

**Workforce/Supplier Diversity Best Practices**  
**An Illinois Review and Recommendation by**  
**the Illinois Energy Efficiency Stakeholder Advisory Group**

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# Section 1: Executive Summary

## A. Background

Senate Bill 1592 was signed into law in Illinois in August 2007, creating the Illinois Power Agency Act. This statute included an Energy Efficiency Portfolio Standard (“EEPS”), requiring large electric utilities to reduce energy consumption and creating ratepayer-funded budgets for energy efficiency programs and incentives. The statute was updated in 2011 to include large gas utilities in Illinois. The Illinois utilities required to offer energy efficiency programs are Ameren Illinois, ComEd, Nicor Gas and Peoples Gas-North Shore Gas. The primary focus of the energy efficiency programs is to encourage and reward savings from energy efficiency, but the programs also support the local economy by creating and sustaining a variety of skilled and well-paid jobs, both in the trades and the professions, and contributing to a strong and growing workforce. Historically, the primary focus of the Illinois energy efficiency programs has been energy savings; less attention has been devoted to quantifying and reporting jobs benefits. A recent Illinois Energy Efficiency Stakeholder Advisory Group (“IL EE SAG”) subcommittee (the “Successes Subcommittee”) attempted to reach agreement on a method for quantifying and tracking jobs from ratepayer-funded energy efficiency.<sup>1</sup> The Successes Subcommittee was not able to reach agreement on such a method, but the concurrent and subsequent research indicates that jobs benefits from energy efficiency are substantial.<sup>2</sup>

Compared to the question of how many jobs are created from ratepayer-funded energy efficiency, even less attention has been paid to the question of *where* the jobs are created (Illinois or out-of-state) and whether the jobs equally benefit minority populations who fund energy efficiency. Based on 2015 U.S. Census estimates, the Illinois population is approximately 38 percent minority. However, the 2016 Illinois utility supplier diversity reports reveal the reporting utilities spend approximately only 7 percent of their dollars on Illinois based minority-owned businesses. Only one utility, Nicor Gas, clearly reports its minority diversity spend for energy efficiency programs, which is 9 percent diversity spend on their energy efficiency portfolio energySMART. However, it is not clear whether this spend is with Illinois-based diverse businesses. ComEd reports less than 1 percent (\$1.9 million) diversity spend in the category of “energy efficiency,” but it is unclear if that represents the energy efficiency programs. Although minorities make up over a third of the Illinois population, they receive less than 10 percent of the very substantial job benefits from the utility energy efficiency programs that they fund – an inequity that needs to be addressed and remedied.

This report summarizes current Illinois policy directives and initiatives to foster racial diversity in Illinois and the utility industry; profiles corporate and utility initiatives elsewhere that have successfully increased diversity spend; and summarizes feedback from Illinois-based diverse suppliers who have sought to gain a foothold in the energy efficiency portfolios. This report also summarizes findings and recommendations that could serve to increase efficiency job benefits for minorities and Illinois-based diverse suppliers.

The research and drafting for this report was conducted in a very short period of time (less than six weeks), therefore additional work is needed to research and summarize key attributes from successful diversity initiatives in other jurisdictions. The purpose of the additional research will be to solicit input, feedback and recommendations from in-state diverse professionals, diverse suppliers and minority

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<sup>1</sup> See IL EE SAG Successes Subcommittee: [http://www.ilsag.info/subcommittee\\_il-ee-successes.html](http://www.ilsag.info/subcommittee_il-ee-successes.html).

<sup>2</sup> See Calculating Energy Efficiency Job Impacts: An Illinois Review and Recommendation by the Illinois Energy Efficiency Stakeholder Advisory Group. Annette Beitel, Ashley Palladino, and Celia Johnson, Future Energy Enterprises, LLC. May 31, 2017.

communities, and to develop a plan of action that will correct the unfair imbalance that currently exists. This work could be performed through the Economically Disadvantaged Energy Efficiency Stakeholder Advisory Committee, as the economically-challenged communities in Illinois are disproportionately minority communities. Representatives of economically-challenged communities participating in the Economically Disadvantaged Energy Efficiency Stakeholder Advisory Committee have expressed a core objective of ensuring that maximum benefits, including jobs benefits, flow back to their communities. Funding sources for this research could be either utility “Market Transformation” funding or “Research and Development” funding. Pilots and/or initiatives are needed to increase in-state diverse business supplier spend and support minority professionals and leaders in energy efficiency throughout Illinois.

In the upcoming four-year energy-efficiency portfolios that begin on January 1, 2018, increasing the number of diverse, in-state energy efficiency suppliers, both in the trades and professions, and minority staffing and leadership at the utilities and the non-minority suppliers should be a clear goal that is addressed and funded such that measurable and significant improvements are seen at the end of the portfolio plans.

## **B. Research Approach**

Research for this report included the following:

1. Illinois Policy Review: To summarize Illinois diversity policies and initiatives.
2. Utility Diversity Report Review: To identify information about current diversity spend, strategies for increasing diversity spend and perceived challenges.
3. Select Corporate and Utility Diversity Initiative Literature Review: A literature review of successful, primarily out-of-state diversity programs, both utility and non-utility at the corporate level. High-level lessons learned are noted in this report, including a more in-depth review of select utility diversity and corporate diversity initiatives that appeared notable. The notable corporate programs reviewed were identified in the DiversityInc Top 13 Companies for Supplier Diversity. Notable utility programs reviewed as part of this project include, but are not limited to, Consolidated Edison (“ConEd”) in New York and Pacific Gas & Electric (“PG&E”) in California. ConEd reported over 40 percent diversity spend and PG&E reported over 28 percent diversity spend.
4. Regulatory Commission Diversity Initiative Review: Including the California Public Utilities Commission (“CPUC”), the Maryland Public Service Commission and the Public Service Commission of the District of Columbia.
5. Interviews and Feedback from IL-Suppliers: Interviews were conducted with five Illinois-based diverse suppliers who have performed work for the Illinois energy efficiency portfolios. These businesses were interviewed to request feedback and input regarding the status and perception of the energy efficiency programs, their effectiveness at incorporating diverse businesses, and ideas for increased diverse supplier participation.
6. Initial Comments from Economically Disadvantaged Energy Efficiency Stakeholder Advisory Committee: Several recommendations for this report were formed based on initial conversations and feedback from members of the Economically Disadvantaged Energy

Efficiency Stakeholder Advisory Committee, formed in April 2017 as a result of the Future Energy Jobs Act.

### C. Key Findings and Recommendations

Key findings from this report include the following:

1. The job benefits from Illinois ratepayer-funded programs are substantial and growing with the increased energy efficiency funding authorized by the Future Energy Jobs Act.
2. Minority workers and minority communities do not receive an equitable share of the Illinois-ratepayer jobs benefits, even though minorities represent over one-third of the Illinois population.
3. Energy efficiency programs have the opportunity to positively impact workforce and supplier diversity in Illinois.
4. There is no evidence that diverse suppliers are less skilled compared to non-diverse suppliers. There is clear evidence of widespread and systematic discrimination against diverse suppliers in Illinois.
5. Utilities do not clearly report the diversity spend related to energy efficiency programs.
6. The diversity spend among Illinois utilities varies from one utility to another.
7. The percentage of Illinois-based diversity spend compared to overall diversity spend varies from one utility to another.
8. Utilities do not all report the same information in their annual Diversity Reports to the Illinois Commerce Commission, making comparison of efforts difficult.
9. Diverse vendors believe that Illinois utilities could significantly improve outreach and procurement practices to increase supplier diversity in the energy efficiency programs.
10. Other utilities have achieved diverse business spend that is much higher compared to Illinois utility diversity spend.
11. Successful diversity programs are supported by organizational leadership.
12. Successful diversity programs have clear tracking method and metrics, not just at the corporate level, but at the department level.
13. Successful diversity programs actively recruit and seek to fill open positions with qualified minority workers. They provide effective mentoring and leadership opportunities for these workers and seek to have their workforce and leadership reflect the racial composition of the communities they serve.
14. Supplier diversity is not only an issue of fairness; companies with strong diversity programs reap a financial benefit.
15. Successful diversity programs address the training needs, financial needs and other issues specific to the diverse business community and workers.

Key recommendations from this report include the following:

1. **Establish Goals:** The utilities should establish energy efficiency goals that lead to a diverse workforce that matches the diverse racial composition of Illinois, including diverse business suppliers, utility staffing and leadership, and non-minority business supplier staffing and leadership. In-state and out-of-state job creation should be tracked, with an emphasis on in-state job creation, since the energy efficiency programs are funded by Illinois ratepayers.
2. **Institute Consistent and Transparent Tracking and Reporting:**
  - a. *Establish Method for Quantifying Jobs Impacts from Energy Efficiency:* The utilities should commission a study (which could be funded using EM&V budgets) that

establishes a method for tracking jobs benefits from energy efficiency, including direct, indirect and induced jobs. This method should be used consistently over time, and by all utilities.

- b. *Develop a Baseline*: The utilities should establish a baseline of current energy efficiency jobs held by minorities (both in-house staff and suppliers) and a baseline of diverse business spend.
  - c. *Update and Report Annually*: The utilities should update and report on energy efficiency jobs in the corporate diversity reports submitted to the Commission on an annual basis, as well as the annual energy efficiency reports submitted to the IL EE SAG and the Commission.
  - d. *Reports Should Include Numbers and Narratives*: The utilities should report not only on numbers, but also on initiatives, including what has worked and what has not worked. In addition, utilities should seek input from diverse businesses and minority professionals and trades people on how to improve results and approaches.
3. Effectively Recruit and Contract with Diverse Businesses:
- a. *Create Statewide Database*: Develop a statewide database of diverse suppliers who can support the energy efficiency portfolios, both in the professions and in the trades.
  - b. *Notify of Opportunities*: Ensure that diverse suppliers are notified of all procurement and/or program opportunities for which they might be eligible; create opportunities for partnering.
  - c. *Procurement Support*: Award extra points in procurement opportunities for certified minority businesses.
  - d. *Direct Contracting*: Allow minority-owned businesses to contract directly with the utility rather than as a subcontractor to a larger firm. This allows the diverse businesses to build all-important relationships with utility staff who make procurement decisions. Direct contracting also prevents larger firms from taking the knowledge and connections of the minority firms, then later using the knowledge and connections to compete with them, or alternatively to “push them out” of the prime contract.
  - e. *Create Contracting Terms that Small Businesses Can Work With*: Many diverse businesses are small businesses. To attract more diverse businesses, utilities need to create contract terms that small businesses can work with. Examples include short payment periods (15-30 days); reasonable insurance and cybersecurity requirements; and fair and balanced contracting terms that ensure a reasonable allocation of risk between the utility and diverse subcontractor.
  - f. *Other Strategies to Support Growth of Diverse Businesses*:
    - Diverse businesses should be invited to participate in high-impact and high-visibility workshops, task forces, committees, etc.
    - Results of utility diverse vendor fairs should capture participant feedback and track the impact on contracts.
    - Vendor fairs should include one-on-one networking with utility staff who are in the business units and make procurement decisions, not limited to diversity and procurement staff.
    - The utilities’ trade ally listings should contain certification designations.
    - Diversity goals should not only aim to increase spend with current contractors, but also have a component earmarked for diverse businesses who have not worked with the utilities in the past.
    - Free and/or discounted services should be offered to diverse businesses such as training and certifications (e.g. Building Operator Certification, OSHA, etc.).
    - Diverse businesses should have a clear, protected method of reporting issues with utility diversity programs.

- Avoid “pigeon-holing” such that diverse business capabilities are viewed as narrow and limited. Utilities can work with diverse businesses to identify how their skills could be used to support a broader range of business functions.
  - Avoid “One Strike, You’re Out” – anecdotal evidence suggests that minority businesses are given less of a chance to be coached and improve than non-minority counterparts. Mistakes and shortfalls should be viewed as coaching opportunities rather than as excuses for not doing business with a company in the future.
  
- 4. Recruit and Mentor Minority Staff: Provide Them with Mentoring and Leadership Opportunities; Expect Non-Minority Suppliers to Do the Same
  - a. *Seek to Fill New Positions with Minorities*: Significantly increased funding for energy efficiency programs in Illinois starting on January 1, 2018 will lead to many new jobs. Utilities should make a concerted effort to seek qualified minority applicants for open staffing and leadership positions.
  - b. *Minority Summer Internship Program*: Since “energy efficiency” is not a college major, there may be a lack of awareness of jobs in the energy efficiency field. Utilities should implement a summer minority internship that exposes minorities to jobs in the field and provides mentoring and career coaching.
  - c. *Leadership Development*: Utilities should provide leadership development opportunities for existing minority staff, which includes training, additional education (such as executive MBA programs) and leadership.
  - d. *Job Training Programs*: Utilities can work with unions and other trade training organizations to ensure minority workers are getting equal opportunities for relevant training, and to ensure that jobs are available when the training is complete.
  
- 5. Prioritize Illinois-Based Job Creation: Job quantification methodologies vary, but all comprehensive jobs calculators calculate substantial “indirect” and “induced” jobs benefits that flow to the communities where jobs are created. Since the energy efficiency programs are funded by Illinois ratepayers, utilities should prioritize in-state job creation. Out-of-state providers should only be used when it is not practicable to find in-state resources. Skill gaps of the Illinois workforce should be identified and a plan developed to support needed workforce capacity over time.
  
- 6. Diversity Efforts Should be Led by Minorities; Non-Minorities Should Nurture and Support These Efforts As a Way to “Give Back”:
  - a. As made clear in initial meetings with members of the Economically Disadvantaged Energy Efficiency Stakeholder Advisory Committee, economically-challenged and minority communities want to inform, shape, direct and lead efforts that impact them.
  - b. Non-minority professionals and trades have very disproportionately reaped the jobs benefits from efficiency; they have received a lot, and can now give back. Instead of seeing the new opportunities in fostering diverse businesses as “business opportunities” on which to make a profit, they can view the opportunity to support diverse businesses as a way to give back some of the substantial benefits they have received.
  
- 7. Track and Celebrate Successes At Least Annually: The road to increasing workforce diversity will be rewarding, but also difficult, because changing mindsets and business practices in the utility world can be slow. One utility executive commented that “changing utility culture is like trying to steer the titanic away from the iceberg.” Furthermore, achieving change will in part require acknowledging a difficult and painful past of discrimination, segregation and unequal

employment and economic opportunities for minority communities that have been present for many generations in Illinois. If the utilities, state leadership and stakeholders work together to seek a diverse workforce, success will follow and it should be celebrated.

## Section 2: Purpose, Overview and Background

### A. Purpose

The goal of this report is to make a strong and compelling case for the importance and urgency of diversifying the Illinois energy efficiency workforce. It contains initial research and recommendations on how to effectively and expediently diversify the workforce; however more work needs to be done. The approaches and recommendations need to be discussed with utilities, state leaders and energy efficiency stakeholders to develop a concrete and actionable roadmap.

The business rationale for increasing workforce diversity includes:

1. **Fairness:** The numbers speak for themselves – minorities are not getting a proportionate share of energy efficiency job benefits for which they are paying.
2. **Improved Customer Service; Improved Program Performance:** Utility customers are more likely to engage with energy efficiency programs, and have higher satisfaction with programs, if they are served by people from their communities.
3. **Community Development:** Research clearly shows that energy efficiency programs produce jobs and benefits in communities where they are operating, including both direct and indirect jobs. Increasing workforce diversity will yield much-needed community development in minority communities.
4. **“Future Proofing” Utility Operations:** There is talk in utility circles of “future proofing” utility operations and of transforming utilities into the “utilities of the future.” A recent Chicago Tribune article reported that in four years, the majority of children born in Illinois will be minorities.<sup>3</sup> In twenty-five years, our nation is expected to be a minority-majority nation. In California, this transition has already happened; furthermore, Latinos, not Caucasians, are the most populous race.<sup>4</sup> To be a best-in-class “Utility of the Future,” utilities will need to effectively recruit and retain a majority-minority workforce, and effectively serve a majority-minority population. The time to start preparing for this new reality is now.

### B. Energy Efficiency Jobs Overview

The job benefits from energy efficiency positions are very significant and are high-paying, relative to the economy as a whole. The Illinois job benefits, and the types of jobs created, have been described in several recent reports both by independent organizations and the utilities themselves. Unfortunately, there is solid evidence, both in Illinois and nationally, that minorities are not proportionately reaping the job benefits, and there is evidence from Illinois that the cause is, in part, due to widespread discrimination. Key studies and public information are summarized below.

#### 1. Illinois Requirements

As of May 2017, there are no legislative requirements in Illinois to calculate, estimate or capture the number of jobs created due to energy efficiency investment and program spending. However, the

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<sup>3</sup> Chicago Tribune, *Majority will be Minority by 2020* (September 16, 2016).

<sup>4</sup> 2015 U.S. Census data.

Future Energy Jobs Act defines requirements around job creation within the infrastructure investment and modernization, as well as solar mandates. A number of stakeholders in the IL EE SAG have expressed interest in quantifying and tracking the number of jobs created from energy efficiency spending, leading to the “Successes” Fact Sheet. The first version of the Successes Fact Sheet was finalized in 2015, providing an overview of accomplishments by Illinois program administrators. Version 1 of this fact sheet covers electric program years 1-6 and gas program years 1-3.<sup>5</sup> As summarized in the fact sheet, the following are key facts on energy efficiency programs from their inception in 2008 through 2014:

- \$1.19 billion invested;
- 2.4 million customers engaged;
- 15,000 contractor partners;
- 175,000 people educated on energy efficiency; and
- 76 billion in kilowatt-hour savings and 1.6 billion in therm savings.

Although the “Successes” Fact Sheet did not quantify statewide jobs from energy efficiency because the committee could not agree on a method for quantifying jobs, it did report on the substantial number of “contractor partners” who have participated in the efficiency programs – 15,000 contractors.

Most jobs quantification methods include jobs benefits from three different effects: direct, indirect and induced. Each is defined below:

- a. Direct Jobs: Jobs created or sustained from direct spending on the program (e.g. administration staff, program implementers, etc.) or direct spending on energy efficiency equipment and services. Direct jobs may also be created or sustained as a result of program recommendations (e.g. program energy audit identifies capital upgrades, which were purchased and implemented).
- b. Indirect Jobs: Jobs created or sustained from indirect spending on the program (e.g. program recommendations led to design services, manufacture of energy efficiency products, etc.) or indirect spending on energy efficiency equipment and services (e.g. Program implementers who received direct funding spend money on other goods and services).
- c. Induced Jobs: Jobs created or sustained as a result of spending by residents and businesses due to reduced energy costs (energy cost savings).

## 2. Quantifying Jobs in Illinois: Recent Reports

Several recent reports have quantified jobs in Illinois. The jobs numbers vary, as they cover different time periods and use somewhat different methods to quantify jobs impacts. However, the key observation is the significant impact of the jobs created and the fact that Illinois is a key driver of energy efficiency job creation nationwide.

*“Energy Efficiency Jobs in America: A comprehensive analysis of energy efficiency employment across all 50 states.” Environmental Entrepreneurs (E2) and E4TheFuture (December, 2016)<sup>6</sup>*

- California, Florida, Massachusetts and Illinois rank at the top of this energy efficiency jobs analysis. Together, they account for over half a million clean energy jobs involving energy efficiency.

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<sup>5</sup> See Illinois Successes Fact Sheet Version 1.0:

[http://ilsagfiles.org/SAG\\_files/Landing\\_Page/SAG\\_Successes\\_Fact\\_Sheet\\_Version\\_1\\_Final\\_08-11-15.pdf](http://ilsagfiles.org/SAG_files/Landing_Page/SAG_Successes_Fact_Sheet_Version_1_Final_08-11-15.pdf).

<sup>6</sup> Available at: [https://www.e2.org/wp-content/uploads/2016/12/EnergyEfficiencyJobsInAmerica\\_FINAL.pdf](https://www.e2.org/wp-content/uploads/2016/12/EnergyEfficiencyJobsInAmerica_FINAL.pdf).

*Clean Energy Trust, Environmental Entrepreneurs (E2), ELPC, NRDC, the Energy Foundation, and the Joyce Foundation (May 12, 2015)*<sup>7</sup>

- The recent Clean Jobs Illinois survey results indicate there are over 100,000 jobs in clean energy sectors, with 7,574 added in the last 15 months alone. Illinois is fast becoming a critical hub for the expansion of clean energy industries in the Midwest and the nation, with diverse economic opportunities in energy efficiency and renewable energy leading the charge.
- Energy efficiency makes up the largest portion of Illinois' clean energy sector and is growing rapidly. Two-thirds (66.0 percent) of Illinois clean energy workers are focused on energy efficiency (up from 62.4 percent in the previous survey). Building efficiency (in particular, heating, ventilation and air conditioning, or HVAC) is the primary driver of the energy efficiency economy in Illinois. Efficiency upgrades and retrofits to buildings, including lighting, building envelope and energy efficient appliances, and machinery make up nearly 30,000 jobs and HVAC adds nearly 25,000 more. Overall, energy efficiency grew by 14 percent since 2013. Energy efficiency is an important economic driver for the state of Illinois; not only does energy efficiency save consumers money on power bills, but it is also a labor-intensive sector that creates local jobs. Illinois' statutory Energy Efficiency Portfolio Standard has propelled the growth of this sector by ensuring continued investments in this area.
- The expansion of building tradespeople, engineers, and heating, ventilation and air conditioning professionals in the clean energy sector is an important trend that has helped drive an increase in energy efficiency jobs by 14 percent.
- Small business is driving clean energy in the state – nearly 60 percent of firms reported 10 or fewer total permanent employees, and more than 70 percent have 10 or fewer clean energy workers.
- Installation jobs make up the largest component of the clean energy value chain (57,676 jobs, or 55.2 percent). Engineering and research (17 percent) and manufacturing (10 percent) also make up significant portions of the value chain.
- Advantages to operating in Illinois included being home to business owners, access to a qualified workforce and the central location of the state.
- Illinois' clean energy workforce is a mix of highly skilled and less technical positions and is also growing more diverse. While most recent hires had at least an associate's degree (63.4 percent), more than a third had only a high school level education.
- Clean energy is an important growth sector to the Illinois economy. It has the potential to create thousands of new, innovative jobs. Although the sector grew over the last year, it underperformed previous growth projections (7.8 percent actual vs. 9.0 percent projected).

*Northern Illinois Study/Illinois Chamber of Commerce*<sup>8</sup>:

- The energy industry is a powerful engine in the Illinois economy, directly or indirectly producing 150,000 jobs and creating \$80 billion in economic output, according to a groundbreaking study by the Illinois Chamber Foundation.
- Good jobs at good wages: While employing just 1.9 percent of the state workforce, the energy industry accounts for 2.75 percent of employee compensation, which means that energy jobs pay above-average wages to employees.
- “One of the most surprising aspects of the energy industry in Illinois was the level of employee compensation. The average in the energy industry is 50 percent higher than the state's

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<sup>7</sup> See [http://www.cleanjobsmidwest.com/wp-content/uploads/2016/03/Clean\\_Jobs\\_Illinois\\_Executive\\_Summary\\_2015.pdf](http://www.cleanjobsmidwest.com/wp-content/uploads/2016/03/Clean_Jobs_Illinois_Executive_Summary_2015.pdf).

<sup>8</sup> To access the executive summary as well as the full content of the study, visit [www.ilchamber.org](http://www.ilchamber.org) and click on the Energy Council page.

average,” said John Lewis, Ph.D., associate vice president of the Regional Development Institute (RDI) at Northern Illinois University.

- “Billions of dollars will be spent on energy efficiency, generation and infrastructure in the United States during the next few decades and Illinois has the chance to become a leader in the 21st Century energy portfolio,” Whitley said.
- “It’s up to our state’s business and political leadership to create a regulatory, legislative and economic environment that makes Illinois the destination for energy projects – from efficiency measures to research and development, from alternative energy advancements to the better use of today’s energy resources.”

### 3. Utility Job Reporting

Two Illinois utilities recently reported on jobs created or supported by energy efficiency programs:

- In the Nicor Gas 2016 energy efficiency portfolio plan filing, the utility referenced an economic impacts study finding that “program year three energy efficiency investments by Nicor Gas and its customers supported almost 5,000 jobs paying \$311 million in wages, and spurred \$800 million in local economic activity.”<sup>9</sup>
- In past quarterly reports to the Commission and the IL EE SAG, utilities have traditionally not reported on portfolio jobs, with the exception of ComEd. ComEd includes performance metrics in quarterly reports to show the economic and environmental impacts of their energy efficiency programs, including “portfolio jobs.” In the ComEd Program Year 9 third quarter report, ComEd reported the following portfolio jobs for each program year:
  - PY1 = 66 jobs
  - PY2 = 84 jobs
  - PY3 = 154 jobs
  - PY4 = 179 jobs
  - PY5 = 196 jobs
  - PY6 = 234 jobs
  - PY7 = 260 jobs
  - PY8 = 267 jobs
  - PY9, Q3 = 325 jobs

ComEd defines “portfolio jobs” as those that “reflect actual positions by ComEd and its contractors that are part of the Rider EDA.” Portfolio jobs “does not attempt to capture indirect jobs in the energy efficiency industry that may result from the ComEd portfolio.”<sup>10</sup>

### 4. Disproportionate Allocation of Jobs Impacts

*United States Department of Energy. “U.S. Energy and Employment Report” (January, 2017)*<sup>11</sup>

- Energy Efficiency – Workforce Characteristics: The energy efficiency workforce is less diverse than the national workforce; roughly a quarter of employees were reported to be women (24 percent), and there are fewer Black or African American workers and fewer Hispanic of Latino

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<sup>9</sup> Exhibit 1.1, Nicor Gas Energy Efficiency Plan. Available at: <https://www.icc.illinois.gov/docket/files.aspx?no=16-0421&docId=245522>.

<sup>10</sup> ComEd Plan Year 9 Third Quarter Report, page 26. Available at: <https://www.icc.illinois.gov/docket/files.aspx?no=13-0495&docId=252189>.

<sup>6</sup> State of Illinois Central Management Services Disparity Report. Available at: <https://www.illinois.gov/cms/About/Reports/Documents/2015DisparityStudy.pdf>.

<sup>11</sup> See [https://www.energy.gov/sites/prod/files/2017/01/f34/2017%20US%20Energy%20and%20Jobs%20Report\\_0.pdf](https://www.energy.gov/sites/prod/files/2017/01/f34/2017%20US%20Energy%20and%20Jobs%20Report_0.pdf).

workers compared to the national average. The majority of workers in Energy Efficiency are employed in installation or repair positions (31 percent) or administrative positions (29 percent). Nearly 17 percent of workers are classified as production/manufacturing positions.

## **5. Governor Rauner Executive Order 15-12; Illinois Central Management Services Study**

Governor Rauner's Executive Order 15-12 calls for the Illinois Department of Central Management Services ("CMS"), the Department responsible for the delivery of programs and services to Illinois agencies, the business community, local governments and citizens, to conduct a thorough review of all goals, preferences and considerations provided under State law and regulations concerning the award of contracts to Veteran-Owned Businesses. The Executive Order calls for CMS to conduct, or cause to be conducted, a thorough, detailed study of participation by Disadvantaged Business Enterprises and Veteran-Owned Businesses in State of Illinois procurement opportunities. Such study shall include recommended solutions and methods to address any disparity in procurement awards, including any statutory or regulatory amendments that may be needed.

## **6. CMS Disparity Study Findings<sup>6</sup>**

CMS commissioned a study of possible disparities in access to state prime contracting and associated subcontracting opportunities on contracts awarded on the basis of race and gender. The study explored whether MBEs and WBEs have equal access to state contracts, and if not, what remedies might be appropriate to redress the barriers created by race and gender discrimination. The study found extensive evidence that discrimination on the basis of race and gender continues to operate in Illinois' markets and that disparities exist between the availability of MBEs/WBEs and their utilization on state contracts and associated subcontracts, as well as throughout the wider state economy.

## **7. The Numbers Speak for Themselves**

As summarized earlier in this report, there is over a three-fold disparity in the minority population compared to the job benefits minorities receive in Illinois. Based on 2015 U.S. Census estimates, the Illinois population is approximately 38 percent minority. However, the 2016 utility supplier diversity reports reveal the reporting utilities spend approximately only 7 percent of their dollars on Illinois based minority-owned businesses. Only one utility, Nicor Gas, reports its minority diversity spend for energy efficiency programs, which is 9 percent diversity spend on the energy efficiency programs. Although minorities make up over a third of the Illinois population, they receive less than 10 percent of the very substantial jobs benefits from the energy efficiency programs that they fund.

## **C. Background**

The primary focus of the Illinois energy efficiency programs is to encourage and reward energy efficiency, but the programs also support the local economy by creating and sustaining a variety of skilled jobs and contributing to a strong and growing workforce. The Illinois energy efficiency portfolios have not yet focused on using funds to increase participation of diverse businesses in energy efficiency, particularly businesses based in Illinois. This report investigates various diversity programs, the state of Illinois' workforce and supplier diversity and provides recommendations for increased participation in the energy efficiency portfolio spend.

Various terms used throughout this report are defined in this section.

## 1. Certification Definitions

**Certification:** A minority-, woman-, veteran- owned or small business enterprise whose ownership, control and operation has been verified by a qualified, independent third party. This report focuses primarily on minority-owned businesses, many of which are small businesses.

**Certifying Agencies:** A list of certifying agencies is included in the appendix to this report.

**Minority Business Enterprise (MBE):** A business enterprise that is at least 51 percent owned by a minority individual or group(s); or if a publicly owned business, at least 51 percent of the stock of which is owned by one or more minority groups; and whose management and daily business operations are controlled by one or more of such individuals. The categories of minority businesses include, but are not limited to: African Americans, Hispanic-Americans, Native Americans, Asian-Pacific Americans and Asian-Indian Americans.

**Woman Business Enterprise (WBE):** A business enterprise that is at least 51 percent owned by a woman or women or if a publicly owned business, at least 51 percent of the stock of which is owned by one or more women; and whose management and daily business operations are controlled by one or more of such individuals.

**Veteran Business Enterprise (VBE):** A business enterprise that is at least 51 percent owned by one or more veterans, including service-disabled veterans with honorable service affirmed by the Veterans Affairs (VA). In the case of a publicly owned business, at least 51 percent of the stock is owned by one or more veterans, including service-disabled veterans with honorable service affirmed by the VA; and whose management and daily business operations are controlled by one or more such individuals.

**Small Business Enterprise (SBE):** A business enterprise that is independently owned and operated, is organized for profit, and is not dominant in its field. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding 12 months or on sales volume averaged over a three-year period. Refer to the Small Business Administration, Small Business Sizing Standards.

## 2. Ethnic Group Definitions

**African-Americans:** Persons having origin in any Black racial groups.

**Asian/Pacific-Americans:** Persons having origin in India, Pakistan, Bangladesh, Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the United States Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia or Taiwan.

**Caucasian Americans:** Persons having origin in Europe or people who are White.

**Hispanic-Americans:** Persons of Mexican, Puerto Rican, Cuban, South or Central American, Caribbean, and other Spanish culture or origin.

**Native Americans:** Persons having origin in any of the original peoples of North America or the Hawaiian Islands, in particular, American Indians, Eskimos, Aleuts and Native Hawaiians.

### 3. Supplier Definitions

**Prime Supplier:** A first-tier supplier who invoices the company directly for goods and services rendered.

**Subcontractor:** A second-tier supplier that invoices the company's prime suppliers for goods and services rendered.

**Second-tier Program:** The process in which prime suppliers are encouraged to share in supplier diversity goals of the company by providing meaningful subcontracting opportunities to diverse suppliers in support of its contractual obligations to the company.

#### D. Illinois Requirements

A diverse workforce garners multiple and varied input that helps to generate new ideas about products and practices. Furthermore, this diverse and inclusive input helps to ensure respectful representation of the cultural backgrounds of the population. Illinois is a diverse state. The 2015 U.S. Census estimates indicate 38 percent of Illinois residents are diverse and 27 percent of Illinois businesses are diverse. However, the average diverse spend percentage of Illinois utilities is only 11 percent and the percent of spend among Illinois-based diverse businesses is even lower at 7 percent. Various Illinois requirements address the importance of increasing diverse participation. This section provides an overview of the various Illinois requirements and initiatives.

##### 1. Illinois Legislation – Public Utilities Act

Section 5-117, effective August 26, 2014, informs that the public policy of Illinois is to collaboratively work with companies that serve Illinois residents to improve their supplier diversity in a non-antagonistic manner. To that end, the Commission requires all gas, electric, and water companies with at least 100,000 customers under its authority to submit an annual report by April 15, 2015 and every April 15 thereafter, 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. These goals must be expressed as a percentage of the total work performed by the entity submitting the report, and the actual spending for all female-owned, minority-owned, veteran-owned, and small business enterprises must also be expressed as a percentage of the total work performed by the entity submitting the report.

Each utility must include the following information in annual reports:

- An explanation of the plan for the next year to increase participation;
- An explanation of the plan to increase the goals;
- The areas of procurement each company is actively seeking more participation in in the next year;
- An outline of the plan to alert and encourage potential vendors in that area to seek business from the company;
- An explanation of the challenges faced in finding quality vendors, including offering any suggestions for what the Commission could do to be helpful to identify those vendors;
- A list of certifications the company recognizes;

- The point of contact for any potential vendor who wishes to do business with the company, including explaining the process for a vendor to enroll with the company as a minority-owned, women-owned, or veteran-owned business; and
- Any particular success stories to encourage other companies to emulate best practices.

Annual reports must include as much Illinois-specific data as possible. If the utility does not submit Illinois-specific data, then the company is requested to include national data and explain why it could not submit Illinois data and how it intends to do so in future reports, if possible. In addition, each annual report must include the rules, regulations, and definitions used for the procurement goals in the company's annual report.

The Commission and all participating entities hold an annual workshop that is open to the public on the state of supplier diversity. Annual workshops began in 2015. The purpose of these workshops is to collaboratively seek solutions to structural impediments to achieving stated goals. Workshops include presentations from each reporting entity as well as subject matter experts and advocates. The Commission publishes a database on its website of the point of contact for each participating entity for supplier diversity, along with a list of certifications each company recognizes from the information submitted in each annual report. The Commission publishes each annual report on its website and maintains each annual report for at least five years.

Each year in June, following the submission of the Utility Diversity Report, the Commission holds a policy meeting open to the public on the topic of supplier diversity. At the June 2016 meeting, the Commission encouraged the utilities to be more aggressive and willing to go beyond their comfort zone to identify and grow the pool of diverse businesses in all product and service areas. The message specifically called out the area of energy efficiency. During the meeting, it was also noted that while the number of diverse businesses is important, the quality of the relationships is potentially more important. It was noted that procurement officers like to deal with fewer contractors – they like to have growing contracts with fewer contractors – usually because it makes management easier. Some call it the “one neck to choke” concept. This is an important condition to consider because as diversity programs aim to increase the number of diverse companies in a corporation’s portfolio, the procurement process is smoother with fewer moving pieces, i.e. fewer contractors. In essence, the two processes are counter to one another. This is why growing numbers just for the sake of growing numbers is not a sustainable model. Instead, quality relationships are key.

## **2. Illinois Executive Order 15-12**

In January 2015, Illinois Governor Rauner issued Executive Order 15-12. This Executive Order recognizes the fact that Illinois benefits from a diverse, multi-ethnic population, which contributes to the success of its economy. The Executive Order calls for each state agency and each contractor that is a party to a state contract to obtain and report the total number of participants who are Minority persons, Veterans and the percentage of total participants who are Minority persons and Veterans.

The amount spent by the state of Illinois with businesses owned by persons of diverse backgrounds is disproportionately lower than their presence in Illinois. Furthermore, Illinois is home to more than 800,000 veterans, who have dutifully served their country and this State and, after their military service, desire to use their talents to provide for themselves, their families, and their communities. The Order recognizes that business opportunities should be open to all persons and businesses, including those of diverse backgrounds and veterans, as a critical step to ensuring the growth of Illinois’ economy.

## E. Illinois Initiatives

There are two major initiatives in Illinois on supplier diversity that have a potential impact on participation in the energy efficiency portfolios: the Illinois Utilities Business Diversity Council and the Annual Utility Supplier Diversity Reports.

### 1. Illinois Utilities Business Diversity Council

The Illinois Utilities Business Diversity Council (“IUBDC”), formed June 11, 2015, is a forum for best practice sharing and information exchange among Illinois’ utilities with a focus on advancing the growth and utilization of diverse businesses in the state of Illinois. The current utility partners are Ameren Illinois, ComEd, Illinois-American Water, Nicor Gas, and Peoples Gas-North Shore Gas. The mission is to advance the utilization of diverse businesses in Illinois among the member utilities. The Council’s vision is to advance the effectiveness of business diversity initiatives among the member utility companies, and to encourage diverse businesses to forge effective working relationships with utilities to help develop a strong economy and a productive environment for growth and access to diverse businesses. The Council provides education, information, and technical assistance, as an active resource for utility stakeholders on issues of business diversity. The Board of Directors of this Council meets on a quarterly basis.

Activities of the IUBDC include a Business Partnership Forum, a Business Diversity Think Tank, a Professional Services Summit, an Empowering Businesses for Success Workshop and participation/sponsorship of various diverse organizations’ events:

- At the **Business Diversity Think Tank in November 2015**, 20 diverse businesses participated in the half-day event that included a discussion between the suppliers and Illinois advocacy groups. Information was shared about best practices, navigating diverse supplier processes and creating awareness of opportunities for suppliers to work together. There was also discussion about the challenges and opportunities for diverse businesses to partner with utilities in Illinois. The Think Tank concluded with a networking event where the diverse business participants interacted with company representatives, advocacy leaders and panel participants.
- At the **Professional Services Summit in June 2016**, 100 professional service firms gathered to hear tips about developing long-term business relationships with large companies. The emphasis was on effective communication, follow-up and project management. Discussion topics included the supplier application process, the evaluation processes, and discussion about how utilities can help high-potential diverse suppliers build their businesses. The event concluded with one-on-one meetings between procurement leaders and diverse business representatives.
- At the **Empowering Businesses for Success Workshop in November 2016**, over 200 individuals gathered to better understand the utilities’ procurement processes. In opening remarks, the Chairman of the IUBDC noted doing business in a manner that reflects the communities served by the utilities helps to achieve business objectives while strengthening the communities. Additionally, the Chairman noted that the dedication to businesses and organizational diversity is not a program or an initiative, but a key strategic business imperative. Discussion topics included safety, insurance requirements, risk management, cyber security and more. The event concluded with a networking session.

## 2. Annual Utility Supplier Diversity Reports

As noted in the previous section, Section 5-117 of the Public Utilities Act, effective in August 2014, requires regulated gas, electric, and water utilities that have 100,000 customers or more to submit annual reports “on all procurement goals and actual spending for minority-owned, women-owned, veteran-owned, and small business enterprises in the previous calendar year,” and the utilities' plan for implementing and realizing their goals for the following year.<sup>12</sup>

Since 2015, Ameren Illinois, ComEd, Illinois-American Water, Nicor Gas and Peoples Gas have submitted annual reports. Due to the energy focus of this report, the Illinois-American Water report was not analyzed.

In April 2017, utilities submitted reports for the 2016 diversity spend to the Commission. Chart A below illustrates the 2016 percentage of total dollars spent with MBEs, WBEs and VBEs for Ameren Illinois, Nicor Gas, Peoples Gas and ComEd. These numbers represent diversity spend regardless of the location of the business. ComEd and Nicor Gas have comparable percentages of MBE spend. ComEd has the highest percentage of WBE spend.

**Chart A: 2016 Percentage of Total Spend with Diverse Businesses by Utility**

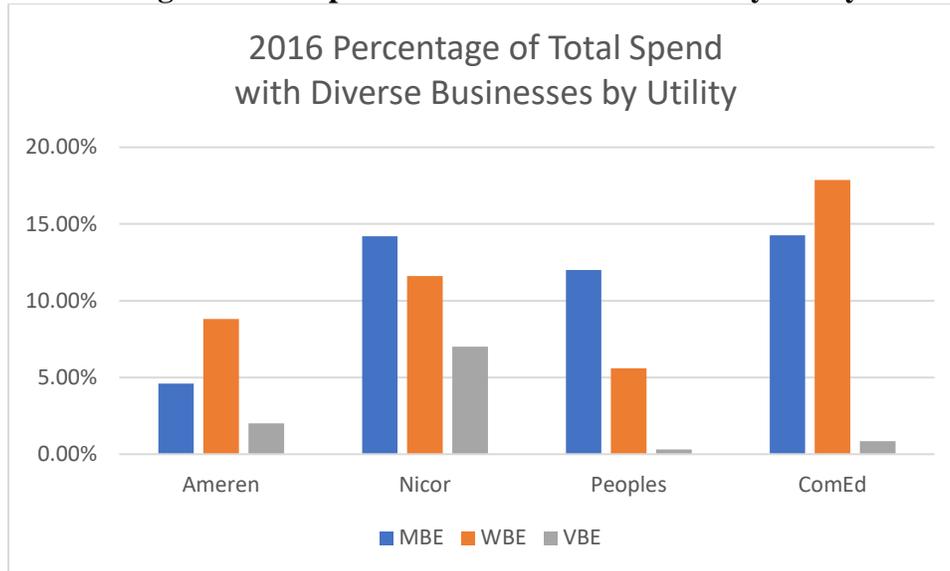


Chart B below illustrates the 2016 percentage of Illinois dollars spent with Illinois-based MBE, WBE and VBEs for Ameren Illinois, Nicor Gas and Peoples Gas, compared to total Illinois spend. ComEd did not break down their Illinois spend by category. Peoples Gas has the highest percentage of MBE spend. Ameren Illinois has the highest percentage of WBE and VBE spend.

<sup>12</sup> Public Utilities Act (220 ILCS 5/5-117).

**Chart B: 2016 Percentage of Illinois-Based Spend with Illinois-Based Diverse Businesses by Utility**

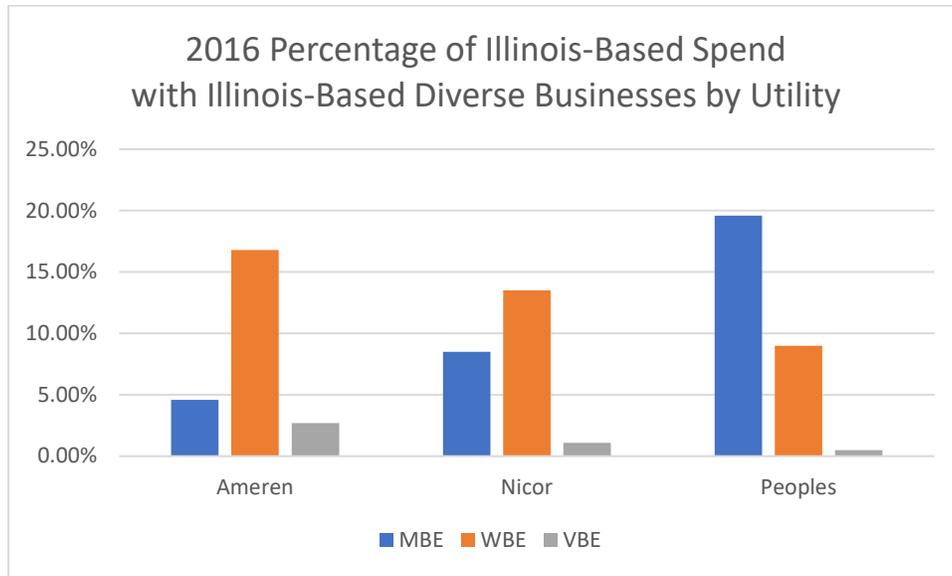
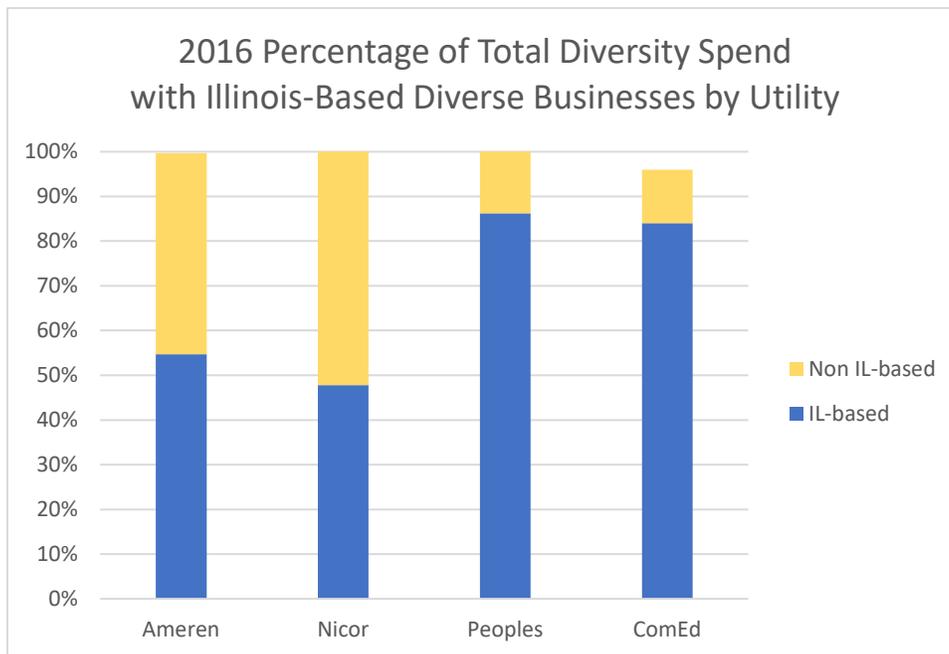


Chart C below illustrates the 2016 percentage of total diversity dollars spent with Illinois-based diverse businesses. Ameren Illinois spent 55 percent of its diversity dollars with Illinois-based diverse companies. Nicor Gas spent 48 percent of its diversity dollars with Illinois-based diverse companies. Peoples Gas and ComEd spent an impressive 86 percent and 84 percent, respectively.

**Chart C: 2016 Percentage of Total Diversity Spend with Illinois-Based Diverse Businesses by Utility**



When analyzing the information, it is also important to consider dollars. These numbers can be broken down by diverse category (MBE, WBE and VBE) for each utility:

- Ameren Illinois spent \$44.6 million with MBEs, but only \$15.6 million of that total was spent with Illinois-based MBEs. However, Ameren Illinois spent \$85.4 million with WBEs and

\$56.8 million of that total was spent with Illinois-based WBEs. Of the \$19.4 million spent with VBEs, \$9.3 million was spent with Illinois-based VBEs.

- Nicor Gas spent \$78.4 million with MBEs, but only \$25.7 million of that total was spent with Illinois-based MBEs. Nicor Gas also spent a greater percentage with Illinois-based WBEs. Of the \$63.8 million spent with WBEs, \$40.9 million was spent with Illinois-based WBEs. Of the \$3.9 million spent with VBEs, \$3.2 million was spent with Illinois-based VBEs.
- Peoples Gas' diversity spend was more favorable toward both Illinois-based MBEs and WBEs. Peoples Gas spent \$46.9 million with MBEs and \$40.6 million with Illinois-based MBEs. Peoples Gas spent \$21.8 million with WBEs and \$18.6 million of that total was spent with Illinois-based WBEs. Of \$1.1 million spent with VBEs, \$1.0 million was spent with Illinois-based VBEs.
- ComEd did not include this information in their report.

While considering the spend numbers, keep in mind Ameren Illinois spent \$975.6 million in 2016. Of that total spend, \$149 million of was spent with diverse businesses, \$81.7 million of that with Illinois-based diverse businesses and \$15.6 million of that was spent with Illinois-based MBEs (1.6 percent of total spend). Nicor Gas spent \$552.0 million in 2016. Of that total spend, \$146.1 million was spent with diverse businesses, \$69.8 million was spent with Illinois-based diverse businesses and \$25.7 million with Illinois-based MBEs (4.6 percent of total spend). Peoples Gas spent \$390.6 million in 2016. Of that total spend, \$69.8 million was spent with diverse businesses, \$60.2 million was spent with Illinois-based diverse businesses and \$40.6 million was spent with Illinois-based MBEs (10.4 percent of total spend).

#### **a. Creative Approaches**

Several creative approaches were identified in reviewing utility diversity reports in Illinois, including:

- Ameren Illinois offers business development scholarships for diverse business leaders to attend the prestigious Minority Business Executive Program at the Tuck School of Business at Dartmouth College in Hanover, New Hampshire.
- Nicor Gas is planning to hold its first annual "Rewards & Recognition" program to honor internal and external champions of the company's supplier diversity efforts.
- Senior Leadership at ComEd prioritizes the identification of development opportunities for new diversity-certified businesses.
- Peoples Gas hosts Supplier Diversity Symposia. These events go beyond the customary presentations of near and long-term procurement opportunities and networking sessions, including one-on-one sessions with supplier diversity personnel as well as with prime contractors.

#### **b. Challenges**

The utilities are required to include a section on "Challenges" in their annual diversity reports to the Commission. The utilities' report a number of challenges, including:

- Ameren Illinois noted the challenge of losing diverse businesses to acquisition. A large diverse business was acquired by a majority company and Ameren lost \$4 million dollars in diversity spend as a result. An additional concern is the fact that other programs with diversity goals create demands on the diverse businesses. In other words, there is competition for diverse businesses.

- Nicor Gas noted challenges including a limited number of firms with the required experience. Another challenge is that diverse businesses sometimes lack the cost-competitiveness and access to capital. Lastly, Nicor Gas noted a challenge is the reluctance of small businesses to go through the lengthy certification process. An interesting statement in the challenges section of the Nicor Gas report was: “As we seek to create opportunities to overcome these challenges, we must be mindful of intended consequences to our business.” The meaning of that statement is unclear and should be further explored.
- ComEd noted the primary challenges are safety and capital. Many diverse businesses have difficulty meeting the safety requirement and gaining access to capital needed. In noting the challenge of identifying diverse businesses, ComEd referenced the 2010 U.S. Census showing 16.3 percent Hispanic population but 5 percent Hispanic American-owned businesses. Similarly, the U.S. Census shows 14.7 percent African American population but 9.5 percent African American-owned businesses. Lastly, there is a challenge finding MBEs with electrical transmission experience.
- Peoples Gas noted capital constraints, a less than skilled workforce and difficulty meeting safety and operational requirements as challenges. Further, ownership changes, limited experience and the perceived threat of competition were also noted as challenges.

In all cases, the utilities shared challenges that seem to indicate the diverse supplier pool is not robust enough. Either there are not enough diverse companies, not enough qualified diverse companies or not enough diverse companies with the required capacity. All these challenges point to the need to have more programs that address and eliminate barriers and foster growth and development among diverse businesses in Illinois.

## Section 3: Profile of Notable Programs

### A. Successful Corporate Supplier Diversity Initiatives

DiversityInc conducts a voluntary 200-question survey of businesses with over 1,000 U.S. employees to arrive at the “Top 50 Companies for Diversity” each year. Over 1,800 companies participated in the 2017 survey. Based on the survey responses, other lists are compiled including “Top Companies for Supplier Diversity.”

The list usually identifies the top 10 companies, but the most recent list touts 13:

1. AT&T
2. Dell
3. Accenture
4. Hilton Worldwide
5. Comcast NBC Universal
6. Kaiser Permanente
7. Abbott
8. Messer Construction Co.
9. EY
10. Wyndham Worldwide
11. KPMG
12. Marriott International
13. Anthem

Companies on this list utilize established best practices to achieve higher percentages of both Tier I (direct contractor) and Tier II (subcontractor) procurement with vendors owned by women, Blacks, Latinos, Asians, American Indians, LGBT individuals, veterans, people with disabilities and veterans with disabilities. Best practices include:

- Integrating supplier diversity into corporate goals
- Having the CEO sign off on supplier-diversity results
- Auditing supplier-diversity numbers
- Ensuring suppliers are certified
- Linking procurement-management compensation to supplier-diversity goals

The Supplier Diversity Programs for AT&T and Accenture are summarized below as key examples.

#### 1. AT&T Supplier Diversity Program

AT&T spent \$14.2 billion with certified diverse suppliers in 2016. The diversity spend goals are the following: MBE – 15 percent; WBE – 5 percent and VBE – 1.5 percent. AT&T indicates that diverse businesses bring innovation and technology. Furthermore, AT&T believes by identifying and promoting diverse businesses they are able to deliver world-class products and services to meet customer needs. AT&T relies heavily on prime contractors to bring diverse businesses into the supply chain through subcontracts.

In addition to relying on prime contractors to bring in diverse businesses, AT&T has three diversity initiatives:

- a. An **executive scholarship** to provide small and medium diverse business leaders the opportunity to obtain high-quality executive education and training to enhance operational effectiveness;
- b. A **business growth accelerator program**, which is a course to help diverse businesses improve operations to win corporate contracts; and
- c. A **capacity building and technical assistance** to certified diverse businesses.

## 2. Accenture Supplier Diversity Program

Accenture believes diverse businesses allow the company to find best-in-class suppliers who bring innovative and cost-competitive solutions to the supply and value chain. Accenture achieved almost 30 percent diversity spend in 2016. Accenture has a Diverse Supplier Development Program (“DSDP”). The DSDP is a formal 12-18 month program that pairs senior Accenture executive “mentors” with diverse supplier “protégé” companies to help them grow their own business. As of 2016, 101 diverse suppliers have completed the program. The goal is to have 170 businesses complete the program by 2020. Graduates of DSDP have reported business growth and award recognition as a result of their participation. Accenture recognizes that developing diverse suppliers strengthens communities by creating more businesses, more jobs and supporting economic growth.

The common thread of these two programs is an investment in focused programs. Both AT&T and Accenture go beyond simply spending money with diverse businesses; both companies invest in the development and growth of diverse businesses. The saying “*Give a man a fish and he can eat for a day. Teach a man to fish and he can eat for a lifetime*” is applicable here: AT&T and Accenture are not only feeding, they are teaching. Both companies are providing diverse businesses with the tools needed for success through knowledge and connections.

### B. Successful Utility Diversity Initiatives

A number of utilities across the U.S. have received recognition for successful supplier diversity initiatives. For many of these utilities, it is not clear how the diversity initiatives impact energy efficiency, or if there are flow-down requirements on diversity for energy efficiency portfolios. Research does not clearly reveal a requirement addressing supplier diversity for energy efficiency portfolios. Such a connection would drive behavior and provide a fair share representation among the businesses deriving growth opportunities from energy efficiency portfolios.

Below are three lists of awards, presented to utilities by DiversityInc, Edison Electric Institute, and Border States Supply Chain Solutions for notable diversity programs. Pacific Gas and Electric Company (“PG&E”) out of California is highlighted below as a successful utility diversity program.

DiversityInc Top 7 Utilities for 2016:

1. Ameren Corporation
2. Exelon Corporation
3. DTE Energy
4. Sempra Energy
5. **Pacific Gas and Electric Company (“PG&E”), California**
6. Con Edison
7. KCP&L

## Edison Electric Institute (EEI) – 2016 Supplier Diversity Award Winners:

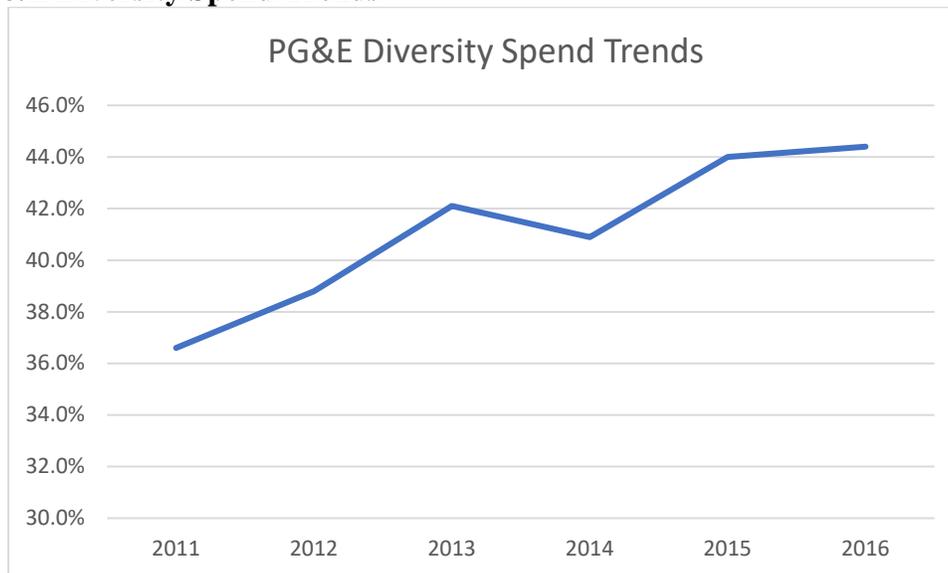
1. DTE Energy – Excellence Award
2. Georgia Power – Innovation Award
3. **PG&E – Diverse Supplier of the Year**

## Border States Supply Chain Solutions: Illustrations of Supplier Diversity Success (2014):

1. Alliant Energy Corp. (Madison, Wisconsin)
2. Entergy Corp. (New Orleans, Louisiana)
3. **PG&E**

As noted above, PG&E received accolades from all three awarding organizations in recent years. PG&E's most recent annual report reveals year over year growth in combined supplier diversity numbers. The MBE, WBE, and VBE spend have increased from 36.6 percent in 2011 to 44.4 percent in 2016. The growth of PG&E diversity spend is illustrated in Chart D below.

**Chart D: PG&E Diversity Spend Trends**



The increased spend and value add of a discounted certification shows PG&E's commitment to diverse supplier support and growth. PG&E recognizes that by working with diverse suppliers, the company is increasing economic opportunities in local communities and enhancing the quality of service PG&E provides to its customers. PG&E notes that the innovation and skills of the diverse suppliers are essential to meeting the evolving needs of their customers. PG&E recognizes employee excellence in supporting supplier diversity through their supplier chain diversity awards.

In addition to an annual report summarizing supplier diversity progress, PG&E takes a value-added approach to supplier diversity by providing their diverse suppliers with discounted ISO Certification Training. Research shows one barrier to entry to diverse businesses is ensuring sound business practices. In most cases, completing ISO certification is not mandatory, but it shows that a business takes its operations seriously. Specifically, the 9001/14001 certification combines business operations and environmental stewardship. PG&E offers a free introductory webinar to learn about the value of ISO certification and the competitive advantage it provides. The combined ISO 14001/ISO 9001 Certification is a sponsored, low-cost ISO certification training for diverse suppliers. The dual

certification training includes both ISO 14001 Environmental Standard and ISO 9001 Business Quality Standard at over 70 percent cost reduction.

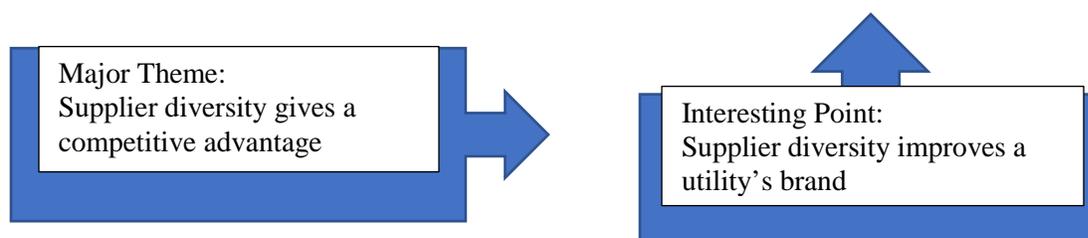
## Section 4: Findings

Research for this project included a literature review. The major theme woven throughout the review of articles and reports was the belief that workforce and supplier diversity are necessary for businesses to compete and grow. Findings include the belief that workforce and supplier diversity give businesses a competitive advantage. Workforce and supplier diversity increase opportunities for innovation and improve a utility's brand. Successful diversity programs include varying forms of support including technical support and financial support. Finally, successful diversity programs incorporate strategic evaluations and metrics. Details of the articles and white papers reviewed are provided in this section.

### A. Recent Articles on Diversity

#### 1. Border States Supply Chain Solutions<sup>13</sup>

Border States, headquartered in Fargo, North Dakota, is a wholesale electrical supply company that provides electrical utility, construction and industrial supplies. Chris Davis is a member of the Border States market management team responsible for growing sales and works with suppliers to develop stronger relationships. In a 2014 article titled 'Why is Supplier Diversity Important for Utilities,' Davis shared some insight.



One CEO noted that diversity was 'fun', as it builds energy and dynamics into the culture of the business. She indicates that in order to truly be diverse, a company needs to act as a chameleon; recognizing all vendors and customers are culturally unique.

Five benefits of supplier diversity programs for utilities are outlined in this article:

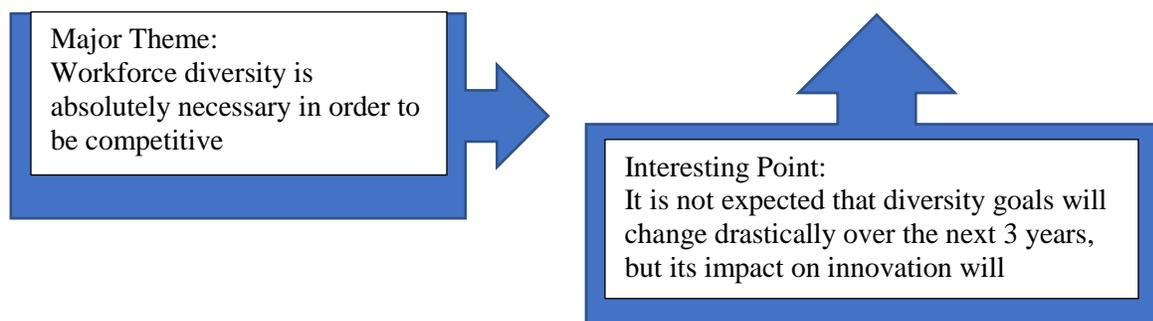
- a. Overall procurement costs are lowered due to an increased number of suppliers. The larger number of suppliers also increases the opportunity for innovation.
- b. Supplier diversity gives utilities a competitive advantage. Companies with a poor diversity record are unlikely to get new business.
- c. State and federal programs base funding decisions, in large part, on a company's supplier diversity history.
- d. Supplier diversity improves a utility company's brand. Both consumers and other businesses want to work with utilities that support diversity.
- e. By increasing the supplier base and reducing costs, businesses implementing supplier diversity improve the business' economic sustainability as well as that of the community at large.

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<sup>13</sup> Why is Supplier Diversity Important for Utilities; Illustrations of Supplier Diversity Success. Border States Supply Chain Solutions (July 2014). Available at: <https://solutions.borderstates.com/why-is-supplier-diversity-important-for-utilities/>.

## 2. Forbes Insights Survey

Forbes Insights conducted a study and one-on-one interviews on diversity. The survey included 321 executives responsible for their companies' inclusion and diversity programs. All respondents worked for large global enterprises with annual revenue in excess of \$500 million. The respondents were fairly evenly split between the Americas, Asia/Pacific and Europe/Middle East/Africa. The results are contained in a report titled *Global Diversity and Inclusion – Fostering Innovation Through a Diverse Workforce*.<sup>14</sup>



The Forbes survey identified six key findings:

- a. **Diversity is a key driver of innovation and is a critical component of being successful on a global scale.** A diverse workforce translates into diverse input and ideas that can lead to creativity and increased competitiveness. Furthermore, this diverse and inclusive input helps to ensure respectful representation of the cultural backgrounds of clients. By incorporating input from suppliers, staff and clients, the company can lessen the instances of embarrassing, hurtful and costly mistakes. This is even more important for companies doing or seeking to do global business.
- b. **A diverse and inclusive workforce is crucial for companies that want to attract and retain top talent.** High performing companies seek out diverse talent in various ways; attending minority job fairs, recruiting from predominant minority schools. Additionally, they focus on retention of diverse staff to attract diverse staff, and staff may be rewarded for recommending potential staff.
- c. **Nearly all respondents reported that their companies have diversity and inclusion strategies in place.** High performing companies respect that inclusion and diversity are a must to ensure competitiveness. Workplaces have formal and informal directives that reflect these strategies. These companies also focus not only on gender diversity, but ethnic, age and disability. Diversity/inclusion is a priority, rather than an afterthought for these companies.
- d. **Organization's diversity goals and priorities won't change significantly over the next three years.** While diversity goals and priorities may not change much over the next few years, the impact of diversity on innovation will. Larger companies are even customizing their diversity goals based on the regions/areas they serve; therefore, goals may be similar but specific to the culture in which they do business.
- e. **Responsibility for the success of company's diversity/inclusion efforts lies with senior management.** In high performing companies, upper level/senior management is well aware that the buck stops with them in ensuring diversity/inclusion strategies and programs are in

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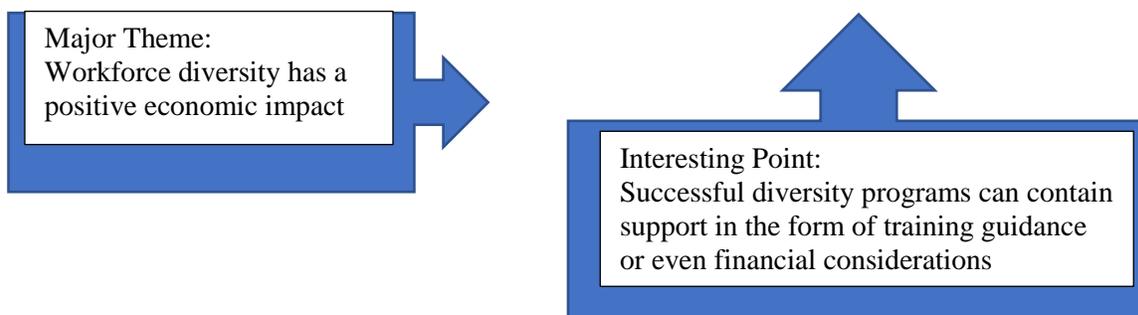
<sup>14</sup> Global Diversity and Inclusion – Fostering Innovation Through a Diverse Workforce. Forbes Insights. Available at: [http://images.forbes.com/forbesinsights/StudyPDFs/Innovation\\_Through\\_Diversity.pdf](http://images.forbes.com/forbesinsights/StudyPDFs/Innovation_Through_Diversity.pdf).

place and are effective. Their accountability is specific and often tied to their benefits/compensation. Companies may have in house committees, groups or departments (Human Resources) whose primary focus is diversity/inclusion, however, the final onus is on the senior management. Senior management most often uses measurable goals/objectives to ensure success and find areas of improvement.

- f. **Significant progress has been made to build and retain diverse workforces, but there are still some impediments to companies' efforts.** Inclusion/diversity initiatives is a fluid or ongoing process. Overall, progress has been steady and positive as it relates to recruitment and retention based on gender and ethnicity, however, work is yet to be done on recruiting and retention based on sexual orientation, disability and age.

### 3. Diversity Inc. Article

DiversityInc is a publication whose mission is to bring education and clarity to the business benefits of diversity. In a 2012 article titled *Taking Supplier Diversity to the Next Level*, DiversityInc staff explore how several companies with thriving diversity programs are making a significant economic impact.<sup>15</sup>



DiversityInc. identified nine best practices:

- a. **Have Top-Down Commitment.** CEOs personally sign off on supplier diversity goals. Companies audit their supplier diversity numbers and mandate that supplier diversity metrics be included in every RFP.
- b. **Set Metrics to Ensure Accountability.** High performing companies all audit their supplier diversity numbers and have the head of supplier diversity report to the chief of procurement to ensure compatibility.
- c. **Integrate Supplier Diversity Throughout the Organization.** All top performing companies put focus on making sure supplier diversity is addressed throughout the RFP processes. Most also provide internal supplier diversity training to stress the importance and answer questions.
- d. **Invest in MBE/WBE Education/Training.** High performing companies often sponsored select suppliers to attend executive-education programs or invested in suppliers to earn certifications. These companies found there was a measurable benefit in doing so, because inefficiencies were practically eliminated due to the training.
- e. **Share In-House Expertise with MBEs/WBEs.** Many larger companies have a system whereby their fiscal, accounting, industrial, etc. employees are made available to their MBEs/WBEs, for support and guidance.
- f. **Protect Your Investment, Provide Financial Support.** Many companies are now adjusting their payment terms from 45-90 days down to 30 days to help keep suppliers in business. Some

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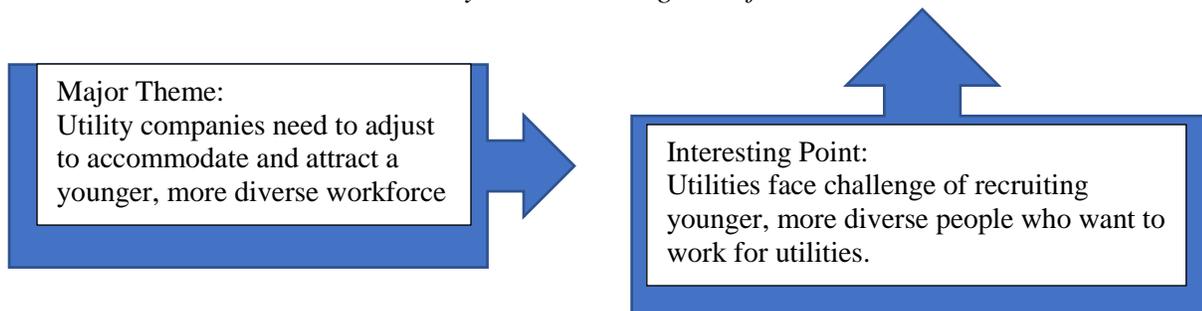
<sup>15</sup> Taking Supplier Diversity to the Next Level. DiversityInc, August 5, 2012. Available at: <http://www.diversityinc.com/supplier-diversity/taking-supplier-diversity-to-the-next-level/>.

even help coordinate small business loans for their MBEs/WBEs. Financial support, however, can also come in non-fiscal ways such as providing expertise.

- g. **Tap Suppliers for Solutions.** High performing companies listen to advice from their suppliers in an effort to improve relationships with both suppliers and customers. This advice may include cultural and geographic insights as well as strategic planning.
- h. **Consider Consortiums.** By bringing MBEs/WBEs together, they are a stronger force and able to seek out larger contracts and be a part of larger, more global opportunities. The idea being that the Consortium has more 'clout' than individual small suppliers.
- i. **Partner with Regional or Industry-Focused Groups.** High performing companies increase share information that helps suppliers move their businesses to the next level. Planning meetings, supplier-diversity summits, etc., are great opportunities for companies to gain more intimate knowledge of their diverse suppliers, in an effort to strengthen those relationships.

#### 4. Industry Dive Article

Industry Dive is a digital media outlet providing news, analysis and relevant updates to business professionals in multiple industries. Utility Dive is the segment of Industry Dive that focuses on utility issues related to transmission and distribution, generation, demand response and other topics. Shalina Chatlani is a journalist and was a Utility Dive news intern in 2016 when she wrote *Filling the Void: How Utilities Can Embrace Diversity in an Evolving Workforce*.<sup>16</sup>



A once older and less diverse workplace is being replaced by a more diverse workforce. Utility industry leaders recognize this trend and have focused their recruitment on retaining a workforce from diverse backgrounds (ethnicity, gender, sexual orientation, etc.). The US Bureau of Labor Statistics indicates that approximately 15 million Caucasians will move out of the workforce and will need to be replaced. Hispanics seem to be the largest group to fill these vacancies. To that end, it behooves companies to strategically recruit and retain new Hispanic workers. Further, over the next 7-10 years, the Caucasian population under 30 will be less than half of the nation's population. This would indicate that more minorities will be entering the workforce. This advances the notion that targeted diverse recruitment is a must for utility companies if they intend to thrive and be competitive. Within the utility sector alone, as of 2015, minorities represented about a third of the workforce. This data is up 10 percentage points since 2011.

As technology advances, workers will need to be proficient and remain up to date on the latest technology. Older workers often have difficulty embracing new technologies, whereas more tech savvy young adults blossom in learning and navigating new technologies. Some industry leaders point out, however, that utility companies may have difficulty finding young people who want to work in the utilities sector. One suggestion to entice millennials to the utilities industry is to hire millennials in the

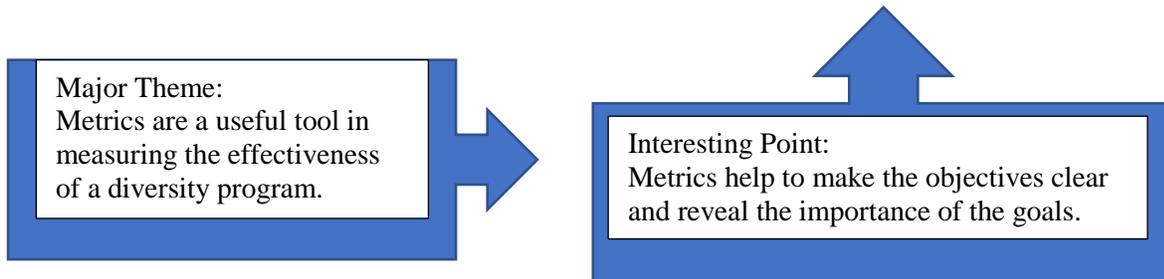
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<sup>16</sup> Filling the void: How utilities can embrace diversity in an evolving workforce. UtilityDIVE (August 2, 2016). Available at: <http://www.utilitydive.com/news/utility-industry-diversity-in-workforce/423628/>.

HR department. This may show potential employees that the company is youth-friendly. Another strategy is to invest in cutting edge technology; this too, shows potential staff that the company is forward thinking.

## 5. Cornell University Report

The Industrial and Labor Relations School at Cornell University investigates how diversity metrics are used to improve employee diversity. Similar metrics also translate to supplier diversity.<sup>17</sup>



Based on the Cornell study, it is understood that metrics allow for baseline creation and clear progress reporting. Metrics also make the objective clear. It is very important that diversity initiatives are clearly communicated and metrics make this possible.

The development of metrics allows for incorporation and inclusion. As metrics are being developed by leadership, all stakeholder departments should have input, suggestions and ideas. The development of the metrics sometimes helps identify issues and barriers, but the metrics reveal the importance of the initiative.

It is also pointed out in the Cornell Study that performance to metrics can be company-wide, departmental or individual. It is worth noting that emphasizing the importance of diversity and measuring performance at the departmental level can be beneficial because departments can have differing levels of opportunities. Additionally, having department level goals can be more manageable and foster diverse business engagement across sectors. On all levels, performance should be tracked and reviewed on a regular basis.

## B. Workforce and Supplier Diversity Initiatives

Research for this project included a review of existing workforce initiatives and supplier diversity initiatives. This section provides an overview of utility initiatives, state commission initiatives, local government/joint initiatives and other initiatives.

### 1. Utility Initiative Impacting Energy Efficiency: Con Edison

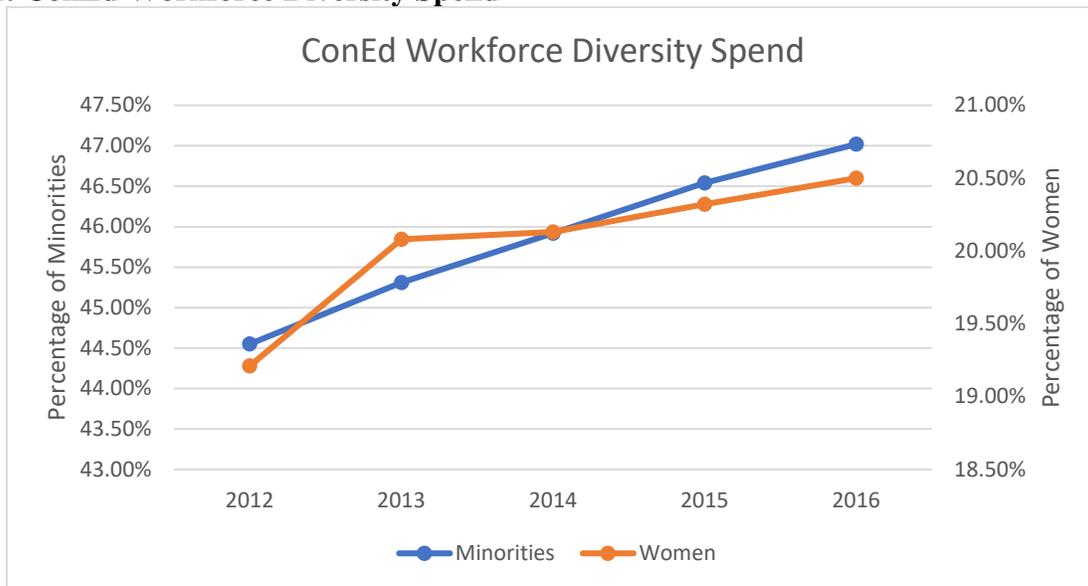
The Con Edison (“ConEd”) diversity model is based on the premise that the company can not only have a positive impact through its direct operational and supply chain activities but also that sustainability efforts can realize a multiplier effect through interaction with internal and external stakeholders. The ConEd initiative is a collaboration of their Supplier Diversity program, Public Affairs and Energy Efficiency departments. ConEd publishes a “Diversity Report” each year that captures the diversity of its workforce. A cornerstone of the ConEd Supplier Diversity program is

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<sup>17</sup> What Diversity Metrics are Best Used to Track and Improve Employee Diversity? Cornell University ILR School, Spring 2014. Available at: <http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1063&context=student>

company expenditures. Goods and services purchased from minority- and women-owned business enterprises totaled more than \$286 million in a recent report. Year over year, since 2012, the diverse percentage (minorities and women) of the workforce has grown. Chart E below summarizes the utility’s workforce diversity spend from 2012 to 2016.

**Chart E: ConEd Workforce Diversity Spend**



In addition to increasing company expenditures on diverse businesses, ConEd has championed three initiatives:

- a. ConEd partners with the non-profit organization Green City Force to develop a pipeline of employment for residents of the New York City Housing Projects to do energy efficiency related work. Minority-owned and women-owned business enterprises (“MWBES”) are making commitments to hire graduates of the Green City Force program and the first group of graduates has been hired.
- b. Working with the New York/New Jersey chapter of the National Minority Supplier Development Council, ConEd co-sponsored a major “Sustainability Summit.” This conference was organized with the purpose of identifying and promoting companies that foster a green supply chain and promote energy efficiency. Participants included representatives from major corporations, and investors interested in supporting the growth of companies in this field.
- c. The ConEd Supplier Diversity Program's collaborations with the company's Energy Efficiency group has resulted in contract opportunities for minority- and women-owned businesses that are reducing energy usage and energy costs for customers and creating jobs for community residents.

**2. State Commission Initiatives**

**a. California Public Utilities Commission**

In 2013, the California Public Utilities Commission (“CPUC”) directed the Investor-Owned Utilities (“IOUs”) to develop a comprehensive plan to address workforce issues in energy efficiency programs. The plan was based on two goals: energy savings as a primary goal and the inclusion of diverse and disadvantaged members of the community in the energy efficiency workforce as a secondary goal.

The process and the plan are addressed in the report *Workforce Issues and Energy Efficiency Programs: A Plan for California's Utilities*.<sup>18</sup> The plan identifies a three-pronged approach:

1. Contractor and workforce standards should be set;
2. Workforce education and training program should leverage current infrastructure, such as community colleges; and
3. Members of diverse and disadvantaged communities should be included in the plan.

The California plan explores the lack of supporting evidence that workforce standards should be established, but common sense suggests that poorly installed energy savings measures will yield less than optimal results. The concern is the advancement of energy efficiency will be compromised if the anticipated savings are not realized.

The plan further uncovers the concern that, due to various restraints, many post installation inspections simply verify the measure was installed and does not analyze the correctness of the installation.

Expanding the workforce and supplier pool is important, but doing so without addressing core concerns of standard and quality will be counter to the objective. The objective is to inclusively grow the workforce while increasing energy savings. To optimize, standards and training should be evaluated as the workforce and supplier pool grow.

In addition to the workforce plan, Public Utilities Code (“PU Code”) Section 8283 requires CPUC-regulated electrical, gas, water, wireless telecommunications service providers, and telephone corporations and their regulated subsidiaries and affiliates, with gross annual revenues exceeding \$25 million, to submit annual verifiable plans for increasing procurement with diverse businesses. The CPUC is responsible for verifying the status of applicants, reporting results of the program, and making recommendations to achieve maximum results in implementing legislative policy. PU Code, Section 910.3 mandates that the CPUC submit a report on procurement by September 1 of each year. General Order 156 requires each utility to establish goals for utility purchases of services, goods, and fuel as a percentage of total procurement.

The program promotes and monitors supplier diversity in utilities’ procurement and oversees a certification clearinghouse (the Supplier Clearinghouse). Utilities are encouraged to purchase at least 21.5 percent of their procurement from WMDVLGBTBEs (15 percent from minority-owned businesses, 5 percent from women-owned businesses, and 1.5 percent from disabled-veteran-owned businesses). At the moment, the program does not have a percentage target goal for LGBTBEs. The CPUC will review and make a determination on a LGBTBE program goal by 2021. Nevertheless, the utilities are strongly encouraged to include LGBTBEs in their procurement.

In the 2016 report to the legislature, it was reported that utility procurement spending on diverse suppliers increased from \$8.67 billion in 2014 to \$8.82 billion in 2015. The percentage of total utilities procurement from diverse suppliers in 2015 slightly decreased from 32.86 percent in 2014 to 32.36 percent. Additionally, the utilities overall exceeded the CPUC’s General Order 156 21.5 percent goal in 2015 and also met the minority-owned, women-owned, and disabled-veteran owned business enterprises goals. Utilities reported increased spending and percentages with WBE and DVBE in 2015; however, procurement with MBEs declined from \$5.82 billion (22.07 percent) in 2014 to \$5.58 billion (20.50 percent) in 2015. Southern California Gas Company (SoCalGas), Pacific Gas and Electric

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<sup>18</sup> Workforce Issues and Energy Efficiency Programs: A Plan for California's Utilities. University of California, Berkeley, May 8, 2014.

Company (PG&E), Southern California Edison (SCE), San Diego Gas and Electric (SDG&E) and Southwest Gas continue to spend over 40 percent of their procurement with diverse suppliers.

### **b. Maryland Public Service Commission**

The Maryland Public Service Commission’s “Public Conference 16” on Supplier Diversity<sup>19</sup> is aimed at providing women-, minority-, and service disabled veteran-owned businesses and not-for-profit organizations greater opportunities to participate in and compete for contracts and subcontracts with public utilities. The participating companies have signed Memoranda of Understanding (“MOU”) with the Commission that outlines a goal to award 25 percent of their total dollars spent on contracts, subcontracts and purchase orders (governed by the MOU) to diverse suppliers.

Of the 15 companies that filed reports in 2015, four of them met or exceeded that goal:

- Association of Maryland Pilots (42 percent)
- Potomac Edison (30 percent)
- AT&T (27 percent)
- Washington Gas Light (26 percent)

The Commission Staff’s Summary of the 2015 Maryland Supplier Diversity Program Annual Reporting in July 2016 shows MOU requirements include the filing of annual reports and annual plans (“reports” collectively), with the Commission, by each MOU Signatory. The Staff of the Public Service Commission prepares an annual report based on these filings. Twenty-five percent is an “aspirational goal.” Diverse spend by public utilities in Maryland has more than doubled since 2009, which was the year of the first report after the signing of the MOU.

## **3. Other Initiatives**

### **a. Edison Electric Institute Business Diversity Program**

For more than 32 years, EEI’s Business (“EEI”, formerly Supplier Diversity) Diversity Program has created opportunities for diverse businesses to take part in the growth of the electric utility industry. EEI and its members aim to establish long-term relationships with diverse suppliers who provide products and services that help the energy industry succeed in a highly competitive environment. EEI’s members continue to build close alliances with diverse suppliers, knowing that a business practice today will impact business development tomorrow. EEI holds an annual Business Diversity Conference and maintains a nationwide directory of supplier diversity contacts.

### **b. Emerald Cities Collaborative**

The Emerald Cities Collaborative (“EC”) is a national nonprofit network of organizations working together to advance a sustainable environment while creating “high-road” (sustainable, just and inclusive) economies with opportunities for all. ECC develops energy, green infrastructure and other sustainable development projects that not only contribute to the resilience of metropolitan regions but also ensure an equity stake for low-income communities of color in the green economy. This includes developing the economic infrastructure for family-supporting wages and career paths for residents of

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<sup>19</sup> See Admin Docket Number PC 16: <http://www.psc.state.md.us/search-results/?keyword=pc16&x.x=12&x.y=7&search=all&search=rulemaking>.

such communities, as well as contracting opportunities for women, minority and other disadvantaged businesses.

### c. **Green for All**

Green For All works to build an inclusive green economy strong enough to lift people out of poverty. The goal is to make sure people of color have a place and a voice in the climate movement. That neighborhoods are strong, resilient, and healthy. That as the clean energy economy grows, it brings jobs and opportunity to underserved communities.

## C. **Input from Diverse Suppliers**

A number of diverse businesses were contacted as part of the research completed for this report. Five businesses providing input agreed that the Illinois energy efficiency programs could and should have components that foster diverse business growth. The overarching sentiment was that the programs provide a revenue stream for businesses, but tend to cater to larger, majority-owned businesses. In addition, interviewees shared that the program dynamics lend themselves to corporations with large support teams in order to complete paperwork and meet process requirements, which results in a barrier to entry for smaller, diverse businesses.

Four key findings were identified from this input:

- 1. The largest issue with supplier diversity programs is the lack of consideration for size.** Many smaller diverse businesses put more emphasis on their skill, trade or core offerings. Many energy efficiency programs require administrative time that small businesses simply do not have. One example was a diverse company working to get a client an energy efficiency rebate. The company was told their application had to go into a queue behind other applications. The diverse businesses knew larger companies were doing more volume and were submitting more applications and did not feel it was fair to have to “stand in line” behind a larger company with multiple applications. A separate queue for small businesses would be helpful to resolve this issue. If a small company only has two projects, why should they have to wait for the utility to review the multiple applications submitted by a larger company? The larger company can pay someone to complete their applications while they are out capturing more market share, while the smaller company has to stop sales to complete paperwork due to lack of administrative support.
- 2. Diverse businesses are growing wary of “Vendor Diversity Fairs.”** At vendor fairs, businesses share their commitment to diversity and provide information about upcoming opportunities only to learn that large, non-diverse companies continue to win the work. Diverse businesses view vendor fairs as the utilities “checking a box” to be able to say they held an event promoting diversity. It was also noted that the presenters at diverse fairs seem to think that all diverse businesses are new businesses. An interviewee commented that it is insulting for someone who has been in business for 20 years to be told basic business information. Seasoned diverse businesses are looking for ways to win business from large companies, not necessarily to be told how to run their business.
- 3. Payment terms need to be clear and fair.** The idea of conducting work and not being paid for over 30 days is not acceptable to diverse businesses and does not acknowledge the fact that smaller, diverse businesses do not always have large cash reserves to carry costs for a month or more. The reserves that a smaller business has on hand need to cover payroll, equipment and

other business costs. Diverse businesses cannot “lend” the utility money without knowing when they will be paid back.

- 4. Diverse businesses want a seat at the table.** There are various energy committees, task forces and other stakeholder groups where diverse businesses want to share input. Participation in these meetings and discussions would be beneficial from a networking standpoint as well as a business development standpoint. Participation would also provide diverse businesses an opportunity to share innovative ideas with decision makers. Diverse businesses seem to be delegated only to “diversity” discussions and lack participation in the “mainstream” discussions. Diverse businesses have relevant information, expertise and experience to share on a wide variety of issues and should be invited to the conversation.

## Section 5: Recommendations

Further explanation of the some of the key recommendations provided earlier are described below.

1. **Illinois Energy Efficiency Program Administrators should have a focused plan to increase diverse business participation.** The utilities have plans for addressing and increasing diverse business participation, but the plans do not specifically address diverse spend for energy efficiency programs. The energy efficiency programs are funded by rate payers and the benefactors, in addition to those receiving rebates/grants/services, should reflect that ratepayer demographic.
2. **Diverse businesses should be invited to participate in diversity task forces and committees.** As energy efficiency programs move forward, there are forums, committees, and task forces with a focus on inclusion. More diverse businesses should have access to and be included in those conversations.
3. **Utilities should clearly report the diversity spend on the Energy Efficiency Programs.** The utilities break down their diversity spend in various ways in annual reports to the Commission, but a clear report of how the energy efficiency program funds impact diverse businesses should be provided as well. The utilities should specifically report their energy efficiency diverse spend and Illinois-based energy efficiency diverse spend with category breakdowns. Not every utility is currently reporting this level of information. In order to properly track progress, this information should be captured in the annual diversity reports to the Commission.
4. **Diversity spend should reflect the service territory.** Utilities set company goals for diversity spend and in many cases, the targets are increased year over year. When setting these goals, consideration should be given to the customer demographic of the service territory and to the demographic of businesses in the service territory.
5. **Illinois-based utilities should prioritize Illinois-based diverse businesses.** As utilities are funded by Illinois residents and businesses, their spend should give preference to Illinois-based businesses. This preference should also extend to Illinois-based diverse businesses.
6. **Illinois utilities should develop a plan to increase diversity spend.** A 5-10 year plan should be developed that calls for annual percentage increase with a goal of reaching a percentage that reflects the diversity in the state of Illinois. Research shows both short and long term planning is important to the sustainability of a diversity program. Mapping a 5-10 year plan will allow utilities to put proper measures in place to meet and exceed targets.
7. **Feedback and tracking is needed for diverse vendor fairs.** Results of utility diverse vendor fairs should capture participant feedback and track contract impact. Many events aimed at addressing the diverse business community are currently evaluated based on the number of attendees. For these events to have real value, they should also be evaluated based on resulting relationships, proposals and contracts.
8. **Diverse vendor fairs should include a networking component.** Vendor fairs should include a one-on-one networking component. If the events are simply presentations, it is generally not the best use of the diverse businesses' time. Presentations can be given remotely (online), if

needed. The true value in supplier diversity events is in the networking and the ability to connect with key decision makers. One-on-one conversations foster these connections.

9. **Trade Ally (contractor) listings should contain certification designations.** The utilities' trade ally listings should contain certification designations. Since the utilities already have listings of suppliers and vendors, the lists can be updated to include diverse certifications. This will add visibility and provide a source to search for diverse businesses. Diverse businesses report there is value in being "listed" as such.
10. **Develop a statewide database of diverse businesses.** Utility databases should be combined into a state-wide database listing diverse businesses. This will give one central location to find diverse businesses and make them easier to locate, compared to searching each utilities' database. It also lessens the administrative burden on diverse businesses registering with multiple utilities.
11. **Utility diversity goals should include recruiting new businesses.** Diversity goals should not only aim to increase spend with current contractors, but also have a component earmarked for diverse businesses who have not worked the utilities in the past. To grow diverse businesses, an effort should be made to add new diverse businesses to the utilities' portfolio of suppliers.
12. **Additional services should be offered to diverse businesses.** Free and/or discounted services should be offered to diverse businesses such as training, certifications, Building Operator Certification, etc. One challenge noted by utilities was the need for diverse businesses to be trained in a certain industry. To remove this barrier, the cost of training and certification should be reduced or removed.
13. **Diverse businesses should have a clear, protected method of reporting issues with diversity programs.** During interviews completed for this report, concerns were raised about having to meet the same requirements as large companies and having to "jump through hoops" to get business. A protected method of addressing these concerns would be helpful to advance the mission of increasing diverse business participation in Illinois.

## Section 6: Further Research

Given that this report was completed in a very short time frame, there are many additional areas of research that could inform and expand on findings and recommendations to increase diversity spend in Illinois. Four further research needs are summarized below.

1. **Interview Corporate Diversity Managers:** Instead of relying strictly on a literature review, it would be productive to interview utility diversity managers from notable corporate and utility programs to identify best practices.
2. **Interview Illinois Utility Energy Efficiency Directors and Diversity Departments:** Interviewing Illinois utilities would be helpful in assessing what efforts have been successful in the past that can be built upon. Interviews should include both utility energy efficiency directors and diversity departments.
3. **Meeting with the Illinois Commerce Commission:** The ICC now has a diversity department, the Office of Diversity and Community Affairs. It would be helpful to meet with the head of this department to better understand how the ICC can help foster diversity in energy efficiency spend through regulatory initiatives and leadership.
4. **Survey Illinois Professionals and Trades Who Have Participated in Energy Efficiency Programs:** A survey should be completed in Illinois to request comprehensive feedback on what efforts are working, barriers to participation, and recommendations for improvement.

## **Section 7: Conclusion**

The diversity spend by utilities in Illinois does not represent the minority population in the state. A roadmap for increasing job diversity in Illinois needs to be developed and socialized to build broad support from the Commission, utilities, stakeholders and affected parties. This roadmap should include timelines, concrete goals and strategies to accomplish those goals. Successes and barriers should be reported on an annual basis, at a minimum. The goal should be to increase workforce diversity and diverse business participation, especially Illinois-based diverse businesses, so that the energy efficiency workforce diversity mirrors the minority population of Illinois, which continues to climb.

Additional research is needed to complete this research effort, but the initial conclusion is that utilities have an opportunity and a duty to prioritize Illinois-based diverse businesses with energy efficiency portfolio budgets. Best practice research indicates this can and should be done.

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## **Appendix A: Certifying Agencies and Organizations**

Ameren Illinois recognizes the following certifying agencies:

- National Minority Supplier Development Council and its regional affiliates
- Women's Business Enterprise National Council and its regional affiliates
- Federal Government Certifying Agencies
- State Government Certifying Agencies
- Local Government Certifying Agencies

ComEd recognizes the following certifying agencies:

- National Minority Supplier Development Council and its regional affiliates
- Women's Business Enterprise National Council and its regional affiliates
- Associations for service veterans
- Federal Government Offices
- State Government Offices
- Local Government Offices
- Public Utility Commissions

Nicor Gas recognizes the following certifying agencies:

- National Minority Supplier Development Council and its regional affiliates
- Women's Business Enterprise National Council and its regional affiliates
- National Women Business Owners Corporation (NWBOC)
- U.S. Department of Veterans Affairs
- U.S. Small Business Administration's 8(a) Program
- U.S. Pan Asian-American Chamber of Commerce
- State and County Department of Transportation
- City certifications
- County certifications
- State certifications

Peoples Gas recognizes the following certifying agencies:

- National Minority Supplier Development Council and its regional affiliates
- Women's Business Enterprise National Council and its regional affiliates
- City of Chicago Certification and Compliance
- Cook County Illinois Office of Compliance Supplier Diversity Program
- State of Illinois Central Management Services Business Enterprise Program
- State of Illinois Department of Transportation Diversity Business Enterprise Program
- U.S. Department of Veteran Affairs VetBiz Program