

2019 Mid-Year Supplier Diversity Update

Summary

Cascade Energy is committed to supporting diverse vendors and creating opportunity for socially and economically disadvantaged individuals. As a part of that commitment, we regularly track and report on our company's Diverse Business Enterprise (DBE) spend.

The table below shows a summary of our DBE spend data for the past three years. DBE Spend as a percentage of Total Spend has fluctuated from 8% in 2017 to a high of 10.8% based on year-to-date (YTD) numbers in 2019 (through July 2019).

Our focus to date has been on improving the general tracking of our contract vendors and, consequently, our contract-related DBE spend. Our contract-related DBE spend has increased year-over-year and is at a high of 37.9% for 2019-YTD.

DBE spend is not currently tracked as a percentage of credit-card spending, and identification of DBE vendors in internal and inflexible overhead categories is based on limited survey response. An ongoing 2019 goal is to improve the accuracy and coverage in these categories.

	2016	2017	2018	2019
TOTAL Spend	100.0%	100.0%	100.0%	100.0%
Contract	33.0%	24.6%	22.8%	26.5%
Credit Card	25.3%	26.7%	26.7%	21.4%
Internal	7.6%	10.4%	12.1%	16.1%
Inflexible Overhead	34.1%	38.3%	38.4%	35.9%

DBE Spend	10.1%	8.0%	8.9%	10.8%
Contract	28.5%	31.0%	34.5%	37.9%
Credit Card	<i>not yet tracked</i>			
Internal	8.5%	3.7%	8.9%	4.5%
Inflexible Overhead	0.0%	0.0%	0.0%	0.0%

Small Business Spend	31.6%	23.5%	25.7%	28.1%
Contract	83.6%	84.5%	92.8%	88.8%
Credit Card	<i>not yet tracked</i>			
Internal	53.7%	26.1%	37.7%	28.0%
Inflexible Overhead	0.0%	0.0%	0.0%	0.0%

DBE Spend (Controllable and Tracked Costs Only)				
DBE Spend (Contract + Internal)	24.8%	22.8%	25.6%	25.2%

What do the terms mean?

Diverse Business Enterprise (DBE): A for-profit business where socially and economically disadvantaged individuals own at least a 51% interest and also control management and daily business operations. For our purposes they can be broken down into woman-owned, minority-owned, veteran-owned, service-disabled veteran-owned, and LGBTQ-owned.

Contract Spend: Business expenses used to directly fulfill contract obligations, not general operating expenses or overhead.

Credit Card Spend: All business expenses put on employee credit cards. This type of spend is not currently being tracked by vendor, but it will be in the future. Credit card spend includes both contract and internal spending with a significant percentage of spend coming from travel-related contract spending and internal IT-related expenses.

Overhead (OH) Spend: Business costs that are required to run a business, but which cannot be directly attributed to a specific business activity, product, or service. In essence, those things a company pays for to support the things that make it money (accounting, legal, insurance, rent, utilities, etc.)

Inflexible Overhead Spend: Overhead expenses that are either immutable or extremely difficult to shop on the open market in a way that would allow us to seek DBE providers. This includes items like rent and insurance.

Internal Spend: Overhead expenses that are flexible, where we can seek opportunities to do business with DBE vendors. This includes items like janitorial services and training partners.

Supplier: Vendors, contractors, or subcontractors who provide a product or service and for which we pay them.

Spend: An amount of money paid for a particular purpose or over a particular period of time.

Why is our DBE spend important?

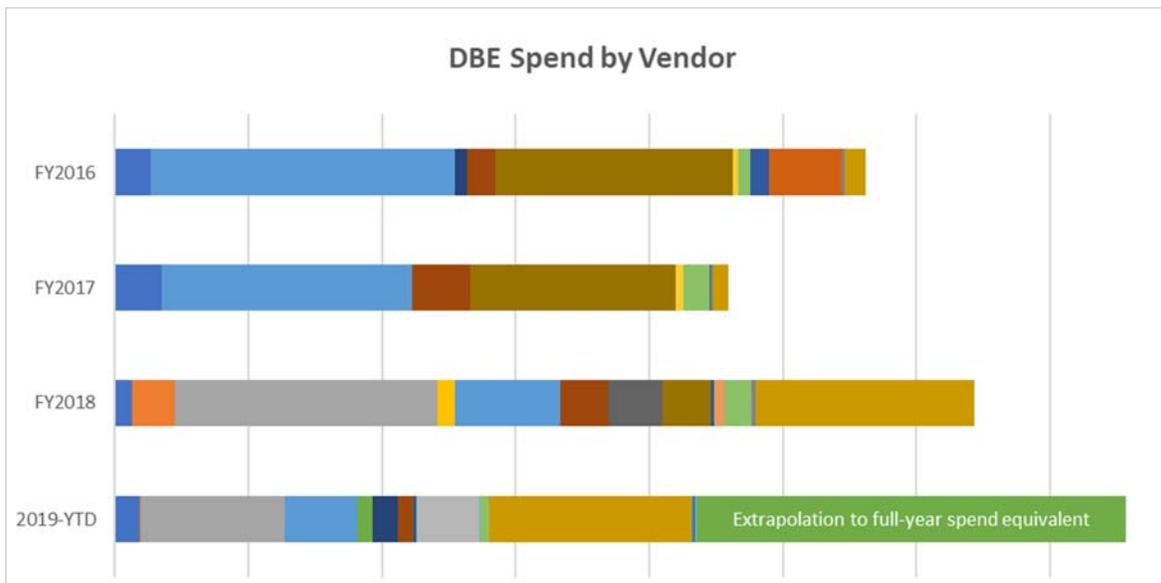
Using DBEs in pursuit of our goals aligns with all five of Cascade Energy's core values.

Additionally, from a practical business perspective, many of our new and existing contracts include requirements to spend a certain amount of money from the contract on DBEs. This is easy for Cascade to agree to because we are always in pursuit of opportunities to *Put Others First* and *Seek Shared Success*.



How do we distribute our DBE spend?

Below is a graphic showing our total DBE Spend over the last three years broken down by vendor. Each color block represents a different DBE vendor. These 25 organizations represent a range of expenses from several hundred dollars to several hundred thousand dollars. The number of different DBE vendors used in a given year has increased from 11 vendors in 2016 to 14 different vendors used in 2018. Our annual DBE spend also increased over this time with extrapolated numbers for 2019 on track to show another year-over-year increase.



A complete list of identified DBEs and individual spend is available upon request.

How did we gather the data?

Spend: Cascade's Finance and Accounting (F&A) team provides a yearly spend report by vendor/supplier from our accounting system, which is combined with a total annual spend on credit card accounts to generate overall spend numbers. Vendors are reviewed and categorized into Contract, Internal, and Inflexible Overhead based on their primary function.

Suppliers/Contact Information: F&A provides a list of our invoiced vendors and suppliers. This report was compared to the yearly spend reports to determine which vendors were active within that time frame. Many of these had some contact information, either mailing address or email contact. Any that were lacking this information were researched internally and via the internet.

DBE Status: A survey was sent to all suppliers that were active from 2016 to 2018 asking them to self-identify their DBE status and select the applicable DBE type(s). We sent 209 surveys and 35 were completed and returned; this is a 17% rate of return. We sent 175 email survey requests and received responses from 33 (19%). We sent 34 paper surveys and received responses from two (6%).

Several companies that had replied in previous years did not respond to this year's survey so their information was simply held steady, though it was noted that their survey is out of date. With historical survey data added to the 2018 survey, we have received responses from 62 total suppliers, representing 30% of all suppliers.

How can we improve data accuracy?

The information we are seeking from this exercise is to track money spent with DBEs and use this as a tool to identify current trends and opportunities for improvement. In 2019, we will improve data completeness and accuracy by:

- Seeking internal help from Cascadians to directly appeal to their external contacts and seek to increase our response numbers.
- Continuing to utilize the online survey as it appears to lead to better returns than paper surveys.
- Itemizing our credit-card spend by vendor for significant vendors and add them to our supplier tracking and survey.

Reflecting on 2018

The following activities related to DBE efforts were completed in 2018:

- Seven new DBE vendors were actively engaged in 2018.
- A new staff member was added to our Internal Operations team to own DBE tracking and reporting efforts.
- Internal diversity, equity, and inclusion (DEI) training for executive team members and our HR department was conducted, increasing organizational awareness and visibility around our internal DEI and supplier DBE initiatives.

Looking Ahead

In 2019, Cascade Energy will target the following DBE goals and related activities:

1. Grow our Contract DBE spend:
 - Cement three new subcontractor relationships with new-to-us DBEs and continue to aggressively pursue qualified DBEs for future contract work.
2. Grow our Internal DBE spend:
 - Access DBE certification organizations in order to identify new potential DBEs.
 - Increase awareness of our DBE program and goals among internal managers responsible for vendor selection and decision-making.
 - Incorporate DBE identification into our vendor selection and qualification process.

3. Improve our data and systems:
 - Itemize our credit-card spend by vendor for significant vendors and add them to our supplier tracking and survey.
 - Seek internal help from Cascadians to directly appeal to their external contacts and seek to increase our survey response numbers.
 - Persist in reaching out to non-responsive vendors to establish their DBE status.
4. Add Tier-2 monitoring and tracking:
 - Monitor Tier-2 DBE spend by analyzing the corporate social responsibility reporting from our five largest suppliers.
 - Further monitor our Tier 2 vendor DBE spend by incorporating questions into our new supplier paperwork for subcontractors to ensure their commitment to DBE spend.
5. Work to shift toward certification for our DBE providers:
 - Work with our current self-certified DBEs and small businesses to aid their pursuit of formal state or federal DBE certification.