

December 8, 2004

President Michael R. Peevey
Commissioner Geoffrey F. Brown
Commissioner Carl W. Wood
Commissioner Susan Kennedy
Commissioner Loretta Lynch

California Public Utilities Commission
505 Van Ness Avenue, San Francisco, CA 94102

Dear Commissioners:

As a result of the interest first expressed in testimony given during the California Public Utilities Commission (CPUC) July 2003 *En Banc* hearing, the CPUC, in collaboration with the *Latino Journal*, created the California Utilities Diversity Council (CUDC) as a way to harness the interest, talents and resources of the utility companies and other key stakeholder groups interested in continuing to advance diversity in California utility companies.

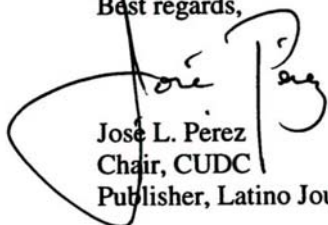
The CUDC began its work by trying to define what diversity means for California – a state that attracts so many people with diverse cultures, languages and needs. Beginning March of 2004, the CUDC met a total of eight times in general meetings, and many more times in committee meetings, to craft the answer.

The CUDC affords the public, business, organized labor and community-based organization members the opportunity to provide their insight and opinions on key issues of concern surrounding diversity. These members are pleased that the CPUC encouraged the establishment of the CUDC, thereby giving them the ability to meet with key representatives of utility companies to discuss diversity issues. We thank our member utility companies for their support and assistance in providing staff support, funding and guidance on collecting data and developing and framing the issues.

Finally, we are grateful for the support and interest shown by CPUC President Michael R. Peevey and Commissioner Carl Wood, along with Commissioners Geoffrey F. Brown and Susan P. Kennedy. They have demonstrated their concern for responsible diversity program efforts within the companies the CPUC regulates to the people of California. We also appreciate the valuable staff support and guidance provided by our CPUC liaison, Mr. Wesley Franklin, and other staff members, Mr. Peter Arth, Mr. Fred Harris, Mr. Arthur Jimenez and Ms. Linda Serizawa.

On behalf of the CUDC, we hope that you will find this summary of the CUDC's inaugural year, and our 2005 focus, informative as well as beneficial. We welcome your feedback and look forward to working with you in the coming year.

Best regards,



Jose L. Perez
Chair, CUDC
Publisher, Latino Journal

History

This first Annual Report highlights the accomplishments of the California Utilities Diversity Council's (CUDC) inaugural year.

Twenty-five diverse members representing Women-, Minority-, and Disabled Veteran-owned Business Enterprises (WMDVBE) advocates, community-based organizations, educational institutions, labor leaders, minority chambers of commerce, public utilities and the California Public Utilities Commission (CPUC) comprise the CUDC. The inaugural CUDC meeting was March 2004.

The CUDC was established as an outcome of the July 2003 CPUC public hearing on utility procurement of goods, services and fuel from WMDVBE's. Traditionally, the CPUC focused diversity efforts on supplier diversity as per CPUC General Order 156. At the July 2003 meeting, the CPUC informally requested data on diversity in employment. As a result of that request, the CUDC's purpose evolved and its scope broadened.

The CUDC's vision is to be a resource to, and work collaboratively with, the California Public Utilities Commission and the regulated utilities to promote and facilitate California's rich diversity by using population demographic data (2000 Census) as a guide to enhance the quality of the utilities diversity focused on governance, procurement and banking, employment, customer service, marketing and philanthropy.

The CUDC will expand the diversity focus and learn, through best practices and benchmarking, how to improve the diversity performance of California utility companies. The CUDC met eight times in 2004 and divided into subcommittees to focus on the following 5 key areas:

Governance

The CUDC believes that California utility companies must strive towards having their Boards of Directors become more reflective of the diverse population of the state of California.

Employment

Recruiting, retaining and promoting on an equal basis without preference to any group, reflecting California's demographics, is attainable and measurable. The CUDC promotes a competent and comprehensive multi-lingual and multi-cultural work force both within the utility companies and the CPUC.

Supplier Diversity

Utility companies, and to a smaller extent the CPUC, contract out billions of dollars every year. Procurement opportunities should be available to all segments of California business, large and small. WMDVBE suppliers seek a fair share of opportunities both in traditional and nontraditional enterprises.

Customer Service

Over 150 languages are spoken in California. Communication in customers' primary languages will help contribute to improved market penetration, add value to the bottom line and provide better overall service to stakeholders.

Philanthropy

California utility companies give millions of dollars to nonprofit organizations every year. The CUDC believes that charitable giving should be increased and focused primarily on underserved communities.

Summary of Committee Reports*

Governance

The CUDC Governance Subcommittee conducted a survey to compare the ethnic composition of utility company boardrooms in years 1994 and 2004. Fifteen companies responded.

The results for 1994 over 2004 show a slight increase in female, African American and Asian American board members with a decrease in Latino board members. American Indians continue to await representation on the Boards of any of the respondent companies.

Of the 18 board members elected/appointed between July 2003 and June 2004, 83% are male and 17% female. One of these female board members is Latina.

Supplier Diversity

Utility companies in California have diligently worked to improve Women-, Minority-, and Disabled Veteran-owned Business Enterprises (WMDVBE) and developed progressive programs to address supplier diversity in the Golden State. The Supplier Diversity Subcommittee identified best practices and programs that have yielded great degrees of success, such as:

- Contractor Development – Internal corporate teams that focus on successfully including WMDVBE contractors;
- Joint Ventures/Business Solution Partners – Bringing together a majority and WMDVBE supplier to provide goods or services; and,
- Community Outreach – Participating in outreach and training events that provide prospective WMDVBE suppliers with information critical to their success.

Employment

Employee diversity data was requested from over 15 California Utilities. Seven California utilities responded to the survey and six California utilities provided the CUDC with employee diversity data.

With only six respondents to the survey, the amount of data is not large enough to draw meaningful conclusions or to make comparisons across utilities; however, a few data highlights are noted below:

- Diversity within the top ranks of utilities employees ranges from 6% to 36% and averages almost 21%.
- The Diversity of unionized employees ranges from 34% to 56% and averages almost 50%.
- Initial comparisons with national data provided by the Equal Employment Opportunity Commission show, in aggregate, the companies participating in the survey have minority participation rates higher than the national average in every category.
- In aggregate, diverse representation appears to decrease in the higher levels of the organization particularly in the Hispanic category.

FORTUNE Magazine in its June 28, 2004 issue, rates California utility companies as the “Best of the Best” at fostering workplace diversity. Ten percent of the FORTUNE 50 Best Companies for Minorities are members of the CUDC:

- Sempra Energy Utilities
- Southern California Edison

*To view the full reports, visit www.cudc.biz.

Committee Reports - – Continued

- PG&E Corporation
- SBC Communications
- Verizon

Some of the best practices that California utility companies have in place which contribute to their high ratings are:

- Programs that target diverse college hires
- Classifications that compensate employees who speak a second language
- Programs that recruit diverse candidates for entry-level and nontraditional jobs

Although the overall diversity numbers show positive trends, there is work to be done in the higher paying positions and the technical positions. Both categories show limited progress in all areas of diversity including, but not limited to, race, gender and people with disabilities.

Philanthropy

In May 2004, CPUC President Peevey encouraged California utility companies to increase their levels of charitable contributions to 2% of pre-tax earnings, with an allocation of 80% of the funds going to underserved communities.

The Philanthropy Subcommittee surveyed six California utility companies as to their pre-tax income, levels of charitable contributions and areas in which the companies primarily focused charitable giving for years 2001, 2002 and 2003.

The aggregate data indicate that ample opportunity for improvement exists for the companies to meet President Peevey's suggested target.

Customer Service

The Customer Service Subcommittee conducted a survey which posed the following questions:

1. Has your company focused outreach to linguistically and culturally diverse customers? If so, please describe.
2. Please describe what you consider to be your best practices or most effective outreach.
3. How do you measure the success of your outreach to diverse customers?

All utility companies that responded have in common their call centers that are equipped with both the technology and personnel to handle, at minimum, calls in Spanish and English. Some respondents have the ability to assist customers in up to 150 languages. Other outreach efforts include bills, public notices and bill inserts printed in both Spanish and English.

The companies also all report that they participate in various community events such as job fairs, chambers of commerce and other civic events to share their programs and services.

Finally, all companies that responded report that their best measurement is anecdotal feedback from their customers. For example, they can quantify their outreach efforts through direct and media feedback, letters, community leaders and phone calls received from customers who have benefited from the programs.

2004 Public Hearing

On October 18, 2004 the CUDC held its second annual Public Hearing, *Building Bridges through Diversity*, at the Ronald Reagan State Building in Los Angeles. President Peevey, Commissioners Brown and Wood, Steve Larson, Executive Director of the CPUC and Gwen Moore, President GeM Communications, presided over the proceedings.

Highlights included:

- Lisa Kalustian, Chief Deputy Director for Governor Arnold Schwarzenegger commented on the Governor's strong support for the California business community. The State is committed to contracting with small and micro businesses.
- Dr. Henry Pachon, President, Tomas Rivera Institute, gave a presentation on California's evolving demographics. The Institute does policy research and its reports target policymakers. Dr. Pachon advised that the studies point to a common theme of relevance to the CPUC – that minority groups have cultural differences and they have a lack of understanding of the processes for participating in minority procurement and CPUC hearings.
- Steve Larson acknowledged that goals set by the CUDC are important and the CPUC tries to adhere to CUDC goals in its own operations and gave brief, candid descriptions of its efforts in the 5 key areas of focus.
- Comments from Chuck Smith, President and CEO, SBC West; Edwin A. Guiles, Chairman and CEO San Diego Gas & Electric and Southern California Gas Company; Robert Foster, President, California Edison; Dan Richard, Senior Vice President for Public Affairs, Pacific Gas and Electric Company; Timothy McCallion, President-Pacific Region, Verizon California, Inc.; Ben Lewis, Director of Network and Field Services, California-American Water Company; and, James P. Kane, President Southwest Gas Corporation, on the status and challenges facing California utilities' diversity programs.

All of the utility company speakers commented that diversity is how they do business everyday and is reflected in their employee bodies and suppliers.

- Commissioner Wood acknowledged that California excels in employment diversity, leading the nation – albeit with more work to do. He encouraged the companies to continue their efforts.
- Jonathan Hickman, Consultant to FORTUNE, provided the background on the FORTUNE 500 "Best Companies for Minorities" survey, which originated at the nonprofit Council on Economic Priorities. From there, FORTUNE picked-up the survey and has sponsored it for the last seven years. The survey looks at several variables that are evaluated based upon empirical evidence. This annual survey is very important to the business community and is often cited by CEO's from some of the largest utility companies. FORTUNE, however, is considering terminating the survey due to cost concerns.
- Olivia Walls, Vice-President, American Indian Chamber of Commerce, commented on the increased outreach to the American Indian community over the past year. She praised many of the utility companies for their support, while admonishing that much work needs to be done – as evidenced by the American Indian community being omitted from the demographics report at today's hearing.

Focus 2005

Looking ahead to year 2005, the California Utilities Diversity Council will continue its efforts in promoting diversity for utility companies doing business in California, as well as for the California Public Utilities Commission. The subcommittees Governance, Employment, Supplier Diversity, Philanthropy and Customer Service each have specific areas on which to focus.

Governance

The Governance Subcommittee will continue to monitor the composition of the board of directors of public utility companies and update the data collected in its 2004 survey. It will seek best practices outside of the utility industry and provide resources that help promote representation of women and minorities in corporate boardrooms.

Supplier Diversity

For 2005, the Supplier Diversity Subcommittee will target a specific area of purchasing that is under-performing from a diversity perspective and work collaboratively to identify and overcome barriers that have prevented success. To that end, the Subcommittee has selected the legal arena of purchasing, where California utility companies have yet to demonstrate success in expanding diversity participation.

Employment

Analyzing the data collected in the 2004 survey to better understand its implications; identifying areas where CUDC members can work collaboratively to make improvements and continue to discuss and share best practices; seeking best practices outside of the industry for innovative ideas and approaches; and, developing measures of success are the 2005 goals for the Employment Subcommittee.

Philanthropy

The Philanthropy Subcommittee will review the philanthropic records of the utility companies, work to remove any barriers to increasing philanthropic giving and create a best practices role model for all utility companies to emulate.

Customer Service

In 2005, the Customer Service Subcommittee will look at measurement tools to monitor the needs of bilingual customers and customer service staffing, including call volume tracking, call content and reviewing outstanding aging accounts.

California Utilities Diversity Council

Directorate:

Jose L. Perez , Publisher of the <i>Latino Journal</i>	Chair
Cynthia G. Marshall , Senior Vice President - Regulatory & Constituency Relations, SBC California	Vice Chair
Nancy Zarenda , Director and Owner, Spanish Language Academy	Vice Chair
Wes Franklin , Deputy Executive Officer, CPUC	Liaison to the CUDC

Yolanda Benson, Deputy Legislative Secretary, Governor Arnold Schwarzenegger

Itzel Berrio, Deputy General Counsel, The Greenlining Institute

Larry Brooks, Executive Director, California DVBE Alliance

Julian Canete, President & CEO, California Hispanic Chambers of Commerce

Susan Conway, President, California Water Association

Shawn Farrar, Director of Diverse Business Enterprise, Sempra Energy Utilities

Kay Ferrier, Dean of Economic and Work Force Development, California Community Colleges

Rob Howard, Human Rights Advisor, Utility Workers Union of America

Russell Jackson, Vice President of Human Resources, Pacific Gas & Electric Company

Patricia Kushida, President & CEO, Sacramento Asian Chamber of Commerce

Jess Haro, Chair, California Hispanic Association for Corporate Responsibility

Steve Leder, Director of Human Resources, Pacific Gas & Electric Company

Ben Lewis, Vice President, California-American Water Company

Gwen Moore, President, GeM Communications

Colin Petheram, Director, Regulatory & Constituency Relations, SBC

Frank Quevedo, Vice President, Southern California Edison Company

Michelle Robinson, Vice President, Verizon California, Inc.

Alexandria Gallardo Rooker, Lobbyist, Communications Workers of America

Tracy Stanhoff, President, AD PRO, American Indian Chamber of Commerce

Aubry Stone, President & CEO, California Black Chamber of Commerce

Betty Jo Toccoli, President, Small Business Association

Tony Wong, Principal Engineer, Asian Business Association

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