

**California Rural Service Area #1, Inc.
WMDVBE Annual Report and Plan**

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California Public Utilities Commission

Rulemaking: General Order 156
Subject: RULES GOVERNING THE DEVELOPMENT OF PROGRAMS
TO INCREASE PARTICIPATION OF WOMEN, MINORITY AND
DISABLED VETERAN BUSINESS ENTERPRISES IN PROCUREMENT
OF CONTRACTS

Due Date: **March 1, 2015**

**California Rural Service Area #1, Inc. d/b/a U.S. Cellular (U-3043-C)
Annual Report and Plan on Utilization of Women, Minority
and Disabled Veteran-Owned Business Enterprises**

California Rural Service Area #1, Inc. d/b/a U.S. Cellular (U-3043-C) (“U.S. Cellular”) hereby submits its Annual Report and Plan to the California Public Utilities Commission (“CPUC”) in compliance with the CPUC’s General Order 156: Rules Governing the Development of Programs to Increase Participation of Women, Minority and Disabled Veteran Business Enterprises in Procurement of Contracts, as required by Public Utilities Code Sections 8281-8286, and as clarified by Assembly Bill 2758, approved September 29, 2010 and effective January 1, 2011.

U.S. Cellular provides wireless service in three highly rural service areas in northern California (RSA#1, RSA#2, and RSA#9). In addition, U.S. Cellular, through other affiliated entities, provides wireless telecommunication services in 25 other states. For purposes of its 2014 Annual Report, U.S. Cellular is including information on its company-wide WMDVBE programs and efforts, with California-specific information where available or applicable.

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I. 2014 ANNUAL REPORT

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9.1.1. WMDVBE Activities

Description of WMDVBE program internal and external activities engaged in during 2014:

U.S. Cellular's recognition of the importance of including diverse vendors in its procurement efforts is encapsulated in its Supplier Diversity Mission Statement:

“U.S. Cellular[®] is committed to Supplier Diversity. Supplier Diversity is a core value and behavior of our Dynamic Organization. Creating access and promoting opportunities to Minority Owned Business Enterprises (MBE), Woman Owned Business Enterprises (WBE), Disabled Veteran Owned Business Enterprises (DVBE) and Veteran Owned Businesses Enterprises (VBE) within our supply chain is important to us.

U.S. Cellular's internal diversity activities include training and education of all U.S. Cellular associates; preparation of a corporate diversity strategic plan with executive leadership commitment, including setting goals in performance plans; and supplier diversity spend monitoring and reporting. U.S. Cellular requires that: (a) all leaders participate in a Diversity and Inclusion Training focused on leading a diverse organization and teams and (b) all associates participate in a Diversity and Inclusion Training focused on working in a culture that values diversity and inclusion.

Additionally, during 2014, U.S. Cellular began centralizing all sourcing and procurement activities. As part of the centralization, all sourcing associates were trained on a consistent bidding process that addresses MWDVE supplier inclusion.

External activities include coaching and mentoring existing and potential suppliers, sales support for requests for proposals, outreach, trade shows, and representation on diversity boards and committees.

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9.1.2. WMDVBE Results

Summary of WMDVBE purchase and/or contracts, with breakdowns by ethnicity, product and service categories compared with total utility contract dollars awarded to outside vendors in those categories.

U.S. Cellular provides a breakdown below of its 2014 aggregate WMDVBE spend with suppliers based in the State of California against estimated total spending in the State of California. While these suppliers are based in the State of California, spend balances represents spending on U.S. Cellular operations across the 25 states in which the Company operates. In 2014, U.S. Cellular had spending with six California-based WBDVBE suppliers, representing XX% of total estimated spend in the State of California. Versus 2013, spend with diverse suppliers increased █ % from \$ █ to \$X█. The increase was due to U.S. Cellular expanding its relationship with its minority-owned accessories supplier, Superior Communications.

Additionally, it should be noted that eight of U.S. Cellular's WMDVBE suppliers, Superior Communication, Xentris Wireless, Mercury Communications, Cogent Data Solutions, Dependable Building Services, Award Solutions, Sutton Ford, Inc., and Commercial Site Improvements account for █ % of U.S. Cellular's WMDVBE spending nationally and are certified by the Commission's designated Supplier Clearinghouse.

Lastly, U.S. Cellular is actively seeking out organizations with veterans and people with disabilities and expects these relationships to lead to additional MWDVE supplier opportunities.

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<u>California WMDVBE Spend</u>	<u>2014</u>		<u>2013</u>	
MBE	\$XXX	XX%	\$XXX	XX%
WBE	\$XXX	X%	\$XXX	X%
<u>DVBE</u>	<u>\$XXX</u>	<u>X%</u>	<u>\$XXX</u>	<u>XX%</u>
Total Diverse Spend	\$XXXXXX	XX%	\$XXXXXX	X%
Total California Spend	\$XXXXXXX		\$X	
	X			

<u># of Vendors</u>	<u>2014</u>	<u>2013</u>
MBE	X	X
WBE	X	X
<u>DVBE</u>	<u>X</u>	<u>X</u>
Total	X	X

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2014 WMDVBE Category Breakdown¹

Material Category	Spend		% of Spend	
	CA Diverse Supplier Spend	Total Company-Wide Spend	Diverse Spend	Non-Diverse
Network service equipment				
Unclassified	REDACTED			
Lease and rental of property or building				
Personal communications device accessories or parts				
Business function specific software				
Totals				

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¹U.S. Cellular Category reporting is available on a Company-wide basis. Category reporting solely for the State of California is not available. The chart shows the Categories for all spending with California-based WMDVBE suppliers and the total Company-wide dollars spent in those Categories.

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9.1.3. WMDVBE Program Expenses

Itemization of WMDVBE program expenses.

The following summarizes 2014 expenses solely attributable to activities supporting U.S. Cellular's compliance with California Public Utilities Commission General Order 156.

Line No.	Expense Category	2014 Expense
1	Wages	\$
2	Other Employee Expenses	\$
3	Program Expenses	\$
4	Reporting Expenses	\$
5	Training	\$ REDACTED
6	Consultants	\$
7	Other	\$
8	TOTAL	\$

Wages: Salary and payroll related costs of employees working on WMDVBE issues.

Other Employee Expenses: Office space, travel and other non-wage costs.

Program Expenses: Printing, postage, suppliers and other costs directly related to the program.

Reporting Expenses: Computer, accounting, printing and other expenses in preparing reports for the CPUC.

Training: Costs associated with training employees (internal) and vendors (external)

Consultants: Costs of hiring consultants to assist with WMDVBE Program.

Other: Costs that do not apply to any category.

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9.1.4. Description of Progress in Meeting or Exceeding Set Goals

Description of progress in meeting or exceeding goals and explanation of any circumstances that may have caused the utility to fall short of its goals.

For 2014, U.S. Cellular's goal was to increase WMDVBE spend by █%. As described in section 9.1.2 above, for the State of California, U.S. Cellular increased WMDVBE spending substantially by █% from \$█ 2013 to \$█ in 2014.

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2014 program accomplishments include:

- U.S. Cellular increased spending with WMDVBE suppliers based in the State of California by █%. This increase was driven by raising the level of business with its largest California-based minority-owned supplier, Superior Communications, by █% to \$█ million.
- U.S. Cellular hired a Vice President Supply Chain and centralized all sourcing and procurement activities. This change in organizational structure enables consistency in sourcing practices focused on identify and utilizing WMDVBE suppliers.
- The Strategic Sourcing team included at least one diverse supplier in █% of all RFP's issued in 2014.
- U.S. Cellular contracted a new Retail Signage supplier, Atlas Sign Industries, a WBENC certified woman-owned business, to a three-year contract valued at approximately \$█ million.
- U.S. Cellular established a Tier 2 Program diverse supplier spending goal with its Marketing agencies of █% of direct spend on U.S. Cellular's behalf with diverse suppliers. The Company's Marketing agencies surpassed the goal, collectively achieving █% spend with diverse suppliers.
- U.S. Cellular launched Affinity Network Groups (also known as Employee Resource Groups) providing greater presence in markets which should lead to

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more MWDVBE supplier opportunities.

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9.1.5. Summary of prime contractor utilization of WMDVBE subcontractors.

Based on an expansion to the Program in 2013, U.S. Cellular's Tier 2 Program currently has two components: (1) Device suppliers and (2) Marketing agencies, both of which are summarized below. In 2014, to further enhance the Program, U.S. Cellular set a Tier 2 diverse supplier spending goal for its Marketing agencies asking its agencies to achieve [REDACTED] % of direct spend on U.S. Cellular's behalf with diverse suppliers. The Company's Marketing agencies surpassed the goal, collectively achieving [REDACTED] % spend with diverse suppliers.

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Marketing Agency 2nd Tier Report - 2014				
Vendor	Total Direct Diverse Spend¹	Total Direct Spend¹	Diverse Spend %	Goal %
Frequency 540				
Jay Advertising				
Ketchum				
Mullen				
New Team				
REDACTED				

Device Supplier 2nd Tier Report - 2014			
Vendor	Total Direct Diverse Spend¹	Total Indirect Diverse Spend²	Total Diverse Spend
Genco			
Samsung			
LGE			
BlackBerry® (RIM)			
Motorola Mobility			
Kyocera			
REDACTED			

Note: 1) Direct Spend represents spend which can be identified in direct support of U.S. Cellular requirements.

Note: 2) Indirect Spend represents spend which cannot be identified in direct support of U.S. Cellular requirements (e.g. "overhead" items such as office supplies, computing expenses, office maintenance).

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9.1.6. List of WMDVBE complaints with brief description and resolution.

There were no WMDVBE complaints received in 2014.

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9.1.7. Summary of purchases and/or contracts for products and services in excluded categories

U.S. Cellular makes a strategic effort to consider diverse suppliers in all commodity groups and, as such, measures progress based on total third-party contractual purchases. Therefore, there are no “excluded” categories.

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9.1.8. Description of any efforts to recruit WMDVBE suppliers of products or services in procurement categories where WMDVBE utilization has been low.

In 2014, U.S. Cellular's Strategic Sourcing Team continued its requirement that all RFX's include at least one diverse supplier and was successful in [REDACTED] % of all RFP's issued in 2014. Additionally, the Company hired a Vice President Supply Chain and centralized all sourcing and procurement activities. This change in organizational structure enables consistency in sourcing practices focused on identify and utilizing diverse suppliers.

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10.1.1. Short, mid, and long term goals

U.S. Cellular's short term, or 1 year goal, is to maintain the required level of diversity spend it attained in 2014 and further investigate encouraging and helping diverse suppliers obtain certification in the California Public Utility Commission's Supplier Clearinghouse. Mid and Long term goals include meeting required levels of diversity spend. Efforts will include increased focus and additional resources dedicated to developing higher percentages of women and disabled vet spend and suppliers. Pursuant to Assembly 2758, approved September 29, 2010 and effective January 1, 2011, U.S. Cellular is currently refining its goals and plans further to develop appropriate long-term goals.

U.S. Cellular will continue to accomplish these goals by leveraging the new centralized Sourcing & Procurement Team to drive consistency in the Company's sourcing practices focused on identifying and utilizing WMDVE suppliers. Additionally, we will continue to look for opportunities to increase spending with existing diverse suppliers and ensure that all company processes reinforce U.S. Cellular's desire to increase its spending with women, minority and disabled-veteran owned business enterprises.

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10.1.2. Description of WMDVBE external and internal program activities planned for
2015.

Internal plans include building on previous efforts to raise awareness and drive accountability for supplier diversity across the entire organization, leverage a reorganization to better align supplier diversity with the sourcing process and using enhanced supplier diversity data provided by our new Data Enrichment Services firm, ConnXus Inc., to identify areas of opportunities to enhance our program. External initiatives include outreach activities through tradeshow, board seats (including National Minority Supplier Development Council), sales support, coaching and mentoring existing and potential suppliers, and many others.

Key 2015 projects include hiring a new Supplier Diversity Manager to lead our program and realigning the Supplier Diversity program with the overall objectives of the company, and coordinating targeted vendor fairs and leveraging U.S. Cellular®'s new centralized sourcing team's strategic goals to increase spending with diverse suppliers.

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10.1.3. Plans for recruiting WMDVBE suppliers of products or services where
WMDVBE utilization has been low.

U.S. Cellular’s WMDVBE 205 recruiting plans includes the following:

Trade Fairs/Memberships-

Memberships		
ISM	Chicago	Local membership
NMSDC (National Minority Supplier Development Council)	Chicago	National membership – includes access to national database for sourcing suppliers, membership in local councils, industry groups and training

Conferences/Trade Shows		
CBOF (Chicago Business Opportunity Fair)	Chicago	
NMSDC (National Conference)	Varies	

Presentations/Communication-

The business case and value proposition is presented to each buying group and a communication plan will roll out to assist associates, with non-buying roles, with understanding their impact on Supplier Diversity. Communication in 2015 will continue to focus on driving accountability for Supplier Diversity throughout the organization.

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Preferred Supplier List-

We maintain an active list of diverse suppliers to support and drive our supplier diversity initiative.

Industry Groups-

U.S. Cellular is a member of the National Minority Supplier Development Counsel and utilizes this vehicle to assist with identifying suppliers.

U.S. Cellular will, additionally, analyze its procurement patterns in an effort to identify future procurement opportunities in under-represented categories.

U.S. Cellular will exercise its best efforts to comply with all of the WMDVBE program guidelines established by the Commission as required by Public Utilities Section 8283, and as clarified by Assembly Bill 2758, approved September 29, 2010 and effective January 1, 2011, including:

(1) Actively seek out opportunities to identify WMDVBE contractors and to expand WMDVBE source pools;

(2) Actively support the efforts of organizations experienced in the field who promote the interests of WMDVBE contractors;

(3) Work with WMDVBE contractors to facilitate contracting relationships by explaining utility qualification requirements, bid and contracting procedures, materials requirements, invoicing and payment schedules, and other procurement practices and procedures;

(4) At the request of any unsuccessful WMDVBE bidder, provide information concerning the relative range/ranking of the WMDVBE contractor's bid as contrasted with the successful bid. Information on additional selection criteria, such as warranty periods, maintenance costs, and delivery capability, shall be provided when requested if disclosure would not violate the proprietary nature of the specific contract element;

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(5) To the extent possible, make available to WMDVBE contractors lists of utility purchase/contract categories which offer them the best opportunity for success;

(6) Encourage employees involved in procurement activities to break apart purchases and contracts as appropriate to accommodate the capabilities of WMDVBES;

(7) Summarize this General Order in its outreach program handouts. Such summaries shall state that WMDVBES will be furnished a complete copy of this General Order upon request.

(8) Each utility is directed to offer the same assistance set forth in Section 6.2 to non-WMDVBES, upon request.

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10.1.4. Plans for seeking and or recruiting WMDVBE suppliers of products or services
where WMDVBE suppliers are currently unavailable.

U.S. Cellular makes a strategic effort to consider diverse suppliers in all commodity groups and, as such, employs the same targeted efforts to areas without WMDVBE suppliers as we do for low utilization areas (see 10.1.3).

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10.1.5. Plans for encouraging both prime contractors and grantees to engage WMDVBEs in subcontracts in all categories which provide subcontracting opportunities.

In 2014, to further enhance its Tier 2 Program, U.S. Cellular set a Tier 2 diverse supplier spending goal for its Marketing agencies asking its agencies to achieve █% of direct spend on U.S. Cellular's behalf with diverse suppliers. The Company's Marketing agencies surpassed the goal, collectively achieving █% spend with diverse suppliers.

In 2015, U.S. Cellular is looking to further expand its Tier 2 Program. In addition to its Device Suppliers and Marketing agencies, that are already participants in the Program, U.S. Cellular is looking to include its designated Strategic Suppliers.

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10.1.6. Plans for complying with the WMDVBE program guidelines established by the Commission as required by Public Utilities Section 8283©.

U.S. Cellular will exercise its best efforts to comply with all of the WMDVBE program guidelines established by the Commission as required by Public Utilities Section 8283, and as clarified by Assembly Bill 2758, approved September 29, 2010 and effective January 1, 2011. U.S. Cellular strives to develop mutually beneficial relationships with diverse suppliers through internal and external supplier diversity strategies and activities in conjunction with these program guidelines.