

March 30, 2012

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

Re: SMECO Annual Report on Supplier Diversity for 2011

Dear Mr. Collins:

Enclosed please find Southern Maryland Electric Cooperative's ("SMECO") Annual Report on Supplier Diversity for the period of January 1, 2011 through December 31, 2011 (the "Report"). Several elements of Attachment D to the Report are subject to confidentiality requirements. Accordingly, a public version that includes a "Redacted" version of Attachment D has been e-filed with the Commission. An original and seventeen copies of the "Confidential" version are provided with this letter, along with one copy of the e-filed public version.

Please contact me if you have any questions.

Sincerely,



F. William DuBois

cc: Obi Linton, Director, Office of External Relations

# SOUTHERN MARYLAND ELECTRIC COOPERATIVE ANNUAL REPORT ON SUPPLIER DIVERSITY

March, 2012

For the period January 1, 2011 through December 31, 2011

## PROGRAM ACTIVITIES

### PROGRAM DEVELOPMENT

The Cooperative's 2011 Supplier Diversity Program development priorities were focused on three objectives;

1. To engage a supplier diversity management service provider to develop an online Tier 1 registration process for diverse suppliers, an automated process for verification and expiration monitoring of diverse business certifications, an automated process for Tier 2 Reporting (Use of Subcontractors), and the development of standard reports for supplier diversity reporting.
2. To investigate the capabilities of the supplier management service to allow non-diverse suppliers access to online registration.
3. To continue an outreach program to network with various organizations.

The first objective, to engage a supplier diversity management service provider, resulted in a contracted service with CVM Solutions. The project was initiated with five phases. In 2011, Phase 1 focused on the business processes to collect, store, and verify Tier 1 data from the Cooperative's Accounts Payable (AP) files. Business rules and processes were developed for the configuration of the SMECO database and the scheduled transfers of AP files. Phase 2 focused on the online registration format, web page content, and system administration of the Tier 1 portal; and HelpDesk assistance to suppliers. Phase 3 focused on the Tier 2 Reporting and involved prime contractors being provided training, assistance, and scheduled reporting by each quarter beginning in July, 2011. Tier 2 Reporting was voluntary in 2011 with approximately 55% of prime contractors participating. This involved suppliers with over \$550,000 business with the Cooperative to designate an individual to receive a 1-hour webex training course and initiate quarterly reporting. Phases 1 through 3 were completed in 2011. Phase 4 (reports testing) was delayed until 2012 and is currently underway.

An automated “soft” outreach to all active Tier 1 diverse suppliers was initiated in December, 2011. Existing diverse suppliers in the supplier management service database from AP file transfers, were sent an e-mail letter invite to register online. Suppliers that previously completed a paper registration form will be invited to register in the supplier management service via e-mail during 2012. Contact with all suppliers will continue with follow up e-mails, letters, and telephone calls to provide multiple opportunities to register.

The second objective, to investigate the capabilities of the supplier management service to allow non-diverse suppliers access to online registration, required a contract modification which was executed in 2012. Designated Phase 5, it will provide online registration for non-diverse suppliers. Upon completion, the supplier management service will provide all suppliers the opportunity for online registration, access to update their organization’s information at any time, and to attach information brochures. It will provide the Cooperative capabilities not currently available:

1. the North American Industry Classification System (NAICS) codes of all suppliers,
2. “Spend” by each non-diverse supplier,
3. notification of newly registered suppliers, and
4. capability to communicate with all registered suppliers.

The last attribute is a capability that will permit a prime contractor’s representative to submit an e-mail request to the Cooperative for dissemination to the entire supplier database registry or only to suppliers in a specific NAICS code. This will increase the opportunities for registered suppliers to participate in teaming, subcontracting, or partnering arrangements with large businesses.

The third objective, to continue an outreach program to network with various organizations, is a continued effort to assess applicable networking events. Events of key regional organizations are monitored:

- Southern Maryland Minority Business Opportunities Task Force (MBOT),
- Maryland/District of Columbia Minority Supplier Development Council,
- Maryland-Washington Minority Contractors’ Association, and
- The Elite Small Disabled Veteran-Owned Business (SDVOB) Network.

Several networking events were attended in 2011 and the continued involvement in MBOT is providing the greatest response from diverse suppliers. A Cooperative representative participates in MBOT meetings, activities and the Cooperative co-sponsored MBOT's "SmartBiz Tool Kickoff" event on November 17, 2011. The Cooperative provided an update in its November, 2011 customer newsletter regarding its small and diverse business program and the MBOT event. The MBOT coalition continues as a prime driver of supplier diversity within the Cooperative's service area.

### **SUMMARY**

The Cooperative contracted a supplier diversity management service and has completed 3 of 5 phases of system implementation. Phase 4 (reports testing) was delayed to 2012 and is currently underway. Phase 5 (non-diverse supplier registration) will be scheduled and completed in 2012.

The Total Utility "Spend" by non-diverse suppliers with linkage to NAICS codes is not currently available. No existing data systems contain this information and the supplier management service database retains only the diverse supplier "Spend" and NAICS codes. As previously referenced, Phase 5 will provide non-diverse suppliers online access and as AP files are transferred, non-diverse "Spend" will be available. The NAICS codes for non-diverse suppliers will be obtained as each non-diverse supplier registers online.

### **PRIME CONTRACTOR USE OF SUBCONTRACTORS**

#### **DIVERSE SUPPLIER SUBCONTRACTING PROGRAM**

The Cooperative has developed new procedures to address procurements over \$550,000. A transition will occur in 2012 with new contracts requiring successful bidders to provide and certify Tier 2 Reporting via the supplier management service. This will start a transition from voluntary participation to a contract requirement. Technical assistance and support is currently available to Prime Contractors performing Tier 2 Reporting. The Tier 2 Audit function will also be investigated in 2012.

## **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.

## **GOAL PROGRESS**

The Cooperative identified \$112,713,249 as the applicable Sourceable "Spend" in the approved budget for 2011. The total of Tier 1 and Tier 2 "Spend" was 6.99% (\$7,873,638). Tier 1 and Tier 2 "Spend" were 3.76% (\$4,237,935) and 3.23% (\$3,635,703) respectively. The projected goal attainment previously reported for the 2012 Supplier Diversity Report was 15%. Only one self-certified supplier, currently seeking a federal small business certification as a woman-owned business, is included in these calculations. Future reports are projected to include a higher percentage of Tier 2 Reporting.

Public Service Commission of Maryland  
 Supplier Diversity Annual Report  
 (MOU Sec. 5.1.2)

<b>ATTACHMENT A</b>						
Utility Name: <b>Southern Maryland Electric Cooperative, Inc.</b>						
Reporting Year: <b>2011</b>						
(A)	(B)	(C)	(D)	(E)	(F)	(G)
LINE #	DESCRIPTION	DIRECT (\$)	SUBCONTRACT (\$)	DIVERSE SUPPLIER PROCUREMENT (\$)	TOTAL UTILITY PROCUREMENT (\$)	PERCENTAGE (%) OF DIVERSE SUPPLIER (\$) TO TOTAL UTILITY PROCUREMENT
1	Construction of Buildings - 236		3,337,050	3,337,050	7,264,508	45.94%
2	Specialty Trade Contractors - 238	303,499	227,084	530,583	Not Available	Not Available
3	Sawmills and Wood Preservation - 321	448,442		448,442	Not Available	Not Available
4	Printing and Related Support Activities - 323	301,805	-	301,805	Not Available	Not Available
5	Fabricated Metal Product Manufacturing - 332	4,080		4,080	Not Available	Not Available
6	Electrical Equipment, Appliance, and Component Manufacturing - 335	3,162	24,859	28,021	Not Available	Not Available
7	Merchant Wholesalers, Durable Goods - 423	789,290	-	789,290	Not Available	Not Available
8	Motor Vehicles and Parts Dealers - 441	48,316		48,316	Not Available	Not Available
9	Electronics and Appliance Stores - 443	9,327	-	9,327	Not Available	Not Available
10	Data Processing, Hosting, and Related Services - 518	210,432		210,432	Not Available	Not Available
11	Professional, Scientific, and Technical Services - 541	1,128,871	46,710	1,175,581	Not Available	Not Available
12	Administrative and Support Services - 561	953,120		953,120	Not Available	Not Available
13	Food Services and Drinking Places - 722	12,803	-	12,803	Not Available	Not Available
14	Repair and maintenance - 811	24,787		24,787	Not Available	Not Available
<b>DIVERSE SUPPLIERS</b>		<b>\$ 4,237,935</b>	<b>\$ 3,635,703</b>	<b>\$ 7,873,638</b>	<b>\$ 112,713,249</b>	<b>6.99%</b>

Public Service Commission of Maryland  
 Supplier Diversity Annual Report of Program Expenses  
 (MOU Sec. 5.1.3)

ATTACHMENT B					
Utility Name: <b>Southern Maryland Electric Cooperative, Inc.</b>					
Reporting Year: <b>2011</b>					
(A)	(B)	(C)	(D)	(E)	(F)
LINE #	EXPENSE CATEGORY	EXPENSE AMOUNT (\$)	PERCENTAGE TO TOTAL PROGRAM	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 Expenses	27,630	19.63%		
2	Other Employee Expenses	-	0.00%		
3	Program Expenses (Contracted Services)	98,000	69.64%		
4	Reporting Expenses	5,035	3.58%		
5	Training	-	0.00%		
6	Consultants	3,286	2.34%		
7	Other Program Expenses (List)				
8	Booth Material/Giveaways	4,961	3.53%		
9	Fees for Trade Show/Networking Events	1,085	0.77%		
10	Sponsorship at Events	250	0.18%		
11	Meals, Lodging, & Transportation	471	0.33%		
12					
13					
14					
15	<b>TOTAL EXPENSES</b>	<b>\$ 140,719</b>		<b>\$ 27,727,343</b>	<b>0.51%</b>

Public Service Commission of Maryland  
 Supplier Diversity Annual Report of Complaints  
 (MOU Sec. 5.1.5)

ATTACHMENT C					
Utility Name: <b>Southern Maryland Electric Cooperative, Inc.</b>					
Reporting Year: <b>2011</b>					
(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	None				
2					
3					
4					
5					
6					
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8					
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11					
12					
13					
14					
15					



Public Service Commission of Maryland  
Supplier Diversity Annual Report of Vendor Contracts  
(MOU Sec. 5.1.7)

ATTACHMENT D - Redacted				
Utility Name: <b>Southern Maryland Electric Cooperative, Inc.</b>				
Reporting Year: <b>2011</b>				
(A)	(B)	(C)	(D)	(E)
LINE #	VENDOR NAME	AMOUNT (\$)	NAICS CODE	SELF-CERTIFIED: YES (Y) OR NO (N)
1	Chesapeake Lock & Safe Service Company	301,352	238	N
2	SPC, Inc.	2,147	238	N
3	Redacted	-		
4	MCB & Associates	29,469	323	N
5	Meridian Imaging Solutions	272,366	323	N
6	Triton Metals, Inc.	2,617	332	N
7	Lindsey Manufacturing Company	1,463	332	N
8	E-Max Instruments, Inc.	2,762	335	N
9	FEDCO Electronics	400	335	N
10	Advanced Communications & Presentation, Inc.	20,228	423	N
11	Afro-American Newspaper	525	423	N
12	Commercial Wiping Cloth	2,509	423	N
13	Dino Cat Industrial Supplies, LLC	14,814	423	N
14	Ditch Witch of Maryland, Inc.	1,172	423	N
15	MD Henry Company, Inc.	647,129	423	N
16	Re Uptegraff Manufacturing Company	97,585	423	N
17	Southern Power Systems, Inc.	500	423	N
18	Southern States, LLC	4,828	423	N
19	CLCD Enterprises, Inc.	15,173	441	N
20	K Neal International Trucks, inc.	33,143	441	N
21	Redacted	-		
22	Chesapeake Document Services, LTD Liability Company	112,432	518	N
23	Redacted	-		
24	American Electronics, Inc.	3,493	541	N
25	American Property Consultants	753	541	N
26	Apogee Interactive, Inc.	7,050	541	N
27	Berkshire Associates, inc.	3,580	541	N
28	Mindbank Consulting Group	9,338	541	N
29	On Computer Services, LLC	20,989	541	N
30	Wildes-Sprit Design & Printing	7,823	541	N
31	Somar Communications, Inc.	13,690	541	N
32	Safari Micro	910	541	N
33	Scope Services, Inc.	948,120	561	N
34	Morgan Maintenance Services	5,000	561	Y
35	Redacted	-		
36	Redacted	-		
	<b>Total</b>	<b>\$3,176,719</b>		
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 ).				
2. Line #23 Columns ( B ) and ( C ) were redacted due to a non-disclosure agreement.				
3. The total provided reflects the full value, inclusive of the specific redacted line-items.				

Attachment D – Confidential Version

(withheld from Public Version of filing)