



N A R U C

National Association of Regulatory Utility Commissioners

UTILITY MARKET ACCESS PARTNERSHIP (UMAP) STRATEGY

Background on Supplier Diversity Programs Nationwide

A recent report by the US Department of Commerce Minority Business Development Agency (MBDA) and the Milken Institute suggested that the minority and immigrant based business communities would soon be the new majority of businesses in the United States. The report noted that minority businesses are a “driving force behind growth and will be a major segment of the U.S. economy in the 21st century as a transition to a more diverse demographic majority emerges.” Between 1995 and 2005, the minority population will increase from 77.6 million to 86.2 million at a growth rate of 11 percent. In comparison, the non-minority population is estimated to grow at 1.4 percent.

Another study found that by 2025, as many as 41 states will have minority populations of at least 15 percent, with 25 states showing more than a 25 percent minority population. Furthermore, after 2050, the minority population is expected to surpass the non-minority population in the United States. As a result, minority business development will not only enhance the economic development of the minority community, but also of the private sector, thus fostering social and economic growth of both the national and global economies.

Many studies have also pointed to dramatic growth rate of Women-owned businesses. *According to the Center for Women Business Research, women owned firms are growing four times as fast as all U.S. firms.* Women-owned businesses have a growing impact on the economy.

Understanding the changing economic landscape, many Utilities have developed supplier diversity programs in response to these trends, including Sempra Energy, SBC, Verizon, Detroit Edison, Consolidated Edison, Entergy, Florida Light and Power, Southern California Edison, Southern Companies, Texas Utilities (TXU) and some multi-state water companies. These companies have found that Diverse Business Enterprises are innovative, competitive on pricing, provide superior service and are willing to advocate for Utilities.

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Purpose and Rationale

NARUC's Utility Marketplace Access Partnership (UMAP) Resolution recognizes the importance of providing market access and economic opportunities to diverse businesses in the electricity, gas, water and telecommunications (hereafter referred to as "Utility") procurement marketplace. By 'leveling the playing' field for Diverse Business Enterprises, the increased competition for Utility procurement will ultimately lower prices to benefit the Utilities' customers. Diverse Business Enterprises (DBE) includes Women (WBE), Minority Owned Businesses (MBE) and *Service Disabled Veterans (SDV)*. A reliable, competitive and efficient Utility industry that fully utilizes all market segments, including DBEs, can be established through increasing the knowledge of the significance of regulatory and entrepreneurial factors.

Based on previous studies as cited above, NARUC has concluded that both Utilities *and* the economy benefit when a Utility's supplier base reflects the demographics of its customer base. For these reasons, NARUC supports proactive strategies by Public Service/Utility Commissions that encourage Utilities to promote DBE marketplace access.

NARUC Policy on UMAP Strategies for Growth of Diverse Business Enterprises

NARUC *will encourage*:

1. Commissions and Utilities to *increase opportunities* for DBE supplier participation *in all procurement categories*.

In compliance. In 2003 we established individual goals for MBE's. The institution of the supplier diversity leadership forum will be helpful in gaining access to procurement categories where there is no mwbe participation currently.

2. The promotion of Utility marketplace participation in DBE supplier development.

In compliance. We are currently working with the Cincinnati Minority Business Accelerator and have identified suppliers in three key areas for development over the next 12 months. They include; Orchem, River City Furniture, Techsoft, and Megan Construction. The supplier diversity manager is very active with the development of HUB Zone businesses in Indianapolis region.

3. The *adoption and implementation* of Supplier Diversity Standards and Practices that support market access strategic initiatives in each state.

In compliance. We have had a corporate wide supplier diversity corporate policy for the last eight years. Diverse suppliers are involved in our strategic initiatives, i.e. Pantellos and Integrated Supply. Standards have been established for all suppliers to participate in supplier diversity by setting individual goals.

4. Utilities to *review their current contractual commitments and amend or expand procurement outreach practices and supply chain strategies*.

Could comply.

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5. Commissions and Utilities to examine best practices for DBE inclusion, identify market barriers preventing DBEs from participating in all procurement categories, and identify ways to overcome them.

In compliance. Cinergy's supplier diversity manager has taken the lead to initiate a benchmarking project for EEI. The last benchmarking exercise conducted by EEI was done in 1999. Benchmarking project will be complete in second quarter.

6. Commissions to adopt reporting guidelines to monitor supplier diversity achievements within each Utility.

We currently provide quarterly and annual reporting the agencies such as NMSDC, GSA, SBA and customers. Providing data to the PUC's would not be a problem.

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MODEL for Implementation of the DBE Market Access Standards

The following voluntary Standards serve as a guideline for Commissions and Utilities considering Diverse Business Enterprise Programs:

1. Utilities should create policies to establish annual numerical goals to increase DBE participation. Numerical goals are typical in Diverse Business Enterprise Programs. Regarding fuels, purchase power, and water purchases, Commissions and Utilities may consider establishing and reporting separate expense accounting, goals and plans.***

In compliance. We have both corporate goals and individual goals for minority and women-owned business. We currently count everything, and would support establishing separate goals for fuels and purchase power.

2. Commissions should strive for uniform reporting formats and requirements across utilities to provide fair comparisons of DBE achievements.
3. Each state may establish a utility revenue threshold to determine reporting feasibility.
4. Suppliers should be certified as a minority- or women- owned business via officially recognized agencies. ***

In compliance. We require certification for all mwbe's, sdv, and small businesses.

5. Utilities and Commissions should consider *allocating* dedicated staff to support the development of the DBE Supplier Diversity Program.

In compliance. We have a staff of one with plans to increase by one, when hiring freeze is lifted.

6. Utilities should consider establishing *management and procurement staff* training on supplier diversity as well as policies and procedures to increase DBE utilization.

In compliance. The service provided through the supplier diversity office

7. Utilities should consider placing Subcontracting language in all products and services contracts over \$500,000 and all construction contracts over \$1,000,000.

Exceeding. This is required for GSA, area-wide contracts. We also require all RFP's over \$100,000 included a minimum of one diverse supplier

8. Utilities should consider developing DBE outreach programs, including education, mentoring and supplier development.

In compliance. Outreach programs consume the majority of the supplier diversity budget.

9. Commissions should request Utilities to provide quantifiable and verifiable numerical utilization results and a progress report on an annual basis. Future Plans to increase DBE utilization should also be included. These annual reports will include non-proprietary data and be available to the public.

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Can comply. We currently provide subcontracting plans and progress reports to the General Services Administration. Providing this information to the Commissions would not be a problem.

10. Commissions, in collaboration with utilities, should consider establishing a DBE Market Access Advisory Committee to provide ongoing oversight, support and recognition.
11. Commissions should consider, at a minimum, conducting annual information workshops to evaluate utility progress on DBE utilization. These workshops will include input from DBE businesses, utilities and other stakeholders.
12. Commissions will be invited to report on the state of DBE *programs, results, and plans* in their region at NARUC's Annual Convention.
13. *NARUC will provide an annual forum through UMAP for Commissions to recommend recognition of utilities with exceptional supplier diversity progress and accomplishments.*

**For instance, Texas has set goals of up to 20%, with 5% Woman Owned Business and 15% Minority owned business goals. California's utility goals are 21.5%, with 5% Woman-owned, 15% Minority-owned and 1.5% Service Disabled Veteran-owned Business goals.

***Regional Affiliates of National Minority Supplier Development Council, Federal SBA, WBNEC affiliates, Association for Service Disabled Veteran Businesses, or other group approved by the State.