought on a consultant to assist in finding diverse suppliers in spend categories that align with GO 156 categories.¹⁴ Cox is the only cable industry participant to make such public, proactive efforts to improve supplier diversity. Greenlining commends Cox for its dedication to equity and economic development, and looks forward to the results of these efforts.

Wild Goose Storage, with a very limited California footprint, notes that its total spend is very inconsistent, depending on what infrastructure and other work is required in a given year. Its diverse spend suffers similar inconsistency, yet it still sets for itself aggressive goals of 5% DBE spend for 2011 and 10% for 2012.¹⁵ This commitment despite significant resource obstacles is laudable, and Greenlining urges that the Commission take note.

¹⁴Response of Cox California Telecom, LLC DBA Cox Communications and Cox TMI Wireless, LLC, pp. 2-3.

¹⁵ Response of Wild Goose Storage, LLC, p. 2./

III. Conclusion

The last twenty-plus years of GO 156 have produced incredible results for utilities, for diverse businesses, and for California as a whole. By and large, the Big Six utilities have figured out the keys to supplier diversity success. However, some are implementing them better than others, and some continue to experience frustration despite their best efforts. As mentioned above, no utility is either penalized or rewarded for its performance in this area. Attention is paid to numerical performance as a means of assessing progress and selecting the next logical steps. While it may seem, in the moment, that progress is happening slowly, when stakeholders look back to today twenty years from now, we will note with pleasant surprise that even more progress has been made than we could have imagined. However, this progress will only come to be if stakeholders proactively drive it.

Greenlining encourages the ongoing discussion of best practices and new strategies, and hopes that the process of sharing information among participating utilities results in improvements across the board. Greenlining looks forward to offering further thoughts on these matters at Oral Argument.

Dated: June 9, 2010

Respectfully submitted,

/s/ Samuel S. Kang

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The Greenlining Institute

/s/ Stephanie C. Chen

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CERTIFICATE OF SERVICE

I, Stephanie Chen, am 18 years of age or older and a non-party to the within proceeding. I hereby certify that I have this day served a copy of

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on all known parties to R.09-07-027 by transmitting an e-mail message with the document attached to each party named in the official service list and by faxing or mailing a properly addressed copy by first-class mail with postage prepaid to those whose e-mail address is not available.

I certify that the foregoing is true and correct.

Executed in Berkeley, California on June 9, 2010.

/s/ Stephanie C. Chen
Stephanie C. Chen

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