



California Utilities Diversity Council

2009 ANNUAL REPORT



California Utilities Diversity Council (CUDC)
1017 L Street, PMB 306 – Sacramento, CA 95814
www.cudc.biz

November 2, 2009

President Michael R. Peevey
Members of the California Public Utilities Commission

Dear President Peevey and Commissioners:

In this sixth annual report to the California Public Utilities Commission (CPUC), the California Utilities Diversity Council (CUDC) indicates that overall California utility companies continue to make measurable progress in diversity, as reported by several committees, in five key areas: employment, governance, procurement, philanthropy, and customer service and marketing.

CUDC's "**Advancing Diversity in the New Clean Energy Economy**," an energy summit held on May 29, 2009 in Long Beach, CA was a crowning achievement. Led by Southern California Edison, the CUDC event attracted 600 people from diverse communities who gathered to ponder the notion of business and job inclusiveness in renewable and clean energy projects. Top level participation by utility companies was exceptional and the participant feedback outstanding. President Peevey and Commissioner Chong, thank you so much for your personal support and participation. Thanks to all our CUDC members, the project was delivered within budget and in a quality fashion.

The CUDC leadership changed due to the retirement of Frank Quevedo from Southern California Edison. We are fortunate Vicki Zeiger, Vice President of Human Resources San Diego Gas & Electric and Southern California Gas Company, agreed to serve as the CUDC co-vice chair.

CUDC is happy to recognize one of our companies that have made progress on a highly elusive goal: to diversify the corporate boardroom. Thanks to, California American Water for appointing its first Hispanic female, an attorney from Salinas, CA, to its board of directors. Overall progress continues as noted in our governance committee report but considerable work remains.

Finally, per your call to action, the CUDC stands ready to work with all the stakeholder groups to enhance GO 156 via the OIR initiated by your office this year. Three quarters of the interested parties who filed opening comments are members of the CUDC. Our goal is to pursue a policy that promotes a strategically business friendly approach that results in more inclusiveness in opportunities afforded by the industry.

On behalf of the CUDC members, thank you President Peevey and your fellow commissioners for your interest and concern in furthering diversity in the most populated and diverse State in the country.

Respectfully yours,

José L. Pérez
Chairman

Employment Committee

Committee Members: Jess Haro, Rob Howard, Felicia Hudson, Joyce Ibardolasa, Pat Fong Kushida, Ben Lewis, José L. Pérez, Douglas Phason, Gina Rodriguez/Paul Boyett, Nancy Smith-Taylor (Chair), Ileana Winterhalter

The California Utilities Diversity Council (CUDC) Employment Committee is a resource for advising utilities, the California Public Utilities Commission (CPUC), and policymakers regarding employee diversity in the regulated utility industry. From leadership to rank and file, employment opportunities should be provided on an equal basis without preference to any group. Employee diversity should reflect the rich mixture of California's demographics.

Employee Diversity Survey

The CUDC Employment Committee conducted its annual survey of member utilities about the diversity of their respective workforces. Participating utilities included AT&T, California American Water Company, Comcast, Pacific Gas & Electric Company, San Jose Water Company, San Diego Gas & Electric and Southern California Gas Company, Southern California Edison, Suburban Water Company, and Verizon.

- A comparison among utilities participating in the CUDC and utilities nationwide shows that minorities in California occupy a much greater percentage of the utility workforce (52% vs. 23%; EEOC 2007 data).
- Overall, minority representation increased by one percentage point between 2008 and 2009. Female representation declined by one percentage point.
- Minority representation in the officer category increased by three percentage points between 2008 and 2009. Female representation remained the same.

Employee Category	African American	Asian	Native American	Hispanic	White	Total Minority	Total Female
Officer	6%	10%	<1%	6%	74%	26%	28%
Director	7%	12%	<1%	8%	73%	27%	35%
Manager	10%	15%	<1%	17%	56%	44%	39%
Other Exempt	8%	20%	<1%	16%	53%	47%	37%
Bargaining Unit	12%	10%	1%	30%	46%	54%	31%
Non-exempt	16%	13%	1%	28%	33%	67%	47%
Grand Total	12%	13%	1%	25%	48%	52%	35%

Source: 2009 CUDC Employment Survey of Member Utilities (data as of June 30, 2009)

Diversity in the Green Economy

The May 29th Green Energy Summit presented by the CUDC at the Long Beach Convention Center included Workforce & Training Panel Sessions. The Employment Committee designed the sessions and confirmed several dynamic speakers. In attendance were nearly 600 participants, including policy makers, educators, industry experts, labor leaders, corporate executives, investors, business owners, and community leaders representing a diverse cross-section of California.

California is a Leader. With the emergence of the green economy, the United States is embarking on a transformation just as engulfing as the dot.com revolution of the 1980's. California led that cultural and business paradigm shift, and it is poised once again to lead the development of the green economy. The Green Energy statewide summit was the first conference to directly address diversity and inclusion. It provided an unprecedented opportunity for discussion of solution strategies that can **generate green jobs and increase green job training and education** for all of California.

Employment Committee

Senior Executives and Top Politicians. Keynote speakers included a videotaped message from the Secretary of Labor in President Obama's Cabinet, Hilda Solis; CPUC President, Michael Peevey issuing a diversity challenge to California to continue to improve on the impressive past 20 years of success; and the Honorary Alex Padilla, California State Senator and Chair of the Energy, Utilities & Communications Committee urging the use of California's innovation and leadership tradition to jumpstart the green economy.

A key program element featured the CEO's of the largest energy companies in California describe the exciting initiatives their companies are embarking on and the opportunities these will create for our State. This panel was moderated by the Honorable Gwen Moore, former Assemblymember and CUDC Co-Vice Chair, and California Public Utilities Commissioner Rachelle Chong provided concluding comments.

The Future of the Green Job Market. San Diego Gas & Electric and Southern California Gas Company Vice President Eugene "Mitch" Mitchell moderated a panel on green jobs. He focused on issues involving green jobs, workforce training, and inclusion. Assembly Member Manuel Perez spoke on behalf of his constituency, the Imperial Valley, where the unemployment rate is the highest in the nation, reaching 26.9%.

Panama Bartholomy, Advisor to the California Energy Commission, also participated on this panel and commented, "It is my hope that everyone will look for more efficient, effective, and environmentally friendly ways to do their jobs. I don't think this should be an energy, transportation, or electricity focus: rather, an economic focus moving forward."

Cesar Diaz, Legislative Director of the California Building Trades, echoed the day's message of inclusion, "We must ensure that there is ample opportunity in molding our green economy. What will the new face of building be for California's 350,000 construction workers, who are experiencing incredible difficulty in today's economy? How will they be included in the green industry?"

Developing, Cultivating, and Training a Green Pipeline. Rob Howard, Chair of the UWUA National Human Rights Committee, moderated this panel which included a cross section of educators, labor and policy makers as panelists. Marcy Drummond, Vice President of Workforce and Economic Development, Los Angeles Trade Technical College, is a leading expert in this arena. Also participating, Barbara Halsey, Executive Director of the State Workforce Investment Board. The panel emphasized the profound impact California's economic crisis is having on our educational system at a time when the emergence of the green economy is clamoring for training in new technologies and discussed ways to help address this issue.

The feedback from attendees was overwhelmingly positive. Watch for the next CUDC Conference in 2010!

Looking Ahead to 2010

The Employment Committee is taking the Green Jobs and Training conversation to the next level. There is a critical need to understand more specifics around the types of jobs the exciting new Green initiatives will bring to California.

The Investor Owned utility members on this committee are embarking on a project aimed at providing real examples of green jobs that may result from various environmental sustainable solutions and programs the companies are initiating. Working within each of the utilities, and in collaboration with labor, community and small business owners, the desire is to:

- Engage key stakeholders of the utility industry and community in describing the requisite workforce to support key green-related initiatives.
- Provide specific information about skills and training that individuals will need to obtain a green job that will be helpful to audience/stakeholders.
- Ensure Diversity outreach is included.

Philanthropy Committee

Committee Members: Frank Quevedo (Chair), Kimberly Freeman, Jess Haro, Rob Howard, Patricia Kushida, Elva Lima, José L. Pérez, Colin R. Petheram, Peter Ramirez, Tammy Tumbling, Vicki Zeiger

Committee Charter:

The purpose of the Philanthropy Committee is to examine how the CUDC-member utility companies can increase and leverage charitable contributions to promote diversity and inclusion throughout their respective service regions.

2008 Update:

Collectively, the 2008 total reported cash philanthropy for all energy and telecommunications companies was \$79.55 million, up from a reported figure of \$76.7 million in 2007. Also, in 2008 pre-tax income for the five (5) participating CUDC-member utility companies mentioned above was \$4.795 billion (excludes pre-tax operating income figure for one company).

By comparison, 2007 pre-tax income for the member utilities was reported as \$7.618 billion (includes all companies). Of that amount, cash contributions equaled roughly \$76.7 million or 1.01% of pre-tax income. It is important to note that each company's pre-tax income figure for a baseline in calculating the 1% goal is slightly different. For example, some companies use the prior year's pre-tax earnings number as the baseline. This is prudent given the timing and confidentiality constraints of reporting earnings in the year in which they occur. In addition, using historical data is preferable in order to measure improvement in achieving desired philanthropy results over time.

In aggregate, the five (5) CUDC-member utilities estimate that the following amounts for cash philanthropy were spent in various communities in 2008.

Table 1. Cash Philanthropy to Underserved Communities

Category/Year	2008	2007	2006
African American	\$8,488,852	\$7,092,381	\$4,026,136
American Indian	\$868,723	\$1,069,490	\$760,958
Asian/Pacific Islander	\$10,996,961	\$6,772,349	\$3,182,701
Latino	\$21,643,545	\$20,895,927	\$11,831,422
Multi-Ethnic	Not reported	\$8,159,919	\$7,402,045
Other Underserved	\$29,524,121	\$10,956,828	\$18,941,608
Total Underserved	\$71,522,202	\$54,946,894	\$46,144,870

As was noted in the 2007 report, the CUDC-member utilities continue to increase overall focus on communities of color, which has resulted in adjustments to how contributions are counted when they address multiple ethnicities or multiple underserved characteristics (e.g., low income). Work continues to be done on bringing more uniformity to the definitions of "underserved" used by each participating utility.

Joint Efforts:

In 2008, the utilities provided support to the California Aspire Learn Lead Pipeline Project CalAll. For example, using a contribution to CalAll from Verizon, CalAll funded the Saturday Law Academy, a program that prepares high school students for higher education and professional success by developing critical reading, writing, and speaking skills.

Other Philanthropy Highlights:

AT&T Aspire

In 2008, Chairman Stephenson created and launched AT&T Aspire, which is a \$100 million philanthropic program designed to focus on the high school dropout crisis (each year, more than one million students drop out of high school. That means nearly one-third of all public high school students fail to graduate with their classmates). It is the biggest and most significant investment in education in the company's history and represents a shift in our philanthropic focus and spending. The program focuses on providing grants to schools and nonprofit organizations that are focused on helping students graduate from high school and better preparing them for college and/or the workforce. In 2008, the AT&T Foundation provided \$29 million in AT&T High School Success Grants to 172 schools and nonprofit organizations nationwide. Since launch, ASPIRE has funded over \$7 million in educational programs in California.

Philanthropy Committee

Edison Challenge

The Edison Challenge competition is open to student-teacher teams in grades six through 12 from schools in the service territory of Southern California Edison (SCE), a subsidiary of Edison International. Professional science development workshops are provided for teachers. Teams can submit projects focusing on energy conservation, energy efficiency, environmental protection and sustainability, renewable energy sources, air and water quality, and alternative transportation. Winning teams are eligible for trips to the USC Wrigley Marine Science Center on Catalina Island and SCE's Big Creek Hydroelectric facility in the Sierra Nevada mountains and stipends of up to \$500.

Green Energy High School Academy Pilot Program

The California Department of Education and PG&E has partnered with CaliforniaALL to create a public/private partnership, the Green Energy High School Academy pilot program. This program will develop curriculum, train instructors and create materials to provide groups of students with a relevant and motivating learning experience.

High School Academies are a proven way to help students draw a clear line of sight between what they are learning in school and its relevance in the broader world. That relevance helps keep students focused on learning and the Academy setting helps students motivate each other to stay engaged.

During 2009 this concept was developed and the partnership formed. Pilots will be conducted at five schools across PG&E's service territory and all are within underserved communities.

New Directions for Corporate Philanthropy:

According to a 2009 Chronicle of Philanthropy article, "*Businesses Buckle Up,*" as the economic recession continues, many of America's largest corporations will either decrease their giving or keep it flat in 2009. In 2008, businesses awarded a median of 1% of their 2007 pre-tax profits to charities. In addition, going forward, charitable dollars will flow to causes that are related to their businesses.

As a result of the economic crisis, some companies have shifted cash philanthropy to nonprofits that provide food, shelter, and clothing to unemployed Americans and others experiencing hardship.

The trend now is for companies to award grants in areas that are strategic. The table below provides the giving priorities of the CUDC-member utilities.

Even with the economy showing signs of turnaround, nonprofits should not expect a fast turn around in corporate giving. Experts predict it will take a while for things to rebound.

Table 2. CUDC-Member Utilities' Areas of Focus

Company	Areas of Philanthropic Focus
Sempra Energy	Environment Education & Leadership Development Emergency Preparedness & Safety Economic, Community & Business Development Employee Giving & Volunteerism
Southern California Edison	Education Environment Community Building
PG&E	Sustainable Communities Air Natural Resources Climate Change and Renewable Energy Environmental Education
AT&T	Education
Verizon	Education Safety Health

Customer Service Committee

Committee Members: Andrea Fontenot, Felicia Hudson, Ben Lewis (Chair), José L. Pérez, Douglas Phason, Ileana Winterhalter, Nancy Zarenda

Scope for 2009

All participating companies of the CUDC Customer Service Committee are committed to improving the customer's service experience. One way to accomplish that goal is to have informed customers that understand how to use their water, power, and communication services *smartly* so that they can gain the ultimate benefit from their purchases.

Considering the diversity (income, ethnicity, age, language, physical ability) of the customers within the state of California, the California Public Utilities Commission's regulated service providers are continually educating the customer about various products and services that will enhance the customers' overall experience. The companies are continually designing, developing, and marketing materials aimed at keeping the customer informed about rapidly changing service offers. Although the service providers have a similar grouping of customer programs (e.g., low income services), the communications the different companies issue are specific to their respective industry (i.e., water and water related products and/or services).

In 2008 – 2009, the Customer Service Committee focused on identifying areas where the regulated service providers can leverage and expand their industry-wide messages via existing Commission-sponsored consumer education tools and programs.

Background:

In many cases, a customer is receiving communications from multiple regulated service providers within the state of California. Although all communications are quite effective, there appears to be little linkage between service providers regarding common messages.

As an example, a correlation exists between water conservation and power reduction. In the state of California, approximately 20% of the energy demand is related to the pumping of water. The same holds true for water heaters (gas or electric). An inefficient hot water heater can increase your water bill, as well as your gas or electric bill. Consumers should be made aware of how simple it is to take steps that result in water conservation and how to use power wisely.

Results and Recommendations

Currently, the California Public Utilities Commission's home page has a panel entitled "Consumer Information Center." Within this panel, the consumer has several options based on their immediate need. When looking at the list of options, the last item that appears is:

"For more options, go to the Consumer Information Center" link.

If the consumer selects the Consumer Information Center link, the consumer will be directed to a page that contains the link to the CPUC's "Consumer Program Brochure." The brochure provides the consumer with helpful programs provided by the companies the CPUC regulates.

Customer Service Committee

The CUDC Customer Service Committee views this document as a venue to make the consumer aware of the value-added programs of the regulated companies in one easy to use location. However, the brochure is not readily available to the consumer at this time. To utilize the full value of the “Consumer Program Brochure”, the committee makes the following recommendations:

1. Move the link to the brochure to the home page of the CPUC website.
2. Place the link to the brochure at top of the page, above the other links within the Consumer Information Center. This location can be a launching point for the consumer in seeking assistance from a service provider.
3. Update the California Public Utilities Commission Brochure
 - a. Create a water conservation section that is linked to the Water Action Plan
 - b. Include water companies that provide payment assistance programs under the section of Assistance Paying Your Bills
 - c. Work with California Water Association to highlight water company programs
4. The Customer Service Committee would like to work with Commission personnel so that the highly successful “Flex Your Power” consumer education program incorporates additional information from the companies that would benefit consumers. Examples: power and water conservation messages; use of communications services to lower carbon emissions.

Value Added:

The value added to the service providers is that their message (although generic as an industry wide message) is getting to the customer via a different delivery vehicle—the Commission’s initiatives aimed at expanding consumer awareness. The benefit from these suggestions is shared by the Commission, the companies and the consumer. From a marketing/educating perspective, this is an opportunity to keep an industry’s message at the top of the customer’s mind. From the Commission’s perspective, this proactive approach increases consumer awareness. And the customer is happier because the information they need to understand the benefits of the various services is easily obtained in an easy-to-find location.

Looking Ahead to 2010

The Customer Service Committee will continue to work with Commission personnel to identify additional consumer education/protection messages that can be incorporated into the highly successful “Flex Your Power” and “CalPhoneInfo” consumer education programs.

Procurement Committee

Committee Members: Joe Alderete (Co-chair), Betsy Berkhemer-Credaire, Jerilyn Gleaves, Carmen Herrera, Charmaine Jackson, Joan Kerr (Chair), Colin Petheram, Douglas Phason, Dennis Huang, Monica Heredia, Felicia Hudson, Marshall Kennedy, Patricia Kushida, Emma Maxey, Gwen Moore, Joe Partida, José L. Pérez, Peter Ramirez, Tracy Stanhoff, Betty Jo Toccoli, Ken Macias, A.J. Wilson

For the last several years the CUDC Procurement Committee has reported an overall increase in supplier diversity results among the utilities. We are again pleased to report that the major California Utilities (AT&T, SCE, PG&E, Sempra, SDG&E, SoCal Gas, Verizon) increased supplier diversity spending year over year by 13.9 percent. In 2008 these utilities spent 2.7 billion with minority, women and disabled veteran owned businesses (charts attached).

The CUDC Procurement Committee continued to coalesce the resources of the CUDC members to focus on our long-term strategy of tackling common spend areas with low supplier diversity performance. In addition we successfully showcased the opportunities and the current successes of diverse suppliers in utility green initiatives at the CUDC Green Summit. Again in 2008, we actively participated in the CPUC's supplier diversity outreach events.

The committee focused on the following areas:

- I. Supporting the CPUC in continuing to produce statewide Forums for small businesses seeking to do business with the California Utilities and;
- II. Supporting the CPUC in continuing to produce targeted seminars in the Professional Services Arena;
- III. Supporting the 2008 Green Summit through the production of two procurement workshops within the Summit.
- IV. Supporting the increase of opportunities for diversity firms to participate in the Professional Services procurement category, where utility procurement results show low diversity participation. Legal, Financial and Consulting Services have been the initial areas of focus.

I. Statewide Small Business Expos

This CPUC initiative, implemented by Commissioner Bohn, began in 2006 with the mission to: help connect small businesses to CA utilities' contract opportunities; provide education on the benefits of becoming certified as a diversity owned business; inform small businesses of utilities' best business practices and "how to get in the door" with utility companies and provide networking with other small business owners.

The CUDC Procurement Committee ensured utility representatives fully participated in these Expos around the State. The Expo events joined with other supplier diversity organizations with common missions. These outreach events included "Doing Business with the Utilities" panel presentations and one-on-one meetings and networking with diversity small businesses. The utilities also recruited prime suppliers to join CUDC members in this effort. In 2009 the Small Business Expos were featured as part of the:

2009 CPUC Small Business Program Calendar

March 23-24

Nat Assoc. of Woman Business Owners Public Policy Day

April 30

CPUC San Bernardino Small Business EXPO

San Bernardino

Procurement Committee

May 18–19
Keep the Promise DVBE Alliance
Irvine

June 9 -11
Women’s Business Enterprise National Council Conference
San Francisco

July 12-14
American Indian Chamber of Commerce Business EXPO
Rancho Mirage

August 19-22
CA Hispanic COC Annual Convention
San Diego

August 19-21
CA Black COC Economic Summit
San Jose

October 13
Asian business Association
Pasadena

October 22
CPUC Chico Small Business EXPO
Chico

November 5
Black Business Association Procurement EXPO
Los Angeles

November 6
Elite Veterans Annual Pre – Veterans Day Event
San Diego

CUDC utility members will participate in two more Small Business Expos scheduled for later in 2009.

II. Professional Services

All California utilities continue to have significant challenges in meeting their supplier diversity goals for professional services procurement as documented in utility members’ Annual CPUC Utility Supplier Diversity Reports. Diversity owned businesses and diversity business associations have requested the utilities to focus on improving procurement results in all professional services arenas.

The CUDC Procurement Committee has continued to produce or actively participate in a variety of outreach forums focused on specific professional services sectors. Each forum includes the participation of utility executives and supply chain managers along with their prime supplier companies. The forum presenters explain the supplier diversity programs of these companies and how diverse professional service suppliers can compete for utility business—whether first or second tier. “Matchmaker” meetings are held between the diverse businesses, the utilities and their prime suppliers.

Procurement Committee

In support of the Commission's focus on Legal Services, the CUDC Procurement Committee continued to support the outreach forums hosted by the utilities' General Counsels and major law firms. The Committee produced or supported Financial Services forums and selected Consulting Services as an additional professional services focus area.

The utilities have continued with the critical planning steps for an initial status meeting between the Commission, the utilities' top consulting prime suppliers and the utility executives that work closely with the consulting prime suppliers. Our plan is to have this focused status meeting wherein the prime consulting firms and utility executives can present the current status of diversity spend in this arena and the challenges that they are facing. The Commission can provide guidance and the focus for launching a later public Consulting Services Forum wherein the consulting firms will make presentations about their supplier diversity programs and initiatives. Utilizing the model the Procurement Committee has developed and employed in other professional service arenas, we will also have matchmaker sessions between the utilities, consulting primes and diverse consulting companies. Now that we have identified the specific participants, we are working with the Commission to calendar the first Consulting Services Status meeting.

In the past year, the CUDC Procurement Committee has also supported Commissioner Simon's "New Connections" meetings between utilities, prime suppliers and diverse suppliers. These meetings have facilitated a better understanding between the utilities, primes and potential diverse suppliers of the utility opportunities and diversity firm capabilities in targeted professional service areas. These outreach programs included:

February 9
"Greening Your Fleet"
The Claremont Hotel, Berkeley

June 24
"Private Equity Investments"
The City Club, Los Angeles

September 17
"Community Banking / Money Market Funds"
Hyatt Regency, Sacramento

Additional 2009 Initiatives:

DVBE Focus: In 2009, the CUDC Procurement Committee also gave special attention to increasing contract opportunities for disabled veteran business enterprises (DVBEs).

The Joint Utility group continued its work with representatives from the California DVB Alliance, Elite SDVOB Network, and CPUC staff members on efforts to increase the utilization of DVBE suppliers. Three meetings were held to discuss more effective ways to identify DVBE suppliers whose product/service area was in alignment with the utilities current and future needs.

The group enlisted the support of a DVBE supplier to clean up the State of California Department of General Services listing of DVBE suppliers to identify those that were still doing business in California and to confirm their product/service offering.

Work on the "Operation Hand Salute" mentor-protégé program continued with all utilities assessing how their current development initiatives matched up with the objectives established within Operation Hand Salute.

Procurement Committee

In June, AT&T hosted the third DVBE Matchmaking event which brought over 125 DVBE suppliers to meet with utility representatives and share their value proposition. Commissioner Simon participated and offered his support to the DVBE supplier community.

The utilities continued to identify DVBE suppliers to offer scholarships to Executive Management training i.e., at the UCLA MDE program and the Tuck School of Business at Dartmouth.

The utilities continued their support of the California DVB Alliance and Elite SDVOB Network by participating as sponsors of their annual conventions where additional matchmaking appointments occurred.

2010 Initiatives:

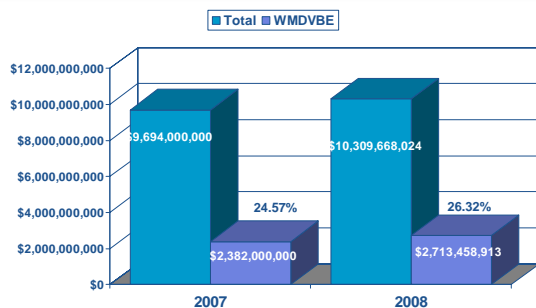
In 2010 our focus on Professional Services and our work with the Legal, Financial, and Consulting Services sectors will continue. The Procurement Committee had to defer its work on the Advertising industry until 2010 due to the resources required to develop the highly successful Green Summit. Nevertheless, in 2009, individual companies made progress in the Advertising arena and this will serve as a good foundation for our joint initiative in 2010. One element of our focus will include a Symposium that will bring together the major advertising firms currently working for the Utilities so that the Commission, the utilities and the diverse supplier community can learn more about their supplier diversity initiatives and how we can assist them in increasing diversity within the business that they are currently doing for the CA utilities.

III. CUDC Green Summit

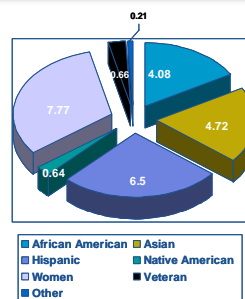
The Procurement Committee was fully engaged in helping to produce the CUDC Green Summit held in Long Beach on May 29, 2009. This day-long event gave us the opportunity to educate diverse suppliers about the competitive criticality of positioning their own businesses as “green” and also about the business opportunities that are imbedded within the green initiatives of all the utilities. We produced two workshops with thought provoking panelists from the green frontier.

Several diverse suppliers were able to share their leading edge initiatives in greening their own business, the value of green certifications and lessons learned as pioneers in this growing area of opportunity.

Combined Utility Spend

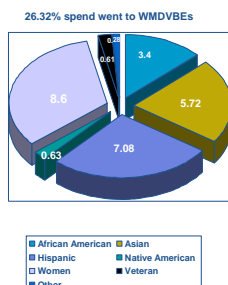


2007 Total Utility Spend per WMDVBE



Total overall Spend:		\$9,694B
Total WMDVBE Spend:		\$2,382B
African American	4.08%	\$395.2M
Asian	4.72%	\$457.1M
Hispanic	6.5%	\$630.3M
Native American	0.64%	\$62.4M
Women Owned	7.77%	\$753M
Service Disabled Veteran	0.66%	\$64M
Other	0.21%	\$20M

2008 Total Utility Spend per WMDVBE



Total overall Spend:		\$10,310B
Total WMDVBE Spend:		\$ 2,713B
African American	3.4%	\$350.4M
Asian	5.72%	\$589.8M
Hispanic	7.08%	\$730.2M
Native American	0.63%	\$64.8M
Women Owned	8.6%	\$886.5M
Service Disabled Veteran	0.61%	\$62.8M
Other	0.28%	\$28.9M

Governance Committee

Committee Members: Johnnie Giles, Jess Haro, Bill Harper, Dennis Huang, Elva Lima, Ken McNeely, Gwen Moore, José L. Pérez, Frank Quevedo, Kevin Tilden, Vicki Zeiger (Chair)

The information provided in this year's report includes the minority and women representation of Boards of Directors of California companies regulated by the CPUC, many of whom are also members of the California Utilities Diversity Council (CUDC).

Newly Elected/Appointed Board Members July 2008 - October 2009

- Thirty-four Board members were elected/appointed between July 2008 and October 2009.
- Of the new Board members, 29.4% (10) are female and 26.5% (9) are minority.

The ethnic breakdown of the new minority members is as follows:

- 11.8% (4) African Americans
- 8.8% (3) Latino
- 5.9% (2) Asian

Board Diversity in the United States

Although the diversity of boards has been compared to several different standards, two recent studies have compared diversity statistics to the Fortune-500 group of companies. The Catalyst Group issued a report in 2008 which showed that the percentage of women occupying board positions was about 15%ⁱ, and the Executive Leadership Council issued a report in 2009 showing that minorities hold about 12% of board positions among the Fortune-500ⁱⁱ companies. Although gains have been slow, these results and outside studies have shown that the percentage of women and minorities on corporate boards has been increasing among Fortune-500 companies.

Even though progress has been made, some argue that the rate of change is not fast enough – one estimate based on current increases is that it would take seventy years at the current rate of change for women to catch up with men on board representationⁱⁱⁱ. The percentage of white board members for the companies in the CUDC survey has remained the largest total number, and the percentage of change has decreased only slightly from 89% to 84%. Increasingly, there have been calls from outside organizations for companies to increase their representation, and there is evidence that large institutional investors are being encouraged to become involved in influencing board selection^{iv}.

The National Association of Corporate Directors (NACD) has issued a list of competencies required for directors, most of which can only be developed as a senior corporate executive^v. The demographics of that pool are as challenged by diversity representation as the Boards are. At the same time there are pressures to limit the number of boards an individual can sit on^{vi}. Serving on a board can be quite demanding, and some companies are limiting the number of boards on which their executives can serve. Obviously, successful companies are going to have to look for additional ways to identify diverse board candidates. Indeed, the NACD and others are suggesting that new qualifications be developed that make diversity goals easier to realize. A recent conference suggested expanding the search to non-traditional sources like non-profit boards, public boards and directors, and university staff and establishing mentoring programs for potential director candidates.^{vii}

Governance Committee

Board Members of the Five Largest Utilities in the CUDC 2008/2009

The combined survey results for the five largest utilities participating in the CUDC and regulated by the CPUC are included below.

2008 /2009 Five Largest Utilities in CUDC	African - American		Native American		Asian		Latino		White		Total	% Fem	% Min
Ethnicity Totals	8	13%	0	0%	3	5%	6	10%	45	73%	62	19%	27%

- Based on 62 Board members, 19.3% (12) are female and 27.4% (17) are minority.
- Three of the 12 female directors are minorities (one African American, one Asian, and one Latina).

From 2008, the number of women on boards decreased by one, while the number of minorities increased by two. The results of the five largest utilities in the CUDC compare favorably to the studies of Fortune-500 Boards, exceeding the 15% of Fortune-500 female Board members found by the Catalyst census report. The percentage of minorities (27%) on the Boards of the five largest utilities also compares favorably to the Fortune-500 Boards where only 12% of Fortune-500 Board seats are occupied by minorities.

Note: Although few would dispute the value of foreign nationals in providing a global perspective to a company, some feel that foreign nationals should not be included in diversity counts. The diversity data reported here includes two individuals identified by their companies as foreign nationals. A Conference Board report on Best Practices for Board Diversity suggests "Diversity should not be limited to gender and race – as companies internationalize, cultural diversity becomes increasingly important." (Brancato & Patterson in "Best Practices for Broadening the Profile of Corporate Boards", p.7)^{viii}

Board Members of Utilities in California Regulated by the CPUC 2008/2009

The combined survey results of all 19 respondents in the CUDC survey are included below.

2008 /2009 All Utilities Regulated by the CPUC	African - American		Native American		Asian		Latino		White		Total	% Fem	% Min
Ethnicity Totals	15	8%	0	0%	6	3%	8	4%	155	84%	184	20%	16%

- Based on 184 Board members 20% (36) are female and 16% (29) are minorities.
- Seven of the 36 female directors are minorities (two African Americans, two Asian, and three Latina).
- This includes two foreign nationals.

All of the 19 companies also reported Board diversity in 1999. The percentages of both female and minority board members shows an increase over that reported in 1999. However, Native American participation has remained strikingly unchanged and is unsatisfactory. Latino participation went down from 11 in 1999 to 8 in 2009 for a 27% decrease. The number of African American board members increased by 6 in the same period, while Asians increased by 3, and the number of females increased by 4.

Governance Committee

Board Members of Utilities in California Regulated by the CPUC 1999

The combined survey results for 1999 are based on all 19 participating respondents and are included below.

1999 All Combined Utilities	African - American		Native American		Asian		Latino		White		Total	% Fem	% Min
Ethnicity Totals	9	4%	0	0%	3	1%	11	5%	196	89%	219	15%	11%

- Based on 219 Board members, 15% (32) are female and 11% (23) are minorities.
- Two of the 32 female directors are minority (one African American and one Asian).

Summary & Recommendations

Our companies increased by five female Board members and five minority members this year; Board representation in the Utility industry continues to outpace that of the Fortune-500. At the same time, although some progress is indicated in these numbers, we share the concern about the rate of change being shown.

In addition, a look at the newest Board members shows percentages of minority and female members well above the Fortune comparison, although there is still room for improvement. One of the recommendations noted above, is that companies take a broader look at candidates for the Board, accepting nominations from qualified executives in the organizations, from academic backgrounds, or from foundation, non-profit, or public agency Boards^{ix}.

The CUDC and the Governance Committee is interested in seeing the number of minority and female board members continue to increase. All of our members believe that the composition of Boards should reflect diversity.

ⁱ 2008 Catalyst Census of Women Board Directors of the Fortune 500 (January 19, 2009), downloaded from http://www.catalyst.org/file/242/08_census_wbd_jan.pdf

ⁱⁱ African Americans Lost Ground of Fortune 500 Boards: Blacks Remain Seriously Underrepresented (July 17, 2009), downloaded from http://www.elcinfo.com/2008_Board_Census.php

ⁱⁱⁱ Clogs in the Pipeline: The Mixed Data on Women Directors and Continued Barriers to their Advancement (2006). *Maryland Law Review*, 65, p 579-586.

^{iv} Lack of Diversity on Boards of Directors at Largest Banks (2008). The Greenlining Institute. May 2008.

^v Report of the NACD Blue Ribbon Commission on Performance Evaluation of Chief Executive Officers, Boards, and Directors (Washington, DC, 1994).

^{vi} Ibid.

^{vii} Diversity on Corporate Boards: When Difference Makes a Difference. September 10, 2009, Stanford University. Downloaded from <http://law.stanford.edu/boarddiversity>.

^{viii} Board Diversity in U.S. Corporations: Best Practices for Broadening the Profile of Corporate Boards, Research Report 1230-99-RR.

^{ix} Diversity on Corporate Boards, op. cit., p.38

California Utilities Diversity Council
broadband cable, energy, telecommunications, water
1017 L Street, PMB 306 – Sacramento, CA 95814
Phone: 916.752.4386 Fax: 480.287.9833
www.cudc.biz

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