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*People. Power. Progress.*

March 31, 2010

Terry J. Romine  
Executive Secretary  
Maryland Public Service Commission  
6 St. Paul Street  
Baltimore, Maryland 21202

Re: PSC Administrative Docket, Public Conference 16  
Utility Supplier Diversity Public Conference  
SMECO 2009 Annual Report

Dear Ms. Romine:

Enclosed please find an original and seventeen copies of the 2009 Annual Report filed on behalf of the Southern Maryland Electric Cooperative ("SMECO") in the above-referenced proceeding. Pursuant to the Memorandum of Understanding ("MOU") filed with the Commission on July 15, 2009, SMECO is not required to include Attachments A through D in its Annual Report until March 2012. As noted in the Report, SMECO has begun to implement a program to encourage the participation of diverse suppliers in its procurement processes and to partner with local agencies to accomplish the aspirational goals in the MOU.

Please contact me if you have any questions regarding this filing.

Sincerely,

Mark A. MacDougall  
Senior Vice President, External Affairs  
and General Counsel

cc: Obi Linton, Director, Office of External Relations

**SOUTHERN MARYLAND ELECTRIC COOPERATIVE  
ANNUAL REPORT ON SUPPLIER DIVERSITY  
March 31, 2010**

**For the period July 15, 2009 through December 31, 2009**

**PROGRAM ACTIVITIES**

INTERNAL COOPERATIVE PROGRAM DEVELOPMENT

The Cooperative executed the Supplier Diversity Memorandum of Understanding (MOU) on July 15, 2009. At that time, the Cooperative had no existing program, database, or data collection process to make any type of determination as to which of the two to three thousand active vendors were minority-, women-, or service disabled veteran-owned businesses or other non-profit eligible organizations. A new program was required and five initial tasks were identified to develop the program. The initial program tasks were to:

1. Compare Federal small business subcontracting requirements with the Supplier Diversity MOU requirements and develop a process to collect applicable information on suppliers;
2. Educate internal procurement personnel on the North American Industry Classification System (NAICS) codes;
3. Determine applicable corporate "spend" in order to determine magnitude of program and identify major areas of opportunity to reach aspirational goals;
4. Investigate additional outreach opportunities that target diverse suppliers; and
5. Leverage existing state, regional, or local business programs involving small and diverse businesses.

To facilitate the Supplier Diversity Program, the Cooperative developed a consolidated Supplier Information form to begin collecting applicable supplier information. Through outreach activities, the Supplier Information form was provided to various vendors. After a review of each of these returned forms, refinements were identified and implemented. The information is being transferred to a database.

Several meetings with internal stakeholders provided an opportunity to educate personnel on the NAICS codes and to discuss the strategy to maximize opportunities for diverse suppliers. As the Cooperative moves forward, it plans to develop a program that will enable procurement personnel to query the database for a Qualified Bidders' List (QBLs) by NAICS codes. Solicitation and other procurement documents will require the Supplier Information form to be completed; thus enabling the Cooperative to update and add new eligible supplier information and certifications to the database.

The Cooperative reviewed its purchasing to determine the applicable corporate "spend" to determine the magnitude of the program and to develop a benchmark year and successive measurements. A review was performed and yielded a dollar value of \$30,660,001. This assists in identifying areas of opportunity for additional inclusion of diverse suppliers on QBLs and for focus on the outreach efforts.

There is a Minority Business Task Force lead by the Tri-County Council for Southern Maryland. Various stakeholders, including minority- and women-owned businesses; Maryland Procurement and Technical Assistance Program; Charles, Calvert, and St. Mary's County Economic Development agencies participated in this effort. The Task Force is developing a regional (Southern Maryland) website where purchasers can post their procurement opportunities by NAICS code and suppliers can view all scopes of

work, determine which opportunities are of interest, and download bid packages as desired.

## **SUMMARY**

The Cooperative initially had no electronic capability to measure its use of diverse suppliers or to collect, analyze, track, or report use of eligible spend, procurements by diverse suppliers or NAICS codes. The framework being developed will provide a benchmark year for reference purposes. Supplier information has initially begun to be collected and through a manual process, QBLs may be based upon NAICS code in the supplier database. The outreach effort includes new relationships with organizations and expansion of existing business relationships with other organizations.

The program has been initiated with final testing of the Cooperative's website for online supplier registration or download of Supplier Information form and a program information brochure is scheduled for completion in early 2010.

## **PRIME CONTRACTOR USE OF SUBCONTRACTORS**

### **SUBCONTRACTING PROGRAM**

The Cooperative updated its procedures, including a Board policy to reflect procurement changes. One example of the revised procedures is that contractors are required to submit a subcontracting plan when the value of a contract exceeds \$550,000. Initially, the Cooperative will request contractors voluntarily provide subcontracting "spend" reports.

## **LIST OF COMPLAINTS**

No complaints were received.

## **COMPLAINT REVIEW PROCESS**

### **DIVERSE SUPPLIER COMPLAINT PROCESS**

The Cooperative's program procedures are for the Contract Administrator to investigate all complaints. The use of an independent party or software tool is under consideration in the future. One product, Ethics Point, provided a demonstration on August 11, 2009. SMECO will investigate this option further.

## **LIST OF DIVERSE SUPPLIERS**

A Supplier information form was not finalized until mid-December and responses are expected.

## **RECRUITING ACTIVITIES**

### **EXTERNAL OUTREACH**

The Cooperative's representatives attended a variety of events sponsored by local chambers of commerce, minority business groups, business expos, professional organizations, industry organizations, and state, regional and county agency economic development events. Some events included the Cooperative's sponsorship of a workshop or providing a speaker on the MOU. The Cooperative's participation in the PC 16 Workgroup and Utility Forum on Supplier Diversity has provided additional insight to other methods and techniques used by other utilities. In addition, the Cooperative responded to 129 inquiries via e-mail, telephone, and correspondence during the

reporting period. Additional communications with potential suppliers occurred during outreach events.

### Events

1. Various chamber of commerce events in Calvert, Charles, and St. Mary's counties.
2. Second Annual Southern Maryland Regional Purchasing & Procurement Expo (07/16) at College of Southern Maryland sponsored by Tri-County Council for Southern Maryland;
  - a. Sponsored workshop (\$500)
  - b. Staffed SMECO booth
3. NAVAIR Expo
  - a. Attended 10/29 to meet small and diverse businesses
4. National Contract Management Association, Chesapeake Bay Chapter
  - a. Attended After Hours Mixer on 12/3
  - b. Informal discussions with various members to determine interest in sponsoring or participating in a workshop for "Partnering and Subcontracting" with focus on diverse suppliers.
5. St. Mary's TIPS Group "Business & Community Partnering for Success" Holiday Celebration (12/11).
6. Fourth Annual Tri-County Minority Business Networking Social (12/17) sponsored by:
  - a. Charles County Minority Business Advocacy Council
  - b. Calvert County Minority Business Alliance
  - c. Embassy Business Complex

d. St. Mary's TIPS Group

e. Tri-County Council for Southern Maryland Minority Business Task Force

Joint PSC and Utility Workgroup

Participated and attended scheduled meetings, conference calls, etc.

Utility Forum on Supplier Diversity

Participated and attended scheduled meetings, conference calls, etc.

Public Presentations

St. Mary's County Town Hall Meeting (12/10) sponsored by the Southern Maryland

Consortium of African American Community Organizations.

**GOAL PROGRESS**

A benchmark will be established in 2010. This will assist in developing a goal setting strategy.