

THE CALIFORNIA HISPANIC CHAMBERS OF
COMMERCE & FOUNDATION PRESENT

Failure to Diversify: California's Community Choice Aggregators Are Woefully Behind In Contracting With the State's Diverse Small Businesses



BACKGROUND

In 1988, the California Public Utilities Commission (CPUC) adopted General Order 156 in response to calls from policy makers and the public to increase opportunities for diverse small businesses to contract with corporations regulated by the CPUC.

General Order 156, also known as "GO 156," requires energy utility, water and telecommunications companies overseen by the CPUC to provide an annual report of their percentages of contracts given to women, minority, disabled veteran, and LGBT business enterprises, collectively referred to as "WMDVLGBTBE firms."

Recognizing that promoting the interests of diverse businesses strengthens the overall economy of the state, GO 156 Section 8 sets procurement goals for regulated utilities, requiring that companies establish plans to purchase at least 21.5% of each major category of products and services from diverse outside vendors, including 15% for minority-owned firms, 5% for women-owned firms, 1.5% for disabled veteran-owned firms, and goals to be established for LGBT-owned firms. (1) In 2020, the state's four regulated energy utilities contracted with WMDVLGBTBE firms for 39% of a total of \$20.6 billion of products and services. (2)

In 2019, Senate Bill 255 (Bradford) updated the GO 156 Supplier Diversity program to expand diverse contracting opportunities in the energy sector, including a requirement that the state's Community Choice Aggregators (CCAs) submit reports and plans under GO 156.

CCAs filed their first Supplier Diversity reports in 2021 and the results are extremely concerning. In 2020, CCAs contracted with diverse firms for less than 0.1% of purchases, cutting WMDVLGBTBE businesses out of \$1.2 billion of economic opportunity when compared to investor-owned energy utilities.

We believe that action is required to address this finding before it becomes a long-term trend.

INTRODUCTION

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SUPPLIER DIVERSITY AMONG INVESTOR-OWNED ENERGY UTILITIES

The CPUC regulates four energy utilities: Pacific Gas & Electric (PG&E), San Diego Gas & Electric, Southern California Edison, and Southern California Gas. These companies have been in operation for one hundred years and have decades of experience implementing GO 156 program goals and objectives.

As a result of dedicated efforts and commitment by these companies, as well as many years of accountability and oversight, supplier diversity results by CPUC-regulated energy utilities are quite robust. Figure 1 below shows that a total of 39% of \$21.6 billion of total procurement was contracted with diverse firms in 2020, equaling \$8.1 billion for California WMDVLGBTE small businesses. This result nearly doubles the CPUC’s 21.5% diverse contracting goal under GO 156, which is even more impactful considering that small businesses were particularly hard hit in 2020 due to the impacts of the COVID-19 pandemic.

Each of the four utilities maintains dedicated and equipped Supplier Diversity units within their companies, including support for small businesses to register and qualify for contracting opportunities through the CPUC’s Supplier Clearinghouse, access to information about contracting and subcontracting opportunities as they become available, and in-depth and transparent reporting about supplier diversity outcomes, programs, and future plans.

For example, San Diego Gas & Electric (SDG&E), who has the highest supplier diversity participation in 2020 at 41.6% of total procurement, maintains a portion of its website that reiterates the company’s commitment to supplier diversity and provides direct access to the state’s WMDVLGBTE certification and verification portal, outlines the contracting opportunities currently available with SDG&E, posts the company’s current GO 156 report, and features videos that feature step-by-step tutorials. (3)

As a result, more than \$872 million of 2020 contracting opportunities with SDG&E were secured by those diverse small businesses that form the bedrock of the state economy. Hispanic-owned businesses in particular benefitted greatly, securing \$242 million in direct contracts and sub-contracts with SDG&E. In 2020, Hispanic businesses secured \$2.2 billion in contracts across all 4 energy utilities.

Figure 1.
2020 CPUC-Regulated Energy Utility Procurement Reports

Energy Utility	Total Procurement	WMDVLGBTE Procurement	% WMDVLGBTE
Pacific Gas & Electric	9,974,059,425	3,879,415,236	38.90%
San Diego Gas & Electric	2,098,149,510	872,284,373	41.57%
Southern California Edison	6,386,837,449	2,405,531,616	37.66%
Southern California Gas	2,139,674,225	884,181,102	41.32%
TOTAL	\$ 20,598,720,609	\$ 8,041,412,327	39.04%

Source: California Public Utilities Commission



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SUPPLIER DIVERSITY AMONG COMMUNITY CHOICE AGGREGATORS

Community Choice Aggregators are a much newer set of CPUC-regulated agencies than investor-owned utilities. In 2002, Assembly Bill 117 authorized cities and counties to form their own agencies in order to procure electricity for individual customers within their own jurisdiction. These agencies, called Community Choice Aggregators or CCAs, compensate regulated utilities for the cost of electricity transmission and distribution to CCA customers.

California’s first CCA, Marin Clean Energy, launched in 2010 and today there are 14 different CCAs around the state that are registered with the CPUC. Following the 2019 expansion of GO 156 reporting requirements to CCAs through Senate Bill 255, CCAs filed their first Supplier Diversity Procurement Reports in 2021.

According to GO 156 reports filed this year by the state’s CCAs, no single CCA procured more than one-half of one percent (0.5%) of total products and services through diverse California businesses in 2020. (4) In fact, CCAs on average contracted with women, minority, disabled veteran and LGBT-owned firms for only 0.06% of total CCA procurement in 2020.

Figure 2 below paints a much different picture when compared to the data in Figure 1.

Figure 2.
2020 Community Choice Aggregator Procurement Reports

CCA	Total Procurement	WMDVLGBTE Procurement	% WMDVLGBTE
California Choice Energy Authority	\$ -	\$ -	-
Central Coast Community Energy	\$ 192,722,053	\$ 12,042	0.01%
Clean Power Alliance	\$ 754,244,885	\$ 107,513	0.01%
CleanPowerSF	\$ 224,161,453	\$ 187,748	0.08%
Desert Community Energy	\$ 25,153,272	\$ 97,816	0.39%
East Bay Community Energy	\$ 400,820,685	\$ 303,763	0.08%
MCE	\$ 414,628,312	\$ 323,842	0.08%
Peninsula Clean Energy Authority	\$ 260,421,515	\$ 260,468	0.10%
Pioneer Community Energy	\$ -	\$ -	-
Redwood Coast Energy Authority	\$ 43,927,595	\$ 4,829	0.01%
San José Clean Energy	\$ 258,831,713	\$ 222,345	0.09%
Silicon Valley Clean Energy	\$ 265,594,000	\$ 143,767	0.05%
Sonoma Clean Power	\$ 195,559,256	\$ 246,174	0.13%
Valley Clean Energy Alliance	\$ 54,347,916	\$ -	0.00%
TOTAL	\$ 3,090,412,655	\$ 1,910,307	0.06%

Source: California Public Utilities Commission



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FAILURE TO DIVERSIFY

Admittedly, CPUC-regulated energy utilities have had many more years of experience with supplier diversity, particularly within the GO 156 framework, compared to CCAs. However, these findings, that the state's diverse WMDVLGBTE firms contracted for less than \$2 million of CCA procurement, compared to \$8 billion of contracting with investor-owned utilities, provide incredibly stark contrast.

If CCA's had purchased 39% of their products and services through WMDVLGBTE firms in 2020, matching the investor-owned utility average that year, diverse firms would have secured \$1.2 billion in contracting opportunities rather than less than \$2 million. In other words, if CCAs matched the same rate of diverse procurement through diverse firms as investor-owned utilities, California's WMDVLGBTE firms would have secured 631 times more in direct contracts and subcontracts in 2020.

It is early in the maturation of CCAs into full-fledged utilities, but drastic improvements in supplier diversity must be part of that maturation process. We recommend the following steps for the consideration of regulators and policy makers if CCAs are to meet the CPUC's 21.5% diverse contracting goal or match the 40% average seen by CPUC-regulated investor-owned energy utilities.



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RECOMMENDATIONS

Senate Bill 255 required all Community Choice Aggregators to “annually submit a detailed and verifiable plan to the commission for increasing procurement from small, local, and diverse business enterprises in all categories.” Based on the findings outlined in this report upon review of 2020 procurement reports by CCAs and investor-owned utilities, we recommend the following:

- **Require GO 156 Contracting Goals for CCAs.** The Legislature stopped short of requiring the same 21.5% diverse contracting goal contained in GO 156 for CCAs. As a result, CCAs stopped well short of that contracting goal, procuring less than 0.1% of total procurement through WMDVLGBTE firms. CCAs therefore must be included in GO 156.
- **Public Hearing on CCA Supplier Diversity.** These findings regarding 2020 supplier diversity outcomes should be subject to a CPUC hearing to elicit feedback and guidance on how to help CCAs meet the diverse contracting goals of GO 156, especially as the Legislature and Commission considers our recommendation to include CCAs in GO 156.
- **A Moratorium on New CCAs.** CCAs have certainly advanced policy conversations around the need to accelerate progress toward our renewable energy and climate change objectives. But these efforts cannot come at the expense of the state’s diverse small businesses, who we see losing out on billions of dollars as CCAs take on more procurement responsibilities in the energy supply chain. Until CCAs are formally brought into the GO 156 Supplier Diversity Program, we recommend a moratorium on new CCAs.



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REFERENCES

- California Public Utilities Commission. "Rules Governing the Development of Programs to Increase Participation of Women, Minority, Disabled Veteran and Lesbian, Gay, Bisexual and Transgender (LGBT) Business Enterprises in Procurement of Contracts from Utilities as Required by Public Utilities Code Section 8281-8286."
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- In 1978, a group of local Hispanic chamber leaders from throughout California convened to discuss the lack of representation of Hispanic businesses in state government. These leaders also recognized the need for an organization that would effectively represent the interest of rapidly growing number of Hispanic-owned businesses in California.
- Through its network of Hispanic chambers and business association, the CHCC represents the interest of over 800,000 Hispanic business owners in California. The CHCC is the premier and largest regional ethnic business organization in the nation that promotes the economic growth and development of Hispanic entrepreneurs and California's Emerging Businesses.
- CHCC Goals and Purposes
 - To promote, support and encourage the advancement and development of Hispanic and minority owned businesses;
 - To provide an organizational forum for the exchange of ideas, information, technical assistance, procurement opportunities, and any other form of business opportunities that enhance the Hispanic and minority business communities;
 - To develop a program of advocacy in order to inform and educate elected and appointed officials, legislative bodies, agencies and public and private organizations about the concerns, needs, and opportunities which affect the Hispanic and minority business communities California;
 - To foster unity and communication between organizations, corporations, and individuals who support the goals and objectives of the CHCC and education pipeline program.



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