



RECOMMENDED PRACTICES: Supply Chain

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1.1 Purpose

This recommended practice supports our guiding principles and addresses relevant considerations and guidelines for engaging small, diverse, and local businesses as part of the supplier network and tracking the work performed by these entities.

1.2 Background

This recommended practice provides guidance for:

- Sourcing direct supplies and services from within the Appalachian Region;
- Identifying current deficiencies in existing supply chains, and developing networks of local suppliers and service companies to meet industry needs;
- Supporting training and education for the development of local workforces that will meet the growing demands of our industry;
- Establishing methods to document and report total spending with small, diverse and local businesses;
- Providing timely information to the MSC for the purpose of educating the public, legislators, communities and media of the positive economic benefit of responsible shale development;
- Supporting producers operating in Pennsylvania in their efforts and commitment to comply with the requirements specified by the Commonwealth of Pennsylvania's Act 13 of 2012 amending Title 58 (Oil and Gas) of the Pennsylvania Consolidated Statutes specifically as it pertains to Section 2316 (Small Business Participation);
- Recognizing the commitment of the members of the Marcellus Shale Coalition to source, to the extent practicable, with small, diverse, and local businesses that are safe, competitive, and reliable and that provide quality and competency of work on time.

A number of terms are used in this document. Their definitions are as follows:

- **Appalachian Region:** Denotes Pennsylvania, New York, Ohio, West Virginia and Maryland.
- **Producer:** As per the Pennsylvania Act 13, Producer shall mean "A person or its subsidiary, affiliate or holding company that holds a permit or other authorization to engage in the business of severing natural gas for sale, profit or commercial use from an unconventional gas well in this Commonwealth. The term shall not include a producer that severs natural gas from a site used to store natural gas that did not originate from the site."
- **Prime vendor:** The vendor, contractor or business partner that holds the contract with the Producer or other MSC member company.
- **Local vendor:** A person, partnership, or corporation engaged in commerce, manufacturing, or a service, which is a profit-seeking enterprise or concern and located within the Appalachian Region.
- **Diverse Small Business:** As per Pennsylvania's Act 13, Section 2316, the term "diverse small business" means minority-owned business, women owned business and veteran-owned business as determined by the Pennsylvania Department of General Services (DGS).

2.1 Strengthening the Supply Chain in the Appalachian Region

MSC member companies should individually implement methods to evaluate opportunities to purchase needed goods and services from local vendors that have documented their compliance with industry standards for procurement, and in accordance with established health, safety and environmental programs and policies.

To fully understand local supply chain capacity, companies should identify what materials, supplies, and/or services may be procured from local vendors.

MSC member companies should implement procedures for prime vendors to incorporate local purchasing strategies when conducting business operations. Such procedures may include language within RFPs and contracts for the prime vendor requesting that they record and report their annual expenditures on local vendors.

MSC member companies should document the economic impacts of their total dollars spent locally, and share these impacts with the MSC annually.

3.1 Compliance with Pennsylvania's Act 13, Section 2316

As per the Commonwealth of Pennsylvania's Act 13 amending Title 58 (Oil and Gas) of the Pennsylvania Consolidated Statutes specifically as it pertains to Section 2316 (Small Business Participation), Producers operating in Pennsylvania shall:

- Provide maximum practicable contracting opportunities for diverse small businesses, including minority-owned business enterprises, women-owned business enterprises and veteran-owned businesses;
- Maintain a policy prohibiting discrimination in employment and contracting based on gender, race, creed or color;
- Use the database available on the Internet website of the Pennsylvania's Department of General Services (DGS) to identify certified diverse small businesses, including minority-owned business enterprises, women owned business enterprises and veteran-owned businesses, as potential contractors, subcontractors and suppliers for opportunities related to unconventional natural gas extraction;
- Respond to the DGS issued survey for small business participation within 90 days of receipt as required under subsection (c) of Act 13, Section 2316, which states: *Within one year of the effective date of Section 2316, the Department of General Services shall send all producers a survey to report the producers' efforts to provide maximum practicable contracting opportunities related to unconventional natural gas extraction for diverse, small business participation;* and,
- Be aware of Subsection (d) of Act 13, Section 2316, which states *"The Department of General Services shall compile the results and submit an annual report to the State Government Committee of the Senate and the State Government Committee of the House of Representatives on the utilization of diverse small business participation related to unconventional natural gas extraction. The report shall be submitted no later than 150 days after the Department of General Services disseminated the survey to producers."*

4.1 Supply Chain Engagement

MSC companies should request that their prime vendors and contractors offer maximum practicable contracting opportunities for diverse, small business and compile this information for submission to Producers operating in Pennsylvania.

MSC member companies should use Marcellus on Main Street to identify locally-based small diverse businesses as a mechanism to supplement the Pennsylvania Department of General Services database and should encourage their Vendors to do so as well.

When practical MSC member companies and their prime vendors should offer opportunities to engage in outreach and education efforts directed to small, diverse, and local businesses operating within the Appalachian Region.

This document provides general guidance on recommended practices for the subject(s) addressed. It is offered as a reference aid and is designed to assist industry professionals in improving their effectiveness. It is not intended to establish or impose binding requirements. Nothing herein constitutes, is intended to constitute, or shall be deemed to constitute the setting or determination of legal standards of care in the performance of the subject activities. The foregoing disclaimers apply to this document notwithstanding any expressions or terms in the text that may conflict or appear to conflict with the foregoing.



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MSC RP 2012-2 July 12, 2012, Updated January 21, 2013