ATTACHMENT A

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MEMORANDUM

TO: Michael R. Peevey, President

FROM: Cloey Hewlett
Matt Koehl

CC: Rolundia Mitchell, Director – Consumer Service & Information Division
Douglas Phason, Senior Analyst
Phil Enis, Program Manager

DATE: October 6, 2008

RE: Analysis of CPUC Supplier Clearinghouse Procedures

I. INTRODUCTION

Pursuant to our engagement with the California Public Utilities Commission (the "Commission"), we have analyzed the current process employed to verify the eligibility of women businesses ("WBEs") and minority businesses ("MBEs") (collectively "WMBEs") to participate in Commission utility WMDVBE procurement programs. In particular, we have analyzed the applicable law and comparable supplier certification programs and procedures employed by certain other large states and national verification agencies. This analysis was principally intended to identify opportunities to simplify and otherwise make the current application and verification process more efficient, consistent with accepted best practices in this area. As set forth in detail below, we have identified four possible revisions to the current application and verification process that should be considered:

(1) Streamlined application and verification process for WMBEs already certified by national verifying organizations, in particular, the National Minority Supplier Development Council ("NMSDC") and the Women's Business Enterprise National Council ("WBENC").

(2) "Fast Track" application and verification process for very small businesses.

(3) Small reduction to the documents required for verification.

(4) On-line application.

We analyzed whether any of these recommendations would require revisions to the existing statutory and regulatory structure for verification of WMBEs. We do not believe that any of these recommendations would require revisions to applicable law and regulation.

II. ANALYSIS

A. Statutory and Regulatory Requirements and Current Process for Utility Supplier Diversity Program and Supplier Verification Clearinghouse

1. Supplier Diversity Plans

The California Public Utilities Code ("PU Code") directs the Commission to require that each electrical, gas, and telephone corporation ("Utility") with gross annual revenues exceeding $25,000,000 to adopt plans to increase participation in Utility subcontracts by women, minority and veteran business enterprises ("Supplier Diversity Plans"). In particular, each Utility with revenues in excess of the threshold must:

> submit annually, a detailed and verifiable plan for increasing women, minority, and disabled veteran business enterprise procurement in all categories.

PU Code 8283(a).

2. Definitions for Women, Minority and Disabled Veteran Businesses

The PU Code specifies definitions for WBEs and MBEs for purposes of WMDVBE[1] procurements:

> (a) "Women business enterprise" means a business enterprise that is at least 51 percent owned by a woman or women; or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more women; and whose management and daily business operations[2] are controlled[3] by one or more of those individuals.
>
> (b) "Minority business enterprise" means a business enterprise

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[1] Rather than adopting a Commission-specific definition for veteran businesses, the PU Code provides that the term disabled veteran business enterprise ("DVBE") has the same meaning as defined in subdivision (g) of Section 999 of the Military and Veterans Code. *PU Code 8282(a), (b).*

[2] "Operate" means being actively involved in the day-to-day management and not merely officers or directors. *PU Code 8282(e).*

[3] "Control" means exercising the power to make policy decisions. *PU Code 8282(d).*

> that is at least 51 percent owned by a minority group or groups; or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more minority groups, and whose management and daily business operations are controlled by one or more of those individuals. The contracting utility shall presume that minority includes Black Americans, Hispanic Americans, Native Americans, and Asian Pacific Americans.

PU Code 8282(a), (b). The PU Code does not restrict WMBE eligibility based upon business size, so that companies may qualify for WMBE status even if they are not small businesses. Nor is there a requirement that the WMBE business be based in California, so long as the qualifying women and/or minorities are U.S. citizens or legal aliens with permanent residence status. *General Order 156 ("G.O. 156").*

3. Supplier Verification Requirements

The PU Code provides only the following rules with respect to Supplier verification:

> The commission shall, by rule or order, adopt criteria for verifying and determining the eligibility of women, minority, and disabled veteran business enterprises for procurement contracts.

PU Code 8284(a). The implementing rules in G.O. 156 provide that "the Commission shall provide a clearinghouse for the sharing of WMDVBE identification and verification information." *G.O. 156, Section 3.* The "primary purpose" of the Clearinghouse shall "be to audit and verify the status of WMBEs,[4] and to establish and maintain a database of WMDVBEs that is accessible to the Commission and to participating utilities." *G.O. 156, Section 3.2.* The Clearinghouse "verification and audit" procedures preclude the need for an individual Utility to independently verify the WMBE status of the companies with which it does business. *G.O. 156, Section 3.3.*

G.O. 156 specifies only general guidelines – applicable to the Clearinghouse – for verifying the eligibility of WMBE applicants for participation in the Utility WMDVBE procurement programs. *G.O. 156, Section 2.* These general rules and guidelines state, in pertinent part:

> 2.2. In assessing the suitability of a WMDVBE to bid for procurement contracts, a utility may require additional information or the completion of additional forms to comply with specific requirements created by the unique character of its business, such as insurance requirements, product and service

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[4] DVBE status is verified by the California State Department of General Services, Office of Small and Minority Business and not the Clearinghouse.

codes, bonding limits, and so on. A utility may not, however, require such additional information in order to verify that a business is in fact a WMDVBE.

2.3. WMBEs shall be required to submit verification forms at least once every three years.

4. Supplier Clearinghouse and Verification Process

The Clearinghouse function is currently performed by Asian, Inc. The supplier application is available at for download at Asian, Inc.'s website.[5] The application includes 8 pages of required information, mostly designed to test the applicant's compliance with the basic WMBE eligibility test, though some information appears to relate to other purposes. For instance, the Clearinghouse collects information about each WMBEs' annual revenue and employees, even though annual company revenue is not relevant to the basic eligibility test established in the PU Code and G.O. 156.[6] The application also includes (at p. 10) a detailed list of documents that the applicant must submit, which documents also mostly relate to the applicant's compliance with the basic eligibility test.

Consistent with the PU Code, a Clearinghouse supplier verification is effective for 3 years. The re-verification application for Clearinghouse-certified suppliers is substantially less burdensome.[7] In particular, the re-verification application is only 2 pages and requires only a limited submission of documents.

According to Asian, Inc., it performs site audits and interviews for some California-based applicants, especially to the extent that there appears to be some question about an applicant's eligibility for WMBE status. Asian, Inc. does not perform site audits on applicant companies based outside of California.

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[5] http://www.asianinc.org/images/pdf/VAP%20Application%20rev%202008.pdf.

[6] We note that collection of suppliers' annual revenue is required by PUC Decision No. 06-11-028 (Nov. 30, 2006).

[7] http://www.asianinc.org/images/pdf/rap_app.pdf.

5. Penalties for False Representations of WMBE Status

The PU Code provides the following statutory penalties for misrepresentation of WMBE and DVBE status[8]:

> Any person or corporation, through its directors, officers, or agents, which falsely represents a business as a women, minority, or disabled veteran business enterprise in the procurement of, or attempt to procure, contracts from an electrical, gas, or telephone corporation . . . shall be punished by a fine of not more than five thousand dollars ($5,000), by imprisonment in a county jail for not more than one year or in the state prison, or by both that fine and imprisonment. In the case of a corporation, the fine or imprisonment, or both, shall be imposed on every director, officer, or agent responsible for the false statements.

PU Code, Section 8285.

The mandatory notarized Affidavit included at page 8 of the current Clearinghouse supplier verification application - pursuant to which an authorized representative of the supplier verifies the accuracy of the supplier's application - quotes the PU Code's statutory penalty text as a reminder "Warning" to the WMBE applicant.

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[8] G.O. 156 makes clear that the statutory penalties apply to false information provided in connection with the Clearinghouse verification form. G.O. 156 at section 2.7.

B. Comparison of Clearinghouse Verification and Procedures to Other State and National Supplier Certification Programs

We reviewed the WMBE supplier certification process in the following States and national supplier verification organizations: (1) Florida; (2) New York; (3) Texas; (4) Pennsylvania; (5) WBENC; (6) NMSDC; and, (7) the U.S. Small Business Administration (SBA). Attached as Exhibit A to this Memorandum are matrices with specific, comparative information for each of these supplier verification programs. Before detailing the results of our comparative analysis, we note that the basic test for WMBE supplier eligibility was substantially the same, i.e., the applicant company must be 51% owned and its daily business operations managed and controlled by women or minorities. Further, excepted as noted below, the definition of minority and woman were substantially the same.

We did note the following general differences as compared to the WMBE eligibility rules for Utility suppliers:

- Most programs specify a supplier size limitation (e.g., annual revenue) (more restrictive)
- Some programs specify an owner a "net worth" limitation (more restrictive)
- Most programs are limited to State residents and/or U.S. citizens (more restrictive)
- Some programs do not certify non-profit organizations (more restrictive)

Some of these general differences require submission and review of additional supplier documents (e.g., individual net worth form). These differences did not however, in our view, require a substantially enhanced process from the process employed to verify the supplier's basic eligibility (i.e., 51% owned and controlled by women or minorities).

Set forth below is a summary of the results of our comparative analysis. As indicated previously, detailed matrices of this comparative analysis are attached as Exhibit A to this Memorandum:

- New York, Pennsylvania, WBENC and NMSDC had substantially similar application and document submission requirements as the Clearinghouse. There is not, however, a complete overlap between the Clearinghouse application and process and those employed by any other state or certifying organization. For instance, the NMSDC requires applicants to specify their total number of minority employees and to provide notes payable and detailed financial statements, while the Clearinghouse does not. The Clearinghouse requires all meeting minutes discussing ownership and control, all stock certificates ever issued, business cards from all owners and executed supplier agreements, while the NMSDC requires only current stock certificates and none of these other items

- SBA, Texas and, to a greater extent, Florida, have more limited application and document submission requirements

- All of the programs have a streamlined re-verification process

- The effective period for certifications range from 1 year (NMSDC, WBENC, Florida) to as long as 4 years (Texas)

- 3 of the 4 states we that analyzed do not provide for on-line applications, with New York being the exception. WBENC and NMSDC provide for on-line applications, but all of the states, WBENC and NMSDC require a notarized affidavit or verification of eligibility by the qualifying owner(s), which affidavit specifically references the applicable penalties for providing false information as to eligibility

- All of the states employ some amount of site audits as part of the application process, with New York performing site audits for all applicants. WBENC and NMSDC conduct site audits for all applicants

- 3 of the 4 states that we analyzed - New York, Pennsylvania and Texas - provide a streamlined application process for contractors already certified by WBENC and NMSDC and their affiliated organizations (in addition to various state-specific local and regional certification entities)

C. Possible Revisions and Enhancements to Current Clearinghouse Verification and Audit Procedures to Increase Pool of Certified Suppliers

1. Streamlined and Complete Acceptance of Suppliers Currently Certified by Comparable Verifying Agencies

The Clearinghouse employs a streamlined "initial certification" application process for suppliers holding comparable agency verification (CAV) from the NMSDC, WBENC and the Small Business Administration (SBA) 8(a) and SDB programs.[9] In particular, CAV-certified applicants must complete the standard 8-page Clearinghouse application; however, the requirement to supply the supplemental documents listed on page 10 of the Clearinghouse application is initially waived for CAV-certified applicants. The CAV acceptance is a one-time event, and the Clearinghouse will not accept streamlined renewals from CAV-certified

[9] WBENC and NMSDC charge applicants an annual fee for their certification review. Asian, Inc. and SBA do not charge a fee.

contractors.[10] Rather, after its initial CAV-based certification expires (i.e., upon expiration of their annual WBENC or NMSDC certification), the CAV-certified supplier must complete the standard Clearinghouse supplier verification application and provide all of the documents listed on page 10 of that application.

We recommend consideration of streamlined certification process for WMBE contractors holding a WBENC or NMSDC certification, both for initial Clearinghouse verification and for Clearinghouse re-verification.[11] Reducing the barriers to obtaining a Clearinghouse certification for WBENC and NMSDC certified suppliers could allow the utilities greater access to some of the approximately 6,000 WBENC-certified WBEs and 15,000 NMSDC-certified MBEs (vs. 3,500 total certified suppliers in the Clearinghouse database). In support of this recommendation we offer the following observations:

- The objective WBENC, NMSDC and Clearinghouse eligibility tests, required documents and review and certification process are substantially similar

- There are some differences in the detailed procedure guidance used to test ownership and control (e.g., WBENC is more permissive on counting shares held in trust). Assuming, however, the tests and review procedures are similarly applied, these differences should result in different results only in very rare instances. Further, to the extent that the theoretical possibility of divergent results is an item of significant concern, the Clearinghouse procedure could be harmonized to minimize or eliminate these differences without the requirement to make any changes to the applicable statutory and regulatory structure

- A concern has been expressed that applicants denied by the Clearinghouse might circumvent a proper verification review process by subsequently presenting a streamlined application based upon a certificate granted by the NMSDC or WBENC. This concern could be addressed by restricting applicants denied by the Clearinghouse (and who don't appeal or lose their appeal to the Commissioners) from utilizing the streamlined certification process for some period after denial by the Clearinghouse (e.g., 2 years)

- Clearinghouse site audits are only for California-based companies. Accepting NMSDC and WBENC suppliers on a streamlined basis would result in the expansion of site visits to CAV applicants based outside of California

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[10] Further, effective February 26, 2004, the Clearinghouse was authorized to refrain from accepting the initial CAV certification.

[11] We are not recommending the streamlined certification process for companies holding a SBA 8(a)/SDB CAV because the Clearinghouse will accept the SBA CAV for up to 3 years and SBA's verification process has some material differences relative to the Clearinghouse.

- As detailed below, NMSDC and WBENC-certified CAV applicants would still certify as to their status, so that PU Code penalties for supplying false status information would apply. This would occur each time the supplier submits and updated WBENC or NMSDC certificate to extend its Clearinghouse certification [Note: these organizations re-certify on an annual basis].

We specifically recommend consideration of a streamlined application process similar to the process employed in Pennsylvania. As indicated above, New York, Pennsylvania and Texas all provide for a streamlined application process for applicants possessing a CAV. All 3 states apply similar eligibility tests as the Clearinghouse and include WBENC and NMSDC as CAVs (in addition to various state-specific regional and local certifying entities).[12] In this regard, Texas simply accepts the supplier's certificate from an approved CAV as valid proof of eligibility, while New York specifies a streamlined application for CAV-certified suppliers, but still requires some amount of additional documents. Pennsylvania's approach to a streamlined application process for CAV-certified vendors falls somewhere in between the Texas and New York models, and may provide the best model. A copy of Pennsylvania's streamlined application is attached as Exhibit B to this Memorandum. As its streamlined application indicates, Pennsylvania accepts WBENC and NMSDC-certified applicants with only the following items, plus a certification under penalty:

- NMSDC certificate and approval letter, 2 years of tax returns
- WBENC certificate and approval letter, 2 years of tax returns, proof of U.S. Citizenship

In Pennsylvania, WMBE suppliers relying upon a CAV must provide a new eligibility certification under penalty each time they seek to extend their eligibility based upon a newly-issued CAV. We think that this is a good idea. Accordingly, each time a supplier's WBENC or NMSDC certification is set to expire, its Clearinghouse certification would also expire unless it provided an updated certificate from WBENC or NMSDC <u>and</u> an additional eligibility certification under penalty. As noted above, WBENC and NMSDC conduct certification renewals on an annual basis. The requirement to provide an updated eligibility certification under the threat of statutory penalties each time that the supplier seeks to extend its Clearinghouse eligibility would provide a deterrent to supplier fraud. We anticipate, also, that the Clearinghouse would conduct periodic audits and site visits for selected California-based "streamlined" applicants to verify eligibility, which should also provide some disincentive to applicant fraud with respect to eligibility.

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[12] In the future, consideration should be given to expanding the list of CAVs to include additional verifying agencies that apply substantially the same standards and procedures as the Clearinghouse. The Clearinghouse previously maintained a list of more than 10 CAVs, comprised mainly of verifying entities based in California (e.g., California Department of Transportation).

As noted above, with the exception of the requirement to re-verify supplier eligibility at least every three years, the PU Code and G.O. 156 do not provide specific rules for how the Clearinghouse must accomplish its core function to "audit and verify the status of WMBEs." Accordingly, the streamlined application process for CAV-certified vendors fits within the current statutory and regulatory mandate to "audit and verify the status of WMBEs" at least every three years, and no changes to G.O. 156 would be necessary to implement the streamlined application process described above.[13] Specifically, G.O. 156 requires that WMBEs submit "verification forms at least once every three years" (Section 2.3). This requirement would not restrict the Clearinghouse from requiring streamlined verification forms on a more frequent basis.

2. "Fast Track" Application and Verification Process for Very Small WBE and MBE Companies

We recommend consideration of a "Fast Track" application with reduced informational and document production requirements for very small businesses. Removing some substantial part of the administrative burden presented by the current Clearinghouse application may increase the number of very small businesses in the current supplier pool. In this regard, we note that the Commission has previously recognized that "[s]mall businesses are important to the economy of California." **Decision 06-11-028 (November 30, 2006).**

It would be reasonable to restrict the Fast Track application process to very small businesses, which may be most likely to be discouraged by the administrative burden of completing the current application. The Fast Track application should require the applicant to submit information and documentation that would allow the Clearinghouse to reasonably verify that it qualifies for the Fast Track application and its WMBE eligibility, including, we believe, the following items from the current Clearinghouse application:

a. Business Identification information (Item 2)
b. Business Specialty (Item 3)
c. Ownership Information (Item 4)
d. Ownership Type (Item 5)
e. Business Owners, Officers & Key Personnel (Item 10)
f. Daily Business Management/Decision-Making (Item 11)
g. Proof of qualifying owner(s)' U.S. citizenship or legal residency (Documents - I.D1)
h. Proof of qualifying owner(s)' ethnic/minority status (Documents - I.D2)
i. Proof of qualifying owner(s)' gender (Documents - I.D3)
j. Detailed resume Or work history of principals and key employees (Documents - I.E)
k. Most recent federal tax returns (Documents - I.J)

[13] The Statement of Work in the Clearinghouse contract would need to revised to address the revised streamlined application procedure described herein, specifically including removal of the CAV refrain procedure and the requirement that WBENC and NMSDC-certified applicants submit full Clearinghouse applications after their initial CAV certification expires.

l. Partnership Agreement or Articles of Incorporation (Additional Documents - III.A)

While retaining the basic informational and document requirements listed above, the Fast Track application would eliminate the following requirements from the existing Clearinghouse supplier verification application for Fast Track applicants only:

a. License/Identification Numbers (Item 6)
b. Insurance Reference (Item 7)
c. Business, Facilities and Equipment (Item 8)
d. Outstanding Loans (Item 9)
e. Relationships With Other Business Concerns (Item 12)
f. Previous Business Ownership (Item 13)
g. Outside Consulting Services (Item 14)
h. Restrictions On Stock Ownership (Item 15)
i. Additional Comments (Item 16)
j. Outside Consulting Services Used in Preparation Of This Application (Item 17)
k. Business Locations/Work Sites (Item 18)
l. Business License and Fictitious Business Name Statement (Documents - 1.B)
m. Business Cards - All Owners (Documents - 1.C)
n. Lease/Rental Agreement, Deed or Mortgage/Tax Bill (Documents - I.F)
o. Canceled Check or Receipt For Lease/Purchase of Facility (Documents - I.G)
p. Bank Signature Card Or Bank Authorization Letter (Documents - I.H)
q. Evidence of Personal Capital Contributions (Documents - I.I)
r. Two Supplier or Client Agreements (Documents - I.K)
s. Two Client and Supplier Contacts (Documents - I.L)
t. Partnership Agreements (Documents - II.A)
u. Profit-Sharing Agreements (Documents - II.B)
v. Buyout Rights Agreements (Documents - II.C)
w. By-Laws and Amendments (Documents - III.B)
x. Organizational Meeting and Subsequent Meeting Minutes (Documents III.C)
y. All Stock Certificates Ever Issued (Documents III.D)
z. Stock Transfers/Stock Ledgers (Documents III.E)
aa. Foreign or Domestic Corporation Statements (Documents III.F/III.G)

With respect to eligibility for the Fast Track application, one option to consider would be to define eligibility according to the Government Code definition of "microbusiness":

> "Microbusiness" is a small business that, together with affiliates, has average annual gross receipts of two million five hundred thousand dollars ($2,750,000) or less over the previous three years, or is a manufacturer, as defined in subdivision (c), with 25 or fewer employees.

CA Government Code, Section 14837(d)(2).

Fast Track applicants would be subject to periodic compliance audits and review by the Clearinghouse. In that regard, because the Clearinghouse only performs site audits for California-based companies, we recommend that the Fast Track application be available only to very small companies based in California. Fast Track applicants would also certify as to eligibility under penalty and, therefore, would be both aware of and subject to the fines and penalties provided for in PU Code 8285 for providing false information about their WMBE status.

For the reasons explained above with respect to the streamlined application for CAV-certified suppliers, there should not be any requirement to revise the PU Code or G.O. 156 to implement a Fast Track application for very small businesses according to the parameters described above.

3. Limited Removal of Required Document Submission

We recommend consideration of the elimination of some limited categories of documents currently required by page 10 of the Clearinghouse application. As indicated above, the substantial majority of documents specified in the Clearinghouse application are also requested by many of the other verifying entities examining the whether WMBE applicants are in fact 51% owned and operated by women or minorities. However, there are several discrete categories not generally requested and which might be removed without compromising the Clearinghouse's ability to complete a thorough verification of the WMBE applicant's eligibility. In particular, we recommend consideration of removal of the following documents:

- All stock certificates ever issued (replace with all current stock certificates) (Document Item III.D)
- Executed supplier agreements (Document Item I.K)

For the reasons explained above with respect to the streamlined application for CAV-certified suppliers, there should not be any requirement to revise the PU Code or G.O. 156 to reduce the mandatory application documents.

4. E-Application

We recommend consideration of an on-line tool for completing the supplier application. The development of such an on-line tool should not be undertaken until there is a determination of which, if any, of the possible revisions to the current Clearinghouse application and review process detailed in this Memorandum (or otherwise) may be adopted. As noted above, WBENC, NMSDC and New York offer the option of an on-line application. The Clearinghouse supplier verification application is available for download from Asian, Inc.'s website; it is not, however, available as an on-line application. There are efficiency benefits from an on-line application: (1)

it is easier for the supplier to complete, especially to the extent that the tool allows the user to "save" a partially completed application and return later; (2) to the extent that the requirements document so specifies, the tool should be able to transfer certain information fields (e.g., SIC or NAICS code, business address) automatically into the Clearinghouse supplier database,[14] thereby eliminating the requirement for the associated data entry work now performed by Asian, Inc. staff with respect to hard-copy applications; and, (3) it may facilitate faster Utility access to more detailed WMBE profiles for selection of potential business partners.

Please be aware that the on-line application would not remove entirely the requirement for the submission of hard-copy documents. In particular, the documents listed on page 10 of the current Clearinghouse application, as well as the more limited document productions recommended above in connection with the streamlined application for CAV-certified suppliers and the Fast Track application for very small businesses, would be submitted in hard-copy. The on-line application may prove especially helpful to certain industries, which have fewer applicable required documents, as well as for the streamlined CAV-certification and Fast Track application processes described above, which would involve the submission of fewer required documents.

Further, all of the states that we analyzed, as well as NMSDC and WBENC, require submission of a notarized verification of the supplier's eligibility for WMBE status and, in most instances, the accuracy of the information provided by the applicant. In each case, the notarized verification statement references the specific statutory penalties for providing false information. We recommend, consistent with industry practice in this regard, that the Clearinghouse continue to require submission of the current verification affidavit, with the requirement that it be notarized, which step places additional emphasis on the consequences of providing false or misleading information to the Clearinghouse.

For the reasons explained above with respect to the streamlined application for CAV-certified suppliers, there is no requirement to revise G.O. 156 to implement an on-line application tool according to the parameters described above.

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[14] We understand that the current supplier database maintained by Asian, Inc. and the previous Clearinghouse contractor has material flaws. For instance, by letter dated July 31, 2008, Asian, Inc. provided a list of 36 previously-identified "bugs" in the CHS Database. The complete list is attached as Exhibit C hereto. It would be reasonable to consider revision or replacement of the current database in conjunction with the development of an on-line application.

ATTACHMENT B

EXHIBIT B

STATEMENT OF WORK

1. In accordance with the Agreement that incorporates this Scope of Work, Contractor agrees to operate a Supplier Clearinghouse (Clearinghouse) of woman-, minority- and disabled veteran-owned suppliers for utilities (Utilities) subject to the California Public Utilities Commission's (CPUC) General Order (GO) 156, as authorized by, Decision No. 06-08-031. The following entities comprise the Utilities:

   a. Verizon California
   b. AT&T
   c. Pacific Gas and Electric Company
   d. Southern California Gas Company
   e. Southwest Gas Corporation
   f. Citizens Communications
   g. SureWest
   h. Sprint Communications Company
   i. Sierra Pacific Power Company
   j. Pacific Power and Light Company
   k. Southern California Edison Company
   l. San Diego Gas and Electric Company

Each of the Utilities will appoint a Contract Manager to undertake the responsibilities described herein.

The following Utilities comprise the Joint Utilities (JU):

   a. Verizon California
   b. AT&T
   c. Pacific Gas and Electric Company
   d. Southern California Gas Company and San Diego Gas and Electric Company
   e. Southern California Edison Company
   f. A Representative for the remaining utilities, to be designated annually commencing on or about February 1, 2007 by the remaining Utilities.

2. The Utilities intend that the data warehouse for the Clearinghouse (System) will reside at the CPUC and be accessed via the Web. At a time determined by the CPUC, the Contractor shall provide all data from the vendor that is required by the CPUC for the data base, as advised by the CPUC from time to time.

3. All Utilities shall have access to all non-confidential data in the System and any information provided by women-, minority-, and disabled veteran-owned suppliers to the Clearinghouse. The Contractor shall adhere to the existing standard of access to confidential data, which shall remain in effect until revised by the CPUC.

4. The Contractor shall track the revenue that may be provided by each WMBE applicant and provide such revenue-related data to any Utility subject to mandatory or voluntary GO 156 reporting requirements when requested by that Utility, to the extent necessary to allow Utilities to timely comply with reporting requirements set forth in GO 156 and other Commission Orders.
5. The Services shall be provided during mutually agreed upon working hours.

6. The project representatives during the term of this Agreement will be:

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Agency: Joint Utilities	Contractor: Asian, Inc.
Name: Joseph Alderete	Name: Michael Chan, President
Phone: (626) 302-4892	Phone: (415) 928-5910
Fax: (626-302-4410	Fax: (415) 921-0182

Direct all inquiries to:

Joint Utilities	Contractor: Asian, Inc.
Section/Unit: Supplier Diversity	Section/Unit: Supplier Clearinghouse
Attention: Joseph Alderete	Attention: David Moulton, Project Director
Address: 2244 Walnut Grove Avenue Rosemead, CA 91770	Address: 1670 Pine Street San Francisco, CA 94109
Phone: (626) 302-4892	Phone: (415) 928-6892
Fax: (626) 302-4410	Fax: (415) 921-0182

7. Contractor will perform and document the following procedures (Services) on an ongoing basis as determined to be necessary by the JU and the JU project representative:

7-A VERIFY SUPPLIERS

A-1) New Applications
A-2) Comparable Agency Verifications
A-3) Reverifications
A-4) Protests

A. Verify Suppliers

There may be a new Clearinghouse System, which may result in modification or automation of some of the procedures described below. The JU project representative or designee will notify the Contractor of all such changes upon contract award and as they occur. Any procedural change as a result of the new system will have a negligible impact on the workload performed.

Clearinghouse forms and instructions referenced herein are subject to change and may differ significantly in layout and content upon contract award or thereafter as decided by the JU project representative or designee and the CPUC or designee, and as approved by the CPUC or designee.

A-1) New Applications

To be verified by the Clearinghouse, applicants must submit an application form and required documents as indicated in the instructions. A verification application package (VAP) refers to the combined form and documents as submitted by an applicant. A complete VAP is one wherein the form contains all necessary information and all required documents are present.

Upon receipt of a VAP, the Contractor will:

a. Determine whether the applicant is already listed in the Clearinghouse System. If the applicant is listed and:

1. Was denied Clearinghouse certification less than 11 months prior, return all submitted materials by mail with a letter indicating ineligibility to reapply until 12

EXHIBIT B

months following the prior denial.

2. Was denied Clearinghouse certification more than 11 but less than 12 months prior, retain all submitted materials and mail the applicant a letter indicating the application will be processed after the twelfth month has elapsed.
3. Has Clearinghouse certification which expired within the previous 12 months or will expire in less than 30 days, process the application as a reverification.
4. Has a Clearinghouse application actively on file, combine any newly submitted material or information with the existing record.
5. Is otherwise currently certified, return all submitted materials by mail with a letter indicating status.

b. Examine the VAP for completeness. If the VAP was submitted with:

1. Less than four of the required documents, return all submitted materials by mail with a cover letter requesting resubmittal.
2. At least four of the required documents, but remains incomplete:
   - Mail a letter to the applicant requesting the missing information.
   - Mail the applicant up to two nonresponse reminders at monthly intervals.
   - Place at least two telephone calls to offer and provide the applicant any necessary assistance with the application process.

c. Examine a complete VAP to ensure internal consistency, accuracy and conformity with eligibility standards in GO 156 sections 1.3.2 and 1.3.3.

d. If additional information is needed to ascertain eligibility:

1. Mail a letter to the applicant requesting supplemental documents and up to two nonresponse reminders at monthly intervals if necessary.
2. Conduct one or more telephone interviews with the applicant if necessary.

e. Conduct one or more site visits if any of the following criteria is met:

1. The applicant reports revenues in excess of ten million dollars.
2. Review of the submitted documents does not definitively prove eligibility or raises doubt about applicant veracity.
3. One or more known parties have made reasonable allegations regarding applicant eligibility.

f. If a site visit is necessary:

1. Schedule an audit with the firm's principals at the earliest possible date based upon supplier availability, geographic proximity and utility priority.
2. Conduct interviews with the principals and key personnel to resolve questions of ownership, control and operation of the firm.
3. Determine percent of ownership, percent of corporate stock owned, distribution of profits, corporate securities held and extent to which contribution of capital or expertise to acquire interest in business is real or substantial.
4. Verify that management and control by the applicant is based on:

EXHIBIT B

- Extent to which the company operates as independent business.
- Major, day-to-day decision-making responsibilities in business matters of policy, management and operations.
- Management or technical skills and/or educational experience.
- Position as full-time manager and responsibility for supervision, control and direction of the business and its officers.
- Control by the Board of Directors and corporate legal status in California.

5. Prepare a site visit report including at a minimum:
   - Introductory information identifying the applicant and indicating any internal case number.
   - A synopsis of Clearinghouse contact with the applicant to date and the factors warranting a site visit.
   - All questions posed by and to the Contractor and responses given.
   - Pertinent observations.
   - Conclusions regarding Clearinghouse eligibility.

g. Determine whether an applicant is verified as a woman and/or minority-owned supplier or denied certification.

1. If verified, issue the appropriate certification and mail to the applicant with a congratulatory letter.
2. If denied, send a letter to the applicant via certified mail containing:
   - A detailed explanation for the denial, documenting all facts in substantiation of the determination
   - Copies of any site visit reports.
   - A notice of ineligibility to reapply for certification until 12 months following the date of the denial letter.
   - Information on how to protest the determination.

h. Presumptively deny any applicant who is nonresponsive for 90 days or more or unwilling to schedule a site visit three or more times, mailing a letter to the applicant documenting the reason for denial and dates of attempted contact.

A-2) Comparable Agency Verifications

The Clearinghouse shall recognize certifications from National Minority Supplier Development Council and affiliates, Women's Business Enterprise National Council and affiliates, and U.S. Small Business Administration (SBA) 8a & SDB Programs, which are certifying agencies previously identified by the CPUC as having comparable verification criteria. An applicant submitting a VAP form with a certificate from one of these agencies (other than the SBA) may be certified by the Clearinghouse for up to one year or until the expiration date on the original certificate, whichever is less; SBA certifications are valid until expiration.. Applicants are permitted to use the comparable agency verification (CAV) process only once.

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The JU and JU project representative and the CPUC or designee reserve the right to request or perform review of any verification.

Upon receipt of an application submitted with a CAV certificate, the Contractor will:

a. Determine whether the applicant is already listed in the Clearinghouse system. If the applicant:

1. was previously certified by the Clearinghouse through the CAV process, follow the procedures identified under NEW APPLICATIONS, returning the certificate with a letter indicating the one-time availability of the process.
2. was denied certification less than 11 months prior, return all submitted materials with a letter indicating applicant ineligibility to reapply until 12 months following the date of the denial.
3. was denied certification more than 11 but less than 12 months prior, retain all submitted materials and mail the applicant a letter indicating the application will be processed after the twelfth month has elapsed.
4. has an active Clearinghouse application on file with significant and unresolved issues, return the submitted materials with a letter indicating unavailability of the CAV process.

b. If name, business or address on the VAP differs from the information printed on the CAV certificate, return all submitted materials with a letter indicating the discrepancies and requesting resubmittal, sending up to two nonresponse reminders at monthly intervals if necessary.

c. Contact the original verifying agency to confirm the certification. If the certification is:

1. confirmed, issue the appropriate Clearinghouse certification and mail to the applicant with a congratulatory letter.
2. not confirmed, send a letter to the applicant via certified mail indicating the reason for the denial and including information on how to protest the determination.

d. If any Contract Manager or designee or the CPUC or designee requests review of a particular CAV, Contractor shall:

1. Follow the procedures identified under NEW APPLICATIONS, items d – f. If the applicant is:
   - verified, Contactor shall issue and mail the appropriate certification to the applicant with a congratulatory letter.
   - recommended for denial, Contractor shall forward a copy of the file to the Contract Manager or designee or the CPUC or designee with a letter identifying the applicant, summarizing findings to date, responding to any Utility questions or concerns and documenting all facts which substantiate a recommendation for denial.
2. If informed by the CPUC or designee that the applicant is verified, issue the appropriate Clearinghouse certification and mail to the applicant with a congratulatory letter.
3. If informed by the CPUC or designee that the applicant is denied, send a letter to the applicant via certified mail containing:

EXHIBIT B

- A detailed explanation for the denial, documenting all facts in substantiation of the determination.
- Copies of any site visit reports.
- Notice of ineligibility to reapply for certification until 12 months following the date of the denial letter.
- Information on how to protest the determination.

A-3) Reverifications

To remain actively listed with the Clearinghouse beyond the expiration date listed on its certification, a woman- and/or minority-owned supplier must apply to be reverified. A reverification application package (RAP) refers to the RAP form and required documents as submitted by an applicant. A complete RAP is one wherein the form contains all necessary information and all required documents are present.

The Contractor will:

a. each month, use the Clearinghouse System to identify woman- and minority-owned suppliers whose certifications will expire within 90 days.

b. each month, mail each identified supplier a RAP and up to two nonresponse reminders 60 and 30 days before expiration of their Clearinghouse certification if necessary.

c. respond to questions from suppliers concerning the reapplication process, placing at least two telephone calls to offer and provide any necessary assistance with the reapplication process.

d. upon receipt of an incomplete RAP, mail a letter to the supplier requesting the missing information and up to two nonresponse reminders at monthly intervals if necessary.

e. Upon receipt of a RAP with a CAV certificate, if the applicant:

- Was previously certified by the Clearinghouse through the CAV process, mail the applicant a letter indicating the one-time availability of the CAV process and requesting any information necessary to continue processing the application.
- Has not previously submitted a CAV certificate, process the application following the procedures identified under CAV process.

f. Upon receipt of a complete RAP, Contractor shall:

- ensure its internal consistency, accuracy and conformity with eligibility standards.
- compare it with the supplier information on file, noting any changes or significant discrepancies.
- note any additional information supplied beyond that presented in initial VAP, particularly changes in work codes.

g. Conduct any necessary site visits, adhering to criteria and procedures identified under NEW

EXHIBIT B

APPLICATIONS items e-f.

h. Determine whether the supplier is reverified or denied recertification. If the applicant is:

1. reverified, issue and mail the appropriate Clearinghouse certification to the applicant with a congratulatory letter.
2. denied, send a letter to the applicant via certified mail containing:
   - A detailed explanation for the denial, documenting all facts in substantiation of the determination
   - Copies of any site visit reports.
   - Notice of ineligibility to reapply for Clearinghouse certification until 12 months following the date of the denial letter.
   - Information on how to protest the determination.

i. Presumptively deny any applicant who is nonresponsive for 90 days or more or unwilling to schedule site visit three or more times, and shall mail a letter explaining the reason for denial and indicating dates of attempted contact.

A-4) Protests

An applicant denied certification or recertification as a woman- and/or minority-owned supplier, or a third party, may submit a written protest to the Clearinghouse within 14 days of the determination.

a. Upon receipt of a timely protest, the Contractor will:

1. Send a letter to the applicant confirming receipt of protest.
2. Send a letter to the CPUC or designee providing applicant name and contact information and indicating the basis for the protest.

   Direct all inquiries to:

CPUC Staff
Unit: Utility Supplier Diversity Programs
Address: 505 Van Ness Avenue San Francisco, CA 94102-3298
Phone: (415) 703-4112
Fax: (415) 703-3411

3. Review the initial Clearinghouse determination and request additional information if necessary, following the procedures identified under NEW APPLICATIONS, items d–f.

b. If applicant is verified or reverified as woman- and/or minority-owned supplier, Contractor shall:

1. Issue the appropriate Clearinghouse certification and mail to the applicant with a congratulatory letter.
2. Send a letter to the CPUC or designee explaining and substantiating the reversal of

EXHIBIT B

the initial determination.

c. If applicant remains denied, send applicant letter via certified mail providing:

1. Detailed explanation for denial and enclosing any site visit report.
2. Notice that applicant cannot reapply for Clearinghouse certification until 12 months following original denial, indicating date.
3. Information on how to appeal the Contractor's decision to the CPUC.
4. The CPUC shall have final jurisdiction on any appeal after a final decision has been rendered by Contractor.

d. The Contractor shall participate in appeals to the CPUC as requested by the CPUC.

7-B PROVIDE INFORMATION

B-1) Applicant Assistance
B-2) Primary Office
B-3) Work Papers
B-4) Toll-Free Hotline
B-5) Informational Literature
B-6) Web Preference
B-7) Public Meetings
B-8) Clearinghouse System
B-9) Training
B-10) Knowledge Transfer

B. <u>Provide Information</u>

B-1) Applicant Assistance

Upon receipt of requests from a prospective applicant or upon referral by a Utility, the Contractor will mail a VAP form, instructions and any other appropriate information. If contact information is provided or otherwise readily available, the Contractor will place at least two telephone calls to prospective applicants, offering assistance with the application process.

B-2) Primary Office

The Contractor will lease, maintain and staff at least one Clearinghouse office within reasonable same-workday, return-trip driving proximity to CPUC headquarters at 505 Van Ness Avenue in San Francisco, open to the public from Monday through Friday, 8:00 A.M. to 5:00 P.M. Pacific Time. This office will be the primary worksite for Contractor project staff and the repository for all Clearinghouse work papers. The Contractor may close Clearinghouse offices only on holidays observed by the State.
The Contractor will ensure sufficient staffing for the presence of a decision maker and full coverage of a reception area during all hours of operation. Reception area staff supplied by the Contractor will provide Clearinghouse information and application forms and assistance requested by walk-in traffic. The Contractor will ensure sufficient staffing to meet the timelines listed in Section D-2 Verifications.

EXHIBIT B

B-3) Work Papers

The Contractor will store and maintain in a secure environment indexed, tabbed and organized folders on each Clearinghouse applicant, containing at a minimum a copy of the original application and any reapplication, all submitted documentation, and any subsequent correspondence, whether internal or external.

The Contractor will also maintain indexed files of all other contract-related literature, correspondence and documents of note, whether hardcopy or electronic, and make such records available upon request of the JU project representative or designee and/or the CPUC or its designee, and upon termination of the contract.

The JU project representative or designee and/or the CPUC or its designee, may review and/or audit any or all Clearinghouse files during the hours of operation identified under the preceding Section B-2 (PRIMARY OFFICE).

All workpapers and information either hard-copy or electronic, maintained by the Contractor, shall be subject to the provisions in section B-11 below.

B-4) Toll-Free Hotline

The Contractor will operate a toll-free hotline during the hours of operation identified under PRIMARY OFFICE, which shall provide Clearinghouse information to callers from the public, the Program and participating Utilities upon request. At all other hours, the Contractor will make voicemail available at the same telephone number.

B-5) Informational Literature

As need arises or as directed by the JU project representative or designee and/or the CPUC or designee, and as approved by the CPUC or designee, the Contractor will develop, modify and/or distribute Clearinghouse forms, instructions and informational literature. The Contractor will ensure an adequate stock of these materials is available at all times, submitting original or substantively modified materials to the JU project representative or designee for review and approval prior to duplication.

B-6) Web Preference

The Contractor will create and maintain a Clearinghouse homepage locatable through standard Web search engines; Contractor shall obtain prior approval of design and content and all subsequent modifications from the JU project representative or designee and/or the CPUC or designee, and as approved by the CPUC or designee. The Web page must be exclusively devoted to Clearinghouse information, including at a minimum origin and role of the Clearinghouse, benefits of certification, application forms and instructions, contact information and link to the Program homepage.

B-7) Public Meetings

Upon request by the JU project representative and/or the CPUC or designee, the Contractor will make presentations and participate in public meetings at the hourly rate charged to implement program modifications.

EXHIBIT B

B-8) Clearinghouse System

The Contractor will access and use the newly designed Clearinghouse system via a standard Web browser with logon identification and password. The Clearinghouse system will be used to enter and modify applicant and supplier information, generate and send hardcopy and electronic correspondence, create data reports as requested by the participating Utilities and/or the CPUC, and search records.

B-9) Training

Upon request or following each substantive upgrade to the new Clearinghouse system, the Contractor will offer and conduct training for procurement staff of participating Utilities on how to use the system to search for diverse suppliers. Training must be scheduled at a location and time convenient to the Utility staff.

The Contractor will ensure the training location is adequately and reasonably equipped for transmitting the specified information. Instructional content and any training manuals will be provided by the Contractor after approval by the JU and/or the CPUC. The Contractor will anticipate any need to restock, and is responsible for all reproduction costs.

B-10) Knowledge Transfer

Upon termination of the awarded contract and at no additional cost to the Utilities the Contractor will conduct knowledge transfer in a timely manner to the JU, the CPUC, and any new Contractor. At least two months prior to contract end, the Contractor will submit for approval to the JU project representative or designee a proposed schedule, describing in detail how the Contractor will accomplish complete knowledge transfer by the contract end date.

The Contractor will incorporate and implement any modifications made by the JU project representative or designee, or the CPUC. Knowledge transfer includes, but is not limited to, providing detailed documentation of all Clearinghouse business practices and business contacts accrued during the life of the contract and the secure transfer of electronic and hardcopy work papers.

B-11) Information Security and Integrity

The Contractor shall:

Conduct periodic training, and maintain an appropriate legal reference library, to ensure that individuals with access to confidential information have easy access to relevant Constitutional provisions (*e.g*., California Constitution, article 1, section 1); statutes (*e.g*., Civil Code section 1798 *et seq*.); regulations (*e.g*., State Administrative Manual sections 4840-4845); Executive Orders' Budget Letters (*e.g*. Budget Letter 04-35, dated November 16, 2004); Department of General Services Management Memos, including MM 06-12; this contract; and any other policies, procedures, or other guidance provided by the Commission.

Maintain appropriate levels of confidentiality for data developed and/or maintained during the course of the contract, based on data classification, as outlined in the State Administrative Manual section 4841.3, and in accord with the policies and procedures established by the Commission;

Comply with standards, polices, and procedures developed or imposed by the Commission for the transmission and storage of the data, including any requirements for the encryption of confidential personal information;

EXHIBIT B

Comply with all State laws, policies and procedures, and Commission orders, policies and procedures regarding the confidentiality of personal and sensitive information resources and data. The Contractor and Utilities shall take all steps necessary to educate their employees of such laws, policies and procedures.

Comply with all Commission policies and procedures regarding the use of information resources and data obtained, developed, or maintained during implementation of the Contract;

Disclose confidential information only to the extent permitted by the Civil Code and as directed by the Commission (*e.g.*, Civil Code section 1798.24 (b) permits disclosure of personal information, as defined in section 1798.3, with the written consent of the individual to whom the information pertains, and section 1798.24 (e) permits disclosure to a person, or to another agency, where the transfer is necessary for the transferee agency to perform its constitutional or statutory duties, and the use is compatible with a purpose for which the information was collected and the use or transfer is accounted for in accordance with section 1798.25; since public utilities subject to GO 156 have an obligation to comply with the orders of the Commission, and the statutory provisions (Public Utilities Code sections 8281-8286, careful and limited disclosure of certain personal information to utilities during implementation of this Contract would not violate the Information Practices Act or other Civil Code provision, and as directed by the commission when appropriate.

Apply security patches and upgrades, and keep anti-virus, anti-“spyware” and anti-“phishing” software up-to-date on all systems on which data may be used or maintained;

Require each and every principal, officer, or employee that will have access to confidential personal information to sign a detailed confidentiality agreement (in a form approved by the Commission) that ensures that the individual understands and agrees to fully comply with all laws, policies, and procedures for preserving the integrity and security of data obtained, developed, and maintained during the course of the Contract, and to continue to abide with the agreement even after the individual ceases to be a principal, officer, or employee of the contractor; confidentiality agreements must be signed before an individual begins working on the contract, and periodically thereafter;

Agree to notify the State data owner (the Commission) promptly if a security incident involving the data is known to have occurred, or is reasonably believed to have occurred, as required by the Information Practices Act, other State laws, and any relevant regulations, policies, or procedures established by the Commission, and this Contract;

Agree to notify all individuals whose personal information was, or is reasonably believed to have been, acquired by an unauthorized person, as required by the Information Practices Act, other State laws, any relevant regulations, policies, or procedures established by the Commission; and this contract.

7-C IMPLEMENT PROGRAM MODIFICATIONS

C. <u>Implement Program Modifications</u>

The JU project representative or designee and the CPUC or designee will discuss with the Contractor the scope and deliverables of any changes requested by the JU. All work performed must be reviewed and approved by the JU project representative or designee and the CPUC or designee. Services may include:

- Integration of new or amended legislative requirements.
- Changes to the reciprocity of the CAV process.

EXHIBIT B

7-D ADHERE TO TIMEFRAMES

D-1) General
D-2) Verifications
D-3) Information Requests

D. Adhere to Timeframes

D-1) General

a. The Clearinghouse must be operational within four weeks of contract award.

b. The Contractor will enter or update information in the Clearinghouse system within one day of notification or determination of any change to applicant or supplier information or status.

D-2) Verifications

The Contractor shall make or recommend eligibility determinations as described under Verify Suppliers within:

1. 60 days of receipt of a protest or VAP, CAV or RAP requiring a site visit.
2. 30 days of receipt of a complete VAP or RAP, or Commission request to review a CAV.
3. 3 business days of receipt of a routine CAV.

At the time that the Contractor provides its respective invoices to the Utilities, the Contractor shall provide each Utility a status report regarding compliance with this Section D-2.

D-3) Information Requests

a. The Contractor will respond within one business day to:
   1. Requests from applicants for assistance with the application process.
   2. Messages left on the Clearinghouse voicemail system.

b. Upon receipt of a request from the JU project representative or designee, or the CPUC or designee, for informational literature, the Contractor will complete within:
   1. 15 working days, original works.
   2. 5 working days, substantive modifications.
   3. 1 working day, nonsubstantive modifications.

BUDGET DETAIL AND PAYMENT PROVISIONS

The billing rates below serve as the basis for the Contractor to bill the Utilities for the Services over a twelve (12) month period.

EXHIBIT B

Deliverable	Unit Price
New application (VAP)	$616.00
Comparable Agency (CAV)	$50.00
Reverification (RAP)	$490.00
Program Modifications	$50.00

Travel and Other Expenses

The Utilities will reimburse Contractor for reasonable travel expenses incurred in the performance of this Statement of Work Agreement. All travel expenses and any costs beyond those relating to the billings rates described above must be authorized in writing in advance by the Joint Utilities project representative.

Additional services

Additional services may be added to this Statement of Work as agreed by the parties.

ATTACHMENT C

Attachment 2

C

From: Karen Woo

Sent: Tuesday, March 09, 2004 4:31 PM

To: Grace Barba

Subject: FW: Policy Clarification: Comparable Agency Verifications

-----Original Message-----
From: Utility Supplier Diversity Program [mailto:WMDVBE@cpuc.ca.gov]
Sent: Saturday, March 06, 2004 2:12 AM
Subject: Policy Clarification: Comparable Agency Verifications

Effective February 26, 2004, the California Public Utilities Commission has given permission to the Supplier Clearinghouse to withhold acceptance of a Comparable Agency Verification (CAV) application or CAV reapplication if the clearinghouse has reason to believe the original verification may have been spurious. In all such cases, the clearinghouse shall investigate the matter and forward to the Commission the details of the case, its findings and a proposed determination in a timely manner. The Utility Supplier Diversity Program will then make a final determination, at which time the supplier will be notified.

Thank you for your attention to this clarification in our policy.

Utility Supplier Diversity Program
Communications and Public Information
California Public Utilities Commission

ATTACHMENT D

D

Comparable Agency Verification (CAV)
Refrain Review

"The Issue: Whether the Supplier Clearinghouse should continue to have the authority to refrain from automatic acceptance of CAVs"

Submitted by:
Beverly Popek
Project Director
Supplier Clearinghouse

September 19, 2008

Comparable Agency Verification (CAV) Refrain Review

At first glance, the use of comparable agency verification (CAV) seems an efficient way to reduce the time and expense necessary for review business applicants seeking to be designated as woman and/or minority owned. After all, why should companies seeking verification be required to undergo multiple applications; and why should subsidizing sources pay for what appear to be duplicative verification processes? The answer to both questions is "they shouldn't", provided the various agencies concerned are all truly comparable: that is, each agency certification is based on the careful application of essentially uniform standards. Unfortunately, this frequently is not the case.

This brief review demonstrates, through the analysis of actual case files, that several agencies that have granted certification to applicant businesses, to which the Supplier Clearinghouse later denied certification. The case reviews set out below demonstrate that agencies vary significantly in the standards of review, the rigor with which the standards are employed and the amount of actual investigation and analysis that are employed with each applicant business.

To make the point simply: not all certifying agencies have similar formal standards of review as the Clearinghouse, nor do they rigorously apply such standards.

Clearinghouse Standard of Review: the Clearinghouse's WMBE ELIGIBILITY STANDARDS are set out in four (4) pages of "plain language" prose [1] (Attachment 1). The Clearinghouse maintains a high degree of transparency: the Standards are provided to all applicants and are readily available on the Asian Inc. website in pdf format. Likewise, the Clearinghouse staff endeavor to apply the Standards uniformly. Clearinghouse administrative staff gather and organize

[1] Clearinghouse WMBE Eligibility Standards are a summary and condensation of the Disadvantaged Business Enterprise standards set out in 49 CFR 26, *et seq.*, Clearinghouse standards are actually less formalistic than the federal requirements. See Attachment 1.

applications and supporting documentation. Senior staff then allocate files to individual Verification Analysts, who review the complete application file. The verification process is based on replicable procedures and recordkeeping. Procedures include document review, applicant interviews, requests for and review of supplemental documents, and on-site interviews and audits. Analysts conduct the review consistent with the requirements of the Clearinghouse Standards. Training, regular staff meetings and senior staff review provide quality control and consistency.

The Purpose of the Standards: The clearly stated goal of General Order 156 is to provide a basis "for increasing women, minority and disabled veteran business enterprises' procurement in all categories". The Order specifies that mere formalistic evaluation of businesses for woman-minority ownership is unacceptable. Definitions set out in the Order and accompanying regulations mandate a thorough analysis of the substance of the ownership and control of applicant businesses, as opposed to the mere form the business may present.

History: From the inception of the program to February 2004, the Clearinghouse automatically accepted certification from "comparable" agencies. In the early 2000s, Clearinghouse staff realized that automatic acceptance of CAVs was a backdoor entrance to the system. In February 2004, after much discussion and cases that supported this belief, the CPUC and JU created a "one time" CAV acceptance policy[2], which required the Applicant to undergo full Clearinghouse review after a pre-determined time. In addition, a CAV Refrain became available to the Clearinghouse. The Refrain allowed Clearinghouse staff to withhold "automatic" verification of businesses already certified by other businesses and require full review. Since 2004, the Clearinghouse has **refrained on accepting CAVs from WBNEC and NMSDC and has denied and average of 70% of firms (2005-2007**). This is the first report since implementation of these policies in 2004. This report shows that the CAV Refrain and one time CAV rule has not

[2] See email from Utility Supplier Diversity Program at the CPUC.

only caught ineligible applicants but have reaffirmed the initial reasoning that CAVs are a backdoor entry to the system.

CHS Statistics - Verification, CAV Refrain, Denial, Appeal Rates

Verification and Denial Rates

Since inception, the program has processed 19,550 applications[3]. The Clearinghouse verifies and certifies a majority of applications processed: 90.33% (3 year average 2005-2007). Only 9.67% (3 year average 2005-2007), are denials. Within the denial category, firms may be denied for a number of reasons such as: unresponsive to requests for more information, denied because their CAV certificate was falsified[4], or they went through a thoroughly process that includes a site visit/audit, telephone interviews, supplemental documents, etc. The later is what most are interested in as many wonder who we deny.

A close examination of that later group during this same period (2005-2007) indicate that 66% belong to the WBE category[5]. The next highest group that is denied are WMBEs at 16.67%. This indicates that the Clearinghouse is doing exactly what GO 156 requires: The determination of the role of non-minority males/entities in the business. In these cases, the Clearinghouse determined that the applicant firms did not meet eligibility.

Appeal Rates

If a firm is denied, they have the opportunity to protest the decision and if the decision is upheld, appeal with the CPUC. From appeals data gathered, 2% of the 2005-2007 denials have gone to appeals. Of the 2% that have gone to

[3] As of September 18, 2008.

[4] Cases in 2005 and 2007. The Clearinghouse verifies a CAVs status with the appropriate agency's division office via email and phone calls. Although most division offices provide information, NJ NMSDC's Regional Office will not reciprocate information.

[5] White females that may have a non-minority relative (i.e. husband) or entity involved in the business.

appeals, 71% of the decisions have been upheld and 29% of the decisions were overturned.[6]

Refrain Rates

When a CAV is refrained, a letter[7] is sent out to inform the applicant that we will not accept the CAV and that we need them to submit supporting documents so a complete verification can be conducted. At this point, some applicants decide to send in the requested documents and some do not. If they decide to do the later, they are denied due to lack of response.

2005, 2006, and 2007 CAV Refrain Data

2005	Number	Percentages
Total Number of Files:	871	
Total Number of Denials:	124	14.2%
Unresponsive Denials:	37	4.2%
Unresponsive Denials/CAV Refrains Denials:	**3**	**0.3%**
Unresponsive CAV-CHS:	**14**	**1.6%**
Ratio of CAV Refrains/Denials	**3 of 4**	**75.0%**
2006		
Total Number of Files:	1085	
Total Number of Denials:	72	6.6%
Unresponsive Denials:	12	1.1%
Unresponsive Denials/CAV Refrain Denials:	**2**	**0.2%**
Unresponsive CAV-CHS:	**4**	**0.4%**
Ratio of CAV Refrains/Denials	**4 of 5**	**80.0%**
2007		
Total Number of Files:	1074	
Total Number of Denials:	85	7.9%
Unresponsive Denials:	12	1.1%
Unresponsive Denials/CAV Refrains Denials:	**7**	**0.7%**
Unresponsive CAV-CHS:	**0**	**0.0%**
Ratio of CAV Refrains/Denials	**7 of 20**	**35.0%**

[6] The two cases (S&S Tools and BECI Electric) that were overturned were done recently in 2008 by a new Administrative Hearing process started in the early summer of 2007 where the Clearinghouse was not represented by counsel.

[7] See attachment for an example of a CAV Refrain letter with enclosure (See Attachment 3a&3b).

The Clearinghouse's exercise of the Refrain shows that in 2005 and 2006, a majority of files refrained did not meet eligibility standards and were denied. In **2005, 86% of all CAVs refrained were denied**. Of the CAVs that were refrained and went through a thorough investigation and analysis, **75% were denied**. In **2006, 89% of all CAV refrained were denied**. Of the CAVs that were refrained and went through a thorough analysis, **80% were denied** as they did not meet eligibility.

In 2007, only **35% of the CAVs refrained were denied**. Of the CAVs that were refrained and went through a thorough analysis, **15% were denied**. 2007's data shows that the Clearinghouse did not deny such a large amount as previous years for several reasons:

1. Quality of CAV applicants improved as the CAV refrain program had been established and potential applicants were aware of our standards and level of rigor.
2. Management and Staff at the Clearinghouse was in transition. Mr. Moulton, previous Project Director took medical leave and at a later date, passed away. The move to a new location created mail challenges. In June 2007, 2 of 3 analysts left the Clearinghouse and a new team of analysts had to be trained. Hayden Lee was appointed as an Interim Administrator but his involvement was part-time. Due to all of the above, there was a backlog of files. In sum, with the staffing challenges the Clearinghouse endured in 2007, the CAV refrains were not on a high priority and staff worked on eliminating the file backlog.

In summary, the data indicates that for 2005-2007, **63% of all CAVs refrained were denied certification.**

Summary

A file review was conducted to examine the CAV Refrain and this information can be found in Attachment 4 In each case, one or more comparable agency (-ies) had verified the applicant business as a WBE, MBE or WMBE. These illustrative summaries and discussions of CAV Refrains that resulted in subsequent Denials by the Clearinghouse is helpful in understanding how the Refrain has been instrumental in serving the stated goals of General Order 156, as well as the sprit of promoting the development and growth of WBEs, WMBEs and MBEs. The Clearinghouse, after exercising CAV Refrain and undertaking its own verification analysis, determined that the applicant business was NOT entitled to verification under the directives of General Order 156.

To a very large extent, the file reviews[8] all speak for the same propositions:

1. Certifying agencies vary in the standards they apply and the rigor with which they apply them.
2. Review of applicants purely on the basis of formal organization and ownership representation is misplaced.
3. Elimination of CAV Refrain will almost certainly undermine the purposes of General Order 156.

Without question, the verification process should be as efficient as circumstances allow. In fact, the majority of applicants are manifestly eligible for relatively prompt—although never cursory—review and verification. However, efficiency does not mean expediency. General Order 156, and its counterparts found in numerous municipal, county, state and federal requirements nationwide, mandate careful—yes, sometimes laborious—investigation and analysis, before the Clearinghouse can determine whether it should certify a particular business.
The Clearinghouse has maintained continuous and reliable results in the certification industry. This is due to the fact that the Clearinghouse has one location with full-time dedicated staff, trained on conducting careful investigation,

[8] For the Case Reviews and Discussion please see Attachment 4.

analysis, and consistently applies the standards rigorously. The process, procedures and training of the staff at the Clearinghouse allows an in-depth review that other "comparable agencies" can not provide. For example, NMSDC and WBNEC both have certification boards/committees that are composed of individuals who are not trained in certification and meet to decide the outcome of files. These boards meet perhaps once a month. Although these organizations require site-visits for all of their applicants, the level of detail and information gathered is questionable.

Regarding site visits, the Clearinghouse uses a standard set of questions as a starting point and from there, additional questions will be asked to fully understand the firm as it pertains to eligibility. Site visits conducted by the Clearinghouse average 2 hours and a document audit is a standard procedure to verify information. For the files that are denied without a site-visit, an in-depth analysis of supplemental documents, telephone interviews, research, reference checks, etc. are all common as standard operating practice. The fact that NMSDC and WBNEC are composed of many divisions or offices of a council also increases variability in the standard of rigor and how these separate offices processes applications. As the numerous cases cited in the case study section of this report indicate, failure to allow the Clearinghouse the authority to exercise due diligence will result in the certification of businesses masquerading as woman and minority-owned.

Attachment 1

WMBE ELIGIBILITY STANDARDS

The applicant business concern must demonstrate with clear and convincing evidence that the minority and/or women unconditionally own 51% of the applicant concern and are responsible for the day-to-day as well as major decisions on matters of management, policy, and operations. The burden of proof lies with the applicant concern to demonstrate compliance with these WMBE eligibility standards.

General Order 156 WMBE Definitions

Public Utilities Code § 8281-8285 relates to women and minority business enterprises. The "Opinion Modifying Decision 88-09-024" defines WBE and MBE as follows:

§1.3.2
"Women-owned business" means (1) a business enterprise (a) that is at least *51%* owned by a woman or women or b) if a publicly owned business, at least 51% of the stock of which is owned by one or more women; and (2) whose management-and daily business operations are controlled by one or more of those individuals

§1.3.3
"Minority-owned business" means (1) a business enterprise (a) that is at least 51% owned by a minority individual or group(s) or (1)) if a publicly owned business, at least *51%* of the stock of which is owned by one or more minority groups; and (2) whose management and daily business operations are controlled by one or more of those individuals. The contracting utility shall presume that minority includes, but is not limited to, Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans, and other groups, as defined herein.

Ownership Requirements

1. An applicant concern must be one which is at least 51 % unconditionally owned by an individual(s) who is a citizen of the United States, including permanent resident alien(s). An individual applicant's U.S. citizenship or permanent residency status shall be established and substantiated by minimum threshold documentation. An individual applicant's claim that he/she is a member of a racial or ethnic minority group and is so regarded by that particular minority shall be established and substantiated by minimum threshold documentation.

2. In the case of an applicant concern which is a partnership, 51% of the partnership interest must be unconditionally owned by minorities or women. Such unconditional ownership must be reflected in the concern's partnership agreement.

3. In the case of an applicant concern which is a corporation, *51%* of each class of voting stock and *51%* of the aggregate of *all* outstanding shares of stock must be unconditionally owned in a manner that does not intrude upon the control of the company by the minorities or women.

4. The Clearinghouse will not find unconditional ownership of a concern on the basis of non-exercised stock options or other arrangements.

5. When determining ownership, the Clearinghouse will consider options to purchase stock held by non-minorities/male, or rights to convert non-voting stock or debentures held by non-minorities/male into voting stock, to have been exercised.

6. The minority or women owners shall enjoy the customary incidents of ownership and shall share in the risks and profits commensurate with their ownership interests, as demonstrated by an examination of the substance rather than form of arrangements. This includes, but is not limited to, the following:

a. In the event that dividends are distributed, the individual(s) upon whom WMBE eligibility ownership is based, must receive at least *51%* of the annual distribution of dividends paid on the voting stock of a corporate applicant concern.

b. In the event that stock is sold, the individual(s) upon whom WMBE eligibility is based must be entitled to receive 100% of the value of each share of stock in his/her possession.

c. In the event of dissolution of the corporation, the individual(s) upon whom WMBE eligibility is based must be entitled to receive at least *51%* of the retained earnings of the concern and 100% of the value of each share of stock in his/her possession.

7. All securities which constitute ownership and/or control of a corporation for purposes of establishing it as a WMBE under this part shall be held directly by minorities or women.

8. No securities held in trust, or by any guardian for a minor, shall be considered as held by the minority or women in determining ownership or control of a corporation.

9. The contributions of capital or expertise by the minority or women owners to acquire their interests in the applicant concern shall be real and substantial and can be verified through objective documentation.

10. The ownership of the applicant concern by the minority/women owner(s) must be substantiated by the documentation submitted.

Management & Control

1. An eligible WMBE under this program shall be an independent business. The ownership and control by minorities or women shall be real, substantial, and continuing and shall go beyond the pro forma ownership of the applicant concern as reflected in its ownership documents. It shall not rely upon non-WMBE individual(s) or entities for financial, management, or technical assistance or other resources to the extent that it is not in control of its business destiny.

2. The minority or women owners shall possess and exercise the power to direct or cause the direction of the management and policies of the applicant concern and to make the day-to-day as well as major decisions on matters of management, policy, and operations, and not merely act as officers or directors. The minority or women owner(s) must be responsible for the operation of the applicant concern consistent with standard industry practices.

3. The applicant concern shall not be subject to any formal or informal restrictions which limit the customary discretion of the minority or women owners. There shall be no restrictions through, for example, bylaw provisions, partnership agreements, or charter requirements for cumulative voting rights or otherwise that prevent the minority or women owners, without the cooperation or vote of any owner who- is not a minority or woman, from making a business decision of the applicant concern.

4. In order for a minority or woman individual to demonstrate control of the concern, that individual must have a combination of managerial or technical and/or educational experience and competency consistent with industry standards in which the applicant concern operates which supports the conclusion that this individual can make daily as well as major decisions on matters of management, policy, and operations for the applicant concern.

5. The applicant concern must be managed on a full-time basis by one or more minorities or women owners.

6. At least one minority or women owner who is a full-time manager must hold the position of President and/or Chief Executive Officer and shall have general supervision, direction, and control of the business and officers of the corporation. This precludes outside employment or any other business interest by the minority/woman individual which conflicts with the management of the applicant concern.

7. The minority or women upon whom WMBE eligibility is based shall control the Board of Directors of the applicant concern, either in actual numbers of voting directors or through weighted voting. An applicant concern must be a valid corporation under applicable state law.

8. Non-minority male individuals may be involved in the management of an applicant concern, and may be stockholders, partners, officers, and/or directors of such concern. Such individual(s), their spouses or immediate family members who reside in the same household may not, however:

a. exercise actual control or have the power to control the applicant concern;

b. receive excessive compensation from the applicant concern as directors, officers or employees.

c. receive excessive individual compensation in any form, including but not limited to, compensation, salary, consulting fees, and/or dividends, which exceeds the compensation to be received by the minority/woman, Chief Executive Officer, or the President; or

d. be former and/or current employers of the minority/women owner(s) of the applicant concern, unless it is determined that the contemplated relationship between the former employer and the minority/woman individual or applicant concern does not give the former employer actual control or the potential to control the applicant concern and such relationship is in the best interest of the applicant concern.

9. Non-minority male individuals or entities owned by such individuals shall be deemed to control or have the power to control the applicant concern in any of the following circumstances.

a. Non-minority male individuals control the voting of the Board of Directors of the applicant concern, either directly through majority voting membership, or indirectly, if the Bylaws allow non-minority male individuals to block any action proposed by the minority/women individuals through negative control.

b. A non-minority male individual, as an officer or member of the Board of Directors of the applicant concern, or through stock ownership, has the power to control day-to-day direction of the business affairs of the applicant concern.

c. The non-minority male individual or entity owned by such individuals provides critical financial or bonding support or licenses to the applicant, the terms of which would create effective control in all significant aspects over the applicant concern.

d. A non-minority male individual or entity owned by such individuals exercises control of the applicant concern through a nominee(s).

e. A non-minority male individual or entity owned by such individuals controls the corporation or the minority/women individual owner(s) through loan arrangements.

f. Non-minority male individual or entity owned by such individuals are disproportionately responsible for the operation of the firm.

10. The management and control of the applicant concern by the minority/women owner(s) must be substantiated by the documentation submitted.

ATTACHMENT E

Joint Utilities Supplier Clearinghouse

Request for Proposal

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Specific Instructions and Provisions

1. Introduction

AT&T, Verizon California, Southern California Edison, (SCE), Southern California Gas Company, San Diego Gas and Electric company and Pacific Gas and Electric Company (PG&E), referred henceforth as the Joint Utilities (JU), are seeking a qualified firm to operate its Supplier Clearinghouse (Clearinghouse) of woman-minority- and service disabled veteran-owned suppliers subject to the California Public Utilities Commission's (CPUC) General Order 156.

2. Purpose and Term of Agreement

This document outlines the responsibilities of the Clearinghouse and the detailed specifics of how work is to be performed. The selected bidder will be responsible for ensuring that the responsibilities of the Clearinghouse are performed as outlined in the Specific Conditions and General Conditions, along with all attachments hereto and incorporated herein.

The term of the contract will be for three years, commencing on August 1, 2009.

The contracts for services will be executed between the selected bidder and each of the 12-20 participating Utilities.

3. Statement of Work

1. In accordance with the Agreement that incorporates this Statement of Work, Contractor agrees to operate a Supplier Clearinghouse (Clearinghouse) of woman-, minority- and disabled veteran-owned suppliers for utilities (Utilities) subject to the California Public Utilities Commission's (CPUC) General Order (GO) 156, as authorized by, Decision No. 06-08-031. The following entities comprise the Utilities:

   a. Verizon California
   b. AT&T
   c. Pacific Gas and Electric Company
   d. Southern California Gas Company
   e. Southwest Gas Corporation
   f. Citizens Communications
   g. SureWest
   h. Sprint Nextel
   i. Sierra Pacific Power Company
   j. Pacific Power and Light Company
   k. Southern California-Edison Company
   l. San Diego Gas and Electric Company

   There are additional utility companies included in this group that are regulated by the CPUC and are subject to GO156.

   Each of the Utilities will appoint a Contract Manager to undertake the responsibilities described herein.

   The following Utilities comprise the Joint Utilities (JU):

   a. Verizon California
   b. AT&T
   c. Pacific Gas and Electric Company
   d. Southern California Gas Company and San Diego Gas and Electric Company
   e. Southern California Edison Company
   f. A Representative for the remaining utilities, to be designated annually by the remaining utilities.

The current contractor for the Diversity Clearinghouse will transfer all work processes currently in place plus the Clearinghouse system, which utilizes a legacy database. This statement of work, as detailed in the following pages, will be consistent with the current processes with the following additions/changes:

The contractor will be responsible for developing and implementing

- an on-line application capability within 180 days from contract signing. (Section 7-B-7).
- a new Clearinghouse system and database within 180 days from contract signing. (Section 7-B-9)
- changes to the new application process to eliminate two documents currently required, effective within 4 weeks of contract signing. (Section A-1)
- changes to the comparable verification process to allow renewals with an updated certificate from the comparable agency and an eligibility certificate, effective within 4 weeks of contract signing. (Section A-2)
- a new Fast Track process for applicants that qualify as micro-businesses, effective within 4 weeks of contract signing. (A-4)
- processes to periodically conduct audits and site visits for applicants who have been either streamlined through the certification process via the Comparable Agency Verification (Section A-3-e) or have been certified via the Fast Track Process. (Section A-4-i)

2. The Utilities intend that the new data warehouse for the Clearinghouse (System) will reside at the contractor site and be accessed via the Web on a real time basis.

3. All Utilities shall have access to all non-confidential data in the System and any information provided by women-, minority-, and disabled veteran-owned suppliers to the Clearinghouse. The Contractor shall adhere to the existing standard of access to confidential data, which shall remain in effect until revised by the CPUC.

4. The Contractor shall track the revenue that may be provided by each WMBE applicant and provide such revenue-related data to any Utility subject to mandatory or voluntary GO 156 reporting requirements when requested by that Utility, to the extent necessary to allow Utilities to

timely comply with reporting requirements set forth in GO 156 and other Commission Orders.

5. The Services shall be provided during mutually agreed upon working hours.

6. The project representatives during the term of this agreement will be:

Agency:	Joint Utilities	Contractor:	TBD
Name:	Margaret Rawls	Name:	
Phone:	(925) 823-3131	Phone:	
Fax:	(925) 901-0562	Fax:	

Direct all inquiries to:

Joint Utilities		Contractor:	TBD
Section/Unit:	Supplier Diversity	Section/Unit:	Supplier
Clearinghouse			
Attention:	Margaret Rawls	Attention:	TBD
Address:	AT&T Services, Inc. 2600 Camino Ramon San Ramon, CA 94583	Address:	
Phone:	(925) 823-3131	Phone:	
Fax:	(925) 901-0562	Fax:	

7. Contractor will perform and document the following procedures (Services) on an ongoing basis determined to be necessary by the JU and the JU project representative:

7-A **VERIFY SUPPLIERS**

A-1) New Applications
A-2) Comparable Agency Verifications
A-3) Reverifications
A-4) Fast Track Process
A-5) Protests

A. Verify Suppliers

It is the expectation of the JU that the new database and online application capability may result in modification or automation of some of the procedures described below. Any procedural change as a result of the new system should have a neutral to positive impact on the workload due to achieved efficiencies.

Applicants to the Clearinghouse may submit applications for new certification, comparable agency verification or reverification by:

1. Completing and submitting the on-line application form to the Clearinghouse. Once the form has been processed by the Clearinghouse, the applicant will be contacted by letter and email with instructions for mailing or delivering the required hard-copy documents to the Clearinghouse.

2. Completing the application form and mailing or delivering it to the Clearinghouse with all required hard-copy documents. Clearinghouse forms and instructions referenced herein are subject to change and may differ significantly in layout and content upon contract award or thereafter as decided by the JU project representative or designee and the CPUC or designee, and as approved by the CPIC or designee.

A-1) New Applications

To be verified by the Clearinghouse, applicants must submit an application form and required documents as indicated in the instructions. A verification application package (VAP) refers to the combined form and documents as submitted by an applicant. A complete VAP is one wherein the form contains all necessary information and all required documents are present. The contractor will require the documents currently specified in the application with the following changes:

1. Current stock certificates will be required instead of “All stock certificates ever issued.”

2. Eliminate the requirement for executed supplier agreements.

Upon receipt of a VAP, the Contractor will:

a. Determine whether the applicant is already listed in the Clearinghouse System. If the applicant is listed and:

    1. was denied Clearinghouse certification less than 11 months prior and

        - application was submitted on-line, contact applicant by mail with a letter indicating ineligibility to reapply until 12 months following the prior denial.
        - application was mailed to Clearinghouse, return all submitted materials by mail with a letter indicating ineligibility to reapply until 12 months following the prior denial.

    2. was denied Clearinghouse certification more than 11 but less than 12 months prior, retain all submitted materials and mail the applicant a letter indicating the application will be processed after the twelfth month has elapsed.

    3. has Clearinghouse certification which expired within the previous 12 months or will expire in less than 30 days, process the application as a reverification.

    4. has a Clearinghouse application actively on file, combine any newly submitted material or information with the existing record.

5. is otherwise currently certified, return all submitted materials by mail with a letter indicating status.

b. Examine the VAP for completeness. If the VAP was submitted on-line:

1. Contact the applicant by email and letter requesting the required documentation.

2. Mail the applicant up to two nonresponse reminders at monthly intervals.

3. Place at least two telephone calls to offer and provide the applicant any necessary assistance with the application process.

If the VAP was mailed or delivered to the Clearinghouse and was submitted with:

1. less than four of the required documents, return all submitted materials by mail with a cover letter requesting resubmittal.

2. at least four of the required documents, but remains incomplete:

- Mail a letter to the applicant requesting the missing information.
- Mail the applicant up to two nonresponse reminders at monthly intervals.
- Place at least two telephone calls to offer and provide the applicant any necessary assistance with the application process.

c. Examine a complete VAP to ensure internal consistency, accuracy and conformity with eligibility standards in GO 156 sections 1.3.2 and 1.3.3.

d. If additional information is needed to ascertain eligibility:

1. Mail a letter to the applicant requesting supplemental documents and up to two nonresponse reminders at monthly intervals if necessary.

2. Conduct one or more telephone interviews with the applicant if necessary.

e. Conduct one or more site visits if any of the following criteria is met:

1. The applicant reports revenues in excess of ten million dollars.

2. Review of the submitted documents does not definitively prove eligibility or raises doubt about the applicant veracity.

3. One or more known parties have made reasonable allegations regarding applicant eligibility.

f. If a site visit is necessary:

1. Schedule an audit with the firm's principals at the earliest possible data based upon supplier availability, geographic proximity and utility priority.

2. Conduct interviews with the principals and key personnel to resolve questions of ownership, control and operation of the firm.

3. Determine percent of ownership, percent of corporate stock owned, distribution of profits, corporate securities held and extent to which contribution of capital or expertise to acquire interest in business is real or substantial.

4. Verify that management and control by the applicant is based on:

- Extent to which the company operates as an independent business.
- Major, day-to-day decision-making responsibilities in business matters of policy, management and operations.
- Management or technical skills and/or educational experience.
- Position as full-time manager and responsibility for supervision, control and direction of the business and its officers.
- Control by the Board of Directors and corporate legal status in California.

5. Prepare a site visit report including at a minimum:

- Introductory information identifying the applicant and indicating any internal case number.
- A synopsis of Clearinghouse contact with the applicant to date and the factors warranting a site visit.
- All questions posed by and to the Contractor and responses given.
- Pertinent observations.
- Conclusions regarding Clearinghouse eligibility.

g. Determine whether an applicant is verified as a woman and/or minority-owned supplier or denied certification.

1. If verified, issue the appropriate certification and mail to the applicant with a congratulatory letter.

2. If denied, send a letter to the applicant via certified mail containing:

- A detailed explanation for the denial, documenting all facts in substantiation of the determination.
- Copies of any site visit reports.
- A notice of ineligibility to reapply for certification until 12 months following the date of the denial letter.
- Information on how to protest the determination.

h. Presumptively deny any applicant who is nonresponsive for 90 days or more or unwilling to schedule a site visit three or more times, mailing a letter to the applicant documenting the reason for denial and dates of attempted contact.

A-2) Comparable Agency Verifications

The Clearinghouse shall recognize certifications from National Minority Supplier Development Council and affiliates, Women's Business Enterprise National Council and affiliates, which are certifying agencies previously identified by the CPUC as having comparable verification criteria. An applicant submitting a VAP form with a certificate from one of these agencies may be certified by the Clearinghouse for up to one year or until the expiration date on the original certificate, whichever is less.

The JU and JU project representative and the CPUC or designee reserve the right to request or perform review of any verification.

Upon receipt of an application submitted with a CAV certificate, the Contractor will:

a. Determine if documentation is complete. The following documentation is required for Comparable Agency Certification:

1. NMSDC certificate and approval letter, 2 years of tax returns and notarized eligibility certification under penalty or

2. WBENC certificate and approval letter, 2 years of tax returns, proof of U.S. Citizenship and notarized eligibility certification under penalty.

b. Determine whether the applicant is already listed in Clearinghouse system. If the applicant:

1. was previously certified by the Clearinghouse through the Comparable Agency Verification (CAV) process, ensure the application includes an updated certificate from the comparable agency AND an additional eligibility certification under penalty.

2. was denied certification less than 11 months prior, return all submitted materials with a letter indicating applicant ineligibility to utilize the streamlined certification process for 24 months after denial. Applicant may reapply utilizing full VAP process 12 months following the date of the denial.

3. was denied certification more than 23 but less than 24 months prior, retain all submitted materials and mail the applicant a letter indicating the application will be processed after the 24th month has elapsed.

c. If name, business or address on the VAP differs from the information printed on the CAV certificate, return all submitted materials with a letter indicating the discrepancies and requesting resubmittal, sending up to two nonresponse reminders at monthly intervals if necessary.

d. Contact the original verifying agency to confirm the certification. If the certification is:

1. confirmed, issue the appropriate Clearinghouse certification and mail to the applicant with a congratulatory letter.

2. not confirmed, send a letter to the applicant via certified mail indicating the reason for the denial and including information on how to protest the determination.

e. If any Contract Manager or designee or the CPUC or designee requests review of a particular CAV, Contractor shall:

1. Follow the procedures identified under NEW APPLICATIONS, items d – f. If the applicant is:

   - verified, Contractor shall issue and mail the appropriate certification to the applicant with a congratulatory letter.
   - recommended for denial, Contractor shall forward a copy of the file to the Contract Manager or designee or the CPUC or designee with a letter identifying the applicant, summarizing findings to date, responding to any Utility questions or concerns and documenting all facts which substantiate a recommendation for denial.

2. If informed by the CPUC or designee that the applicant is verified, issue the appropriate Clearinghouse certification and mail to the applicant with a congratulatory letter.

3. If informed by the CPUC or designee that the applicant is denied, send a letter the applicant via certified mail containing:

- A detailed explanation for the denial, documenting all facts in substantiation of the determination.
- Copies of any site visit reports.
- Notice of ineligibility to reapply for certification until 12 months following the date of the denial letter.
- Information on how to protest the determination.

A-3) Reverifications

To remain actively listed with the Clearinghouse beyond the expiration date listed on its certification, a woman-and/or/minority-owned supplier must apply to be reverified. A reverification application package (RAP) refers to the RAP form and required documents as submitted by an applicant. A complete RAP is one wherein the form contains all necessary information and all required documents are present.

The Contractor will:

a. each month, use the Clearinghouse System to identify woman-and minority-owned suppliers whose certifications will expire within 90 days.

b. each month, mail each identified supplier a RAP and up to two nonresponse reminders 60 and 30 days before expiration of their Clearinghouse certification if necessary.

c. respond to questions from suppliers concerning the reapplication process, placing at least two telephone calls to offer and provide any necessary assistance with the reapplication process.

d. upon receipt of an incomplete RAP, mail a letter to the supplier requesting the missing information and up to two nonresponse reminders at monthly intervals if necessary.

e. upon receipt of a RAP with a CAV certificate, if the applicant:

1. was previously certified by the Clearinghouse through the CAV process, ensure the application includes an updated certificate from the comparable agency AND an additional eligibility certification under penalty.

2. has not previously submitted a CAV certificate, process the application following the procedures identified under CAV process.

f. Upon receipt of a complete RAP, Contractor shall:

1. ensure its internal consistency, accuracy and conformity with eligibility standards.

2. compare it with the supplier information on file, noting any changes or significant discrepancies.

3. note any additional information supplied beyond that presented in initial VAP, particularly changes in work codes.

g. Conduct any necessary site visits, adhering to criteria and procedures identified under NEW APPLICATIONS, items e-f.

h. Determine whether the supplier is reverified or denied recertification. If the applicant is:

1. reverified, issue and mail the appropriate Clearinghouse certification to the applicant with a congratulatory letter.

2. denied, send a letter to the applicant via certified mail containing:

- a detailed explanation for the denial, documenting all facts in substantiation of the determination.
- Copies of any site visit reports.
- Notice of ineligibility to reapply for Clearinghouse certification until 12 months following the date of the denial letter.
- Information on how to protest the determination.

i. Presumptively deny any applicant who is nonresponsive for 90 days or more or unwilling to schedule site visit three or more times, and shall mail a letter explaining the reason for the denial and indicating dates of attempted contact.

A-4) Fast Track Process

The Fast Track application and verification process is available to very small woman-and/or/minority-owned California based businesses wishing to be certified through the Clearinghouse process. This process is available to a small business that, together with affiliates, has average annual gross receipts of two million seven hundred fifty thousand dollars ($2,750,000) or less over the previous three years, or is a manufacturer, as defined in the Government Code definition, subdivision (c), with 25 or fewer employees AND can prove eligibility as a woman-and/or/minority-owned California based company.

The Fast Track package is designed to provide sufficient information and documentation to allow the Clearinghouse to reasonably verify that it qualifies for the Fast Track application and its WBME eligibility, while minimizing the administrative burden for very small businesses. The following items must be included from the current Clearinghouse application for a complete Fast Track application:

- Business Identification information
- Business Specialty
- Ownership Information

- Ownership Type
- Outstanding Loans
- Business Owners, Officers & Key Personnel
- Daily Business Management/Decision-Making
- Relationships With Other Business Concerns
- Previous Business Ownerships
- Proof of qualifying owner(s)' U.S. citizenship or legal residency
- Proof of qualifying owner(s)' ethnic/minority status
- Proof of qualifying owner(s)' gender
- Detailed resume or work history of principals and key employees
- Bank Signature Card or Bank Authorization Letter
- Evidence of Personal Capital Contributions
- Most recent federal tax returns
- Partnership Agreement or Articles of Incorporation
- Profit-Sharing Agreements
- Buyout Rights Agreements
- By-Laws and Amendments

Upon receipt of a Fast Track package (FTP), the Contractor will:

a. Determine whether the applicant is already listed in the Clearinghouse System. If the applicant is listed and:

   1. was denied Clearinghouse certification less than 11 months prior,

      - and application was submitted on-line, contact applicant by mail with a letter indicating ineligibility to reapply until 12 months following the prior denial.
      - and application was mailed to Clearinghouse, return all submitted materials by mail with a letter indicating ineligibility to reapply until 12 months following the prior denial.

2. was denied Clearinghouse certification more than 11 but less than 12 months prior, retain all submitted materials and mail the applicant a letter indicating the application will be processed after the twelfth month has elapsed.

3. Has Clearinghouse certification which expired with the previous 12 months or will expire in less than 30 days, process the application as a reverification.

4. Has a Clearinghouse application actively on file, combine any newly submitted material or information with the existing record.

5. Is otherwise currently certified, return all submitted materials by mail with a letter indicating status.

b. Examine the FTP for completeness. If the FTP was submitted on-line:

1. Contact the applicant by email and letter requesting the required documentation.

2. Mail the applicant up to two nonresponse reminders at monthly intervals.

3. Place at least two telephone calls to offer and provide the applicant any necessary assistance with the application process.

If the FTP was mailed or delivered to the Clearinghouse and was submitted with:

1. less than four of the required documents, return all submitted materials by mail with a cover letter requesting resubmittal.

2. at least four of the required documents, but remains incomplete:

   - Mail a letter to the applicant requesting the missing information.
   - Mail the applicant up to two nonresponse reminders at monthly intervals.
   - Place at least two telephone calls to offer and provide the applicant any necessary assistance with the application process.

c. Examine a complete FTP to ensure internal consistency, accuracy and conformity with eligibility standards in GO 156 sections 1.3.2 and 1.3.3.

d. If additional information is needed to ascertain eligibility:

   1. Mail a letter to the applicant requesting supplemental documents and up to two nonresponse reminders at monthly intervals if necessary.

   2. Conduct one or more telephone interviews with the applicant if necessary.

e. Conduct one or more site visits if any of the following criteria is met:

   1. Review of the submitted documents does not definitively prove eligibility as micro business
   2. Review of the submitted documents does not definitively prove eligibility or raises doubt about the applicant veracity.

   3. One or more known parties have made reasonable allegations regarding applicant eligibility.

f. If a site visit is necessary:

1. Schedule an audit with the firm's principals at the earliest possible data based upon supplier availability, geographic proximity and utility priority.

2. Conduct interviews with the principals and key personnel to resolve questions of ownership, control and operation of the firm.

3. Determine percent of ownership, percent of corporate stock owned, distribution of profits, corporate securities held and extent to which contribution of capital or expertise to acquire interest in business is real or substantial.

4. Verify that management and control by the applicant is based on:

    - Extent to which the company operates as an independent business.

    - Major, day-to-day decision-making responsibilities in business matters of policy, management and operations.

    - Management or technical skills and/or educational experience.

    - Position as full-time manager and responsibility for supervision, control and direction of the business and its officers.

    - Control by the Board of Directors and corporate legal status in California.

5. Prepare a site visit report including at a minimum:

    - Introductory information identifying the applicant and indicating any internal case number.

- A synopsis of Clearinghouse contact with the applicant to date and the factors warranting a site visit.
- All questions posed by and to the Contractor and responses given.
- Pertinent observations.
- Conclusions regarding Clearinghouse eligibility.

g. Determine whether an applicant is verified as a woman and/or minority-owned supplier or denied certification.

1. If verified, issue the appropriate certification and mail to the applicant with a congratulatory letter.

2. If denied, send a letter to the applicant via certified mail containing:

- A detailed explanation for the denial, documenting all facts in substantiation of the determination.
- Copies of any site visit reports.
- A notice of ineligibility to reapply for certification until 12 months following the date of the denial letter.
- Information on how to protest the determination.

h. Presumptively deny any applicant who is nonresponsive for 90 days or more or unwilling to schedule a site visit three or more times, mailing a letter to the applicant documenting the reason for denial and dates of attempted contact.

i. The contractor will implement a process to conduct periodic compliance audits and site visits for selected California-based Fast Track applicants to verify eligibility. Results of the audit should be published to the CPUC and Utilities with recommendations for process modifications.

A-5) Protests

An applicant denied certification or recertification as a woman- and/or minority-owned supplier, or a third party, may submit a written protest to the Clearinghouse within 14 days of the determination.

a. Upon receipt of a timely protest, the Contractor will:

   1. Send a letter to the applicant confirming receipt of protest.

   2. Review the initial Clearinghouse determination and request additional information if necessary, following the procedures identified under NEW APPLICATIONS, items d – f.

b. If applicant is verified or reverified as woman-and/or minority-owned supplier, Contractor shall issue the appropriate Clearinghouse certification and mail to the applicant with a congratulatory letter.

c. If applicant remains denied, send applicant letter via certified mail providing:

   1. detailed explanation for denial and enclosing any site visit report.

   2. notice that applicant cannot reapply for Clearinghouse certification until 12 months following original denial, indicating date.

   3. information on how to appeal the Contractor's decision to the CPUC.

   4. The CPUC shall have final jurisdiction on any appeal after a final decision has been rendered by Contractor.

d. The Contractor shall participate in appeals to the CPUC as requested by the CPUC.

7-B PROVIDE INFORMATION

B-1) Applicant Assistance
B-2) Primary Office
B-3) Work Papers
B-4) Toll-Free Hotline
B-5) Information Literature
B-6) Web Preference
B-7) On-line Application Capability
B-8) Public Meetings
B-9) Clearinghouse System
B-10) Training
B-11) Knowledge Transfer

B. Provide Information

B-1) Applicant Assistance

Upon receipt of requests from a prospective applicant or upon referral by a Utility, the Contractor will mail a VAP form, instructions and any other appropriate information. If contact information is provided or otherwise readily available, the Contractor will place at least two telephone calls to prospective applicants, offering assistance with the application process.

B-2) Primary Office

The Contractor will lease, maintain and staff a least one California based Clearinghouse office open to the public from Monday through Friday, 8:00 A.M. to 5:00 P.M. Pacific Time. This office will be the primary worksite for Contractor project staff and the repository for all Clearinghouse work papers. The Contractor may close Clearinghouse offices only on holidays observed by the State.

The Contractor will ensure sufficient staffing for the presence of a decision maker and full coverage of a reception area during all

hours of operation. Reception area staff supplied by the Contractor will provide Clearinghouse information and application forms and assistance requested by walk-in traffic. The Contractor will ensure sufficient staffing to meet the timelines listed in Section D-2 Verifications.

B-3) Work Papers

The Contractor will store and maintain in a secure environment indexed, tabbed and organized folders on each Clearinghouse applicant, containing at a minimum a copy of the original application and any reapplication, all submitted documentation, and any subsequent correspondence, whether internal or external.

The Contractor will also maintain indexed files or all other contract-related literature, correspondence and documents or note, whether hardcopy or electronic, and make such records available upon request of the JU project representative or designee and/or the CPUC or its designee, and upon termination of the contract.

The JU project representative or designee and/or the CPUC or its designee, may review and/or audit any or all Clearinghouse files during the hours of operation identified under the preceding Section B-2 (PRIMARY OFFICE).

All work papers and information, either hard-copy or electronic, maintained by the Contractor shall be subject to the provisions in section B-11 below.

B-4) Toll-Free Hotline

The Contractor will operate a toll-free hotline during the hours of operation identified under PRIMARY OFFICE, which shall provide Clearinghouse information to callers from the public, the Program and participating Utilities upon request. At all other hours, the Contractor will make voicemail available at the same telephone number.

B-5) Informational Literature

As need arises or as directed by the JU project representative or designee and/or the CPUC or designee, and as approved by the CPUC or designee, the Contractor will develop, modify and/or distribute Clearinghouse forms, instructions and informational literature. The Contractor will ensure an adequate stock of these material is available at all times, submitting original or substantively modified materials to the JU project representative or designee for review and approval prior to duplication.

B-6) Web Preference

The Contractor will create and maintain a Clearinghouse homepage locatable through standard Web search engines. Contractor shall obtain prior approval of design and content and all subsequent modification from the JU project representative or designee and/or the CPUC or designee, and as approved by the CPUC or designee. The Web page must be exclusively devoted to Clearinghouse information, including at a minimum: origin and role of the Clearinghouse, benefits of certification, application forms and instructions, contact information and link to the Program homepage.

B-7) On-line Application Capability

The Contractor will create and maintain a system allowing on-line application submission from the Clearinghouse homepage to be operational within 180 days of contract signing. At a minimum, the system must have the following capabilities:

a. Complete instructions for completing the application and subsequent steps in the process.

b. Ability for the applicant to “save” a partially completed application and return later.

c. Rudimentary edits to eliminate obvious errors (*e.g.* letters in number fields, missing fields, invalid SIC codes, etc.)

d. Acknowledgement message to the applicant upon submission indicating successful transmission, next steps and timeframes.

e. Automatic transfer of certain key information fields into the Clearinghouse supplier database, thereby eliminating the current requirement for the associated data entry work.

f. Ability to receive, attach and store scanned documents from the applicant.

Use of the on-line application by a certification candidate would not necessarily remove the requirement for the submission of certain hard-copy documents. This may include, but is not limited to, the submission of a notarized verification of the supplier's eligibility for WMBE status and the accuracy of the information provided by the applicant.

Contractor shall obtain prior approval of design and content and all subsequent modification from the JU project representative or designee and/or the CPUC or designee, and as approved by the CPUC or designee.

Maintenance of the system will include the effectiveness of the application for the user and modifying it appropriately to lessen errors and streamline its use.

B-8) Public Meetings

Upon request by the JU project representative and/or CPUC or designee, the Contractor will make presentations and participate in public meetings at the hourly rate charged to implement program modifications.

B-9) Clearinghouse System

The Contractor will be responsible for developing and implementing a new Clearinghouse system and database, to be operational within 180 days from contract signing. This can be either a newly developed system or an existing certification system currently operated by the contractor which has been upgraded to meet all defined system requirements.

During the development, testing and data conversion period, the Contractor will utilize the existing Clearinghouse system to:

- enter and modify applicant and supplier information
- generate and send hardcopy and electronic correspondence
- create data reports as requested by the participating Utilities and/or the CPUC
- search records
- provide updated database copies to the CPUC for public access on a biweekly basis and to the individual participating utilities on a monthly basis.

a. Current database

The current Clearinghouse System utilizes an Access '97 database. Although the application is functional in its existing state, there have been minimal upgrades in recent years. In addition, there are a number of outstanding system issues and required functional upgrades that preclude the long term use of the current system. The most serious problems include:

1. Old version of software incompatible with more recent versions of Access.

2. Only one user at a time allowed to access and update database.

3. Multiple data integrity issues including unexpected and random changes in key data fields.

The database currently houses approximately 21,000 records. Exhibit C contains the key data fields for each record and a list of the current database tables. In addition, a copy of a portion of the database is enclosed to allow an understanding of the data relationships.

b. New system requirements

The newly developed Clearinghouse system must support all the processes outlined in the statement of work for certifying or denying supplier applicants and for providing supplier information to the public and the JU.

1. The new system is to be developed utilizing a state of the art relational database.

2. System Access:

The new system should be housed at the contractor site or other secure location selected by the contractor. Web-based access of the database will be provided allowing access by the public via the CPUC website and by the Utilities. The database must run on all standard web browsers.

The sharing of the database will require the establishment of role based permissions to provide security levels based on user login IDs. The contractor is responsible for maintaining the table of login IDs and roles.

- The public will gain access to the database via a link from the CPUC website and should have access to all non-confidential data without requiring an ID and password.

- The Utilities will utilize assigned IDs and passwords to have access to all appropriate data via a Clearinghouse website.

3. Reporting:

   The contractor will develop up to 15 standard reports. The utilities will have the ability to sort and filter all reports as needed. The capability to export all contained data to Excel will be provided.

4. Systems Availability

   The system will be available to the public and the JU 24/7 except for scheduled maintenance.

c. Data Security

The contractor must securely transmit, receive and store confidential supplier data, protecting against inadvertent or malicious modification or destruction of information. The contractor must implement and maintain both physical and electronic safeguards, including securely archived system back-ups, antivirus software, encryption firewalls, to ensure security and integrity of the data.

d. Disaster Recovery

The contractor will create and implement a disaster recovery plan which thoroughly documents activities required to maintain service through redundancies, backup processes and off-site storage. The disaster recovery plan should also document personnel and procedural contingencies for emergency scenarios

e. Data Conversion

The contractor will be responsible for converting the data from the existing database to the new application, ensuring integrity throughout the conversion process.

f. Systems Maintenance

The contractor must perform ongoing required maintenance to the Clearinghouse system to ensure integrity and accessibility of the data, efficient and effective certification processes and uninterrupted services to the customers.

g. Ownership of Deliverables

The Contractor will assign, transfer and convey to the Joint Utilities all right, title and interest, including intellectual property rights, in any software applications created, developed or implemented in the performance of this Agreement. Contractor will, at its own cost and expense, execute all documents and take all actions reasonably necessary to effectuate the provisions of this Section g.

h. System Documentation

The contractor must provide clear and complete system documentation for the application as well as a knowledge transfer plan.

B-10) Training

Upon request or following each substantive upgrade to the new Clearinghouse system, the Contractor will offer and conduct training for procurement staff or participating Utilities on how to use the system to search for diverse suppliers. Training must be scheduled at a location and time convenient to the Utility staff.

The Contractor will ensure the training location is adequately and reasonably equipped for transmitting the specified information.

Instructional content and any training manuals will be provided by the Contractor after approval by the JU and/or the CPUC. The contractor will anticipate any need to restock, and is responsible for all reproduction costs.

B-11) Knowledge Transfer

Upon termination of the awarded contract and at no additional cost to the Utilities, the Contractor will conduct knowledge transfer in a timely manner to the JU, and CPUC, and any new Contractor. At least two months prior to contract end, the Contractor will submit for approval to the JU project representative or designee a proposed schedule, describing in detail now the Contractor will accomplish complete knowledge transfer by the contract end date. The Contractor will incorporate and implement any modifications made by the JU project representative or designee, or the CPUC. Knowledge transfer includes, but is not limited to, providing detailed documentation of all Clearinghouse business practices and business contacts accrued during the life of the contract, systems documentation and the secure transfer of electronic and hardcopy work papers.

B-12) Information Security and Integrity

The Contractor shall:

a. conduct periodic training and maintain an appropriate legal reference library to ensure that individuals with access to confidential information have easy access to relevant Constitutional provisions (*e.g.*, California Constitution, article 1, section 1); statutes (*e.g.*, Civil Code section 1798 *et seq.*); regulations (*e.g.*, State Administrative Manual sections 4840-4845); Executive Orders' Budget Letters (*e.g.* Budget Letter 04-35, dated November 16,2004); Department of General Services Management Memos, including MM 06-12; this contract; and any other policies, procedures, or other guidance provided by the Commission.

b. maintain appropriate levels of confidentiality for data developed and/or maintained during the course of the contract, based on data classification, as outlined in the State Administrative Manual section 4841.3, and in accord with the policies and procedures established by the Commission;

c. comply with standards, policies and procedures developed or imposed by the Commission for the transmission and storage of the data, including any requirements for the encryption of confidential personal information;

d. comply with all State laws, policies and procedures, and Commission orders, policies and procedures regarding the confidentiality of personal and sensitive information resources and data. The Contractor and Utilities shall take all steps necessary to educate their employees of such laws, policies and procedures.

e. comply with all Commission policies and procedures regarding the use of information resources and data obtained, developed, or maintained during implementation of the Contract;

f. Disclose confidential information only to the extent permitted by the Civil Code and as directed by the Commission (*e.g.,* Civil Code section 1798.24 (b) permits disclosure to a person, or to another agency, where the transfer is necessary for the transferee agency to perform its constitutional or statutory duties, and the use is compatible with a purpose for which the information was collected and the use or transfer is accounted for in accordance with section 1798.et; since public utilities subject to GO 156 have an obligation to comply with the orders of the Commission, and the statutory provisions (Public Utilities Code sections 8281-8286, careful and limited disclosure of certain personal information to utilities during implementation of the Contract would not violate the

Information Practices Act or other Civil Code provision, and as directed by the Commission when appropriate.

g. apply security patches and upgrades , and keep anti-virus, anti-"spyware" and anti-"phishing" software up-to-date on all systems on which data may be used or maintained;

h. require each and every principal, officer, or employee that will have access to confidential personal information to sign a detailed confidentiality agreement (in a form approved by the Commission) that ensures that the individual understands and agrees to fully comply with all laws, policies, and procedures for preserving the integrity and security of data obtained, developed, and maintained during the course of the Contract, and to continue to abide with the agreement even after the individual ceases to be a principal, officer, or employee of the contractor; confidentiality agreements must be signed before an individual begins working on the contract, and periodically thereafter;

i. agree to notify the State data owner (the Commission) promptly if a security incident involving the data is know to have occurred, or is reasonable believed to have occurred, as required by the information Practices Act, other State laws, and any relevant regulations, policies, or procedures established by the Commission, and this Contract;

j. agree to notify all individuals whose personal information was, or is reasonably believed to have been, acquired by an unauthorized person, as required by the Information Practices Act, other State laws, any relevant regulations, policies, or procedures established by the Commission; and this contract.

7-C IMPLEMENT PROGRAM MODIFICATIONS

C. Implement Program Modifications

The JU project representative or designee and the CPUC or designee will discuss with the Contractor the scope and deliverables of any changes requested by the JU. All work performed must be reviewed and approved by the JU project representative or designee and the CPUC or designee. Services may include:

a. Integration of new or amended legislative requirements.

b. Changes to the reciprocity of the CAV process.

7-D ADHERE TO TIMEFRAMES

D-1) General
D-2) Verifications
D-3) Information Requests

D. Adhere to Timeframes

D-1) General

a. The Clearinghouse must be operational within four weeks of contract award.
b. The Contractor will enter or update information in the Clearinghouse system within one day of notification or determination of any change to applicant or supplier information or status

D-2) Verifications

The Contractor shall make or recommend eligibility determinations as described under Verify Suppliers within:

a. 60 days of receipt of a protest of VAP, CAV or RAP requiring a site visit.

b. 30 days of receipt of a complete VAP or RAP, or Commission request to review a CAV.

c. 3 business days of receipt of a routine CAV.

At the time that the Contractor provides its respective invoices to the Utilities, the Contractor shall provide each Utility a status report regarding compliance with this Section D-2.

D-3) Information Requests

a. The Contractor will respond with one business day to:

1. Requests from applicants for assistance with the application process.

2. Messages left on the Clearinghouse voicemail system.

b. Upon receipt of a request from the JU project representative or designee, or the CPUC or designee, for informational literature, the Contractor will complete within:

1. 15 working days, original works

2. 5 working days, substantive modifications.

3. 1 working day, nonsubstantive modifications.

4. Work Plan

The following represent critical milestones which must be met on or before the specified delivery date.

- The Clearinghouse must be operational within four weeks of contract award, utilizing existing processes and systems with the additions detailed on page 4 – Statement of Work.

- The On-line Application Capability must be developed, tested and implemented within 180 days of contract award.

- The new Clearinghouse system and database must be developed, tested, implemented, including data conversion from the exiting database, and operational within 180 days of contract award.

Failure to meet any of the above milestones could be considered a material breach of the contract.

5. Pricing

A. Monthly operational compensation

- The contractor will be compensated on a monthly basis for the verification/certification services performed utilizing a fixed unit price for each service.

- The fixed unit price paid for each service will be drawn directly from the pricing sheet submitted with the final proposal from the selected bidder.

- The contractor will be paid at the fixed unit price for each verified or denied VAP, CAV, FTP, or RAP.

- If two or more ventures are owned and controlled in identical arrangements by the same individual or group, the contractor shall bill for only one unit of work.

- No compensation will be paid for VAPs, CAVs, FTPs or RAPs unable to be processed due to incomplete documentation, nor for costs incurred by Clearinghouse staff for processing or responding to applicant protests and appeals.

B. Required Program Modifications

- The contractor will be compensated on a monthly basis for the hours required to adopt new program modifications, as outlined in the Statement of Work, utilizing the fixed unit price for program modifications.

- The fixed unit price paid for program modifications will be drawn directly from the pricing sheet submitted with the final proposal from the selected bidder.

C. Systems Development

- Compensation for the design, development, and implementation of the On-line Application Capability and the Clearinghouse system and database will be paid throughout the development period based on the completion of mutually agreed upon milestones.

- The total price paid for each of the developed applications will be drawn directly from the pricing sheet submitted with the final proposal from the selected bidder.

D. Other Expenses

- All other overhead and costs of doing business will be the responsibility of the contractor.

- All reasonable travel expenses incurred in the performance of the certification process, as outlined in the Statement of Work, will be reimbursed by the Utilities. All travel expenses and any other costs beyond those relating to the billing rates described

above must be authorized in writing in advance by the Joint Utilities project representative.

E. Historical Volumes

	2005	2006	2007	2008	Average
VAPS	440	436	562	799	559
RAPS	660	586	423	762	608
CAVS	86	97	102	118	101
Site Visits	85	17	29	62	48
Protests	35	23	14	19	23

- Numbers for VAPs, RAPs, and CAVs represent applications for which the current contractor made a determination and received payment.

- For the same period, the current contractor was paid at the fixed unit price for approximately 10 hours of work per month performing activities equivalent to those described under Implement Program Modifications, Section 7-C, Statement of Work.

- Figures provided in this subsection are historical and not a guarantee of future business volumes. The above numbers in no way reflect a commitment or obligation on the part of the Joint Utilities.

6. Billing Requirements

A. The contractor is responsible for submitting an invoice on a monthly basis directly to each Utility in accordance with the requirements of that Utility's Purchase Order. Invoices are due no later than the tenth day of each month for charges incurred in the preceding calendar month.

B. Each invoice must have the following components:

- At a minimum, the information and detail shown in invoice examples in section 7, Invoice Examples.

- The total amount due from all Utilities, and the portion and dollar amount due from each Utility receiving the invoice.

- Any amounts due from a particular Utility for any requested additional services, including a description of the work performed and deliverables provided, the hourly or unit rate charged, the hours or units incurred, the dates worked and any reimbursable expenses with the same detail and supporting documentation required for other reimbursable expenses.

- Reimbursable expenses, including copies of receipts and detail or trips for which authorized mileage is charged.

- A monthly status report as outlined in Section 7-D-2) of the Statement of Work.

7. Invoice Examples

The following invoice examples are provided to illustrate the required format for the monthly invoicing process:

- Invoice Summary

- Monthly Status Report

- Detail of Labor Charges

    - Verification Application Package (VAP) processing
    - Re-verification Application Package (RAP) processing
    - Comparable Agency Verification (CAV) processing

- Summary of Other Expenses
- Total Invoice Summary

Invoice Summary

Bill to:

ASIAN, Inc.
1670 Pine Street
San Francisco, CA 94109
Consultant's Contract Manager:
Telephone #: 415-928-6892
Fax #: 415-921-0182

Email Address:

Date	
Invoice #	**Blank**
Contract #	04PS-547(
Index-PCA #	
Proceeding #	GO156
Project Name	Supplier Clearinghou
Reimbursable?	Y
State Certified Small Non-profit Business	Reg. # 360:

Invoice for Month of Blank 2006

Professional Fees (Labor Charges)		
Verification Application Package (VAP) processing:	$ -	
Re-verification Application Package (RAP) processing:	-	
Comparable Agency Verification (CAV) processing:	-	
Overhead (if applicable)	-	
Adjustment	-	
Total Professional Fees		$
Subcontractors and Other Expenses (include receipts)		
Special Project Requests		
(Overhead is not applied)	-	
Total Other Expenses		
Travel Expenses (list by employee)		

Travel expenses are shown separately on invoice # BlankT

Amount of Invoice	$
less: Retention per Contract	
AMOUNT DUE, THIS INVOICE	**$**

Travel expenses (from invoice # BlankT)	
Total Contract Amount	
Total Billed to Date Including this Invoice and this month's travel	
Remaining Contract Amount	$
Net Retention to Date Including this Invoice	$

LAW#1331084-v1

Monthly Status Report

ASIAN, Inc.
1670 Pine Street
San Francisco, CA 94109
Consultant's Contract Manager:
Telephone #: 415-928-6892
Fax #: 415-921-0182

Email Address:

Date	01/00/00
Invoice #	**Blank**
Contract #	04PS-5476
Index-PCA #	
Proceeding #	GO156
Project Name	Supplier Clearinghouse
Reimbursable?	Y
State Certified Small Business?	Reg. # 36026

Invoice for Month of Blank 2006

Work Performed

In Blank the Clearinghouse completed the processing of 0 cases.

VONs assigned. Processing has not yet been completed for some of these.

North -

South -

Detail of Labor Charges

1670 Pine Street
San Francisco, CA 94109
Consultant's Contract Manager:
Telephone #: 415-928-6892
Fax #: 415-921-0182

Email Address: '

Date	01/00/00
Invoice #	**Blank**
Contract #	04PS-5476
Index-PCA #	
Proceeding #	GO156
Project Name	Supplier Clearinghouse
Reimbursable?	Y
State Certified Small Non-profit Business	Reg. # 36026

Invoice for Month of Blank 2006

Blank

Verification Application Package (VAP) processing:

	VON	Firm Name	Rate per File	Total
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
34				
35				
36				
		Total		$ -

Detail of Labor Charges

ASIAN, inc.
1670 Pine Street
San Francisco, CA 94109
Consultant's Contract Manager:
Telephone #: 415-928-6892
Fax #: 415-921-0182

Email Address:

Date	01/00/00
Invoice #	**Blank**
Contract #	04PS-5476
Index-PCA #	
Proceeding #	GO156
Project Name	Supplier Clearinghouse
Reimbursable?	Y
State Certified Small Non-profit Business	Reg. # 36026

Invoice for Month of Blank 2006

Blank

Re-verification Application Package (RAP) processing:

	VON	Firm Name	Rate per File	Total
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
26				
27				
28				
29				
30				
31				
32				
33				
		Total		$ -

Detail of Labor Charges

ASIAN, Inc.
1670 Pine Street
San Francisco, CA 94109
Consultant's Contract Manager:
Telephone #: 415-928-6892
Fax #: 415-921-0182

Email Address: ---

Date	01/00/00
Invoice #	**Blank**
Contract #	04PS-5476
Index-PCA #	
Proceeding #	GO156
Project Name	Supplier Clearinghouse
Reimbursable?	Y
State Certified Small Non-profit Business	Reg. # 36026

Invoice for Month of Blank 2006

Blank

Comparable Agency Verification (CAV) processing:

	VON	Firm Name	Processing Agency	Rate per File	Total
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
			Total		$ -

Summary of Other Expenses

(Attach a copy of invoices)

ASIAN, Inc.
1670 Pine Street
San Francisco, CA 94109
Consultant's Contract Manager:
Telephone #: 415-928-6892
Fax #: 415-921-0182

Email Address:

Date	01/00/00
Invoice #	**104**
Contract #	04PS-5476
Index-PCA #	
Proceeding #	GO156
Project Name	Supplier Clearinghouse
Reimbursable?	Y
State Certified Small Non-profit Business	Reg. # 36026

Invoice for Month of Blank 2006

Total

Special Project Request No. __ - _____

Southern California files (now in SF)
Northern California files
File Retrieval Costs
Subtotal $ -

Special projects: _____
[Description]
(travel billed separately) ___ hours at per hour #VALUE!

Total, storage & special projects #VALUE!

Travel Invoice Summary

Bill to: California Public Utilities Commission
Contracts Office
Attn: USD Program Manager
505 Van Ness Avenue
San Francisco, CA 94102

ASIAN, Inc.
1670 Pine Street
San Francisco, CA 94109
Consultant's Contract Manager:
Telephone #: 415-928-6892
Fax #: 415-921-0182

Email Address:

Date	January 0, 1900
Invoice #	**BlankT**
Contract #	04PS-5476
Index-PCA #	
Proceeding #	GO156
Project Name	Supplier Clearinghouse
Reimbursable?	Y
State Certified Small Business	Reg. # 36026

Travel Invoice for Month of Blank 2006

Consultant	Date	Destination	Purpose	Total claimed

TOTAL $0.00

Supplier Clearinghouse Project Director

Sample Agreement for Supplier Clearinghouse Services

THIS AGREEMENT FOR SUPPLIER CLEARHOUSE SERVICES ("Agreement") is entered into as of August 1, 2009 among CONTRACTOR ("Contractor") and the other entities listed on the signature page below (each a "Utility" and collectively, "Utilities").

A. Contractor provides a supplier clearinghouse service ("Clearinghouse") of women, minority and disabled veteran owned suppliers for utilities that are subject to the California Public Utilities Commission's ("CPUC") General Order 156 ("GO 156"), as authorized by Decision No. 06-08-031.

B. The Utilities desire Contractor to provide, and Contractor desires to provide to the Utilities, operation of a Clearinghouse on the terms set forth herein.

AGREEMENT:

1. Clearinghouse Services. Contractor shall operate a Clearinghouse for the Utilities and provide services in connection therewith ("Services") as described in and in accordance with the Statement of Work attached hereto and incorporated herein as an attachment.

    a. Contractor shall not provide or charge the Utilities collectively for any services or goods other than as described in, and in accordance with the Statement of Work.

    b. Individual Utilities, through the JU project representative (as such person is described in the Statement of Work) may request services in addition to those described in the Statement of Work ("Additional Services"). Contractor shall bill each Utility separately for request Additional Services.

2. Individual Terms and Conditions In connection with this Agreement, each of the Utilities may issue a purchase order or other document (each, a "Purchase Order") to Contractor that will incorporate this Agreement and

contain specific additional contractual terms and conditions that will govern as between Contractor and that particular Utility.

a. The terms of any particular Purchase Order shall apply only with respect to the Utility that is party thereto, and the terms of such Purchase Order shall not affect in any way the rights, duties, liabilities and obligations as between Contractor and any other Utility.

b. The terms of any Purchase Order shall not alter or supersede any terms of this Agreement, and in the event of any conflict between the terms of this Agreement and any particular Purchase Order, the terms of this Agreement shall govern.

3. Fees and Other Charges. Contractor shall charge for the operation of the Clearinghouse and Services only those fees described in the Pricing section.

a. Travel and other reasonably necessary expenses shall be reimbursed at reasonable cost, which shall not be more than actual cost, as provided in the Pricing section.

b. All reimbursable expenses must be authorized in writing in advance by the JU project representative, and if so authorized, shall be paid by the Utilities.

c. Approved mileage shall be reimbursed at the rate of $.xx per mile.

4. Payment Responsibilities. Each Utility will be responsible for paying the portion of any and all amounts due to Contractor.

5. Invoice and Payment Procedure

a. Contractor shall submit invoices on a monthly basis directly to each Utility in accordance with the requirements of such Utility's Purchase order. Invoices shall be sent no later than the tenth day of each month for charges incurred in the preceding calendar month.

b. Each invoice shall list, at a minimum, information and detail of the type described in the form of invoice attached hereto as Section 7, Invoice Examples.

c. Each invoice shall also list the total amount due from all Utilities, and the portion and dollar amount of such total that is due from the Utility receiving the invoice.

d. Each invoice shall also list any amounts due from the particular Utility for any Additional Services requested pursuant to Section 1 (b) hereof, and shall at a minimum describe the work performed and deliverables provided, and detail the hourly or unit rate charged, hours or units incurred, dates worked, and any reimbursable expenses with the same detail and supporting documentation required for other reimbursable expense hereunder.

e. Each invoice shall separately list reimbursable expenses and include copies of receipts therefore, and include details of trips for which authorized mileage is charged.

f. Contractor shall include with each invoice a monthly report in compliance with Section D-2 of the Statement of Work.

g. Each Utility shall pay the amount due under its invoice in accordance with the requirements of its Purchase Order.

h. Each Utility will be responsible for payment of only its respective portion of the total amount due, and shall have no responsibility for non-payment by any other Utility.

6. Independent Liability: Continued Performance. No Utility shall be responsible or liable to Contractor for any action or inaction, default under or breach of this Agreement, by any other Utility. In the event of non-payment or other default by less than all of the Utilities, Contractor shall continue to perform its obligations hereunder with respect to the remaining Utilities.

7. Ownership of Deliverables. Contractor shall assign, sell, transfer and convey to the CPUC all right, title and interest, including intellectual property rights, in any data and documents in any form created, developed, compiled for, or provided to, the CPUC or the System (as defined in the Statement of Work) in the performance of this Agreement. Contractor shall at its own cost and expense execute all documents and take all actions reasonably necessary to effectuate the provisions of this Section 7.

8. Third Parties. The CPUC shall be a third party beneficiary under this Agreement. Nothing express or implied in this Agreement is intended, or shall be construed, to confer upon or give any other person or entity any rights or remedies under, or by reason of, this Agreement, except as specifically provided for herein.

9. Subcontracting: Assignment. Contractor shall not subcontract or assign any part of this Agreement without the prior written consent of the JU project representative.

10. Term: Termination

a. Term. The term of this Agreement ("Term") shall commence on August 1, 2009 and continue until July 31, 2012.

b. Termination by CPUC Direction. This Agreement may be terminated collectively by all the Utilities upon written notice from the JU project representative if the Utilities have been instructed by the CPUC that Contractor's performance is unsatisfactory.

c. Termination by Utilities. In the event the Contractor:

i. Commits a material breach of this Agreement, which breach is not cured within 30 days after notice of breach from the JU project representative; or

ii. Commits numerous breaches of its duties or obligations which collectively constitute a material breach of this Agreement;

Then the Utilities may terminate this Agreement upon written notice to Contractor through the JU project representative.

11. Cumulative Remedies. Except as otherwise provided herein, all remedies provided for in this Agreement shall be cumulative and in addition to and not in lieu of any other remedies available to any party at law or in equity.

12. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of California, excluding its conflicts of law provisions.

13. Entire Agreement. This Agreement contains the entire agreement and understanding between the parties and supersedes all prior representations and discussions pertaining to the subject matter hereof.

14. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall collectively constitute the same agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

CONTRACTOR

By:_____
Name:_____
Title:_____

VERIZON CALIFORNIA, INC.

By:_____
Name:_____
Title:_____

VERIZON WIRELESS

By:_____
Name:_____
Title:_____

AT&T, INC.

By:_____
Name:_____
Title:_____

PACIFIC GAS AND ELECTRIC COMPANY

By:_____
Name:_____
Title:_____

SOUTHERN CALIFORNIA GAS COMPANY

By:_____
Name:_____
Title:_____

SAN DIEGO GAS AND ELECTRIC COMPANY

By:_____
Name:_____
Title:_____

SOUTHWEST GAS CORPORATION, INC.

By:_____
Name:_____
Title:_____

CITIZENS COMMUNICATIONS, INC.

By:_____
Name:_____
Title:_____

SUREWEST TELEPHONE

By:_____
Name:_____
Title:_____

SPRINT NEXTEL

By:_____
Name:_____
Title:_____

SIERRA PACIFIC POWER COMPANY, INC.

By:_____
Name:_____
Title:_____

PACIFIC POWER AND LIGHT COMPANY, INC.

By:_____
Name:_____
Title:_____

SOUTHERN CALIFORNIA EDISON COMPANY
By:_____
Name:_____
Title:_____