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BEFORE THE
ILLINOIS COMMERCE COMMISSION
ANNUAL SUPPLIER DIVERSITY POLICY SESSION
Monday, June 6, 2016
Chicago, Illinois

Met, pursuant to notice, at 1:00 P.M.,
at 160 North LaSalle Street, Chicago, Illinois.

- PRESENT:
- BRIEN J. SHEAHAN, Chairman
 - ANN McCABE, Commissioner
 - SHERINA E. MAYE-EDWARDS, Commissioner
 - MIGUEL DEL VALLE, Commissioner
 - JOHN R. ROSALES, Commissioner

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1 ILLINOIS COMMERCE COMMISSION
2 ANNUAL SUPPLIER DIVERSITY POLICY SESSION
3 Monday, June 6, 2016
4 Chicago, Illinois

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1 CHAIRMAN SHEAHAN: Good afternoon. Welcome to
2 the Illinois Commerce Commission Supplier Diversity
3 Policy Session. Thank you to all of you for being
4 here.

5 I'd like to especially thank and
6 congratulate Commissioner Sherina Edwards,
7 Commissioner John Rosales, and Commissioner Miguel
8 del Valle for their leadership in this effort. There
9 have been quite a few number of improvements over the
10 last 4 years, and I have no doubt that they are
11 mostly due to their interests.

12 Today's forum is designed to serve two
13 primary purposes. Not only does it satisfy the
14 requirement created by the General Assembly that
15 regulate utilities with at least 100,000 customers,
16 who report on procurement goals and actual spending
17 for the previous calendar year, but it also presents
18 an opportunity for us to hear personally from senior
19 leaders on the topic of sustaining and improving
20 supplier diversity issues in Illinois.

21 Thank you to each of the companies for
22 being here. Companies that understand supplier

1 diversity see it not as an expense to cut in a slow
2 economy but as an investment in the future; and
3 that's certainly how we view it at the Illinois
4 Commerce Commission.

5 Supplier Diversity Initiatives not
6 only foster local government economic development but
7 strengthen community relations. We found that the
8 utility companies presenting today -- Illinois
9 American Water, Commonwealth Edison, Peoples, North
10 Shore, and Nicor Gas -- have not only met the basic
11 requirements but have taken the underlying purpose,
12 to increase diversity in their procurement, to heart.

13 Diversity was a topic that we
14 discussed at my first bench session. At the time, I
15 expressed my firm belief that we must lead by
16 example. And, to that end, we at the Commission have
17 also held a mirror to ourselves to promote diversity
18 within our staff, aiming to better align diversity
19 initiatives with our core values and operations.

20 As we increase the diversity of the
21 ICC Staff, we encourage the utilities to do the same.
22 Diversity plays a vital and organic role in the

1 communities that we serve. Embracing and encouraging
2 diversity is a continuous effort and one that the
3 Illinois Commerce Commission is proud to lead.

4 Before we begin I'd like to note for
5 the record that Commissioner McCabe is also with us.
6 We do have a quorum. And today's session is being
7 recorded by a court reporter.

8 So with that, Commissioner Rosales
9 will introduce our first speaker. Is that correct?

10 COMMISSIONER MAYE-EDWARDS: Mr. Chairman, if I
11 may say a few words...?

12 CHAIRMAN SHEAHAN: Oh, I'm sorry. Sure.

13 COMMISSIONER MAYE-EDWARDS: Thank you,
14 Mr. Chairman, for your presence and for your support.
15 You have been a huge champion and a continued
16 trailblazer of this Commission, as it relates to
17 diversity both internally and externally. And for
18 that, we thank you.

19 Good afternoon, everyone. First and
20 foremost, I would like to pull a quick page out of a
21 church book. If you have a seat next to you, can you
22 just raise your hand? Because we have a line of

1 people who are looking to sit down. So if you would
2 like to take a seat, we also have an overflow room,
3 which is in the library -- N-808. My apologies. And
4 you can hear from that room as well. So if you would
5 like to take a seat, it's probably the best time to
6 do it now, or we do have an overflow room.

7 With that, I would like to welcome
8 everyone to the Illinois Commerce Commission's Third
9 Annual Supplier Diversity Policy Session. I'd like
10 to begin by thanking all of our distinguished guests
11 and presenters, including our speakers and our
12 utility presidents and CEOs. We are very grateful
13 that each of you are able to be here with us today,
14 and we look forward to hearing from all of you.

15 I'd also like to thank my colleagues
16 on the Commission, particularly Commissioners
17 del Valle and Rosales for their continued commitment
18 to this important issue, as well as Chairman Sheahan
19 and Commissioner McCabe for their leadership in
20 emphasizing the importance of diversity broadly but,
21 particularly, as it relates to our internal culture
22 here at the ICC.

1 As I said a few months back at our
2 diversity round table, you know that we have -- many
3 of you know that we have Open Meetings Act rules, and
4 it only allows two Commissioners to be in a room
5 speaking on a particular topic at a time. So I had
6 always been in that number. And when Commissioner
7 Rosales joined the Commission about a year ago, he
8 also was very, very, very interested and very
9 passionate about these issues. So, for me, it gave
10 great pleasure to, you know, have a battle on which
11 Commissioners would be in the room.

12 And so at that round table both
13 Commissioners del Valle and Rosales moderated. And,
14 for me, that was just really, really, really exciting
15 because this is now not just an issue that we talk
16 about and address intermittently; we are addressing
17 it consistently, and it's truly seen across the board
18 from all five of us. So for that I'm very thankful.

19 As I believe I stated at last year's
20 session, diversity does not just make sense; it makes
21 dollars. However, a commitment to engaging with
22 diverse suppliers and service is not just a purely

1 financial investment; it is also a meaningful
2 investment in both the community and economy.

3 The progress that I've noticed in
4 reviewing the 2015 report indicates to me that each
5 of our utilities recognizes these types of
6 investments and relationships as valuable in ways
7 beyond just the dollar.

8 You see, embracing diversity as a core
9 value is a key step towards a true culture change.
10 So I, most certainly, applaud all of you for your
11 effort, and I do encourage you to keep up the good
12 work.

13 Now, not only do we recognize the
14 progress of our utilities, but also that of the
15 Illinois Utilities Business Diversity Council. Since
16 last year the IUBDC has been working to establish an
17 organizational structure, host events, and set
18 standards for the sharing of best practices in terms
19 of supplier diversity.

20 I'm very happy to say that I've seen
21 an increase in information shared across the
22 utilities over the course of this last year, which is

1 exactly the role that we'd hoped for the IUBDC.

2 I'd also like to thank our utility
3 executives for their leadership and their great time
4 and commitment to the Council. And I think I speak
5 for all of us on the Commission when I say we
6 certainly do look forward to seeing what is next for
7 the IUBDC.

8 Now, while I'm pleased to see the
9 progress in both the utilities report this year and
10 the sharing of best practices of the IUBDC, I would
11 be remiss -- and many of you know me, so you know I'd
12 remiss if I did not note that there still is room for
13 improvement. There is always room to bring more
14 diverse suppliers, service providers, and
15 perspectives to the table. There is always room to
16 intensify the focus on matchmaking events, community
17 outreach, and public engagements. And there is
18 always room to better align both internal and
19 external initiatives with core diversity values and
20 operations.

21 Embracing and encouraging diversity is
22 an effort that we've all taken together. And I am

1 very proud of where we are today in Illinois and most
2 certainly proud of the Illinois Commerce Commission.

3 I'd now like to introduce the ICC's
4 new Director of Diversity and Community Affairs, Lisa
5 Williams. Lisa brings many years of diversity
6 experience in State Government. Before coming to the
7 ICC she served as the Head of Workforce Diversity for
8 the Illinois Tollway as well as the CEO officer, ADA
9 Coordinator, and Ethics Officer.

10 During her tenure, Lisa brought the
11 Tollway to its richest diversity and was honored with
12 5 awards for her accomplishments, including being
13 selected as the Chicago Defender's Woman of
14 Excellence. We are excited to welcome Lisa to the
15 Commission.

16 Lisa, would you stand and just wave?

17 MS. LISA WILLIAMS: (Complying.)

18 (Whereupon, there was applause.)

19 COMMISSIONER MAYE-EDWARDS: With that, I will
20 turn things over to my colleague and good friend,
21 Commissioner Rosales.

22 COMMISSIONER ROSALES: Thank you, Commissioner.

1 Thank you to the utilities for your
2 efforts in compiling your reports and for taking the
3 time to be here with us today. I'd also like to
4 thank our other esteemed speakers and all of our
5 guests for being here.

6 In my time with the Commission I've
7 witnessed some of the utilities' efforts to connect
8 with diverse suppliers and to find new ways to
9 include them in the supply chain. Many of the
10 utility representatives have expressed to me that
11 they're trying to think outside box and using
12 practices that they'd never tried before to encourage
13 inclusion.

14 As I've said in the past -- as I've
15 strongly said in the past, it's good to see that
16 everyone is making an effort; but I'm interested in
17 results. With that in mind, when I received --
18 excuse me. When I reviewed these reports, I was
19 looking at more than the measure of the diversity
20 spend. I was looking at the measure of impact.
21 Aside from the quantitative data in these reports,
22 there's an underlying narrative about the utilities'

1 qualitative goals. On the face of most reports it
2 appears that we are moving in the right direction.

3 This policy session provides the
4 perfect opportunity to take a step back and think
5 critically about goals and to recommit ourselves to
6 this effort. Although I was unable to attend the
7 policy session last year, I know that many of my
8 colleagues strongly encouraged the utilities to
9 improve their relationships with African-American,
10 Latino, and women-owned MBEs; and I wholeheartedly
11 support that sentiment.

12 Although it is not part of the
13 reporting requirements, I was hoping that those
14 comments would prompt all utilities to break down MBE
15 spend further so that we can see behind the raw
16 numbers. That aside, it is encouraging to see an
17 overall improvement in the level of MBE spending.

18 In review, the largest goal is to
19 encourage utilities to foster meaningful
20 participation from diverse suppliers. And achieving
21 that goal would require people to move beyond the
22 compliance mindset. To make real impact, reporting

1 entities may need to go beyond setting goals that
2 don't raise the bar and submitting annual reports.

3 In my 20-something years of experience
4 I know that it comes from the top down. I also know
5 and understand that it requires a total team effort.
6 And it is my hope that the utilities view these
7 efforts as an investment in the communities that they
8 serve.

9 I'm looking forward to hearing from
10 all of the utility representatives and from other
11 speakers.

12 Thank you, Commissioner.

13 CHAIRMAN SHEAHAN: Commissioner McCabe?

14 COMMISSIONER McCABE: In the last few years the
15 Illinois utilities have made significant progress in
16 increasing the percent of dollars spent on diverse
17 suppliers; so you have greatly exceeded your 2015
18 goals.

19 I look forward to hearing more about
20 your work to date and future plans, including how to
21 address the challenges outlined in your reports.

22 Thank you.

1 CHAIRMAN SHEAHAN: Commissioner del Valle?

2 COMMISSIONER DEL VALLE: Thank you,
3 Mr. Chairman.

4 Welcome to all. This year's reports
5 show that the Illinois utilities have made progress.
6 For example, many of the utilities have demonstrated
7 their commitment to focus on developing over various
8 supplier base and professional services, encouraging
9 prime contractors to improve diversity in second tier
10 contracting, and utilizing diverse suppliers in large
11 projects, while unbundling projects with manageable
12 scopes of work for smaller vendors.

13 We are also seeing the commitment on
14 the part of the utilities by not only having
15 dedicated personnel in the company to improve the
16 company's supplier diversity, but also by
17 establishing measures for accountability at the
18 executive leadership level of many of the utilities,
19 and making the pursuit of supplier diversity a part
20 of the corporate culture.

21 This is all commendable and a sign
22 that the Illinois utilities are ready to become

1 national leaders on this issue. But Illinois utility
2 infrastructure in industries -- you know, our
3 electricity, gas, and water are going through a
4 transformation; and this means that there is more
5 opportunity for the utilities and diverse suppliers.

6 Currently the utilities, together, are
7 spending billions of dollars a year on capital and
8 modernization projections. They also have
9 multi-million dollar energy efficiency projects and
10 multi-million dollar environmental clean-up projects,
11 as well as their normal operations costs, all of
12 which require procurement across all types of work.

13 I want to see more ambitious goals and
14 efforts to increase opportunity for diverse suppliers
15 in all of these projects. This requires the
16 utilities to be more aggressive and willing to go
17 beyond their comfort zone in terms of their efforts
18 to identify and grow the pool of diverse vendors in
19 all product and service categories.

20 As I stated last year, these annual
21 meetings are not a celebration of the progress made
22 to date. These meetings are a tool among many to

1 help the companies develop and implement strategies
2 for strengthening their commitments to diversity.
3 And I'm glad you are all here to participate in this
4 important process and willing to continue the hard
5 work that is needed to build on the progress made to
6 date.

7 And we do have all of the utilities
8 here represented by the presidents of the utilities.
9 For the Commission it's important to have the
10 presidents of the utilities at this annual event.

11 Ameren's president was not available;
12 therefore, Ameren is not here today. But I thank the
13 presidents who are here today for meeting, certainly,
14 our expectations as a Commission to have the
15 opportunity, on an annual basis, to dialogue with you
16 directly regarding these reports. Thank you.

17 CHAIRMAN SHEAHAN: Thank you.

18 COMMISSIONER ROSALES: I would now like to
19 introduce Ralph G. Moore, President of RGMA, Ralph G.
20 Moore & Associates. Mr. Moore has over 40 years of
21 experience and is nationally recognized as one of the
22 world's foremost thought leaders in the area of

1 supplier diversity and minority business development.
2 He specializes in strategic alliances between
3 Corporate America and minority businesses and the
4 role of minority entrepreneurship and community
5 economic development.

6 He has provided supplier diversity
7 consulting and training to companies, including
8 Exelon, Baltimore Gas and Electric, and Pepco. And
9 his firm has trained more supplier diversity
10 professionals than any other firm worldwide.

11 Mr. Moore has contributed to several
12 esteemed publications and wrote "RGMA, Five Levels of
13 Supplier Diversity," which is embraced as the gold
14 standard for benchmarking supplier diversity
15 initiatives.

16 He has received much recognition for
17 his work and the recognition of a lifetime of
18 contributions to minority business development. He
19 was inducted into the Minority Business Hall of Fame
20 in April of 2015. I worked with Mr. Moore with the
21 Capital Improvement Project with the Chicago Board of
22 Ed. I know him very well.

1 Mr. Moore, thank you for appearing as
2 our guest. We look forward to hearing your thoughts.

3 MR. RALPH G. MOORE: Thank you very much. I
4 appreciate that introduction. As a matter of fact, I
5 need your permission to put it on my web site because
6 that was well done. Thank you.

7 I am very pleased to be here and
8 excited to be here. Supplier diversity has been my
9 life's work, and that makes this occasion very
10 special.

11 Let me also thank the General Assembly
12 and the Commerce Commission for making supplier
13 diversity a priority in the state of Illinois. And I
14 must also applaud the utility companies for the
15 collective results that they have generated in 2015.

16 And I had a note to introduce Ralph G.
17 Moore & Associates, which you've already done. So
18 I'll go right to the meat of the conversation.

19 Overview of the Current Report: --
20 and, again, I know that you're going to have
21 individual presentations, so I won't take a deep dive
22 on the individual reports. But I can confirm that

1 the ICC Supplier Diversity Initiative is having a
2 measurable impact on the level of contracting with
3 Illinois-based diverse businesses as well as the
4 local economies throughout the state.

5 The report also reflects the benefits
6 that industry consolidation can bring to supplier
7 diversity, especially when the acquiring companies
8 understand the importance of supplier diversity to
9 our regulatory agency and our elected officials.

10 Let me share my perspective on the
11 individual companies that are here today. And
12 Ameren, I'm not sure if they're here or not, but I'm
13 going to go right into it.

14 I had the opportunity to be a
15 presenter at the Ameren Second Annual Supplier
16 Diversity Symposium in 2009. They were just getting
17 traction at that point in their supplier diversity
18 initiative; and the numbers reflect that they're
19 continuing to grow their program.

20 They have had meaningful gains in all
21 categories, including Professional Services. Ameren
22 has also made a significant gain in the area of spend

1 with veteran-owned businesses, which is the toughest
2 area in the country not just for utility companies,
3 but throughout Corporate America.

4 ComEd -- and, again, I'm a big ComEd
5 fan. They've had a long legacy of commitment to
6 supplier diversity. I go back to 1977 when I joined
7 Chicago United, and Tom Ayers was one of the leaders
8 there, one of the corporate leaders in Chicago
9 talking about supplier diversity.

10 They have a strong leadership and
11 advocacy throughout the organization, spearheaded by
12 CEO, Anne Pramaggiore and supported by key
13 stakeholders, including Bridget Reidy and Terry
14 Miller. Outstanding results on supplier professional
15 services and a very impressive ratio of MWBE spend to
16 small business spend. That's an even longer
17 conversation because you include small business in
18 the total, and sometimes that can skew the overall
19 results. In my opinion, ComEd is one of the best
20 run, best managed supplier diversity programs in the
21 country.

22 And a matter of full disclosure,

1 Emmett Vaughn, who works for Exelon, used to work for
2 me. So I'm president of his fan club, and he's the
3 president of mine. So it might be showing.

4 Illinois American Water. Again,
5 significant progress for a relatively new program,
6 but I think it speaks to the importance of this
7 initiative. I had a brief chat with the executives,
8 the senior leader of just American Water. And
9 they're doing a lot of good things in the area, but
10 this program allows them to bring in the structure
11 and report on it.

12 So, again, the importance of this
13 initiative can't be overstated. They have more than
14 doubled their spending in 2014 and in 2015, and
15 impressive success stories continue within their
16 report.

17 When we look at Nicor Gas, frankly,
18 the 2011 AGL resources acquisition was a game-changer
19 for supplier diversity at Nicor Gas, an obvious
20 change of the strategy, structure, and culture, which
21 produced outstanding gains each year since 2012.

22 I notice that there's another

1 acquisition in place. Southern Company is acquiring
2 AGL Resources. The good news is that Southern
3 Company also has an excellent track record in
4 supplier diversity, so we should be able -- we should
5 continue to expect outstanding results from Nicor.

6 Over the years Peoples Gas has
7 struggled in the area of supplier diversity. So when
8 We Energies's acquisition occurred, it ushered in a
9 new era of supplier diversity at the company.

10 Led by Jerry Fulmer, who's a good
11 friend -- and I'm also a fan of his -- at We Energies
12 they have one of the strongest supplier diversity
13 programs in the industry. And they were able to
14 demonstrate during the acquisition negotiations with
15 the Commission their commitment and their legacy in
16 this area. They have a strong second tier program
17 and impressive accountability not just in procurement
18 but throughout the organization, which drives
19 results.

20 Please allow me to use the remaining
21 time that I have to share my thoughts on the
22 opportunity that the ICC has to embrace Next

1 Practices in supplier diversity. One of the key
2 areas that we must focus on is scalable -- developing
3 scalable diverse suppliers. It's one of the things
4 that I think that it's going to be the end result of
5 what moves the data as it relates to these reports.

6 And the most important area is to
7 develop strategic partnerships with diversity
8 certified suppliers. But what happens with these
9 relationships is it takes -- over a period of time --
10 it takes time. And it's a series of contracts, not
11 just one big contract. You build your way up to
12 contracts. So the focus should be on enhancing the
13 quality of the relationship with a select group of
14 diverse suppliers.

15 And I know that this goes against the
16 common thinking that we should increase the number --
17 or the number of suppliers is a key metric. I
18 contend that numbers is a key metric, but we also
19 should be looking at the quality of the relationship
20 versus just the number of minority suppliers, or
21 diverse suppliers, in your supply chain. Every chief
22 procurement officer in America is trying to reduce

1 the number of suppliers, so we need to be sensitive
2 that we're in a cross-functional disconnect when
3 we're trying to expand the number just to expand the
4 number.

5 Also, the economies of scale on larger
6 contracts will enable diverse suppliers to be more
7 competitive, which results in expanded economic
8 impact. They can grow as a supplier, which means
9 that they can hire more people and have more impact
10 in their community.

11 For example, if a company has a 1
12 million dollar widget opportunity, rather than divide
13 that by 4 and give it to 4 diverse firms at \$250,000
14 dollar each, I would suggest that you give it to one
15 firm at a million dollars each who could make that
16 company more competitive and more likely to grow in
17 that category.

18 I know that sometimes the politics of
19 that becomes difficult because of phone calls and
20 other -- Well, why did you leave my company or this
21 out? The reality is that we have to start growing
22 the capacity of firms so that they can qualify to

1 compete not just with other minority firms or other
2 diverse firms but with the majority firms as we look
3 at the changing demographics.

4 COMMISSIONER MAYE-EDWARDS: Mr. Moore, I have a
5 clarifying question to make sure that I understood.

6 You're saying that it's better for an
7 organization or a company -- specifically, if they're
8 a utility -- to award one contract of a million
9 dollars to one company as opposed to unbundling, like
10 we often encourage the companies to do?

11 MR. RALPH G. MOORE: I'd say that you've got to
12 do both. But understand that if you unbundle, then
13 what you're going to do is reduce the
14 competitiveness. Because many times there's an
15 investment to ramp up to be successful in a contract,
16 and the economies of scale will make a smaller
17 contract less profitable for a company. So they may
18 not be able to buy the equipment or buy the
19 technology. So even if you unbundle to get a company
20 in the door, we then must allow them to grow, which
21 sometimes might create the opposite where we need to
22 bundle a contract so that they can grow even further.

1 So it's a strategic initiative that
2 requires a case-by-case analysis. But unbundling by
3 itself could be dangerous for the profitability of --
4 the long-term profitability of minority firms.

5 COMMISSIONER MAYE-EDWARDS: Very interesting.
6 Thank you.

7 COMMISSIONER ROSALES: Well, I would add that
8 there has to be a threshold there because, at
9 1 million dollars, I understand that 250,000, you
10 know, may be where you're not receiving a profit.
11 But if it's \$20 million dollars, that's when
12 unbundling comes into play. Am I correct?

13 MR. RALPH G. MOORE: I think you hit it on the
14 head. Exactly right. Exactly right.

15 But the enemies of these programs,
16 they like to keep the minority programs -- the
17 minority contractors just dealing with small
18 contracts. That's why we have the side standards
19 that were crippling, and they're still crippling.

20 The reality is non-minority firms
21 don't have standards. And we have side standards
22 where a minority firm will graduate from the program

1 at a number that is so low that it will put them in
2 no man's land. They're too large to be certified as
3 a minority firm, but too small to compete with the
4 majority firms. So we have to be very careful how we
5 approach this.

6 COMMISSIONER DEL VALLE: Well, I don't totally
7 agree with you, but I understand your point. But you
8 did say that you have to do both.

9 MR. RALPH G. MOORE: You have to do both.

10 COMMISSIONER DEL VALLE: You know, to me, the
11 increase in the number of vendors is an important
12 growth measure.

13 For too long I think that some
14 companies have hidden behind what you just described
15 as a reason for not expanding the number of vendors.
16 It's a lot easier for them to deal with just one or
17 two. And many times -- I shouldn't say, "many
18 times"; but sometimes those are the ones that can
19 make the phone call and have phone calls made on
20 their behalf. And so it is important, I think, to do
21 both.

22 MR. RALPH G. MOORE: Exactly.

1 COMMISSIONER DEL VALLE: And the corporate
2 culture has to acknowledge and understand the
3 importance of that. Otherwise, we're not going to
4 see both the growth measures -- both growth measures,
5 in terms of size of contract, which I understand is
6 important, of course, and the number of businesses
7 being developed and being given opportunities to
8 grow.

9 MR. RALPH G. MOORE: Exactly. Exactly. And
10 another way of putting it:

11 You know, I don't mind the Little Boys
12 Club if I'm a member. So just let me in, and then we
13 can play. You know, I can play at your level. But
14 if you lower the bar on terms of contract where I
15 can't make any profit on that number and all you're
16 doing is having a photo op where I'm getting the
17 contract and I'm in your annual report, and I've made
18 \$8,000 on the contract, I can't grow a business, I
19 can't hire people, I can't donate to the Boys Club, I
20 can't do the things that successful business people
21 do.

22 Another point -- and many of the

1 companies are doing this. Second tier becomes a
2 critical opportunity because, in addition to
3 unbundling, those entry points for smaller firms
4 become your prime suppliers, not just the company
5 itself -- the utility company itself. But the prime
6 suppliers having a robust second tier program in
7 place will allow entry level MBEs, WBEs, diverse
8 companies to have opportunities at smaller
9 companies -- and bite-sized opportunities.

10 Beyond that you also have the
11 opportunities that are non-profit. For many years --
12 and I know John Rogers and I have talked about this.
13 You know, a few years ago we were talking about this
14 in Chicago. Too many of our major non-profits don't
15 have supplier diversity programs.

16 Many of the public utilities, as you
17 sponsor and donate and make contributions to
18 non-profits, include language requiring them to work
19 with diverse businesses. That would be another
20 opportunity for expanding the ecosystem.

21 The other issue that is critical in
22 expanding the ecosystem is the next generation of

1 minority suppliers. We need to start planting the
2 seeds as it relates to junior achievements in other
3 organizations. How do we get young people thinking
4 about starting businesses? Many people don't start
5 until they're in their 20s. We need to get kids
6 talking about entrepreneurship in their teens, even
7 in grammar school. We need to plant those seeds.

8 The other issue which I think was
9 mentioned earlier was we have to transition from a
10 compliance program to a strategic process. The
11 problem is when you focus on compliance, many times
12 it's focused on just small businesses. And, again,
13 compliance will only get us halfway.

14 These two charts, I think, tell you
15 kind of the challenge (indicating). When you have a
16 compliance program, the focus is working with small
17 businesses. And, yes, it's the right thing to do,
18 and it creates jobs; but the reality is it's kind of
19 still a philanthropic social focus.

20 When it's a strategic process, you're
21 looking at exceptional diversity of certified
22 businesses that will enhance performance, that grows

1 jobs, creates jobs for the economy, grows the
2 economy, stabilizes communities. And then the cycle
3 continues because they then contribute to the
4 performance of that utility that enables them to do
5 more business with exceptional diverse suppliers.

6 And my final point is, as you look at
7 the future of supplier diversity in the state of
8 Illinois, our competitiveness will be fueled by
9 corporations that embrace supplier diversity.

10 And, again, I commend what you're
11 doing because it's really setting the platform for
12 the growth of diverse businesses throughout the
13 state. Thank you very much.

14 CHAIRMAN SHEAHAN: Mr. Moore, I have one
15 question before we move on.

16 One of the challenges -- and you sort
17 of spoke to scale. One of the challenges of
18 achieving scale is access to capital. Can you speak
19 to that briefly?

20 MR. RALPH G. MOORE: Well, it's interesting.
21 Once again, access to capital, it's a catch-22. You
22 need to have a profitable business to access capital.

1 And usually the test I will ask anyone -- and I've
2 seen a lot of bad deals. The reason that they didn't
3 get capital was not because they were a minority, but
4 because it was a bad deal. And I'll ask them, Would
5 you use your daughter's tuition fund? Would you lend
6 your money to this company based on that? And many
7 times it's a bad deal because they've signed the
8 minority piece of a contract. It's not profitable.
9 They have one or two customers. They're not growing
10 their business. So what we have to do is intensify
11 capital sources to provide capital to good ideas.
12 But beyond this, before we get to the good ideas, we
13 need capacity building.

14 And I know that the companies here
15 have talked about capacity building -- which, again,
16 the Ameren Supplier Diversity Symposium talks about
17 capacity building, Exelon. I know that We Energies
18 has done a lot of capacity-building.

19 We need to build a capacity so that
20 diverse businesses can present viable business plans
21 to lenders and capital sources so that they can
22 access capital. There's more than enough capital in

1 the marketplace. The key is making sure that they
2 have a viable presentation and a viable business
3 plan, which means they have good customers and good
4 technology and all of these things that would go with
5 it.

6 CHAIRMAN SHEAHAN: Thank you.

7 COMMISSIONER ROSALES: You mentioned earlier
8 that, in procurement, the goal was to keep the amount
9 of suppliers as small as possible. Why is that?
10 Through efficiency? What was the reason why you
11 mentioned that?

12 MR. RALPH G. MOORE: Well, there's a phenomena:
13 strategic sourcing. Your major consulting firms have
14 come -- Centra and many of the others, they've
15 determined that instead of just having an annual
16 contract or having 4 contracts for 25,000, it's more
17 efficient to have just one contract for a hundred
18 thousand. And even beyond that, instead of just
19 having a 1-year contract, let's have a 5-year
20 contract. So all of a sudden what was 4 individual
21 \$25,000 contracts is now one half-million dollar
22 contract. You get a better margin on a larger

1 number. That has impacted minority business supplier
2 diversity, and we have to educate our businesses to
3 understand this because they're competing in that
4 marketplace.

5 So without getting too deep into the
6 weeds of this, strategic sourcing is here to stay.
7 And the biggest problem that I've seen is that many
8 of the consultants who are working with the major
9 companies in this area, they don't have supplier
10 diversity programs themselves which, again, is why
11 this Commission is very important. And they're
12 advising their clients to stay away from supplier
13 diversity because it will adversely impact profit.

14 So we have to educate our
15 stakeholders, both corporations and MBEs, to be
16 prepared to deal with this issue of strategic
17 sourcing and the consolidated supply chain.

18 COMMISSIONER ROSALES: So, in other words,
19 that's why here; correct?

20 MR. RALPH G. MOORE: That's why we're here.
21 And, again, it's very important.

22 COMMISSIONER MAYE-EDWARDS: Thank you very

1 much, Mr. Moore. I believe we'll have you back at
2 the round table later this afternoon after the CEO
3 reports.

4 MR. RALPH G. MOORE: Yes. I look forward to
5 it. Thank you.

6 COMMISSIONER MAYE-EDWARDS: Thank you.

7 At this point, we're going to hear
8 from the leaders of ComEd, Illinois American Water,
9 Nicor Gas Company, Peoples Gas, and North Shore Gas
10 as they review the 2016 -- excuse me -- 2015 Annual
11 Supplier Diversity Report.

12 You're allotted 20 minutes per
13 company, and that includes 5 minutes of Q & A. We're
14 going to try hard to stick to our schedule so that
15 everyone has a chance to present and so that we'll
16 have plenty of time for our round table this
17 afternoon. Thank you very much.

18 First up is Commonwealth Edison
19 Company. And we would like to welcome President and
20 Chief Executive Officer Anne Pramaggiore.

21 Ms. Pramaggiore?

22 MS. ANNE PRAMAGGIORE: Thank you very much.

1 Good afternoon, Chair and Commissioners. Thank you.
2 We are grateful for the opportunity to be here today
3 and present the results of our progress that we've
4 made to increase investments in diverse supply chain
5 spending and the opportunity this presents to
6 strengthen our neighborhoods and our communities.

7 We want to applaud you for the work
8 that you're doing to support these initiatives in
9 very visible ways through the IUBDC, through these
10 hearings, and through your visibility at very high
11 visibility events that are related to diversity.
12 People notice that, and it makes a difference. So we
13 thank you for that.

14 Joining me today are Fidel Marquez,
15 our Senior Vice President of Legislative and External
16 Affairs. He's going to provide an overview of the
17 work that we've done in 2015, and Michelle Blaise,
18 our Senior Vice President of Technical Services and
19 the first woman to hold the title of Chief Engineer
20 at ComEd. She will focus on our goals and key
21 initiatives underway this year with an update on how
22 we're thinking moving forward.

1 I just want to start with a brief
2 overview both of our approach to diversity and
3 inclusion at ComEd, in general, and supplier
4 diversity in particular.

5 We at ComEd know that embracing
6 diversity in all aspects of our business makes us
7 better, and stronger, and smarter. It's part of how
8 we do business. It's embedded in our business plan,
9 and we have accountability for it at the line level.

10 We plan our business around 5 pillars
11 of diversity and inclusion: Workforce Diversity,
12 Inclusion, Supply Chain, Leadership, and
13 Communication. Today we're focusing on supplier
14 diversity, but I want to just take a couple of
15 minutes to highlight a few of our activities on the
16 workforce pillar, focusing on today's workforce and
17 the workforce of the future. We think laying that
18 foundation is very important.

19 Our commitment to diversity starts
20 with our workforce, with those who perform the work
21 and represent us in the communities that we serve.
22 At ComEd we employ, approximately, 6600 people. Of

1 that population, 49 percent are diverse. 51 percent
2 of our key managers, our top 250 employees, are
3 diverse. And 58 percent of our executives are
4 diverse. During 2015 we hired 632 employees, 55.7 of
5 whom were diverse. Additionally, 54 percent of ComEd
6 promotions in 2015 were diverse. And if we focused
7 just on the key manager and executive promotions,
8 that percentage was 64 percent.

9 When we think of our workforce, we
10 also look to the future, and we challenge ourselves
11 to take action to promote change, building a culture
12 and an infrastructure that creates sustainability in
13 this area. In 2013, we created our Construct
14 Training Program designed to diversify the
15 construction trade. Fidel will cover the details on
16 that, but I just want to highlight that today we've
17 graduated 200 people, and 80 percent of them have
18 been placed in a job.

19 Our Icebox Derby is our STEM program
20 for girls. We take 6 teams of teenage girls each
21 summer, give them a recycled refrigerator, a ComEd
22 engineer, and help them turn that refrigerator into

1 an electric race car.

2 This year as part of our Black History
3 Month celebration we added Solar Spotlight. We
4 reached out to 3 schools in Chicago and Rockford. We
5 taught 40 teenagers how to construct a solar panel
6 and place the panels on their schools.

7 We're currently planning an
8 experimental learning project for Hispanic Heritage
9 Month this fall. And next year we will partner with
10 CPS and offer internships to high school juniors and
11 seniors at our new training center, those who are
12 participating in the Chicago Public School System's
13 Vocational Training Program.

14 So let me switch and just say a few
15 words -- give you an overview about our supply chain
16 for 2015 and then hand off to Fidel and Michelle.
17 Since 2012, the beginning of the Smart Grid Program,
18 we've pumped \$4.8 billion dollars of supply chain
19 spending into Illinois, and that includes 1.8 billion
20 total diverse supply chain spend. This reflects
21 nearly a fourfold increase in diverse spend over the
22 last 4 years. It also reflects a substantial

1 increase in not only the absolute spend, but in the
2 proportion of our total spend that diverse suppliers
3 represent.

4 Since 2012 our diverse spend has
5 migrated from 23 percent of our total spend to about
6 30 percent. And, in 2015, the diverse spend --
7 almost 30 percent was \$653 million dollars. And,
8 equally as important, we increased the number of
9 suppliers by 18 percent, or 52 suppliers. We move
10 that goal forward every year.

11 Fidel and Michelle will cover the
12 details, but I want to cover some of the highlights.

13 We are very enthusiastic about our
14 work at the project level and are focusing more and
15 more on that. Our Chicago Training Center, completed
16 in 2015, was constructed with diverse businesses. 90
17 percent of the construction work was accomplished
18 with diverse firms.

19 Another major project where we focused
20 spend on the diversity spend is our Grand Prairie
21 Gateway Project. This 60-mile electric transmission
22 line is being built between ComEd's existing

1 substation near the communities of Byron and Wayne.
2 To date, ComEd has spent \$80 million dollars, 30
3 million of which has been diverse, or 37.5 percent.
4 Secondly, we've progressed another year with our Five
5 Forward Program. And, as Mr. Moore indicated, this
6 is a program where we focus specifically on 5
7 different suppliers and support them over 5 years and
8 help them grow. So it's a very focused program.
9 Since 2009 we've spent over \$30 million dollars with
10 these firms.

11 And I think I also have to thank our
12 major suppliers, our primary suppliers, who help us
13 mentor these smaller start-up firms. So Intren,
14 Meade, and Aldridge I think are represented here
15 today. I want to thank them. They help us in this
16 program and bring some of these companies along.

17 Third, as Fidel will discuss in more
18 detail, we have a strong commitment that extends to
19 professional services. Our legal spend with diverse
20 firms is now 16 percent of our total spend. And
21 Exelon established a \$123 million dollar credit
22 facility for minority banks this year. 34 million

1 dollars of that was attributable to ComEd.

2 Lastly, because we believe that it's
3 important to create symbols of our commitment, we
4 hosted our First Annual Supplier Diversity Awards
5 banquet with over 360 people in attendance.

6 Our executives have taken leading
7 positions on boards of diversity-focused
8 organizations. Kevin Brookins, our Senior Vice
9 President of Strategy and Administration, has just
10 been elected as first Vice Chair of the American
11 Association of Blacks in Energy. Bridget Reidy,
12 Exelon's Executive Vice President for Corporate
13 Operations is a board member of the National Minority
14 Supplier Development Council. Emmett Vaughn, the
15 Director of Diverse Business Empowerment, serves on
16 the board of the National Utilities Diversity
17 Council. And I stepped into the role of Chair of
18 Chicago United this year.

19 And then 2015 was the year that we
20 launched the IUBDC. This, pursuant to the vision of
21 the ICC, is a place where Illinois utilities are
22 sharing best practices, supporting each other to

1 increase diverse spend, and actually sharing our
2 experiences with diverse suppliers. This
3 organization has attracted tremendous attention and
4 generated a lot of energy around this important
5 issue.

6 So thank you for the opportunity to be
7 here today. And I will turn it over to Fidel.

8 MR. FIDEL MARQUEZ: Thank you, Anne. Good
9 afternoon, everyone.

10 We're excited about the growth of our
11 supplier and diversity investments and the positive
12 impacts their success stories are helping to create.

13 As mentioned, in 2015 our total
14 capital investments were \$2.4 billion dollars. 653
15 million, or 29 percent, was with diversity-certified
16 suppliers. The Illinois capital spend was over 938
17 million. 314 million, or 33 percent, was spent with
18 diversity-certified suppliers. This rate of increase
19 in diversity-certified suppliers was 15 percent
20 higher than the overall total procurement increase.
21 We believe this demonstrates a commitment to grow the
22 dollars invested in diversity-certified suppliers and

1 the percent of total spend inclusion.

2 And the portfolio of
3 diversity-certified suppliers is very well-balanced.
4 In 2015, our spend of Tier 1 MBE suppliers
5 represented 46 percent of all ComEd Tier 1 spend,
6 while our spend with Tier 1 WBE suppliers represented
7 53 percent.

8 In 2015, our diversity-certified
9 suppliers spend was significant in terms of growth,
10 and increases were also broad-based and crossed
11 multiple categories and certification types. For
12 example, ComEd Tier 1 MBE spend grew from \$157
13 million dollars to \$240 million dollars, a growth of
14 \$183 million dollars, or 53 percent.

15 Our expenditures with African
16 American-owned enterprises grew by 82 percent in 2015
17 from 39 million to 71 million. Top spend categories
18 included Facilities; Fleet; Construction, in both
19 Transmission and Distribution; and Engineering. Our
20 expenditures with Latino-owned enterprises grew 52
21 percent in 2015 from 38 million to 57.6 million. Top
22 spend categories also included Engineering and

1 Technical Consulting; Facilities, Advertising and
2 Marketing; and Environmental Services.

3 We believe that numbers like these
4 demonstrate that businesses of color have made, and
5 continue to make, strides as prominent strategic
6 aligned partners for ComEd.

7 Our office of Diverse Business
8 Empowerment and the ComEd Diversity Council maintain
9 and constantly report on diversity-certified supplier
10 activity and accomplishments. The ComEd Supply
11 Chain, additionally, supports diversity-certified
12 suppliers through recruitment and technical
13 assistance, and we're constantly looking for
14 opportunities across the entire supply chain,
15 including professional services.

16 In 2015, professional services and
17 high-margin expenditures significantly contributed to
18 accomplishing our diversity supplier spend goals.
19 The professional service strategy focuses on key
20 industries, including Advertising and Marketing,
21 Business Consulting, Engineering and Technical
22 Consulting, HR services, and IT professional

1 services. In 2015, ComEd's Tier 1 spend with
2 high-margin diverse suppliers exceeded \$46 million
3 dollars, representing 9 percent of the total of Tier
4 1 spend.

5 As I mentioned, ComEd and its parent
6 company extended credit lines totaling 123 million to
7 help support 28 minority and community-owned banks in
8 areas where ComEd and Exelon operate. ComEd's part
9 is \$34 million dollars.

10 Within the Professional Services
11 category, diverse suppliers are playing a leading
12 role in our efforts to help residential and
13 commercial customers realize savings through energy
14 efficiency. In 2015, our spend with Tier 1 and Tier
15 2 suppliers conducting energy audits and other energy
16 efficiency services reached more than 3 million and
17 \$9 million dollars, respectively. Strategic partners
18 include Primera Engineering; Seel, LLC; and Utilivate
19 Technologies.

20 In 2015 our customers' education and
21 advertising spend in support of energy efficiency
22 also reached a new high, rising to more than

1 \$11 million dollars. Some of the key diverse
2 suppliers include Paco Communications and
3 Carol H. Williams Advertising.

4 And, finally, I'd like to say a few
5 words, as Anne mentioned, regarding our need to
6 develop the workforce of the future as we continue
7 our focus on building the utility of the future.

8 In February we opened our new
9 state-of-the-art training center in Bridgeport. This
10 facility will employ 40 full-time staff, and it's
11 specifically designed as an education and training
12 center for ComEd's workforce. The center also
13 provided us the opportunity to partner with the City
14 of Chicago to develop an after school vocational
15 training program. The first of its kind for ComEd,
16 the program will provide CPS juniors and seniors for
17 the vocational programs at Dunbar High School with
18 training to become utility workers of the future.

19 As the program progresses, CPS and
20 ComEd will coordinate with the City Colleges of
21 Chicago to explore new ways for CPS students to
22 capitalize on this advanced training through Dawson

1 Tech where we help with the Overhead Electrical Line
2 Workers Program in conjunction with the City
3 Colleges.

4 As we continue our work on building
5 the utility of the future, ComEd and its many
6 partners and suppliers and fellow utilities need to
7 develop the workforce of the future and the pipeline
8 for it. The CONSTRUCT Program is helping meet these
9 needs. CONSTRUCT provides participants with the
10 training, information, guidance, and confidence to
11 make a strong start at leading a construction-based
12 organization throughout the region in moving forward
13 on a path to success.

14 Just a few weeks ago we were joined by
15 Nicor, and Peoples Gas, and supplier partners from
16 throughout the area to congratulate the 71 members of
17 the CONSTRUCT class of 2016, the largest class so
18 far, which brings the total number of participants to
19 date to more than 220. And, as of last year, more
20 than 80 percent have been offered employment.

21 CONSTRUCT, indeed, has come a long
22 way, fast and furious, thanks to the collaboration

1 and commitment to our fellow utilities and Chicago
2 area companies and the great social service agencies
3 that make this program run.

4 We're grateful to the agencies, our
5 training partners, such as the National Latino
6 Education Institute and the Chicago Urban League, who
7 have been with us from the very beginning; and our
8 more recent partners, the Austin Peoples Action
9 Center, the YWCA, Quad County Urban League, and
10 ASPIRA. These social services agencies work very
11 hard in every aspect of the program, from identifying
12 strong candidates and recruiting instructors to
13 providing the training that gives these deserving
14 candidates the job skills needed to pursue good
15 career opportunities in the construction industry.

16 Thanks again to them that what began
17 as a pilot in 2013 with 10 companies and 3 social
18 service agencies is now a full-fledged training
19 curriculum with 30 companies, 6 social service
20 agencies helping to provide employment opportunities
21 that for many participants would not have been
22 available before.

1 We've also partnered with Nicor Gas,
2 Peoples and North Shore Gas, and BP America in
3 partnership with the National Energy Education
4 Development Project. We helped launch the Energizing
5 Student Potential Program; that's a STEM-focused
6 energy program for Grades 5 through 8. This program
7 provides resources and grants funds to bring the
8 field of energy into the classroom and helps students
9 and teachers explore emerging technologies and helps
10 schools meet next generation science standards and
11 goals.

12 As I hope I've highlighted for you
13 today, creating new opportunities is essential to the
14 great transformation underway in the energy and
15 utility industries as we work to enhance the value
16 that we deliver customers and prepare the region to
17 benefit from emerging technology and affordable clean
18 energy solutions.

19 We're very proud to play a key role in
20 the support and effort and are excited about what it
21 holds for our customers, communities, and the region.

22 Thank you very much for your time and

1 interest. I'll now turn it over to Michelle Blaise.

2 MS. MICHELLE BLAISE: Thank you, Fidel.

3 It's a pleasure to be here, and I'm
4 grateful for the opportunity. I'd like to provide a
5 brief update on the Smart Grid Program & Also
6 highlight the short and longer term goals for our
7 supplier diversity program.

8 As Senior Vice President of Technical
9 Services, I have the opportunity to work with many of
10 our supplier partners who contribute to the growth
11 and success of many firms and help them create jobs
12 and add value. As we often say at ComEd, our
13 procurement process is not just about awarding
14 contracts, it's really about forging partnerships
15 that help companies demonstrate their capabilities,
16 realize their potential, and deliver value to our
17 4 million customers.

18 This year we've completed most of the
19 Grid Modernization Program of the Smart Grid Program.
20 We've installed more than 2.4 million digital smart
21 meters, and we're on track to completing the
22 installation of 4 million smart meters by 2018, 2

1 years ahead of the original schedule.

2 Let me highlight the progress that
3 we've made since we began the EIMA program in 2012.
4 We've replaced over 2600 miles of underground cable.
5 We've refurbished nearly 22,000 manholes. We've
6 inspected and treated nearly 600,000 poles on the
7 system, and we've installed over 2300 smart switches.

8 And the Smart Grid Program also
9 continues to boost the regional economy. In 2015,
10 the Smart Grid work supported 4600 jobs. This is
11 including positions at ComEd, our contractors, and
12 suppliers, and indirect positions created as a result
13 of the capital expenditures.

14 The Smart Grid Program remains a major
15 focus for us, but there's several other initiatives
16 underway at the same time. Major projects are
17 underway in transmission and distribution system
18 investments to continue to increase the reliability,
19 flexibility, and resiliency of our grid. These major
20 work streams continue to create great opportunities
21 to build partnerships with well-established
22 organizations as well as diverse suppliers in young

1 companies looking for opportunities to prove
2 themselves.

3 We have several highly proactive
4 efforts in place to help make this happen. First
5 I'll start with talking about our goals. The goal of
6 ComEd's supplier diversity process is to ensure that
7 diversity-certified suppliers are always included in
8 the procurement process. To ensure this, we're
9 focused on identifying diversity-certified suppliers
10 that offer high-quality, cost-competitive goods and
11 services; and then we match them with the needs of
12 the company.

13 In 2016, we're focused on increasing
14 diversity-certified supplier expenditures to more
15 than \$700 million dollars and nearly 31 percent of
16 our total procurement. To that, some of the actions
17 that we've taken is we're identifying areas from the
18 new and emerging technology space where potential
19 diverse-certified suppliers can be developed. We're
20 developing more suppliers, especially in historically
21 unrepresented categories such as Engineering and
22 Construction. We're continuing to encourage and

1 assist our non-diverse prime suppliers to develop
2 subcontracting plans and programs to increase the
3 utilization of Tier 2 diverse suppliers. And our
4 plan for increasing participation includes several
5 steps.

6 In 2016, we're conducting a Tier 2
7 institute to promote utilization of
8 diversity-certified subcontractors with the ComEd
9 prime contracting community. We're identifying
10 opportunities to advance the certified supplier
11 inclusion during the National Minority Supplier
12 Development Council's 2016 convention, which is also
13 in Chicago this year.

14 We're creating more strategic
15 relationships in developing diverse suppliers in
16 under-utilized categories, as I mentioned before,
17 targeting specific companies in our Transmission,
18 Substation Construction, and Engineering Design
19 Services. And we're focused on continued improvement
20 in internal reporting for better tracking of diverse
21 spend and opportunities. We continue to also
22 benchmark best practices among any two leading

1 supplier diversity program.

2 Meeting diversity goals is not a
3 one-time event. It's a continuous and proactive
4 process of defining, measuring, managing, evaluating,
5 and rewarding. Our diversity supplier initiatives
6 are growing, thanks in no small part to the strong
7 support amongst senior leadership, the guidance of
8 our Board of Directors, and the commitment of every
9 ComEd employee involved in the sourcing process.

10 As with all key areas of our business,
11 our performance and supplier diversity is constantly
12 measured so that we can identify ways to strengthen
13 and expand our impact. The Diverse Business
14 Empowerment Office currently meets with ComEd's
15 senior leadership on a monthly basis to discuss
16 current performance, upcoming forecasts, identifying
17 gaps and initiatives to fill those gaps that allow
18 opportunities for diversity-certified suppliers.

19 We've also improved our IT
20 infrastructure to enable us to better measure the
21 participants and opportunities that are being given
22 to diverse suppliers. In the area of training, we've

1 introduced formal and informal supplier diversity
2 training throughout the company to offer counsel and
3 assistance to employees that are engaging the
4 procurement process.

5 The Supplier Diversity Team trained
6 newly-appointed category managers from our supplier
7 organization as well as project managers from our
8 operations organization in their key role as drivers
9 of supplier diversity efforts within their lines of
10 business. This includes education on how to drive
11 accountability, uncover potential diversity
12 opportunities, and to support -- and how to support
13 the competitive success of diversity-certified
14 suppliers.

15 Team members are conducting training
16 sessions focused on upcoming projects on how to work
17 with direct suppliers to optimize diverse
18 subcontracting. As well, diverse business
19 empowerment processes are integrated into the
20 day-to-day operation of our supply and sourcing
21 professionals who are required to collaborate with
22 the Diverse Business Empowerment Office to identify

1 appropriate sourcing opportunities to increase spend
2 across the company.

3 In closing, I would like to add that
4 our mission is to maintain a world-class supplier
5 diversity program. The Illinois General Assembly's
6 enactment of the Smart Grid Program in 2011 has put
7 that goal within reach. As we've highlighted today,
8 these and other major capital investments have
9 enabled us to not only meet but exceed the goals
10 established by the EIMA. We anticipate continued
11 growth in our diverse supplier spend as we deploy the
12 balance of the Smart Grid Program and other major
13 transmission and distribution projects.

14 We're also excited about the
15 opportunities presented by the Next Generation Energy
16 Plan that was introduced to the General Assembly in
17 April. We're especially excited that the program
18 would also create thousands of new clean energy jobs
19 through energy efficiency programs, energy
20 innovation, and renewable energy, and support -- and,
21 most primarily, support continued growth in our
22 diverse spend.

1 As one of Illinois' largest procurers
2 of goods and services, we appreciate the profound
3 impact that our decisions have on the evolution of
4 Illinois' diverse suppliers and our ability to help
5 build strong community and contribute to the economic
6 vitality of the region.

7 Thank you again for the opportunity to
8 speak with you today. We'll take any questions.

9 COMMISSIONER MAYE-EDWARDS: I just have a quick
10 question, Ms. Blaise. Can you elaborate a little bit
11 on the Tier 2 institute that you talked about -- I
12 find that fascinating in going through these
13 reports -- and if in previous years you've noticed
14 that that has been an issue?

15 And we'll touch on that on the round
16 table as well about Tier 2 -- problems finding the
17 Tier 2 vendors. Would you just talk a little bit
18 about that.

19 MS. MICHELLE BLAISE: The Tier 2 institute,
20 it's coordinated by our Diverse Business Empowerment
21 Organization. We bring in our known Tier 2 vendors
22 in the area and really give them the opportunity to

1 interact and network with our primes. And it's
2 making that connection, as well as they get to
3 introduce who they are and what they do.

4 And we also bring in speakers who talk
5 about developing businesses, and we talk about
6 programs of work that we have across Exelon and
7 ComEd where there might be opportunities for them as
8 well.

9 COMMISSIONER MAYE-EDWARDS: So are there Tier 2
10 vendors that participate that are hand-selected by
11 ComEd, or how does that work?

12 MS. MICHELLE BLAISE: They are hand-selected,
13 yes.

14 COMMISSIONER MAYE-EDWARDS: And then they're
15 partnered with Prime?

16 MS. MICHELLE BLAISE: They're partnered with
17 Prime, yes.

18 COMMISSIONER MAYE-EDWARDS: I see. Okay.
19 Well, I'd love to get more detail on that.

20 MS. MICHELLE BLAISE: Okay.

21 COMMISSIONER MAYE-EDWARDS: If there are no
22 questions from my colleagues, we'd like to thank

1 ComEd. Ms. Pramaggiore, thank you so very much.

2 And next we welcome Illinois American
3 Water, led by the president Mr. Bruce Hauk, to the
4 table. Thank you.

5 MR. BRUCE HAUK: Mr. Chairman, Commissioners,
6 thank you for the opportunity to be here today and
7 present to you findings from our 2015 Annual Report.
8 Also with me here today are Dawn Gilbert, our
9 Corporate Supplier Diversity Manager with American
10 Water, our parent company. And many of you know
11 Jerry Garland, which is really the individual that
12 makes the biggest impact in Illinois American Water
13 on supplier diversity. And with me as well is Dawn
14 Tomlin, our External Affairs Specialist.

15 My goal is just to provide some brief
16 comments on some of the impacts that we've seen in a
17 one-year time frame since taking the presidency of
18 Illinois American Water shortly after the start of
19 the year in '15, and then we will turn it over to
20 Jerry to give you some more specifics on our program.

21 One of the things that we'd like to
22 highlight is, in 2015, Illinois American Water had

1 many successes. I heard Commissioner del Valle
2 comment very well that this is not a celebration, but
3 I think it is important to recognize the hard work
4 that we've accomplished.

5 And I said last year, We're on a
6 journey, and the journey is certainly not anywhere
7 close to where the end of the journey would be.
8 We're very much in the early stages. And I would
9 also acknowledge that I won't be talking in billions,
10 but I'll be talking in millions. But it's all
11 relative, I think, when you take in the size and the
12 shape of the firm.

13 I'm very much envious of the program
14 that ComEd has and the results that they've
15 presented, but I'm very proud of Illinois American
16 Water and what we've done as well.

17 Overall spend with certified diverse
18 suppliers in 2015 more than tripled our numbers in
19 2014. And Jerry will give you the specifics on that.

20 Illinois American Water is committed
21 to ensuring compliance with federal acquisition,
22 regulation state laws, and company policy, and

1 internal bidding requirements. I commend its
2 continuance to connect best in-class suppliers to a
3 diverse supplier base. And echoing what was heard
4 earlier about second tier vendors, we'll continue to
5 be an opportunity to build the capacity of our
6 suppliers within Illinois American Water, connecting
7 them with our suppliers.

8 I want to give you an example of that.
9 Many of you have heard of the Jackie Joyner-Kersey
10 facility in East St. Louis. We've had two diverse
11 events there. One was a regional event between
12 Missouri American Water and Illinois American Water,
13 and then most recently one that was just primarily
14 for Illinois American Water where we connected second
15 tier vendors with primary vendors of our company to
16 connect that networking environment. And, to much
17 success, those connections resulted in relationships
18 that created spend with diverse suppliers. So that
19 was a success in '15 as well.

20 Again, I kind of echo the comments
21 that Anne mentioned. When you talk about diversity,
22 it's more than just supplier diversity. And that's

1 the same with American Water of Illinois and American
2 Water. So we're really excited to provide some
3 hiring -- or demographics of our HR resources in the
4 presentation as well. And you'll be able to see, in
5 2014 and 2015, a significant commitment of the
6 leadership of Illinois American Water. And, again,
7 as Commissioner Rosales said, outcomes and results.
8 So we'll be able to present that as well.

9 So I'll turn it over at this point to
10 Jerry.

11 MR. JERRY GARLAND: Thank you very much for
12 inviting us. I just kind of want to highlight a
13 couple of significant things that we've done since
14 our report in April.

15 We've created a supplier diversity
16 video that's on our external link. We sent the
17 connection to the Commissioners last week. Plus,
18 we've also updated our external web page. Not only
19 does it point to diversity information for American
20 Water, but it also directs the visitors to the
21 Illinois Commerce Commission where our diversity
22 report is filed.

1 In addition to that, we have
2 collaborated with some of our diverse partners that
3 we've developed over the last couple of years: Urban
4 GIS, which Nicor brought to our attention through a
5 phone call between Jerrold Hill and myself; Milhouse
6 Engineering, that Exelon brought to our attention,
7 with Terry calling myself and discussing. So there
8 is a lot of sharing of best practices and best
9 companies that we're -- with the IUBDC, that we're
10 moving forward through.

11 In addition to the IUBDC events that
12 we had last year, we also had a Leading Supplier
13 Academy Workshop. This is where, like Bruce
14 mentioned, that we bring our prime contractors in to
15 meet diverse providers for second tier. But we also
16 had an extremely successful one for a company -- a
17 diverse supplier who is a distributor of electrical
18 equipment.

19 So major electrical contractors like,
20 in our region, Sachs Electric can start building a
21 relationship with those suppliers. This particular
22 company is a prime supplier to the Tennessee Valley

1 authority for electrical cables, switch gears,
2 transformers. So we brought them into the -- they
3 entered into the St. Louis community on a very small
4 basis, and then we helped introduce them to the
5 electrical contractors in the Greater St. Louis
6 Metropolitan area. And, in fact, just these past few
7 weeks they just received their first second tier
8 contract with one of our prime contractors, which
9 we're very proud of.

10 In addition to that, last year we
11 helped certify 11 companies that were working in the
12 field; but, for whatever reason, they never became
13 certified companies. Some were women-owned. Some
14 were small businesses. Some were veteran-owned. The
15 veteran-owned ones are very difficult. It's a very
16 lengthy and laborious process for them. But we call
17 and encourage. We contact state resources like CMS.
18 CMS has been a great resource in helping us get some
19 of the smaller veteran companies certified, and I
20 would like to thank them for their help as well.

21 If we can go to the next slide, this
22 is our corporate overview. We had over a billion and

1 a half from sourcebale spend. At the corporate
2 level, with certified diverse suppliers, we're about
3 17.16 percent. Our goal for 2015 was 18 percent.
4 It's just been increased to 20 percent for 2016. So
5 we are moving the needle up, and we'll stretch those
6 as we achieve our milestones.

7 The next slide is what we were able to
8 do in Illinois American Water. Basically, we went
9 from a little over 3.68 percent in 2014 to 1.67
10 percent in 2015. So that's a triple effect.

11 One of the things that Bruce imparts
12 to all of his direct reports and first-time managers
13 is if you can't measure something, you can't improve
14 it. So as of 2 months ago, we now have monthly
15 reporting on our supplier diversity spend against our
16 entire spend. This is spend which is reported out at
17 the district level to all of our first-line
18 supervisors throughout the state so that they can
19 keep an eye on their spend and so we're not only
20 looking at big projects, but we're looking at the
21 small things in the community as well, and trying to
22 keep an eye on the prize, where our managers have a

1 quantitative ability to see what they're doing in
2 their own business.

3 Go to the next side, please. This is
4 just the comparison from 2014 to 2015. We'll
5 continue to have this comparison throughout our
6 reporting in the future. We'll take a 2-year look
7 back at the current year as a reference point of
8 where we're going.

9 You can see from the slide that we
10 were at 3.68 percent for certified spend in 2014. We
11 achieved 11.67 percent for 2015. Our goal from our
12 10-year plan that we provided in last year's report
13 for 2014 was 4.6 percent. So we exceeded that goal
14 considerably. And as we stated in our 10-year plan,
15 we take our prior year's actual and add to that for
16 the next year's rate. So in this instance it would
17 have been 12.67 percent. But since it was so close
18 we just went to the 13 percent for 2016. So that
19 increase is about a 9-and-a-half million dollar
20 increase in diverse spend in 2014 over to 2015.

21 We've had a great year bringing in new
22 companies. Some of these have been at work for a

1 couple of years that we're bringing in. Flinn
2 Engineering is a small woman-owned business that's a
3 start-up company. Last year they had one employee at
4 the beginning of the year. Now they have 10.

5 American Suncraft is a veteran-owned
6 business. They do painting of our tanks and
7 restoration of our tanks. Urban GIS was a company
8 that Nicor brought to our attention. Although we had
9 no spend recorded in 2015, our numbers for 2016 will
10 have close to a half a million dollar spend with
11 Urban GIS this year.

12 Yukon Equipment is a Native American
13 company who's a distributor of Pace equipment. We've
14 purchased backhoes from them, about \$1.3 million
15 dollars worth last year.

16 Gonzalez Engineering is a Hispanic
17 engineering firm -- professional services -- who
18 we've been using for the last couple of years and
19 continue to grow with the success of their design
20 work for us.

21 ComEd brought to our attention
22 Milhouse Engineering. We courted for a long time

1 last year. This year they were just awarded their
2 first contract with us, and they have 2 pending
3 contracts that are in the bidding process right now,
4 and their chance of success is pretty good. They're
5 a great company to work with.

6 Lange Tech is a woman-owned company.
7 They specialize in the automation and programming our
8 database, which is our platform for communication of
9 our instrumentation, and monitoring our system
10 throughout our infrastructure.

11 When you go to our web site with the
12 link that we've provided, there's a -- on the bottom
13 right of the web site will be a picture at the end of
14 the presentation. It's called Success Stories.
15 We're going to feature an individual success story
16 every month for each one of these suppliers, and then
17 we're just going to rotate them through. So please
18 visit our web site often and frequently. If you have
19 any questions, please give me a call.

20 Speaking more about where we're going,
21 we continue to try to enhance our reporting
22 capabilities. We're still not where we need to be.

1 We all realize that. We're having an upgrade to our
2 supply chain platform, which is SIC for us. We're a
3 for P to P portal. That roll-out isn't expected
4 until the fourth quarter of this year, which will
5 provide us enhanced reporting capabilities where we
6 can slice and dice the data. Right now the report --
7 to break down the MBEs it's a manual process. We're
8 trying to get to where it's an automated process so
9 that we can evaluate the data quickly and be able to
10 report back to our people quickly.

11 This year we've partnered with the
12 Illinois Hispanic Chamber of Commerce. At an event
13 that we attended a couple weeks ago they were very
14 helpful actually at the MMSDC local event that
15 happened about 6 weeks ago here in Chicago. I was
16 able to meet some great people from the Illinois
17 Hispanic Chamber of Commerce. We made some great
18 connections. They're helping me with a couple of our
19 smaller suppliers that aren't currently certified and
20 also are helping those smaller suppliers become
21 certified, offering them classes on how to manage
22 their business on a daily basis and also providing IT

1 training to the company. They're an extremely great
2 resource of American Water, and we're very proud to
3 be partnered with the Illinois Hispanic Chamber of
4 Commerce.

5 We talked about increasing our goal.
6 And our goal for this year is 13 percent.

7 Next slide, please. And then as part
8 of increasing our spend so much in 2015, we've
9 modified our 10-year plan, after Year 1, from an
10 end-year goal of 14 percent to 20 percent. So we are
11 moving the needle.

12 The Leading Supplier Academy
13 Workshop -- we talked briefly about that earlier --
14 is providing opportunities for the minority community
15 to partner with our primes and also have our primes
16 have the ability to reach out to the minority
17 community of people that they may or may not have
18 worked with in the past. This has been very
19 successful for us. It's usually a very -- for lack
20 of a better word, an intimate type of event where we
21 pick a diverse supplier, and then we bring in
22 contractors that are primes that aren't diverse --

1 half a dozen to a dozen -- to meet with a diverse
2 supplier and perform these partnerships. And it's
3 been very successful for us. I try to do it on a
4 smaller scale, more informal.

5 MR. BRUCE HAUKE: I'm going to step in on the
6 next two slides, if you will. And this is something
7 exciting for us as we get ready to present.

8 I shared with the Chairman earlier
9 today a little bit about what we'll call the American
10 Water Story in Illinois. We partnered with the
11 University of Illinois' Regional Economic
12 Applications Laboratory to do an economic impact on
13 American Water as a whole.

14 As you know, American Water is larger
15 than just Illinois American Water, as we have the
16 CSG, the MSG, the Laboratory, and the Call Center.
17 And so what was important is, although we're
18 reporting on our supplier diversity for Illinois
19 American Water, we wanted to represent that in 2015
20 we had 1,036 employees across the state of Illinois
21 spend 52 million in salaries and wages. And for
22 every 1 dollar -- for every dollar spent in the state

1 of Illinois by American Water, it created 86 cents of
2 economic development. So there's a great opportunity
3 to further diversify the supply within the state.

4 And next, the piece that I talked
5 about earlier, that it's bigger than just supplier
6 diversity. And then Illinois American Water, in 2014
7 we only had 23 percent non-diverse hiring, and in
8 2015 we increased that percentage to almost 70
9 percent. So that was 3 employees diversified in
10 '15 -- from '14 to '15. So we're very proud of that
11 initiative and expect to continue to grow in those
12 areas.

13 And then, lastly, I'll turn it back
14 over to Jerry for the 2 projects that create
15 diversified supplier opportunities in Illinois based
16 on work that we're doing.

17 MR. JERRY GARLAND: Our energy efficiencies are
18 a little bit different than ComEd's, but these are 2
19 notable projects that we started last year that were
20 in the initial phases; and then in 2016 we will
21 primarily complete the construction.

22 But Peoria is a good example of us

1 working with our suppliers. Oser Jacobs (phonetic)
2 was the prime contractor. They won the bid. Their
3 diversity participation -- although, at that time
4 they were not a diverse contractor -- was,
5 approximately, 11 percent. Last week they attained
6 their WBE certification. So we went from 10 percent
7 of the 5.7 million dollar contract to almost 5
8 million. And the reason I say 5 million is in 2015
9 we'd paid over \$800,000 so far in invoices. So
10 that's the past, and we can't count that; but for
11 this year the remaining balance of a little less than
12 5 million will be towards our diversity goal.

13 And East St. Louis Water Treatment
14 Plant, that was also competitively bid out. We
15 awarded it to Sachs Electric. They had a little over
16 15 percent diversity participation. As a result of
17 Our Leading Academy Supplier Workshop with
18 diversified supply, they're now being awarded a lot
19 of the electric wiring for that upgrade. So they're
20 going to exceed their 15 percent. Plus, we brought
21 in a new diverse supplier player into the St. Louis
22 region, and not only will they be providing Sachs

1 wiring and cabling for this project but for other
2 projects that Sachs Electric is doing in the
3 community that has nothing to do with American Water.

4 MR. BRUCE HAUK: And that's a significant
5 change from '15 to '16. You'll see in the annual
6 report that we changed the requirements for
7 subcontracting to include 15 percent diverse spend
8 versus 10, which is our older number. So we're
9 continuing to raise the bar.

10 And I think that's the summation of
11 our report. We'll be happy to answer any questions,
12 Commissioners.

13 COMMISSIONER ROSALES: Jerry, you mentioned
14 that you were working with some diverse suppliers and
15 that they were having a hard time getting certified.
16 What are your qualifications on certification?

17 MR. JERRY GARLAND: The qualifications for
18 certification are at the end of our annual report.
19 They just have to be with a recognized certified
20 body. So the City of Chicago, CMS, NMSDC, et cetera.

21 And in the last couple of pages in our
22 annual report, and also on our diversity web site,

1 there's a link that says, "Get Certified"; it lists
2 all of the certified agencies with a phone number,
3 and e-mail, and a web address for them to get
4 certified. In addition to that, if they're having
5 difficulty, I let our suppliers know that they can
6 contact me, and I make a personal reach-out. I've
7 made personal reach-outs to CMS, and they've been
8 extremely helpful in getting some of our suppliers
9 certified. The Illinois Hispanic Chamber of Commerce
10 is helping a couple of our vendors getting their MBE
11 certification as well. So it's kind of a
12 collaborative effort. We've provided the resource.
13 But if the supplier is still having difficulty, we
14 try to go the extra step.

15 We also have a minority legal firm
16 that's in Champaign, Urbana that specializes in
17 helping companies become certified, but it's at a
18 fee. And we've had two suppliers utilize that legal
19 firm as well.

20 COMMISSIONER ROSALES: So would -- maybe that's
21 another resource. Maybe somebody could bring it up
22 at the round table. Because how many could not

1 become a part of your numbers because they couldn't
2 become certified?

3 MR. JERRY GARLAND: The ones that we're having
4 the greatest difficulty with in becoming certified
5 are veterans. Veteran-owned businesses are held to a
6 higher level of accountability than other minorities.

7 And I'll give you an example. If
8 you're a straight MBE and you own a dealership that
9 sells cars, you can become certified as an MBE. But
10 the Veterans Administration has dollar thresholds and
11 size. Although the margins are small on
12 veteran-owned companies and the agreement that they
13 have with the OEM, the Original Equipment
14 Manufacturing -- the Fords, the Sterlings, whoever --
15 you know, their gross sales are very large; their
16 margins are small. But the qualification criteria
17 with the Veterans Administration is total annual
18 sales. So they're basically thrown out of becoming
19 certified.

20 MR. BRUCE HAUKE: So, Jerry, would you -- for
21 the benefit of the Commissioners, would you suggest
22 that the biggest challenge that we have is with

1 veteran certification and not with those areas?

2 MR. JERRY GARLAND: Yes. Veterans usually --
3 even for a simple veteran certification, if go to the
4 Veterans Administration, it's a 9 to 12-month process
5 versus, if you go through CMS to become certified as
6 an MBE company, it's a 90-day process.

7 MS. DAWN GILBERT: But to clarify,
8 Commissioner, we recognize in one reporting certified
9 and uncertified. So if you self-identify as a
10 minority, we recognize that as well; but that does
11 not -- that's not what we're reporting to you as far
12 as our data.

13 COMMISSIONER ROSALES: Okay. I appreciate
14 that.

15 The last question, if I could,
16 Commissioner...?

17 COMMISSIONER MAYE-EDWARDS: Of course.

18 COMMISSIONER ROSALES: It's just a question;
19 and I missed it. And I apologize to Anne and the
20 folks at ComEd.

21 The legal work, what category is that
22 put under?

1 MS. DAWN GILBERT: Professional Services.

2 MR. JERRY GARLAND: Professional Services.

3 COMMISSIONER ROSALES: Thank you.

4 COMMISSIONER MAYE-EDWARDS: Thank you,

5 Commissioner Rosales.

6 And I just wanted to just add on to
7 his question. It's a question that I had when I was
8 looking through the report as it relates to Illinois
9 American Water for the self-certified. And I
10 understand that you all still do that, and that we
11 talked a little bit about it last year.

12 But it just seems as though it doesn't
13 seem like a very good -- I don't know that --

14 Is it effective? Do you find that you
15 ever have issues with those who are self-certified
16 who may not actually be within that enterprise that
17 they claim to be or...?

18 MS. DAWN GILBERT: Well, what we try to do is
19 encourage them to receive certification, because our
20 data -- we like for our data to be auditable. And in
21 order for it to be auditable, we must have a
22 certificate. So I can't stop you from

1 self-identifying as a woman-owned business if you're
2 not a woman-owned business. You can say, My wife is
3 the head of the business.

4 Well, we asked you to get certified.
5 So in our system we list certified or self-identified
6 suppliers. And depending on the requirements of PUC*
7 or the Commission, that's the data that we provide.
8 If you honor that, you may identify. And because of
9 the recent legislation around LGBT and a very few
10 certifying bodies, we recognize that as well
11 uncertified or certified -- I mean, self-certified as
12 well as certified.

13 MR. JERRY GARLAND: The 11.6 percent that we
14 identified is only certified.

15 COMMISSIONER MAYE-EDWARDS: Right. I did
16 understand that. I just was wondering from a
17 whole -- out of the 5 utilities that are required
18 under this legislation, I think Illinois American
19 Water is the only one who allows self-certification.

20 MS. DAWN GILBERT: And, also, because we have
21 to report the cases to the federal government as part
22 of our business that we do with the military bases,

1 we also report self-certified and certified. So
2 that's why we cached that data.

3 COMMISSIONER MAYE-EDWARDS: Any other
4 questions?

5 (No response.)

6 COMMISSIONER MAYE-EDWARDS: Well, with that, we
7 are very thankful to Illinois American Water.

8 Mr. Hauk, thank you and your team for
9 being here today.

10 We are going to take a 5-minute -- no
11 longer -- a 5-minute break.

12 COMMISSIONER ROSALES: Commissioner?

13 COMMISSIONER MAYE-EDWARDS: Yes, Commissioner
14 Rosales?

15 COMMISSIONER ROSALES: Yeah, I did want to add
16 that Illinois State Representative Will Davis has
17 arrived. So I just wanted to recognize him and thank
18 him for coming all the way from Springfield to be
19 here.

20 COMMISSIONER MAYE-EDWARDS: Thank you,
21 Representative. You will be acknowledged right after
22 the 5-minute break. Thank you.

1 (Whereupon, a brief recess was
2 taken.)

3 COMMISSIONER MAYE-EDWARDS: Thank you,
4 everyone. I'd like to turn it over to my colleague
5 Commissioner del Valle.

6 COMMISSIONER DEL VALLE: Thank you,
7 Commissioner.

8 With us today, as indicated before the
9 break, is State Representative Will Davis. Will
10 Davis is a friend and a legislature in Springfield
11 that I have a tremendous amount of respect for
12 because of his work. He's been a tireless advocate
13 for greater access and opportunity for all
14 communities to economic development in all of
15 Illinois. And he was among those most responsible
16 for the law that produced the reports that we are
17 discussing here today and the law that calls for us
18 to meet and discuss this important issue on an annual
19 basis. And that component of the legislation is very
20 important.

21 Thank you for your work,
22 Representative Davis, and for taking the time out of

1 your busy schedule. I know you've got a lot going
2 on. And of course we now invite you to say a few
3 words.

4 STATE REPRESENTATIVE WILL DAVIS: Thank you
5 very much, Commissioner del Valle, Chairman Sheahan,
6 and the remaining Commissioners. Thank you for
7 allowing me the opportunity to come before you again.
8 It's very, very much appreciated. Supplier diversity
9 is, in deed, very important work.

10 From my perspective as a now 7 --
11 almost 8 -- term legislator, what I've come to
12 appreciate is that in the conversation, whether it's
13 by way of the State of Illinois or on their own, we
14 have a lot of companies in the state of Illinois
15 spending money to do a variety of different things.

16 And I just, unapologetically, think
17 that there could be, and should be, some focus put
18 specifically on what we do as it relates to the
19 diversity of spending that money and that we should
20 talk about, aggressively, ways to increase diversity,
21 whether it's on the employment side as well as the
22 spend side of things, or the supplier side of things,

1 as well.

2 Since we've started down this path, as
3 I'm sure you've heard today from those that have
4 already presented -- and those that will present will
5 probably talk about how they've started one place and
6 they've gotten better than where they were. And each
7 one of them probably desires to continue to do more,
8 and we appreciate the conversation in this setting to
9 do that; but we just have to continue from the
10 government side to continue to push those
11 conversations, to continue to push to make sure that
12 they are doing so.

13 I've learned that it's not enough just
14 to pass a bill and walk away riding off into the
15 sunset waving your hand. You have to continue to
16 stay engaged. You have to continue to ask questions.
17 You have to continue to make yourself available to
18 the conversation. You have to, particularly, make
19 yourself available to the vendors. And I think that
20 some of what gets lost is not all of the vendors
21 know, A, about the legislative process or who
22 spear-heads those conversations, and that by

1 spear-heading those conversations they can come to me
2 or other legislators and say, You know, here are my
3 challenges, Here are my issues, How can you help me
4 to address them? And that's something that I've
5 continued to try to do.

6 There's one vendor in particular who I
7 am continuing to be involved with because I think
8 that that company can be the poster child for what
9 we're talking about. So, again, I will always
10 continue to be an advocate and continue to push.

11 One of the things that I have stated
12 to a few of the staff, and I just mentioned it to the
13 Chairman, is while we're hearing from the company
14 side of this conversation -- and I don't know how to
15 do it necessarily -- maybe we can consider hearing
16 from the vendors' side of this conversation.
17 Because, to the extent in which they are trying to
18 make themselves available for these opportunities and
19 we hear the requirements that are necessary so that
20 they can participate, we think that there's still
21 some other challenges that they're having. We still
22 think that there are some issues there. And if this

1 is our forum, if this is our platform, then we have
2 to figure out how to do it. And I'm sensitive enough
3 to know and smart I'm smart enough to know that you
4 put a vendor here, and while they want to tell you
5 the truth, they may be hesitant to tell the truth for
6 fear of not being able to get business. And that's
7 just an unfortunate reality of where we are.

8 So how we create that environment and
9 that platform is very important, to give them the
10 opportunity to be able to speak freely about the
11 difficulties that they're having. And they're trying
12 to contact and work with these companies, as well as
13 when they reach out to someone like me, to try to ask
14 about how to do work and get this business.

15 So we'll figure that out, but I think
16 that may be the next iteration of where we are now.
17 Because, again, I think you'll hear from the
18 companies -- and we applaud what they've done up to
19 this point. Let's not minimize what they've done up
20 to this point. But I think our objective is if
21 you've got qualified minority vendors in all
22 categories, you know, let's work a little harder to

1 give them the opportunity.

2 And one of the things that comes up,
3 ironically enough, is that what I've learned from a
4 lot of these small vendors is that their desire is to
5 stay small. They're not trying to necessarily grow
6 to be primes. So the prime vendors that are out
7 there need not be threatened by some of these smaller
8 companies. They are comfortable with where they are.
9 They want to continue along that path and that
10 trajectory in maintaining where they are. They have
11 no desire to become, you know, a huge conglomerate to
12 some degree. So, again, let's do what we can to give
13 them the opportunity to continue to work.

14 What we've learned from diverse
15 vendors is that their own workforce is diverse as
16 well. Black vendors hire black individuals. Latino
17 hire Latino individuals. Women hire women. And
18 we've seen significant evidence, particularly on the
19 women's side of things -- not that there aren't
20 movement around in all respects, but a company out in
21 the South Suburbs is going to look to hire people in
22 the South Suburbs is, essentially, what I'm trying to

1 say.

2 So whatever we can do to continue to
3 push, to continue to urge, to continue to partner
4 with the companies that are presenting for you today,
5 that is ultimately what we want to do. We will
6 continue to work in that vein.

7 And I'd be remiss before I end to just
8 at least, again, acknowledge a program that's kind of
9 spun out of these conversations called the CONSTRUCT
10 Program. And most of our utility companies
11 participate in the CONSTRUCT Program where they're
12 looking, specifically, to train -- offer basic
13 training for diversity in the workforce. They can
14 work for the company specifically as well as for the
15 vendors that are partnering with these companies as
16 well. We've experienced graduations upwards of 50,
17 60, 70 individuals. And many of them walk away from
18 that graduation with a job, which is something that
19 we really, really are happy for and that we're
20 excited about.

21 So continuing to have programs like
22 that to continue to grow them is important because

1 the companies are now investing in the people that
2 they want to hire, which is important for them; but
3 it also creates a level of participation where
4 they're making sure that individuals that are being
5 trained are the quality of individuals that they need
6 so that when they graduate, they know that I've given
7 what's necessary for that individual. So he can
8 come -- he or she can come work for me, and I have no
9 challenges with the quality of their training as a
10 result.

11 So the CONSTRUCT Program, again,
12 spear-headed by ComEd, participating with Nicor and
13 Peoples Energy -- and maybe there's an opportunity to
14 do something similar, if they're not already doing
15 it, in Downstate Illinois with Ameren. But it's a
16 great program. It's worked very well, and we
17 continue to grow it. And I want to make sure that I
18 acknowledge those individuals from the CONSTRUCT
19 Program as well.

20 But, again, the opportunity to have
21 this dialogue in front of you is extremely important.
22 I'm looking forward to continuing to be that partner

1 on supplier diversity, acknowledging where we've
2 fallen short, and doing what we can legislatively to
3 try to raise that back up.

4 But, again, if I can be of service to
5 the Commission, I certainly want to be of service to
6 the Commission as well as partnering with the other
7 companies that are in the audience today to increase
8 supplier diversity and employment diversity within
9 their ranks to the best of our ability. Thank you
10 very much.

11 (Applause.)

12 COMMISSIONER MAYE-EDWARDS: Thank you,
13 Representative Davis. I echo my colleague
14 Commissioner del Valle in saying that we know you are
15 a mover and a shaker. And sometimes it's not easy --
16 oftentimes it's not easy to be the person who is
17 moving the needle forward, but you have done it. And
18 for that, we are grateful and appreciative.

19 There was one thing that you said that
20 I was shaking my head on because since establishing
21 our Office of Diversity and Community Affairs we have
22 had a lot of vendors to reach out to us at the ICC

1 through that office and say, Well, things aren't
2 exactly as we thought, or There's this program, and
3 it's kind of more on the outside as it actually is,
4 participating in it.

5 And it kind of gave us the thought to
6 say, Let's bring some vendors in to this particular
7 session, and let's get a vendor perspective. But you
8 hit the nail on the head when you said that they are
9 very hesitant. They feel as though if they express
10 their true concerns and their real thoughts and
11 perceptions on some the programs that have been
12 stated in some of these reports, that they'll be
13 punished, that they will not be utilized in the
14 future.

15 So we do have to sit down and figure
16 out -- and I think Commissioner del Valle and I were
17 just saying to one another earlier, you know, we
18 really have to -- we want to make sure that we have
19 very thought-provoking dialogue at this policy
20 session. And so we need to figure out how can we get
21 vendors to come to the table, to be comfortable
22 speaking about their experience -- hopefully,

1 positive ones, but maybe what -- and nothing
2 negative, so to speak -- but what are some
3 opportunities for our utilities.

4 Because that's what we want. We want
5 to all work together. You know, there's no
6 punishment here. We want to work together. We want
7 to improve. We want to make sure that it's happening
8 together.

9 STATE REPRESENTATIVE WILL DAVIS: In addition
10 to that, you know, access capital. You know, how do
11 we encourage access to capital, as the Chairman
12 stated. You know, that's just another thing that we
13 need to be thinking proactively about, how to
14 continue to help our diverse vendors, you know, to
15 increase their opportunities.

16 COMMISSIONER DEL VALLE: I just want to briefly
17 add that access to capital is critical. And we've
18 been hearing about a lack of access for decades, and
19 it's one of the primary reasons for the lack of
20 growth and why we don't see more primes out there.

21 But I, very briefly, want to respond
22 to a couple of things that you said that I agree with

1 you wholeheartedly on. One is, we have to look at
2 different ways of evaluating progress. And as I was
3 saying earlier, one of the ways that I look at
4 progress is, Are you increasing the number of
5 participants?

6 You mentioned one vendor who has been
7 talking to you. The problem is that many times
8 people don't know where to go; and they're the little
9 guys who get left out. And so I much appreciate you
10 saying that these little guys are not looking to
11 become super big guys. They want to do some work.
12 And, yes, they may evolve, and certainly we would be
13 happy if that happens. But it's important that when
14 we look at these reports every year, that we look at
15 the number of new vendors that have come on board
16 regardless of their size. I'm talking about minority
17 vendors: women, veteran, et cetera. And I think you
18 agree that the reports should look at and come up
19 with that type of information.

20 Second, the CONSTRUCT Program is a
21 wonderful program, and kudos to everyone involved.
22 Beautiful. But look at the scale. 80 percent

1 placement rate. Excellent. But look at the number
2 of participants. Now with Nicor and the other
3 companies involved -- I mean, look at how many folks
4 are involved here -- we should be able to see that
5 program scale up quite a bit.

6 STATE REPRESENTATIVE WILL SMITH: Absolutely.

7 COMMISSIONER DEL VALLE: Because there are lots
8 eligible people out there that can be identified by
9 the partners, the community organizations that are in
10 partnership here -- the community colleges, et
11 cetera -- to identify individuals who have the
12 potential, who will succeed, and who will become
13 great employees for these companies and other
14 companies.

15 And so I would hope that -- and I'm
16 sure that you desire to see this scaled up because of
17 the unemployment rate; and we want to make sure that
18 it's reflective of the geography of the population.
19 I'm in the process now --

20 And I know that you're really
21 concerned about making sure that the South Suburbs
22 are well-represented in that. So all of those kinds

1 of analyses need to take place in order to really
2 truly measure progress.

3 STATE REPRESENTATIVE WILL SMITH: And,
4 Commissioner, let me just -- because of our work here
5 we have, through legislation, expanded our look at
6 supplier diversity. And our latest iteration of that
7 was House Bill 4370, which is taking a look at
8 hospitals.

9 In 2013, hospitals spent in
10 construction alone \$2.5 billion dollars. We've taken
11 a look at that one. We have a bill that's moving us
12 in the right direction. We're probably going to need
13 to do some legislation with it, but it's getting us
14 in the right direction. But, yet, another
15 opportunity for diverse suppliers to have access to,
16 you know, a huge amount of spend that takes place in
17 the state of Illinois.

18 COMMISSIONER DEL VALLE: Thank you.

19 COMMISSIONER MAYE-EDWARDS: Thank you very
20 much, Representative Davis.

21 COMMISSIONER ROSALES: Representative?

22 COMMISSIONER MAYE-EDWARDS: Oh, my apologies.

1 Go ahead.

2 COMMISSIONER ROSALES: I just want to thank you
3 for the work that you've done. And one part that I
4 do want to point out -- and I've been here a year --
5 is the fact that, with the Chairman and my fellow
6 Commissioners, the communication is just great.

7 We get that feedback from vendors.
8 They'll tell us right away, without having to be
9 specific, if the RFP is not going out to everybody or
10 if there was a problem on a job site. So with the
11 leadership that we have here the fact that we had
12 Danisha in that position and now Lisa in that
13 position, there is a communication between the two,
14 and I think it's worked well from all of us. I mean,
15 we're the most diverse panel that you can think of in
16 the state to me. So we really try to do the right
17 thing in our community.

18 And one of the things that I'm really
19 proud of in the year that I've been here is just the
20 communication and the work that Commissioner Edwards
21 has done and the folks in Diversity with Lisa and
22 Danisha. We get a lot of that feedback. And then,

1 in turn, we get to go back and say, Hey, what's the
2 story here? So it seems like it's working so far --
3 so far.

4 But we appreciate all of the work that
5 you've done.

6 STATE REPRESENTATIVE WILL SMITH: Thank you all
7 very much. Thank you for your time.

8 COMMISSIONER MAYE-EDWARDS: Thank you.

9 With that, we would like to welcome
10 Nicor Gas. And that will be presented by their
11 leader Mr. Melivn Williams, who is the president.

12 We welcome you, Mr. Williams. We are
13 ready when you are.

14 MR. MELVIN WILLIAMS: Good afternoon. I'd like
15 to thank you for hosting us today. And I'm pleased
16 to be here to share with you the Nicor Gas Supplier
17 Diversity Results for 2015. With me is Jerrold Hill,
18 our Managing Director of Supplier Diversity.

19 Before I begin my formal remarks I
20 would like to comment on the last dialogue around
21 engaging diverse partners, both existing and
22 potential partners. One of the objectives of the

1 IUBDC's strategic plan for 2016 is to do exactly
2 that, to create a forum where we will allow our
3 current partners across all of the respective
4 organizations to give us feedback, to offer us the
5 their perspectives around not only our individual
6 engagement for our respective organizations, but our
7 engagement on behalf of the IUBDC.

8 Now, as you know, our strategic plan,
9 this is the first year that we have that plan that we
10 put forth, which means we're going to have to ensure
11 that we're executing around the plan that we've put
12 forth. And we have continued to seek opportunities
13 to engage different groups in terms of providing the
14 IUBDC with their feedback and perspective.

15 So I would have you know that that is
16 one of our objectives, and more to come. And I would
17 certainly offer the opportunity in the round table
18 for both my colleagues and I to offer any initial
19 feedback with regard to that.

20 COMMISSIONER MAYE-EDWARDS: We would love that.
21 Thank you.

22 MR. MELIVN WILLIAMS: Thank you.

1 As president of Nicor Gas and Chair of
2 the Illinois Utility Business Diversity Council, I've
3 been afforded the opportunity to influence the
4 narrative regarding the often complex conversation
5 around organizational and business diversity. I also
6 have the responsibility of driving measurable,
7 sustainable results for my business.

8 Last year Nicor Gas committed to
9 making measurable improvements in our diverse
10 business expenditures while focusing on expanding
11 opportunities in professional services areas of our
12 business.

13 I am pleased to share with you that
14 we've exceeded our overarching goal of improving our
15 overall results, increased our diverse supplier
16 participation, and that we've made progress with
17 diverse business partnerships in many areas,
18 including Engineering, Project Management,
19 Architectural Design, Legal, and Financial Services.

20 This progress is important to us
21 because our commitment to engaging in diversity
22 extends beyond just our core competency around

1 infrastructure replacement and maintaining gas
2 pipeline; but equally important is our focus on
3 changing the narrative.

4 2015 was a year of momentum for
5 business diversity at Nicor. We developed a
6 multi-year strategic road map. We took measures to
7 emphasize the value of the business imperative
8 regarding business and organizational diversity.

9 We empowered our employees across the
10 company to ensure that we were providing them with
11 the education, the tools, and the processes to enable
12 the change. That was the theme of our organization
13 for 2015.

14 I am pleased to say that the narrative
15 around diversity is changing at Nicor Gas, but we
16 recognize that that change does not simply happen by
17 inertia. Effective sustainable change must be fueled
18 by intention.

19 Our commitment to business diversity
20 is neither a program or priority. That's one of my
21 favorite comments, because programs end and
22 priorities change. We believe that our organization

1 must treat business diversity as a value and a
2 strategic business imperative. Diversity is a value
3 that influences how we engage both our internal and
4 external stakeholders. Our engagement is based on
5 our foundational pillars of supplier diversity
6 advocacy, development, procurement, and reporting.

7 As I mentioned, in 2015 we developed a
8 multi-year strategic road map centered on internal
9 and external engagement, cultural change,
10 sustainability and maturity. This road map is
11 reflective of our intentional focus around continuous
12 improvement and our desire to continue to raise the
13 expectations around business diversity within our
14 organization.

15 We implemented a number of changes in
16 2015 to hold ourselves accountable for achieving
17 these results. First, our performance and
18 development process was expanded to include diversity
19 as a competency dimension that leaders are
20 responsible for demonstrating. Supplier diversity
21 measures are now a component of our compensation,
22 further emphasizing our commitment at the senior

1 leadership level of our organization.

2 We focused on consistent application
3 of a balance score card, taking multiple factors to
4 include diversity into account during the procurement
5 process. And that's the one that I'd like to
6 elaborate on in the roundtable discussions, if I may.

7 Our intentional initiatives such as
8 Link & Learn, to Employer Resource Groups, and my
9 personal engagement with senior leaders further
10 supported the message of understanding regarding the
11 strategic imperative of our business, diversity
12 commitment throughout our organization.

13 These efforts reflect an ongoing
14 maturity in our understanding, empowerment, and
15 commitment to diversity as a key business driver.
16 They serve as the foundation for continued growth and
17 success within our organization.

18 Externally, we also continued our
19 efforts to advocate, develop, and create
20 opportunities for diverse businesses. In 2015, we
21 hosted Nicor Gas's first matchmaking event,
22 partnering with elected officials and several local

1 advocacy groups. This event enabled dozens of
2 diverse businesses to engage and explore
3 opportunities with key prime partners at Nicor Gas.

4 Our Supplier Diversity Business
5 Development Program was tailored to focus on
6 strategic goals and development, the objective of our
7 business, based on a long-term horizon. The program
8 provides exposure to our business through structured
9 education sessions.

10 Company leaders serve as mentors as
11 they guide their business partners through
12 individualized development plans to help them achieve
13 their goals. Numerous businesses have been benefited
14 from the program. New contracts,
15 business-to-business contacts, and expanded service
16 offerings are some of the results that we have seen
17 thus far.

18 And, lastly, the support and
19 collaboration amongst the utilities here today has
20 risen to a level only possible through the Illinois
21 Utility Business Diversity Council. We continue to
22 make progress towards our mission of serving the

1 Illinois utilities as a forum for best practice
2 hearing and information exchanged in advancing the
3 growth and utilization of utility-based diverse
4 businesses in the state of Illinois.

5 We will talk more specifically about
6 our collective progress in the coming months.
7 However, I feel it is important to note that 2015 was
8 a formative year for the organization and that
9 maturity of our respective companies around business
10 diversity initiatives. Our results are reflective of
11 our 2015 initiatives, and we're proud of our total
12 MWVBE spend of \$120 million dollars. That represents
13 a historical high for Nicor Gas. That number
14 represents 22.17 percent spend with MWVBEs, up from
15 13.15 percent last year.

16 Our 2015 initiatives established a
17 framework that will drive accountability and
18 sustainability in our business diversity efforts.
19 These initiatives -- including our updated
20 compensation program, the implementation of a balance
21 score card, and our external engagement -- have
22 helped us not only increase our spend but provide

1 greater access and broaden the opportunities for
2 diverse businesses. In fact, our efforts to increase
3 access and opportunities generated more than
4 \$10 million dollars with new MWVBES and more than
5 \$27 million dollars increase with existing partners.

6 Since 2012 we've shown measurable
7 progress each year, and our goal is to continue to
8 build on that progress that we've made. 2 years ago
9 we made a firm commitment to significantly improve
10 our diverse spending results. I am pleased with the
11 continued progress that we've made, and challenge --
12 we continue to challenge ourselves to meet our
13 commitments each year.

14 We set a goal in 2016 to grow our
15 diversity of our value chain and to increase our
16 year-over-year spending. We will continue to focus
17 on achieving sustainable measurable results over the
18 next several years. Our overall goal is to mature
19 each year by enhancing our focus on people, process,
20 and an organizational culture.

21 We have several initiatives underway
22 that will assist in meeting that goal. We will

1 build on the success of our initial construction and
2 engineering summit by hosting a similar event in
3 2016. We will continue to establish and expand our
4 partnership through the diverse professional services
5 companies much like the progress that we've
6 experienced over the last 6 months in the financial
7 and legal areas of our business. We will continue to
8 cultivate those relationships, and hopefully we will
9 continue to grow new firms and expand those
10 opportunities with existing partners as a part of our
11 overall objectives.

12 We will continue to enhance our
13 supplier diversity business development program and
14 expand the diversity of our business participation to
15 include more professional services firms.

16 Over the past year our efforts to
17 engage key prime partners through periodic diversity
18 assessment have resulted in measurable progress. The
19 number of businesses engaged in subcontracting with
20 our company -- with our prime partners went from 41
21 in 2015 to 119 -- excuse me -- 41 in 2014 to 119 in
22 2015.

1 Our second tier of MWBE spend
2 increased from 14 million, again, in '14 to 36
3 million in '15. Although second tier participation
4 is not the solution to help us meet our goals, it
5 continues to be a key element of a multifaceted
6 approach that we're taking to drill our pipeline of
7 diverse business partners.

8 We will continue to access and support
9 key prime partner engagement in our efforts. That's
10 an important point. We cannot continue to show the
11 measurable progress that we've made if our existing
12 prime partners are not aligned, engaged, and have the
13 same set of objectives that we have. And we've
14 placed a lot of focus and effort to ensure that
15 alignment with our prime partners.

16 We will hold performance reviews with
17 our top prime partners to ensure their alignment with
18 our shared objectives for advocacy development
19 diversity, inclusion, and reporting.

20 You know, reporting is an important
21 part of that. We're not just simply asking our prime
22 partners to understand what our goals and objectives

1 are. We're holding them accountable for reporting in
2 the same manner that we report, both internally and
3 externally as well.

4 We will continue to discuss our
5 forecasted opportunities, projections, and barriers
6 to increasing diverse business development and
7 utilization with both our prime partners as well as
8 our Tier 2 partners.

9 Additionally, we will host our Second
10 Annual matchmaking event to help facilitate access
11 and drive accountability towards our shared
12 commitment.

13 Lastly, our collaboration with the
14 IUBDC will enable us to facilitate a broader
15 engagement with advocacy organizations, diverse
16 businesses, and other stakeholders. We will leverage
17 our utility partnerships to engage best practice
18 sharing, expand our supplier net worth, and increase
19 the opportunities afforded diverse businesses that
20 support the industry.

21 Those are just a few examples of the
22 2016 initiatives that will help us continue the

1 momentum forward. Our endeavor is broader than
2 simply meeting a goal.

3 We recognize that diversity as an
4 organization is not limited to supplier or business
5 partnerships. Organizational and business diversity
6 is simply the way that we will do business. We
7 believe that organizational diversity is crucial to
8 the success and that our employees must be reflective
9 of the communities that we serve.

10 Our Employee Resource Groups, our
11 ERGs, are external groups that provide support,
12 enhance career development, and contribute to the
13 personal development of our workforce. Nicor Gas
14 Employee Resource Group; Inspire, a women's group;
15 Energy, our young professionals group; and En
16 Rapport, our African-American Group provide a place
17 for employees to celebrate diversity. These groups,
18 and others that will follow, will continue to be an
19 important part of how we ingrain diversity in all
20 aspects of our business.

21 That concludes my remarks.

22 COMMISSIONER MAYE-EDWARDS: Thank you very

1 much.

2 Commissioner del Valle?

3 COMMISSIONER DEL VALLE: Thank you.

4 In looking at your report, you
5 indicated -- and you did touch on this. You said
6 that 2015 was a big change year for you. But in the
7 report you indicate that in 2015 you began working
8 directly with an Illinois-based MBE law firm to
9 provide legal services. And you also indicate that
10 in November of 2015 AGL Capital Corporation
11 facilitated a bond deal that had participation at the
12 level of 12.5 million of an MBE.

13 Was there activity prior to 2015?

14 MR. MELVIN WILLIAMS: There was some level of
15 activity prior to 2015.

16 COMMISSIONER DEL VALLE: In this category?

17 MR. MELVIN WILLIAMS: In all of those
18 categories. We continue to see, again, progress in
19 terms of the level of engagement and level of
20 commitment within the professional services. And I
21 think you will also see -- I know that you will also
22 see in 2016 that that number will -- that engagement

1 and the reflecting results will continue to grow each
2 year.

3 COMMISSIONER DEL VALLE: So you definitely see
4 this as a growth area, these categories?

5 MR. MELVIN WILLIAMS: Yes, we do.

6 COMMISSIONER DEL VALLE: Okay. Thank you.

7 COMMISSIONER ROSALES: How will you provide for
8 that growth?

9 MR. MELVIN WILLIAMS: Pardon me?

10 COMMISSIONER ROSALES: How will you provide for
11 that growth?

12 MR. MELVIN WILLIAMS: Well, it starts with
13 access. Right? Our efforts around business
14 diversity, there are no guarantees. But the biggest
15 shift, culturally, has been just simply giving all
16 sectors an opportunity to have access to those
17 opportunities.

18 Where, traditionally, we focused on
19 areas particularly around our infrastructures, we're
20 now expanding those opportunities in the professional
21 services realms. And it's a simple matter of being
22 able to demonstrate what our long-term planning is

1 with respect to both professional services as well as
2 in areas of infrastructure.

3 And so, to the extent that we give
4 potential partners an opportunity to understand not
5 only what we do -- how we're planning around that,
6 that allows us to be able to, potentially, align
7 around those opportunities in all areas of our
8 business.

9 COMMISSIONER ROSALES: In your report you
10 mentioned that during the audit Nicor speaks with
11 primes to discuss barriers to increasing diverse
12 business development without attributing to any
13 particular supplier.

14 Can you share some of the challenges
15 that prime say they face when finding diverse subs?

16 MR. MELVIN WILLIAMS: Well, you know, that's a
17 cultural dynamic, Commissioner. And we talk about
18 that lot, and it's not just something that's
19 reflective of Nicor Gas. I mean, there are a number
20 of what I describe as key misperceptions, if you
21 would, regarding our engagement and our commitment
22 around business diversity.

1 First, it's that if we engage in
2 business diversity with a potential partner, that it
3 automatically results in the displacement of a prime
4 partner. And, again, these are misconceptions.

5 Second, that if we engage in that
6 partnership, that it automatically results in a
7 decrease in quality of product or service. That's
8 the second.

9 Third, if we engage in those
10 partnerships, that it automatically results in
11 increase and costs.

12 Those are the three organizational
13 dynamics that we have to deal with. And I would
14 share with you that probably every organization here
15 has to deal with those same dynamics. And while
16 those -- you know, I'd like to describe that, as
17 while those dynamics are culturally real, they're
18 realistically incorrect; and we understand that.

19 So part of our ability to ensure that
20 we're engaging with our leadership team around
21 understanding, that's the shift between being a
22 program or a priority and being a business imperative

1 and talking about and ensuring that our leaders
2 understand why is this important for our business,
3 why is this and imperative. And that is the shift,
4 and it doesn't happen over night.

5 And so the results that you've seen
6 for Nicor -- and, once again, I would say that the
7 results that you see with all of these companies is
8 the result of the engagement of the senior leadership
9 not only to be able to address those types of
10 dynamics in the organization, but to ensure that
11 we're putting processes, accountability, measurable
12 outcomes in terms of how we are measuring our result
13 within our respective organizations.

14 COMMISSIONER MAYE-EDWARDS: I totally agree
15 that it is definitely about the top down leadership.
16 And that's one the reasons that we do like to have
17 the presidents and CEOs here to present on these
18 reports.

19 I wanted to touch on something. I
20 think it was in your 2014 report. And I know we had
21 a dialogue with Beth Reese about this last year, but
22 at that time Nicor Gas just was not able to measure

1 your Tier 2 spend and kind of have that work.

2 And it seems this year -- I mean, you
3 guys have increased tremendously on that level, which
4 has been impressive. So I'm assuming that you now
5 have the ability to measure your Tier 2 and that it's
6 been very successful for you.

7 MR. MELVIN WILLIAMS: For two reasons: one, to
8 make sure -- so that I can stop talking and, two, so
9 that I can give Jerrold an opportunity to speak,
10 that's a perfect question for him.

11 COMMISSIONER MAYE-EDWARDS: Okay. Welcome,
12 Jerrold -- Mr. Hill.

13 MR. JERROLD HILL: Thank you, Commissioners.
14 And thank you, Melvin, for the opportunity to speak.

15 (Laughter.)

16 MR. JERROLD HILL: We, over the course of the
17 last 2 years, have worked very diligently both
18 through the implementation of technology solutions
19 that would enable us to capture that data, but also
20 through process and engagement.

21 And just in our overall strategy in
22 working with our prime suppliers, Melvin and I, 2

1 years ago, began this process of having periodic
2 performance assessments where we sat down and really
3 drove that message not only through the supply chain
4 organization, but we also leveraged key business
5 leaders that have the responsibility and oversight
6 for those different contractors in their respective
7 organizations to align around our objectives.

8 And those objectives were
9 predominantly in the engagement of diverse
10 subcontractors, but not just from a subcontracting
11 perspective. We recognize that the value of our
12 partnerships over time is deeply rooted in the
13 development and the investments that are made to help
14 grow those businesses.

15 And so those engagements were really
16 two-fold with respect to development and increased
17 utilization. But, ultimately, the reporting is
18 where, over the last year, we began to implement a
19 more rigorous process where we were driving that
20 accountability. It wasn't just about giving us
21 insights around their numbers; it was the activity
22 that was generating the numbers that would also fuel

1 downstream opportunities to grow those second tier
2 contracts with our prime contractors and then elevate
3 some to first tier contractors with us.

4 COMMISSIONER MAYE-EDWARDS: That's awesome. I
5 think that it's things like that we would like to see
6 kind of happening throughout, obviously, not just
7 this industry but particularly here in the state of
8 Illinois.

9 So hopefully you can use the IUBDC as
10 a method to discuss those. The methods that you're
11 using, obviously they're working. It's very
12 impressive.

13 Well, thank you very much,
14 Mr. Williams and Mr. Hill. We appreciate it.

15 COMMISSIONER ROSALES: I will tell you that I
16 think that's great that everybody signs on. I
17 thought that was good.

18 COMMISSIONER MAYE-EDWARDS: And now we'll hear
19 from Peoples Gas and North Shore Gas led by President
20 Charles Matthews.

21 Mr. Matthews?

22 MR. CHARLES MATTHEWS: Okay. Thank you,

1 Commissioner Edwards. And, more importantly, let me
2 thank the entire Commission. Let me echo that thanks
3 that I know -- and I've already heard from my
4 colleagues -- and that is for being supportive and
5 engaging in all of our supplier diversities program.
6 We cannot be successful without your engagement and
7 your encouragement.

8 I have a couple of people with me here
9 today. I have Vice President Jerry Fulmer, which
10 you've already heard about. And I'll talk a little
11 bit more about him. He's Vice President of WEC
12 Energy Group, Supplier Diversity. And I have
13 Jennifer Morrison, who is the Manager of Supplier
14 Diversity here at Peoples Gas, which is a
15 newly-created position. And you'll hear me talk
16 quite a bit about a committed department to supplier
17 diversity.

18 COMMISSIONER MAYE-EDWARDS: Ms. Morrison, are
19 you having an issue?

20 MS. JENNIFER MORRISON: I'm trying to...

21 MR. CHARLES MATTHEWS: For the sake of time
22 I'll go ahead and start because I remember the first

1 slide.

2 (Laughter.)

3 MR. CHARLES MATTHEWS: In the first slide,
4 Mr. Edwards has already spoken to the point about the
5 legacy, the track record at WEC Energy Group's
6 Supplier Diversity Program, and I would be remiss if
7 I didn't talk about the foundation that we've been
8 building in 2015 before we got into the numbers.
9 Because while you have seen some of the impact of
10 that foundation building in those numbers, I think
11 truly the best of the results are yet to come years
12 in the future.

13 When I talk about a foundation and we
14 talk about WEC Energy Group's Supplier Diversity
15 Program, I'll just share a couple of statistics with
16 you. The Supplier Diversity Program started in 2003.
17 And if you look at the growth from 2003 to 2015, it's
18 over 1500 percent -- 1500 percent. When I first saw
19 that number, I couldn't fathom even seeing that
20 number in a percentage format. But we've grown that
21 program from a little under a \$10 million dollars
22 span in 2003 to over a \$150 million dollars in 2015.

1 In 2015, We Energies received the
2 Edison Electric Institute's 2015 Supplier Diversity
3 Innovation Award, which is only given to two
4 utilities. We heard that Mr. Dahlberg liked that
5 program, but I really liked that program. And that
6 is the template that we've sort of put into play in
7 2015 as a basis to build a sustainable supplier
8 diversity program at We Energies -- or at Peoples Gas
9 and North Shore Gas going forward.

10 Now, even with all of that change that
11 was taking place with the acquisition and starting to
12 put that infrastructure in place, our 2015 results
13 were very encouraging. And, obviously, in the report
14 we'll go into much more detail about some of our
15 successes that we've identified. And Jerry will come
16 back later on and go through the specific numbers.

17 But at the high level, we increased
18 spend with minority business enterprises. We had a
19 65 percent increase in that category. We increased
20 the number of diverse businesses across all
21 categories. We increased spend with professional
22 services. We had significant spend with the Women's

1 Business Enterprise, and that was despite a setback
2 that clearly we've documented in the report. But
3 even with that setback of losing a significant --
4 actually, the single biggest diverse supplier in our
5 portfolio from 2014, we still have significant spend
6 with the women's business enterprises.

7 And we continue to make moderate
8 progress with the veteran business enterprises. And
9 you've already heard the challenges that all of the
10 utilities are having with growing that business, but
11 we continue to have some success in growing that.

12 I'm going to talk just a little bit
13 about 2016. And this is where I think you will start
14 to see the real impact of the template, the WEC
15 Energy Group Supplier Diversity Program that Jerry
16 has put together up in Milwaukee and Wisconsin over
17 the last 10, 12 years in 2016.

18 And let me go back and talk about
19 another point that was made about you have to be
20 careful with programs that are built around
21 compliance. The We Energies Programs and those
22 numbers that I've showed you, that's a program that

1 was built around commitment. There is no compliance
2 requirement in Wisconsin. And I think we all know
3 Wisconsin just has a diverse population -- or state
4 on a relative basis. It's not very diverse.

5 So that program was built around
6 commitment. Our motto is a commitment motto, not a
7 compliance motto. We will have aggressive goals and
8 targets in 2016; and Jerry will go through those new
9 targets.

10 We've incorporated supplier diversity
11 goals and planning and budgeting process. And I
12 think that this is the single most important aspect
13 of a successful Supplier Diversity Program; you know,
14 make people accountable at the very top and all the
15 way at the bottom.

16 All of our employees have built into
17 their goals supplier diversity, not just for
18 procurement, but for employment as well. The big
19 step that we're taking this year -- and I've heard my
20 colleagues talk about the importance of having your
21 primary suppliers be a part of this program. We've
22 taken our requirement with our primary suppliers from

1 5 percent to 20 percent. That is a significant jump.
2 That is a significant jump.

3 And we're going to work with them to
4 make sure that they don't have the excuse that they
5 can't find. If they can't find, then we'll go out
6 and find them for them. And we've had that in our
7 model at WEC, and Jerry has been very successful in
8 helping our primes find qualified competitive diverse
9 suppliers.

10 You've heard all of the different
11 utilities talk about the unbundling. We reduced the
12 scope of work to increase opportunities, especially
13 as it relates to our modernization program with the
14 upgrade of our pipe system.

15 We have a dedicated supplier diversity
16 team. I've talked about Jennifer, in her new role,
17 will lead that up and work with Jerry. So we will
18 have continuous focus on supplier diversity
19 goal-setting and performance.

20 And we've created a supplier diversity
21 steering committee, and the committee is made up of
22 those individuals that are responsible for the

1 majority of the dollars spend at Peoples Gas and
2 North Shore Gas. And the person that I've asked to
3 chair that is the person with the biggest dollars
4 spend and the person responsible for procurement
5 under our modernization program.

6 So we think, all of these things in
7 place in 2016, we are on a sound foundation to move
8 forward and continue to grow our program here at
9 Peoples Gas and North Shore Gas, similar to the
10 growth that you've seen at WEC Energy Group.

11 With that, I'm going to have Jerry
12 talk about the specific results for 2015.

13 MR. JERRY FULMER: Thank you, Charles.

14 Good afternoon. Good afternoon,
15 Commission Chair and Commissioners. I want to thank
16 you for giving us the opportunity and myself the
17 opportunity to talk to you about our supplier
18 diversity initiative at Peoples Gas, our 2016 -- '15
19 results, as well as our 2016 goals.

20 As Charles mentioned, I serve as Vice
21 President of the Supplier Diversity Initiative at a
22 WEC Energy Group, including Peoples Gas and North

1 Shore Gas. I've started there -- for a while. I
2 don't like to say numbers -- but since 2002. My
3 major objective is to bring best practices and a
4 strategy to the Supplier Diversity Initiative at
5 Peoples Gas and North Shore Gas.

6 If I can direct you to the next slide,
7 currently for 2015, as you see, we've had -- there
8 was a drop in our numbers from 2014 to 2015. And
9 Charles mentioned it earlier, there was a significant
10 loss of a supplier of ours that happened to be a WBE
11 of which I'll talk to later in the program.

12 But, as we said, earlier -- and
13 especially from us -- that doesn't prevent us from
14 moving forward in our goals and objectives. We are,
15 especially, in terms of our numbers, going to be
16 looking at -- especially when you talk about
17 unbundling, we learned a lesson in that we're going
18 to be looking at the public diverse suppliers in that
19 area as well.

20 So there were several success stories
21 that you'll see that we did in 2015. For the MBEs we
22 had an increase of our spend, if you'll notice, from

1 2014 to 2015, from 15 million -- 15.2 million to 25.3
2 million. That's a significant increase for us.

3 We've worked hard to look at other
4 areas to make sure that we've brought in diverse
5 firms, especially the MBEs, in a lot of our business.
6 And you'll find that there's a lot of areas that have
7 come in. We looked at General Construction,
8 Restoration, Engineering and Technical Services, as
9 well as Business Diversity, and Professional
10 Services. We've also -- if you notice, from 2013 to
11 2015 we had a significant increase in our number of
12 MBEs used, from 33 to 72 for 2015.

13 I think you heard earlier in some of
14 the earlier discussion that we've had challenges in
15 the veteran business enterprises area, but that
16 doesn't mean that we're not going to continue to
17 really work on this to improve it. But, as you see,
18 we had moderate increases for the third consecutive
19 year in 2013 to 2015.

20 We're continuing to work with our
21 IUBDC members as well as some of the other advocacy
22 groups. As well as, when we look at our budgetary

1 and planning process, that's another area when we
2 start looking at identifying firms or identifying
3 projects where we're going to start looking at
4 bringing in more veteran-owned businesses as well.

5 We mentioned earlier the setback that
6 we had in our women-owned firm area, in diverse
7 firms; and this is the area that we had that issue
8 in. But we're going to continue to work on this as
9 we move forward in our WBE spend.

10 But it also kind of gave us an
11 opportunity to really look at ourselves to find out,
12 when we start putting our forecasts and strategies
13 together, how we look at this. And we're going to
14 start looking at -- to mitigate that risk, look at
15 additional suppliers so that -- again, we're one of
16 those ones that have broken up some of our contracts
17 to make it more meaningful to bring in smaller
18 diverse firms.

19 One of the other significant increases
20 that we had was in our professional services. We
21 took that in mind. We looked at legal services. We
22 looked at consulting services in the area of

1 marketing. And, as you see, we've had a significant
2 growth in our professional services to 1.8 million.

3 Now, in 2014, that was below --
4 somewhat below a million dollars, but we took a
5 concerted effort to look at our legal services. And
6 this is the first time for Peoples Gas that we've
7 had -- we looked at our debt issuance, and we had a
8 minority-owned firm get involved in our debt
9 issuance. So we're proud of that fact. But, again,
10 I think in 2016 and beyond you're going to be seeing
11 more activity in those professional services areas.

12 And just to talk about some of the
13 successes that we've had in there, there are some
14 firms in here -- in this room that, as a result of
15 some matchmaker meetings, which I'll talk about, and
16 targeted meetings, that we've had some increases in,
17 whether it was in the environmental area. We've also
18 had it in the legal services as well as the treasury
19 area.

20 For 2016 goals, you know, when we look
21 at our goals, we do look at -- we meet a lot with our
22 internal folks. We look at budgetary. We look at

1 the planning phase. So we had to increase the
2 overall diverse spend goal in 2016 to 17 percent,
3 which is increased by 2 percent from 2015. So we
4 increased our MBE to 9 percent. We increased it --
5 of course, again, with the WBE, it's 8 percent.

6 And the veteran-owned firms, which I
7 mentioned earlier, which is a challenge, which I'm
8 always willing to work -- and I'll be looking forward
9 to work with our IUBDC members as well as others to
10 look at and increase our spend as well as our goal
11 for the veteran-owned firms.

12 How we're going to get there, and what
13 we're going to be doing in the future. I think the
14 Nicor president, Melvin, mentioned this, and I've
15 said this all along, you've got to increase access.
16 And to increase access, make them aware of our
17 procurement and business processes, there's a number
18 of things that we're going to be doing: hosting a lot
19 of matchmaker meetings. Just for 2016, year to date,
20 we've had about 24 to 26 matchmaker meetings,
21 targeted meetings which consist of our supply chain
22 as well as our end user business groups.

1 Charles mentioned our steering
2 committee. A number of those people that are a part
3 of the steering committee are some of the
4 decision-makers in the company, and we make sure that
5 they're a part of those target meetings.

6 And besides being active, there's
7 advocacy groups that we work with, some of them that
8 were named here, that have been a tremendous support
9 and help for us. Because when we looked at our RFPs,
10 when we look at some of the other business that we
11 do, we contact those advocacy groups and other
12 organizations that support and help us to identify
13 firms to be on that bid list, but also for the
14 targeted matchmaker meetings.

15 And besides those advocacy groups -- I
16 think Jerry Garland mentioned this -- we also have
17 the other means for other companies to contact us.
18 We have a web site that we've set up. It's always
19 been at We Energies, but we extended that to Peoples
20 Gas and North Shore Gas through our Supplier
21 Diversity Initiative, that they can contact us. But
22 it's not just the registration; they also can reach

1 out and contact us.

2 Now that there's a dedicated area,
3 there's referral services. There's referrals where
4 the companies contact us so they can learn more about
5 our supplier diversity initiative, because that's
6 where it's going to count is the access that we've
7 created, the introductions to the people within our
8 organization; and we're going to continue to do more
9 of that as we go along.

10 Also, in our partnership with the
11 IUBDC, for us that's kind of -- if you want to call
12 it a God send. And I appreciate the Commission for
13 putting this together because that's the sharing of
14 information and benchmarking that we do, and it's
15 been a tremendous support and help for us as we move
16 forward in our quest to pursue the opportunities
17 within Peoples and North Shore Gas with diverse
18 firms.

19 You know, I truly want to say thank
20 you, though, for the Commission, because it's because
21 of you and because of organizations like us that we
22 continue to work and serve the community and economy

1 that we serve and live. We really intend to really
2 set the bar in our supplier diversity initiative,
3 especially with our leadership of Charles Matthews
4 and our other associates within the company.

5 MR. CHARLES MATTHEWS: Okay. That concludes
6 our presentation, so we will take questions at this
7 time.

8 COMMISSIONER MAYE-EDWARDS: Thank you.

9 COMMISSIONER ROSALES: Best in class, is that
10 something that you're striving for? Is that
11 something that you're awarding? Is that a goal?
12 That was in your first slide.

13 MR. CHARLES MATTHEWS: I believe we have
14 accomplished that. I'm not sure, and Jerry may know.
15 We've gotten so many awards. I'm sure at least 5 of
16 them said Best in Class. But we just go back, and we
17 look at the program. We look at the success of the
18 program, and we will put that program up against the
19 best in class.

20 COMMISSIONER ROSALES: I see the other
21 presidents looking at you with a worried eye. That's
22 why I'm asking.

1 MR. CHARLES MATTHEWS: Well, I think we're
2 fortunate in Illinois to have a lot of utilities with
3 good supplier diversity programs; and I think you
4 heard that coming from Mr. Moore. But certainly I
5 don't think our program, or the template that we
6 have, takes a backseat to any utility, including my
7 colleagues.

8 COMMISSIONER ROSALES: Jerry?

9 MR. JERRY FULMER: Yes. And that best of
10 class, what we do is -- that's really a focus on
11 Ralph Moore's best in class that he has for our
12 supplier diversity.

13 And, you know, as we mentioned
14 earlier, when you start looking at professional
15 services, when you start looking at having a part of
16 your budgeted and planning process, when you have it
17 as part of your president -- Chairman, President, and
18 CEO performance and compensation, when you have
19 Treasury, all of those things help us to be one of
20 the best in class when it comes to supplier
21 diversity.

22 COMMISSIONER ROSALES: He's a part of your fan

1 club, though, is he not?

2 (Laughter.)

3 COMMISSIONER ROSALES: No, I appreciate you
4 explaining where you had a dip in your WBE numbers.
5 And I want to tell you as a former business man and
6 from the rest of us here on the Commission, we
7 understand that there's going to be hiccups along the
8 way. If you don't move forward, then you're not
9 going to make any mistakes.

10 And we all have the same goal here
11 that -- yeah, there's a learning curve. And when
12 you're going to add new vendors and when you're going
13 to go into new territory, it's not always going to be
14 smooth. We get that.

15 That being said, that's not something
16 that we're looking forward to all of the time. I
17 mean, we're constantly looking to make sure that
18 everyone is moving forward. But when something
19 happens -- I mean, we talked about it before, about
20 getting into the weeds and making sure that the --
21 getting the data, getting the raw data, so that we
22 could look into it closely. We appreciate it when

1 you let us know when things aren't going as well as a
2 you thought they were going to go and the rationale
3 behind it. That's important.

4 Because we've been here for a couple
5 hours now. Things look great; but in reality there's
6 still a lot to do. And some of those things, like
7 this one, where there's a hiccup along the way,
8 that's realistic. And we're all here from -- and we
9 all understand that. So I wanted to let you know
10 that.

11 MR. CHARLES MATTHEWS: And, Commissioner
12 Rosales, that speaks to a point that came up earlier
13 as it relates to how you measure success. It's a
14 continuous growth.

15 One of the challenges that -- and
16 we've had this conversation at the IUBDC. One of the
17 challenges for supplier diversity programs,
18 especially as we have the discussion around, you
19 know, Do you want to make them really big, really
20 attractive for buyouts?

21 You're going to have buyouts. So
22 you're going to see this again, you know, which is

1 becoming a big issue where diverse suppliers get so
2 big, so profitable, so attractive that they get
3 bought out by a majority firm. Is that a good thing?
4 Is that a bad thing? I don't think it's a bad thing.

5 And that speaks to your point. We
6 need to understand what's driving the dip and make
7 sure that we understand how to define success. But
8 thank you for understanding those dips.

9 COMMISSIONER ROSALES: But is that what you're
10 referring to in your report about finding quality
11 vendors and the non-compete agreements with the large
12 minority firms? That's what you wrote. The
13 challenge is finding quality vendors.

14 And I was looking for you to elaborate
15 on the non-compete agreements with some of those
16 large minority firms.

17 MR. CHARLES MATTHEWS: Repeat that again. I
18 want to make sure I hear it clearly.

19 COMMISSIONER ROSALES: Yeah. It said you had
20 some challenges finding --

21 Some of the challenges finding quality
22 vendors was the non-compete agreements with the large

1 minority firms.

2 MR. CHARLES MATTHEWS: If I can, that's a
3 challenge with regard to Tier 1.

4 COMMISSIONER ROSALES: I understand.

5 MR. CHARLES MATTHEWS: Yeah. But, no, that's
6 not what I'm referring to. I'm referring to -- the
7 example that I gave would be a Tier 1 diverse
8 supplier that grows so big, becomes so profitable,
9 that a majority firm would want to come and buy it
10 out for economic reasons.

11 The reference to non-compete clauses
12 prevent a lot of Tier 2 suppliers from coming in and
13 becoming Tier 1 because, at that point, they're
14 deemed to be competing with the companies that they
15 previously would have served as a Tier 2.

16 COMMISSIONER ROSALES: Interesting. Okay.

17 MR. JERRY FULMER: But just to add on to what
18 Charles mentioned, he's absolutely right; but we're
19 working on those areas like that. That's why we're
20 calling in these Tier -- our Tier 1 suppliers and
21 really speaking to them about the goals and
22 objectives and what we're looking at from our

1 Supplier Diversity Initiative and that they as a
2 partner have to work with us to look at achieving
3 those Tier 2 goals.

4 COMMISSIONER DEL VALLE: Maybe during the panel
5 we can hear more about this, but you touched on it in
6 explaining -- or attempting to explain the dip in WBE
7 because you lost one, and one represented quite a
8 bit.

9 MR. JERRY FULMER: Yes.

10 COMMISSIONER DEL VALLE: And so what does that
11 say about the need for diversity within diversity?

12 MR. JERRY FULMER: Well, absolutely nothing.
13 That's what we meant by --

14 When we saw that, that was lessons
15 learned from us, to be quite honest. Because it's
16 not only from a diversity standpoint; we're looking
17 at it from a company standpoint. So when we looked
18 at that and started --

19 We wanted to make sure that we looked
20 at that and talked to that end user group in the
21 procurement area. So we're looking at diversifying
22 our diverse suppliers within that space.

1 COMMISSIONER DEL VALLE: And along with that,
2 you also mentioned that you worked with the advocacy
3 groups. And I've been harping at this since Day 1
4 about the need for you to make yourself available to
5 folks who are not connected with those groups, who
6 are not members, who are not paying dues; but
7 individuals who may not be aware of who those groups
8 are, but are quite capable of providing those
9 services.

10 So they need to be able to access you.
11 And you mentioned the web site and how that's
12 facilitating that, but I'd like to hear more from the
13 panelists, from the other companies, about how it is
14 that they're going beyond their normal traditional
15 circles in order to grow that pool of potential
16 vendors.

17 And the last point is, you know, a few
18 years ago when we first did our first policy session,
19 which is when the idea for a council was surfaced, we
20 talked about the goals. And I was critical of
21 Peoples for having a really low goal to begin with.
22 I still see numbers that don't show as much growth,

1 in my mind, in terms of goals; and I don't see them
2 reflective of the kind of capital spending that
3 you're now doing and will be doing for years to come.

4 Are you going to increase your goals,
5 particularly for MBEs? Is that going to...?

6 MR. CHARLES MATTHEWS: Absolutely. And I think
7 what you're seeing in our case -- and I think it's
8 the case with quite a few other utilities as well
9 because we all have pretty sizeable modernization
10 programs that are the bulk of our spend these days.

11 The challenge with that kind of spend
12 is you can't spend it the next year. You sign
13 contracts -- or you can spend it, but you can't wait
14 until the year to sign a contracts. So we're still
15 living off of contracts that were signed 2 to 3 years
16 ago, which is critical to --

17 And you've heard, I think, Mr. Moore
18 say this as well; those 2 to 3-year contracts are
19 going to be critical to allowing those diverse
20 suppliers to be more profitable, be more competitive.

21 So as we get further into it, we start
22 to see some of the legacy 2, 3, 4, 5-year contracts

1 roll off that did not have or contemplate the level
2 of expanding the goals we want to have in the future.
3 You'll start to see those goals ramp up fairly quick.
4 But right now we're still trying to live within
5 contracts that were already in place.

6 And, again, I've talked about
7 previously, until this year, our Tier 2 requirement
8 was 5 percent. So we still have contracts in place
9 with the 5 percent. But the new contracts that we're
10 putting in place will have 20 percent, so that will
11 have a forward-looking impact. And the goals, we'll
12 increase those goals to reflect that.

13 MR. JERRY FULMER: And, Commissioner del Valle,
14 to add on to Charles, that's why even though those
15 contracts are in place, that's why we're bringing in,
16 from a targeted standpoint and a matchmaker
17 standpoint, diverse firms in so that we can start
18 that process of knowing who we have business with
19 based on relationships and being aware and knowing
20 who they are. That's why we're bringing in the firm
21 so that, when that does come up, that we identify
22 those firms that have taken roles both on a Tier 1

1 and Tier 2 level.

2 COMMISSIONER MAYE-EDWARDS: Thank you.

3 I do have one question. I know we've
4 heard a lot -- and, actually, what we've seen a lot
5 in a lot of the reports this year were the
6 conversations about primes and their relationship to
7 Tier 2. And you specifically mentioned in this
8 presentation that you will be requiring your primes
9 to increase their spend -- their Tier 2 spend, I
10 think, from 5 percent to 20 percent.

11 Is that right?

12 MR. CHARLES MATTHEWS: Yes. That's correct.

13 COMMISSIONER MAYE-EDWARDS: So I guess in
14 response to my question to one of our other
15 utilities, I was told that what they do is they
16 require their primes to consider using Tier 2. And I
17 think my response is was that that was oxymoronic
18 because you can't require someone to consider.

19 So when you say, "require", what does
20 that mean?

21 MR. CHARLES MATTHEWS: We mean require. We
22 mean a target. We have a target. We understand with

1 our primes that they don't have supplier diversity
2 programs -- and I think that's already been
3 discussed -- built in. And they don't have the
4 infrastructure in place.

5 What we're going to do is, you know,
6 for our matchmaking, we will go work with them. We
7 will partner them up with a qualified competitor,
8 Tier 2 suppliers that can come in; and we will
9 strongly encourage them.

10 I've already met with all of our prime
11 suppliers and told them that this was coming. I've
12 talked about, you know, the program we have in place
13 right now, the modernization program. You know, we
14 don't believe that it's a 1-year program. We think
15 this program has some longevity, and it makes sense
16 for everybody to do it. We think that they're going
17 to need those resources. It's an all-hands-on-deck
18 type infrastructure commitment and challenge out
19 there across the utilities.

20 So I think the time is right. And
21 they've acknowledged that they believe that they can
22 comply with that with the help of our supplier

1 diversity program, and the access, and the
2 relationship that we've developed with those
3 suppliers.

4 And, also, we have to continue to
5 develop these suppliers. But if we don't have enough
6 that can go out and be competitive and be qualified,
7 that's where Jerry and Jennifer are going to have to
8 work with those up and coming firms and make sure
9 that they get up to scale, or quality, in
10 competitiveness from a price perspective to go and be
11 a good partner for the primes. But we're going to
12 work with them.

13 If you're asking if the number turns
14 out to be 19 one year instead of 20, if we're going
15 to send them to time-out, maybe not time-out; but we
16 want to see progress. We want to see them get to
17 that 20.

18 MR. JERRY FULMER: And, Commissioner, I can add
19 that we also track and monitor. They do monthly
20 reporting. We will be having them do monthly
21 reporting to us. That is part of the goal and
22 objective, too.

1 COMMISSIONER MAYE-EDWARDS: Right. So I just
2 want to make sure that I fully understand because I
3 think, Mr. Matthews, you used the term "strongly
4 encourage" as well, which kind of made me think,
5 "hmm". So perhaps it's not --

6 Is there no possibility, or is it
7 not --

8 Is there actually no requirement?
9 Meaning, when I think of the word "require", right,
10 I'm thinking that it's mandated. There's no if, and,
11 or buts about it. It is you're required to do this.

12 But if you're saying, We strongly
13 encourage, it means, Well, we want you to do it; but
14 if you don't do it, it's Okay. So I just want to be
15 clear on which one it is.

16 MR. CHARLES MATTHEWS: Well, it's not as
17 stringent as, you know, every year. But we will
18 assess contractors when the contracts go back out,
19 and we will take that into consideration. And if
20 they've consistently not met that target, well, we're
21 going to get things in terms of our competitive they
22 are for the future.

1 COMMISSIONER MAYE-EDWARDS: I see. And that's
2 communicated to them?

3 MR. JERRY FULMER: Absolutely.

4 COMMISSIONER MAYE-EDWARDS: I see. Okay.

5 MR. JERRY FULMER: Absolutely. Because, again,
6 we have, you know, contracts out there; but we will
7 use that information to assess future opportunities
8 with the company. And, as Charles mentioned, that
9 would be kind of part of the evaluation process as
10 well.

11 COMMISSIONER MAYE-EDWARDS: Okay. That's very
12 helpful. Thank you very much.

13 If there are no other questions from
14 the bench, then we thank you very much, Mr. Matthews
15 and guests.

16 MR. CHARLES MATTHEWS: Thank you.

17 MR. JERRY FULMER: Thank you.

18 COMMISSIONER MAYE-EDWARDS: Now, I know we're
19 all dying to get to the roundtable discussion, but I
20 think we have a little bit of treat for you first. I
21 would like to introduce Mr. John Rogers, Jr. He is
22 the Founder, Chairman, Chief Executive Officer, and

1 Chief Investment Officer of Ariel Investments, an
2 investment firm that Mr. Rogers founded in 1983 to
3 focus on undervalued small and medium-sized companies
4 shortly after he graduated from Princeton University.

5 Earlier in his career, and continuing
6 thereafter, his investment expertise has brought him
7 accolades and media attention. Just to name a few,
8 he was selected as an All-Star Mutual Fund Manager by
9 USA Today. He has been highlighted, along with
10 Warren Buffet, in the World's 99 Greatest Investors.

11 And, in 2008, Princeton University
12 bestowed upon Mr. Rogers its highest honor, the
13 Woodrow Wilson award presented each year to the
14 alumni whose career embodies a commitment to national
15 service.

16 Mr. Rogers served as the co-chair for
17 President Barack Obama's 2009 Presidential Inaugural
18 Committee, and he currently serves on the Board of
19 Directors for Exelon Corporation, McDonald's
20 Corporation, and the Barack Obama Foundation.

21 I just would like to say that when I
22 thought -- I had quite a few conversations with

1 Mr. Rogers, and I thought he would be fantastic to be
2 here today. And I ran it by a few people; and they
3 all said, There's no way you're going to get him.

4 Well, hello, Mr. Rogers.

5 (Laughter.)

6 COMMISSIONER MAYE-EDWARDS: With that said, I
7 welcome you to the ICC.

8 (Applause.)

9 MR. JOHN ROGERS, JR.: Well, thank you very
10 much, Commissioner. You were kind to invite me and
11 kind to allow me, along with the other Commissioners
12 and Chairman, to be provocative a little bit and sort
13 of trade a little bit of the yin and the yang of what
14 we've been hearing today.

15 I've been doing this 33 years as an
16 entrepreneur, and I've had a lot of chances to fight
17 for diversity inclusion on the various boards that
18 I've been engaged on, not only McDonald's and Exelon,
19 but at the University of Chicago and when I was the
20 President of the Chicago Park District. And when
21 Mayor Emmanuel got elected, I got to chair his task
22 force on supplier diversity.

1 So I bring lot of different
2 experiences to this discussion. And I've also had
3 challenges as someone who's also been a vendor, so
4 I've lived that part, too. And coming from parents
5 who are entrepreneurs I know the challenges that that
6 can bring.

7 So today I'll focus my remarks on the
8 challenges that African-American business leaders
9 face here in Chicago because that's the world that I
10 know best, but I also know that other minority
11 communities face the similar challenges that the
12 African-American community faces. I just haven't
13 lived that. I know the Latino, and women, and other
14 diverse companies have similar challenges.

15 So what I'd like to do is to report on
16 the current landscape, some of the challenges that
17 supplier diverse initiatives have and some of the
18 lack of progress that has really happened because of
19 supplier diversity programs. And then I'll discuss
20 some of the potential solutions that I think can be
21 helpful going forward.

22 And I think our state utilities can

1 sort of be the anchors and, hopefully, not only help
2 transform this discussion and dialogue, but hope to
3 be role models for other anchor institutions within
4 the state of Illinois who could be doing a better
5 job.

6 You know, it's great that you guys are
7 challenging utilities. But, you know, I think the
8 other large institutions in the state have similar
9 challenges.

10 So I will start with, you know, in
11 1973, Black Enterprise had the list -- started their
12 list of the top hundred companies in the country; and
13 Chicago was seen as the Mecca. We had 13 of the
14 hundred companies located here. We had 3 of the top
15 10 companies located here. And there were so many of
16 them that many of you are familiar with, names that
17 are just iconic: Johnson Publishing, Ebony and Jet,
18 Johnson Products, Soft Sheen Products. You can go
19 down the list.

20 These companies employed thousands of
21 people, supported local businesses and charities, and
22 were role models for budding entrepreneurs like

1 myself. You know, they really moved the needle.

2 And, unfortunately, it's a very
3 different story today in 2016. On the 2015 Black
4 Enterprise list we had only one company out of a
5 hundred down from 13.

6 And then when I look at a broader list
7 of numbers of how we're doing -- you know, Crain's
8 Chicago Business lists in several of their issues the
9 important top 25 businesses in various categories
10 here in the Chicagoland area. They list the top 25
11 venture capital firms, private equity, accounting,
12 and law firms, hotels, PR firms, property management
13 firms, construction firms, architecture firms,
14 software.

15 Out of those 15 lists there's not one
16 African-American company that makes the top 25 in any
17 of the lists.

18 They also list the top 300 companies,
19 public and private, in Chicago. And there are zero
20 African-American companies in that list of top 300.

21 So in a city that is a majority
22 minority, for us to be shut out in all of these areas

1 shows to me that these programs that are so
2 well-intentioned by so many well-intentioned people
3 really aren't moving the needle, really aren't making
4 a difference. The facts are clear that these
5 programs really have been failing to build business
6 of scale that can kind of create the kind of job
7 creation and wealth creation that we all hoped they
8 would.

9 And so the question is sort of, Why is
10 that? And part of the problem I think is these
11 programs are out of date. They're living in an
12 environment of nearly 40 years ago, 30 years ago when
13 so much of the profitability in the world was around
14 things that were bought through procurement.

15 And if you think about it, all of the
16 corporations today, even though -- all of our
17 corporations, whether non-profits or utilities or
18 major corporations, when they talk about supplier
19 diversity, they really are talking about working with
20 procurement, working in the areas where the least
21 amount of wealth is being created often. And if you
22 think about it, these businesses that go through

1 procurement often are the companies that have the
2 lowest profit margins, the slowest profit growth, the
3 lowest various increase, and they have the most
4 inconsistent cashflows in places where it's really
5 hard to create real wealth.

6 And we've heard a lot of the names.
7 As I looked through the documents in preparing for
8 today, you see the list. You always start with
9 Construction, often followed by Janitorial Services,
10 Materials, Facilities and Fleet Management,
11 Transportation, Education Management, Earthwork,
12 Landscaping, you go on and on and on. That seems to
13 be the real focus.

14 Now, there was some conversation today
15 about professional services. But in reality when you
16 really looked at the numbers, the numbers are from
17 very, very, very small; and they're often talked
18 about in the context of growth from prior years not
19 in absolute numbers relative to the overall spend.

20 So we know where the wealth's created
21 in the today's society is. It's no secret. It's
22 Silicon Valley. It's Wall Street. Here in Chicago

1 it's 1871. It's on LaSalle Street. The law firms,
2 the real estate organizations, the media companies,
3 the private equity funds, the hedge fund managers,
4 the investment bankers, the insurance, audit and
5 consulting firms, venture capital, banks. You know,
6 it really is where all of the wealth is created
7 today.

8 And if you think about it, a lot of
9 the utilities that presented today have had lots of
10 mergers and acquisitions. One of the questions we
11 can ask is, Well, how did they spend on those
12 acquisitions -- how much of the money went to
13 minority-owned businesses when you're doing
14 underwriting for an investment banking deal, but when
15 you're actually being paid for your M & A advice; or
16 your legal, or auditor, or consulting fees for an
17 M & A transaction?

18 And in most of the cases, with the
19 exception of Exelon and ComEd, where I know this
20 isn't the case, the dollars are pretty close to zero
21 in that part, our lucrative part, of our economy.

22 So you hate to say it, but in some

1 ways this is kind of a modern day Jim Crow. You
2 know, the black and brown entrepreneurs get the
3 opportunities in the low margin commodity parts of
4 the supply chain, and the white men get to have their
5 opportunities in the higher margin professional
6 services part of the spend and financial services
7 part of the spend.

8 And as we look around our town, we
9 know our great entrepreneurs. We know who they are.
10 Our great philanthropists, our great job creators,
11 they are people that I have a lot of admiration and
12 respect for, but they are pretty much all white
13 males.

14 You know, Pat Ryan made his fortune is
15 in insurance. Joe Mansueto, in Morning Star with his
16 media company and financial services company. Sam
17 Zell, in real estate. Ken Griffin, in Citael and
18 hedge funds. John Canning, in private equity.
19 Michael Sachs, at Grosvenor. Neil Bluhm in real
20 estate, et cetera, et cetera. That's where the
21 wealth, and power, and influence is. That's where
22 the jobs are created.

1 And I want to make sure that we see
2 that and understand that because I continue to find
3 that when you go and talk to these institutions and
4 want to do business, they always want to take you
5 back towards that commodity space and reserve real
6 wealth trading opportunities for people that people
7 comfortable with, who they've done business with for
8 a long time.

9 Now, sometimes people say --

10 We had these professors recently come
11 and speak to us from the University of Colorado, in
12 Boulder; and they talked about the unconscious biases
13 there and how people don't think about people of
14 color in terms of professional services.

15 They said, Close your eyes and think
16 about the stereotypical athlete, you know, you think
17 about an African-American male. If you close your
18 eyes and you think about the CEO, it's going to be a
19 white male.

20 And I remember when I was the Park
21 District president, I guided a symposium, the kind of
22 thing that we all talked about today where we gave

1 minority entrepreneurs an opportunity to meet with
2 the buyers. And the folks at the museums were in the
3 park because we were pushing the museums in the park
4 to work with minority-owned businesses, and they're
5 all on park land.

6 They came up with a logo for the
7 event, and it was a man in a hardhat with a shovel.
8 And the signal and the line underneath it was,
9 "Digging Up Business". That was the tag line. So
10 that shows you how those museum presidents thought of
11 minority businesses, people with shovels and
12 hardhats, you know, not someone doing their legal
13 work, or their investment banking work, or whatever
14 it happens to be.

15 So, finally, what can we do to sort of
16 change all of this? I think, number one, minority
17 supplier development professionals need to apply --
18 they need to really report to the C-Suite -- the
19 General Counsels, the CFO -- not through procurement.
20 I think that would make a major difference.

21 Secondly, I would keep track of the
22 spending by category not just the growth rates, but

1 how much was spent last year in investment banking.
2 Out of the entire amount, what went to minority
3 firms? If it's the legal services, or if it's real
4 estate services, if it's whatever it happens to be,
5 but keep track of every category by spend, by the
6 total spend; and I think we'll make a difference.

7 The University of Chicago does that
8 very, very well. They now have 60 professional
9 services firms doing business with them by asking
10 these types of questions and measuring it.

11 And, finally, one of things that I
12 borrow from our late Mayor Harold Washington is
13 constantly demand that all of the suppliers and
14 professional service providers to these large
15 institutions have minority executives on the team
16 that works for them because they become your future
17 entrepreneurs, your future business leaders if
18 they've had an opportunity and have been given an
19 opportunity to work at these large institutions.

20 So, finally, at the end of the day I
21 think what we really have to do -- and I also give
22 credit to Exelon. They have done an extraordinary

1 job on all of these things, pushing their suppliers
2 to be more diverse, making sure that the majority of
3 suppliers have diverse teams. We need to have that
4 as a role model. I think they're the best in the
5 nation that I've ever seen in doing this. And I know
6 it's a little bit of a conflict of interest me being
7 on the board there, but it's extraordinary what
8 they've been able to do.

9 And at the end of the day what I would
10 love everyone to do is what they've done at the
11 University of Chicago, is really get rid of the term
12 "supplier diversity" and replace it with "business
13 diversity", and give us an opportunity to look at
14 this important part of our world with a totally fresh
15 perspective where we can be included in everything
16 that's part of our capitalist democracy and not be
17 pigeonholed in just a few areas.

18 So thank you. I really appreciate the
19 opportunity to be here, and I look forward to the
20 dialogue.

21 (Applause.)

22 COMMISSIONER DEL VALLE: I think that some of

1 the numbers that we're seeing this year in the
2 professional services category are as a result of our
3 emphasis at last year's Policy Session on those
4 categories and the discussions that have taken place
5 since then. So there is some movement, albeit very
6 small, at this point in that direction.

7 And so I agree with you totally that
8 that's where a lot of the money is. But I think
9 you'd agree that we need to do both, that we need to
10 deal with the supply side and the procurement side as
11 well as these categories of professional services on
12 the finances and legal side, which are good examples
13 of where there is tremendous potential for growth.
14 And our expectation is that there will be significant
15 growth in those areas. And I know those are the
16 areas that you represent.

17 But I have to take advantage of this
18 opportunity. First of all, I'm honored by your
19 presence, and I really appreciate you taking the time
20 to be here. But since you're on the board of
21 Exelon -- and this is not an "I've got you one", but
22 I really truly want you to comment on this.

1 The last time I asked for numbers,
2 employment numbers. And I mentioned this because
3 Anne started her presentation talking about ComEd's
4 workforce diversity and how 49 percent is diverse.
5 Right? That was the number you gave.

6 So I'm looking at Exelon, and I see
7 the last numbers I got for the nuclear operation, 89
8 percent white, and of course 87 percent male. But 89
9 percent white.

10 And we're hearing quite a bit. The
11 Next Generation Energy Plan was mentioned here, and a
12 lot has been said about jobs, and well-paying jobs
13 that create more opportunities and economic activity
14 in the places where the plans are located.

15 But you've been there for a while.
16 Tell me about your efforts. And I don't mean you
17 personally, but the efforts of Exelon to address
18 this. I know a lot of it is education, and
19 credentials of engineering, and so on. But this says
20 that there are 141 African-Americans, and I'm talking
21 about with all of the plants, of 2.73 percent.

22 Now, I know that there are qualified

1 people out there that could work for the company at
2 these plants that are African-American, and yet that
3 number is very low. So tell me about that.

4 MR. JOHN ROGERS, JR.: One of the things is
5 there is a true commitment at Exelon and at ComEd
6 around diversity and inclusion. We talk about it
7 frequently at board meetings. And I've been on the
8 board 17 years, so it's been a long, long, long time.

9 The nuclear area has been the hardest
10 area. As you know, at ComEd we've had great
11 leadership with people like Frank Clark and Anne.
12 The head of our Baltimore utility is an
13 African-American. Our new treasurer is
14 African-American, at Exelon. There's been a real
15 commitment. We have 3 African-Americans on the board
16 and Latino directors on the board. It's something
17 that's been a real true commitment, but it has
18 been -- one area that's been the toughest has been
19 within the nuclear space. But I know that we're
20 fully committed to it, and we talk about it
21 consistently. And the board holds this frame of the
22 management team accountable on their diversity

1 inclusion numbers.

2 MS. ANNE PRAMAGGIORE: So just to echo John's
3 comment, we recognize that that's an area of the
4 company that has lagged. What Chris has done in the
5 past couple of years is --

6 First of all, we have quarterly
7 report-outs to Exelon, the shareholder; and we report
8 out on all of our financial and our operational
9 metrics. We now report out by business unit on our
10 diversity metrics: hiring, promotions, and we talk
11 about supply as well. So that's something that has
12 now been on the radar screen at a very high level.

13 But as an operating lead, you have to
14 go in and report out on diversity and inclusion. So,
15 you know, when you've got to go report to the parent
16 company, it becomes a big deal.

17 The second thing that he has done is
18 we have now -- we have a database within the company.
19 The amount of data that we have now is phenomenal.
20 You can look at, you know, by workforce group, by
21 ethnic, racial, gender category, how many people you
22 brought in, how many you're retaining. So you can

1 actually see the flow.

2 It's great to say, you know, you hired
3 a lot of people. But if you're losing people, if
4 people aren't being promoted, or people are leaving
5 the company in droves, you're not doing --
6 something's not working.

7 So we actually have a database now
8 that just came into play in the last 6 months where
9 we can see the granularity around this data, again,
10 by operating company.

11 And then the third thing that he's
12 done is he's actually set a target for each of the
13 operating companies to increase diversity. And we're
14 being held to that, and it's part of our performance
15 standards. So we will get, you know, compensated and
16 get graded on that accordingly.

17 So those are some of the things that
18 have happened and, you know, recognizing that the
19 nuclear area has been an area where we have to
20 accelerate.

21 MR. JOHN ROGERS, JR.: I wanted to answer one
22 other part of your question. What I've tried to talk

1 about today is that I do believe you want to have
2 minority businesses having the opportunity to be
3 involved in all aspects of the spend. And it's not
4 to sort of say that one isn't important. Really all
5 areas are important. We want to be able to be fully
6 engaged.

7 And one of the things that I find is
8 that it comes all together -- I'm using the example
9 of Blackstone, the big private equity firm in New
10 York. They have over 600,000 employees because of
11 all of the companies that they've bought over the
12 years. And Steve Schwarzman, the CEO, makes
13 \$800 million dollars a year. ATR has over 800,000
14 employees.

15 These financial services companies
16 start out as financial services companies, but
17 they've been able to, through what they do in private
18 equity -- managing pension funds, or endowments, and
19 corporate pension funds, and public retirement
20 systems -- they take that wealth, buy these companies
21 and, ultimately, have this enormous impact on our
22 society.

1 If you think about the number of
2 C-Suite jobs that are controlled by private equity
3 leaders, how many board members are controlled by
4 private equity, it's extraordinary how our society
5 has changed. And our masters of the universe used to
6 be the manufactures 40 years ago, but the masters of
7 the universe today -- the people who have the jobs,
8 and the wealth, and the power, and the influence are
9 very much focused in those types of areas, whether
10 it's venture capital or private equity. And it's
11 just the way it is.

12 And so I want to make sure that as our
13 companies, who are all well-meaning, progress looking
14 forward, that they understand that the wealth and
15 jobs are for tomorrow not the way they were 40 years
16 ago.

17 COMMISSIONER ROSALES: For the both of you, we
18 appreciate seeing the blemishes as well as the good
19 things. You know, that's one thing. And I
20 appreciate Commissioner del Valle bringing it up
21 because if we don't have those numbers, then we can't
22 address it. So we're looking forward to finding ways

1 in which we can, together, solve these problems.

2 We've talked about -- and I don't know
3 which one it was, so please take the acceptance that
4 you said this. If you're not tracking, then you
5 can't improve. Somebody said that earlier.

6 Thank you, Jerry. Okay.

7 You know, we don't want just the
8 window dressing, please. It doesn't help us, and it
9 really doesn't help you in the long run. So we're
10 looking for ways in which we could help each other
11 and come up with ideas that's best for all.

12 We talked about the CONSTRUCT Program,
13 which is just awesome, and everybody agrees that it's
14 great. But we need to go even lower, you know, in
15 terms of the programs that you have with the museum
16 for the 5th, 6th, 7th, and 8th graders. Nobody ever
17 grows up and wants to be in energy. You know, why?
18 They don't know anything about it.

19 You know, so when we talk about the
20 pipeline that goes through, I mean, we have a 2.9
21 percent. I mean, hey, there's a problem here, and we
22 need to address it. But it's kind of hard to address

1 within 6 months, or 9 months, or even a year and a
2 half. I mean, that's something that we have to grow
3 into, but that's something that we need to start.
4 You know, and if we're not doing it now, shame on us.

5 So I appreciate knowing the numbers,
6 good and bad, because at least we can start making
7 some end roads so that we can move forward.

8 MS. ANNE PRAMAGGIORE: Thank you.

9 If I could, I just wanted to comment
10 that John's concern and the Commission's focus on the
11 services sector in the economy is really, really
12 critical in this business going forward. If we think
13 about the where the business is heading, it's likely
14 to be far less asset-oriented 20 to 25 years from now
15 and far more service-oriented. So the shift that we
16 need to make, in terms of focusing and figuring
17 out --

18 You know, we've got some history on
19 developing businesses on the supply side and the
20 asset side of our business, not so much on the
21 service side. And I think that becomes really
22 important because it's a shift in the wealth, as John

1 has pointed out, but it's also a shift in our
2 business that's going to be really important going
3 forward. So I think, you know, just a take away is
4 that the importance of that in our business may be
5 heightened just because of the transformations we're
6 seeing.

7 CHAIRMAN SHEAHAN: John, I have a couple
8 questions. The first is, we've actually been talking
9 a lot about the subject of encouraging more inclusion
10 in professional services; and, particularly, not just
11 checking a box right, not just a name as an
12 underwriter, but what are the economics of the
13 transactions.

14 And we've been discussing and have
15 some drafts, actually, of something that we're kind
16 of describing as a report card of the utilities. And
17 so maybe we could get your help in deciding what the
18 different categories are on which we would sort of
19 grade the utilities.

20 And our idea is to create a template
21 that we could take to NARUC, our national
22 association, and see if we could get buy-in from

1 states around the country to begin at least laying
2 out sort of what the numbers are, to create some
3 pressure and awareness.

4 And so we'd love to get your thoughts
5 on that and your help with it if you're he willing.

6 MR. JOHN ROGERS, JR.: You know, that'd be
7 great. And one quick example I always give --

8 You know, several people have
9 mentioned -- I've seen this a lot. People talk about
10 if there's a bond issue or an equity issuance, they
11 use a minority-owned firm to be a part of a team of
12 underwriters.

13 But, again, most of the wealth in
14 investment banking is M & A work, giving people
15 advice when there's a transaction. That's where
16 Goldman Sachs and Morgan Stanley get really wealthy.
17 That's where the big law firms get their big \$10
18 million dollar fees, when they're advising on an M &
19 A transaction.

20 And then there's all kinds of other
21 fees in the 401(k) plan, and mutual funds, and all
22 kinds of things there that they don't even think

1 about. They just are pigeonholed in this one area
2 that they've been comfortable with for a long, long
3 time. I always tell people it's like the Graham
4 family that owned the Washington Post. They realized
5 that the world had changed. Their family had been a
6 great newspaper company for generations, but the
7 world had changed because of the internet. They sold
8 the company to Jeff Bezos, who they knew could come
9 in with an entirely fresh perspective to keep that
10 newspaper alive going forward.

11 So that's what I'm challenging people
12 to say today. We have to get rid of this supplier
13 diversity mindset and completely transform it,
14 because the data shows that it hasn't been working to
15 provide jobs of scale, and careers of scale, and
16 businesses of scale. And so we need to transform it
17 and think about an entirely different way and get rid
18 of that term "supplier" because I think that's just
19 really out of date just like print newspapers have
20 become out of date.

21 CHAIRMAN SHEAHAN: How do you crack that
22 relationship between big banks and the corporate

1 entity? You know, the big bank -- you know, there
2 are only a handful of them. They have a lot
3 influence. And they like to have that business,
4 right, when it comes up. So how do you kind of break
5 into that?

6 MR. JOHN ROGERS, JR.: That's why these
7 positions need to report to the C-Suite. If a
8 General Counsel, CFO, or CEO demands it, those
9 institutions will change.

10 And so, again, at Exelon, Bill
11 Von Hoene has led the charge there where he's holding
12 these professional services, and banks, and
13 investment banks accountable for the diversity of the
14 teams on our relationships. And if they don't make
15 progress, it takes the business away from them
16 completely. They say, You're not going to be our
17 investment banker next year, you're not going to be
18 our law firm next year if you don't have teams that
19 look like Illinois and Chicago on our relationship.

20 But it takes that kind of strength of
21 leadership because we're not going to take -- as you
22 talked about earlier, about requiring things, he

1 required that this really happen, and he means it.
2 And if it doesn't go forward, you know, they can't
3 keep doing business. So we need to have the
4 leadership to believe it. Otherwise, it doesn't
5 change. And you have to be insistent because they'll
6 give you every excuse why not.

7 And the final thing I often say is
8 it's often -- you know, I grew up in Hyde Park. I
9 believe in diversity and inclusion. But, you know,
10 often the people who are deciding these things don't
11 look like the minority vendors that we're trying to
12 have help from, or the minorities companies that we
13 want to get support from.

14 And that's why, you know, in the old
15 world, you want to have a jury of your peers to
16 determine whether you are guilty or not guilty when
17 it comes to some kind of activity. We don't often
18 have a jury of our peers to determine whether
19 minority businesses get a really fair shake. And we
20 need to be able to at least have some idea. And let's
21 invite the formed leadership to stand up and fight
22 back.

1 COMMISSIONER MAYE-EDWARDS: So I think, as
2 you've noticed, we've kind of segued into our round
3 table without everyone even noticing. So I am going
4 to allow my colleagues to introduce our moderator,
5 and then we have a couple of questions to kick this
6 off.

7 COMMISSIONER DEL VALLE: Well, I want to do a
8 proper introduction. We've heard from everyone
9 except for one, and that's Gloria Castillo, who is
10 president and CEO of Chicago United, a corporate
11 membership organization that promotes multiracial
12 leadership in business regarding supporting the
13 economic opportunity.

14 Under Ms. Castillo's leadership
15 Chicago United has launched the nationally recognized
16 program Five Forward Initiative, which several of our
17 utilities are participants and charter members.

18 So please get us started.

19 MS. GLORIA CASTILLO: Thank you. So I was
20 asked to just give you a quick --

21 First of all, it's such an honor to be
22 with you. And, note to self, never follow John

1 Rogers.

2 (Laughter.)

3 MS. GLORIA CASTILLO: I'm a great fan. And I
4 think what we've heard from John is the importance of
5 thinking out of the box and thinking about an
6 ecosystem of business diversity. And so the first
7 thing that I'd like to do is just give you a quick
8 founding of Chicago United so that when you hear Five
9 Forward bandied around, you have a sense of what that
10 program is.

11 Chicago United is a non-profit whose
12 mission is to advance equity of opportunity for
13 people of color. So that's what we're focused on
14 advancing. And we were founded following Dr. King's
15 assassination by a group of senior business leaders
16 in Chicago who came together with MBEs and non-profit
17 leaders to create an environment in which we can all
18 succeed. And so today we still have our corporate
19 members comprised of corporations, MBEs, and
20 non-profits.

21 Five Forward is an initiative in which
22 we actually, based on research, learned that, very

1 much what John indicated, Chicago and their regions,
2 the 6-county region, is actually lagging behind in
3 creating minority businesses of scale. And this is
4 critically important because, as John indicated, when
5 there were 13 members on the BE 100, you were talking
6 about thousands of jobs.

7 Today when we look at Chicago as a
8 market, we see other markets where there are very
9 large MBEs operating, and they are creating jobs in
10 significant numbers.

11 So the work that's being done here at
12 the Commission is critically important because you
13 are shining a light on the fact that concentrated
14 effort -- and I think it was said by one of the
15 panelists that intentionality is critically
16 important. And so you've got to make this a focus,
17 and it has got to be a full ecostructure. It has got
18 to be an ecostructure that includes professional
19 services.

20 But we can't forget those core
21 services of construction and manufacturing in other
22 areas, because that is part of a larger ecosystem.

1 You want to see a hundred million dollar construction
2 firm in Chicago that's owned by a minority. You are
3 not seeing that here. You are seeing that in
4 Atlanta. You're seeing it in Denver. You're seeing
5 it in Detroit. We need to be seeing that in Chicago.

6 So across the board, while we want to
7 create wealth, we want to create wealth so that it is
8 well-distributed through the minority communities.
9 And I think so much of the work that is being done
10 here today, that we've heard about today, really
11 focuses in that way, creating an ecostructure.

12 And so what I'd like to do is talk a
13 little bit about some of the leading practices that
14 we've heard about today. And since it's a round
15 table, if you don't mind, I'll kind of pose them as
16 questions as opposed to speaking to them.

17 What we've heard about is a kind of
18 contrast between having a large number of very small
19 businesses and selecting some companies to grow and
20 develop. And so when I think about the Five Forward
21 Initiative, we're very focused on saying you've got
22 to have some companies that you engage with and

1 long-term strategic relationships so they can be
2 developed, they can grow, and can create jobs in
3 communities.

4 So I want to talk a little bit about
5 the need for this intentionality to growth scale, at
6 the same time creating an ecosystem that includes the
7 smaller business. And I think that that's being done
8 very successfully.

9 So if you don't mind, I'll open that
10 up as a question for the panel on how they're seeing
11 that tension.

12 COMMISSIONER MAYE-EDWARDS: So can I add on as
13 maybe like a bit of a devil's advocate? So can you
14 address that question, and the also address
15 Mr. Rogers' sentiments that the programs today
16 obviously are not working because of the sentiments
17 echoed in his statement?

18 So perhaps you can talk about how that
19 is working and then, perhaps, why it's not.

20 MR. MELVIN WILLIAMS: Certainly. So I'll start
21 with, John, thanks for your comments and your wisdom.
22 While I agree with really almost everything that

1 you've said, the areas where I would open up for an
2 opportunity to engage in further dialogue would be
3 specifically around the fact that I agree that the
4 programs don't work -- never have.

5 I agree that there's been a dynamic
6 really on a national front when we talk about
7 supplier diversity around being segmented into
8 certain areas of opportunity and being excluded
9 particularly for potential diverse partners in other
10 areas. I agree with all of those things.

11 What I would continue -- or offer to
12 continue the dialogue around is particularly as it
13 relates to this sector being regulated utilities and
14 what that represents. I mean, our core business is
15 putting infrastructure in service and maintaining
16 that infrastructure over long periods of time.
17 That's what we do. And so to the extent that there
18 are opportunities there, we want to ensure that we're
19 affording opportunities there as well.

20 Now, to the extent that there are
21 areas of our business where, historically, there has
22 not been opportunities -- and I totally agree with

1 you that there are certain areas around financing,
2 around access, around M & As.

3 Now, M & As don't happen that often.
4 You're seeing a different trend over last 10 years,
5 but it just doesn't happen that often.

6 Areas such as pension, 401(k)s, as you
7 mentioned, those are all areas where we have not
8 historically seen diverse access to our business, in
9 terms of those opportunities.

10 Where I would offer a point of
11 contention is, we're changing that. Now, 5 years
12 ago -- I can't speak to what happened at Nicor Gas
13 prior to 5 years ago. And being one of the newest
14 citizens of Illinois, other than my colleague to the
15 left of me -- I think he's actually newer than me --
16 I can't speak to the dynamics that have taken place
17 here with regards to the commitment regarding all
18 areas of supplier diversity. But what I can say is
19 the mere fact that --

20 If you look at the 4 utilities in this
21 state, 3 of which are led by 3 African-Americans, one
22 of which is led by a female, I think that in and of

1 itself speaks volumes around the changes that are
2 occurring within this state. And having personally
3 gotten to know each one of those leaders over the
4 last year, I will tell you that the commitment is
5 here.

6 Whether or not we've seen a change
7 over that period of time, based on all of the
8 dynamics that we're obviously measuring, I will tell
9 you that the commitment is there. I'll also say
10 that, to the extent that --

11 This is about access to opportunities.
12 You said really more about how do we create this
13 opportunity to ensure that there's an equity platform
14 really for diverse companies. That's what this is
15 about. And to the extent that we can create the
16 opportunity to engage diverse -- potential diverse
17 partners in all areas of our business, that's exactly
18 what we're seeking to do.

19 You know, from Day 1 when AGL
20 Resources acquired Nicor Gas, from Day 1 we started
21 meeting with Ariel, and Loop, and other financial
22 services companies here in Illinois.

1 Now, to the extent that we've executed
2 opportunities with certain companies, we have.
3 Others, we have not. But the reality is we've
4 allowed the access to those opportunities. We've
5 opened doors that haven't historically been open.

6 And, quite frankly, if I can speak,
7 and finally, look at where Nicor was 5 years ago.
8 When acquired Nicor 5 years ago, our total spend was
9 less than 2 percent. Today that spend is close to 30
10 percent. And while we certainly acknowledge the fact
11 that we have opportunities to improve in every
12 area of our business -- specifically financial
13 services, but other areas as well -- our commitment
14 is that we will continue to do that.

15 And, finally, the one thing that we
16 don't talk about a lot in these settings is -- we can
17 talk about strategy. We can talk about programs. We
18 can talk about all of the focus that we have and
19 commitment. But the thing that we deal with most is
20 culture, and we all know that culture will eat
21 strategy for lunch every day of the week.

22 And so we're dealing with that dynamic

1 as well, and it takes time. But what I commit to
2 you -- and I know that my colleagues commit the same
3 thing to you and to our potential partners -- is
4 we're going to ensure that we're continuing to
5 advance the narrative around changing the culture as
6 well.

7 MS. GLORIA CASTILLO: I would just like to say
8 that when you think about the culture, the Chicago
9 United perspective on building an inclusive
10 corporation is, we think about that as an
11 organization in which you see diversity on the board
12 of directors, you see it in senior level management,
13 and you see it in your business partnerships.

14 And without that triangle being
15 strong, you're really talking about programmatic
16 work. So when I think of that, I think you're
17 absolutely right about the culture issue.

18 John, you wanted to speak, too.

19 MR. JOHN ROGERS, JR.: I'm just going to echo
20 one thing that you mentioned, Gloria. You know, I
21 brought up the high margin professional services, but
22 I also gave you examples of extraordinarily

1 successful entrepreneurs in real estate, and in
2 insurance, and in media, in several areas.

3 And the data is what it is. You know,
4 facts are stubborn things. We've have zero out of
5 the 300 public and private companies in claims.
6 We're zero for 25 in all of those myriad of
7 categories that are just not financial services.
8 Zero out of 25 in a city that's, again, majority
9 minority.

10 So I think even when we get
11 opportunities, they're like this big (demonstrating).
12 And no company has been able to grow to any size and
13 scale.

14 I told John Wohl (phonetic) this. I
15 said, Wouldn't it be a great thing one day that if
16 Loop Capital was like Mesirov or William Blair with
17 thousands of employees and enormous reach because
18 Exelon had provided enough real opportunity for Loop
19 to get that size and scale and make a difference?

20 But as Gloria said also, in
21 construction we should have a hundred million dollar
22 construction firms that are here, too. So I want to

1 make sure that it's not exclusionary. But the
2 reality is that if you look at it, you'll see the
3 programs that have been executed just haven't worked.
4 We've all talked. We go to the conferences. We go
5 stand in the booths with the people who will give you
6 the phantom opportunities, but in reality people find
7 a good way to obfuscate what's really happened here.

8 And have to be honest with ourselves
9 that, again, the facts show you that it hasn't
10 worked. And we have to find a way to make it work if
11 we want to have our city as strong and our state as
12 strong as it deserves to be with all of our citizens
13 having a full opportunity to participate, have jobs,
14 have career paths, and be able to create real
15 opportunity here, which is not what's happening.

16 And, finally, you can look at what's
17 happened with Johnson Publishing where we've lost the
18 building. It's gone. You know, it's about this big
19 relative to what it used to be (demonstrating).

20 WVON, the Defender Newspaper. You can
21 go down list. If our institutions are advertising
22 the way they say they believe in diversity and

1 inclusion, and putting ads in those publications, and
2 advertising on those radio stations, the Johnson
3 Publishing building would still be black-owned and be
4 the only black-owned headquartered building in a
5 major city. But it's gone because people who
6 promised to worked with those kind of businesses
7 found a way to always have an excuse not to do so.

8 So I just want to -- you know, facts
9 are stubborn things. It's just not working.

10 MS. GLORIA CASTILLO: I'm going to ask a little
11 bit about the not working piece, because I wold offer
12 that there are models that are working, and the Five
13 Forward model is in fact working. And it has to do
14 with the difference between opportunities and
15 intentional development.

16 So when we asked 18 corporations to
17 step forward and select 5 minority businesses in 2009
18 and do business with those companies for a period of
19 5 years, we measured the impact of those 18
20 corporations. And they started out with \$186 million
21 dollar of spend, and at the end of their 5-year
22 period they had doubled their spend.

1 When you look at the multiplier
2 effect -- so when you get your paycheck, you go and
3 you pay your rent, and you get your car fixed, and
4 you go to the local cleaners, that dollar circulates
5 in the community -- in some communities more strongly
6 than others. But we had about a 2.5 multiplier
7 effect. So what you saw was \$800 million dollars of
8 economic activity and about 4700 jobs created in
9 2014.

10 So they can work, John; but the
11 intentionality has to be there.

12 We've seen that with ComEd. ComEd was
13 one of the leading companies in Five Forward, and
14 their spend easily doubled. We saw that with
15 McDonalds. So when you see the corporations that
16 have real leadership at their board level, senior
17 level management, make this kind of commitment, in
18 fact, that intentionality works; and it speaks to the
19 need for supplier development. So moving beyond
20 supplier diversity with the opportunities, but real
21 supplier development. And we're seeing that in other
22 markets.

1 Ralph, can you speak to that issue of
2 supplier development?

3 MR. RALPH G. MOORE: And I'll be as brief as
4 possible. I know time is running out.

5 Supplier development, a lot of
6 people -- there's a couple of things that we need to
7 clarify.

8 And, again, I've been around for a
9 while. One of the points that I didn't make in my
10 introduction is we developed the first certification
11 process for the State of Illinois in 1986. We've
12 been a part of the IDOT program as a supportive
13 services contractor since 1988. And RGMA has
14 certified more DBEs in the state of Illinois than
15 anyone else in the state's history. So we know this
16 piece very well.

17 Supplier development has to happen
18 from the -- the major company has to make an
19 investment; but we also need minority firms, diverse
20 firms that are ready to step up and take advantage of
21 it. That's why Five Forward works, because you have
22 a partnership with companies who are saying, Yes, I

1 want to be a part of it.

2 But I think the other part of it is
3 real opportunities. And, again -- I don't want to be
4 misquoted. I was on a mission to South Africa in
5 1995, and I was telling them -- it was an NMSDC
6 mission. And we all said, Don't make the mistake we
7 made in America; You can't lower the bar and make
8 it -- You still have to have quality from your
9 suppliers. And then the papers the next day quoted
10 me as saying, Ralph Moore said don't help black
11 business.

12 Now, that's not what I'm saying. I'm
13 saying supplier development is now raising the
14 capacity of minority firms, not unbundling to the
15 point where a person who has a pick-up and
16 wheelbarrow can get a Tier 1 contract with a major
17 company. No. You have to be capacity. You have to
18 have insurance. You have to have staff.

19 So the whole issue of supplier
20 development has to be part of a strategic plan. And
21 I've heard folks talk about strategic plans here -- i
22 know that Exelon has one and ComEd has one -- that

1 talks about development as part of a parallel
2 strategy of increase minority spend.

3 So whenever I hear someone -- I cringe
4 when I hear a corporate representative say, Well, I
5 can't find any. That's because you haven't looked,
6 number one; and, number two, you haven't developed.

7 So if you want to have capable,
8 scaleable MBEs and WBEs that can own businesses, you
9 have to invest in that development.

10 MS. ANNE PRAMAGGIORE: Can I just make a couple
11 of comments from sort of inside of the company and
12 managing the company?

13 We're definitely in the midst of a
14 shift, a mindset shift. And I think it is an
15 evolution from, you know, diversity -- supplier
16 diversity is about going out and finding diverse
17 firms, running them through your procurement process,
18 and you're done. So, you know, we're set up inside
19 the company to do that. We have very strong
20 procurement groups.

21 But if you want to grow a business,
22 your line has to get involved. That's why I have

1 Michelle and Fidel with me here today. They deal
2 with these companies every day. Michelle runs our
3 engineering. Michelle runs our major projects. And
4 she is working with the firms to help them understand
5 what it takes to be safe at our company, which is not
6 an easy thing. Bridget Reidy and her group and
7 Emmett work with these companies after they go
8 through a procurement. They walk them through, you
9 know, Here's where the assessment was that you didn't
10 quite cut it on the procurement.

11 But that takes resources in the
12 company. That is very different from what most
13 companies are set up to do. And I think we've got --
14 the evolution that has to occur, we're starting to
15 see it sort conceptually, but I think we've got to
16 find the organizational shift inside the company and
17 make sure we support the appropriate resources within
18 the company to make this happen because it is
19 resource intensive. You can do it, but it takes
20 commitment, and people, and you have to have line
21 people involved to make it happen.

22 MR. MELVIN WILLIAMS: I would add to Anne's

1 comment. I mean, it's consistent with what John is
2 saying as well. The other thing you have to do is
3 you've got to be able to acknowledge the limiting
4 factors, and you've got to be able to find -- either
5 eliminate them or find solutions to them.

6 And two of the most limiting factors,
7 historically, has been terms of access to
8 opportunities for diverse firms. Two of the most
9 limiting factors have been around cost, around
10 experience. We talk about access to capital, which
11 is always the obvious. And the other is around
12 long-term planning and being able to have the ability
13 to grow along with how our business is growing as
14 well.

15 And so to the extent that -- in areas
16 like cost, for instance, one of the things that
17 majority partners, for instance, and many
18 organizations, have used to exclude diverse companies
19 is the cost dynamic. If you're looking at this
20 purely from a procurement lens and you're making
21 decisions around these opportunities based on cost
22 being the deciding factor, we all know what the

1 ultimate outcome has been and will continue to be.
2 If you're limiting the opportunities and diverse
3 companies don't have the experience, but you're using
4 experience as one of those factors, we all know what
5 the conclusion will be.

6 And so to the extent that you're not
7 identifying those limiting factors and figuring out
8 how to either eliminate them or find ultimate
9 solutions for dealing with them, you will get the
10 same outcome.

11 So those are the things that we've
12 been doing to ensure that we're focusing on those
13 dynamics. Now, the reality is those things don't
14 change overnight. And that's a part of that cultural
15 dynamic that we're talking about as well, is to
16 ensure that we institutionalize these dynamics in a
17 way. Because if these individuals are not sitting up
18 here having this dialogue and there's someone else in
19 these seats, what we really want to ensure is that
20 it's been institutionalized in a way that it goes
21 beyond just the leaders of these companies at this
22 point in time, and it becomes systemic within the

1 organization.

2 MS. GLORIA CASTILLO: And, Charles, I know that
3 you wanted to speak to this.

4 MR. CHARLES MATTHEWS: Yes.

5 MS. GLORIA CASTILLO: And I'd like to come back
6 to the ability to actually do this. And I think,
7 perhaps, the training center will be a good example
8 as a follow-up.

9 MR. CHARLES MATTHEWS: I want to go back to the
10 best practices. And I know Commissioner Rosales
11 asked me about the utilization of that term.

12 And I think on the supply side the
13 industry has done a phenomenal job of identifying
14 best practices, and you're starting to see the
15 benefit of that. You're going to continue to see the
16 results as a result of all of the utilities, for the
17 most part, I using the same practices. You're
18 starting to see the commitment at the top.

19 The challenge with the business
20 services, professional services, as I see it -- the
21 legal department, the financial services, those
22 services that, for the most part, in the world we

1 live in today, that are being procured, or secured,
2 at the corporate level -- there has been an
3 unwillingness to unbundle, to strategically unbundle
4 those where you still have capacity. And instead of
5 a strategic unbundling, throwing off the pieces when
6 they do.

7 And, you know, I think, to the extent
8 that we can be more and more successful and continue
9 to be successful on the supply side, we can start to
10 push those practices back to the corporate side for
11 business services, because I think the same things
12 are going to work there. I don't see any difference.

13 There's just been this block to
14 unbundle, you know, pension funds. You know, break
15 up the pension funds. Have the board issue a mandate
16 that if you're going to have 5 fund managers, one of
17 them is going to be a minority. You know, there's
18 just been an unwillingness to do that. And I think
19 that's critical. We're going to have to push that
20 issue. And I know I've started having that
21 conversation with my finance, treasury people; and
22 they're getting it.

1 You know, insurance -- sure, you can
2 get debt. If I go out and do a line of credit and I
3 put it all in one bank, absolutely, I can -- maybe I
4 could optimize the cost of my debt. But is that the
5 right thing?

6 Maybe the first, second, and third
7 guys, you know, including your lane -- being a
8 minority should be one of the service providers. So
9 that's what I would like to see. And I think that's
10 what we need to do here is push that back up to the
11 corporate level.

12 MR. RALPH G. MOORE: But, if I may -- and we
13 work with countless corporations. In the
14 professional services it's a relationship management
15 issue. Understand that I've seen brand-new, never
16 had a client, non-minority fund managers get work
17 because they had a relationship with the CEO's
18 family.

19 I don't think you have to unbundle
20 because there's a lot of boutique, advertising,
21 legal, financial services firms, non-minority, that
22 are walking in the front door and getting contracts

1 with minimum experience, very small staffs. The key
2 is for a sincere commitment to be there.

3 And I think what this Commission has
4 done is very similar to what happened with seat
5 belts. Those of you who remember, I think it was
6 1988 when we got the seat belt law here. Everybody
7 was kicking and screaming, How dare you? This is my
8 car. This is privacy.

9 Now you look like a fool if you get in
10 your car and don't put your seat belt on. We learned
11 that this is really good for us. And I think what's
12 going to happen is as people --

13 Again, with the Commission, the work
14 that you're doing, having people to do this for a
15 compliance basis -- but then as we migrate to a
16 strategic process, people will find out, Well, you
17 know what? Working with Ariel Capital wasn't so bad
18 after all because I got a great return, great
19 service.

20 So we have to -- it's going to be a
21 shotgun marriage in some cases, initially. But it's
22 not a matter of unbundling as much as it's requiring

1 the relationship to take place.

2 COMMISSIONER ROSALES: Let me ask a question.

3 You talked about the Five Forward
4 companies. Did you have any that failed?

5 MS. GLORIA CASTILLO: I'm sorry?

6 COMMISSIONER ROSALES: The Five Forwards that
7 have failed.

8 MS. GLORIA CASTILLO: Certainly.

9 We launched the initiative in 2008.
10 So the first 3 years of the program took place in an
11 arena where there were a lot business failures, and
12 so we certainly had a couple of minority firms that
13 went bankrupt during that time. Absolutely we did.

14 And I would say that, given the time
15 frame of the recession, the fact that we had
16 corporations remain committed to their minority firms
17 over that long term, that 5-year period, and continue
18 to grow their firms is really a testament to the
19 intentionality.

20 This is not a small commitment that
21 the firms make, because it's not simply selecting 5
22 firms and then we walk away. They actually report

1 their spend with each of those firms on a quarterly
2 basis. They also report on satisfaction levels with
3 their minority firms on a semiannual basis. And, at
4 the same time, the minority firms have an opportunity
5 to report back on their satisfaction of the
6 relationship with the corporation.

7 So it is a very strong tie that takes
8 place. But certainly we did see -- in the recession
9 we saw less of what you would have seen in the
10 general small business community, but we certainly
11 saw the same effects of the recession certainly.

12 COMMISSIONER ROSALES: And recently, I would
13 say in the last 2 years, how has it been?

14 MS. GLORIA CASTILLO: So we have closed up the
15 first cohort of Five Forward, and we are launching
16 our second cohort of Five Forward. We have a very
17 aggressive goal of establishing 50 corporations
18 committed to Five Forward. We're well on our way. I
19 believe that our recent count is 23 corporations that
20 have committed.

21 But we've expanded the availability of
22 access to the program through their primes, but we've

1 strengthened the technical support services of the
2 initiative through collaborative partners like CMSDC,
3 Illinois Hispanic Chamber of Commerce, Women's
4 Business Development Center. And we've instituted a
5 series of industry forums.

6 The first industry forum will take
7 place in December of this year, and it will focus on
8 minority firms that are suppling the utilities
9 industry. Because, frankly, you are so far ahead,
10 that will be our first industry forum; and then we'll
11 follow that up with financial services, consumer
12 products, goods, and other industries.

13 So it's a very robust program. I've
14 met with mayors in other cities who are interested in
15 replicating Five Forward in their city because,
16 frankly, it's the only program of its type that
17 requires that quarterly spend data and a university
18 partner. So I didn't come up with those numbers.
19 You know, I didn't take a pencil out and figure that
20 out. That is done in partnership with the University
21 of Illinois. The data goes to the University. It
22 doesn't go to Chicago United. So it's the only

1 program of its like in the country where we have all
2 of the components come together to have this kind of
3 economic impact measurement.

4 COMMISSIONER ROSALES: Thank you.

5 COMMISSIONER MAYE-EDWARDS: You know, there's
6 something that I just quickly wanted to ask about, if
7 that's okay.

8 So we talked a little bit earlier
9 about the categories somewhat. And in his remarks
10 Mr. Rogers discussed the issue of the difference
11 between supplier diversity and how there's been
12 somewhat of an evolution and now we've kind of moved
13 forward the business part today.

14 So we know about the IUBDC. And last
15 year when you were encouraging the creation of the
16 IUBDC, there was a bit of controversy surrounding the
17 term rightly used, "supplier diversity" or "business
18 diversity". And from this Commission we pretty much
19 demanded that it be "business diversity" for many of
20 the reasons that Mr. Rogers stated in his remarks.

21 We did get quite a bit of pushback.
22 And we won't mention where the pushback came from,

1 but there was some concern there. And so I think
2 that by getting everyone to agree that "Business
3 Diversity Council" was the proper term for it, I
4 think that was a step in the right direction.

5 Now, with that said, I think that goes
6 hand in hand in talking about the tracking of the
7 categories; right? Specifically, do you separate
8 them out? Do you have legal services? Do you have
9 the financial services, so forth and so on -- which
10 we're not doing?

11 I wanted to see if we could get a
12 response from the utility executives on what your
13 thoughts are on the categories, and labeling it, and
14 specifying what it actually is, so that we can see
15 from a business diversity perspective and the whole,
16 where we are as opposed to now where everything is
17 just kind of lumped together.

18 MR. MELVIN WILLIAMS: So I'll start with we're
19 open to being as transparent as you would like us to
20 be. I mean, there's nothing that we are not willing
21 to report in a manner in which it allows you to be
22 able to have full access to how we're performing.

1 With respect to the "supplier
2 diversity" and "business diversity", I think that in
3 and of itself is an interesting dialogue and one that
4 I actually agree with. And we're really talking
5 about, you know, which vernacular most aligned with
6 what the actual commitment is.

7 And so to the extent that we're in our
8 organization and we're using terms like "supplier
9 diversity", what does that mean within the
10 organization? What does that mean to the leaders who
11 are often making these decisions?

12 And so how do we change the narrative
13 around that from, to John's point, what has
14 historically been more of a vertical supply chain
15 type of dynamic within the organization to more
16 broadly around a business imperative, in terms of
17 this is how we do business. And this is the way --

18 And it's that shift that we've been
19 talking about. You can call it culture, or you can
20 call it business strategy. You can call it many
21 things. But it's that shift around changing that
22 narrative in a way that allows the business to view

1 this more as an imperative than just a program, or a
2 priority, or a supply chain function. It really is
3 around, This is how we do our -- This is how we will
4 manage our business because this is where we get
5 efficiency, this is where we get the diversity of
6 experience, this is where we get the opportunity to
7 ensure that we're bringing different talents and
8 different experiences into the business.

9 And so that has nothing to do with
10 supply chain. That has everything to do with the
11 business imperative around how do we create these
12 opportunities to ensure that they're supporting our
13 business in that manner.

14 MR. CHARLES MATTHEWS: And I completely support
15 tracking as granular as the Commission would like;
16 and believe we already do it.

17 I think the big challenge would be
18 consulting. I think there's still some difficulty
19 there. You know, consulting sometimes goes in terms
20 of construction. Sometimes it goes in finance. So
21 that might require some additional work, but I am
22 totally supportive, and I think we should do it.

1 MS. ANNE PRAMAGGIORE: We can provide that data
2 by category.

3 MR. BRUCE HAUK: And I agree as well with being
4 as transparent as you can be.

5 One thing that I would mention, too,
6 though is although -- I mean, you really think about
7 the utility industry as a whole. And I completely
8 agree that the professional service avenue, that's an
9 area to grow. But I think we've got to also realize
10 that the majority of our investment is in assets and
11 will continue to be for many years to come.

12 So when you look at the total picture,
13 the dollars that we're talking about comparison-wise
14 is very small compared to the amount of
15 infrastructure investment. So I would hate to set up
16 some type of expectation that there's going to be
17 some huge growth. I mean, for example, the
18 professional services line is very de minimis in
19 comparison to the amount of money that we spent in
20 investment per year.

21 So I do agree that there are
22 opportunities to open up those areas, and there has

1 been resistance in corporations. But from a utility
2 standpoint, we're an infrastructure investment type
3 of business, and we are the backbone of this country
4 in terms of investment. And when the economy is bad,
5 when the economy is good, we make the investments to
6 provide the reliable service. So that will always
7 continue to be the bread and butter or the real
8 emphasis of what we're behind in terms of asset
9 development and infrastructure replacement.

10 MR. JOHN ROGERS, JR.: Two things: One is that
11 keeping track by category -- at Exelon I get a big
12 book this big every year (demonstrating.) Emmett
13 Vaughn comes in with Bridget Reidy, and we go through
14 it category by category.

15 And you can see it's just not
16 professional services. It can be advertising. I can
17 see today -- we have utilities here in Chicago,
18 Baltimore, and Philadelphia -- how much we're
19 spending with minority advertising agencies out of a
20 total spend. And realizing that, of course, the city
21 is black and brown, primarily, the marketing spend
22 should be proportional. But it gives you a vehicle

1 to have that conversation if you have all of the data
2 as transparent as possible.

3 The second part of this issue about
4 looking at it based upon asset spending, what I do
5 for a living day to day is I'm a stock picker. I'm
6 an investment analyst. And I believe very strongly
7 in what Warren Buffet talks a lot about. And when
8 you invest in companies with the Buffet model, you're
9 trying to find the most profitable companies to
10 invest in, the ones that have the most consistent
11 cash flow.

12 So it's not about the total revenue
13 line that matters to the greatest investor, if you
14 will. It's the profitability, the consistent
15 profitability, in cash flows that matter.

16 So if you looked at the spend by
17 profit versus by revenue, you would have a different
18 dialogue than you do. And I know that would be hard
19 to do, so I'm not saying or suggesting that we have
20 to do that; but just realizing in the back of your
21 mind that a dollar spend on legal services is not the
22 same as a dollar spend on a commodity where you buy a

1 zillion components of something and mark it up half a
2 cent. The numbers look very large, but the
3 profitability, and the number of employees hired, and
4 the amount of wealth created is entirely different
5 than the head of a law firm, or the head of a KPMG,
6 or a Pete & Marwick, where they have 200,000
7 employees and an enormous amount of wealth built.

8 And the last part about it, from a
9 financial services standpoint, what we've done at
10 Exelon -- they have over almost \$40 billion dollars
11 in its pension plan. And we spend, you know, almost
12 now \$10 billion dollars on minority-owned pension
13 fund managers. It's creating an enormous amount of
14 wealth and opportunity and jobs because of that
15 initiative.

16 And, as I said earlier, the people who
17 get private equity and hedge funds opportunities
18 ultimately become the masters of the universe these
19 days. So making sure that that part of the world
20 isn't left out of the equation because there's an
21 enormous amount of spend in pension area that in
22 traditional ways people never think about it.

1 I'm sure there are other categories
2 that are like that also. I happen to know that
3 because that's the field I'm in. But what we've done
4 there has just been fantastic, and there's
5 opportunity that's there that wasn't -- it wasn't
6 there in Baltimore. We bought that utility. It
7 wasn't there in Philadelphia. We bought that
8 utility.

9 During the minority cities who played
10 baseball in 1940, No Person of Color Need Apply. But
11 once Exelon took over, all of a sudden they've got a
12 Baltimore utility -- a Baltimore company managing
13 part of their pension fund that's a diverse firm.

14 MS. GLORIA CASTILLO: There's one last point
15 that I want to make sure that we cover, because
16 Mr. Williams mentioned cost and quality issues. And
17 so I don't want to kind of leave that as the standard
18 that if you're working with minority firms, that that
19 may be the challenge for you and it's insurmountable.

20 Because ComEd just completed a
21 training center with a 90 percent diverse spend. And
22 if I'm not mistaken --

1 Anne, can you speak to the cost,
2 on-time delivery, quality? What did you experience
3 in building that?

4 MR. MELVIN WILLIAMS: Let me make sure that I
5 was clear because my description around cost and
6 quality was two-fold. One, around misconceptions
7 within the organization; and, two, around limiting
8 factors, right, and understanding that these are
9 limiting factors so that we can address it.

10 I just wanted to make sure that we are
11 clear about that.

12 MS. ANNE PRAMAGGIORE: Well, just quickly, you
13 know, we did build the training center. It was a
14 targeted competitive procurement. It was 90 percent
15 diverse spend. It was on time. The quality is
16 terrific. You know, I think we built it -- you know,
17 the cost was consistent with any other cost structure
18 that we would have seen. So I think we were very,
19 very happy with that.

20 I don't know -- and Michelle would be
21 better able to answer this than I. But my sense is
22 we don't see any variation that we would not see

1 otherwise amongst firms. You know, you're going to
2 get some firms that just are not going to be able to
3 get their costs in line and be competitive, and some
4 that do. And so, you know, I don't think that it's
5 different than sort of the normal universe, is what
6 we see.

7 MR. RALPH G. MOORE: Can I also just briefly
8 address second tier? You had a question regarding
9 second tier, if it's mandatory or not.

10 We had the opportunity -- as a matter
11 of fact, the NMSDC where we've done most of the
12 training over the last 22 years, I was a member. I
13 facilitated the second tier task force in 1998 and in
14 2004. I wrote most of the rules that are still in
15 place for the second tier that most corporations use.
16 We've implemented the second tier program for
17 Wal-Mart as well as AOL, Time Warner, and Ameritech.

18 So when you talk about second tier --
19 and you hit it on the head -- there has to be
20 language. Contract language has to be -- "second
21 tier" has to be in the contract. As a matter of
22 fact, it needs to be in the RFX and the RFQs. If

1 you're going to have a viable second tier initiative.

2 If you don't have it in writing, you don't have it.

3 So what I like to say is if you don't have --

4 And then you also have to have
5 consequences if you don't hit your targets. So if
6 you don't have consequences, it's not a second-tier
7 program; it's a second tier survey.

8 COMMISSIONER MAYE-EDWARDS: Thank you. That
9 was very, very helpful.

10 I think we would like to be here for
11 hours, and hours, and hours. We have lots more
12 questions. This, honestly, I think is probably one
13 of the most, I think, successful and very helpful
14 round tables that we've had to date with this policy
15 forums.

16 So I wanted to just thank all of the
17 participants and, of course, allow my colleagues to
18 provide a couple of closing remarks. Thank you.

19 COMMISSIONER DEL VALLE: Thank you.

20 (Laughter.)

21 CHAIRMAN SHEAHAN: Yeah. I would just also
22 like to thank everyone for being here today, but

1 particularly our utility executives. We appreciate
2 and respect the fact that this is a big time
3 commitment for all of you, really. And this has been
4 a terrific discussion and I think very helpful. So
5 thank you.

6 I think, you know, one I thing that I
7 take away is the sincerity of the presentations. I
8 want all of you to know that we also are trying to do
9 our part at the Commerce Commission to be more
10 inclusive. I think we in the last year have become
11 more inclusive than the agency has ever been, in
12 terms of leadership. So we share that commitment,
13 and thanks again for being here.

14 COMMISSIONER McCABE: Thank you. And I would
15 vote for more discussion and round table and less
16 presentations next year.

17 (Laughter.)

18 COMMISSIONER MAYE-EDWARDS: Noted.

19 COMMISSIONER DEL VALLE: Agreed.

20 COMMISSIONER ROSALES: I've been here a little
21 bit over a year. I attended a meeting late last year
22 with the Utility Diversity Council. And, as you

1 know -- "as you know" -- I try to have my words
2 succinctly. I refrained from taking a picture
3 because I was not really impressed by the growth, of
4 what I thought it should be.

5 And I come from an industry that would
6 codify everything, and I didn't understand how this
7 industry worked in terms of the communication that
8 you all have. So I've matured a little bit, in terms
9 of understanding.

10 And I point to Ralph about, you know,
11 when you codify something, all of a sudden it's
12 compliance. And so once you get the compliance part,
13 we make a number of 8 percent. And when you get 8
14 percent, the job's over, let's go home. And that's
15 not what we're trying to do.

16 From us and the Commission, I want to
17 tell you that we really appreciate the dialogue that
18 we have. But a couple of things that I wanted to be
19 clear about: number one, again, when I spoke about it
20 earlier, about the top down, I see that; but it comes
21 from the top down. If you are not sincere in your
22 folks in explaining to them what you're looking for,

1 it just doesn't happen. I've been in business long
2 enough to understand that.

3 And make sure that they buy in, that
4 it's not the flavor of the month. You know, you've
5 got to go to the Commission in June, you know, and
6 this is really important that we do well with
7 diversity, and then back in July and August we're
8 back to business. I understand how business works,
9 but it has to be a constant.

10 The aggressive goals and targets, we
11 talked about that before. And it's something that --
12 we're not giving you goals and targets, but we're
13 looking for them. I would say my one disappointment
14 is -- in some of the reviews there was less of a goal
15 this year than it was the year before. And that's
16 not something that we take very lightly. So we're
17 looking to make sure that that doesn't happen again
18 in terms of goals and targets.

19 And I really am impressed by the
20 movement. You know, I know Commissioner Maye started
21 the program with the Diversity Council. I understand
22 now what needed to get done. Again, I wasn't

1 impressed by the numbers for 2014. I kept thinking,
2 What numbers are they looking at? Commissioner
3 del Valle was like, This is not going to be a
4 pat-on-the-back type of a meeting. And there was a
5 lot of that going on, and I was really disappointed
6 with my first meeting.

7 But I've certainly seen the progress
8 that you've made. And from a Commission standpoint,
9 I really want to tell you that we appreciate the work
10 that you've done. Thank you.

11 CHAIRMAN SHEAHAN: All right. If we have
12 nothing else, we're adjourned.

13 (Applause.)

14 (Whereupon, the above matter was
15 adjourned.)

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