

2007 FULL PANEL HEARING ON DIVERSITY

Overview

On September 25th, 2007, the California Public Utilities Commission (“Commission”) is conducting its fifth annual hearing on utility company diversity. In previous hearings, the Commission has focused on utility procurement with diverse businesses, diversity in utility employment and governance, and utility customer service to customers who speak languages other than English.

The Commission’s diversity hearings have been well attended with representatives from industry, academia, labor, media, the State Legislature, community-based organizations, as well as industry executives. The hearings have provided an opportunity for various business and community leaders to express their concerns and share ideas. From these exchanges, the Commission is able to promote goals for utility procurement and also to help the utility industry reflect the changing face of California.

Several significant accomplishments have been realized since last year’s hearing:

- ❖ An increase in the overall amount of procurement dollars expended on Women, Minority, and Disabled-Veteran Business Enterprises (WMDVBEs).
- ❖ Continuing increased focus on traditionally underrepresented procurement categories; specifically legal services and financial services. The utilities’ procurement levels have increased in both areas since last year.
- ❖ Approval of a new funding/oversight arrangement with the Commission’s Clearinghouse operator for WMDVBE certification. Under the new plan, utilities now pay their share of operating costs directly to the Clearinghouse.
- ❖ Initiation of a comprehensive review and audit of the Commission’s Clearinghouse operator and WMDVBE certification processes, with the goals of streamlining application processes and producing a more useful and accessible database of information for the utility industry.
- ❖ Voluntary submission of annual reports by California’s major regulated water utilities showing their procurement levels and activities. Although not required to submit these reports, the water utilities have chosen to do so in an effort to demonstrate their willingness and desire to promote diversity goals.

In today's hearing, the focus will be on the California Aspire Achieve Lead Pipeline Project (CaAAL Pipeline Project). Today's hearing will be co-hosted by the California Public Employees Retirement System, the California Department of Insurance, and the California State Bar, who have all pledged their commitment to this project. The project is an innovative educational pipeline program that seeks to encourage and develop students for careers in the legal, financial services, life sciences and information technology professions.

Today's hearing will also include a panel dedicated to Disabled Veteran Business Enterprise (DVBE) issues. This panel is important for a number of reasons. An influx of veterans is expected as a result of the war in Iraq, and in recent years utilities have not met their DVBE procurement goals. This panel will bring together resources to explore the relationships between the DVBE community and the utility industry, and will recommend strategies for enhancing future cooperative efforts.

Continuing Efforts In Diversity

The Commission continues to encourage utilities to increase procurement levels in traditionally underutilized procurement categories. Toward this goal, the utilities have invested a large effort in outreach and education to diverse legal and financial services firms. For example, utility-sponsored events have provided opportunities for diverse firms to meet with the utilities' general counsels and staff, chief financial officers and staff. These events have provided for the exchange information and have provided the foundation for potential future business opportunities.

The California Utilities Diversity Council (CUDC) is an independent advisory body that provides information and input to the Commission and utilities regarding diversity programs. (See <http://www.cudc.biz>) The CUDC continues to make strides in increasing the awareness of both the Commission and utilities in the areas of employment, governance, philanthropy, customer service and procurement. It has also laid the foundation for increased availability of bilingual services to utility customers who have limited English proficiency. Members of the CUDC include recognized leaders from the business community, consumer groups, education, labor organizations, and the utilities.

A proud achievement for CUDC this year is again co-sponsoring, with MESA (Math, Engineering, and Science Achievement), internships for students to work at California's utilities and partake of professional development resources provided by these utilities.

Update on the Commission's Utility Supplier Diversity Program

The Commission's Utility Supplier Diversity Program (formerly known as the WMDVBE program) is authorized by General Order 156. This program recognizes that diversity benefits utilities, suppliers, ratepayers and California in general.

Under General Order 156, Commission-regulated natural gas, electric, and telecommunications companies with gross annual revenues exceeding \$25 million must submit annual detailed and verifiable plans for increasing WMDVBE procurement. The plans must include goals and timetables for utilities to procure 15 percent of their products and services from MBEs, 5 percent from WBEs and 1.5 percent from DVBEs. The Commission reports annually to the California Legislature on the results of the utilities' procurement diversity programs. Copies of the report are available at no cost upon request to the Commission.

2006 Results for the Utility Supplier Diversity Program

For 2006, annual diversity program reports required under General Order 156 were submitted by 30 utilities. These required reports summarize procurement for the prior calendar year, and describe goals and plans for the following year.

The utilities' 2006 procurement results are mixed. The total amount of procurement dollars expended on WMDVBEs increased from \$2.03 billion in 2005 to \$2.70 billion in 2006, or 34.9 percent. However, procurement dollars to WMDVBE firms, as a percentage of total utility procurement, decreased 2.5 percent from 2005 to 2006. The overall averages show the utilities as a whole did not meet the established goals in General Order 156. A number of new initiatives are being launched to address this issue.

Initiatives Directed at Improving the Utility Supplier Diversity Program

The Commission and utilities continue to expand efforts in the area of legal services and financial services procurement from WMDVBE firms. Utilities are regularly hosting networking events to expand the available pool and ultimately increase utilization of diverse legal and financial services firms. Utilities are beginning to include an evaluative component in these programs to aid in gauging the effectiveness of this type of outreach effort. For example, utilities are following up with the participants in networking events to determine if contracts for services were awarded. The utilities'

procurement levels in both areas have increased in the past year. This is a step in the right direction; however, the data indicates there is room for improvement.

The Commission participates actively in national diversity efforts as a member of the National Association of Regulatory Utility Commissioners (NARUC). Recently, NARUC elevated its Utility Market Access Partnership to the committee status as the Ad Hoc Committee on Utility Market Access. This committee concentrates on maximizing opportunities for utility-WMDVBE relationships and brings state regulators together to share best practices. California has a strong presence on this committee. Commission President Michael Peevey is the Vice-Chair and California's utilities are supportive of the committee. Also, a National Utilities Diversity Council (modeled on California's Utility Diversity Council) has been established to serve as an advisory body to this NARUC committee.

Additional Resources

The Commission's Utility Supplier Diversity Program information can be found on the CPUC website at <http://www.cpuc.ca.gov/static/supplierdiversity/index.htm>. Information and links to all facets of the program, including how to become a certified WMDVBE in California, can be found on this webpage.