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*People. Power. Progress.*

March 31, 2011

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 2010 Annual Report

Dear Ms. Romine:

Enclosed please find an original and seventeen copies of the 2010 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, 2011

For the period January 1, 2010 through December 31, 2010

## PROGRAM ACTIVITIES

### PROGRAM DEVELOPMENT

The Cooperative's 2010 Supplier Diversity Program development priorities were focused on four major objectives;

1. Identify an automated process for Tier 1 Spend for the collection, storage, and reporting of supplier data;
2. Identify an automated supplier data entry process for Tier 2 Spend for the collection, storage, and reporting supplier subcontractor data;
3. Identify an automated or defined process to validate a diverse supplier, maintain certificates, and identify expiring certifications; and
4. Continue to expand outreach activities and to obtain feedback from small and diverse suppliers.

The first objective, to identify an automated process for Tier 1 Spend for the collection, storage, and reporting of supplier data, resulted in the conclusion that existing information systems lacked the required capabilities. Further investigation resulted in the procurement of a Supplier Diversity Management Service ("Service"). The Service will require a scheduled transfer of specific Cooperative accounts payable data to be compared to a national supplier database owned by the Service. A supplier will be responsible to access the Service's web portal and enter the requested data. This will transfer the associated labor expense and data accuracy accountability from the Cooperative directly to the supplier. The Service will provide access to an externally hosted website to electronically collect, store, and extract the supplier data necessary for annual reporting. Various reporting options will be available, including Spend by total and diverse business type.

The second objective was to identify an automated process for Tier 2 Spend for the collection, storage, and reporting supplier subcontractor data. The defined purpose was for prime suppliers with procurements over \$550,000 to access an automated system and enter data on their use of subcontractors. A supplier will be responsible to access the Service's web portal and enter the requested data. This will transfer the associated labor expense and data accuracy accountability from the Cooperative directly to the supplier. The Service will provide access to an externally hosted website to electronically collect, store, and extract the supplier data necessary for annual reporting. Various reporting options will be available, including Spend by total and diverse business type.

The third objective was to identify an automated or defined process to validate a diverse supplier, maintain certificates, and identify expiring certifications. This was projected to be an ongoing program management concern because invalid certifications could result in the Cooperative overstating its actual goal attainment, which is not a desired outcome. A manual process was projected with significant administrative labor expenses. The Service will be providing the capability for all of the approved certifying organization listed in the MOU, Schedule 2, to be identified as certifying organizations. Actual copies of applicable certifications will be available from the Service's national supplier database. In addition, the Service will provide automated notification of expiring certifications to the supplier and the Cooperative.

The fourth and final objective was to continue to expand outreach activities and to obtain feedback from small and diverse suppliers. Outreach activities included:

- Input from Suppliers and an internal review resulted in a revision of the program information brochure, which was placed on the Cooperative's website. The revision consolidates the federal small business and utility diverse supplier efforts into a single program.
- Cooperative representatives attending small business roundtables in local jurisdictions to network with local businesses and solicit feedback.
- Cooperative representatives attending a variety of events sponsored by local chambers of commerce, professional organizations, etc.
- Cooperative co-sponsoring a lunch for the 2010 Regional Purchasing & Small Business Procurement Expo at the College of Southern Maryland in La Plata on

September 22, 2010. A table was staffed by Cooperative representatives to network with attendees, primarily small, women and minority-owned businesses.

- Cooperative representatives participating in project meetings with the Regional Economic Development Director for Tri-County Council for Southern Maryland. These meetings resulted with information sharing and comments on the Minority- and Women-Owned Business Task Force activities:
  - demonstration of a regional Supplier Database,
  - attendance at Supplier Stakeholder Workgroup meetings,
  - attendance at an *ad hoc* Purchasers Stakeholder Workgroup meeting, and
  - discussing with local minority- and women-owned suppliers to discuss the issues relating to the creation of a tri-county business cooperative.

#### EXTERNAL PROGRAM ACTIVITIES

The Cooperative continues to monitor the activities of external efforts to gain additional information, ideas, and opportunities in developing the program. By monitoring the Minority- and Women-Owned Business Task Force, the Cooperative may find an opportunity to leverage the relationship in pursuit of the supplier diversity goal.

In addition, active participation by Cooperative representatives in the Utility Forum has been very beneficial for information sharing as the program moves forward. The Cooperative co-hosted one meeting and coordinated a presentation by a supplier diversity management service provider.

#### **SUMMARY**

The Cooperative selected a supplier diversity management service (“Service”) at the end of 2010. Currently, a project is underway to configure and implement the Service and only minimal preliminary data is available. The project’s completion will be June, 2011. The 2010 estimated percentage with only Tier 1 Spend, using preliminary data from the Service, was 11.7 %. Tier 2 Spend on year 2010 will not be available. The multi-year target goal projections are for the Cooperative to reach the target goal of 25% by the end of 2015.

## **PRIME CONTRACTOR USE OF SUBCONTRACTORS**

### **SMALL BUSINESS SUBCONTRACTING PROGRAM**

The Cooperative has existing procedures to address procurements over \$550,000 in support of U.S. Government utility privatization contracts. Prime Contractors will be required to provide Tier 2 Reporting via the Service. Technical assistance and support will be provided to the Prime Contractors performing Tier 2 Reporting.

### **DIVERSE SUPPLIER SUBCONTRACTING PROGRAM**

The Cooperative has existing procedures to address procurements over \$550,000. Prime Contractor will be requested to provide Tier 2 Reporting via the Service. Technical assistance and support will be provided to Prime Contractors performing Tier 2 Reporting.

### **LIST OF COMPLAINTS**

No complaints were received.

### **DIVERSE SUPPLIER COMPLAINT PROCESS**

The Cooperative's procedures are for the Contract Administrator to investigate all complaints and report to the executive staff.

### **LIST OF DIVERSE SUPPLIERS**

This information is not readily available with diversity classifications.

### **RECRUITING ACTIVITIES**

The Cooperative continues to expand its recruitment activities through various activities. These activities were part of objective number 4 and discussed earlier in this report. Recruitment will continue to be a major objective in the foreseeable future.

## **GOAL PROGRESS**

The Cooperative identified \$30,660,001 as the applicable “Spend” in the approved budget for 2010. Preliminary data indicates that Cooperative’s “Spend” with diverse suppliers was 11.7% (\$3,606,157) during 2010. No Tier 2 data was available. This was used as the benchmark for projecting target goals in upcoming years. The projected goal attainment for 2012 reporting is 15% with only 25% to 50% of Tier 2 data available for 2011. Target goals of 18%, 22%, and 25% for reporting years 2013, 2014, and 2015 respectively, will include Tier 2 data from procurements of \$550,000 or more.