

SUPPLIER DIVERSITY

30
YEARS

of Excellence



EI and its member companies celebrate a pioneering program that continues to help the electric power industry succeed in today's energy environment.

BY NADINE S. BARTHOLOMEW



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THE SUPPLIER DIVERSITY PROGRAM at Edison Electric Institute (EEI) is a story of building relationships.

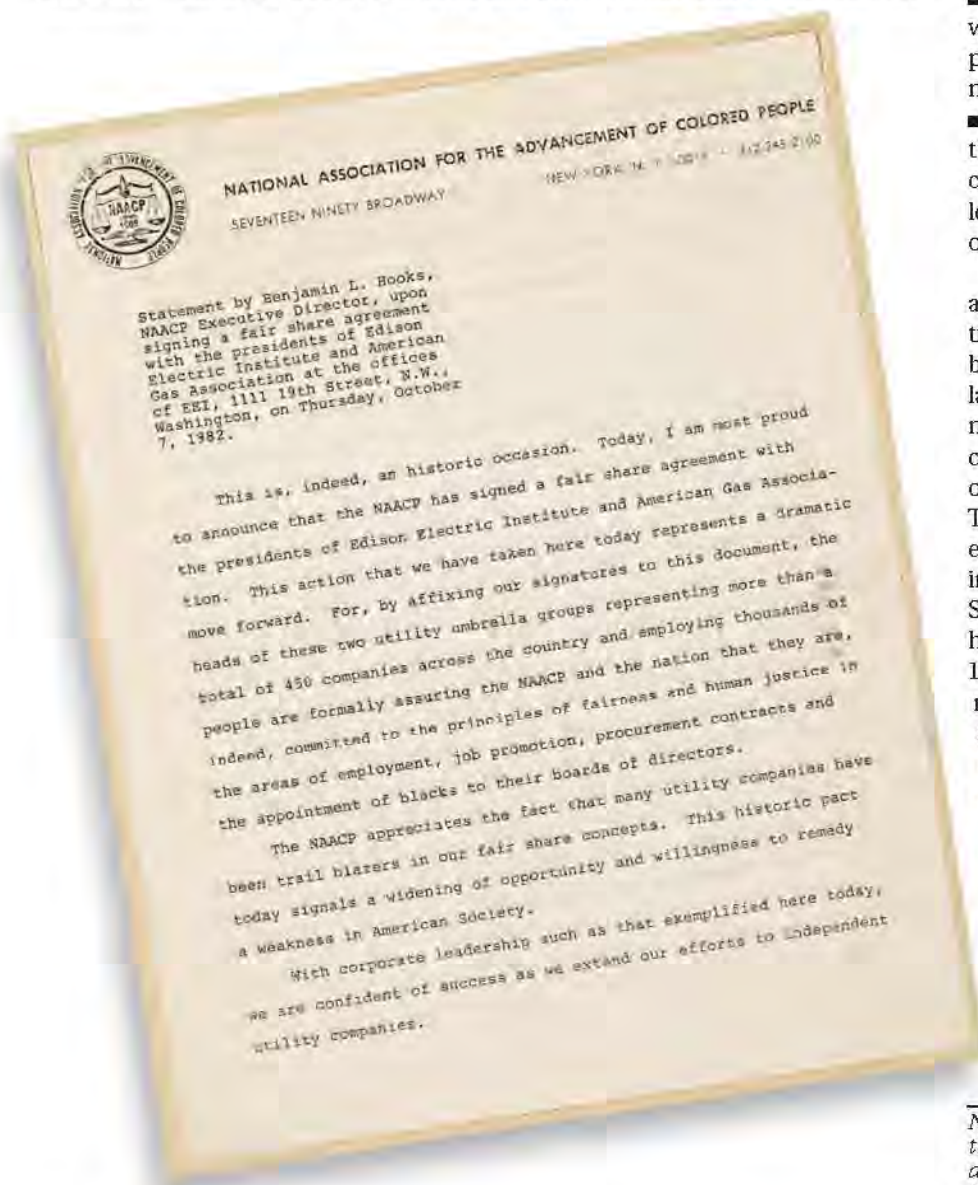
In 1981, the National Association for the Advancement of Colored People (NAACP) launched its Operation Fair Share program, with the goal of increasing minority employment and strengthening minority entrepreneurship within large corporations serving major U.S. cities. The NAACP's executive director at the time, Benjamin Hooks, turned first to the companies that were pervasive in most communities—utilities—and, in 1982, EEI and the American Gas Association

became the first signatories of the Fair Share agreement. In the agreement—which aimed to provide more than \$1 billion in jobs, contracts, and related economic benefits for minorities—the trade associations pledged to urge their member companies to:

- establish effective minority purchasing programs, which would include a review of opportunities available to minority-owned businesses;
- increase the dollar value of purchases through existing minority purchasing programs;
- consider minorities to be members of their boards of directors;
- review and evaluate the potential within their companies for the appointment of minorities to senior management positions; and
- examine their philanthropic activities to ensure that contributions to charitable causes reflect a reasonable level of support for worthy minority organizations.

Ultimately, the goal of the historic agreement reached by the two industry associations and the NAACP was to build a working relationship among large private sector firms and the communities they serve that would encourage more job opportunities and other economic benefits for minorities. The early buy-in and commitment of electric companies played a huge role in the initiative's success. Today, EEI's Supplier Diversity program—which has held annual conferences since 1983 to bring together utilities and minority-owned small businesses—is a focal point for the industry. The industry spends billions of dollars with diverse suppliers—generally small businesses owned by minorities, women, and disabled veterans—and realizes the tremendous benefits that come from having greater competitive pricing; a bigger stable of companies that know the utility business; and more robust economic development in the community.

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



Building a Strong Foundation

Charlotte Blount, who began working at EEI in 1982 as director of external programs, took on the responsibility of getting individual electric companies to sign the agreement. "Jack Young, EEI's senior vice president at the time, understood that an agreement on

paper meant nothing unless the member companies were actively involved," said Blount. "The first EEI member company to sign a Fair Share Agreement was Georgia Power under the leadership of the late James (Jim) K. Davis in 1983."

In her role, Blount also started the organization's first Supplier Diversity Executive Committee and organized its first Supplier Diversity Conference and Trade Show. These innovative member benefits offered the supplier diversity professionals the opportunity to network, to share challenges and successes, and to learn from each other in a collaborative and candid environment. "The first EEI Supplier Diversity Conference and Trade Show was held in Atlanta with Georgia Power serving as the host utility," said Blount.

"As a result of EEI's leadership, 12 member companies were the torchbearers that paved the way for minority business development to evolve into supplier diversity within the electric utility industry," continued Blount. "These companies were Arkansas Power and Light [Entergy Arkansas], Atlantic City Electric [Pepco Holdings, Inc.], Boston Edison [NSTAR], Consolidated Edison Company, Georgia Power Company, Houston Power and Light [CenterPoint Energy], New Orleans Public Service [Entergy New Orleans], Niagara Mohawk Power [National Grid], Pacific Gas and Electric Company, Philadelphia Electric [PECO], Public Service Electric and Gas



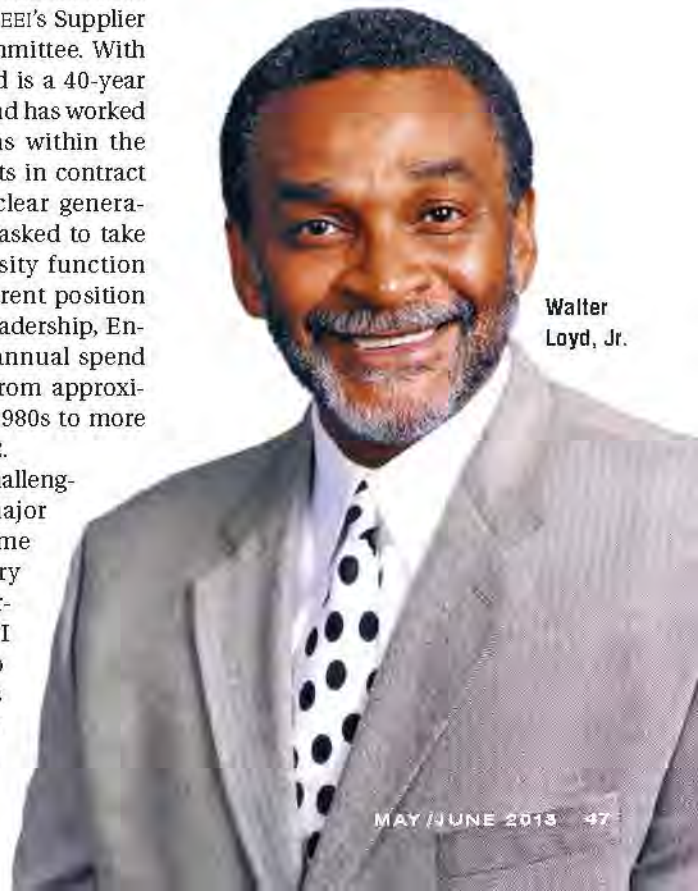
EEI's Charlotte Blount and Alex Wilson (right) accept an award from James Richard-son Gonzales of the Department of Commerce in 1986 for minority business development initiatives.

[PSEG], and Southern California Edison Company. Without intending any exclusion, these 12 companies led the electric utility industry in their procurement and supplier practices by awarding sizeable sub-contracts and direct contracts for goods and services to the minority- and women-owned businesses within their respective service territories."

Walter Loyd, Jr., director of supplier diversity at Entergy Corporation, was a founding member and still serves as an active participant on EEI's Supplier Diversity Executive Committee. With Entergy since 1974, Loyd is a 40-year veteran of the industry and has worked in a variety of functions within the company, including stints in contract administration and nuclear generation. In 1984, Loyd was asked to take over the supplier diversity function and has been in his current position since 1997. Under his leadership, Entergy has increased its annual spend with diverse suppliers from approximately \$200,000 in the 1980s to more than \$210 million in 2012.

"I did not know how challenging it would be for a major electric utility to become and remain an industry leader on supplier diversity issues," said Loyd. "I will always be grateful to industry professionals like Joy P. Crichlow of Consolidated Edison,

The early buy-in and commitment of electric utilities played a huge role in the Fair Share program's success.



Walter Loyd, Jr.



Masterfile



Earl K. Parker, Jr.

Earl K. Parker, Jr. of Philadelphia Electric, and Marshall Nelson of Niagara Mohawk who were willing to lend their time and their

expertise to help a beginner like me.

"I remember when Joy, then the manager of supplier diversity for Con Edison, traveled to our offices in Little Rock to give a presentation on supplier diversity to Entergy staff," Loyd continued. "Her impassioned speech and expert delivery about the unprecedented success of Con Edison's program went a long way towards changing the hearts and minds of many early detractors."

In keeping with this tradition of engaging in collaborative actions that help to move the industry forward, Loyd is most proud of the work he and his staff have done to create Entergy's "Mentors and Protégés" program, which is comprised of a group of Entergy employees who assist diverse suppliers at the local, regional,

and national levels. Entergy's mentor teams offer diverse suppliers the resources, stability, and experience of a large, established business. The program enables minority suppliers to engage directly with buyers and other professionals who try to help them to become more competitive in the marketplace. Participating minority suppliers gain access to the business/technical expertise and experience of Entergy's buyers, who are committed to helping them build the skills and relationships needed to participate in new large-scale efforts they may be unable to lead on their own.

Through the efforts of dedicated professionals like Charlotte Blount and Shirley King, EEI's manager of minority business development and corporate services from 1998 to 2003, EEI and its member companies were able to set a strong foundation for supplier diversity in the electric power industry. "Arguably, none of that would have been possible without the presence of capable and qualified minority vendors," said Loyd. "Today, as our industry undergoes a new period of consolidation and strategic sourcing practices,

Supplier diversity professionals must continue to ensure that minority suppliers are prepared for the business challenges they will face in the future.

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Measureable Progress

In 2002, the electric power industry came under scrutiny as various community groups began to ask EEI and its member companies to publicly disclose information about progress made in meeting the goals of the 1982 Fair Share agreement. Deborah Matthews, EEI's administrator of retail energy services & supplier diversity, was asked to help the organization address these issues.

“Our industry embraced this new era of transparency,” said Matthews. “It was my responsibility to help EEI and our member companies to partner with key stakeholders on supplier diversity issues. Building on the success of EEI's Supplier Diversity Confer-

ence, we re-invigorated the Supplier Diversity Executive Committee, started to re-build relationships with the National Association of Regulatory Utility Commissioners (NARUC), and worked collaboratively with the subcommittee, Utility Market Access Partnership (UMAP), in joint partnership with the Department of Energy.”

Between 2002 and 2004, EEI's Supplier Diversity Executive Committee embarked on new efforts to change what member companies were doing and how they were communicating about their supplier diversity programs. EEI engaged the services of respected outside consultants, who helped the committee think through and develop action plans around its mission to help shareholder-owned electric companies manage best-in-class supplier diversity programs that would remain relevant in a world of dynamic societal changes.



Unique perspectives. Common goals.

Supplier diversity isn't just about the products or services you bring to our company. It's about exploring new solutions, working together to develop innovative ideas and creating value for our business – and yours.



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After signing the Fair Share agreement, many industry leaders began to implement programs to fully utilize all market segments, including diverse business enterprises.

“Thanks to the work of my predecessors, EEI had a great supplier diversity foundation and background to build on,” said Matthews. “Our members recognized the importance of providing market access and economic opportunities to diverse businesses and already were working to ‘level the playing field’ for diverse business enterprises (DBE), including women-owned business enterprises (WBE), minority-owned business enterprises (MBE), and service-disabled veterans (SDV).”

After signing the Fair Share agreement, many industry leaders began to implement programs to fully utilize all market segments, including DBEs. Those who developed the most robust programs understood how their respective companies and the econ-

omy benefited when the supplier base truly reflected the demographics of the customer base. However, many of EEI’s members still faced challenges in identifying qualified minority vendors, establishing procurement goals for utilizing services from minority vendors, and in reporting company performance against those goals.

EEI encouraged all members to establish annual numerical goals to increase DBE participation and to strive for uniform measurement and reporting across utilities to provide fair comparisons of DBE achievements. Some states even established supplier diversity utility revenue thresholds. For example, Maryland set utility supplier diversity spend goals of up to 25 percent; California’s utility goals are 21.5



Rhonda Mencarini

percent; and Texas set spend goals of up to 20 percent.

Sustained Supplier Engagement

Generating more than \$5 billion in annual revenues, Pepco Holdings, Inc. (PHI), is one of the largest energy delivery companies in the Mid-Atlantic region. PHI provides electricity through its subsidiaries Pepco, Delmarva Power, and Atlantic City Electric. Rhonda Mencarini, PHI's manager of supplier diversity, has been with the company for more than 38 years and has been leading its supplier diversity efforts since 1989. PHI spent approximately \$123.2 million on contracts with women, minority and disabled veteran business enterprises (WMDVBE) in 2012 and is on track to significantly increase that spend in the future.

"There are so many opportunities for minority suppliers now," said Mencarini. "When I started working

Establishing strong relationships with buyers and prime suppliers is key to increasing and sustaining business opportunities on key strategic-sourcing contracts.



Powering our success

and yours

At Alliant Energy, we understand the power of a diverse supply chain, and that the power flows both ways.

A variety of suppliers generates innovative solutions and high quality goods and services; and it allows us to reflect the diversity of the communities we serve.

By choosing diverse vendors, we're helping to create sustainable opportunities for those businesses.

Let us help power your success. To begin the process of becoming registered as a diverse Alliant Energy supplier, register with us at alliantenergy.com/supplierregistration.



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on these issues 20 years ago, I could not have imagined the opportunities that exist today. And I am very excited about what lies ahead. I believe strategic sourcing could help create new opportunities for PHI to increase our Tier-2 spend with minority suppliers, because even in the best of circumstances a few companies just can't do it all alone."

Like their counterparts in other business sectors, many electric companies are moving toward strategic-sourcing practices. Strategic-sourcing contracts have been shown to reduce the overall cost of goods to customers, but the short-term and long-term impacts of strategic sourcing on small businesses remain a growing concern for many minority suppliers. In response to concerns about the negative impacts of strategic sourcing from minority suppliers, some electric companies have developed business-specific metrics for their own contracts to enhance their supplier integration by encouraging partnership development between prime contractors and minority suppliers.

"I believe our diverse suppliers are increasingly confident that electric



Empowering the next generation.

At LG&E and KU, we're proud to join in celebrating 30 years of EEI's supplier diversity program. Our dedication to supplier diversity is just one more way our energies go to serving you.

LG&E KU.
PPL companies

Most minority suppliers become successful because of their strong work ethic and willingness to work long hours seven days a week; their excellent products; and great service.



Cora Williams



123rf

utilities are committed to ensuring their ongoing business success,” said Mencarini. “For example, PHI has begun installing smart meters for homes and businesses. Many other utilities are doing this, too, which means every home in America could have this new technology soon. Distributing, installing, and maintaining this equipment create new opportunities for minority suppliers across the nation. And here in Washington, we are using a dynamic WBE to help us get started.”

Ideal Electrical Supply Corporation (based in Washington, DC) is a distributor for more than 200 major manufacturers of electrical, industrial, and telecommunications products. Cora Williams, president and CEO, has been in business since 1985 but began serving the electric power industry in 1991.

“Today, I serve a diverse corporate clientele by providing a variety of commodities, including cable, lighting fixtures and poles, switchgear, motor controls, conduits, electrical and street pavement marking tapes, pole line hardware, and connectors,” said Williams. “Pepco and other electric utilities are our largest customers. However, selling to the utility industry is not how I got started in this business. My first company [Ideal Electronic Security Company] actually provided pre-packaged, do-it-yourself type, residential security systems. The business model we use today grew out of opportunities that I identified and maximized through the first business. During the mid to late 1980s, our residential security customers started asking us for electrical and industrial



Stock photo

Better business practices can include quarterly meetings with directors and managers to discuss challenges they face in meeting goals and to collaborate on strategies needed to overcome challenges.

supplies. Now almost 30 years later, distributing electrical and industrial supplies to commercial customers generates more than 60 percent of our revenues.”

Most minority suppliers become successful because of their strong work ethic and willingness to work long hours seven days a week; their excellent products; and great service. However, establishing strong relationships with buyers and prime suppliers is key to increasing and sustaining business opportunities on key strategic-sourcing contracts. This is especially true in established industries like the energy sector, as supplier relationships are often based on a legacy of previous contracts.

“Everything in business revolves around relationships,” said Williams. “I have learned the importance of listening to my customers, helping them to develop solutions for unanticipated exigencies, and doing everything conceivably possible to meet those needs. If I did not listen to my customers in the 1980s, I would probably still be selling home-security systems today and may have missed the opportunity to supply companies in the electric utility industry. As an SBE/MBE/WBE, I consider it a huge privilege to have my customers rely on our firm to help them meet their unique requirements.

Their requirements change frequently, and we have learned to adapt quickly.”

Partners for Long-Term Success

Jerry Fulmer, director of supplier diversity initiatives for We Energies, a subsidiary of Wisconsin Energy Corporation, is another veteran of the electric power industry. Prior to joining We Energies, Fulmer started his career in purchasing and supplier diversity with Niagara Mohawk Power Corporation and served as manager of supplier diversity and business development for Carolina Power & Light Company and Progress Energy (now Duke Energy). Fulmer also served as vice chairman of EEI’s Supplier Diversity Executive Committee and has played a key role in helping We Power, another Wisconsin Energy Corporation subsidiary, achieve the supplier diversity goals outlined in the corporation’s 10-year growth plan—Power the Future.

Fulmer can be described as a liaison between small businesses and the company’s buyers. He works in the business community, facilitating proactive, mutually beneficial relationships with business advocacy groups and women- and minority-owned and operated businesses.

“We Energies is an integral part of the communities we serve,” Fulmer said. “We are brick and mortar, lines in

the air, and poles in the ground. I am honored to help direct the company's supplier diversity activities, including managing human capital, as well as fostering corporate relationships with suppliers and contractors, area businesses, and local government. I liaise with the company's supply chain and operating business units to establish supplier diversity-related goals and objectives and to train employees on how to achieve these goals through better business practices.

"Quarterly meetings are scheduled with directors and managers to discuss challenges they face in meeting goals and to collaborate on strategies needed to overcome said challenges," Fulmer continued. "Every buyer and manager in the company understands the importance of supporting diverse businesses and this concept is embedded in their procurement policies.



Jerry Fulmer

Jerry Fulmer facilitates proactive, mutually beneficial relationships with business advocacy groups and women- and minority-owned and operated businesses.



It is important for CenterPoint Energy to do business with the companies that reflect the communities we serve. After all, we deliver electricity and natural gas in some of the most diverse cities in America, and we realize that business partners can bring unique perspectives through different backgrounds. It's not just about business – it's about our community.

We are always looking to recruit new diverse suppliers. Log on to CenterPointEnergy.com for more details.



Always There.®

By 2020, there will be 123 million high-skill/high-pay jobs available in the United States but only 50 million Americans with the right education credentials to fill them.

To reinforce the company's commitment and to ensure the long-term success of supplier diversity initiatives, We Energies evaluates job performance against supplier diversity goals during annual employee reviews."

Like many large companies, electric utilities expect a shortage of technically skilled workers in the near future and seek innovative solutions to this issue. By 2020, there will be 123 million high-skill/high-pay jobs available in the United States but only 50 million Americans with the right education credentials to fill them, according to Edward Gordon, author of "Winning the Global Talent Showdown: How Businesses & Communities Can Partner to Rebuild the Jobs Pipeline" (BK Publishers).

Marie O'Brien, president and CEO of Enterforce, Inc., started her company in 2001. Based in Wisconsin, the company has 290 employees and generates



\$75 million in annual revenues. Enterforce is a Managed Service Provider (MSP) that offers clients a contingent labor workforce and supplier networks while integrating and retaining responsibility for key human resources functions such as hiring, invoicing, payroll, and compliance.

"Today, We Energies is one of my top customers, but that easily could not have been the case," said O'Brien. "Although I have extensive experience in human resources and workforce management, it was very difficult to gain access to the industry as a new entrepreneur. In this sector you are always competing for contracts against legacy suppliers with strong relationships and proven track records. However, I credit Jerry Fulmer of We Energies for helping to connect me with the company's buyers and for helping to increase my readiness for working as a supplier to the industry by encouraging participation in BEI's Supplier Diversity Conference. By the time I had my first meeting with We Energies' buyers, I not only was an expert in workforce management, but I understood We Energies' business model, the electric utility industry's human resources challenges, and could clearly articulate my value proposition."

CAMP SUPPLIER DIVERSITY PRIME TIME!

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AUGUST 28 - 29 LAS VEGAS, NV

NV Energy's **CAMP SUPPLIER DIVERSITY** offers diverse business owners a prime time to:

- Explore Tier 2/subcontracting opportunities with our prime suppliers
- Learn about upcoming supplier sourcing opportunities
- Meet key decision-makers
- Network and build relationships

For more information, visit nvenergy.com/campsupplier

Beyond the Numbers

Southern California Edison (SCE) generates, transmits, and distributes power to a population of more than 14 million people via 4.9 million customer accounts. The company's service area covers 50,000 square miles within central, coastal, and



Joseph Alderete

southern California (excluding Los Angeles and some other cities).

SCE also has a robust supplier diversity and development program led by Joseph "Joe" Alderete and a team of very dedicated professionals. Last March, SCE released its "2012 Annual Report on the Utilization of Women, Minority and Disabled Veteran Business Enterprises (WMDVBES)." In the report, Alderete outlined several 2012 metrics and highlights. Among them, SCE:

- spent \$1.5 billion with WMDVBES. This exceeded the \$1.4 billion the company spent in 2011 and surpassed its goal of 35 percent of total purchases to 38.2 percent;

- worked with nearly 800 diverse suppliers, including new WMDVBES in areas such as financial services and overhead/underground line construction;
- continued relationships with more than 40 organizations and participated in 100-plus outreach events to discuss power procurement opportunities and to support matchmaking sessions to pair prime suppliers with potential diverse subcontractors;
- offered technical assistance to 147 diverse suppliers through the SCE Supplier University, which is comprised of several innovative developmental and mentoring programs; and
- hosted a special workshop for WMDVBES where its Renewable and Alternative Power Group provided information on how to participate in the Renewable Auction Mechanism and the Solar Photovoltaic Program, including background on each program, schedules, and how to submit offers.

"During the last 30 years, SCE has spent more than \$11 billion with diverse suppliers," said Alderete. "This would not have been possible without the continuous commitment of the executive team within Southern California Edison or in the absence of industry leadership provided by the Edison Electric Institute. Congratulations to EEI on the past 30 years of ensuring excellence in supplier diversity and development."



Masterton

Edna Abernathy continues to win contracts with EEI members such as Louisville Gas and Electric Company and Alliant Energy Corporation.

Increasingly, supplier diversity managers are being asked to focus on policies and practices that support their diverse domestic suppliers by equipping them to better align with new strategic-sourcing practices. This type of strategic thinking and planning is nothing new to Edna Abernathy, president of E.R. Abernathy Industrial and Abernathy Consulting, and another successful WBE supplier to We Energies. Prior to starting out in business for herself in 1991, Abernathy conducted industry research and completed a feasibility study to help her determine and design the most successful business model possible. The results of Abernathy's research showed that the electric power industry was rife with opportunities for diverse suppliers.

"Confident in my research, I set out to become a leading national distributor of industrial materials, personal safety equipment, as well as janitorial

and construction supplies to my corporate clients," said Abernathy. "This commitment to excellence was rewarded when I was selected as one of six strategic suppliers for We Energies in 2007."

Abernathy continues to win contracts with EEI members such as Louisville Gas and Electric Company and Alliant Energy Corporation. "I credit my success in this industry to the ongoing efforts of supplier diversity professionals at pioneering electric utilities," she concluded. "I especially want to congratulate EEI for helping to elevate and advance the issues surrounding supplier diversity from a compliance issue or societal ideology to a profitable business strategy practiced by shareholder-owned electric companies. On behalf of my fellow WMDVBE suppliers to the industry, I say thank you and keep up the good work." ♦