



# 2020 SUPPLIER DIVERSITY **ANNUAL REPORT**



OFFICE OF DIVERSITY &  
COMMUNITY AFFAIRS  
**ILLINOIS COMMERCE COMMISSION**

# STATE OF ILLINOIS



## ILLINOIS COMMERCE COMMISSION

---

February 5, 2021

The Honorable Governor J. B. Pritzker

The Honorable Members of the Illinois General Assembly

The Honorable Members of the Illinois Commerce Commission

Please find enclosed the ICC's Office of Supplier Diversity and Community Affairs first annual report. Although Section 5-117 of the Illinois Public Utilities Act does not require an annual report, the Commission submits this annual report to showcase specific accomplishments in promoting diversity and inclusivity in regulated entities' supply chains.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeanine V. Robinson".

**Jeanine V. Robinson**  
Director, Office of Diversity and  
Community Affairs

*Office of Diversity & Community Affairs*  
160 N. LaSalle St., Suite C-800  
Chicago, IL 60601  
(312) 814-1156

# INTRODUCTION

In Illinois, the largest investor-owned utilities are required to report their supplier diversity outreach and inclusion efforts on an annual basis to the Illinois Commerce Commission (ICC). Five years ago, the ICC began holding policy sessions to report and amplify supplier diversity efforts by public utilities. Every year has seen a positive gain, reflecting both a clear and continuous commitment to communities of color and a desire to reflect the diversity of the state. As Illinois reaps the benefits from increased diversity, equity, and inclusion, important unfinished work remains. Statistical data demonstrates that during the previous five years, utilities' spending with minority-, women-, and veteran-owned businesses grew from an average of 15% to nearly 33% of all procurement spending. Specifically, annual diverse spending by Illinois' five largest investor-owned utilities has increased to over \$2 billion, with some utilities reporting 40% of spend on Minority Business Enterprises (MBE), Women Business Enterprises (WBE), Veteran Business Enterprises (VBE), and Small Business Enterprises (SBE). In order for the State's competitive market economy to work as intended, the General Assembly wisely noted that minority-owned and women-owned businesses must have equal opportunity to participate.

## UTILITY SUPPLIER DIVERSE SPEND

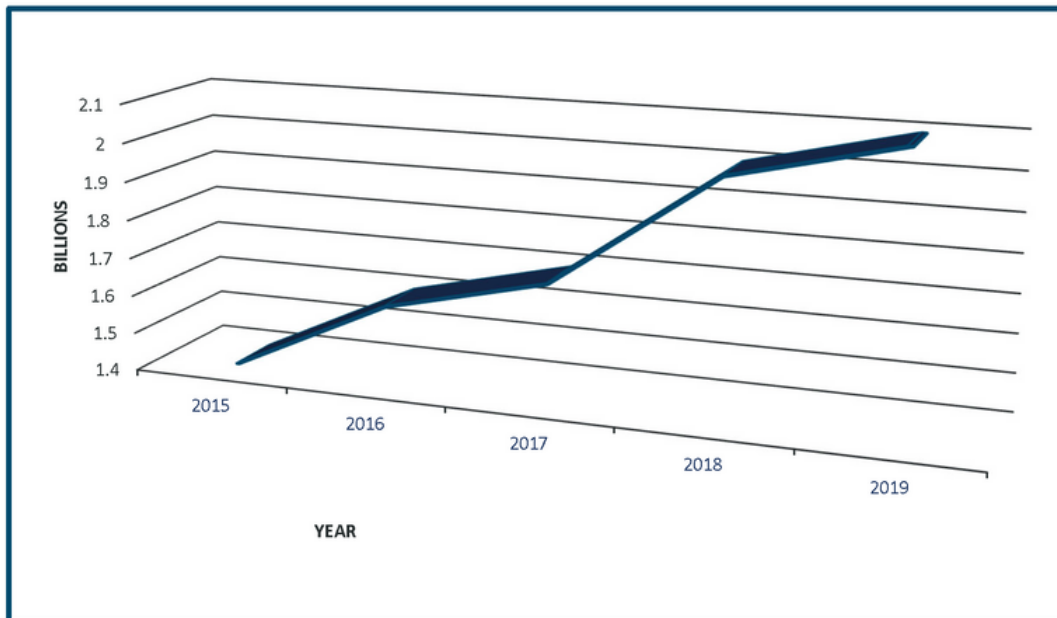


Figure 1: Dollars spent Includes MBE, WBE, VBE and SBE spending

In 2017, Illinois became the first state to mandate suppliers of wind and solar energy report on their efforts to diversify their supply chains. Injecting diversity procurement goals into the renewable generation space is increasingly important as additional renewable supply is mandated by recent state legislation.

The goal of the ICC's Office of Diversity & Community Affairs is to understand the challenges and concerns of utility companies, organizations, and businesses regarding implementing, increasing, and improving supplier diversity. Through collaboration with the utilities, not-for-profits, and government agencies, the ICC has helped build relationships to increase the pool of diverse suppliers from which utility companies can draw. The Illinois Business Enterprise Program (BEP), Women Business Development Center (WBDC), Hispanic American Construction Industry Association (HACIA), Chicago Minority Supplier Development Council (CMSDC), various chambers of commerce, and the Illinois Utility Business Diversity Council (IUBDC) continue to act as strong resources for diverse suppliers.

On a national level, the Office of Diversity & Community Affairs communicates with public utility commissions (PUCs) in other states that have implemented supplier diversity programs for their regulated utilities. This allows the ICC to exchange ideas and share best practices as we collectively seek to level the playing field for diverse businesses in our respective states.

Illinois remains one of few states where the legislature has recognized the importance of supplier diversity through statutory reporting requirements. Nonetheless, the Commission will continue to build relationships with other organizations throughout Illinois and the nation to increase opportunities for diverse suppliers headquartered in Illinois. We look forward to continuing to address the challenges to improve supplier diversity.



# BACKGROUND

---

In 2014, the General Assembly passed Section 5-117 of the Public Utilities Act (220 ILCS 5/5-117) (“Supplier Diversity Statute”), which created annual reporting requirements regarding investor-owned utilities’ supplier diversity outreach and inclusion to the Illinois Commerce Commission (ICC). The Supplier Diversity Statute created the Office of Diversity and Community Affairs within the ICC to address the annual reporting and policy session requirements of the statute.

Illinois’ public policy, as stated in the Supplier Diversity Statute, is to collaboratively work with regulated utilities that serve Illinois residents, in a non-antagonistic manner, to improve their supplier diversity. The Supplier Diversity Statute specifically identifies four categories of diverse suppliers: minority-owned (MBE), women-owned (WBE), veteran-owned (VBE), and small business enterprises (SBE). The statute further focuses on requiring utilities to provide points of contact for MBEs, WBEs, and VBEs. Although the statute requires all electric, gas and water utilities with at least 100,000 customers to report, the ICC encourages all utilities regardless of size to improve their efforts to diversify their suppliers.<sup>1</sup>

This report analyzes the data contained in the annual reports submitted over the past five years by the five public utilities with the largest number of customers in Illinois (the Big 5)<sup>2</sup>: Ameren Illinois, Commonwealth Edison (ComEd), Illinois American Water, Northern Illinois Gas Company d/b/a Nicor Gas Company (Nicor), Peoples Gas Light and Coke Company /North Shore Gas Company (collectively “Peoples Gas/North Shore”).

---

<sup>1</sup> To view a list of regulated entities that filed annual reports, covering activities conducted in calendar year 2019, in 2020, please visit <https://www.icc.illinois.gov/home/diversity-and-community-affairs>.

<sup>2</sup> The five largest public utilities have at least 100,000 customers and are therefore subject to the reporting requirements in 220 ILCS 5/5-117.

# DATA ANALYSIS AND DISCUSSION

---

Since the implementation of the Supplier Diversity Statute, the spending trend of the Big 5 Illinois regulated utilities has steadily increased their supplier diversity spending (Figure 1). Five years later, their diverse spending is collectively over \$2 billion and includes MBEs, WBEs, VBEs, and SBEs.

## Total Diversity Spend (MBE, WBE, VBE) vs. Total Spend

Beginning in 2020, the ICC's Office of Diversity & Community Affairs began visualizing the spend data provided by the Big 5 public utilities. This visualization reflects various trend lines regarding spending and resource allocation, as well as information regarding opportunities for further growth.

### DIVERSE SPEND V. TOTAL SPEND (BIG 5 UTILITIES)

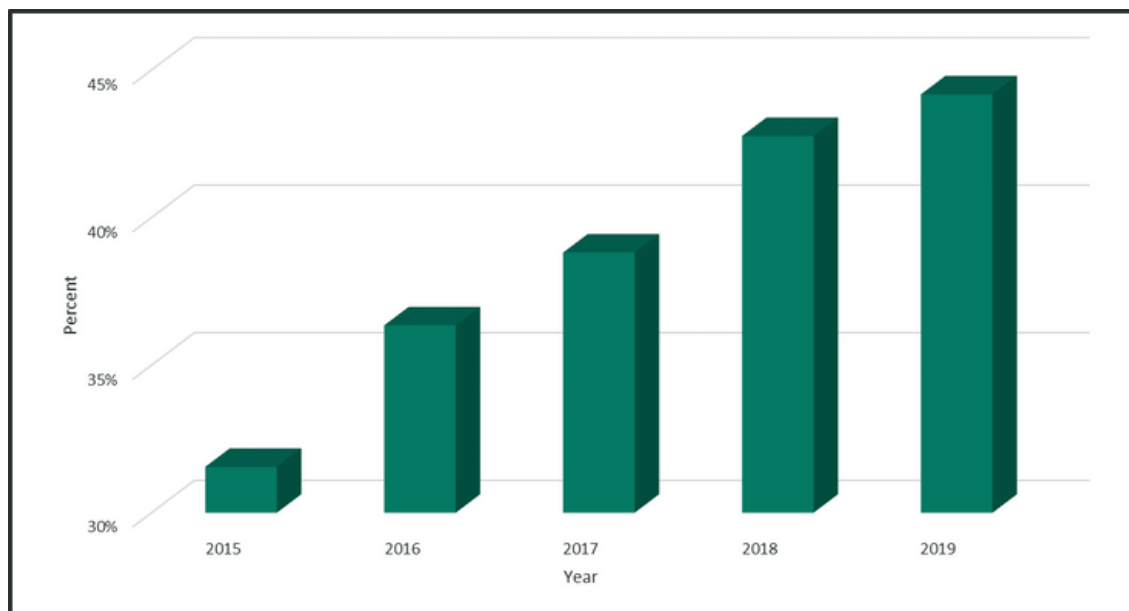


Figure 2: Diverse Spending as a percentage of total Spend

At the end of calendar year 2019, the Big 5's diversity spending averaged 40% of their total procurement dollars (Figure 2). Reporting includes Tier 1 suppliers, or direct prime contractors to the utilities, and Tier 2 suppliers, or subcontractors of Tier 1 suppliers.<sup>3</sup>The Big 5 utilities reported implementation of several practices to achieve their own targeted goals for supplier diversity. Strategies employed by the utility companies include requiring bidders to report information about Tier 2 suppliers and direct outreach to non-profits to amplify bid opportunities to diverse suppliers. Several utilities identified performance metrics that are measured quarterly to track progress of their goals. Additionally, the utilities participate in the Illinois Utilities Business Diversity Council (IUBDC), a forum for best practice sharing and information exchange among Illinois' utilities with a focus on advancing the growth and utilization of diverse businesses in the State of Illinois. The IUBDC provides education, information, and technical assistance as an active resource for utility stakeholders.

Opportunities for improvement exist in high spending categories with low supplier diversity participation, such as Fleet Service, Information Technology Outsourcing and Software Maintenance. Legal and other professional services have seen relative improvement over the past five years. Moreover, we have seen opportunities for growth within a category that may have high levels of diverse spending overall but low WBE and VBE spending.

In evaluating these opportunities for improvement, one of the struggles identified by the Big 5 has been the phenomenon of successful diverse suppliers merging with or being acquired by non-diverse owners. Another challenge in analyzing and visualizing company data by category is the often paucity of data for total spending within a category. In order to identify opportunities by category, reporting must include totals for each category. The ICC plans to rectify this for the calendar year 2020 data, which will be memorialized in the ICC's 2021 Annual Report.

To address these struggles, several utility companies created mentorship programs to build a pipeline of diverse suppliers. Here, a utility may assist a diverse supplier in gaining skills and experience whilst participating as a group of suppliers working on a project. Another strategy employed by utility companies includes identifying an exclusive project strictly for diverse suppliers. This allows diverse suppliers to compete knowing a sizeable project exists.



---

<sup>3</sup> To prevent double counting when a supplier qualifies under multiple categories of diverse suppliers, the Big 5 utility companies reported that their certification priority is MBE, WBE, VBE, and lastly SBE. For example, if a supplier qualified as an MBE and WBE, the amount of their contract would be counted under the MBE category.

Similarly, winning Tier 1 suppliers ask failed bidders to work as Tier 2 suppliers on the project. Utilities also encourage Tier 2 suppliers to bid directly as Tier 1 suppliers. Notably, Illinois American Water converted 30% of their Tier 2 suppliers to Tier 1 suppliers in 2019. Building a pipeline of diverse suppliers that traverse in maturity, from mentorship to Tier 2 to Tier 1, provides a steady stream of work to diverse suppliers. Another opportunity for smaller diverse suppliers is for utilities to unbundle a large project into smaller projects. Most diverse suppliers are smaller than their non-diverse counterparts. For example, if a pipeline project requires ten crews to work simultaneously, then a supplier with only five crews will not qualify to bid.

### BIG 5 DIVERSE SPENDING BY CERTIFICATION

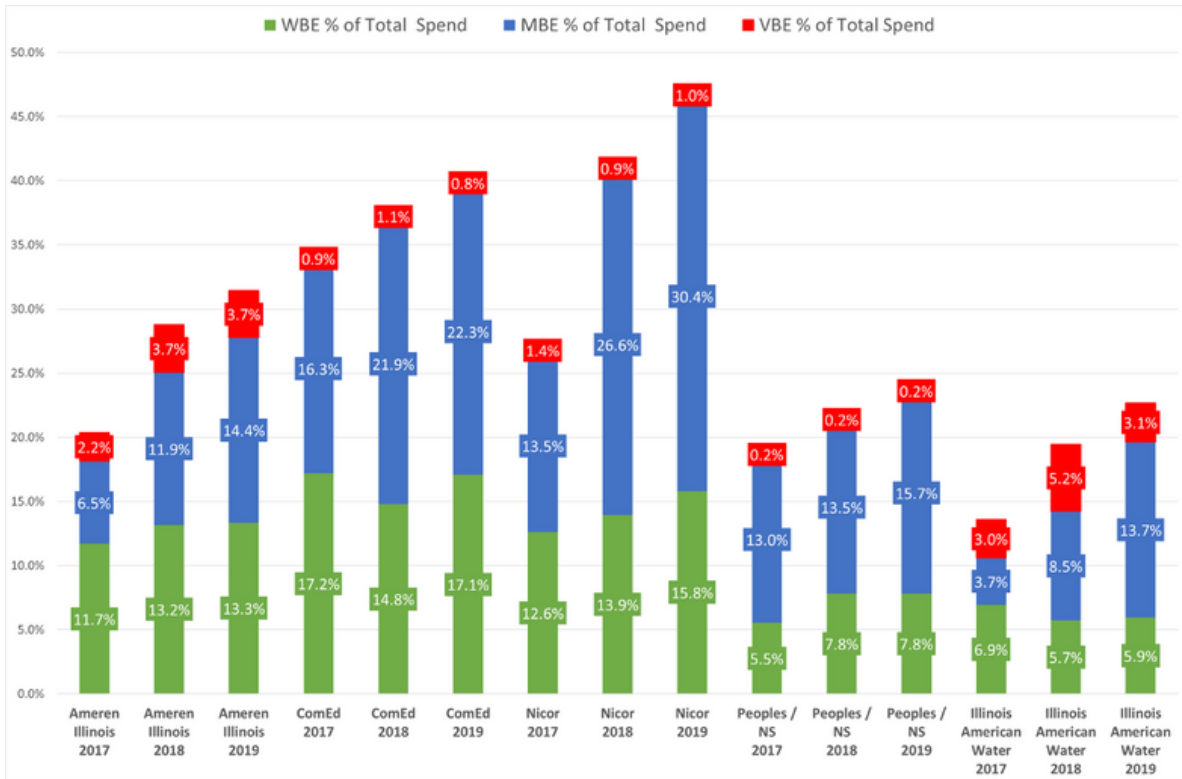


Figure 3

As Figure 3 above indicates, diverse spending continues to increase, with Nicor Gas procuring more than 45% of its total spending via diverse suppliers in 2019.

### ILLINOIS DIVERSITY SPENDING VS. TOTAL SPENDING

While the utility companies maintain goals to increase supplier diversity broadly, the ICC is specifically interested in Illinois-based suppliers. For reporting calendar year 2019 data, the ICC requested diverse spending data for Illinois-headquartered businesses compared to total spend. Additionally, the ICC sought data involving the number of Illinois-based suppliers.

Figure 4 below reflects the percentage of Illinois diverse spending compared with total Big 5 spending. This chart reflects growth opportunities for the Big 5 to further increase procurement with Illinois-based businesses. Per the annual diverse spending reports reflecting 2019 activity, the total spend for Illinois-based MBE,



WBE, and VBEs for the Big 5 currently ranges from 12.8% to 29%. As Figure 4 shows, ComEd and Illinois American Water slightly increased their Illinois-based diverse spending, whereas three companies - People's Gas/North Shore, Ameren, and Nicor - had slight decreases in their Illinois-based diverse spending. These decreases reflect various factors, such as loss of certification and project completion. The Big 5 utilities also expressed challenges with finding qualified vendors based in Illinois.

The ICC is committed to assisting with resources to increase supplier diversity with Illinois businesses. Future reporting specifically will include if the diverse supplier is headquartered in Illinois.

### ILLINOIS DIVERSE SPEND, PERCENTAGE OF TOTAL SPEND

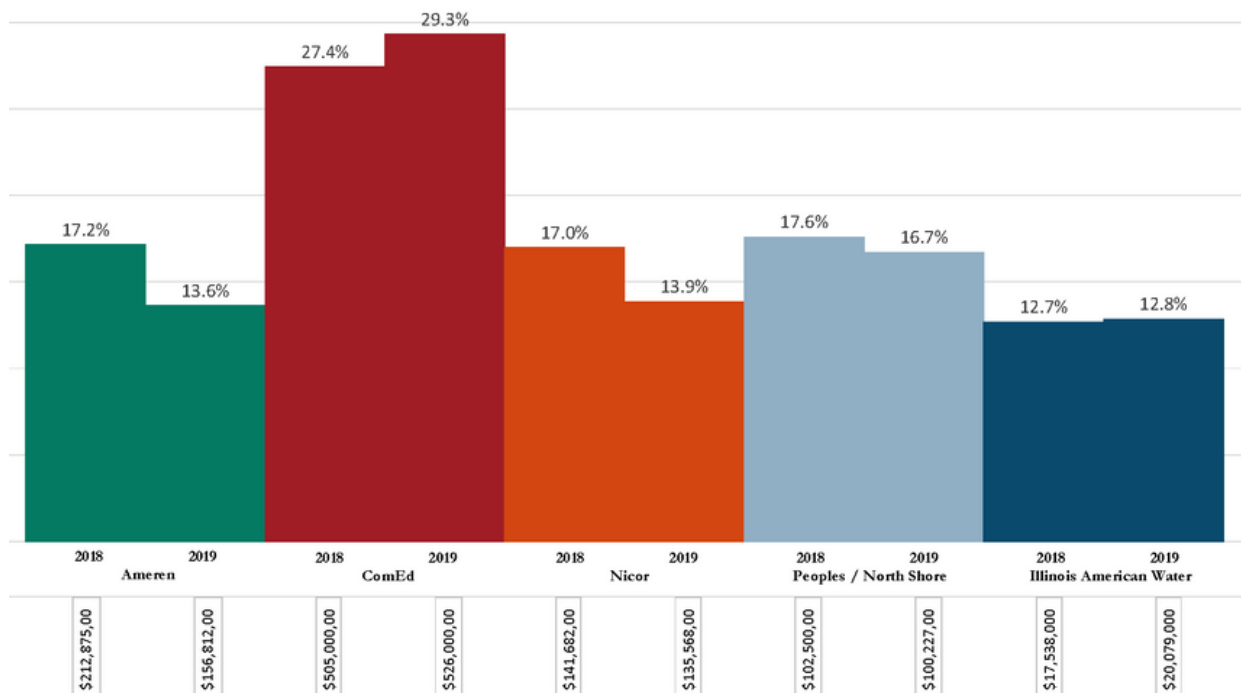


Figure 4

### DIVERSE SUPPLIERS

The number of diverse suppliers in each of the Big 5 utilities continues to increase every year. The 2020 Annual Report notates the number of diverse suppliers with which each utility contracts and the number that are located in Illinois. A little more than half of ComEd and Ameren's diverse suppliers in 2019 were headquartered in Illinois. Over 75% of Illinois American Water's diverse spending in 2019 was with diverse suppliers headquartered in Illinois. 70% of People's Gas total diverse spending in 2019 was with Illinois-based suppliers. Approximately one third of Nicor's diverse spending in 2019 was with Illinois-based suppliers.

For future reporting and better clarity, the ICC has requested that the Big 5 utilities specify the number of new diverse suppliers acquired during the reporting year with headquarters in Illinois. The ICC also wishes to know how many of these suppliers received contracts in that particular year.

### **PROFESSIONAL SERVICES DIVERSITY SPENDING**

Professional services are defined as knowledge-based organizations that provide highly specialized services across many industries. These businesses generally require professional licensure and/or degrees in the arts or sciences. Professional services categories include legal services, financial services, human resources, information technology services, engineering, technical services, communications/marketing, and management consulting.

Peoples Gas/North Shore Gas and Illinois American Water did not break down professional services according to M/W/VBE and, accordingly, the ICC was unable to include them in our comparison for this first Annual Report. The ICC was able to discern, however, an increase in diverse spending in engineering, environment, and IT consulting. While there remains a desire to increase diverse spending in legal and financial services; these categories, however, are often the responsibility of the parent company and not the subsidiary utility. With this limitation, the Big 5 utilities still look to implement programs and build relationships to increase the diversity in these categories.

### **UTILITY SCALE RENEWABLE ENERGY SUPPLIERS**

Effective June 1, 2017, Section 5-117 of the Public Utilities Act was amended to include suppliers of renewable energy. Accordingly, 2018 was the first year in which renewable energy suppliers were required to submit supplier diversity reports. In 2020, the ICC Office of Diversity & Community Affairs focused on utility-scale renewable energy suppliers that generated at least 1 megawatt-hour (MWh) of renewable energy in the reporting calendar year. Accordingly, the list does not include distributed renewables (typically referred to as "distributed solar" or "distributed wind" or "distributed energy resources" or "DERs").

The ICC obtained information regarding the renewable energy credits (RECs) from the PJM Interconnection for utility-scale renewable generation situated in ComEd, and from the Midcontinent Independent System Operator for utility-scale renewable generation situated in Ameren, thereby creating independent third-party verification.

The ICC has initiated outreach efforts to the renewable energy industry to create a system of reporting to ensure compliance with the Supplier Diversity Statute and accomplish the goals of the Commission. 2019 was the first year in which many of the renewable energy companies were informed of their annual reporting requirement. Given the Office’s outreach efforts, increased compliance is anticipated in the coming year.



### **CHALLENGES TO IMPROVE SUPPLIER DIVERSITY FOR LARGE UTILITIES OPERATING IN ILLINOIS**

During the reporting year, the Big 5 utilities identified several challenges in acquiring and maintaining diverse suppliers. Specifically, the utilities indicated difficulty in finding and maintaining a pool of diverse suppliers with the experience needed for specific projects. In addition, a diverse supplier may be able to engage in one project but, due to limited access to capital, unable to bid on multiple or larger projects. Another challenge is geographic distribution, meaning qualified diverse suppliers may not exist to serve specific geographic areas in which a project is sited. Also, as mentioned earlier, diverse suppliers may lose certification, thereby reducing the spending on, and number of, diverse suppliers. Utility companies should consider various strategies to address these challenges. For example, a utility company may decouple their projects in order to appeal to diverse suppliers. Further, a utility company may work with certification authorities and conduct outreach to amplify bid opportunities.

# CLOSING

---

While the ICC has led a robust supplier diversity effort for the past five years, 2020 served as a foundational year for the ICC's Office of Diversity and Community Affairs. Recognizing the collaborative efforts that have resulted in a consistent increase of diverse spending since 2014, the ICC will continue to initiate, seek, and build relationships with other agencies and organizations, throughout Illinois in order to increase the pool of diverse suppliers from which utilities may draw. By building these relationships and seeking collaboration, additional businesses may become aware of available bid opportunities, and the ICC can assist in addressing bidding challenges and concerns.

The ICC continues to explore ways to improve our service to diverse suppliers in Illinois. In particular, the ICC has initiated an effort to improve its supplier diversity website to improve user experience and facilitate connections between suppliers, state certification agencies, and utility liaisons such as the IUBDC. To improve future data analysis of diverse supplier spend, the ICC is in the process of standardizing the appendix for all future reporting. Moreover, the ICC has engaged in outreach efforts to Alternative Retail Electric and Gas Suppliers (ARES/ARGS) that have expressed concerns and desire clarity regarding their obligations under the Supplier Diversity Statute.

The best way to demonstrate our commitment is to lead by example. We look forward to continuing to address the challenges and opportunities regarding the improvement of supplier diversity. As one of few states where legislative bodies have recognized the importance of supplier diversity through a statutory reporting requirement, we remain excited to lead the effort to increase opportunities for diverse suppliers headquartered in Illinois.

# ACRONYMS

---

<b>ARES</b>	Alternative Retail Electric Supplier
<b>ARGS</b>	Alternative Retail Gas Supplier
<b>BEP</b>	Business Enterprise Program
<b>CMS</b>	Illinois Department of Central Management Services
<b>CMSDC</b>	Chicago Minority Supplier Development Council
<b>DER</b>	Distributed Energy Resource
<b>HACIA</b>	Hispanic American Construction Industry Association
<b>ICC</b>	Illinois Commerce Commission
<b>IUBDC</b>	Illinois Utility Business Diversity Council
<b>MBE</b>	Minority-Owned Enterprise
<b>PUA</b>	Public Utility Act
<b>MISO</b>	Midcontinent Independent System Operator
<b>MWh</b>	MegaWatt-hour
<b>PJM</b>	PJM Interconnection
<b>REC</b>	Renewable Energy Credits
<b>SBE</b>	Small Business Enterprise
<b>Tier 1 Supplier</b>	Direct contractors of the utilities / energy supplier
<b>Tier 2 Supplier</b>	Subcontractors of Tier 1 suppliers
<b>VBE</b>	Veteran-Owned Enterprise
<b>WBDC</b>	Women's Business Development Center
<b>WBE</b>	Women-Owned Enterprise