



NARUC UMAP
*Expanding
Opportunities
&
Enhancing
Value*



A Message



As we are propelled and eagerly embrace the opportunities of the 21st century, familiar methods of doing business are becoming archaic. Comfort zones are disrupted and "business as usual" is no longer the norm. Innovation and creativity in a competitive market are the changing standards by which good business practices and profitability will be measured.

Participation in the economic structure which produces increased market efficiency and reliability of supply requires stretching the limits and boundaries of our old way of thinking and doing business. New concepts and creating enduring business partnerships with strategic alliances promotes growth, new markets, greater economic expansion, and healthy competition.

We have the unique opportunity to have a profound impact locally and nationally on an industry previously untapped, impact the economy, increase profits, generate better goods and services, and provide overall good business practices. And to this end, these voluntary standards have been created to bring about positive change. We hope that the Commissions and Utilities throughout the country will embrace these efforts and standards in order to make this a better society where all communities have an opportunity to participate in the economic mainstream.

Chair

Harold D. Williams, Maryland Public Service Commission



Based on my experience as a utility executive, as a CEO of private sector firms, and now as President of the California Public Utilities Commission and vice-chair of UMAP, I believe supplier diversity is good public policy and good business practice. It improves our economy, our workplace, our neighborhoods and our democratic institutions.

Vice-Chair

Michael R. Peevey, President, California Public Utilities Commission

Mission Statement

To increase market efficiency, reliability of supply, and to demonstrate the economic value brought to the market by WMBE companies, by increasing the knowledge of the significance of regulatory processes and sharing information between regulators, WMBEs and other industry participants, thus alleviating market entry impediments and enhancing opportunities for all participants in the electricity, gas, telecommunications, and water industries. Also, to identify opportunities for WMBEs when mergers, acquisitions and divestitures occur.

Board of Directors

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- Harold D. Williams, Maryland Public Service Commission

Vice-Chair

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- Clarence D. Rogers, Commissioner, Public Utilities Commission of Ohio

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- Stan Wise, Commissioner, Georgia Public Service Commission; President, NARUC

Department of Energy

- Christopher Freitas, Program Manager, Office of Natural Gas & Petroleum Technology, DOE
- Peter Lagiovane, Natural Gas Analyst, DOE

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- Katrina Gedmintas-Shuman, Director of Strategic Sourcing, SCANA Corporation
- James De Graffenreid, Chairman & CEO, Chairman and CEO, Washington Gas
- Shawn Farrar, Director, Diverse Business Enterprises, Sempra Energy
- Barrett Hatches, President & CEO, NIPSCO
- Tamara J. Walden, Representative, Williams
- Daniel Packer, President & CEO, Entergy Service, Inc.
- Angel M. Cartagena, Jr., President, Cartagena & Associates, LLC
- Joy Crichlow, Director, Minority and Women Business Enterprise, Consolidated Edison of New York
- Joan Kerr, Executive Director of Supplier Diversity Program, SBC
- Brett Perlman, Managing Partner, Vector Advisors
- Jeff Thorsen, Supplier Diversity Manager, Sempra Energy

Members at Large

- Julia Johnson, Founder, Net Communication
- Gwen Moore, President & CEO, GEM Communication Group
- Ignacio Urrabazo Jr., President, Commerce Bank

Consultant

- Fran Sevel, Consumer Affairs Program Manager, National Regulatory Research Institute, Ohio State University
- E. Leon Jacobs, Jr., Attorney-At-Law
- Ed Holmes, President, EHI Consultants

WMBE

- Karl Butler, President & CEO, ICC Energy Corporation
- Jerry Curry, President & CEO, Victoria International, LTD
- Will Johnson, President, Visage Energy
- Ezekial Patten, President & CEO, Patten Energy Enterprises
- Tamara J. Walden, President, Walden Energy
- Emil Peña, President & CEO, Generation Power
- Amy Gasca, Founder, AmPro Energy
- Enrique Javier Loya, President and Chief executive officer, CHOICE! Energy
- Andrew Barrett, Managing Director, The Barrett Group, Inc.

NARUC Staff

- Charles Gray, Executive Director, NARUC
- Andrew Spahn, Director, Grants and Research, NARUC
- Tamara Rohrer, Program Coordinator, Grants & Research, NARUC

DOE Minority Business Roundtable Organized

1994-1996

Purpose:

- To Reduce Energy Market-Place Impediments for Women & Minority Owned Businesses (WMBE);
- Level the Playing Field.
- MOU Signed by 21 Companies - Major Energy Companies, WMBEs, Banks, and Agencies.
- WMBE Businesses in Energy are Underutilized and Undercapitalized.
- Sempra Energy Chevron/Amoco/Union Bank/Visage Create Funds Transfer Agent Agreement (FTAA) to Facilitate WMBE Gas Deals.

DOE WMBE Roundtable Progresses

1997-2000

- DOE and GISB Greatly Expand FTAA: FTAA Adapted For Nationwide Use = Funds Transfer Agent Agreement (FTAA).
- Federal Reserve – Gives Banks CRA Credits for Use of FTAA.
- DOE Roundtable Explores Market Strategies for WMBEs Nationwide.
- DOE Begins Dialogue With GSA and Other Federal Departments to Expand WMBE Opportunities.

NARUC/DOE Energy Market Access Partnership (EMAP)

2000-2003

- NARUC EMAP Board Includes Commissioners, Utility Executives, Diverse Businesses, and Agencies.
- Focus: Leveling the Playing Field.
- Accomplishments:
 - EMAP/DOE/NAESB Create Power FTAA;
 - EMAP Regional Meetings Promote Supplier Diversity in: LA, Seattle, Houston, Chicago, Orlando, DC, Atlanta, and Others;
 - EMAP Proposes National Supplier Diversity Resolution;
 - Resolution Passes & Adopted.

NARUC Utility Market Access Partnership (UMAP)

2004

- EMAP Expands to UMAP to include Electricity, Gas, Water and Telecom Industries.
- UMAP Discusses Standards & Develops Draft National Model of Diverse Business Enterprise (DBE) Program.
- UMAP Adopts Model Standards
- UMAP Next Steps:
 - Creation of Marketing Plan
 - Creation of Communication Plan
 - Program Implementation

Resolution Adopting the DOE/NARUC Utility Market Access Partnership Board Market Access Standards for Utilization by State Utility Commissions

WHEREAS, The Department of Energy (DOE) Natural Gas Market Access Program for Women and Minority Business Enterprises (WMBE) was expanded to include the National Association of Regulatory Utility Commissioners (NARUC) and unanimously approved by the NARUC Board of Directors on February 28, 2001; and

WHEREAS, The DOE/NARUC Energy Market Access Partnership (EMAP) Board, comprised of State utility commissioners, utility industry leaders, WMBE members, the DOE officials and other individuals, has been established and meets to encourage a greater utilization and inclusion of women and minority businesses in all utility industries by developing a set of policies and principles that can be used in guiding the efforts and intent of the original resolution adopted in November 1999; and

WHEREAS, A women and/or minority-owned business is defined as an enterprise that is at least 51% owned by a woman or women or by a minority individual or group, with management and daily business operations controlled by one or more of those individuals; and

WHEREAS, The EMAP Board, in conjunction with NARUC and The National Regulatory Research Institute (NRRI) developed a document entitled "DOE/NARUC Energy Market Access Partnership Board Strategy" that identified issues, constraints and barriers that WMBE companies face in the marketplace; and

WHEREAS, The EMAP board has expanded its focus to reach beyond gas markets to include electricity, water and telecommunication sectors and the procurement of all goods and services provided to utility companies, and have changed the name to Utility Market Access Partnership (UMAP) to reflect this change; and

WHEREAS, Many Federal, State, local governmental agencies and private businesses have promulgated laws, rules, policies and programs designed to improve and increase the procurement opportunities for women and minorities and are reporting success in these opportunities; and

WHEREAS, A reliable, competitive, and efficient utility industry that fully utilizes all market segments, including Diverse Business Enterprises, can be established through increasing knowledge of the significance of regulatory and entrepreneurial factors; and

WHEREAS, The UMAP in conjunction with utility representatives from electricity, water, gas, and telecommunication developed a document entitled "Utility Market Access Partnership (UMAP) Strategy" which includes model standards that encourage commissions and Utilities to maximize opportunities for DBE supplier participation, promote voluntary utility market participation in DBE supplier development programs; now therefore be it

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened at its March 2004 Winter Meetings in Washington, D.C., recommends the Model Market Access Standards as a voluntary guide to State commissions and Utilities to improve and increase the procurement opportunities of women and minority businesses.



"California American Water considers diversity to link directly to our business strategy because it increases our ability to attract and retain the best workforce talent, it leverages upon diverse perspectives when solving increasingly complex business issues, and it enhances opportunities for partnership and growth with our communities in an increasingly diverse marketplace."

Paul G. Townsley
President, California American Water



"In 2003, the Sempra Energy Companies spent \$180 million with Diverse Business Enterprises (DBE) Suppliers, or 22% of our goods and services. Sempra also purchased more than \$240 million in natural gas from DBEs."

These diverse businesses are more adaptable to change and can help us reduce costs, bring innovation and provide customers with the best products and services at competitive prices."

Shawn Farrar
Director,
Diverse Business Enterprises
Sempra Energy



"Diversity is a part and parcel of our corporate culture. It is in the DNA of SBC. Our vision of diversity encompasses five key areas, key areas that we think are very important ingredients to the commitment to this wonderful program: corporate governance, philanthropy, marketing, our workforce and our suppliers. Diversity promotes an "anything is possible" environment where employees have access to a variety of opportunities for career development and advancement. This philosophy ensures that we're connected with our customers, our communities, and it allows us to truly know, understand and serve them in ways that matters most to them."

Chuck Smith
President & CEO
SBC Operations – Western Region

Purpose and Rationale

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

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

NARUC Policy on UMAP Strategies for Growth of Diverse Business Enterprises

NARUC will encourage:

- Commissions and Utilities to increase opportunities for DBE supplier participation in all procurement categories.
- The promotion of Utility marketplace participation in DBE supplier development.
- The adoption and implementation of Supplier Diversity Standards and Practices that support market access strategic initiatives in each State.
- Utilities to review their current contractual commitments and amend or expand procurement outreach practices and supply chain strategies.
- Commissions and Utilities to examine best practices for DBE inclusion, identify market barriers preventing DBEs from participating in all procurement categories, and identify ways to overcome them.
- Commissions to adopt reporting guidelines to monitor supplier diversity achievements within each Utility.

MODEL for Implementation of the DBE Market Access Standards

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

- 1** Utilities should create policies to establish annual numerical goals to increase DBE participation. Numerical goals are typical in Diverse Business Enterprise Programs. Regarding fuels, purchase power, and water purchases, Commissions and Utilities may consider establishing and reporting separate expense accounting, goals and plans.**
- 2** Commissions should strive for uniform reporting formats and requirements across Utilities to provide fair comparisons of DBE achievements.
- 3** Each State may establish a utility revenue threshold to determine reporting feasibility.
- 4** Suppliers should be certified as a minority- or women- owned business via officially recognized agencies. ***
- 5** Utilities and Commissions should consider allocating dedicated staff to support the development of the DBE Supplier Diversity Program.
- 6** Utilities should consider establishing management and procurement staff training on supplier diversity as well as policies and procedures to increase DBE utilization.
- 7** Utilities should consider placing Subcontracting language in all products and services contracts over \$500,000 and all construction contracts over \$1,000,000.

- 8 Utilities should consider developing DBE outreach programs, including education, mentoring and supplier development.
- 9 Commissions should request Utilities to provide quantifiable and verifiable numerical utilization results and a progress report on an annual basis. Future Plans to increase DBE utilization should also be included. These annual reports will include non-proprietary data and be available to the public.
- 10 Commissions, in collaboration with Utilities, should consider establishing a DBE Market Access Advisory Committee to provide ongoing oversight, support and recognition.
- 11 Commissions should consider, at a minimum, conducting annual information workshops to evaluate utility progress on DBE utilization. These workshops will include input from DBE businesses, Utilities and other stakeholders.
- 12 Commissions will be invited to report on the State of DBE programs, results, and plans in their region at NARUC's Annual Convention.
- 13 NARUC will provide an annual forum through UMAP for Commissions to recommend recognition of Utilities with exceptional supplier diversity progress and accomplishments.

***For instance, California Public Utilities Commission General Order 156, Section 8.2 details Utility Procurement goals of overall 21.5%, of which 15% is with minority-owned businesses, 5% with women-owned businesses and 1.5% with Service Disabled Veteran-owned Businesses. The State of Maryland's goal is overall 25% of minority-owned businesses, of which 10% is with women-owned businesses and 7% is with African American-owned businesses. Annotated Code of Maryland, State, Finance and Procurement Article, Section 14-302, p. 354. 2001 Replacement Volume.*

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

Background on Supplier Diversity Programs Nationwide

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

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

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

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



The Business Case For Supplier Diversity

Customers

- Diverse Business Enterprises (DBE) Are a Catalyst for Change
- Expanding the Supply Chain Creates Competition: Driving Quality Up and Costs Down

Utilities

Utilities Can Gain Competitiveness By Utilizing DBE's Advantages

- Better Business Solutions
- Increased Community/Customer Loyalty
- Enhanced Revenue Generation
- Public Policy Support
- Flexibility and Innovation

Communities

- Diverse Businesses Grow, Develop and Hire in Community
- Community and DBE Advisory Panels Gives Input to Senior Management

Suppliers

- Grow Quickly Through Mentoring
- Get New Tools Through Education and Technical Assistance
- Supplier Growth Multiplies Regional Economic Growth

Utility Business Case Examples:

- **Infrastructure costs lowered 7% per year**
- **Saved \$2.5M annually on computer related goods**
- **DBE's first adoption of reverse auction lowers construction costs.**
- **Reduced electrical components costs by 13%**
- **Gained 120,000 customers back in a win-back program**



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