



In SEARCH of GROWTH

A constantly evolving electric utility industry provides new opportunities for diverse suppliers to grow their businesses.

BY NADINE S. BARTHOLOMEW

Electric utilities spend billions of dollars each year with diverse suppliers. In fact, when *Hispanic Business* released its “Top 25 Companies for Supplier Diversity” in early February, five utilities were on the list: Pacific Gas & Electric (2nd), Sempra Energy (3rd), Southern California Edison (4th), Exelon (17th), and Consolidated Edison (19th). (See the sidebar, “Setting the Standard.”)

The industry has been supporting diverse suppliers in the communities it serves for more than 30 years. Many of the minority-, women-, and veteran-owned business enterprises that provide products and services to the electric utility industry today did not start with this particular sector in mind. However, over the course of building their businesses, they discovered that their skills, capabilities, and product offerings could benefit electric utilities around the country.

Electric Perspectives interviewed five diverse suppliers to the industry and asked them to share the experiences that led them to work with electric utilities, as well as the new business opportunities they see emerging over the next 5-10 years.



"I believe our next big growth opportunity will come from renewables. To meet this growing demand, a diverse portfolio of more environmentally friendly, efficient, and cost-effective fuels will be needed."

Fuel Management and Monitoring

Founded in 1986, PS Energy Group provides backup and emergency fueling to many of the nation's electric utilities, including Ameren, Pacific Gas and Electric, Southern Company, Wisconsin Energy, and Xcel Energy. The company also offers management solutions through wireless monitoring of clients' fuel usage and inventory requirements.

"When I started this business, we primarily provided fuel for transportation and natural gas and backup fuel for production," said Livia Whisenhunt, PS Energy's president and CEO. "Today we are a \$200-million company approaching 40 employees, and much of that growth was generated by expanding our services to meet the fuel management and monitoring needs of electric utilities. Many people don't know that electric utilities need natural gas and liquid fuels to support generation plant functions. They cannot run out of fuel, because they are mandated to have enough reserves to address any environmental, social, or political contingency."

PS Energy created its emergency fueling service in 1995 specifically for the utility industry. "Weather events,

whether tropical or arctic, alerted us to utilities' increasing need for emergency fuel to mitigate service interruptions to their customers," she continued. "Our services have been essential for power and communication restoration during virtually all storms since then, including Katrina and Superstorm Sandy."

The company uses existing pipeline terminals and its reliable resource networks to ensure that both transportation and generation fuel needs, in addition to the emergency fueling requirements of its clients, are met in a timely and efficient manner. While great opportunities still exist for small businesses that want to work with the electric utility industry, there also are significant challenges to be understood and overcome.

"As wonderful as my experience has been in this industry, I think the greatest challenge facing minority- and women-owned businesses is finding a way to operate at scale and to develop a positive brand image or brand recognition," noted Whisenhunt. "The top 50 electric utilities control 80 percent of the market and likely have longstanding relationships with many of my competitors like BP, Shell, and Amoco. These major oil and gas companies can give price incentives that smaller companies cannot, so when given the opportunity



Livia Whisenhunt
President and CEO,
PS Energy Group

to bid on a contract it is imperative that I move beyond just providing the commodity [fuel] to offering proven reliability through our vast supplier network and premium services like our wireless fuel monitoring."

PS Energy also is keeping an eye on the growing importance of fuel efficiency and environmental sustainability to American consumers. According to Whisenhunt, studies conducted by the Department of Energy estimate that ethanol and other biofuels could replace 30 percent or more of U.S. gasoline demand by 2030.

"I believe our next big growth opportunity will come from renewables," she concluded. "To meet this growing demand, a diverse portfolio of more environmentally friendly, efficient, and cost-effective fuels will be needed. To that end, I help clients

Nadine Bartholomew is a communications consultant specializing in sustainability and supplier diversity for more than 15 years.

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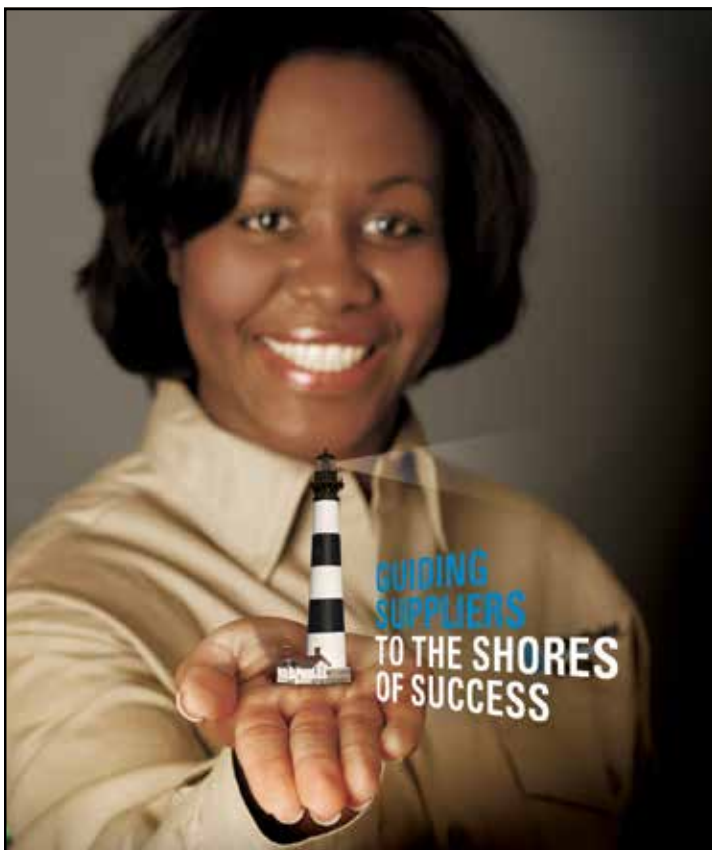


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reduce their greenhouse gas emissions by offering a variety of clean energy fuel choices like biodiesels, compressed natural gas, liquefied natural gas, and ethanol to power their alternative fuel generation or rolling fleets. In this industry, you have to keep a few paces ahead to remain current and relevant.”

Transmission Towers and Other Infrastructure

Louis Herrera, president of Sisttemex, started his business with a focus on the telecommunications industry. Sisttemex is a tower manufacturer that provides specialized products and services for the construction, telecommunications, and electric transmission industries. Sisttemex’s towers are designed, engineered, and built to meet each client’s unique infrastructure needs.

“I started Sisttemex with a \$2-million investment after leaving Nextel in 2000,” said Herrera. “At that time, Nextel was our biggest client and most of our work was focused in the telecom space, where we specialized in lattice steel telecommunication towers. In 2002, I attended EEI’s Supplier Diversity Conference, where I met industry representatives who gave me the opportunity to share my manufacturing capabilities. Many of them saw an immediate application to transmission tower construction, and the rest is history.”

As a first step to working with the industry, Sisttemex arranged to have its plant in Queretaro, Mexico, audited by Southern Company. “We had

a little prior experience working with [Mexico’s Federal Electricity Commission], but the results of that initial audit certified to the U.S. electric utility industry that Sisttemex had a world-class manufacturing facility capable of building electric power transmission towers to the specifications of international clients.”

The audit created a great deal of industry interest and confidence in Sisttemex and generated new business from companies such as Alabama Power, Duke Energy, Georgia Power, Pacific Gas and Electric, and Southern California Edison. Today, due to customer growth and increased production, the company has the third-largest galvanizing plant in the Americas.

Sisttemex also has built a reputation for excellent customer service, as well as its superior self-supporting towers. Herrera credits this reputation to the skill and dedication of his staff: “I could not have built this business without my employees. We have a staff of highly qualified professionals who specialize in every step of a project. This includes an in-house engineering department with extensive experience in structural analysis and design software. We also have state-of-the-art computer numerical control machinery [including lathes, mills, routers, and grinders] and skilled equipment, transportation, and erection crews. Each day we challenge ourselves to ensure that our products meet contract specifications while addressing the client’s concerns.”

Since two-dimensional drawings often can obscure minute design flaws that can create structural problems and project delays in real-world applications, Sisttemex’s engineers take the time to review each of these drawings using three-dimensional design software that allows them to correct any design abnormalities. “We often build full-sized models at our facility and invite clients to inspect them,” he continued. “Our clients truly appreciate this willingness to go the extra mile.”

Power and Utility Engineering Services

Investor-owned electric utilities and stand-alone transmission companies invested a record \$34.9 billion in transmission and distribution infrastructure in 2012, according to survey results released in December by the Edison Electric Institute (EEI). The EEI survey found that investment in electric distribution infrastructure was 4.7-percent more in 2012 than the \$19.2 billion invested in 2011—for a total of \$20.1 billion. The increased capital expenditures were largely linked to storm restoration efforts, as well as the development of automated meter infrastructure and other smart grid activities related to the distribution system.

David Mason & Associates (DMA) is taking advantage of the new business opportunities created by this trend. Founded in 1989, the firm provides civil and structural engineering, power and utility engineering, architectural design, land surveying,



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David W. Mason
President
and CEO,
David Mason &
Associates

and project management services to various clients nationwide.

“Over the last 25 years, the electric utility industry has become increasingly aware of its aging infrastructure,” said David W. Mason, DMA’s president and CEO. “To address this need and to keep our firm on the cutting-edge of service and support, we have invested in technologically advanced vehicles, highly specialized computer software, and state-of-the-art safety training and equipment. Today, information technology and safety equipment costs make up a large part of DMA’s operating budget. These tools have become a normal part of doing business at DMA.”

Inherent hazards exist on any site-inspection project. For example, manholes and underground vaults—used to house and provide access to

equipment and machinery for public utilities such as water, telephone, electric, and natural gas—are often confined spaces ranging in size from a closet to a small bedroom. Common dangers existing in these spaces include high-voltage lines, radiation generated by equipment, defective designs, omission and erosion of protective features, high or low temperatures, high noise levels, high-pressure vessels, and gas lines. To do inspections at sites like these, DMA had to modernize and increase its employee safety training and capabilities. By doing this, DMA added greater service benefits while reducing liabilities for its clients.

“Safety and legacy are very important to me,” Mason continued. “My two sons, Taylor and Spencer, both lend their diverse expertise to the leadership of the company, and we consider our employees as our extended family. Success in electric

utility engineering demands consultants with special knowledge and experience in safety, methodologies, and systems. We place high emphasis on hazard-control methods.”

For example, when DMA is inspecting, evaluating, and renovating a manhole and vault for clients like Ameren, ComEd, and PECO, the company requires the necessary safety plans, confined space training, and Occupational Safety and Health Administration electrical safety-related work practices training, along with knowledge of National Fire Protection Association and IEEE Standards Association codes.

“These aspects of the power industry are critical to operation and important to risk management,” Mason concluded. “Any company that wants to work in this industry must have a full understanding of its technology and safety needs. Opportunities abound for the entrepreneur





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who does his or her homework. This industry is changing worldwide. Today the conversation is about renewables and infrastructure updates, but who knows what it will be about tomorrow. It is our role as solutions-oriented suppliers to understand where the industry might be in 5-10 years and to develop the products and services that best respond to these projected needs.”

Energy Management Solutions

Walker-Miller Energy Services (WMES) is an energy management solutions company that helps commercial and residential clients evaluate existing buildings to determine where and how energy is being lost, what systems are operating inefficiently, and what cost-effective improvements can be implemented

to enhance occupant comfort and safety, while lowering utility costs.

“We offer complete energy management solutions to help enterprises minimize risks while realizing greater operating cost efficiencies, comfort, and reliability,” said Carla Walker-Miller, WMES’s CEO. “We promote energy efficiency and renewable and sustainable technologies as viable solutions to minimize energy costs.”

WMES was originally launched as a distributor of medium- and high-voltage electrical equipment in 2000, but the recent economic downturn prompted a change in direction and the development of a completely new business strategy. Since 2010, 90 percent of the company’s portfolio has focused on providing energy efficiency services and solutions. Walker-Miller, a civil engineer by training who has spent most of her

professional life in the electrical industry, started her own company after attending the EEI Supplier Diversity Conference in 1999.

“I was working for a global utility equipment manufacturer at the time,” she recalled. “After attending that EEI event I was inspired by the opportunities that existed for minority- and women-owned businesses in this sector. My experience and background allowed me to build the company quickly. Our original business model was quite profitable until the mid-2000s when I saw my average annual revenue go from \$10 million down to less than \$1 million. In 2009, we became a subcontractor on a game-changing energy optimization contract for DTE Energy and today we are a \$5-million company.”

WMES’s new business model is well-aligned with the direction the



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energy industry is heading. “To stay ahead of the game, we spend a lot of time and money following industry and legislative trends,” Walker-Miller added. “Promoting innovative renewable applications and reinforcing the renewable energy market will contribute to the preservation of the ecosystem by reducing emissions at local and global levels. This industry shift could generate increased business opportunities for well-positioned minority vendors like WMES.”

Strategic Sourcing and Building Alliances

Investor-owned electric utilities spend billions of dollars annually to buy products and services in support of their varied operational needs. Historically, electric utilities acquired these products and services in a decentralized manner, but today many companies are implementing strategic sourcing policies and practices to consolidate their spending, either by centralizing their contracting decisions or by using company-wide contracts to lower prices and reduce duplication of administration efforts.

B & S Electric Supply Company is an electrical equipment supplier founded in 1977 by John Blessinger and Steve Summers. “I bought an initial interest in the company in 1980 and then purchased the entire company from its original owners in 1984,” said Clarence W. Robie, the company’s president. “I love this business. I’ve been in the industry for almost 40 years—first working for Westinghouse in 1975. Buying an existing business was a great decision for me, because B & S Electric Supply had an established customer base, strong supplier relationships, and a great reputation for quality and service. I did not have to start from scratch.”

Over the last 40 years, Robie has witnessed many changes in the



Clarence W. Robie
President,
B & S Electric
Supply Company

“Suppliers must always offer customers the latest and best products. I am constantly on the lookout for new innovations that will keep us relevant and may allow us to identify new revenue streams.”

electric utility industry. “Today there are new challenges and opportunities,” he continued. “The movement towards strategic sourcing and contract consolidation by many of the top electric utilities should not be ignored. I believe the 80-20 rule may apply here—utilities may eventually source 80 percent of their product from the top 20 percent of their suppliers. In reality, that could narrow the field to one or two major suppliers like Graybar and Rexel. Few minority vendors can be counted among the top 20 suppliers in terms of size, so I partnered with three other non-competitive suppliers to form an alliance that increased our service capacity and product offering. We are still not the biggest supplier out there but, aligned, we are a significantly larger and more competitive bidder than either of us would be alone.”

Participating in the supplier

alliance does not preclude B & S Electric Supply from taking advantage of new business opportunities. “Suppliers must always offer customers the latest and best products,” Robie concluded. “I am constantly on the lookout for new innovations that will keep us relevant and may allow us to identify new revenue streams. For example, some of my clients have been ordering highly customized and engineered equipment for data centers and wastewater treatment facilities. Opportunities to support this ‘critical power space’ did not exist for companies my size 25 years ago. However, I was able to find a manufacturer that was approved by the utility industry and discovered that the product offered better margins than my other product commodities like lighting fixtures. I consider this a *win-win*—and get to delight my customers and make a better profit doing it.” EP





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Setting the STANDARD

Pacific Gas and Electric (PG&E) announced in early March that it spent \$2.3 billion with diverse suppliers in 2013—42.1 percent of its total procurement budget. This total represents an increase of \$265.2 million from 2012.

“Our focus on supplier diversity has given new opportunities to thousands of businesses, allowing them to grow and hire, strengthening California’s economy,” said PG&E President Chris Johns. “It also has led to innovative solutions to the challenges we face as a company, enabling us to better serve our customers and deliver safe, reliable, and affordable gas and electric service.”

PG&E has been committed to supporting a diverse supply chain for more than three decades. The company has developed one of the state’s leading supplier diversity programs, which has resulted in an 11-year trend of consecutive year-over-year growth in diverse spending. As part of the overall record spending with diverse suppliers, PG&E set new all-time standards in total spending in these enterprise categories:

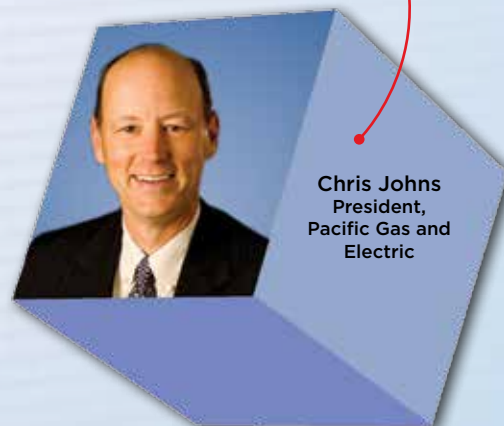
- Minority-owned business enterprise (\$1.5 billion or 27.4 percent of total spending);
- Women-owned business enterprise (\$686.1 million or 12.5 percent); and
- Service-disabled veteran-owned business enterprise (\$125.5 million or 2.3 percent).

PG&E’s dedication to supplier diversity has played a major role in California’s economic growth. A recent study done by the Center for Strategic Economic Research showed PG&E contributed \$22.2 billion of economic activity and supported nearly 71,600 jobs in the utility’s service area in 2012.

PG&E also partners with diverse suppliers to help them compete in a constantly changing supply chain through its Technical Assistance Program. This program includes training in signature initiatives to gain a competitive business advantage (such as Diverse Suppliers Go Green and Diverse Suppliers Are Safe), technical assistance partnerships (Small Business Administration business training), and program and educational scholarships to build capacity (UCLA Management Development for Entrepreneurs Program).

In addition, PG&E’s Supplier Diversity Department has created dozens of events to support diverse businesses. For example, PG&E hosted its first “Boots to Business” workshop in 2013 that was designed to help veteran- and service-disabled veteran-owned businesses become successful. **EP**

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Chris Johns
President,
Pacific Gas and
Electric



Juan Paramo
*Paramo Mechanical
LLC*



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