

Supplier Diversity

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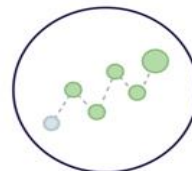
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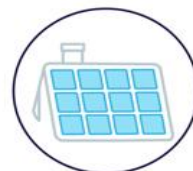
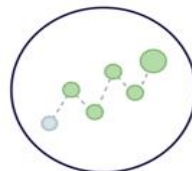


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What is Supplier Diversity?

- Supplier diversity is a business strategy
- Emphasizes the creation of a diverse supply chain
- Promotes supplier participation reflective of a company's diverse customer base and business community



NEW Supplier Diversity Resource

- SEIA is releasing a Supplier Diversity Guide and supplier questionnaire today.
- This guide will help you get started as you begin tracking supplier diversity for your company.
- [Supplier Diversity Guide & Questionnaire Template](#)



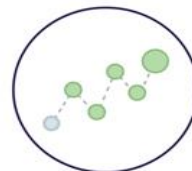
Supplier Diversity: Getting Started Guide & Supplier Questionnaire Template

March 2020



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What Is Supplier Diversity?

Supplier diversity is a business strategy that ensures a diverse supplier base in the procurement of goods and services for any business or organization. It emphasizes the creation of a diverse supply chain that works to secure the inclusion of diverse groups in the procurement plans for government, not-for-profits, and private industry. Additionally, it promotes supplier participation reflective of a company's diverse customer base and business community.



How Do You Get Started Tracking Supplier Diversity?

A great first step is to design a modified form W-9. This form is sometimes referred to as a “vendor intake form”. Page one of the template form asks all the questions that are normally found on a W-9, while page two covers all the questions that relate to the various classifications of a “diverse” business. Page three is a Q&A that explains why you ask vendors for this information and defines few key terms referenced throughout the form.

How Does Your Accounting System Fit In?

You will need to customize your accounting system to track the data gathered with the vendor intake form. This process begins with modifying vendor profiles with custom fields to accommodate the diversity information collected. The next step (a potential second phase of your Supplier Diversity program) is to add two additional categories to the system: vendor type and addressability.

The vendor type field allows companies to easily group vendors by how you use them i.e., consulting services, catering, office supplies, marketing services, IT-related services, etc. The addressability field allows you to rank how difficult your overall spend is to address on a scale of one through four:

- Category one is for products/services that are easily available and not restricted by existing contracts—meaning these orders can be easily given to a different supplier.

- Category two involves spending that is harder to change, such as specialized products/services from unique vendors, consultants with contracts that can be cancelled with a reasonable amount of notice, consultants who already have a valuable familiarity with our business, etc.
- Category three covers even more entrenched spending such as rent and employee benefits providers.
- Category four is money going out that you don't consider traditional “spend,” including pass-through grants to other organizations, venture capital investments, fees paid to government organizations, financial awards for pitch competitions, etc.

Add it all up and you have a very useful tool for planning realistic diversity-based spending goals for your company. Not only does this system help identify low-hanging opportunities, it also helps your company plan for more ambitious diversity initiatives that require consideration of long-term contracts/relationships.

Note: It's helpful to have an executive sponsor or designated point person within your accounting team to help create these processes. It may take some back and forth to create your vendor intake form, agree upon definitions and how to classify some costs, etc. Having a designated point person in accounting who works with your regulatory team can be very beneficial.

What Is a Reasonable Goal for Supplier Diversity?

It is impossible to set the same goals for companies of disparate sizes and structures that may do business in different industries and geographies. Also, many companies do not have a team dedicated to procurement. With a decentralized decision-making structure, various teams, each with unique obligations and opinions, must be involved in order to increase an organization's diverse spend percentage.

With this in mind, the best goals will always be the ones you can realistically achieve and measure. It's difficult to set realistic goals without getting baseline data, which will inform much of your work moving forward. Your current goal could be as simple as setting up a basic "vendor intake form" so you can determine the actual amount spent on diverse vendors each year. Next, you could start customizing your accounting software to identify easy opportunities to increase your diverse spend. Or, perhaps look at some of those expenses that aren't so easy to change. If you're ready to take your commitment to the next level, you can encourage your own suppliers or partner organizations to start their own supplier diversity programs.

What States Ask Solar Companies to Submit Supplier Diversity Information?

While many states require utility companies to submit supplier diversity information as part of an annual reporting process, it is currently less common for alternative energy suppliers to be mandated to do so. However, there is increasing interest by Commissions in collecting this information, so as a proactive step, your company can take in your diversity programming you can begin collecting supplier diversity information.



Illinois – MANDATED

In Illinois, Section 5-117 of the Public Utilities Act 220 ILCS 5/5-117, as amended by Public Act 99-0906, "require[s] all gas, electric, and water companies with at least 100,000 customers under

its authority, as well as suppliers of wind energy, solar energy, hydroelectricity, nuclear energy, and any other supplier of energy within this State, to submit an annual report by April 15th each year, in a searchable Adobe PDF format, on all procurement goals and actual spending for female-owned, minority-owned, veteran-owned, and small business enterprises in the previous calendar year." You can view the filing page and accepted filings from prior years on the [Illinois Commerce Commission website](#).



California – VOLUNTARY

In California, In May 1988, the California Public Utilities Commission (CPUC) issued General Order 156 (GO 156). Under GO 156, the CPUC required all investor-owned electric, gas, water and telecommunication utility companies with gross annual revenues in excess of \$25 million (as well as their regulated subsidiaries and affiliates) to develop and implement programs to increase the utilization of WMBEs. The [Supplier Clearinghouse](#) was created.

Procurement goals of 5% for women-owned businesses and 15% for minority-owned businesses were initially established. GO 156 was later expanded to include a goal of 1.5% for California-based service-disabled veteran-owned businesses. A goal for LGBT-owned firms has not been established yet.

[SB255](#), which passed in 2019, encourages voluntary reporting by wholesale generators and distributed energy resource (DER) providers to the legislature on their supplier diversity. Additionally, the CPUC has urged third party providers in the energy industry, including solar energy companies, to follow the guidelines of GO 156 on a voluntary basis.

Template Supplier Diversity Questionnaire

At _____, we believe our suppliers, like our employees, should reflect the communities we serve. By including and supporting diverse businesses in our supply chain, we create opportunity, promote innovation, and stimulate growth that enriches our marketplace as a whole.

In addition to fulfilling tax obligations, the information below will help us connect diverse talent, investors, researchers, and other historically underrepresented groups to the entrepreneurial ecosystem.

Please return this form to _____ by email to _____

Business Name: _____ Tax ID: _____

Please check the appropriate box for your federal tax classification. Check only ONE of the following boxes:

- Individual/sole proprietor or single-member LLC
- C Corporation
- S Corporation
- Partnership
- Limited Liability Company

Write in tax classification (C=corporation, S=S corporation, P=Partnership): _____

- Other (see IRS guidelines): Click or tap here to enter text.

Street Address: _____ City: _____ State: _____ Zip: _____

Contact Person and Title: _____

Phone: _____ Fax: _____

Email: _____

Website: _____ Year Established: _____

Total Number of Employees: _____

Do you have any personal relationships with _____'s employees? Yes No

If yes, please disclose: _____

Signature: _____ Date: _____

To conduct this program, _____ reserves the right to verify any information provided. Additionally, any information provided may be submitted to local, state, or federal agencies that mandate these regulations.

Listed below are some widely used designations of diversity that can be certified. Whenever possible, please provide certification; if your business is not certified, please still answer in the way you would like to represent your business.

_____ highly recommends certifying your business. Certifying agencies, such as those listed here, provide access to government contracts, support networks, new customers at events or on social media, and opportunities for professional development. They also offer extensive research on issues such as gender and race in business.

If you are unsure if your business meets the requirements of any of the following categories or if you have other questions, please refer to the Q&A on the following page.

Check all that apply:

- Small Business
- Small Disadvantaged Business
- Historically Underutilized Business (HUB) Zone Business

If Minority-Owned, please check:

- Black/African American
- Native American/Alaskan Native
- Latino/Hispanic
- Asian
- Native Hawaiian/Pacific Islander
- Other: _____

If your business is at least 51% owned, controlled, and actively managed by any of the following, please check the associated box:

Disabled Person(s)

- Service-Disabled Veteran(s)
- LGBT(s)
- Minority Person(s)
- Veteran(s)
- White/Caucasian
- Woman/Women
- Other: _____

Check your certifying agency or agencies:

- Women's Business Enterprise National Council (WBENC)
- National Minority Supplier Development Council (NMSDC)
- National Gay & Lesbian Chamber of Commerce (NGLCC)
- Federal government
- State government
- Local government
- Other: _____

Certification Expiration Date: _____

How Will My Information Be Used?

The name of your business, tax ID number, business address, and business type fields are necessary for completing federal 1099-MISC tax forms. If we do not have your correct information on file, the IRS can require us to withhold 28% of your payments.

The information on page two will assist _____ with measuring how much of the money we spend goes to diverse suppliers. In addition, we will use your answers together with our other suppliers to support state-wide and local initiatives that equalize opportunities among underrepresented and underserved groups of people.

Is My Business a “Small Business?”

The U.S. Small Business Association (SBA) provides specific [qualifications and registration forms](#). A size standard, which is usually stated in number of employees or average annual receipts, represents the largest size that a business (including its subsidiaries and affiliates) may be to remain classified as a small business for SBA and federal contracting programs. The definition of “small” varies by industry. For more information about size standards, contact the size standards specialist at your nearest [SBA Government Contracting Area Office](#). You also can contact the Office of Size Standards by email at sizestandards@sba.gov or by phone at 202-205-6618.

Is My Business a “Small Disadvantaged Business?”

According to the SBA, Small Disadvantaged Businesses must meet the requirements for a Small Business and also be 51% owned and controlled by one or more disadvantaged persons, which is a designation for those who are socially and economically disadvantaged. For more information and to register, visit the [SBA website](#).

Is My Business a “(HUB) Zone Business?”

The SBA defines HUB Zones as areas that have high unemployment, low median household incomes, or both. The SBA maintains [maps of HUB Zones](#). In addition to meeting the SBA Small Business Requirements, the principal offices of HUB Zone Businesses must be located in HUB Zones and 35% of a HUB Zone Business’ employees must reside in a HUB Zone. To apply for certification, visit the [SBA website](#).

Why Is There an “Other” Option for the Ownership Status and Minority Group Questions?

Diversity and inclusion are ever-evolving fields that demand constant re-evaluation. If you believe that you and your business are not represented by any of the categories listed in this form, we would like to hear about it.

Why Does _____, Value Diversity and Inclusion?

Sample Diversity Statement

_____, believes that diversity and inclusion are essential for not only the strength of our business, but also the vitality of the communities we serve. Research shows that a focus on diverse suppliers has a high return on investment and increases competition, which cultivates the innovation of new and improved products and services.

US Census data from 2012 shows that while women make up over half of the US population, women-owned businesses comprise only 35.8% of all firms in the US. Also, women-owned firms only earn 11.3% of all revenue earned by US companies. When it comes to race, business that are Hispanic-, African American/ black-, or Asian-owned only earn 10.4% of total US revenues. Our Supplier Diversity Program addresses these disparities by ensuring we choose our suppliers in the most equitable way possible – by being conscious and inclusive of diversity.

***NEW* Supplier Diversity Resource**

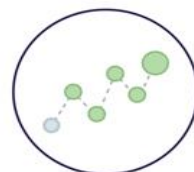
- **Where should we start?**

A great first step is to design a modified form W-9 or vendor intake form.

- **What is a reasonable goal?**

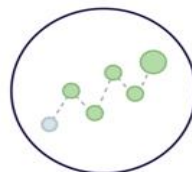
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- **What states ask solar companies to submit supplier diversity information?**



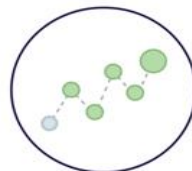
California - VOLUNTARY

- May 1988, the California Public Utilities Commission (CPUC) issued General Order 156 (GO 156) applicable to regulated utilities.
- Procurement goals of 5% for women-owned businesses and 15% for minority-owned businesses were initially established. GO 156 was later expanded to include a goal of 1.5% for California-based service-disabled veteran-owned businesses.
- In 2015, the CPUC expanded its program to include LGBT-owned businesses. A goal for LGBT-owned firms has not been established yet.
- SB255, which passed in 2019, encourages voluntary reporting by wholesale generators and distributed energy resource (DER) providers to the legislature on their supplier diversity.
- The CPUC has urged third party providers in the energy industry, including solar energy companies, to follow guidelines of GO 156 on a voluntary basis.



Illinois - MANDATORY

- In Illinois, Section 5-117 of the Public Utilities Act 220 ILCS 5/5-117, as amended by Public Act 99-0906, “require[s] all gas, electric, and water companies with at least 100,000 customers under its authority, as well as suppliers of wind energy, solar energy, hydroelectricity, nuclear energy, and any other supplier of energy within this State, to submit an annual report by April 15th each year.”
- In 2019, SEIA testified at the ICC's Annual Supplier Diversity Policy Session and requested clarification from the ICC for the term "supplier".
- The ICC has recently clarified statute to limit annual reporting to utility-scale companies with projects of 1MW or more.
- You can view the filing page and accepted filings from prior years on the Illinois Commerce Commission website.



The Business Experience: Overview & Challenges

- Process Overview
 - Defining scope and goals (or requirements)
 - Discretionary/non-discretionary costs
 - Create a survey/questionnaire and collect data
 - Set baseline
 - Understand your next steps – do you want to increase procurement from diverse businesses?
 - Set goals and create plan to achieve those goals
- Challenges
 - What is a “supplier”?
 - Obtaining responses from existing vendors was more challenging than we expected
 - Setting baseline could take 6 months or more
 - First assessment will likely be based on incomplete data
 - Goals need to be SMART
 - Specific, Achievable, Realistic, and Timely

The Business Experience: Solutions

- If you are a regulatory or policy person, find a business partner(s)!
 - Finance, procurement, etc.
- Start with SEIA resources
 - Use definitions and give examples in your questionnaire.
 - Ensure that you are collecting the data you want to report.
- Getting vendors to respond: 1) ask more than once; 2) make it easy to respond; 3) require for all new vendors.
- Understand your baseline - impossible to set or measure goals without it!
- Goals/Next Steps:
 - Create preferred vendor policy statement and post on your website.
 - Goals must include relevant stakeholders.

Questions?

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