

# **GO 156 / Workshop on the Top Five Underutilized Areas Parities' Recommended Solutions**

## **COMMON SOLUTIONS**

### **1. UNBUNDLING**

Contracts must be unbundled and divided into smaller contracts; -few utilities follow the Wal-Mart system of effectively enforcing their goals on Tier 1 and Tier 2 suppliers; - small businesses cannot become more competitive until they receive: a) assurances that they will be effectively considered, b) substantial technical assistance, c) capacity building aid, d) a wide range of pro bono services such as CPA services, legal services and promotional services and e) encouragement to form cooperatives so that small businesses effectively compete with a large company bidder. One way to do so would be to set aside one quarter of one percent (0.25%) of total procurement dollars per company for technical assistance, capacity building and formation of cooperatives (or estimated 25 to 30 million per year).; and -too many itemized products and services lack clarity thereby preventing effective comparisons among the utilities.

### **2. INCLUSION OF SUPPLIER DIVERSITY INVOLMENT IN RFP**

The RFP creation and evaluation should include a key participatory role for a utility team member knowledgeable and responsible for achieving supplier diversity objectives. Their input in the process should be as an influential member, there to offset the status quo tendencies and practices commonly imbedded in the process.

### **3. DVBE'S PARTICIPATION**

Most utilities have experienced challenges with regards to the current DVBE goals. A too-narrow definition of eligible DVBE creates an artificially small pool of qualified vendors. Unlike women or minority suppliers, DVBEs must be California residents to be counted under GO 156, resulting in exclusion of non-resident DVBEs from reporting. [Some utilities] still retains these companies if they win competitive bids, but [they] cannot report them as part of [their] performance. The Commission should consider whatever steps are necessary—including legislative changes—to address this limitation.

### **4. PRIME CONTRACTORS PROGRAMS**

Prime Contractors Programs – given that GO 156 already has provisions for prime contractor programs, it would be beneficial for the utilities to share best practices in this area so that they can refine their programs and explain to vendors how such programs work (i.e., under a specific program, the utility says – prime suppliers with contracts of \$500,000 or more are encouraged to establish their own supplier diversity program, including an annual plan describing how they can provide better business solutions by

working with MWDVBE vendors, and quarterly reports on their progress to meet the goals outlined in their annual plan).

## **5. TRANSPARENCY (i.e., IOU's Information)**

Advocacy groups and third party stakeholders must have a firm understanding of the procurement needs of utilities. Facilitating conversations between business owners and advocacy groups will ensure that diverse suppliers capable of meeting the utility's needs will be identified and utilized.

## **6. SPECIFIC GOALS FOR UNDERUTILIZED AREAS**

The utilities should be encouraged to set their own sub-goals for underutilized categories – including those identified by the Commission as well as any others demonstrated to be underutilized by the utility's annual reports. They state that what has worked for diverse procurement overall can for specific spend areas, but the first step is to set goals.

## **7. NICHE APPROACH**

The “homerun” complex should be avoided. Instead of seeking to win an entire contract in its first transaction with the utility, the DBE will have a better chance of success by adopting a “niche” approach for a piece of that contract, even if it means partnering with a competitor who has a complimentary skill set in order to “get in the door.”

## **8. INDUSTRY-SPECIFIC WORKSHOPS**

Utilities should host industry-specific workshops for their existing vendors, certification workshop for prospective vendors, and specialized workshop with professional services firms (e.g., the 2009 Commission-Price Waterhouse Cooper workshop). Utilities can also educate their primary suppliers on the need for demonstrable second-tier outreach and education. Funding education programs in local communities is another way to increase the pool of BDE bidders.

## **INDUSTRY SPECIFIC SOLUTIONS**

### **1. FINANCIAL SERVICES**

The utilities should share information on emerging and minority manager and service providers that have been identified as having, or are developing, the skills required to provide financial services to the utilities.

## **2. LEGAL SERVICES**

Participate in quarterly meetings with WMBDVE law firms in order to network with those firms to find potential outside counsel.

## **3. INSURANCE BROKERS**

WMDVBE insurance brokers should consider narrowing their focus to certain industry group or certain lines of insurance. By concentrating resources on a narrower market segment and hiring people with expertise in those industries or lines of insurance, WMDVBE broker should be better able to compete with larger brokers.

## **4. ADVERTISING**

Potential solutions for increasing WMDVBEs in advertising – (1) regularly review territory demographics to align spending targeted to ethnic communities with the percentage of a utility’s customer base those ethnic groups make up; (2) regularly review advertising targeted to ethnic minorities to ensure it is trending up or remaining constant; and (3) ask whether non-WMDVBE agencies subcontract with WMDVBEs.

## **5. CONSULTANTS**

Potential solutions for increasing the use of WMDVBE consultants – (1) unbundling of contracts; (2) collaboration/partnerships between WMDVBE consulting firms in order to compete in larger arenas; and (3) encouraging the primes to use WMDVBE consultants as subcontractors.