



Written by [Michael Tennant](#) on June 19, 2026

California Utilities Required to Buy From LGBT-owned Companies

The California Public Utilities Commission (CPUC) [claims](#) its mission is “ensuring that consumers have safe, reliable utility service at reasonable rates.” However, CPUC’s real purpose appears to be ensuring that politically favored groups, including LGBTs, get their share of utility companies’ contracting fees — even as the state’s electricity rates are [among the highest in the nation](#).

Sexual Preferences

According to a Tuesday [City Journal report](#), CPUC essentially forces all large utility companies in California to award a certain percentage of their contracting dollars to women- and minority-owned businesses. Under its “Supplier Diversity Program,” CPUC sets procurement “goals” for utility companies — goals that, while officially only aspirational, are, in reality, mandatory.

The majority of the blame for this lies not with CPUC but with Sacramento, which, long dominated by Democrats, has gradually imposed ever-widening contracting mandates that CPUC is tasked with enforcing. In 1989, the state began [demanding](#) that businesses owned by women and minorities receive a certain percentage of utilities’ expenditures. In 2014, LGBT-owned businesses were [added](#) to the list of favored companies. And, in 2019, the state [“encouraged”](#) other energy companies to adopt similar goals.

Not surprisingly, activists soon started pressuring CPUC to guarantee LGBT-owned businesses a larger piece of the pie. *City Journal* wrote:

BuildOUT California, a since-rebranded LGBT building-industry organization, sent a [letter](#) to the commission arguing that “homophobia” existed within “the ranks of the utility companies.” The state’s legislative LGBTQ caucus suggested in a 2021 [letter](#) that even considering lower gay-procurement targets was “an insult to the LGBTQ+ community.”

Eventually, CPUC settled on its LGBT procurement “goals” for utility companies: 0.5 percent in 2022, 1 percent in 2023, and 1.5 percent thereafter. *City Journal* calculated that “if [‘large’](#) CPUC-regulated utilities met these ‘goals’ in 2024, they would have sent [roughly](#) \$633 million to LGBT-owned firms.”

Questionable Quotas

Some obvious questions concerning this practice arise.



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For starters, under [Proposition 209](#), passed by voters in 1996 and reaffirmed in 2020, California is forbidden to give preferential treatment in contracting (among other things) based on race, sex, or ethnicity. CPUC's "goals" would, therefore, appear to be illegal, at least to the extent that they depend on such factors (LGBT status, one could argue, does not).

Proponents of CPUC's "goals" might contend that Proposition 209 does not prohibit the state from encouraging private, albeit heavily regulated, companies to engage in preferential treatment. Indeed, CPUC [claims](#) that "a goal is neither a requirement nor a quota." But, noted *City Journal*:

In practice ... the agency cajoles utilities into compliance by requiring them to collect extensive demographic data, submit detailed annual reports, list their plans for increasing procurement from favored groups, and explain "any circumstances that may have resulted in not meeting" their procurement "goals."

In other words, a company doesn't *have* to meet CPUC's targets, but if it fails to do so, it will be punished.

Legality aside, just how does CPUC determine which companies qualify as LGBT-owned? Its [Supplier Clearinghouse](#) certifies applicants for preferential treatment based on various [documents](#) allegedly proving the business owner's LGBT status.

Yes, there are [penalties](#) for claiming to be LGBT (or female or minority) just to get a piece of the action: a fine of up to \$5,000 and imprisonment for up to a year. In the case of a corporation, the punishment is to be meted out to "every director, officer, or agent responsible for the false statements."

Opportunity Blocks

Still, for those who tell the truth, there is a windfall to be made not by being the best at what you do but by having the right letters of the alphabet applied to you. For instance, *City Journal* interviewed one Mary Ann Horton, "a white male who 'transitioned' and is now married to a woman," as a result of which his company, Red Ace, now qualifies as both woman- and LGBT-owned:

The application process, Horton told *City Journal*, required "a mess of documentation." To prove that Red Ace was "lesbian-owned," Horton sent Supplier Clearinghouse a domestic-partner affidavit. To establish that the business was woman-owned, Horton submitted a birth certificate, which had been reissued in Washington State post-"transition." To prove transgender status, Horton filed a "therapist carry-letter," a document from a medical professional certifying transgender identity.

These designations came with perks. After Red Ace secured these labels, Horton said, San Diego Gas & Electric brought the company on as a part-time cybersecurity contractor. During the hiring process, Horton told us, a company official said that being on the diversity list made the contract much easier to secure.

"If I was a straight, white male, I might be concerned I don't have the same opportunity," Horton said. "It worked out great for me."

Setting CPUC Straight

And that is precisely the problem. As *City Journal* put it:



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The state imposed these rules based on the view that government spending should not merely purchase goods and services, but should also engineer social outcomes. Under this framework, buying a hammer from a firm owned by a black transgender lesbian has more social value than buying the same hammer from a firm owned by a straight white man.

But Californians don't need an energy system delivered by gay contractors; they need an energy system that works. Utility regulators should be in the business of regulating utilities, not verifying contractors' sexual preferences. Companies should award contracts based on competence, quality, and cost — not the sexuality of the business owners.



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