

**Via E-File (Public Version Only) and Overnight Delivery**

March 29, 2013

Mr. David J. Collins  
Executive Secretary  
Maryland Public Service Commission  
William Donald Schaefer Tower  
6 St. Paul Street 16<sup>th</sup> Floor  
Baltimore, MD 21202

ML# \_\_\_\_\_

***Re: Columbia Gas of Maryland Inc. – 2012 Supplier Diversity Report***

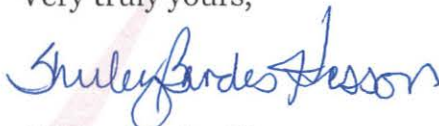
Dear Mr. Collins,

On January 26, 2010, Columbia Gas of Maryland, Inc. ("Columbia") entered into a Model Memorandum of Understanding ("MOU") with the Maryland Public Service Commission ("Commission"). Paragraph 6 of the MOU requires Columbia to file an annual report by March 31 of each year. In compliance with the MOU, Columbia encloses for filing its 2012 Supplier Diversity Report.

The filing includes: 1) an original and seventeen copies of the Public Version; and 2) an original, ten copies, and a CD Rom marked "Confidential" of the Confidential Version. Attachments B and D of the report contain confidential data and are labeled accordingly.

I may be reached by email at [sbardes@NiSource.com](mailto:sbardes@NiSource.com) or by telephone at 724-416-6310 if any questions arise regarding this filing.

Very truly yours,



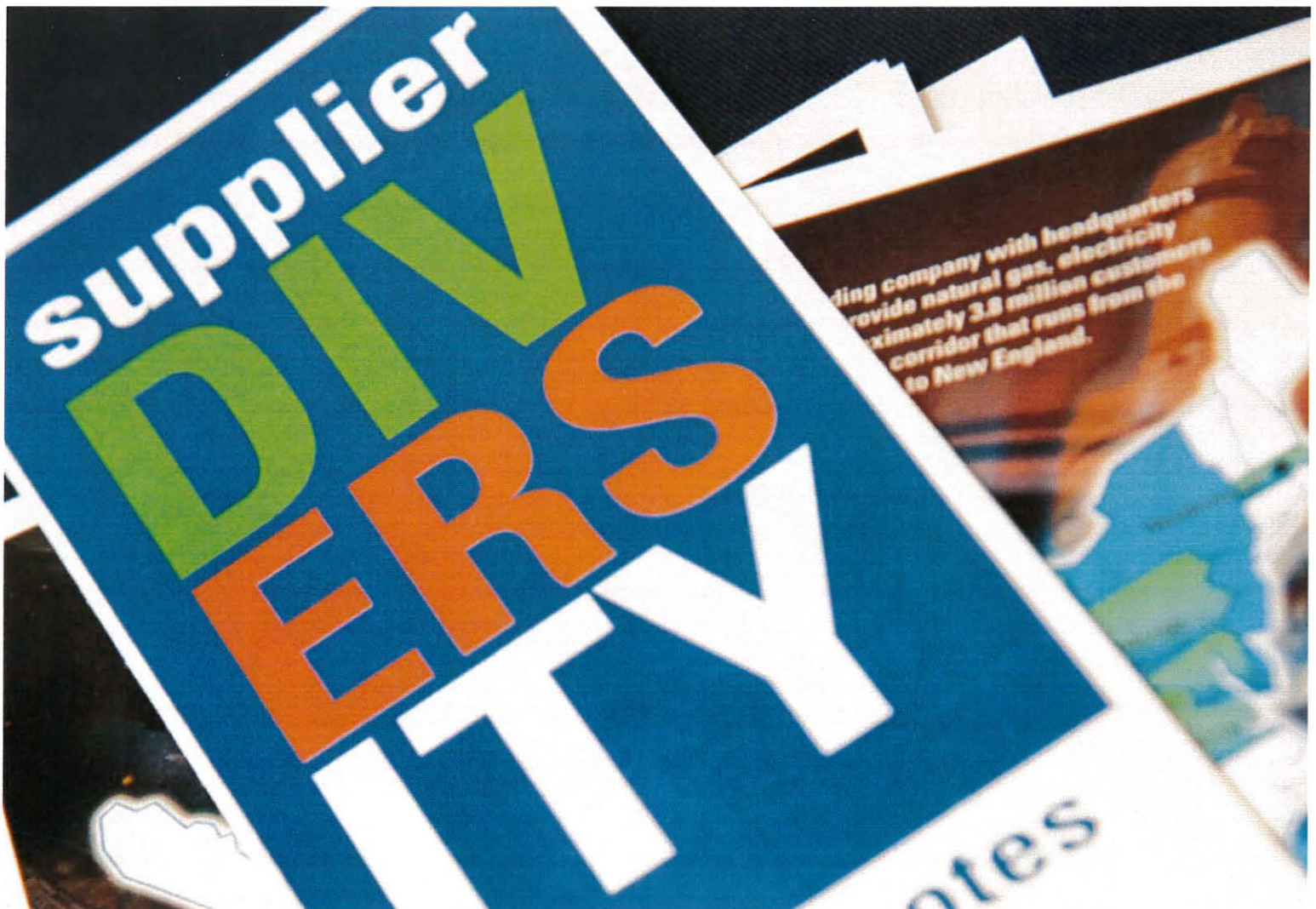
Shirley Bardes Hasson  
Manager, Regulatory Policy

Enclosures

## 2012 Supplier Diversity Annual Report

**Presented to:**  
Public Service Commission of Maryland

**March 29, 2013**





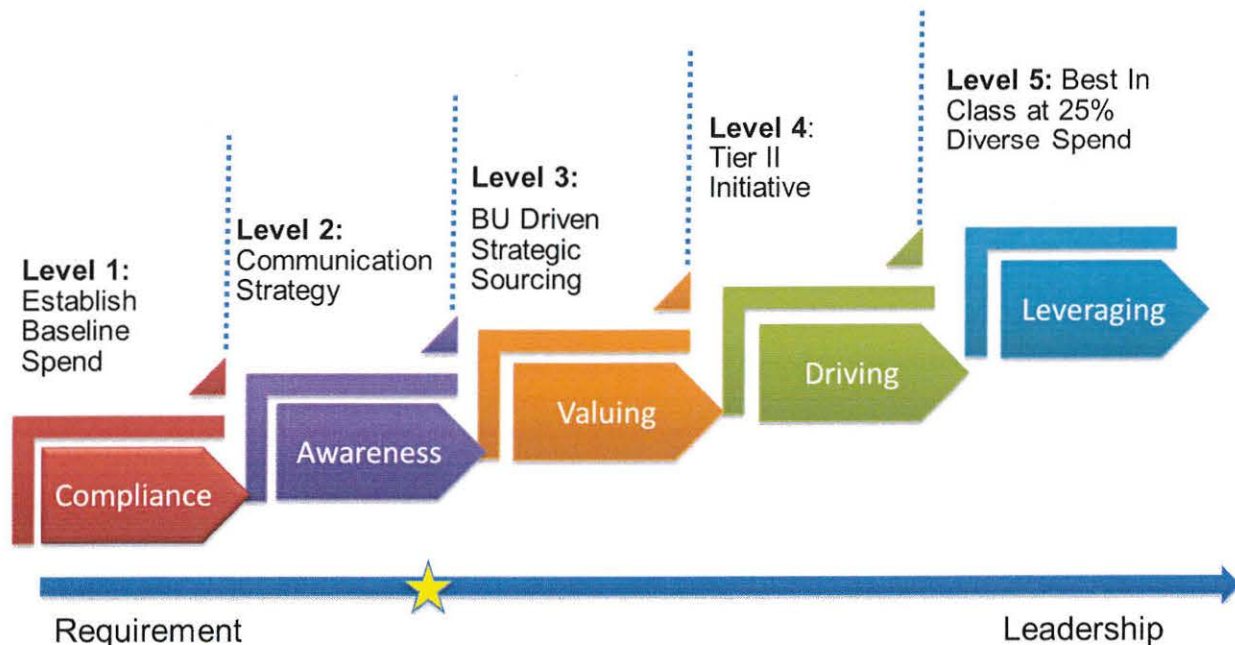
## Executive Summary

Columbia Gas of Maryland, Inc. ("Columbia"), hereby submits its "Annual Report" for Calendar Year 2012 pursuant to the State of Maryland Public Services Commission Memorandum of Understanding (MOU) signed on January 26, 2010.

Columbia focused on developing performance measures and base lining activities throughout 2011. Columbia is creating cultural progression to integrate supplier diversity. Using the "gold standard" of best practices in supplier development from the National Minority Supplier Development Council and leveraging practical applications of best practices from fellow Maryland utilities, Columbia presents its 2012 report of activities and achievements.

This report provides insight to the dedicated work toward building and strengthening Columbia's Supplier Diversity Program.

## Cultural Progression to Integrated Supplier Diversity



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2. Operating Company President Letter of Commitment
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4. Attachment A2 Report of NAICS Codes
5. Attachment A3 Report of Goal Comparison
6. Attachment B Report of Program Expenses
7. Attachment C Report of Complaints
8. Attachment D Report of Vendor Contracts

## Program Overview

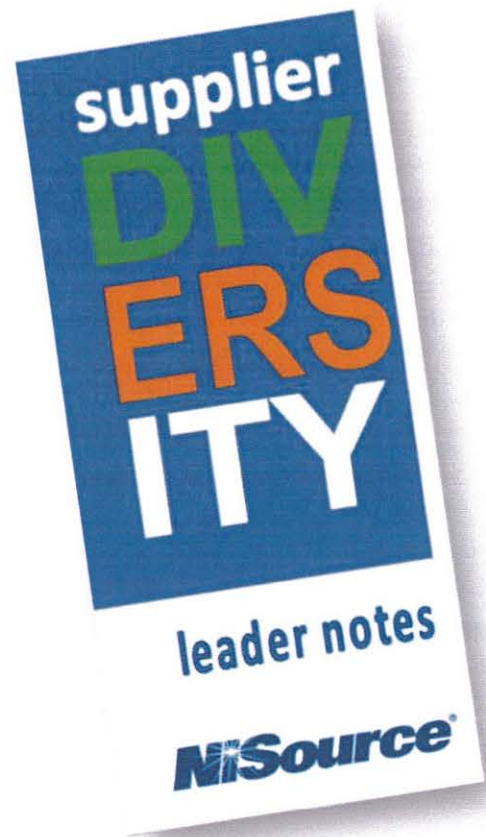
Columbia is committed to an engaged, aligned and transparent sustainability approach through education, advocacy and outreach. Columbia is one of nine energy distribution companies under the NiSource family of companies. The vision of NiSource is to build America's premier regulated energy company, and Supplier Diversity is a key part of that effort.

Columbia is committed to proactively identifying and building relationships with diverse suppliers who help us to harness innovative ideas and processes, gain competitive advantage and assist in building community infrastructure through employment and training. Through education, outreach and advocacy, we aspire to be best-in-class and regarded for supplier diversity and community economic inclusion.

NiSource launched Supplier Diversity in 2009 with a fundamental approach of aligned and sustainable business process improvements. Categorizing our existing supplier base resulted in capturing \$15 million dollars of diverse spend and set the baseline. A year later, diverse spend increased threefold. In 2011, spend with diverse suppliers exceeded \$60 million in direct spend which is a 55% increase from 2010. Focusing both on capacity building with existing suppliers and adding new suppliers to the pipeline, allowed us to achieve \$75.7 million in direct diverse spend for 2012. We increased the number of pre-qualified diverse suppliers in our supply chain base by 20%.

A solid program foundation is important to sustaining year-over-year growth. Columbia was able to maintain a diverse spend goal of 1.5% for 2012, a repeat of the prior year's goal. This was achieved despite a significant contract with a diverse supplier ending in the fourth quarter of 2011. The spend goal was met and accomplished by completing program activities as outlined in the report.

Within three years, NiSource decision makers across multiple states are strategically aligning, increasing responsibility and



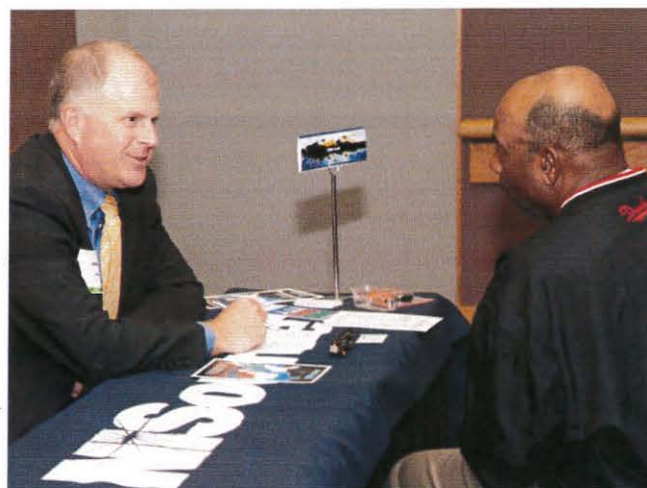


investing in changing the way we interact and engage suppliers – an indicator of our commitment and success.

NiSource executive leadership, business unit decision makers and suppliers continue to receive new and exciting information about the impact supplier diversity is making in our communities.

NiSource CEO, Bob Skaggs, endorsed the program with a letter of commitment posted on the internal and external company websites. Mark Kempic, President of Columbia Gas of Pennsylvania/Maryland, affirmed the program with a letter of commitment on the Columbia website. Other website features include diversity program information, supplier registration and our calendar of outreach events. We encourage suppliers to attend these publicized events for an opportunity to network face-to-face with decision makers.

Annually, NiSource partners with other utility companies to hold a diverse supplier invitational event. This networking event helps clear barriers suppliers typically encounter in registering as a new supplier. This event provides supplier exposure to procurement representatives, executive leaders, and other key operations decision makers allowing them to meet face to face and develop and enhance strategic business relationships. NiSource is always looking for new ways to improve alignment with employees, customers, community, and stakeholders.



## Program Activities Internal

### VISIBLE LEADERSHIP

#### A. Executive Commitment

1. NiSource CEO statement of commitment to supplier diversity published on internal and external websites. (page 11)
2. Columbia President statement of commitment to supplier diversity posted on external website. (page 12)
3. Corporate diversity program presented to NiSource board members.
4. Corporate diversity plan is reviewed by senior executive management.

#### B. Committed Resources

1. Dedicated Supplier Diversity Manager and budget to support activities.
2. Additional resources were identified to better analyze diverse spend.

C. Focused Training and Education

1. Procurement teams and business unit decision makers received training to access and leverage existing diversity supplier information.
2. NiSource Supplier Diversity Policy approved and posted on the internal company website and communicated to employees via news articles and reviewed with leadership.
3. Employees receive education and exposure of supplier diversity through Inclusion and Diversity Councils across the organization.

D. Improve Access and Quality of Information

1. Continue to expand the internal Supplier Directory database and identify diversity ownership, NAICS Code identification, and third party certification as outlined in MOU.
2. Identify and classify suppliers that comprise 80% of direct, sourceable spend; improving the ability to report on:
  - NAICS Code: 6 digit
  - diverse business classification(s)
  - Signed affidavit of self-certification
  - Third party certification

Internal and external websites include supplier pages and supplier diversity activities.

E. Process Improvements

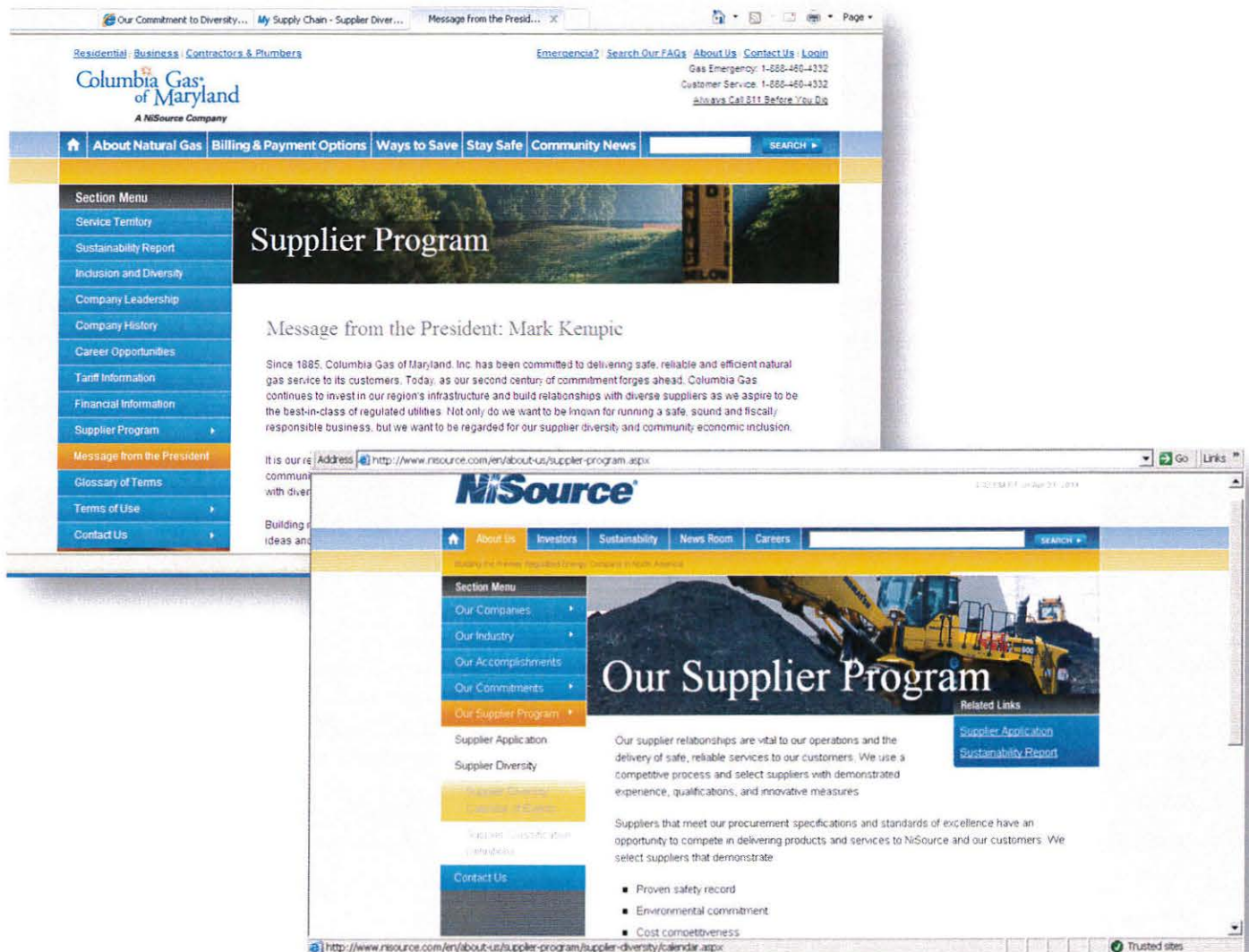
1. Bid process includes identification of diverse suppliers invited to bid and requires reason for exception.





## Program Activities External

- A. Supplier registration available online via website.
- B. Supplier registration communicated on websites and supplier diversity brochure.
- C. Access to Columbia Memorandum of Understanding via [www.ColumbiaGasMD.com](http://www.ColumbiaGasMD.com)
- D. External website includes supplier pages, statement of commitment by company President and supplier diversity information.
- E. Supplier Diversity events and opportunities communicated via website and promotional materials.
- F. Contributed a list of third party-certified diverse suppliers to the Maryland DC Utility Forum so member utilities could identify additional suppliers with utility knowledge.





## MEMBERSHIPS

- National Minority Supplier Development Council (NMSDC) – corporate member
  - NMSDC – Utility Industry Group member
  - Maryland DC Minority Supplier Development Council
  - Northern Ohio Minority Supplier Development Council
  - Western Pennsylvania Minority Supplier Development Council
  - South Central Ohio Minority Supplier Development Council
  - Indiana Minority Supplier Development Council
  - Chicago Minority Supplier Development Council
- Indiana Energy Association – Supplier Diversity Subcommittee
- Ohio G.A.T.E. (Gaining Access Through Economics) – Supplier Diversity Manager serves as President of the organization created to enhance business opportunities between diverse businesses and regulated utilities in Ohio
- Edison Electric Institute - Supplier Diversity Committee
- Various Chambers of Commerce
- Maryland DC Utility Forum on Supplier Diversity

## Diverse Supplier Complaints

Columbia has received no complaints regarding its supplier diversity program for calendar year 2012.



## Recruiting Diverse Suppliers

Columbia partners with advocacy organizations and affinity groups to provide visibility at outreach events. Linking diverse suppliers with procurement, leadership and front-line decision makers increases the pool of candidates to be considered for upcoming opportunities.

We identify diverse suppliers via industry referrals, affinity group databases and outreach events with advocacy organizations. Columbia has a supplier database which identifies diverse suppliers and also uses additional on-line databases and contacts to search for diverse suppliers for purchasing requests.



### 2012 OUTREACH EVENTS

- AABE Annual Conference
- Maryland/DC Minority Supplier Development Council Opportunity Fair
- Maryland/DC Minority Contractors Business Showcase
- Chicago Minority Supplier Development Council Opportunity Fair
- Edison Electric Institute Annual Supplier Diversity Conference
- Ohio Business Matchmaker (Small Business Administration & Ohio Department of Development)
- Ohio Minority Supplier Development Council Opportunity Fair
- Indiana Energy Association/Ohio GATE Diverse Supplier Utility Invitational
- Indiana Minority Supplier Development Council Business Opportunity Fair
- National Veteran's Small Business Conference and Expo
- National Minority Supplier Development Council Annual Conference and Opportunity Fair
- Northern Indiana Power Service Company (NIPSCO) Utility Invitational



## Subcontracting Through Prime Contractors

Columbia encourages its contractors, subcontractors, and suppliers to abide by the spirit and intent of the policy and support its drive toward long-term performance and position as a valued community partner.



Columbia identified critical prime contractors with spend of \$20,000 and above that would have subcontracting opportunities and requested their assistance as a critical supplier to provide second tier spend with diverse suppliers. To aid in their success, Columbia partners with them to attend outreach events to identify suppliers for subcontracting opportunities.

To track the progress of

subcontracting activity, Columbia provides a detailed reporting form to maximize consistency and detailed instructions.

Prime suppliers provide supplier name, description of service, supplier contact information, diverse business category, certification, and total spend. Columbia has made efforts to confirm that suppliers are certified and were paid amounts reported.

## Conclusion

Columbia Gas of Maryland, Inc. submits the “Annual Report” as outlined in the MOU in an effort to increase and improve the overall mix of diverse businesses that contract and subcontract for materials and services. We encourage our contractors, subcontractors, and suppliers to abide by the spirit and intent of the policy and support our drive toward long-term performance and position as a valued community partner.





## Appendix

1. NiSource CEO Letter of Commitment
2. Operating Company President Letter of Commitment
3. Attachment A-1 Report of Socially Disadvantaged Groups
4. Attachment A-2 Report of NAICS Codes
5. Attachment A-3 Report of Goal Comparison
6. Attachment B Report of Program Expenses
7. Attachment C Report of Complaints
8. Attachment D Report of Vendor Contracts



**Our Commitment to Inclusion and Diversity:  
NiSource's Supplier Diversity Program**

At NiSource, our vision is to build America's premier regulated energy company, with a legacy of strong customer service, economic growth and social responsibility. I'm proud to say that supplier diversity is a key part of that effort.

Diverse supplier relationships help us harness new ideas, gain a competitive advantage and strengthen the communities we serve. More than just supporting our core business, a diverse supplier base helps spark innovation, strengthen engagement and drive continuous improvement across our enterprise.

We appreciate the many unique organizations and individuals who are part of NiSource's supplier network. Together, we are building long-term, sustainable value for our respective organizations and the many important communities we serve.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Skaggs, Jr.", with a stylized flourish at the end.

Robert C. Skaggs, Jr.  
President & CEO  
NiSource Inc.

*To learn more about ways NiSource is building sustainable value,  
visit [www.nisource.com](http://www.nisource.com).*





A NiSource Company  
Southpointe Industrial Park  
121 Champion Way, Ste. 100  
Cenonsburg, PA 15317

**Our Commitment to Inclusion and Diversity:  
Columbia Gas of Maryland, Inc.'s Supplier Diversity Program**

Since 1885, Columbia Gas of Maryland, Inc. has been committed to delivering safe, reliable and efficient natural gas service to its customers. Today, as our second century of commitment forges ahead, Columbia Gas continues to invest in our region's infrastructure and build relationships with diverse suppliers as we aspire to be the best-in-class of regulated utilities. Not only do we want to be known for running a safe, sound and fiscally responsible business, but we want to be regarded for our supplier diversity and community economic inclusion.

It is our responsibility to improve the quality of life for our customers, our employees and our neighbors in the communities where we provide service. Part of the commitment includes mentoring and developing relationships with diverse vendors.

Building relationships with diverse suppliers helps us engage a wider range of suppliers, harness innovative ideas and process, gain competitive advantage and assist in building community infrastructure through employment and training. Our supplier diversity team works hard to connect with diverse suppliers who meet our procurement specifications and standards of excellence.

Columbia Gas is proud of our supplier diversity program. After all, we do more than deliver natural gas to your homes and businesses. We are a vital member of your community. We make long-term investments in the pipes that keep your house warm, we take stewardship of resources seriously and we cultivate the local economy by providing family-sustaining jobs across Maryland.

Sincerely,

A handwritten signature in black ink that reads "Mark R. Kempic".

Mark R. Kempic  
President

## ATTACHMENT A-1

UTILITY NAME: Columbia Gas of Maryland  
 FOR THE REPORTING YEAR: 2012

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
LINE #	DESCRIPTION	DIRECT (\$)	SUB CONTRACT (\$)	DIVERSE SUPPLIER PROCUREMENT (\$)	PERCENTAGE (%) OF DIVERSE SUPPLIER PROCUREMENT	TOTAL UTILITY PROCUREMENT (\$)	PERCENTAGE (%) OF DIVERSE SUPPLIER (\$ ) TO TOTAL UTILITY PROCUREMENT
				COLS. (C) + (D)	\$ / TOTAL COL. (E)		Col. (E) / Col. G
MINORITY BUSINESS ENTERPRISE							
1	AFRICAN-AMERICAN	\$0	\$0	\$0	0.00%		0.00%
2	AMERICAN INDIAN/NATIVE AMERICAN	\$0	\$0	\$0	0.00%		0.00%
3	ASIAN	\$25	\$0	\$25	0.02%		0.00%
4	HISPANIC	\$4,090	\$0	\$4,090	2.88%		0.06%
5	TOTAL MINORITY BUSINESS ENTERPR	\$4,115	\$0	\$4,115	2.90%		0.06%
6							
7							
8	WOMEN BUSINESS ENTERPRISE	\$42,896	\$94,970	\$137,866	97.10%		1.90%
9							
10	SERVICE DISABLED VETERAN BE	\$0	\$0	\$0	0.00%		0.00%
11							
12	NOT FOR PROFIT WORKSHOPS	\$0	\$0	\$0	0.00%		0.00%
13							
14	GRAND TOTAL	\$47,011	\$94,970	\$141,981	100.00%	\$7,256,106	1.96%



## ATTACHMENT A-2

UTILITY NAME: Columbia Gas of Maryland

FOR THE REPORTING YEAR: 2012

RESULTS BY PRODUCT  
DESCRIPTIONS / NAICS CODES

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
LINE #	NAICS #	PRODUCT/SERVICE DESCRIPTIONS BY NAICS CODE <sup>1, 2</sup>	MINORITY BUSINESS ENTERPRISE	WOMEN BUSINESS ENTERPRISE	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	NOT FOR PROFIT WORKSHOPS	TOTAL DIVERSE SUPPLIER (\$) BY NAICS CODE	PERCENTAGE (%) TO TOTAL DIVERSE SUPPLIER (\$) BY NAICS	TOTAL UTILITY PROCUREMENT	PERCENTAGE OF DIVERSE SUPPLIER (\$) TO TOTAL UTILITY PROCUREMENT
			\$	\$	\$	\$	COLS. (D), (E), (F), and (G)	\$ / TOTAL COL. (H)	\$	COL. (I) \$ / TOTAL COL. (J)
								%		%
1	212	Mining	\$0	\$0	\$0	\$0	\$0	0.0000%	\$18,990	0.26%
2	236	Construction of Buildings	\$0	\$0	\$0	\$0	\$0	0.0000%	\$689,750	9.51%
		Heavy and Civil Engineering								
3	237	Construction	\$0	\$70,786	\$0	\$0	\$70,786	49.8555%	\$3,903,500	53.80%
4	238	Specialty Trade Contractors	\$0	\$27,919	\$0	\$0	\$27,919	19.6636%	\$150,705	2.08%
5	333	Machinery Manufacturing	\$0	\$0	\$0	\$0	\$0	0.0000%	\$34,079	0.47%
		Computer and Electronic Product								
6	334	Manufacturing	\$0	\$0	\$0	\$0	\$0	0.0000%	\$24,150	0.33%
		Electrical Equipment, Appliance, and								
7	335	Component Manufacturing	\$25	\$0	\$0	\$0	\$25	0.0176%	\$0	0.00%
		Merchant Wholesalers, Durable								
8	423	Goods	\$0	\$22,238	\$0	\$0	\$22,238	15.6627%	\$938,946	12.94%
9	441	Motor Vehicle and Parts Dealers	\$0	\$0	\$0	\$0	\$0	0.0000%	\$5,926	0.08%
10	453	Miscellaneous Store Retailers	\$0	\$0	\$0	\$0	\$0	0.0000%	\$10,761	0.15%
11	482	Rail Transportation	\$0	\$0	\$0	\$0	\$0	0.0000%	\$2,854	0.04%

## ATTACHMENT A-2

UTILITY NAME: Columbia Gas of Maryland

FOR THE REPORTING YEAR: 2012

RESULTS BY PRODUCT  
DESCRIPTIONS / NAICS CODES

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
LINE #	NAICS #	PRODUCT/SERVICE DESCRIPTIONS BY NAICS CODE <sup>1, 2</sup>	MINORITY BUSINESS ENTERPRISE	WOMEN BUSINESS ENTERPRISE	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	NOT FOR PROFIT WORKSHOPS	TOTAL DIVERSE SUPPLIER (\$) BY NAICS CODE	PERCENTAGE (%) TO TOTAL DIVERSE SUPPLIER (\$) BY NAICS	TOTAL UTILITY PROCUREMENT	PERCENTAGE OF DIVERSE SUPPLIER (\$) TO TOTAL UTILITY PROCUREMENT
		Data Processing, Hosting, and								
12	518	Related Services	\$0	\$0	\$0	\$0	\$0	0.0000%	\$1,293	0.02%
13	532	Rental and Leasing Services	\$0	\$0	\$0	\$0	\$0	0.0000%	\$660,823	9.11%
14	541	Professional, Scientific, and Technical Services	\$998	\$5	\$0	\$0	\$1,004	0.7069%	\$106,368	1.47%
15	561	Administrative and Support Services	\$0	\$14,972	\$0	\$0	\$14,972	10.5451%	\$175,970	2.43%
16	562	Waste Management and Remediation Services	\$3,091	\$1,947	\$0	\$0	\$5,038	3.5486%	\$48,104	0.66%
17	721	Accommodation	\$0	\$0	\$0	\$0	\$0	0.0000%	\$19,468	0.27%
18	811	Repair and Maintenance	\$0	\$0	\$0	\$0	\$0	0.0000%	\$2,405	0.03%
19		Other	\$0	\$0	\$0	\$0	\$0	0.0000%	\$462,012	6.37%
20		Totals	\$4,115	\$137,867	\$0	\$0	\$141,981	100.00%	\$7,256,106	1.96%

## Footnotes:

1 NAICS Codes listed are subject to change

2 To the extent that disclosure of the contract amount dollars applies to only one vendor, the Utility may confidentially report data for columns (D) through (K).

## ATTACHMENT A-3

UTILITY NAME: Columbia Gas of Maryland  
FOR THE REPORTING YEAR: 2012

(A)	(B)	(C)	(D)
LINE #	DESCRIPTION	CURRENT YEAR RESULTS (%)	CURRENT YEAR GOALS (%)
1	MINORITY BUSINESS ENTERPRISE	0.06%	0.00%
2			
3	WOMEN OWNED BUSINESS ENTERPRISE	1.90%	0.00%
4			
5	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	0.00%	0.00%
6			
7	NOT FOR PROFIT WORKSHOPS	0.00%	0.00%
8			
9	TOTAL	1.96%	1.50%



## ATTACHMENT B

UTILITY NAME: Columbia Gas of Maryland PUBLIC VERSION  
 FOR THE REPORTING YEAR: 2012

(A)	(B)	(C)	(D)	(E)	(F)
LINE #	EXPENSE CATEGORY	EXPENSE AMOUNT (\$)	PERCENTAGE TO TOTAL PROGRAM EXPENSES	TOTAL UTILITY SPEND ON GENERAL AND ADMINISTRATIVE EXPENSES	PERCENTAGE (\$) OF PROGRAM EXPENSES TO TOTAL UTILITY G&A EXPENSES
			Col. (C) \$ / Total Col. (C)	Col. (C) \$ / Total Col. (E)	
1	Employee Salary and Other				0.00%
2	Employee Expenses				0.00%
3	Program Expenses				0.00%
4	Reporting Expenses				0.00%
5	Training				0.00%
6	Consultants				0.00%
7	Other Program Expenses (List)				0.00%
8					0.00%
9					0.00%
10					0.00%
11					0.00%
12					0.00%
13					0.00%
14					0.00%
15	TOTAL EXPENSES	\$225,292	100.00%	\$4,987,665	4.52%

ATTACHMENT C

UTILITY NAME: Columbia Gas of Maryland  
 FOR THE REPORTING YEAR: 2012

(A)	(B)	(C)	(D)	(E)	(F)
LINE #	NAME OF COMPANY	FILING DATE OF COMPLAINT	NATURE OF COMPLAINT	RESOLVED YES OR NO	IF NO, PLEASE PROVIDE CURRENT STATUS

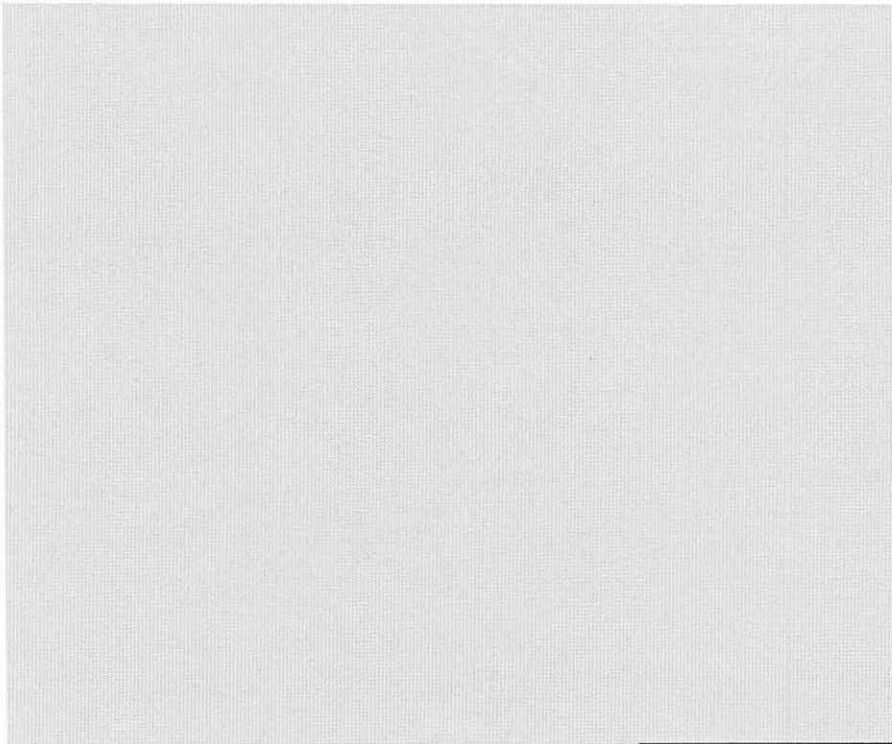
1  
2  
3  
4  
5  
6  
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14  
15

Columbia has received no complaints regarding its supplier diversity program for calander year 2012.



ATTACHMENT D <sup>1</sup>

UTILITY NAME: Columbia Gas of Maryland  
 FOR THE REPORTING YEAR: 2012 PUBLIC VERSION

(A)	(B)	(C)	(D)	(E)			
LINE #		VENDOR NAME	AMOUNT (\$)	NAICS CODE	SELF-CERTIFIED: YES (Y) or NO (N)	3RD PARTY CERTIFIED: YES (Y) or NO (N)	
1				238	Y	Y	
2				561	Y	Y	
3				238	Y	N	
4				562	Y	Y	
5				238	Y	Y	
6				541	Y	Y	
7				335	Y	Y	
8				541	Y	N	
9							
10							
11							
12							
13							
14							
15							
16							
17							
22							
23							
24							
25							
26							
			Total	\$47,011			

## Footnotes:

- 1 To the extent that disclosure of the contract amount dollars applies to only one vendor, the Utility may confidentially report data for columns (B) through (E).