Winning Contracts and Developing Skills
Supplier Diversity and Workforce Development in the Midwest Energy Efficiency Industry

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September 2018
Executive Summary

Supplier diversity is an issue that is coming up more frequently on conference agendas and in questions from state legislators and utility commissioners, as well as within energy efficiency businesses and utilities. This paper will explore efforts to increase supplier diversity in Illinois and provides a comparative analysis of Midwest utilities’ supplier diversity initiatives. The different states within the region approach the diversification of the industry in various ways. Examining these diversification practices does not reveal a best practice—be it through state policy or a utility program—but does foster comparative analysis useful in examining the different approaches for achieving supplier diversity goals.

It is important to note that supplier diversity initiatives are in their preliminary stages across the region. Some states are further along in the initiative than others and there is potential for an increase in these efforts. We included a discussion of workforce development to illustrate the similarities between the two and to emphasize the implications supplier diversity has on workforce development leading to diversification of the industry.

Introduction

Utility-invested energy efficiency programs have been a priority for many states throughout the years. Utilities across the Midwest have invested billions of dollars in energy efficiency programs over the past several years. As a result of these investments, the energy efficiency workforce has flourished. Despite this, the industry remains largely homogenous (U.S. Bureau of Labor Statistics 2011) and lacks diversity in trade ally suppliers, implementers and other program administrators. Table 1 demonstrates the lack of diversity within the industry and identifies a workforce that is predominantly male and white. The gender disparity is particularly striking, as is the percentage of African Americans working in the industry.

Table 1: Energy efficiency workforce demographics (Q4 2017)

<table>
<thead>
<tr>
<th>Demographic</th>
<th>Employees</th>
<th>Percent of EE Sector</th>
<th>Natl. Workforce Avg.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>1,723,732</td>
<td>77%</td>
<td>53%</td>
</tr>
<tr>
<td>Female</td>
<td>524,792</td>
<td>23%</td>
<td>47%</td>
</tr>
<tr>
<td>Hispanic or Latino</td>
<td>337,402</td>
<td>15%</td>
<td>17%</td>
</tr>
<tr>
<td>American Indian or Alaska Native</td>
<td>32,288</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Asian</td>
<td>107,276</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Black or African American</td>
<td>176,303</td>
<td>8%</td>
<td>12%</td>
</tr>
<tr>
<td>Native Hawaiian or other Pacific Islander</td>
<td>26,166</td>
<td>1%</td>
<td>&gt;1%</td>
</tr>
<tr>
<td>White</td>
<td>1,748,399</td>
<td>78%</td>
<td>78%</td>
</tr>
<tr>
<td>Two or more races</td>
<td>159,092</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>Veterans</td>
<td>238,162</td>
<td>11%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Note: Respondents to the survey were permitted to select more than one ethnicity. Source: NASEO and Energy Futures Initiative 2018.
In Illinois, improving diversity within the energy efficiency sector has increasingly become a state priority. Minority-owned and women-owned businesses face unique challenges in accessing a larger market share. Therefore, important steps could be taken to identify and engage these businesses by ensuring their ability to access opportunities to increase their participation in Illinois’ energy efficiency programs. As the pool becomes larger by adding diverse businesses, it creates a more talented workforce that improves the bottom line in a competitive economy (Kerby and Burns 2012). Increased opportunities would raise the level of competition and benefit companies and organizations that work in Illinois.

Suppliers refer to the outside implementers that utilities employ for energy efficiency program administration, implementation and evaluation. Supplier diversity is the contracting of businesses that are owned by historically marginalized persons; this includes women-owned, minority-owned and veteran-owned suppliers. Cases have shown that diversity drives revenue, motivates employees and fosters innovation (Bush and Peters 2016). Supplier diversity within utility administered energy efficiency programs plays a vital role in ensuring minority- and women-owned businesses have access to opportunities and in strengthening the communities they serve.

This paper reviews the ways in which Illinois has attempted to address supplier diversity and how these efforts are likely to continue. Recent state omnibus legislation in Illinois sets clean energy goals and efforts to tackle unrepresented communities through supplier diversity programs and workforce development. This paper walks through Illinois’ recent attempt at a comprehensive strategy to better serve and better involve disadvantaged and disenfranchised community stakeholders within the world of clean energy deployment. Other Midwest states may not have as robust statewide efforts to increase supplier diversity, but as discussed throughout this paper, several utilities across the region are directing significant resources toward supplier diversity goals.

**The Future Energy Jobs Act**

The Future Energy Jobs Act (Public Act 099-0906), also known as FEJA, is one of the most significant and comprehensive pieces of energy legislation to date in Illinois. The process of passing the Act took nearly two years of negotiations with more than 300 different organizations and companies, including energy companies, consumer advocates, members of the faith community, labor groups and environmental activists (Barbeau 2016). Signed in December 2016, FEJA went into effect on June 1, 2017. The bill significantly amended the Illinois Power Agency Act and Public Utilities Act. It pivots Illinois to the new clean energy economy, saves and creates thousands of clean energy jobs and provides job training for the future workforce. Building on the success of Illinois’ existing energy efficiency programs, FEJA requires the state’s largest utilities (ComEd and Ameren Illinois) to significantly reduce their energy use by 2030 (Barbeau 2016). ComEd is required to attain 21.5% cumulative annual persisting savings by 2030 and Ameren Illinois is required to attain up to 16% cumulative annual persisting savings by 2030. Targets for the gas utilities remain the same at 1.5% annually. Additional programs aimed at meeting these energy savings objectives will need a multitude of suppliers and implementers, and there is a need to expand these networks to increase diversity of business participation. FEJA addresses various aspects related to utilities better serving historically underserved and underrepresented
communities. To accomplish this, FEJA utilizes a broad approach which prioritizes supplier diversity and community workforce development to address inadequacies in the current approach to serving marginalized communities in Illinois. Ultimately, FEJA’s success in creating a more inclusive energy sector in Illinois will hinge upon the supplier diversity and workforce development initiatives being cohesively addressed through regulatory leadership, utility commitment and a robust stakeholder process.

Supplier Diversity under FEJA

Beginning in 2014, the Illinois Commerce Commission (ICC) took steps to promote and enact some processes to increase supplier diversity. In the past, commissioners underscored the lack of diversity within utility program administration as an extremely important issue and expressed the need to rectify the problem (Annual Supplier Diversity Policy Session 2017). This initial ICC effort targeting supplier diversity programs in Illinois worked to create a more inclusive sector within utility program administration by encouraging the use of minority-owned, women-owned, veteran-owned and small businesses as suppliers, thus promoting innovation through the introduction of new products, services and solutions and providing multiple channels to procure goods and services (EEI 2018).

On August 16, 2014, pursuant to Section 5-117 of the Public Utilities Act, the ICC began requiring utilities that have 100,000 customers or more to submit annual reports on goals and spending for all minority-owned, women-owned, veteran-owned and small business enterprises from the previous calendar year. The reports must be submitted every April, after which the ICC holds a supplier diversity policy session, which is open to the public. At the session, a variety of stakeholders, ICC Commissioners, Illinois government officials, utilities, supplier diversity advocates and diverse business executives come together to discuss and review Illinois utilities’ activities and spending with diverse businesses (ICC 2017d). The goal of the session is to collaboratively develop solutions to achieving supplier diversity, and it features testimony from each participating entity, subject matter experts and advocates. Commissioners, advocates and diverse business executives all contribute to the dialogue, offering the utilities ideas for improving supplier diversity. The session ends with a roundtable discussion on current trends, challenges, triumphs and best practices for increasing diversity of vendors within utilities. These meetings reemphasize the importance of Illinois’ diversity initiatives, allow advocates and businesses to share their personal experience working with utilities to improve supplier diversity and facilitate the sharing of best practices (ICC 2017d).

On June 11, 2015, the Illinois Utilities Business Diversity Council (IUBDC) was formed by a group of utilities as another avenue for collaboration with a focus on advancing the growth and utilization of diverse businesses in Illinois. Founding members include Ameren Illinois, ComEd, Illinois American Water, Nicor Gas, North Shore Gas and Peoples Gas. The IUBDC’s vision is to forge effective relationships among utilities to develop a strong economy and an environment conducive for growth and access to diverse businesses (IUBDC 2018). To address the issue of diversity, the IUBDC provides education, information and technical assistance as a resource for utility stakeholders. In response to stakeholder feedback in the public policy sessions, the IUBDC has created a platform for mentoring and shared relationships among suppliers (Smith 2018).
Illinois has attempted to rectify the historical lack of supplier diversity in utilities through the submission of annual reports on supplier diversity goals and the creation of annual policy sessions. The ICC does this by closely analyzing utilities’ procurement figures and their spending plans in their annual reporting. This reporting and the ICC analysis creates a deeper understanding of how diverse spend could grow and encourages that to happen (Smith 2018).

Due in part to the ICC’s and IUBDC’s efforts, entire utility spending on diverse suppliers increased by more than $1.4 billion from 2012-2016. In 2016, Illinois utilities directed $570,436,808 to minority-owned businesses alone, and a total of $2,053,476,453 to small businesses, women-, veteran- and minority-owned businesses combined (ICC 2017c).

Table 2: 2017 Illinois Utility Diverse Supplier Spend

<table>
<thead>
<tr>
<th>Utility</th>
<th>Diverse Supplier Spend</th>
<th>Percentage of Spend</th>
<th>Energy Efficiency Total Diverse Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>ComEd</td>
<td>$711 million</td>
<td>36% total supply chain spend</td>
<td>$14 million</td>
</tr>
<tr>
<td>Nicor</td>
<td>$180 million</td>
<td>27.5% total spend</td>
<td>$2.83 million</td>
</tr>
<tr>
<td>Peoples North Shore Gas</td>
<td>$125.5 million</td>
<td>18.7% total procurement spending</td>
<td>$312,480</td>
</tr>
<tr>
<td>Ameren</td>
<td>$216.7 million</td>
<td>36.5% of overall</td>
<td>$1.27 million</td>
</tr>
</tbody>
</table>

Source: ICC 2017

Supplier diversity continues to be a priority for the ICC. We conducted an interview with the ICC during which they provided information on Illinois utilities’ supplier diversity efforts. The commission is pleased with the progress thus far, and they would like to see continuous progress and a strong supplier diversity program embedded in the culture and operation of the utilities (Smith 2018). One best practice that has emerged from these sessions is that each utility has identified an internal point of contact for supplier diversity. Several of the utilities have gone further by creating internal teams that focus specifically on supplier diversity (Smith 2018).

FEJA attempted to build upon existing voluntary priorities. FEJA states:

“To the extent feasible and consistent with State and federal law, the procurement of contracted labor, materials, and supplies by electric utilities in connection with the offering of delivery services under Article XVI of this Act should provide employment opportunities for all segments of the population and workforce, including minority-owned and female-owned business enterprises, and shall not, consistent with State and federal law, discriminate based on race or socioeconomic status” (Future Energy Jobs Act of 2016).

Prior to FEJA, there was no legal mandate stating that a utility must include employment opportunities for minority-owned and women-owned businesses. As discussed above, the ICC required utilities to submit supplier diversity reports each year. Although these reports subsequently led to an observed increase in the companies’ efforts to increase diversity, utilities
were not compelled to employ diverse suppliers. Under FEJA’s mandatory framework, supplier diversity can be expected to increase even.

Utilities submitted their first post-FEJA energy efficiency plans to the ICC on June 30, 2017. These plans were to cover 2018-2021 and included provisions responsive to FEJA requirements. Ameren Illinois plans to use the Breakthrough Equipment and Devices budget for a market transformation initiative, which will seek to increase the number of diverse business entities that deliver energy efficiency services to Ameren Illinois customers (Ameren 2017). ComEd’s will target minority- and women-owned business enterprise contractors to participate in its trade ally recruitment and training program (ComEd 2017a).

With the utilities’ plans submitted, it is now possible to identify what actions or programs could lead to success. Both Ameren and ComEd aim to increase contract opportunities for a diverse pool of suppliers. ComEd has diversity embedded in how they conduct business and implemented a variety of efforts that could lead to successful diversification. For example, every request for proposals (RFP) that is submitted to ComEd will require an applicant to also submit diversity plans.

Aside from spending, the ICC has noted the increase in number of new diverse suppliers. This year, Peoples Gas has reported an increase of 36 new diverse suppliers and Ameren Illinois has added nearly 40 diverse suppliers (Smith 2018). There has also been an increase in the pool for the number of diverse suppliers. Nicor reported adding an additional 200 diverse suppliers to their database and ComEd reported 111 newly certified diverse suppliers (Smith 2018). The ICC addressed increasing these metrics further at their annual policy session in September 2018.

Although Illinois utilities have made significant progress in recent years, the ICC still sees room for improvement (ICC 2017e). For example, the ICC suggested creating a uniform template for utility annual reports to make them easier for all audiences to digest and compare (Smith 2018). This recommendation was issued in an ICC memo to the IUBDC and included a recommendation to standardize terms and definitions. The ICC has encouraged utilities to increase spending with diverse suppliers (Smith 2018). The participation in the annual policy sessions by presidents and CEOs is an effort to continue this progress.

Workforce Development

Aside from increasing supplier diversity, FEJA also addresses various aspects of underserved and underrepresented communities through workforce development. The energy efficiency industry’s focus on supplier diversity is a recognition that existing energy efficiency companies hold expertise necessary to implement programs but are being overlooked. This approach can be considered a subset of workforce development which seeks to empower individuals within low income and disadvantaged communities. Workforce development, like supplier diversity, aims to remove existing systemic barriers to bring additional voices and skills into the clean energy workforce.

The energy sector workforce is facing great change; the evolution of the labor force is including a growing number of minorities. The U.S. population over age 55 is 75% white, while people under the age of 35 are 46% minorities (Chatlani 2016). Demographic change in the energy industry
makes it critical for utilities to address and embrace diversity to ensure progress and growth. The U.S. Department of Energy recognized the need for workforce development within the utility industry and submitted a report on workforce trends to Congress in 2016 (Chatlani 2016). This report called for utilities to maintain a knowledge of the workforce and work to manage the impending retirement transition.

In March 2016, the Center for Energy Workforce Development (CEWD) was founded to “help utilities work together to develop solutions to the coming shortage of skilled workforce in the utility industry” (CEWD 2018). This organization is composed of electric, natural gas and nuclear energy companies and their associations. The CEWD provides resources for utilities to attract, train and hire minorities, which includes youth, military, women and transitioning adults (CEWD 2016).

The Illinois Legislature recognized the need to focus on advancing workforce development and included provisions within FEJA tied to solar energy development. FEJA sets a utility spending requirement for job training programs aimed at various minority or underrepresented communities. Under FEJA, ComEd must spend $10 million per year in 2017, 2021 and 2025 to fund three categories of job training programs: (1) $3 million to Solar Jobs Training Pipeline, (2) $3 million to Craft Apprenticeship, and (3) $4 million to Multi-Cultural Jobs Training (Future Energy Jobs Act of 2016). The workforce development programs within FEJA are aimed to both lower the disproportionate unemployment rates and prepare for a more diverse workforce future.

FEJA requires electric utilities to ensure all segments of the population and workforce are able to access the growing employment opportunities in the clean energy sector. For instance, the utility or administrator will include funding for programs that provide training to individuals who are or were foster children and persons with a record (Future Energy Jobs Act of 2016). It also requires that the trainees are recruited from the same communities that the program aims to service. To meet these requirements, utilities have set up efforts to target local organizations and underserved communities to stimulate local economies. In 2017, ComEd spent $30 million on area business associations to develop career training programs related to solar and energy efficiency (Unger 2017). ComEd aims to establish a pool of trained installers, fund job training programs through community-based and diverse organizations and identify partnership opportunities that maximizes societal benefits of workforce development (ComEd 2017b). Within the final orders, the ICC emphasized many of the provisions in FEJA relating to workforce development that aim to reach underserved communities. The final order for ComEd stresses the importance of ensuring that Illinoisans across the state, including those with employment barriers, have the skills and access to the jobs FEJA sought to create (ICC 2017a). ComEd also held a workforce development event in August 2017 to bring together those administering job training programs with energy efficiency program implementers. Bringing these groups together ensures implementers can share the skills that they are looking for with their employees and contractors, while workforce training programs can identify potential companies for job placement.

The ICC expressed intent to honor the economic development aspect of FEJA in the Ameren Final Order. The ICC, along with Ameren Illinois and community-based organizations, recommended that rather than simply providing energy efficiency programs, Ameren Illinois should deliver them in a way that creates local jobs for diverse candidates and provides economic development for economically-challenged communities (ICC 2017b). This
recommendation supported the plan’s existing emphasis on developing new economic and energy efficiency opportunities for historically underserved and underrepresented communities (ICC 2017b).

Additionally, FEJA devotes $750 million to utility programs that provide training for new energy jobs and help low income customers, seniors and disabled veterans afford their utility bills. FEJA expands the definition of “low income” beyond just those who qualify for state assistance and directs the utilities to engage with economically disadvantaged communities in designing and delivering new programs for customers most challenged to pay bills. Both ComEd and Ameren Illinois set up income qualified energy efficiency advisory committees, seeking input from organizations and individuals who work with and represent low-income communities to guide the development and delivery of these programs.

Like the supplier diversity and expansion of income qualified efficiency programs, FEJA’s workforce development framework invests in an overlooked sector of the Illinois economy while targeting different fundamental issues.

In the following section, we will conduct a comparative analysis to determine what is happening across the Midwest region in relation to supplier diversity efforts.

**Supplier Diversity Initiatives Across the Midwest**

Supplier diversity efforts are not confined to Illinois, however. We interviewed representatives from Alliant Energy, AEP Ohio and DTE Energy to gain a broader understanding for supplier diversity initiatives in other states across the Midwest.

**Alliant Energy**

Alliant Energy (Alliant) service territory spans across Iowa and Wisconsin. Neither state has a legislative or utility board statewide policy driving supplier diversity, but Alliant has its own internal voluntary supplier diversity program that measures supplier diversity based on the percentage of spend. Table 2 summarizes the past five years for diversity spend by percentage of total spend along with the raw dollar amount spent through the program.

**Table 3: Summary of Alliant Energy’s Diverse Spend (2013-2017)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Diverse Spend</th>
<th>Diverse Spend (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>12.6%</td>
<td>$129</td>
</tr>
<tr>
<td>2014</td>
<td>11.9%</td>
<td>$129</td>
</tr>
<tr>
<td>2015</td>
<td>17.4%</td>
<td>$200</td>
</tr>
<tr>
<td>2016</td>
<td>12.1%</td>
<td>$158</td>
</tr>
<tr>
<td>2017</td>
<td>14.0%</td>
<td>$212</td>
</tr>
</tbody>
</table>

Note: Diverse spend percentage refers to sourceable spend and does not include fuel, payroll, insurance etc. Source: Interview with Schoepke, D. “Interview with Alliant Energy.” May 4, 2018.
This internal program is aimed at increasing the utilization of minority-owned, women-owned, service disabled veteran-owned, LGBT-owned and designated small businesses. The program aims to have suppliers that reflect the diversity of the communities within Alliant’s territory. The supplier diversity initiative originally started as an idea at the vice-president level 11 years ago. Since then it has grown into a robust program that is now embedded within the culture at Alliant (Schoepke 2018). To get the program up and running, the utility partnered with what is now the North Central Minority Supplier Development Council (NCMSDC). Alliant credits this partnership with initiating and establishing the program (Schoepke 2018). The NCMSDC taught Alliant how to track diverse suppliers, what to require for certification, how to conduct outreach and what resources were available to find diverse suppliers.

Alliant allows both third-party verifications as well as self-certifying affidavits stating that the vendor qualifies as a small business as stated by the Small Business Administration (SBA). While many of the diverse contractors they work with have third-party verification, many of the small businesses that the utility works with are not registered. Those that are not third-partied verified may not have the self-certifying affidavits since many companies are not comfortable with the self-certification process or are not sure if they technically qualify. While many of the diverse contractors they work with have third-party verification, many of the small businesses that the utility works with are not registered, suggesting Alliant uses more small businesses than their data would suggest. To combat this problem, Alliant is working with some of their more strategic partners to confirm their status, but there are likely a few hundred other companies that may qualify (Schoepke 2018). They strongly encourage eligible suppliers to go through the formal certification process, so they can confirm their requirements have been reviewed and approved by the SBA. This can create a positive feedback loop, as it is a great way for the vendors to get recognized by other businesses who are also looking to diversify. Plus, it creates a better partner for Alliant if vendors can obtain more business and grow as a company.

Although Alliant has a strong supplier diversity program, there are still some challenges that the utility must work to overcome. As the energy mix changes and Alliant moves into new business opportunities, it is not easy finding new, diverse contractors to support these new utility initiatives. As the older projects become a smaller portion of the program portfolio, many of the diverse vendors that Alliant traditionally relied upon are impacted by the sunsetting programs and initiatives. Alliant is working to understand the new market and where the diverse businesses are within that sector to fulfill the utility’s internal supplier diversity goals moving forward.

**DTE Energy**

DTE Energy (DTE) is an electric and gas utility serving Detroit, Michigan and the surrounding area. Like the states within Alliant territory, Michigan does not have a legislative or commission mandate for utility supplier diversity programs. However, DTE has enacted its own internal and voluntary supplier diversity initiative with a 2018 diverse spend goal of 19.5%, which DTE defines as small businesses owned by women, veterans or minorities (DTE 2018). This 19.5% is an increase in percentage compared to past years, as depicted in Table 3.
Table 3: Summary of DTE Energy’s Diverse Spend (2014-2018)

<table>
<thead>
<tr>
<th>Year</th>
<th>Diverse Spend (% of total)</th>
<th>Diverse Spend (millions)</th>
<th>Total Spend (billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>17%</td>
<td>$357</td>
<td>$2.1</td>
</tr>
<tr>
<td>2015</td>
<td>18%</td>
<td>$378</td>
<td>$2.1</td>
</tr>
<tr>
<td>2016</td>
<td>18.5%</td>
<td>$389</td>
<td>$2.1</td>
</tr>
<tr>
<td>2017</td>
<td>19.4%</td>
<td>$446</td>
<td>$2.3</td>
</tr>
<tr>
<td>2018</td>
<td>19.5%</td>
<td>$448</td>
<td>$2.3</td>
</tr>
</tbody>
</table>


DTE recognizes that supplier diversity programs are good for business, as these companies are high quality, competitive, have good technology and great customer service (Tomczak 2018). DTE supplier diversity spend has increased by 76% since 2012. To ensure progress continues, DTE aims to create partnerships that are long lasting and meaningful (Tomczak 2018). DTE views partnerships with local advocacy groups to be particularly meaningful in increasing business with diverse vendors. These local advocacy groups include Michigan Minority Supplier Development Council, Great Lakes Women’s Business Council, National Veteran Business Development Council, Asian Pacific America Chamber of Commerce, Michigan Hispanic Chamber of Commerce and Pure Michigan Business Connect. Although these partnerships and commitment to a percentage of spend on diverse suppliers has led to some success, several energy efficiency businesses have lost their diversity certification due to mergers or changes in ownership. To overcome this obstacle DTE is looking to identify or develop diverse suppliers in all areas of utility spend (Tomczak 2018).

AEP Ohio

AEP Ohio service territory includes the city of Columbus and spreads across 61 counties throughout Ohio (AEP Ohio). Ohio also does not have a legislative or commission requirement for utilities to institute or report on supplier diversity. AEP Ohio’s voluntary supplier diversity initiative focuses on two main areas: The Small Business Program, which started in 2013, and the Supplier Diversity Program, which launched in 2017 (Reber 2018). AEP Ohio recognizes that small and diverse suppliers enable innovation, increase competition, improve savings and enhance the AEP brand (Reber 2018). AEP Ohio has expressed a commitment to making it easier for diverse suppliers to do business with the utility so that their pool of suppliers and business partners reflects the diversity of the communities they serve. The Small Business Program focuses on maximizing opportunities for small business suppliers to provide goods and services to AEP Ohio. Goals are established and measured annually for all areas of small business concerns. The Supplier Diversity Program focuses on maximizing opportunities for diverse businesses, which includes women-owned, minority-owned, veteran-owned, Historically Underutilized Business Zones (HUBZone) and LGBT-owned businesses. AEP Ohio has established a 10% spend goal for diverse suppliers by 2023 for Tier 1 (or prime) suppliers. In 2017, AEP Ohio launched its Tier 2 (subcontractors) program and reached out to various suppliers, which included energy efficiency implementers to report their Tier 2 spend to the utility. A Tier 2 goal will be adjusted once data is collected. Aside from the 2023 goal, AEP Ohio is also working toward a 1% increase in diverse spend for 2018 (Reber 2018). This increase in diverse spend has led to some established best practices; this includes having
consistent work for their supplier diversity process, reviewing supplier diversity processes for continuous improvement opportunities and creating visibility around the supplier diversity program in all areas of the utility (Reber 2018).

AEP Ohio sees finding diverse suppliers that can meet the utility’s qualification as a surmountable challenge (Reber 2018). All suppliers are expected to meet industry standard safety requirements, provide quality products, demonstrate financial stability and offer competitive pricing. As the Supplier Diversity Program grows out of its infancy, AEP Ohio is developing a strategy to find qualified diverse suppliers.

Conclusion

Supplier diversity ensures historically underrepresented businesses have increasing opportunities to participate in the energy efficiency industry. This ties into workforce development, as supplier diversity is an aspect of workforce development. Both issues deal with job access and creating a workforce that better represents the communities they work in and better serve traditionally unrepresented communities. In Illinois, the Future Energy Jobs Act imposed numerous provisions aimed at diversifying the energy efficiency sector through supplier diversity and workforce development. According to the utilities’ plans and the broad stakeholder support, Illinois may be well on its way to implementing a cohesive strategy on supplier diversity in energy efficiency program delivery. It remains to be seen whether these programs will be successful in increasing opportunities and services in underserved communities. One potential solution to the challenges several utilities are facing may lie in the details of certification for diverse suppliers and the commitment by utilities to put policies into practice.

Going forward, the industry will need a roadmap for energy efficiency certifications, which includes qualifications, solutions to any barriers to obtaining those certifications and state-to-state reciprocity. At present, the overarching goal for the state of Illinois and many utilities across the Midwest is to expand supplier diversity through sharing sound practices and identifying utility champions on the issue. This review allows us to identify initiatives across the region that may result in better diversifying the sector overall as well as anticipate the aspects of FEJA that will likely result in better serving these communities as Illinois transitions to a clean energy economy.
References


Smith, C. “Interview with the ICC.” May 23, 2018.


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