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BEFORE THE
ILLINOIS COMMERCE COMMISSION
BENCH SESSION
ANNUAL SUPPLIER DIVERSITY POLICY SESSION
Thursday, June 11, 2015
Chicago, Illinois

Met, pursuant to notice, at 1 P.M.,
at 160 North La Salle Street, Chicago, Illinois.

- PRESENT:
- BRIEN J. SHEAHAN, Chairman (via teleconference)
 - ANN McCABE, Commissioner
 - SHERINA E. MAYE, Commissioner
 - MIGUEL DEL VALLE, Commissioner

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CHAIRMAN SHEAHAN

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1 COMMISSIONER MAYE: Good afternoon. Pursuant to
2 the Open Meetings Act, I now convene the Annual
3 Supplier Diversity Policy Session of the Illinois
4 Commerce Commission. Welcome.

5 With me in Chicago is
6 Commissioner del Valle. Commissioner McCabe will be
7 here shortly. Joining us by phone is Chairman
8 Sheahan.

9 Good afternoon, Chairman. Are you
10 with us?

11 CHAIRMAN SHEAHAN: Good afternoon. I am with
12 you.

13 COMMISSIONER MAYE: Great. Thank you. I believe
14 you have some remarks.

15 CHAIRMAN SHEAHAN: I do. Thank you. Good
16 afternoon and welcome to the Illinois Commerce
17 Commission's Supplier Diversity Policy Session.

18 I regret that I can't be there with
19 you due to family commitments, but I want to thank
20 all of those that are in attendance today,
21 especially Representative Davis and the senior
22 utility executives who are with us, Ron Pate from

1 Ameren; Anne Pramaggiore from ComEd; Bruce Hauk from
2 American Water; Beth Reese from Nicor; and Polly
3 Eldringhoff from Peoples.

4 Beth desires a little extra
5 recognition. Congratulations on your promotion,
6 Beth, and thanks to making the effort to come back
7 to the session. We are all excited by your
8 opportunity and look forward to continuing to work
9 closely together.

10 MS. REESE: Thank you, Chairman.

11 CHAIRMAN SHEAHAN: I would like to especially
12 thank and congratulate Commissioner Maye and
13 Commissioner del Valle for their leadership in this
14 effort.

15 There's been quite an improvement in
16 these reports over the last few years, no doubt a
17 result of their leadership, the leadership in the
18 legislature and companies all going in the same
19 direction.

20 Today's forum is designed to serve two
21 primary purposes, not only does it satisfy the legal
22 requirement that large public utilities report on

1 their procurement goals and spending for the
2 previous calendar year, but it also presents an
3 opportunity for us to hear personally from senior
4 leaders on the topic of Sustained and Improving
5 Supplier Diversity Initiatives in Illinois. Thank
6 you to each of the companies for being here today.

7 Companies understand supplier
8 diversity is not an expense but an investment.
9 These initiatives not only foster local economic
10 development but strengthen community relations.

11 We have found that the utility
12 companies presented today, Ameren, American Water,
13 ComEd, Peoples and Nicor, have met their reporting
14 obligations, but, more importantly, have taken
15 increased diversity to heart.

16 Diversity was one topic we discussed
17 in my first bench session as Chairman. At the time
18 I expressed my firm believe that we must lead by
19 example and, to that end, the Commission has held a
20 mirror to itself to promote diversity within our
21 Staff and to better align initiatives with our core
22 values and operations.

1 Our new general counsel is of Indian
2 descent. Our new chief of external affairs is
3 female. Our new chief administrator is African
4 American, and our new chief of the ICC police is
5 Latino, just to offer a few examples of our
6 progress.

7 As we increase the diversity of the
8 ICC Staff, we encourage the utilities to do the
9 same. Diversity plays a vital and integral role in
10 the communities we serve. Embracing and encouraging
11 diversity is a continuous effort and one the
12 Illinois Commerce Commissioners are proud to lead.

13 Thanks again for participating and for
14 your leadership. Thank you, Commissioner Maye.

15 COMMISSIONER MAYE: Thank you very much, Chairman
16 Sheahan, for those remarks. I think I can speak for
17 both Commissioner del Valle and myself when I say
18 that it's an honor to take on this important issue.

19 As you stated, diversity does not just
20 make sense; it makes dollars, and I'm so very proud
21 how far we have come in Illinois. We are here
22 specifically to discuss our diversity, but it's

1 truly the annual report we will focus, and I want to
2 echo the Chairman and thank everyone for being here
3 today.

4 This morning I had the opportunity to
5 give a few brief remarks at the luncheon for the
6 Illinois Diversity Council. Let me tell you it was
7 an all-star, no nonsense, no stone left unturned
8 rock star event, and thank you to all that was
9 involved. It was phenomenal, and I was excited to
10 be there to cheer you on and looking on to what I
11 know will be great progress over the next few years,
12 decades and centuries even.

13 Now I want to talk a little bit about
14 today and about the Council that was created by the
15 five utilities: American Illinois, Com Ed, Illinois
16 American Water, Nicor Gas and Peoples/North Shore
17 gas.

18 As I chair this morning, it is not
19 often we can all come together around an issue in a
20 collaborative effort in a sense that's truly been
21 amazing. Congratulations again to the utilities on
22 a successful charter of the Illinois Diversity

1 Council and most definitely the leaders.

2 I want to put in a plug here for our
3 Chairman, because I think when you think of
4 leadership, you think of what's important when it
5 comes to diversity and that's top-down leadership.

6 I remember on the first day
7 Chairman Sheahan started, it happened to be on a
8 hearing day, and I walked into his office and said,
9 "I just wanted to give you an update what we will be
10 doing today, so we will be announcing the annual
11 policy forum for the supplier diversity reports,"
12 and he said to me, "So what do you think about the
13 initiatives?"

14 I said, "What do you mean? I think
15 it's great really we are pushing it," and he said,
16 "Yes. Well, I think the ICC needs to put its money
17 where its mouth is, don't you think?"

18 And I just sat there looking at him,
19 and I was shocked, and he said, "It's great that we
20 are encouraging utilities to do this, but how can we
21 tell them to do this with a straight face when we
22 aren't doing it ourselves?"

1 And this man he has made some changes.
2 He has definitely incorporated diversity in the
3 decisions he has made and he does not just talk the
4 talk but he walks the walk.

5 So, Chairman Sheahan, I want to thank
6 you for your commitment to this issue, not just for
7 supplier diversity but for diversity for the
8 Commission.

9 With that, I want to talk a little bit
10 about the organizations themselves, the Council.
11 You might be wondering what the purpose is. The
12 mission of the Council is to serve as a best
13 practices sharing mechanism where each of the
14 utilities can essentially share diversity, and I
15 think it's great, but also share ideas.

16 A few months ago I had the pleasure to
17 attend Ameren's Supplier Diversity Symposium, which
18 was a great event, and also what I was so proud
19 about was that there were representatives from
20 ComEd. There were representatives from Nicor Gas.
21 There were representatives from many, many, many of
22 our utilities, and to me that's exactly what the

1 council's about. It's to share best practices.
2 It's to go back and say this is what works at
3 Ameren, maybe it will work for ComEd, or maybe not,
4 but we can now see that -- we can see not just how
5 we can improve but how we apply to all the different
6 utilities in all the different ways.

7 So I'm really excited about the
8 Council, and I think it's going to be great. If the
9 Council is anything like what today was, it is going
10 to be nothing short of magnificent.

11 And, again, I applaud the leadership
12 of each of the utilities for your support and your
13 just being so passionate about this issue and know
14 how important it is.

15 Now, Commissioner del Valle, I believe
16 you have some remarks.

17 COMMISSIONER del VALLE: Always.

18 COMMISSIONER MAYE: Yes, I know.

19 COMMISSIONER del VALLE: Thank you, Commissioner
20 Maye. I also want to thank the Chairman for his
21 commitment to diversity, because, as Commissioner
22 Maye indicated, the Mr. Chairman indicated we cannot

1 judge you and at the same time not allow you to
2 judge us, and so the same way we are looking at your
3 numbers, we want you to look at the Commission's
4 numbers. We want you to look at the job of the
5 executive director and what our numbers look like in
6 terms of procurement as well as hiring.

7 So I really appreciate the commitment
8 of the Chairman and to the commitment of all the
9 members of the Commission. So maybe we can do this
10 so that every year as you come before us, just
11 before you come before us, you can request from the
12 executive director our numbers so that you could
13 review them at the same time that we are reviewing
14 your numbers. So, once again, thank you very much.

15 Again, I want to welcome everyone
16 joining us today, including State Representative
17 Lou Davis, one of our champions in the Illinois
18 General Assembly. The main reason why we are here
19 today, he made it happen.

20 Progress has been made over the last
21 year, no doubt about it, but I have to tell you that
22 it's not enough, particularly for MBEs. I think the

1 African American numbers and the numbers for Latinos
2 are still low.

3 It's great to talk about percentage
4 increases in the arena of 50 percent or even a
5 hundred percent, but when your numbers were low to
6 begin with, a hundred percent doesn't necessarily
7 mean significant progress, particularly when you
8 take into account the amount of spending --
9 increased spending that's being done by the
10 utilities as a result of actions taken by the
11 General Assembly and the Illinois Commerce
12 Commission and paid for by the ratepayers in the
13 State of Illinois.

14 So the commitment in the very
15 beginning has been on the part of all the parties to
16 make sure that we continue to move towards having
17 the spending, the procurement, et cetera, to be
18 reflective in terms of the proportion of the
19 populations that each utility are serving, and I
20 think we have a long way to go.

21 (Whereupon, Commissioner
22 McCabe entered the room.)

1 These numbers certainly look good when
2 you take them in totality, and we'll see that today,
3 but when you begin to exclude small businesses, when
4 you begin to exclude women, then the numbers don't
5 look as good as we need them to look, and I think we
6 all ought to be up front about that. Let's not try
7 and sugar coat reality.

8 So when utility company efforts are
9 appreciated, this meeting is not a celebration of
10 the progress made to-date, nor is the purpose of
11 this meeting to pat the companies and ourselves on
12 the back, rather this meeting is like the new
13 Council announced this morning are tools to help the
14 companies develop and implement strategies for
15 strengthening their commitment to diversity.

16 We are here to work, and this is hard
17 work, so let's talk about what the companies might
18 call "best practices" and hear about their next
19 steps. This meeting is about taking more steps in
20 this long, long process.

21 As part of this process, we are
22 constantly looking at where we can do better,

1 whether it's low minority-owned business numbers or
2 whether it's one or two contracts which are having
3 an outside influence on the numbers.

4 We must continue to assist businesses,
5 minority businesses, African American businesses,
6 Latino businesses, assist them so that they can grow
7 so that they can provide more services to the
8 utilities.

9 As part of this process, we are
10 constantly looking at where we can do better, as I
11 said, so please allow me to thank everyone for their
12 efforts thus far.

13 We are moving in the right direction.
14 We are together on this long road to work through
15 this difficult problem and collaborate to make
16 headway for companies, their management, as well the
17 ratepayers in the State of Illinois.

18 And so I'm looking forward to hearing
19 from you, and don't get nervous about my questions.
20 Thank you.

21 (laughter.)

22 I have acknowledged the presence of

1 Commissioner or State Representative Davis.

2 Would you like to make a quick
3 comment, Representative? I think you deserve some
4 time.

5 PRESENTATION

6 BY

7 REPRESENTATIVE DAVIS:

8 Thank you very much, Commissioner, to
9 the other commissioners present, to everyone in the
10 room today, thank you for giving me an opportunity
11 to say a few words, and thank you, Commissioner
12 del Valle, for indicating that at the very least
13 part of the reason why we are here is due to some
14 legislation and opportunities that we took in the
15 General Assembly.

16 I think your comments are right on as
17 it relates to that we are at a certain point where
18 we certainly know that those numbers can get better,
19 and we appreciate the efforts of all of the utility
20 companies that are working very hard, that are
21 creating programs and opportunities to increase that
22 diversity, not only within their own workforces, but

1 also with the vendors and the others that we work
2 with, but we know that there's more that can be
3 done, and we are constantly trying to push the
4 envelope.

5 As a result of the work on regulating
6 utilities here in the State of Illinois, we are also
7 embarking on working with state universities,
8 working with the hospitals to try to get them to
9 acknowledge that they also need to move their
10 diversity numbers forward as well, and we have
11 passed a series of bills over the course of the last
12 year that are lending themselves towards
13 acknowledging the challenges in those different
14 sectors as well.

15 What happens here under the leadership
16 of the Commerce Commission is setting the stage for
17 everything else that is to come.

18 Again, we appreciate all of the work
19 that the companies that are in the room today are
20 moving forward on that, and but we just have to make
21 sure it's not just show.

22 It is very easy to start a supplier

1 diversity council. It's very easy to hire someone
2 who is suppose to be dealing with diversity or
3 over-diversity. That's the easy part.

4 The hard part is really getting it
5 done, and that's where we have to make sure that we
6 are pushing and encouraging these companies to make
7 sure that it happens and not just in a sense that
8 you have got companies that are already established
9 who they can point to and say, okay, come to this
10 project with us.

11 We also need to look at ways to
12 increase those numbers by mentor protege
13 opportunities while taking smaller, maybe even
14 separate, start-up companies and giving them the
15 opportunity to be able to grow and to actively
16 participate in these ventures and giving these
17 opportunities.

18 So that's another way in which we have
19 to encourage our companies, wherever they are in the
20 State of Illinois, whatever sector they're in in the
21 State of Illinois, to try to move that particular
22 ball forward.

1 If there's a need for additional
2 legislation to try to help encourage, we'll be more
3 than happy to introduce and hopefully see that
4 successfully signed into law.

5 Again, we have seen, even from the new
6 administration, the interest in increasing the
7 diversity here in the State of Illinois. We
8 appreciate that interest and we want to make sure
9 that they stay true to that interest.

10 Chairman Sheahan talked about, just
11 even within the Commerce Commission, how they have
12 increased diversity, and we appreciate that as well.
13 I mean, to come in right off from the very beginning
14 and acknowledge that and then actively work to make
15 it better, of course, they're truthfully -- I should
16 say you are truthfully leading by example, and we
17 very, very much appreciate that.

18 Again, we have seen some success, but
19 there's a need for more success, and we want to work
20 hard to try to get there.

21 COMMISSIONER del VALLE: Thank you very much,
22 Representative Davis. Thanks for being here today.

1 REPRESENTATIVE DAVIS: My pleasure. Thank you.

2 COMMISSIONER del VALLE: We would like to call up
3 the first company, Ameren Illinois.

4 COMMISSIONER MAYE: Commissioner del Valle,
5 before we have Ameren, we are going to have a
6 special presentation from Kate Tregasser who I'm
7 going to introduce here.

8 COMMISSIONER del VALLE: Oh, sorry about that. I
9 was just anxious to get to the companies.

10 COMMISSIONER MAYE: I know you got excited. We
11 are going to give you some buffer.

12 So with that, I would like to
13 introduce Kate Tregasser. She is an executive
14 partner of the Chicago office of Krieg DeVault.
15 She's also the chairman for the Diversity Committee.

16 Kate has been working with us,
17 particularly my office. You know, she does -- she's
18 great at what she does. She looked at these
19 reports. She is going to provide her perspective of
20 them from over the last year. She definitely gives
21 a lot of guidance on a pro bono basis which we
22 definitely appreciate.

1 I was asked to review the annual
2 reports that were filed with the Commission, and I
3 was very encouraged by the level of detail presented
4 in the reports.

5 It is clear the utilities have a
6 strong commitment to supply diversity. As a result
7 of everyone's hard work, there's been several
8 advances in supplier diversity, and the amount of
9 money spent with diversity suppliers has increased
10 over the last few years. There's now created a
11 Utility Business Diversity Council to provide
12 guidance on the program, and diversifiers have more
13 access to opportunities since the Commission has
14 established a database on its website with a point
15 of contact for each participating entity along with
16 a list of certifications recognized by those
17 entities. I feel this is a strong foundation for
18 continued improvement.

19 Looking at the 2014 report, it shows
20 us the progress by utilities in procuring goods and
21 services from women, minority, veteran and small
22 businesses.

1 Ameren has increased from 20 percent
2 in 2013 to 28.8 percent in 2014. ComEd has
3 increased from 27.3 percent in 2013 to 34 percent in
4 2014. Peoples/North Shore has increased from
5 40.83 percent in 2013 to 43.06 in 2014. Nicor has
6 increased from 14.59 percent in 2013 to 22.92
7 percent in 2014.

8 This is the first year that American
9 Water filed a report, and they reported 6.82 in
10 2014; however, if we exclude small business spend
11 and only look at diversity spend, Ameren has
12 increased from 10.4 percent in 2013 to 12.3 percent
13 in 2014. ComEd has increased from 23.1 percent in
14 2013 to 26 percent in 2014. Peoples/North Shore Gas
15 has increased from 18.76 percent in 2013 to 21.01
16 percent in 2014. Nicor has increased from
17 5.3 percent in 2013 to 13.15 in 20.14. Illinois
18 American Water reported 5.06.

19 Utility spending with diverse and
20 small business suppliers has increased from just
21 over \$600 million in 2012 to just over 1.1 million
22 in 2014.

1 Additionally, these reports show how
2 the companies run their diversity procurement
3 operations and how they recognize the need for
4 improvement, but what do these numbers tell us?
5 Clearly these actions over the last few years show
6 that everyone understands the importance of supplier
7 diversity.

8 Specifically, these actions were
9 critical in promoting innovation through the
10 entrance of new products, services, and solutions,
11 to the utility industry. They display the
12 companies' commitment to do business beyond
13 consumerism in diverse markets and they showcase the
14 companies' interests in a commitment to the economic
15 growth of all communities.

16 As we look forward and continue to
17 build on the successes of this initiative, there are
18 still opportunities for growth. I envision several
19 steps to continue to increase opportunities for
20 diverse suppliers.

21 First, we need to continue to secure
22 buying from top management. This needs to continue

1 to be the number one priority. If the top
2 management loses interest in this supplier diversity
3 program, there's little chance of it continuing to
4 grow within the companies. These reports
5 demonstrate that we currently have strong buying
6 from the top.

7 Second, we need to set measurable
8 goals. After confirming the ongoing buying from
9 these utility companies, the next step is to set
10 actual targets for performance.

11 For example, the State of Illinois has
12 a goal of 20 percent of total spend within diversity
13 suppliers, including 11 percent with MBEs, 7 percent
14 with WBEs, 2 percent with disabled companies and
15 3 percent with veterans. Once goals are set, we can
16 evaluate the utility's performance against these
17 goals on a yearly basis.

18 Thirdly, we can increase
19 opportunities for diverse suppliers with new
20 opportunities by tracking outreach efforts, create
21 new opportunities, including target market contracts
22 that are exclusively available through diverse

1 suppliers, breaking out contracts into economically
2 feasible and geographically feasible contracts.

3 I often hear from diverse suppliers
4 that they cannot provide goods or services to large
5 companies because the volume requires an unrealistic
6 size of their company or their location to provide
7 the services outside their capabilities.

8 It is important for everyone involved
9 to understand the restrictions that are placed on
10 diverse suppliers by several certification agencies
11 in order to maintain certification; therefore, not
12 all opportunities are an option for diverse
13 suppliers.

14 We can also increase the opportunities
15 by tracking the use of new vendors. Every year the
16 same handful of diverse suppliers are used by a
17 majority of the companies. Creating opportunities
18 for new vendors will create competition among the
19 diverse suppliers and ideally will decrease the cost
20 to the company.

21 The flip side is that I often hear
22 from large companies that diverse suppliers increase

1 their costs. Creating more competition could open
2 doors to more diverse suppliers and ideally decrease
3 the cost of procuring the goods and services of
4 other companies.

5 Additionally, it's important to track
6 the results from the company's participation and
7 diversity professional organizations or vendor
8 fares.

9 For example, are actual opportunities
10 being given to these diverse suppliers at these
11 events?

12 The fourth opportunity for growth
13 would be uniform reporting requirements and
14 definitions. Uniform reporting would allow for
15 future tracking of increased opportunities.

16 For example, are our goals actually
17 being met? Additionally, uniform definitions would
18 ensure the spirit of the program is followed.

19 For example, there's several
20 definitions of a small business. The State of
21 Illinois defines a small business as having revenue
22 under 10 million or for certain industries having

1 less than 250 employees, but the Small Business
2 Administration's definition of a small business
3 includes companies with revenue as high as
4 \$38-1/2 million or for certain industries a thousand
5 employees. The spending numbers reported may be
6 inflated if the intent of the law was to use the
7 state's definition.

8 Lastly, it's important to establish a
9 continuous improvement plan. This can include
10 conducting audits to verify activity and related
11 results comply with the company plan and surveys
12 within diverse suppliers to understanding their
13 unique needs.

14 I appreciate the opportunity. Thank
15 you.

16 COMMISSIONER MAYE: Thank you, so much, Kate.
17 I've been away from the trial room too long, but I
18 would like to qualify you as a witness, so to speak,
19 so why don't you tell them what you do in your
20 practice.

21 MS. TREGASSER: Sure. I represent several
22 hundred M and WBEs and veteran-owned businesses with

1 their certifications, as well as I represent large
2 companies with their supplier diversity programs,
3 you know, implementing or improving their programs.

4 COMMISSIONER MAYBE: Thank you so much. I think
5 that this was very helpful. I know you'll be
6 participating in our roundtable as well and we'll
7 have some questions.

8 COMMISSIONER del VALLE: I have a couple of
9 questions.

10 COMMISSIONER MAYE: You don't have to ask me.

11 COMMISSIONER del VALLE: You are the Chairman. I
12 respect the Chairman.

13 A couple of things. Your last
14 statement about numbers possibly being inflated, if
15 the state definition is not being used?

16 MS. TREGASSER: Correct. Some of the reports
17 have the small business definition.

18 COMMISSIONER del VALLE: So they have the small
19 business definition. By looking at these reports,
20 you cannot determine --

21 MS. TREGASSER: Correct.

22 COMMISSIONER del VALLE: -- whether that is

1 happening or not?

2 MS. TREGASSER: All the reports have a
3 definition. They list out what each utility defines
4 as a small business and they, for the most part, use
5 the Small Business Administration, which is just a
6 higher standard.

7 COMMISSIONER del VALLE: The SBA?

8 MS. TREGASSER: Uh-huh.

9 COMMISSIONER del VALLE: What would you
10 recommend?

11 MS. TREGASSER: I recommend, since this is a
12 State of Illinois program, to use the State of
13 Illinois definition of a small business.

14 COMMISSIONER del VALLE: And you anticipate that
15 that would change the numbers?

16 MS. TREGASSER: I think it will significantly
17 decrease the numbers spend with small businesses
18 within the new definition of small business.

19 COMMISSIONER del VALLE: Significantly decrease?

20 MS. TREGASSER: That would be my assumption. I
21 can't guarantee it.

22 COMMISSIONER del VALLE: That's an important

1 point and we are certainly going to make note of
2 that.

3 The second one is, and the
4 reason -- and the chairman is right -- I'm asking
5 these questions is so that maybe the utilities when
6 they get up here they can elaborate more on it.

7 One more question. You heard my
8 statement about African American and Latino
9 spending, and you saw in the report that there are
10 goals.

11 MS. TREGASSER: Correct.

12 COMMISSIONER del VALLE: Individual goals. One
13 company, for example, had a goal of 3 percent, but
14 the actual was 2.9 percent, another goal of 2.6
15 percent, but the actual was 3.5 percent.

16 Just, generally speaking, would you
17 agree with me that the numbers could be a whole lot
18 better for MBEs --

19 MS. TREGASSER: Wholeheartedly.

20 COMMISSIONER del VALLE: -- for African Americans
21 and Hispanics?

22 MS. TREGASSER: Yes.

1 COMMISSIONER del VALLE: And would you agree that
2 those numbers are kind of buried in these reports
3 because of the overall small business spend and
4 women business spend.

5 MS. TREGASSER: Yes, that would be my assumption,
6 because when you break out the small business -- I
7 apologize. I did not break out the women spend, but
8 if we did that, the numbers wouldn't be as strong,
9 so I think that -- I think the intent -- well, I
10 guess you have to ask the General Assembly and
11 yourselves what the intent of the initiative is, and
12 if it's to increase spend with minority-owned
13 companies and with women-owned companies, because
14 that's considered in that as well, I think small
15 business needs to be under a completely separate
16 category, because a lot of times that's a
17 self-certification. You know, the minority and
18 women-owned companies have to go through a rigorous
19 certification process and so they're held to a
20 higher standard.

21 COMMISSIONER del VALLE: Thank you.

22 COMMISSIONER MAYE: Just some follow-up. I know

1 we met with a couple of our utilities and one in
2 particular we talked about the self-certifying
3 issue. There really is no way. It's kind of an
4 honesty policy. There is no way to verify who they
5 truly are, you know, if they're a small business or
6 if they're self-certified as a women-owned business,
7 if it's truly a one-woman business that is the
8 majority share of that business, so --

9 MS. TREGASSER: I believe the utilities are, you
10 know, requiring certification for all of the women
11 and minority. It would just be the small business,
12 and along that same line is, you know, maybe the
13 first time they start working with that company,
14 they qualify as a small business, but are they
15 continually asking them if they're still a small
16 business, because, obviously, if they give them
17 large contracts, they could easily graduate out of
18 that program.

19 COMMISSIONER MAYE: That's very interesting.
20 Thank you so much, Kate. This is great. Looking
21 forward to having you back at our roundtable.

22 COMMISSIONER del VALLE: Okay. Our first utility

1 is Ameren Illinois represented by Ron Pate, Senior
2 Vice President of Operations and Technical Services.

3 Ron.

4 PRESENTATION

5 BY

6 MR. PATE:

7 Good afternoon, Commissioners and
8 those in attendance. I am Ron Pate, Senior Vice
9 President of Operations and Technical Services.
10 With me today is Byron Witherspoon, Director of
11 Supplier and Diversity for Ameren Corporation; and
12 Brice Sheriff, Director of Regulatory Affairs for
13 Ameren Illinois.

14 Our president, Richard Mark, regrets
15 that he could not be here today. His attendance was
16 needed at the Ameren board meeting in St. Louis. He
17 has expressed a great interest in meeting with you
18 either here or at our Collinsville office in the
19 future.

20 I appreciate the opportunity to be
21 here today representing Mr. Mark and Ameren Illinois
22 to talk about our Supplier Diversity Program. I

1 might stop right here to say sometimes he has me
2 fill in for him at meetings that aren't as pleasant
3 as this one or the one this morning with the rock
4 star kickoff.

5 You are absolutely right,
6 Commissioner. It was a great event, and I think it
7 will bring us together.

8 And, Commissioner del Valle, in your
9 opening comment you take that very serious, and I
10 think with pulling these utilities together to talk
11 about that, we'll talk about good things that are
12 happening, but we take the challenge that we have
13 much more to do seriously, and we'll continue to
14 pursue that, and I think bringing these utilities
15 together only helps that fact.

16 I'll spend a couple of minutes giving
17 you an overview of our program and our efforts to
18 further strengthen diversity with the inclusion of
19 Ameren, any Byron is going to discuss the
20 performance of our 2014 Annual Report.

21 As a major purchaser of materials and
22 services, we realize Ameren can play a significant

1 role in growth and development in diverse suppliers.

2 We have developed an aggressive
3 program to make sure diverse suppliers are
4 encouraged and given an opportunity to do business
5 with Ameren. Each year our goal is to work
6 incrementally to improve our past efforts, and I'm
7 pleased to say we have received steady growth in
8 terms of increased spending and vendor utilization
9 of diverse suppliers and also hiring diverse
10 candidates to fill critical roles within Ameren
11 Illinois.

12 Some of the strategies that we are
13 utilizing to help support these efforts -- and Byron
14 will give more details -- is developing a
15 scholarship program for business owners at Tuck
16 School of Business at Dartmouth University in New
17 Hampshire, also sponsoring a biennial symposium to
18 raise awareness for the procurement process
19 developing an Ameren inclusion council. This
20 cross-sectional group of employees makes suggestions
21 for improvements in current diversity inclusion
22 initiatives, as well as identifies measures for

1 evaluating our progress. In 2013 we
2 hosted a company-wide diversity festival where over
3 5,000 of our employees, their families and vendors
4 attended. This same event is being planned for this
5 coming October.

6 At the local level, we conduct linemen
7 and gas worker awareness programs at high schools
8 and community colleges. We have also conducted
9 diversity outreach events in communities throughout
10 our service territory to help build and maintain a
11 pipeline of skilled workers with the best diverse
12 backgrounds.

13 Most recently events were held in
14 Peoria, Decatur, Champaign and the Metro East area.
15 We seek input from local organizations in reaching
16 out to a diverse group of participants for those
17 areas.

18 Also, we work with community-based
19 organizations, such as the NAACP, Urban League,
20 Black Chamber of Commerce, and also county employee
21 training organizations, and, of course, our union
22 partners, and not just identify diverse suppliers

1 but to make sure that they have an opportunity to
2 work on our property.

3 Next month we are going to begin
4 construction on a new operating center in McComb,
5 Illinois, and I'm pleased to report that more than a
6 quarter -- actually 27 percent of the subcontractors
7 on that job will be diverse businesses.

8 Also, before I turn this over to
9 Byron, I'm excited and proud to announce that Ameren
10 has been named the number one company on
11 DiversityInc.'s list of top utilities for diversity.
12 This is the fifth consecutive year Ameren has been
13 recognized among the top five utilities; however, it
14 is our first time on the top of the list creating an
15 inclusive workplace, reaching diverse customers and
16 having a strong Supplier Diversity Program.

17 To be named first among the U. S.
18 Utility companies, such as Cipro Energy, Synergy
19 Company, Pacific Gas and Electric, is an honor and
20 speaks to the hard work that's taken place and the
21 seriousness. We take it personally.

22 So with that, I will ask Byron to

1 discuss the performance and give some more details.

2 PRESENTATION

3 BY

4 MR. WITHERSPOON:

5 Thank you so much, Ron, and thank you
6 Chairman Sheahan and to the Commissioners for your
7 level of engagement with what the utilities are
8 doing in the area of supplier diversity.

9 I appreciate the opportunity to
10 discuss with you today our Supplier Diversity
11 Program as we believe we have matured greatly over
12 the last several years, and so what I'm going to do
13 is start off our discussion today with the kinds of
14 goods and services we buy. Our key supply diversity
15 strategies we believe lead to our results while
16 illustrating the results we have achieved over the
17 last three years, and then I want to turn it back
18 over to Ron for some closing remarks.

19 And, Brice, if you would turn for me.
20 First, how we structure at Ameren. Turn it again
21 for me.

22 We have mostly business segments with

1 many different types of business services that we
2 procure. The Ameren business segments include
3 business and in corporate services generation,
4 transmission, and our focus for today's discussion
5 is the Ameren Illinois energy delivery business.

6 If you look at the screen, I'll just
7 call your attention to a couple of goods and
8 services that we procure are primarily focused in
9 the middle block with the energy delivery section,
10 but from a business and corporate services
11 perspective, that's kind of our back office
12 purchasing, and so we are talking financial
13 services, HR services, other outreach and
14 educational services. Those are things that we do
15 in that space, and from a generation perspective,
16 you are looking at engineering services, boiler
17 material and services, et cetera.

18 What I really want to focus on and the
19 meat of our discussion today is what we are doing at
20 Ameren Illinois in our energy delivery space.

21 So when we talk about the goods and
22 services in that space, we're talking things like

1 overhead line construction, transformers, vegetation
2 management, et cetera, and you will find the
3 descriptions for those categories in our annual
4 report beginning on Page 4.

5 Now when we talk about our key
6 supplier diversity strategies, before I talk about
7 what we think are core, it is important to note that
8 what our pillars are that we believe focus our
9 efforts, and the strategies and activities that we
10 employ at Ameren.

11 And so when we think about pillars, we
12 are talking about access, we are talking
13 development, and we are talking sustainability. We
14 believe that if we execute all those, those lead to
15 long-term powerful partnerships which really begins
16 to drive all of our strategies and activities that
17 are part of the DNA of what our program is.

18 So you heard Ron mention the senior
19 level leadership support and influence. I would
20 like to call this the sine qua non of what we do.
21 It is the necessary ingredient of the essential
22 condition for our program to be successful. There's

1 accountability for what we are doing and supplier
2 diversity that extends all the way up from Ameren
3 Illinois' perspective to Richard Mark and Ron Pate,
4 but also from an Ameren perspective to our entire
5 executive leadership team.

6 How do we carry out our mission? So
7 when I think about the strategies, I mean, we talk
8 about the secret sauce, if you will, but some of the
9 strategies that we have in place one key is having a
10 supply diversity policy, and so that policy is much
11 more than a statement. That policy outlines how
12 supplier diversity should operate within sourcing.

13 So we are talking about how do we
14 operate in the community? How do we operate with
15 our business segments? How do we operate with
16 sourcing. That policy outlines that, and that
17 policy is also contained in detail in our annual
18 report.

19 I have a team of five that report off
20 to the business segments, and so when we are talking
21 about establishing corporate and business segment
22 goals, that's key for us, because at the corporate

1 level, there's a target. A goal of this year it
2 happens to be 12-1/2 percent. Last year it was at
3 12 percent, and we come in at 12.3 percent on the
4 corporate level. We are talking about Ameren
5 Illinois as well, but our goal has cascaded down
6 throughout our business segments and each business
7 segment share in a portion of what that goal may be
8 based on what their total spend profile looks like.

9 So what my team does is they meet
10 regularly with those business segments, and the
11 kinds of things that they do we are talking
12 strategic opportunity assessments and socialize
13 suppliers within the business. So when we are
14 talking about increased access, it is important for
15 us to make sure that we are getting the suppliers in
16 the business.

17 I recall mentioning last year that a
18 good venue for that is allowing supplier
19 introductions into the business, and so what Ron's
20 team does -- we can supply diversity
21 professionals -- they will coordinate a meeting and
22 they'll talk through their progress and they'll also

1 have a forum for the diversity supplier to talk
2 thorough their goods and services that they provide.

3 What that does, and we found, is it
4 increases the likelihood of success for RFPs,
5 because if the business is familiar prior to the bid
6 going out, the likelihood of success increases.

7 To grow and to sustain a
8 subcontracting program for diverse supplier
9 participation, so the common nomenclature for that
10 is Tier 2, and so we impress upon our prime
11 suppliers that it is important that they share in
12 the value and commitment to Ameren with regards to
13 supplier diversity and we ask them to share in those
14 responsibilities as well.

15 We have put a little more rigor around
16 our Tier 2 Program, and over the last year we saw
17 that grow as well, to last year we reached like
18 56 million in Tier 2 spending.

19 Alpha opportunities initiative, you
20 might be asking what is that. So our Alpha
21 opportunities initiative is an initiative that
22 provides an entry point for non-incumbent suppliers

1 to gain experience with Ameren. And so what do I
2 mean?

3 Well, in order to gain experience and
4 to build confidence within the business, we have to
5 find that sweet spot, if you will, that what we
6 would consider less critical areas for those
7 suppliers. The general rule is being anything under
8 a hundred thousand dollars. Now it may exceed that
9 here but not by very much.

10 What it does is it allows them to get
11 experience to navigate Ameren's program, to get some
12 successes, to get some key wins, and then they can
13 graduate, if you will, to larger opportunities.

14
15 To-date, we have about ten suppliers
16 that's part of that program. Seven of those are the
17 new suppliers. We are not talking large volumes of
18 spend, but I think in the spirit of what we are
19 trying to do is really not about the spend. It's
20 about creating some depth and some sustainability,
21 and so it is consistent with our pillar of creating
22 sustainability.

1 MR. PATE: If I could just add, Byron, we think
2 this is a real key to talk about how we are going to
3 expand to diverse suppliers that we have, as stated
4 earlier, getting folks in that are smaller to get
5 them aware and then expanding that.

6 There's some work-arounds that you
7 have to do. I mean, they can't carry a payroll as
8 long as someone else, so you may have to devise some
9 short-term solutions to help them get in the door,
10 if you will, but we think this is a real key if we
11 are going to find additional suppliers to help us
12 out. This could really do that.

13 MR. WITHERSPOON: And when we are talking about
14 accountability, I will move a step back a minute to
15 talk about a supplier diversity policy and so you
16 understand the level of visibility that that gets in
17 and how it is implemented and executed throughout
18 that organization. That flows up through the senior
19 director of supplier services ultimately resting
20 with the vice president of safety and supply
21 services, and so there's no deviations without a
22 sign-off at that level, and so we make sure that

1 things happen within the organization.

2 The Tuck School -- the Tuck
3 Scholarships to facilitate development and
4 sustainability, Ron talked a little bit about that.
5 Over the last several years, I want to say it's been
6 about 14 MBEs that we have awarded scholarships to
7 and most recently at our symposium we awarded two
8 more Chicago-based suppliers. They both are going
9 in in August as a matter of fact.

10 I think we have some folks here that
11 we will show you here shortly, and then we also
12 hosted a symposium matchmaker to facilitate access,
13 and so what we try to do is stay true to what our
14 pillars are and access development and
15 sustainability.

16 I will tell you another aspect of our
17 program that we have done is we have heard from our
18 primary suppliers as well, and so we have engaged
19 them, and they come out to some of our events, but
20 what they have said to us is, hey, you know what, in
21 some of the complex work scope areas, we are not
22 finding the suppliers at your events, and so what we

1 have done we are actually hosting an event -- well,
2 I will take that back. A supplier is hosting an
3 event tomorrow where we have gone out to the
4 supplier, We said, hey, we have a bunch of suppliers
5 that are unique to the type of work that you are
6 looking for. They're going to host them at their
7 facilities. So we help facilitate those types of
8 engagements in order to continue to create depth in
9 our supplier chain and so we can properly match, if
10 you will, our primary suppliers with the kind of
11 work that they're looking to do.

12 So when we look at the results, we
13 believe our focus has yielded the results that we
14 are looking at today over the last several years,
15 and so when you look at Ameren Illinois'
16 number 127 -- and I heard Commissioner del Valle
17 talk about we have to keep a healthy perspective on
18 what the percent increase is -- but now when we look
19 at our 2013 spend over 2014, we are talking close to
20 a 35 percent increase, and if you look at 2012 on
21 how Ameren Illinois finished compared to 2014, it's
22 about 150. It's close to a 150 percent increase.

1 Our annual reports kind of give you
2 the break out. I heard you mention some numbers.
3 We agree that we have work to do. We focus our
4 efforts in that effort. We are very deliberate
5 about how we are going about increasing a minority
6 spend with respect to how we are introducing the
7 suppliers into the business.

8 I also want to point out when we talk
9 in terms of that 127, excluding small business,
10 about 55 percent of that is with suppliers that are
11 headquartered in Illinois, and so our report shows,
12 hey, what are we doing with Illinois of that spend?
13 What is the spend with Ameren Illinois-based
14 suppliers?

15 So when we talk about continuing to
16 reinvest back into the communities we serve, that is
17 one aspect of how we are reinvesting back into the
18 communities we serve.

19 One other thing before I turn it back
20 over to you, Ron, we had a series of meetings, one I
21 did get a chance to attend and, Commissioner Maye,
22 you and Commissioner del Valle sponsored an

1 investment banking meeting here in Illinois.

2 We also did something similar in
3 Missouri, and this is more for information that we
4 have a book of business, if you will, with
5 minority-owned investment banking firms of close to
6 \$20 million, we are talking fees about \$300,000, but
7 we have done those kinds of things with some stocks
8 and executive level stock purchase, some debt
9 selling in the market, and that, so we have been
10 able to bring on board some minority investment
11 banking firms as well and continue to drive in that
12 area as well.

13 So with that, Ron, if you wouldn't
14 mind.

15 MR. PATE: Sure. Thank you, Byron.

16 As you can see, we are continuing to
17 build our efforts in this area remains a top
18 priority for Ameren leadership. We are committed to
19 expanding our direct and subcontracting program,
20 and, as Byron described, investing in opportunities
21 to build a stronger, more diverse supplier pipeline,
22 increasing access to business opportunities,

1 supporting those programs that are creating
2 long-term sustainability within our diversity ranks.

3 As a company, we understand the
4 importance of diversity and inclusion to help us
5 perform at our best for our customers and our
6 shareholders. Excuse me.

7 As I close, I want to share with you a
8 story Ameren's CEO Warner Baxter recently told. A
9 co-worker attending a town hall meeting stood up and
10 said he understands why diversity inclusion is
11 important but asked what is the business purpose?

12 Warner responded by saying diversity
13 inclusion brings diversity of thought in our
14 business processes and decision making. It drives
15 engagement to keep everyone moving in the same
16 direction.

17 As a result, that whole sense of
18 togetherness and inclusion will help us take our
19 performance to the next level, and that's what we
20 are striving to do at Ameren is to take our
21 performance to the next level to benefit our
22 customers and Illinois ratepayers.

1 So on behalf of all of Ameren
2 Illinois, we thank you for the opportunity.

3 COMMISSIONER MAYE: Thank you so much. I have a
4 couple of -- I'll ask one, then I will go back and
5 forth. Is that okay, Commissioners?

6 My main question here, and I'm looking
7 at your numbers, and you talked about that a little
8 bit as well. So your small business spend was
9 almost doubled between 2013 and 2014.

10 So is there a particular -- I'm just
11 curious to know if there's a particular method, you
12 know, if you target small businesses over other
13 categories? Has it significantly increased as
14 opposed to the other categories?

15 MR. WITHERSPOON: So thank you for the question,
16 Commissioner Maye, and, no, we don't target. Now we
17 try small business for some federal reporting that
18 we have that they have asked for small business
19 spend.

20 Our primary focus has been with the
21 diverse category, and so when we do our scrub, we do
22 a biennial scrub to where we are identifying

1 suppliers. If they get captured as a small
2 business, we are tracking it, but there's no
3 strategic focus in increasing that spend.

4 So it really is one of those deals to
5 when we see year after year it becomes a matter of
6 how they are identifying as a small business.

7 COMMISSIONER MAYE: So a quick follow-up to that
8 though, since there are -- do you tend to look at
9 your numbers and say we knocked this one out of the
10 park, small business is great, this category not so
11 much, let's focus on that, or do you --

12 MR. WITHERSPOON: Yes. Yes. And if I could use
13 an example of some things that we do with Ameren
14 Illinois, and so with respects to that type of
15 supplier that we socialize, one of our goals was to
16 begin to reshape the diversity pie, if you will.

17 So when you look at the portion of the
18 diversity pie, the diverse spend, and we say, hey,
19 generally the rule might be 55/45 and the remaining
20 being veterans, 55 percent being women, 45 percent
21 being minority, and the difference between veterans,
22 in order to reshape that pie, what we will do is,

1 one, when we do our opportunities assessment, the
2 goal is to identify a ratio of more minority
3 suppliers to the other categories that we're
4 introducing.

5 So what these guys are seeing are more
6 minority suppliers, and I think what you will see
7 this year is a bump in that as well, because as we
8 saw that it is a constant baseline practice to kind
9 of look at what we have done and how we are going to
10 move that forward. Does that --

11 COMMISSIONER MAYE: Thank you very much.

12 MR. PATE: Just to follow-up on that, too, it's
13 something that I look at and other senior leadership
14 look at, too, to make sure we're putting our
15 resources in the correct place. When we start
16 seeing that pie get too heavy on one side, you know,
17 should we actually be taking resources and expanding
18 them for efforts elsewhere.

19 COMMISSIONER MAYE: That's good to know that you
20 are monitoring.

21 COMMISSIONER del VALLE: I want to continue going
22 the same way. If you want to reshape the diversity

1 pie and you are monitoring it, shouldn't that be
2 reflected in your goals? The MBE goal for 2012 was
3 2 percent; in 2013 it was 2.5 percent; and in 2014
4 it was 2.6 percent, so there was much more growth, a
5 half percent between 2012 and 2013. It went from
6 2.5 to 2.6, and, yet, we you spending more.

7 So why isn't what you just
8 indicated -- both of you indicated not reflected in
9 these goals that you have established?

10 MR. WITHERSPOON: And so you will see -- and
11 thank you, Commissioner del Valle. What you will
12 start seeing is the increase in the dollar, the
13 dollar spend, so you are looking at the percentage,
14 but if we go back and we look at how the dollars are
15 increasing, we recognize that there are growth
16 opportunities there and that's kind of been our
17 focus.

18 Now what we saw is how do we begin, so
19 aligning ourselves or getting plugged into the
20 community with respect to uncovering those minority
21 suppliers that can help support that number at a
22 trajectory that would impact that and balancing it

1 with introducing or filling a pipeline at the Alpha
2 opportunities level and building them.

3 COMMISSIONER del VALLE: I'll repeat my question.
4 Why aren't the goals reflective of what you said is
5 your commitment to reforming the diversity pie?
6 Because the goals serve as a guide for your folks,
7 and if the goal only goes from 2.5 to 2.6 over one
8 year, then that certainly doesn't reflect the level
9 of commitment that you just talked about.

10 MR. WITHERSPOON: Opportunity for us.

11 MR. PATE: I do ask for a challenge. You know,
12 the dollar amount you will see increase, but
13 percentage-wise perhaps not, so I take that as a
14 fair challenge to go back and see what the
15 possibilities are. Again, we look heavy on one
16 side, we can take a look at resources and shift them
17 elsewhere. That's a fair challenge.

18 COMMISSIONER MAYE: Thank you very much, Ameren
19 Illinois.

20 Next we will have the president and
21 CEO of Commonwealth Edison, Anne Pramaggiore.
22 Please go ahead, Anne.

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PRESENTATION

BY

MS. PRAMAGGIORE:

Thank you. Good afternoon. Good afternoon, Chairman Sheahan, Commissioners del Valle, Maye and McCabe. We appreciate the forum today and the opportunity to report to you on ComEd's progress around its diversity inclusion efforts, particularly in diversifying its supply chain.

On behalf of ComEd I want to applaud the Commission's active engagement in the area of supplier diversity with the launch of the Illinois Utilities Business Diversity Council earlier today.

With energy representing about 9 percent of the U.S. GEP, the impact that this impact has on the national and Illinois economy is clear and substantial. We join in your commitment to ensure that the positive impact of our industry is distributed amongst all our communities.

Joining me today are Fidel Marquez, ComEd's Senior Vice President of Governmental and

1 Internal Affairs. Fidel is ComEd's executive
2 sponsor for supplier diversity and he'll provide a
3 review of ComEd's activities in 2014.

4 I also have Michelle Blaise. She's
5 ComEd's Senior Vice President of Technical Services.
6 Michelle is the major purchaser of construction,
7 engineering and vegetation management services at
8 ComEd, so she's a big buyer. She will bring the
9 Commission up to date on our 2015 activities.

10 I would like to provide a brief
11 overview of our diversity inclusion work at ComEd
12 into which our supplier diversity efforts fall. Our
13 work to enhance diversity and to develop an
14 inclusive environment is a core value and we create
15 an actionable diversity inclusion plan each year
16 based on five pillars. Building a diverse
17 workforce, creating an inclusive work environment,
18 increasing diverse supply chain, commitment to
19 community engagement, and leadership in diversity
20 inclusion are the five.

21 I just want to quickly highlight an
22 effort in each area. Our commitment to diversity

1 starts with the workforce. At ComEd we employ
2 approximately 6300 people and as of the end of 2014
3 roughly 52 percent of these employees were diverse.
4 During 2014 we hired 865 employees, 50 percent of
5 whom were diverse and 133 interns, 59 percent of
6 whom are diverse. In 2015 year to date, we have
7 hired 431 employees, 57 percent of whom are diverse.

8 Our commitment goes beyond the
9 workforce of today and we real look forward to the
10 workforce in the future. In 2013 we created
11 Construct, a program that's designed to train
12 diverse candidates to take jobs in the construction
13 field where diverse groups have been traditionally
14 underrepresented. Fidel will talk more about this
15 program.

16 Inclusion is the second pillar, and
17 it's the job of ensuring we create an environment
18 where all voices are heard. Last year we launched
19 our inaugural internal diversity report to employees
20 entitled, "In a Different Light," and we brought
21 copies with us. We formed a diversity council to
22 meet quarterly, and we host many diversity-related

1 events throughout the year.

2 Fidel will cover much of what we have
3 on supplier diversity, as well as Michelle, but
4 allow me to highlight a few statistics.

5 In the last four years, since the
6 passage of the Smart Grid bill, we have invested
7 \$1.3 billion in diverse businesses.

8 In 2014 we spent 414 million with
9 diverse suppliers and an additionally \$129 million
10 with small businesses. The diverse supplier spend
11 with 415 billion represents 26 percent of our total
12 spend, and while our total spend in 2014 increased
13 18 percent, our diverse spend increased to 32
14 percent. So, of course, we can do more, but we are
15 focused on this very intently.

16 In the community our executives sit on
17 99 profit boards and we have decades long
18 relationships with some of the most impactful
19 organizations in Chicago.

20 And, finally, on leadership, which is
21 our fifth pillar, I would highlight that our Chicago
22 training center project, which is scheduled to be up

1 and running by the first quarter 2016, we have let
2 almost 90 percent of the contracts to either MBE,
3 WBE or VBE suppliers.

4 We thank you for turning the spotlight
5 on this critical issue. It's important to our
6 collective future as an industry that we will have
7 an impact. I think now is the time to accelerate.

8 With that, I will ask Fidel to make a
9 few comments on our activities in supplier diversity
10 specifically. Thank you.

11 COMMISSIONER MAYE: Thank you.

12 PRESENTATION

13 BY

14 MR. MARQUEZ:

15 Thank you. Good afternoon,
16 Commissioners. I appreciate the opportunity to be
17 here with you this afternoon. I will specifically
18 discuss our plans and progress in building our
19 partnership with certified diverse businesses which
20 is essential to our culture and to our business.

21 As Anne explained, we reached an
22 all-time high in 2014 with \$450 million in diverse

1 business investment. It was an increase of a
2 hundred million dollars over 2013, and, as Anne
3 said, a 32 percent increase.

4 Approximately 26 percent of ComEd's
5 supply needs are procured from diverse certified
6 suppliers and vendors, and the percentage is
7 34 percent when it includes small business
8 enterprise, and based on the conversation earlier,
9 ComEd does use the federal SBA definition of what a
10 small business is. We set goals for 2015 to
11 increase diversified supplier investment to more
12 than \$500 million.

13 We are pleased to report that through
14 the first quarter of this year we are on track to
15 achieving that goal with a total investment of more
16 than \$176 million across a broad range of
17 categories. This includes professional services
18 which is priority for us as it is I know for the
19 Commission.

20 I would like to say a few words about
21 our work in this area, and I will highlight some of
22 our progress in the area of workforce development

1 and training as well.

2 In 2009, ComEd established what we are
3 calling a "high-margin strategy." It's focused on
4 increasing diverse investment in specific
5 categories, including advertising and marketing,
6 business consulting, engineering and technical
7 consulting, financial services, HR services, IT
8 professional services, legal and banking.

9 The high-margin strategy was
10 undertaken because businesses in these categories
11 typically have higher profit margins and, therefore,
12 have an increased capacity to contribute to
13 community in regional and economical growth.

14 Within the professional service
15 category, we have been focused on increasing our
16 investment minority-lead base and financial service
17 providers. This can be seen in our debt issuances,
18 credit facilities, financial advisory services, and
19 investment management, just to name a few.

20 As it relates to debt issuance, it's
21 important to note that the way we structure
22 consolidated facility packages enables us to work

1 with a broader range of banks, including smaller
2 institutions, than would be typically possible.

3 We include diversity firms on every
4 normal course of debt financing. From 2009 to 2014,
5 total underwriting fees to diverse banks has been
6 over \$5 million. ComEd has arranged \$34 million in
7 lines of credit with community and minority-owned
8 banks in Illinois, including Seaway Bank and
9 Riverside Community Bank.

10 Our program is part of a broader
11 effort that we partner with our parent, Exelon,
12 which has more than tripled in credit facility and
13 quadrupled the number of participating banks since
14 its inception.

15 This is a unique program in the energy
16 industry, and in this still challenging economic
17 climate, these transactions help support small
18 businesses and keep dollars in the local economy as
19 participating banks benefit having increased
20 deposits and the assets which to serve their
21 communities.

22 We have included diverse banks in

1 other areas of the company in addition to those
2 capital marketplaces, including, for example,
3 investment firms to assist us with management of
4 pension and health care assets.

5 Our spend in other high-margin
6 categories is growing as well. In 2014 we invested
7 approximately \$30 million with diverse suppliers in
8 four target categories, including advertising,
9 engineering, human resources, and legal.

10 In the area of workforce development,
11 as Anne has mentioned, we continue to focus on the
12 workforce of the future in help building the utility
13 of the future. Creating opportunities for
14 historical underrepresented populations in the
15 utility, construction industries is very much part
16 of this effort.

17 In 2013 we opened ComEd's first
18 training center in Rockford with a commitment to
19 open a second bigger facility in Chicago and bring
20 opportunities and jobs to this area.

21 As Anne mentioned, this was a target
22 market project in which we were specifically focused

1 on minority investments in this, and over 90 percent
2 of the remediation and construction work is with
3 minority firms. This facility will employ about
4 40 full-time staff and is especially designed as an
5 education and training center for ComEd's workforce.
6 About \$4,000 employees will participate in training
7 at this new facility each year.

8 In addition, we are working under
9 Chicago's CASE Program, Chicago Anchors for a Strong
10 Economy, to identify local suppliers, local
11 businesses that will help support our efforts at
12 this training center.

13 The center also provides us the
14 opportunity to partner with the City of Chicago to
15 develop an after-school vocational training program
16 focused on the electrical industry, the first of its
17 kind for ComEd. The program will provide CPS
18 juniors and seniors the training to become utility
19 workers of the future.

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

1 the advanced training programs available at the
2 Dawson Technical Institute where we operate the
3 Overhead Electrical Worker Program to meet the
4 need for overhead electricians and line workers.

5 Finally, I can't talk about
6 workforce development without talking about the
7 evolution of the Construct Program, which is
8 designed to increase the pool of qualified minority
9 job candidates in construction-related fields.

10 We launched this program three years
11 ago in an 11-week training program which provides
12 students the training, information and guidance
13 needed to compete for entry level positions.

14 Nicor Gas has recently joined us as a
15 Construct partner. In fact, we are partnering with
16 over 20 leading companies in the construction and
17 engineering fields, as well as trade unions, such as
18 IBEW and six social organizations, including Aspira
19 of Illinois, Austin Peoples Action Center, Chicago
20 Urban League, the National Latino Education
21 Institute, the Quad County Urban League, and YWCA of
22 Metropolitan Chicago.

1 In May of this year 55 students
2 graduated from Construct and, in 2014, 75 of the 88
3 candidates who completed the program were offered
4 jobs in Illinois, so the program is working.

5 We are eager to explore our
6 newly-formed Illinois Utilities Business Diversity
7 Council and further accelerate the development and
8 reach of the program.

9 Thank you again for your time and
10 interest today. I will now turn it over to Michelle
11 Blaise who will talk about key programs for 2015.

12 PRESENTATION

13 BY

14 MS. BLAISE:

15 Thank you, Fidel, and good afternoon,
16 Commissioners. I would like to provide a good deal
17 of goals and key initiatives underway this year to
18 increase expenditures of diversity suppliers.

19 As senior vice president of technical
20 services, I work closely with colleagues both inside
21 and outside of the organization, as well as bring
22 the outside supplier partners to plan and employ

1 programs to modernize and reinforce our broad
2 transmission and distribution system.

3 I have had the great opportunity to
4 work with companies of all sizes. It's especially
5 gratifying to partner with new companies and
6 minority-women-owned businesses.

7 We truly enjoy the opportunity to
8 contribute to the growth and success of these firms
9 and help them create jobs and add value; in other
10 words, it's not just about awarding contracts.

11 As part of the Smart Grid bill, we are
12 committed to creating 2,000 jobs. I'm proud to say
13 that as of 2014 we created 3600 full-time equivalent
14 positions as part of our Smart Grid Programs. The
15 investments being made are responsible for many
16 success stories among our suppliers and contractors
17 in our supplier community.

18 The Smart Grid is not the only major
19 initiative we have underway. In 2014 we began
20 working on a multi-year \$1.7 million program to
21 address potential generation retirements, install
22 new transmission facilities and upgrade existing

1 facilities to further enhance the strength and
2 reliability of the system.

3 Such major programs create great
4 opportunities, of course, to build partnerships with
5 well-established leading organizations.

6 I should point out that these partners
7 also play a key role in creating opportunities for
8 diverse suppliers and young companies looking for
9 opportunities to prove themselves.

10 We have several highly-proactive
11 efforts in place to help make this happen. For
12 example, we are developing diversity certified
13 suppliers, especially in historically
14 under-represented categories, such as engineering
15 and construction.

16 We are assisting non-diverse prime
17 suppliers in efforts to develop subcontracting and
18 mentoring programs to increase utilization of
19 diverse suppliers in the work that we do award.

20 In 2015 our supplier diversity office
21 has launched several innovative programs to further
22 encourage diversity in the bidding and procuring of

1 products and services.

2 We place an emphasis on integrating
3 diverse business empowerment processes into our
4 day-to-day supply operations.

5 For example, when planning investments
6 with supply chain partners, diversity is one of the
7 key factors taken into consideration when we put
8 projects up for bid.

9 In every request for a proposal --
10 request for information that we issue, the key
11 criteria that we looked at is the diversity of
12 suppliers of subcontractors that the bidders will be
13 bringing in. Other criteria that we have, of
14 course, we have safety performance, price and
15 quality.

16 Integrating these processes into the
17 system requires consistent cooperation between
18 sourcing professionals and our diverse business and
19 empowerment office which is focused on identifying
20 opportunities for potential suppliers for
21 procurement events managed by ComEd.

22 One of our highest priorities is

1 developing diverse suppliers in low utilization
2 categories. In support of this goal in 2015, we
3 are, as I noted earlier, targeting high potential
4 diverse suppliers for opportunities and low
5 utilization categories, such as transmission and
6 substation construction and engineering design
7 services.

8 We are conducting meetings with top
9 prime suppliers in these areas to increase their
10 subcontracting performance. ComEd held a summit
11 last year for the prime suppliers -- for our prime
12 suppliers who came to learn about the major programs
13 of work that ComEd had planned for 2015 and to learn
14 about our new diversity supplier initiatives. It
15 was one of the most successful supplier summits we
16 have had. It attracted more than 200 suppliers.

17 One of the greatest outcomes of that
18 event was a decision by one of our major prime
19 vendors to host its own supplier diversity event to
20 identify strategic partners that they could bring on
21 and other suppliers have started adding their own
22 diversity and inclusion staff.

1 We are inviting sourcing and key
2 decision makers and networking workshops with
3 diverse suppliers. There have been 13 events
4 organized in conjunction with the Certified Minority
5 Supplier Diversity Council, the Chicago Business
6 Opportunity Fair and other leading organizations,
7 such as the Women's Business Development Center and
8 the Illinois Hispanic Chamber and others.

9 From this vantage, ComEd will advocate
10 for certification in membership and key advocacy
11 organizations. In addition, Nash Brothers is an
12 example of one of our largest contractors who we
13 coached and guided through the certification process
14 by the Business Environmental Office.

15 Another contractor, O'Wallace
16 Landscaping, has also been guided through the
17 process and continues to grow from others.

18 We are also attending the disabled
19 veterans events to build relationships and identify
20 potential suppliers in that group, and we are
21 stepping up outreach efforts with local and national
22 advocacy organizations.

1 We are identifying and developing
2 suppliers where diverse suppliers are limited. We
3 are increasing our engagement with regional and
4 national advocacy organizations to identify
5 qualified diversity suppliers.

6 These groups include national
7 organizations such as Rainbow Push, Trade Bureau,
8 the National Minority Supplier Development Council,
9 the Women's Business Enterprise National Council,
10 and the Elite Service Disabled Veterans-Owned
11 Business Network participated in workshops held by
12 this group earlier this year.

13 We are also engaging more
14 organizations on the regional level, groups such as
15 the Illinois Hispanic Chamber of Commerce, Hispanic
16 American Construction Industries Association, the
17 Chicago Women's Business -- Women's Business
18 Development Center, and Chicago United, and the
19 U. S. and Asian American Chamber of Commerce.

20 I would like to highlight the work
21 that we have done with 5 Forward. In 2014 ComEd
22 completed its sixth year of support for Chicago

1 United's 5 Forward programs. It enlists the
2 commitment of CEOs from mid-size to large-size
3 corporations in the Chicago and Metropolitan area to
4 establish or expand business relationships with five
5 current or new local minority firms.

6 What's really important about five
7 Forward is that it helps shift supplier diversity
8 from a transactional function to a more strategic
9 value proposition, one that requires ongoing
10 dialogue, goal-setting and planning for growth
11 opportunities with qualified diversity suppliers.

12 One of several good examples of our
13 involvement in 5 Forward is PMI Energy Solutions, an
14 African American-owned electrical construction and
15 technical services contractor based in the Chicago
16 area. It has grown from being a subcontractor to
17 one of our prime contractors to direct contracting
18 with us made \$4 million last year.

19 ComEd's 5 Forward expenditures from
20 2009 to 2014 totaled more than \$23 million, and we
21 want to continue to grow that.

22 We are very proud and pleased to be a

1 part of that program. It's delivering meaningful
2 results and we are grateful for the support and
3 guidance provided by Chicago United's president,
4 Gloria Castillo.

5 In closing, I want to add that we are
6 excited about the progress being made and the new
7 initiatives that we have in place to keep the
8 momentum going. We are looking forward to working
9 with our diversity council partners in other events,
10 data and relationships that will demonstrate to the
11 rest of the nation the progress that can be made if
12 utilities work together for the common good of the
13 state and the communities that we serve. Thank you
14 for the opportunity to be here.

15 COMMISSIONER MAYE: Thank you.

16 Commissioner McCabe.

17 COMMISSIONER McCABE: Could you talk a little bit
18 about your Tier 1 and Tier 2 spending, the ratio
19 between those two and how you expect that to change
20 going forward as a multiplier effect say from Tier 1
21 to Tier 2?

22 MR. MARQUEZ: We are -- the increase in spend for

1 2015 over 2014, as Anne mentioned, is a hundred
2 million dollars. Through programs that Michelle
3 mentioned, like 5 Forward and others where we are
4 engaging I'll say suppliers in which have been maybe
5 not traditional with the utility, that's been the
6 area to focus an increase.

7 I don't have a breakdown with you on
8 that additional hundred million dollars, but being
9 able to focus on those programs helps us to identify
10 where those opportunities may lie.

11 You know, certainly from previous
12 years, in 2014, you know, we have had -- for
13 example, 301 million last year for Tier 1, and Tier
14 2 was \$50 million. That ratio -- we hope to
15 increase that ratio going forward. I just don't
16 have that breakdown for you at this point.

17 COMMISSIONER MAYE: As a follow-up, do you
18 require or on certain projects maybe do you require
19 that your Tier 2 -- I'm sorry -- that your Tier 1
20 contractors use diverse Tier 2?

21 MS. BLAISE: As I said, when we are evaluating
22 bids, one of the key -- we have five criteria to

1 look at, safety, the safety performance of that
2 contractor, the quality of work, as well as the
3 pricing.

4 Another key criteria is the diversity.
5 Bringing on board a percentage of the contracts that
6 would be made with diverse subcontractors, that's a
7 key component. It goes into how we weigh the
8 ultimate bid, but they're required to provide some
9 mix of diverse subcontractor suppliers within that.

10 COMMISSIONER MAYE: That's a requirement or a
11 suggestion?

12 MS. BLAISE: It's a suggestion, and they
13 definitely know that it is a part of our decision.

14 COMMISSIONER MAYE: Thank you.

15 COMMISSIONER del VALLE: I'm wondering how much
16 weight have you applied.

17 MS. BLAISE: When we look at the weighing of the
18 5, it's anywhere from 10 to 15 percent we score all
19 these different criteria, and it's --

20 COMMISSIONER del VALLE: It's not a requirement
21 but --

22 MS. BLAISE: If you have zero --

1 COMMISSIONER del VALLE: They're aware that it's
2 15 percent?

3 MS. BLAISE: It is part of the weight, yes.

4 COMMISSIONER del VALLE: The total spend,
5 according to the report here for 2014, was 544
6 million, and that includes SBEs.

7 Out of that amount, the African
8 American spend was 39 million and Hispanic was 38
9 million, so a total of what, 77 million out of 544,
10 and I'm not going to repeat myself here. We know
11 those numbers are low.

12 My question, is given that the
13 Diversity Council has been mentioned a few times and
14 mentioned as a place where we could really make more
15 progress, and you were, I think, here when we
16 brought in -- that is, we talked about California's
17 Diversity Council. That's when the diversity
18 council idea first surfaced, but I recall that there
19 were descriptions about the aggressive nature of
20 that Council and how there was accountability in
21 terms of numbers, and annual performances were
22 looked at.

1 I'm wondering -- and given the
2 significant role that you played in the creation of
3 the Illinois Council with Beth, and I really truly
4 appreciate both of your roles in this, it's been
5 very, very helpful.

6 How do you see the Council? Because
7 it's going to take more than quarterly meetings --
8 how do you see the council immediately getting at
9 these African American and Hispanic numbers,
10 particularly the African American numbers.

11 I'm really concerned, because when I look at the
12 population again, I think that they're very low.

13 MS. PRAMAGGIORE: So, Commissioner del Valle, I
14 appreciate the question very much. We have -- I
15 think, you know, we are sort of on a maturity curve
16 here. We have not looked at beyond sort of
17 aggregate diversity numbers in our company as a
18 practice or set goals that way.

19 I think our goal has been to increase
20 diversity and so that's what we have gone out to do.
21 I think we are now at a maturity level I think where
22 we can start pulling that apart and shape that.

1 I think what the Diversity Council can
2 do is, one, is have a conversation about targets at
3 a more granular level, and I think we can get in
4 some best practice information on that.

5 Number two, what I think is a really
6 powerful model I think the Chicago United 5 Forward
7 model is a really, really powerful model, because
8 what it does, it's one thing to send out an RFP and
9 sort of wait for people to come to you. It's
10 another approach to actually go out and try to
11 develop these businesses. It takes a lot of time
12 and attention in the organization, and you have to
13 have a commitment in the organization to do that.
14 You also have to co-op many of the suppliers that
15 you are already using to help you.

16 One of the things we do is we ask our
17 large suppliers to shepherd other companies. Many
18 of them do this. They have taken smaller companies
19 under their wing and helped them, so there's sort of
20 two levels of oversight and training going on with
21 these small companies, but I think to take a model
22 like Chicago United and bring it to the Council and

1 really sort of work on how can we be developers of
2 business rather than just, you know, sort of order
3 takers putting on you a RFP and waiting for people
4 to come to us.

5 I think that's where you can really
6 start to make some progress here. We are very
7 enthusiastic here, too, when we see a company that
8 starts out very small.

9 I know you are going to hear from MCI
10 at some point today, but they're a great example.
11 When we started out, the Smart Grid bill was passed,
12 when they started out I think, they had 12 employees
13 and, you know, no equipment and now they have got
14 trucks, and people, and they have actually got space
15 in a neighborhood. They're starting to change the
16 nature of the neighborhood. That's the exciting
17 stuff.

18 Again, I think the model of building,
19 and, again, I think Chicago United is right here in
20 Chicago has a national model for that, and I think
21 we can bring that in and start to do some really
22 exciting things, but I think the metrics and then

1 the model for building these businesses is what I
2 think, you know, I look forward to the Council.

3 COMMISSIONER MAYE: Thank you so much.

4 MR. MARQUEZ: If I may, Commissioner McCabe, I
5 worked out quick math when questions were being
6 taken. So for 2014 we had about roughly 18 percent
7 in Tier 2 -- in Tier 2 spend compared to Tier 1.
8 For 2015 we are looking to have a 30 percent
9 increase so an increase to 30 percent for Tier 2.

10 COMMISSIONER MAYE: I have one quick question,
11 Fidel. How do you decide how much you are going to
12 spend each year?

13 MR. MARQUEZ: Well, it's a complex process. We
14 first have to look at the scope of work that we have
15 planned for that year, what's all going to be
16 included, the range of types of projects, whether
17 they're on the construction side, the engineering
18 side, the special services side, and then you have
19 to take a look what is an opportunity then for that.
20 So that mix in the formula may shift from year to
21 year, so I wish it was much simpler than that. We
22 start with what the planned scope of work and

1 project is for that year.

2 MS. PRAMAGGIORE: And then we say we can do more,
3 that's the art, the science is what Fidel talked
4 about, then we say we need to push forward, so we
5 set 28 percent this year. We reach 26 percent of
6 total spend last year, and that is excluding the
7 small businesses. Again, we do all the analysis
8 that Fidel talked about -- it's very rigorous -- and
9 then we say let's push.

10 COMMISSIONER MAYE: I think the push is evident.

11 I want to thank you guys for your
12 presentation and support of this initiative.

13 MS. PRAMAGGIORE: Thank you.

14 COMMISSIONER del VALLE: We will now proceed to
15 Illinois American Water; Bruce Hauk, President.

16 PRESENTATION

17 BY

18 MR. HAUK:

19 Good afternoon, Mr. Chairman, Members
20 of the Commission, and Representative Davis. I
21 appreciate your attendance and the opportunity to
22 speak. Accompanying me is Jerry Garland of Illinois

1 American Water, and he manages the Supplier
2 Diversity Initiatives, and also from our parent
3 company, American Water based in New Jersey, I have
4 with me Dawn Gilbert as well. She manages our
5 Supplier Diversity Initiatives across the entire
6 company.

7 I will make some brief comments about
8 American Water and a subsidiary Illinois American
9 Water, as it's our first time to be able to have a
10 report out -- we are happy to be here -- and then
11 I'll turn it over to Mr. Garland to speak more
12 specifically about granularity of our initiatives,
13 and then Dawn will chime in on some issues that I
14 think have already come up with questions to try to
15 provide some clarity.

16 Before I do that, I would echo the
17 comments that were made by Commissioner Maye at the
18 press release announcement event today. That was
19 absolutely a rock star event, and I appreciated the
20 fact that there were so many vendors and others
21 celebrating, if you will, the kickoff of that.

22 I understand, in response to

1 Commissioner del Valle's comments, that this is not
2 a celebration. This is really an opportunity to
3 talk about where we are at and where we are headed
4 as a company, and I think Illinois American Water
5 and American Water has a whole lot of opportunities
6 to grow in this area and we are excited about.

7 I heard Commissioner Maye make the
8 comment there's a lot of passion around diversity,
9 and specifically in Illinois and across this great
10 nation and this great state, but success comes with
11 surrounding yourself with those that are passionate
12 about a concept or an idea, and I am very fortunate
13 as a leader of Illinois American Water to be
14 surrounded by individuals that are passionate about
15 that as well, and it's kind of like when you are in
16 the hospital and birth happens, it's a lot of
17 celebration. It's a lot of excitement, and I see
18 Jerry give high-5s in the hallway when we sign up a
19 supplier for diversity, so that's how we see
20 diversity and the passion when we sign up a contract
21 with a new vendor. It's an exciting occasion for us
22 and our company.

1 So with no further ado, American Water
2 is the largest investor-owned water and waste water
3 service provider in the nation and we employ 6,400
4 dedicated professionals across this great country.

5 One of the things that's exciting
6 about that is not only are we a regulated operation,
7 we have a market-based business.

8 In the State of Illinois, 16 percent
9 of that 6,400 employees reside and work in the State
10 of Illinois. Sixteen percent of American Water's
11 company are employees in the State of Illinois, and
12 that's not something that Illinois American reports
13 out on, but when you take into consideration that we
14 operate the Scotts Air Force base down south, we
15 also have several contract service groups that
16 operate across the state, and then there are
17 regulated operations which I'm primarily responsible
18 for, that's a huge opportunity to diversify and to
19 move forward with progress within diversity.

20 So to me, I think it's a great
21 opportunity for American Water and Illinois American
22 Water to participate in this great initiative, but I

1 think it's also more important to talk about it's
2 not a program. It's not an initiative. It's not a
3 strategy as much as we are trying to create a
4 culture, a business that does the right thing.

5 As we heard earlier today, and I've
6 heard from previous colleagues, this is a change.
7 It's the right thing. It's the way we do business,
8 so what we like to say it's the American way to do
9 business.

10 A little information about Illinois
11 American Water as a subsidiary. We serve 128
12 communities across the State of Illinois. We employ
13 450 employees in a regulated operation. We treat
14 and provide safe water across the state on average
15 of 109 million gallons of water a day, and that
16 doesn't come with any short effort.

17 We have 4,100 miles of main, 29,000
18 fire hydrants, 20 water plants and 9 waste water
19 plants. And why is that important? Well, as with
20 all other utilities, we have the challenge of an
21 aging infrastructure.

22 So, as you have seen and heard, this

1 Commission is well aware of the challenges that that
2 creates, and it's a great opportunity for progress
3 in this country and this great state.

4 Although we are a small fish in the
5 pond of the utility business in Illinois, we invest
6 anywhere from 50 to a hundred million dollars a year
7 in our capital plants and that's important, because
8 it's a great opportunity to help small businesses
9 grow and prosper in the other types of diverse
10 businesses that we are trying to engage, so to the
11 meat of the reason we are here today and what are
12 the specifics that relates to Illinois American
13 Water.

14 In 2008 our company created our
15 Supplier Diversity Initiative and began encouraging
16 contractors, engineers and suppliers to include
17 diversity as a part of our business.

18 Since that time, Commissioner Maye
19 mentioned this earlier today, with the good works of
20 Representative Davis and others of the General
21 Assembly, Public Act 98-1056, brought Illinois
22 American Water into the fold of having the fact we

1 serve more than a hundred thousand customers or a
2 population of 1.2 million Illinoisans in our
3 business. That's why we are here, but we were
4 willing participants I believe. We wanted to
5 participate, and I think that's great.

6 Commissioner Maye also alluded to the
7 fact that other utilities have spoken of interest,
8 because this is important in the progress of this
9 state. Our greatest assets in Illinois American
10 Water and American Water are our employees,
11 suppliers, contractors. Diversity is a vital
12 element in that equation.

13 2013 was the first year we tracked our
14 spend, and, again, I'm not celebrating the fact that
15 we doubled our spend in 2014 over 2013. It's a
16 significant mark of improvement and it shows that
17 Illinois American Water takes these efforts very
18 seriously.

19 More specifically, the diversity
20 participation is trending upwards. Our 2014 data
21 shows that our diverse suppliers spend through the
22 first quarter of 15 was 2.4 million, juxtapose to

1 the year-end spend of 6.2 in 2014. Diversified
2 suppliers certified as \$1.9 million spend in the
3 first quarter. That's compared to a year-end spend
4 of 3.3 million. We are on track to exceed our year
5 two goal.

6 I know there was a question, and I
7 think it was a fair question, at the press release
8 today, and I believe a gentleman asked what is the
9 target? What are those numbers?

10 We have prescribed at Illinois
11 American Water and, as you heard others, you have
12 got to start somewhere and you have to progress from
13 there.

14 So our 2015 goal was 5 percent, and
15 then we want to increment a change to a one percent
16 increment per year, so 2020 it will be 10 and 2025
17 15 percent. Those are targets, but that doesn't
18 mean that if we continue to do the things that we
19 are doing we can't exceed those goals and
20 challenges.

21 At this point I will turn it over to
22 Jerry to speak about some more specifics of it, but

1 I'll leave you with two comments regarding diversity
2 beyond just spend that Illinois American Water takes
3 very seriously, and that is I think as an executive
4 of utilities, having been in this business for
5 several years, oftentimes diversity has been
6 lacking. That's why we are here. It's important.

7 One of the things that I think has
8 been a challenge in our industry is it's not that
9 exciting to the general public or to those that are
10 coming up, because we haven't done a good job of
11 explaining or showcasing what the greatness of the
12 utility industry is and what the opportunities are
13 there, so we have to do a better job of educating
14 our youth in these diversity programs and across
15 this country and state of what the opportunities are
16 in the utility industry.

17 Two things that we have done at
18 Illinois American Water is our Mobile Education
19 Center. We go out in the communities that we serve
20 and we show them what our trades and crafts are, and
21 these are great stable jobs that provide for
22 families for years to come, and we are here to stay.

1 Additionally, we have the STEM
2 project, which is science, technology, engineering
3 and mathematics. So I often say we don't launch
4 rocket ships and we don't launch missiles, or what
5 have you, in the utility industry, but I'm here to
6 tell you that the electric, gas and water utilities
7 have the technology to do that.

8 So although it's not as exciting as
9 some of those other things, and it is not portrayed
10 as well as it really is, it is exciting in our
11 future that we have so much more opportunity
12 regarding diversity beyond just supplier diversity,
13 and we are looking forward to that as we embrace
14 these program initiatives and what have you as we
15 move forward.

16 So at this time I will turn it over to
17 Jerry.

18 PRESENTATION

19 BY

20 MR. GARLAND:

21 Thank you, Bruce. Thank you,
22 Commissioners, for having us here today.

1 I want to -- before I go into my
2 spiel, I kind of want to go back into something that
3 was talked about, and that's building our diversity
4 spend.

5 We took a hard look at our numbers
6 when we saw what they were for 2014, and because of
7 that, we created a 10-year plan to improve those
8 numbers. We did take a mirror to ourselves and we
9 weren't satisfied with the numbers that we saw, so
10 we created a 10-year plan, not only did we create a
11 10-year plan, we created a plan such that every
12 three years we were looking at the plan itself to
13 see if it still made sense, because nothing stays
14 stagnant in our economy or environment that we live
15 in. Technology changes. Business trends change,
16 and we have to be able to willing to look at our
17 plan to see if it still makes sense and is valid for
18 the future.

19 We can't make a plan today and say in
20 2025 or 2024 that it's the right plan, because it
21 never will be, and that's why in the 10-year plan
22 that we put in our report we deliberately put in

1 these three-year increments where we re-evaluate the
2 plan, you know, when we talk to the Commissioners to
3 see if it made sense or if we had to realign
4 ourselves someplace in the 10-year plan, put in new
5 goals in the 10-year plan and move forward and never
6 stay stagnant in our progress forward. With Dawn's
7 help at the corporate level, we are trying to
8 enhance our reporting capabilities.

9 Commissioner del Valle, you asked for
10 some things in January and we weren't able to
11 provide you the data and to bring great clarity that
12 you requested. We are working very diligently to
13 obtain that data, modify our systems to be able to
14 report the data in the way that you requested.

15 In our report you saw where we
16 collected our second tier reporting, when we have
17 our big construction bids out where we are asking
18 for contractors of major construction projects, and
19 major to us is -- even \$30,000 to our company is
20 still major, but we have our goal of diversity spend
21 that we want our contractors to do.

22 In our larger capital projects we tell

1 them 10 percent isn't good enough. We want you to
2 exceed it. Not only do we want you to exceed it, we
3 want you to tell us at the time we are reviewing
4 your bid who are you working with, what companies
5 are they, what are their ethnicity, what are their
6 skill sets. Tell us at the beginning, and then
7 because construction is -- anything can happen in
8 construction. You can grow larger. You can grow
9 smaller. It may have to be shortened, because of
10 other considerations at the municipal level, or
11 whatever, but we have to do a true-up at the end of
12 that construction project, because what you tell us
13 at day one of construction and we make an award,
14 it's not how we end up on any of our projects, and
15 we want to know what that is, and that's the data we
16 want to report to the Commission is where we
17 actually ended up at the end of the job instead of
18 perceived percentage at the beginning of the job.

19 We are unbundling some of our
20 opportunities with the help of Dawn opening up new
21 opportunities to diverse suppliers that weren't
22 reported to you before in our businesses.

1 We want to increase our diversity
2 spend at all levels of the diversity committee. We
3 want to identify good matches.

4 For some of the excellent comments
5 made by ComEd and by Ameren, I'm sure you are going
6 to hear from Peoples and the others, we don't feel
7 that a minority participant is great to be a first
8 tier contractor, we want to marry them with one of
9 our successful contractors and help move them along
10 so that they can become a good first tier
11 contractor, not only to American Water but to other
12 utilities in this room today.

13 With Dawn's help, we rolled out the
14 American Water Heating Supplier Academy. We had our
15 first event at ILAWC this past fall. We plan on
16 having another event that's specific to the State of
17 Illinois the fourth quarter of this year, and
18 working together with the utility group, even before
19 the formation of the council today, we were working
20 together.

21 Jerrold has helped me out in a lot of
22 instances. Byron, Martine, Sharon Moy, I could on

1 and on. They have been a tremendous resource for me
2 and very helpful. I greatly appreciate the help,
3 and it's important, but not only for American Water,
4 Illinois American Water, it has to grow for our
5 company at the corporate level as well. We need a
6 basic foundation and starting point, and I believe
7 we have done that. I have a couple of samples.
8 Carcus Phosphates is a women-based business here in
9 the State of Illinois. Illinois American Water we
10 only do about \$127,000 annually, but on our
11 corporate level for American Water and all our other
12 divisions, regulated and unregulated, we do over 3.6
13 million a year with them.

14 So we are not looking to just grow
15 businesses in Illinois or Illinois American Water's
16 spend, we are looking for growing businesses in
17 Illinois geographically throughout the United States
18 wherever our footprint is if it's the right company
19 that does a good job.

20 Like United Building Maintenance, we
21 started working with them on several solicitations
22 with them. We want to expand their businesses to

1 other footprints in other states. It's important
2 for us to be a good citizen to the State of Illinois
3 and grow our diverse businesses and they are
4 successful and successful in supporting us in
5 Illinois as well.

6 Another example would be Brigham &
7 Taylor Corporation. They provide our curb and valve
8 boxes, nothing real sexy there, but a vital part of
9 our industry.

10 Once again, we do about 125,000 a year
11 just in the State of Illinois, but corporate-wide we
12 do over \$3 million annually with them, so it's
13 another good success story that we are taking or
14 utilizing Illinois businesses and growing them
15 outside the community.

16 MR. HAUKE: If I may, I apologize, Jerry. One
17 comment I want to make sure is clear is as we are
18 reporting out for Illinois American Water in talking
19 about the fact we have 450 employees in our
20 regulated operations throughout the State, Illinois
21 is also the home of our call center or customer
22 service center for all of American Water, as well as

1 our world-renowned lab in Belleville, Illinois.

2 So we are very fortunate in the State
3 of Illinois to have American Water headquarters for
4 sizable opportunities. So beyond just the spend in
5 Illinois, American Water is moving and we are
6 pushing these initiatives with those branches of our
7 company as well.

8 MR. GARLAND: Going back to our 10-year plan, I
9 know the report that before the utilities started
10 talking to each other was at 6.3 percent. Well,
11 that's the number that we reported that we looked
12 at. We were looking at the 3.86 percent that was in
13 our report through certified diverse suppliers.
14 That's not what we want to be held accountable to
15 growing our business, not self-certified or any
16 other type of certification, but aging companies and
17 agencies through reputable certifying agencies their
18 actual minority businesses.

19 So we knew our numbers were bad, but
20 we even took a harsher look at ourselves and that's
21 how we want to be judged, looking at, growing our
22 diverse spend with qualified certified diversify

1 suppliers.

2 I already probably overkilled talking
3 about our 10-year plan, but in order to make all
4 this work for us, since we are fairly new in the
5 business, it's more than just Illinois American
6 Water pushing out programs. We need buy-in in all
7 levels of our business, not only through our
8 employees, through our internal communications and
9 outreach program, but to our key suppliers.

10 Last fall Dawn and I we looked at our
11 total spend for Illinois American Water, and the
12 25 top spend suppliers we have called them and we
13 laid our Supplier Diversity Program to them and that
14 in order for us to be a success, we had them to be
15 an integral party in the program. They have to
16 promote diversity within their own businesses where
17 they didn't have the supplier diversity program
18 within their own businesses to create a supplier
19 diversity program, provide us that program, and that
20 our expectations, since they're in our top 25
21 percent suppliers, that they had to consistently
22 exceed our 10 percent goal and any of their

1 solicitations to us.

2 I am kind of happy to say that it took
3 awhile to get some traction, but we are reaping
4 those rewards in some of our new projects that we
5 are seeing and making them work here.

6 We are not successful in everything.
7 We still have a tremendous amount of work to do, but
8 we are seeing forward traction on these initiatives,
9 plus the others that I'm learning from my fellow
10 utility companies.

11 I talked about our CAPEX and about
12 truing-up a few minutes ago. Part of our data that
13 you see reported in the future we are not going to
14 report our second tier spend on our major CAPEX
15 project until that project is completed, because
16 it's a fuzzy number. We would rather report that
17 actual data when the project's completed, because we
18 know it's a true and valid number, and we'll break
19 out that data in our reports in clarity in future
20 years so you can see that, because it's honesty,
21 integrity to us to accurately report data to use at
22 the Commission, because we want you to be able to

1 rely on the data that we are providing you as I'm
2 sure that all our counterparts do.

3 COMMISSIONER MAYE: Mr. Garland, we are just
4 running a little bit behind.

5 MR. GARLAND: I will talk real fast. In fact,
6 this will be it.

7 Since our 2015 reporting, we have
8 created a web page for American Illinois Water, plus
9 a hot link that any company can use the hot link and
10 see what certifying agencies that we recognize, not
11 only that how to contact those agencies.

12 We have rolled out communications to
13 our internal people and we are pushing to go through
14 our entire vendor list to find out if they're
15 certified or not certified.

16 Thank you very much for your time.

17 COMMISSIONER MAYE: Thank you very much.

18 So thank you very much. Any
19 questions?

20 (No response.)

21 People will have questions for you in
22 the roundtable. Thank you so much.

1 Next I would like to introduce
2 Ms. Beth Reese, Chief Financial Officer of AGL
3 Resources and past president of Nicor Gas.

4 PRESENTATION

5 BY

6 MS. REESE:

7 Good afternoon, Commissioners. Thank
8 you very much for having us here today. With me
9 today is Jerrold Hill, who's our Managing Director
10 of Supply Diversity. He has spent a lot time with
11 us here in Illinois, and I am happy to have him here
12 today with us.

13 I would really just like to reiterate
14 what my fellow leaders in the utility space have
15 said. We really appreciate the Commission's passion
16 around this issue and the support, and, quite
17 frankly, the ability to hold us accountable for
18 delivering results. We appreciate that.

19 Representative Davis, thank you very
20 much for your passion on this issue as well. We
21 have enjoyed working with you over the years on this
22 issue and I look forward to continuing to do that.

1 As Chairman Sheahan had mentioned, as
2 Commissioner Maye introduced me, I am in transition
3 back to Atlanta as our chief financial officer, so
4 please know that one of the passions and commitments
5 I take with me into that role is from Sea Sweep
6 (phonetic) to focus on our supplier diversity.

7 On behalf of Melvin Williams, who is
8 the new president of Nicor Gas, he sends his
9 condolences for not being here. He had a previous
10 commitment, but he has a terrific background that he
11 will be able to draw and continue leadership on this
12 issue.

13 We are going to jump right into the
14 results and goals for supplier diversity. Over the
15 past ten years, AGL Resources has made significant,
16 sustainable progress diversifying our supplier base
17 and this has allowed us to set the tone and the
18 expectation for our organization in Illinois and,
19 just as a reminder, 2012 would be the full year that
20 Nicor Gas and AGL Resources has merged.

21 Our overarching goal, and others have
22 said this today, is to improve year over year

1 diversifier participation as measured in dollars
2 spent but also percentage.

3 This year in 2014 we exceeded our
4 goals but the total dollars spend and our total
5 expenditures increased from \$297 million in 2013 to
6 384.5 million in 2014, a rate of 29 percent, but the
7 diverse spend in the same time frame increased
8 97-1/2 percent.

9 We have got another slide that shows
10 the dollars. This slide shows the percentages. So
11 we established a goal of 20.6 percent with minority
12 women, veteran and small business enterprises, and
13 we achieved nearly 23 percent last year, and the
14 goal that we set for ourselves with regard to total
15 spend minority women and veteran-owned businesses we
16 also exceeded. We set that goal for 9 percent. We
17 exceeded that by actual results of 13 percent.

18 You can see that we also set a stretch
19 goal for 2015 which really we are trying to keep our
20 eye on 2016. We really want MWBE spend to be at
21 20 percent in order to go to where we ended up in
22 2014 at 13.15 percent. To that 20 percent, we have

1 set an aggressive goal of 16.6 percent, as reflected
2 on the chart.

3 Some of the 2014 initiatives that we
4 did, in order to help achieve these goals, we
5 created goals and performance objectives. It all
6 starts with communication. We deployed a new tool,
7 so one of the things that we really needed was to
8 better understand our second tier spend so we
9 implemented a tool to allow us to do that and be
10 able to report on that.

11 We have established performance
12 improvement targets to expand our use of diverse
13 spenders across the enterprise. We have developed a
14 Prime Partner Pipeline -- Jerrold made that, so it's
15 hard to say -- initiative that facilitates the
16 development and utilization of diversifiers through
17 strategic partnerships with our key prime suppliers.

18 What does that really mean? As of
19 October, we started requiring each supplier with a
20 minimum of a hundred thousand dollar spend with
21 us -- with sales to us to provide a utilization plan
22 for each bid. How were they going to engage the

1 second tier suppliers if they themselves were not
2 WBE.

3 We also added a seasoned director to
4 our supplier diversity team, and I would say since
5 our focus on this we have kept rebuilding our focus.
6 It would be one of four people in our Supplier
7 Diversity Program, but I would say that our Supplier
8 Diversity Program is more than four people who have
9 titles in that program. It is part of every
10 person's goals, and that's reflected this year in
11 our company's annual incentive plan as part of our
12 goals just based on that plan.

13 We have launched a Supplier Diversity
14 Advisory Council. We have a diversity council that
15 we launched about 3-1/2 years ago and this has taken
16 us to the next layer of being able to just focus on
17 supplier diversity. Again, we are really creating
18 opportunity for dialogue within our leadership and
19 our own corporation.

20 We will be enhancing our supplier
21 diversity business development program. As others
22 have mentioned, it's not just going to find people

1 who are there issuing RFPs. It's also developing
2 future suppliers to make sure that we have the
3 sustainability in all aspects of our business that
4 we need.

5 We continue to leverage leadership
6 support and contractual requirements to drive second
7 tier spend and we continue to expand advocacy to
8 drive broader professional -- utilization of
9 professional and technical services. I'll talk a
10 little bit more about that. That is an area we
11 continue to focus on as an opportunity.

12 Our external initiatives for 2014 are
13 listed here. We collaborated with numerous advocacy
14 and economic development organizations. We hosted
15 three supplier diversity summits attended by more
16 than 500 participants, including the other Illinois
17 utilities and many elected officials, including
18 Representative Davis.

19 We appreciate your support and your --
20 either yourselves or your advisors, and we
21 appreciate spending time with us as well.

22 We did partner with the Chicago Urban

1 League to launch a new web-based portal which allows
2 connection for suppliers with opportunities offered
3 by companies in Illinois, not just with utilities
4 but all companies. We believe that's important for
5 sustainability as well.

6 We also actively participate in events
7 and conferences that gave us an opportunity to
8 develop a relationship with many qualified diverse
9 businesses, and you can see them listed here, and
10 I'm not sure that that represents everything that we
11 have done.

12 Our foundational principles are really
13 for advocacy development, procurement and reporting,
14 and advocacy really focuses on being out there
15 telling our story and identifying people who
16 participate with us.

17 This year we will be hosting a
18 supplier diversity summit to promote business
19 development with under-utilized professional
20 services, and they're really utilized on our part to
21 be able to promote things like HR, legal and pension
22 fund management.

1 And to take a side note, as the CFO
2 who's now responsible for things other than just
3 Nicor Gas, pension funds, investment opportunities,
4 things that will report up to me, and I'm pleased to
5 say that approximately 19 percent of the investments
6 for the combined assets of the pension plan are
7 currently invested with minority or women-owned fund
8 managers, but that's obviously an area to focus on
9 and continue to understand how we can expand on, as
10 well as being able to use investment banking firms
11 for future debt issuances we have not had this year
12 but we'll continue to focus on that.

13 And while most of our major
14 construction contracts for 2015 have already been
15 awarded, our work is not done and we will continue
16 to introduce prime contractors to hold these major
17 construction contracts to diverse subcontractors at
18 networking events, at matchmaking events, which will
19 be throughout the year.

20 We are also working with some of our
21 big prime partners to perhaps host their own
22 symposiums and matchmaking events, and, of course,

1 we will continue to engage with ours.

2 This slide shows a trend of our prime
3 partner growth and that we have been able to move
4 almost a hundred new businesses to become prime
5 suppliers with us.

6 As far as development is concern, we
7 have been successful this past year with our Prime
8 Partner Pipeline. Although we just established it
9 in the fourth quarter of 2014, we did generate more
10 than \$14 million of second tier spend with 3.8
11 percent of our total expenditures for the second
12 tier.

13 We have developed a line of sight into
14 dozens of subcontractors performing work on behalf
15 of Nicor Gas and we have been able to refer many of
16 these diverse subcontractors to other prime
17 suppliers in our supply chain thus expanding their
18 relationships with us.

19 We have developed a formal supplier
20 business development program which will offer
21 mentoring, management consultation, education and
22 technical support to selected business partners

1 throughout the footprint.

2 We have also been successful in
3 elevating several key second tier partners with
4 first partners, including Milhouse Engineering and
5 Urban GIS. Urban GIS was secured this afternoon.

6 Over the course of last year, these
7 two partners have grown their relationships
8 significantly with Nicor Gas, as well as other
9 utilities within the footprint, and we will continue
10 to leverage this program to support current and new
11 partners as they grow their capabilities.

12 And, of course, as I shared this
13 morning, we certainly recognize the value and I am
14 very excited about the value that being a part of an
15 Illinois utilities business with its diverse council
16 brings to our company and to the state.

17 As far as procurement goes, these are
18 actually the dollars that relate to the first slide
19 and percentage spend. We really want to thank and
20 appreciate the Illinois General Assembly, as well as
21 the ICC, for their approval of our version of the
22 Qualified Infrastructure Program that we call

1 "Investing in Illinois and Micro Gas System
2 Improvement Initiative." As a reminder, we started
3 that program in December of 2014.

4 To your earlier question, Commissioner
5 del Valle, our increased spend, Nicor Gas really
6 began in 2015, so, as you can see reflected in the
7 goals on the slide, our goal last year for MWVSBE
8 was actually \$48 million, almost 49 million. We
9 have a significant increase to 71 million, and
10 that's really because of the program that we had
11 invested in Illinois, and this is the first year.
12 It's a ramp-up year, and we are still trying to
13 understand how we engage everybody. We will
14 continue to do that and we are really excited about
15 that opportunity, not just for Nicor Gas as a whole
16 but specifically for supplier diversity and its
17 impact.

18 And, finally, with reporting, we want
19 to make sure that we provide leadership with
20 transparency. We can't make decisions if we don't
21 know what's going on with the numbers, and, as you
22 can see here, we are quite pleased with the increase

1 of our actual percentage spend with the various
2 categories year to year.

3 I would say finally to this, one of
4 our biggest opportunities is the veteran-owned
5 businesses. We need to try to get that at least a
6 digit in the whole numbers, so that's one of our
7 focuses. You could see that we are focused on that.

8 To your earlier question, Commissioner
9 del Valle, we are focused on shifting dollars to
10 MWVSBES and not just SBES. As a side note to the
11 earlier comment that ComEd made, we do use the same
12 definition that ComEd does of SBA under SBA.

13 So, in conclusion, we are excited
14 about where we are going with our Supplier Diversity
15 Program. It's a journey, not a destination, and we
16 have a midpoint destination next year of 20 percent
17 with MWVSBES for 2016. That's not this year, but
18 next year. So we look forward to reporting on that.

19 We are really excited about continuing
20 to corroborate with our utility partners through the
21 Illinois Utility Business Diversity Council, and I
22 know that under Melvin's leadership we will exceed

1 our diversity goals and I will be overseeing it from
2 Atlanta.

3 So I look forward to seeing our
4 growth, and any questions that you might have.

5 COMMISSIONER MAYE: Thank you.

6 COMMISSIONER del VALLE: Quickly, because I
7 know --

8 MS. REESE: I know I ran through that fast.

9 COMMISSIONER MAYE: That was awesome.

10 COMMISSIONER del VALLE: I appreciate that.

11 You mentioned that you made a decision
12 to look at the professional services that you were
13 under-utilizing --

14 MS. REESE: We are.

15 COMMISSIONER del VALLE: -- in areas and we have
16 been talking for some time now about the need to
17 look at pension --

18 MS. REESE: Yes.

19 COMMISSIONER del VALLE: -- management, the need
20 to look at all of these other financial services and
21 legal services.

22 MS. REESE: Yes.

1 COMMISSIONER del VALLE: What are you going to be
2 doing differently given that you recognize that
3 there was under-utilization in this category?
4 That's why we insist on looking at categories rather
5 than whole numbers forever. So what is going to be
6 different?

7 COMMISSIONER MAYE: Can I add so you can answer
8 both at the same time?

9 MS. REESE: Yes.

10 COMMISSIONER MAYE: Do you mind that?

11 I remember financial services. The
12 specific issue that came up was credit rating.

13 From your perspective, maybe you could
14 help us figure out that issue and how you are going
15 to get over it. Because the way I understand it,
16 that was preventing some of the utilities from using
17 some of these minority-owned financial services.

18 MS. REESE: So it is how they get paid through
19 bond financing. I think that we just haven't issued
20 any bonds, so we would be in the marketplace in the
21 next year or so, and you will see us be much more
22 deliberate about how we think through using

1 minority-owned firms. We had these conversations,
2 including one yesterday. We understand that.

3 I think Exelon has been a leader on
4 that and they have been very creative on how to do
5 some bond financing with minority women. We look to
6 learn from them. They are a great leader for us to
7 learn from.

8 As far as the pension funds go, we
9 have underway some analysis to help us understand
10 how to expand the investments, including a pension
11 fund is not as easy as one would think. There's a
12 lot of fiduciary duty responsible for that, and we
13 want to make sure we are balancing all of that to
14 deliver on our commitments.

15 We have made a lot of introductions
16 for lots of opportunities on the legal side and HR
17 side, and we have commitments from our top
18 leadership as a priority. We need to make sure
19 that's delivered with the numbers.

20 COMMISSIONER MAYE: Thank you so very much. We
21 appreciate your coming all the way back from
22 Atlanta. As the Chairman stated, it's been a

1 pleasure working with you. We hope you won't be a
2 stranger.

3 MS. REESE: We won't be a stranger. Thank you
4 very much.

5 COMMISSIONER del VALLE: We are going to move on.
6 Next we have Peoples Gas and North Shore Gas, and I
7 think we have some representatives present, Polly
8 Eldringhoff --

9 MS. ELDRINGHOFF: Yes.

10 COMMISSIONER del VALLE: Is that good enough?

11 -- Chief of Staff and Director of
12 Strategy and Performance.

13 COMMISSIONER MAYE: I would just like to say that
14 on behalf of the Illinois Commerce Commission, we
15 send our condolences to John Kleczynski.

16 MS. ELDRINGHOFF: Thank you. Appreciate that.

17 PRESENTATION

18 BY

19 MS. ELDRINGHOFF:

20 So hello and thank you for the
21 opportunity to be here. As you have stated, I'm
22 Chief of Staff of Peoples Gas and North Shore Gas,

1 and John Kleczynski, the President of Peoples Gas
2 and North Shore Gas, did ask me to send his regrets
3 due to the late notice of not being able to attend.
4 Thank you for being flexible here with me today.

5 Here with me today is Director of
6 Strategic Sourcing Arti Shadid and also our
7 Regulatory Specialist Sharon Moy.

8 First, I would like to thank the
9 Chairman and Commissioners, especially Commissioners
10 Maye and del Valle, as well as Representative Davis,
11 for their leadership and guidance on advancing this
12 worthy cause of increasing spend with diverse
13 business enterprises in the State of Illinois and
14 for the opportunity to be here today with our peer
15 utilities to discuss the progress made to-date on
16 this important initiative.

17 At Peoples Gas and North Shore Gas we
18 believe that the utilization of diverse resources is
19 beneficial both to the communities we serve, as well
20 as the company's growth.

21 For more than a century, our business
22 has taken great care to invest in diversity

1 resources, which includes employees and suppliers to
2 design, build and operate, as well as maintain our
3 natural gas systems in Chicago and our North Shore
4 communities.

5 With currently approximately
6 58 percent of the workforce being diverse and
7 34 percent of our contractor workforce being
8 divorced -- diverse -- I'm sorry -- as well as we
9 have extended our partnership with the Power for
10 America Training Fund for an additional five years,
11 this is where the City Colleges of Chicago and the
12 Utility Workers Union of America, our Local 18W07,
13 we are providing an intensive 6-month training
14 program to help veterans enter the energy workforce.

15 We have to-date put approximately 120
16 of those students into the workforce and we have
17 funding for over another 200, but we are committed
18 to maximize the use of the diversity process
19 wherever practical to support the work we do to
20 deliver safe and reliable natural gas to our
21 customers each and every day.

22 I'm proud to say we continue to make

1 progress in our spend participation with DBEs this
2 past year almost doubling our spend to \$110 million,
3 and in total we exceeded our diversity spend goals
4 by more than 7 percent, but we heard the feedback
5 earlier today, Commissioner del Valle and also from
6 the expert witness, Kate Tregasser -- excuse me --
7 that we need to increase our focus on increasing
8 spend with minority businesses.

9 Today we are excited about success
10 stories with similar new suppliers, such as All
11 Girls Transportation and Logistics, who is working
12 on the Peoples Gas Accelerating Main Replacement
13 Program, or AMRP, and a partnership between Burns
14 and McDonald and Technica to remediate manufactured
15 gas plant contamination work sites.

16 Over the past year, we have initiated
17 a more robust supplier diversity effort for all of
18 Peoples Gas and North Shore Gas' design,
19 construction, environmental and engineering
20 contracts.

21 This new initiative is designed to
22 increase first and second tier procurement

1 opportunities, as well as the use of minority women
2 and veteran-owned businesses throughout all of our
3 business activities, and we strengthen the language
4 in our contracts to turn goals into results and
5 targets into requirements.

6 In fact, effective this past January
7 large contracts for new vendors delivering on our
8 AMRP program have a minimum 5 percent DBE spend and
9 large contracts with established vendors delivering
10 on the AMRP have a minimum DBE spend based on their
11 2014 performance.

12 We created this variable minimum floor
13 spend to insure that we do not lose ground that we
14 have already gained with these established vendors
15 and for all contractors. They are required to
16 increase their direct spend with DBEs year over year
17 2 percent, and an even stronger measure has been
18 implemented for our restoration contracted services.

19 For main restoration contractors, we
20 have a minimum spend of 10 percent DBE with a
21 three-year contract and also, again, they have to
22 increase their spend 2 percent year after year, and

1 we will continue to challenge every part of our
2 business to explore ways in which we can responsibly
3 increase our supplier diversity spend in the
4 community.

5 Some of our recent efforts include
6 outreach to see potential new suppliers through
7 hosted forums and by partnering with our advocacy
8 organizations, like the Women Business Development
9 Center, as well as the recruitment of a formal
10 business diversity director to join our
11 organization, and, of course, as an active member of
12 the Illinois Utilities Business Diversity Council
13 where we will collaborate and share best practices
14 with our colleagues.

15 As we work to upgrade and modernize
16 the natural gas infrastructure in the State of
17 Illinois, Peoples Gas and North Shore Gas are
18 committed to developing and building even stronger
19 relationships with business and advocacy
20 organizations along with our Illinois utilities to
21 grow and sustain a higher level of supplier
22 diversity and to support the businesses that

1 represent the customers we serve.

2 So now I will turn it over to Arti
3 Shadid who will talk in more detail about Peoples
4 Gas and North Shore Gas' 2014 performance as well as
5 our 2015 activities.

6 PRESENTATION

7 BY

8 MS. SHADID:

9 So thank you, Polly, and thank you,
10 Commissioners, for the opportunity to be here.

11 COMMISSIONER MAYE: Can you just turn your mic on
12 first.

13 MS. SHADID: Thank you, Polly, and thank you,
14 Commissioners, for the opportunity to be here. It's
15 an honor to be here second year in a row on this
16 very important topic.

17 Peoples Gas and North Shore Gas has
18 increased their DBE spend more than 8 percent over
19 the last year. As you can see on this slide, when
20 looking at the last three years, we have more than
21 tripled our DBE spend since 2012, A DBE spend
22 increase from 60 to 111 million in 2014. We have

1 accomplished this through partnering with more than
2 hundreds of diverse suppliers steadily increasing in
3 that number about 5 percent since 2012.

4 We are excited about the opportunity
5 to continue to grow this number, and I would like to
6 point out that the majority of our 2014 spend was
7 with Illinois-based suppliers. We attribute this to
8 an increase to our focus as well as a significant
9 increase in spending with our second tier suppliers.

10 More specifically, our spend with
11 minority businesses more than doubled going from
12 70 to \$15 million in 2014. Spend with women-owned
13 businesses increased by over 80 percent going from
14 52 to 94 million in 2014 and spend with
15 veteran-owned businesses also increased about
16 18 percent.

17 When we included the SBE, the small
18 businesses, the total DBE and SBE spend increased
19 from 130 million to 226 million in 2014.

20 While our 2012 filing highlighted our
21 opportunities in 2013, we commenced re-qualification
22 for potential MBEs and WBEs and also provided more

1 opportunities to our existing strategic shifting
2 spend from non-diversifiers to an MBE or a WBE
3 supplier.

4 In 2014, in addition to this, we were
5 able to drive a second tier spend initiative
6 throughout suppliers. I will show you some examples
7 with upcoming slides.

8 So at a high level, our strategy
9 continues three clear focuses: Outreach, education
10 and unbundling. Our business units, including our
11 engineering and operations, are working continuously
12 to increase our outreach to seek potential new
13 certified DBEs by hosting diversity forums and
14 advocacy organizations supporting MWVBE businesses.
15 These have been an excellent forum to educate
16 diverse businesses on our company's operational
17 needs and requirements of the industry to help
18 position them for success.

19 We have also been intentional with
20 matchmaking efforts at our events where we teamed up
21 our first year prime contractors with DBEs for a
22 second-tier relationship.

1 We also look for other partnership
2 opportunities, such as the Chicago Business
3 Opportunity Fair where we were one of the sponsors
4 this year, which is held annually at Navy Pier.

5 We want to encourage and empower the
6 DBEs to educate and qualify. Safety is a top
7 priority and one of our core business values. This
8 is expected from all of our primary contractors and
9 subcontractors.

10 We take pride in our one-on-one
11 tailored approach and support to help the DBEs
12 understand PGL and NSG's operational requirements
13 and how they can position themselves.

14 The education is focused on the
15 pre-qualification process. Safety plans are a
16 process, negotiation and constructive feedback to
17 these companies with the intention of establishing
18 long-term business relationships.

19 The end goal is to increase qualified
20 first year procurement opportunities for new diverse
21 firms and to evaluate and develop new contractors
22 with pilot projects where they may not have had any

1 previous experience.

2 We have also increased focus on
3 creating opportunities by breaking up larger
4 projects into smaller ones with the clear intention
5 of qualifying MBE and WBE suppliers.

6 In 2015 we are continuing this effort
7 by unbundling and carving out opportunities for
8 multiple diversifiers. We believe in the future of
9 this partnership with multiple suppliers who help
10 them grow so they can expand their ability and take
11 on more business competitively.

12 As an example, an MBE supplier who has
13 past construction experience and are a good
14 qualified company didn't have the capacity for
15 large-size projects, and we took a two-fold
16 approach.

17 Number one, we connected them with a
18 primary supplier to subcontract part of the project
19 to this MBE supplier who helped them gain the
20 experience and knowledge, especially around safety
21 and regulations in the great city we serve.

22 Number two, we discussed with them

1 their work capacities to help us better in carving
2 out smaller projects that they can bid on. I'm
3 happy to report that in 2014 they actually came on
4 board as a substantial primary contractor and a
5 potential future partner in furthering the Supplier
6 Diversity Initiative.

7 Along the same lines, we did try to
8 partner with prime suppliers that recognize supplier
9 diversity plays a key role to help us run our
10 business while delivering safe and reliable service
11 as the best value to our customers.

12 As Polly mentioned, all of our major
13 suppliers are expected to utilize DBE subcontractors
14 during the performance of any work under our
15 agreement as part of our company's effort to achieve
16 an increased DBE spend.

17 One case study in our report
18 demonstrates how an environmental primary supplier
19 continues to include and expand second tier
20 contractors in environmental excavation, underground
21 concrete removal, site restoration, analytical lab
22 service and more.

1 In 2015 we have increased the goals
2 required in this effort and also align PGL and North
3 Shore Gas employees performance goals with the goal
4 of increasing the supplier diversity.

5 At a day-to-day level, our major
6 activities require third-party certification. We
7 started requiring this in 2013 in order to adopt
8 best practices in the industry, and in 2014 we
9 reported only spending with third-party certified
10 companies as a result of which we did not include
11 some substantial spend with diverse companies that
12 were self-certified and did not have a third-party
13 certification.

14 We continue to work with these
15 companies to guide them to obtain third-party
16 certification, specifically by guiding them to
17 assist agencies, such as HACIA, CMSDC, Chicago Urban
18 League, to name a few.

19 Resources such as the City of Chicago
20 Supplier Diversity Database, along with others, are
21 being used by our outsourcing professionals to
22 access potentially the supplier information by

1 category so they can be included in our procurement
2 process.

3 New MWVBE contractors are continuously
4 being identified, qualified and added not only in
5 our large spend categories like paving, landscaping,
6 engineering and construction, but also in categories
7 of small spends, such as trucking, HVAC, financial
8 and legal.

9 For large projects across functional
10 groups of our employees for engineering operations,
11 as well as supply chains, work together to identify
12 and qualify MWVBE companies that can successfully
13 compete for services and materials needed by PGL and
14 NSG.

15 To insure this is done in line with
16 federal safety guidelines and in the interest of the
17 ratepayers, the evaluating team follows a
18 pre-qualification process which encompasses a
19 detailed review of their operator qualifications,
20 supplier safety plan, historical safety records, and
21 other requirements depending upon the category that
22 they're bidding on.

1 As already mentioned, our major RFPs
2 and contracts with new and existing contractors
3 require them to subcontract to a DBE and also
4 requires tracking of their spend through proactive
5 reporting.

6 We have utilized internal and external
7 media to educate and communicate our commitment and
8 advocacy. Internally our supply diversity 2015
9 goals are aligned with internal leadership goals.

10 It was mentioned before, we also
11 attended and represented at the investment banking
12 supplier diversify event in February, and we are
13 excited about the opportunity to expand a number of
14 minority banks in our portfolio.

15 In addition, we also became members of
16 NAMWOLF, which is the National Association of
17 Minority and Women-Owned Law Firms, and have
18 opportunities especially through the organization
19 Business Advisory Council that we are a part of to
20 learn from other large companies about successful
21 partnering and mentoring relations with diverse law
22 firms.

1 We are excited about the opportunity
2 about the IUBDC, even before -- as mentioned before,
3 even before the formal council formation, the peer
4 companies have collaborated on knowledge sharing.

5 PGL and North Shore Gas had an
6 opportunity to attend Nicor's supply diversity event
7 in 2014 to collaborate and share best practices and
8 knowledge of qualified diverse suppliers.

9 PGL and North Shore Gas also invited
10 peer utilities to their own diversity and encouraged
11 feedback and ideas on areas of focus that could
12 allow a further collaboration at joint future
13 meetings.

14 So this is our advocacy and
15 collaboration plan for the year. This is a list of
16 some past, as well as upcoming events, that we will
17 attend. In addition, also listed are Peoples
18 Gas/North Shore Gas hosted supplier diversity forums
19 in Chicago that we use an avenue to educate diverse
20 businesses in our companies' operational needs and
21 requirements of the industry and primarily to help
22 them position them competitively to build their

1 capacity to meet organizational needs.

2 Although, I know we have heard a lot
3 about the IUBDC, and there's been so much excitement
4 around that today, I, too, want to express that
5 Peoples Gas and North Shore Gas values being an
6 active member of the Council and values being on the
7 forefront of growing diverse certified businesses in
8 the State of Illinois.

9 Even before the formal consultation
10 this morning, we have reaped the benefits of
11 face-to-face conversations with our peer utilities
12 discussing consistency and measurement in reporting,
13 as well as information exchange, a good example
14 being exchange of qualified diverse supplier names.
15 This has especially been helpful in categories where
16 it's challenging to find diverse suppliers.

17 We also have had and we will have many
18 more opportunities to attend each other's supplier
19 diverse forums and meet new suppliers.

20 we are also exploring possible
21 collaborative opportunities, such as the Construct,
22 which is, as you heard before, a program led by

1 ComEd and excited about a possible collaborative
2 supplier diversity event targeting professional
3 services.

4 In addition, the Council gives us the
5 opportunity as a company to educate and inform key
6 stakeholders on core supplier diversity practices
7 and expected outcomes much like what we are doing
8 here today.

9 Finally, I leave you with a few
10 snapshots of PGL and NSG activities promoting
11 Diversity Supply Program Initiatives.

12 In line with your comment,
13 Commissioner del Valle, that you made at the
14 beginning of the session, while our DBE numbers
15 continue in the upward trend and speak to the
16 progress we have made, we recognize that we have a
17 lot more work to do and we believe in the
18 initiatives that will help us improve the
19 opportunities and relationship with diverse
20 businesses. Increasing our supplier diversity and
21 sustainable level of performance over time are our
22 long-term goals.

1 As one of the proud founding members
2 of the Illinois Utilities Business Development
3 Council, Peoples Gas and North Shore Gas are excited
4 to be a part of developing actions to grow
5 diversified certified businesses in the State of
6 Illinois. Thank you.

7 COMMISSIONER MAYE: Thank you very much. Do we
8 have questions?

9 COMMISSIONER del VALLE: Thank you, Commissioner.
10 I'll be quick. Your MBE goal is 3 percent, which I
11 consider is very low. You fell short of that. Your
12 spending is 2.91.

13 MS. SHADID: I didn't hear you.

14 COMMISSIONER del VALLE: Your MBE goal was
15 3 percent, and you fell short of that. You came in
16 at 2.91 percent, and so in our earlier discussion
17 about professional services, I'm looking at the
18 spend byproduct and service categories, and I see,
19 for example, for MBE legal services the total was
20 \$111,000; in restoration, and this is again for MBE,
21 150,000 as compared to the WBE in restoration was
22 72 million.

1 Are you looking to balance things a
2 bit and improve those numbers?

3 MS. SHADID: Yes.

4 COMMISSIONER del VALLE: Because you are spending
5 a lot of money on restoration, right? Because those
6 are just the overall diverse spending numbers, not
7 the total spend, right? So how are you going to get
8 at these categories? I mean, legal's 111,000 for
9 minority businesses. There's plenty of African
10 American and Latino lawyers out there in firms that
11 can do a lot of work for you.

12 What's your plan?

13 MS. SHADID: I can speak to that. Yes, although
14 we did make the 3 percent, I just want to point out
15 we did double our spend, and the numbers tend to
16 move a little slower. The initiatives are in place
17 and you will see that increase in the future years.

18 In fact, if you look at our goals, we
19 have continued to increase our goal for next year
20 for MBEs regardless of whether we made the goal this
21 year or not, we are very optimistic.

22 COMMISSIONER del VALLE: Your spend is

1 15 million. That's 15 million given the overall
2 spending that's taking place with the Main
3 Replacement Program and another spend as a result of
4 rate increases you received, it's a very, very, very
5 low number.

6 MS. SHADID: I agree. I think we have an
7 opportunity there. I absolutely agree with you and
8 we are working and you will see that change. We
9 have brought in -- I want to give you an example.
10 Our WBE spend is pretty large and primarily it was
11 driven by one large woman-owned firm that did the
12 restoration for us. We are taking a different
13 strategy this year.

14 For example, we have actually changed
15 the strategy in that regard and bided out and we
16 brought in some MBE suppliers instead. We broke it
17 down into smaller instead of having one big
18 supplier.

19 COMMISSIONER del VALLE: I'm glad you said that.
20 That's the creativity. That's the leadership that
21 we need, and I don't want to take anything from any
22 other group that falls into this large category of

1 diverse spending, whether they're women, or
2 veterans, or any other group.

3 But if we are going to reach the goal
4 of reflecting the size and the makeup of the
5 population, then we have got to open up things a bit
6 so that you don't have just one contractor just
7 giving you good numbers for the bottom line but
8 having the effect of keeping other folks out.

9 MS. SHADID: Right.

10 COMMISSIONER MAYE: Thank you very much.

11 We are going to shift gears just a
12 little bit and invite all of our speakers back up,
13 so I believe we are going to have two
14 representatives from each utility, including the
15 leader of the utility. We would also like to invite
16 Drexel Hamilton, MZI Group, United Building
17 Maintenance, and, of course, Representative Davis,
18 if you don't mind, and Kate Tregasser.

19 Does it look like we have enough
20 space? United Building Maintenance, are you
21 present?

22 A VOICE: He was here.

1 COMMISSIONER MAYE: No problem.

2 So this roundtable will be an
3 opportunity for us to collaboratively discuss the
4 topic of supplier diversity while specifically
5 focusing on solutions that we can work toward.

6 We have heard very high levels of
7 views of what you are doing, in particular, for
8 organizations and companies.

9 We had the opportunity to read your
10 reports and to see what you are doing and see those
11 numbers and have an opportunity to analyze that.
12 Right now we want to talk about solutions which to
13 me is just as important identifying, you know, any
14 issues that you may have come across.

15 We also thought it important to invite
16 a vendor perspective into the discussion because
17 they know better than anyone the process and
18 challenges one faces as a diverse business owner.

19 Would each of our vendor
20 representatives briefly introduce themselves.

21 MR. TRASKA: My name is Jeremy Traska. I'm with
22 Drexel Hamilton and I'm with the Capital Markets

1 Group focused on Utility Finance Advisory.

2 Drexel Hamilton is a service disabled
3 veteran-owned investment bank, actually the largest
4 in the country. We provide investment banking
5 broker services. We also have a side mission.
6 Beyond just our majority ownership, we hire -- we
7 have a mission of hiring and training service
8 disabled veterans. In terms of our overhead count,
9 the firm is
10 50 percent military veterans of whom are designated
11 as service disabled.

12 COMMISSIONER MAYE: Thank you.

13 MR. MILLER: Arthur Zayas Miller.

14 COMMISSIONER MAYE: Is it on? The green light
15 should be on.

16 MR. MILLER: Sorry about that. Arthur Zayas
17 Miller, the President of MZI Group. We are a
18 Chicago-based electrical, mechanical, utility
19 contractor. We are Latino-veteran-owned. We have
20 been working for ComEd on the -- we have been
21 working for ComEd for seven years now. We have been
22 working for them direct for the past three years.

1 COMMISSIONER MAYE: Thank you. So I want to turn
2 to the vendors first. You have had the opportunity
3 to hear from our utilities. From your perspective,
4 what first comes in your mind when you think of the
5 state of supplier diversity for utilities in
6 Illinois?

7 MR. TRASKA: I think, in general, because I
8 represent the financial services, you know, that's
9 one of those segments of business or supplier
10 diversity that's I think somewhat new and there's no
11 hard and fast rules necessarily in terms of how
12 people in supplier diversity handle that, but I
13 think you had mentioned in the past capital market
14 fees are typically ancillary fees that are paid to
15 credit facility banks that lend to utilities.

16 It's very difficult to carve out fees
17 beyond that. I think, in general, definitely
18 in-state utilities have done a very good job of
19 handling that, so I commend them for that.

20 MR. MILLER: As for the construction field, I
21 think that it's been an incredible story just by
22 them soliciting us and the Hispanic Chamber, HACIA.

1 We have grown our company -- now that we are working
2 direct, we have grown our company by 75 employees.
3 We have invested \$3 million in equipment with local
4 Illinois companies, expanded, as Anne said earlier,
5 our warehouse on the southeast side, and by also
6 being a minority company speaking about minority
7 legal, we have a Latino law firm that we deal with.
8 Our accounting firm is a minority. We have hired
9 minorities, veterans, so I think that in that space
10 a lot of minority firms that are given the
11 opportunity they'll give back into that community.

12 COMMISSIONER MAYE: I think that's the key.

13 Commissioner del Valle did you want
14 to ask any questions of our vendors?

15 (No verbal response.)

16 No? Okay.

17 I'm going to turn to generally the
18 utilities as a whole. I would like to inquire about
19 sole-source contracting. Is this something that you
20 all utilize in your businesses? And if so, how
21 often and what are your policies.

22 MR. WITHERSPOON: So sole-sourcing -- I mean,

1 that is something that we can do. It requires a
2 policy deviation.

3 We have a procurement policy that says
4 anything over a hundred thousand dollars must go out
5 to bid. Now when the sourcing team goes out and
6 looks at the market, if, in fact, they say, well,
7 this is a sole-source engagement, that's something
8 that has to be signed off on by our senior director
9 of supply services, ultimately getting final
10 approval by the vice president of safety supply
11 services.

12 COMMISSIONER MAYE: Anybody else? The green
13 light should be on.

14 MR. HILL: Sorry about that.

15 At AGL Resources we have a very
16 similar policy and strategy around sole sourcing.
17 The category has to be very unique or specialized
18 and limited in terms of distance in the market and
19 it also requires both vice president of the
20 respective business unit and vice president of the
21 supply chain to sign off on that.

22 COMMISSIONER MAYE: Thank you.

1 I'm curious to know -- I know we heard
2 from ComEd and Nicor Gas on this, but, as far as the
3 other utilities, what definition of the Small
4 Business Administration, I'm wonder, for SBA
5 contractors? Do you use the federal definition that
6 Kate mentioned earlier? Everybody does?

7 MS. BLAISE: Yes.

8 COMMISSIONER MAYE: Does anyone not?

9 (No response.)

10 Okay. Well, that's good. Is that
11 good, Kate?

12 MS. TREGASSER: It just is a higher threshold
13 used by larger companies. The State of Illinois has
14 a lower threshold for small businesses. Their gross
15 receipts maximum is 10 million and in certain
16 industries it's a cap of 250 employees where the SBA
17 limits can be hirer, not in all instances but in
18 some.

19 COMMISSIONER MAYE: Did you want to add --

20 MS. GILBERT: I was going to say specifically for
21 American Water, because we do a lot of business with
22 the federal government and military service

1 groups -- I'm sorry.

2 COMMISSIONER MAYE: You are going to need the
3 mic. You are so soft spoken.

4 MS. GILBERT: I'm sorry. Specifically for
5 American Water and the military service group, we
6 are at Scott's Air Force Base. We have to use
7 federal guidelines for SBA, but in states like
8 California we use the state designation for SBA.

9 Now if that were required as part of
10 our reporting that you want us to use in the State
11 of Illinois' designation of SBA, we could do that.

12 COMMISSIONER MAYE: Now for the utility leaders,
13 how involved are you? I know I asked the question
14 earlier. I think I directed it to ComEd, but in how
15 you determine that spend every year, how do you
16 determine to increase it? How do you determine how
17 much to increase it? How involved are the utilities
18 in that process?

19 MS. PRAMAGGIORE: Personally I'm very involved.
20 I will just describe we had a meeting about a week
21 ago. I sat with the senior team and we went through
22 what I described to you as our annual diversity

1 inclusion plan. We hit on five pillars and, you
2 know, we had a discussion at the very senior level.
3 The ownership is at the senior level to make
4 those -- you know, we set goals for ourselves to
5 make sure those goals happen, so we work with -- you
6 know, we have a supplier diversity group, and Emmett
7 Vaughn, leads that. We work with our supply folks,
8 but really the ownership is in the line
9 organization, people like Michelle, who control much
10 of the spend, she is, you know, intimately involved
11 with shaping it and making decisions, and, you know,
12 I'm completely involved in goal setting and I'm
13 often involved in some of the individual decisions
14 and discussions about particular contractors.

15 A lot of times people will come to me,
16 bring new contractors to my attention, and I'll
17 shepherd them through the organization, so there's a
18 lot of involvement at the executive level.

19 MS. REESE: I would comment on that as well. I'm
20 very involved with the Nicor Gas Club, as well as
21 the HR resources. I want to mention that we have a
22 goal for supplier diversity in our annual incentive

1 plan. I was responsible for putting all the goals
2 together, so I got to focus on that one as well.

3 We have goals not just for the overall
4 company and break it down by how we report
5 externally, then we break it down by utilities, and
6 then we also take a slice of it, who owns the
7 different various functions, because, like Anne
8 mentioned, we do have areas that spend a lot more
9 money than other areas, and so we know we need to
10 put those levers in.

11 Gerald and I have worked directly very
12 closely together in building those goals and in
13 talking about transparency, because you can put
14 goals together, but if you put them in a drawer and
15 you don't create transparency about what they need,
16 and how they can get there, and how we are doing it,
17 then they're not meaningful, so we do report every
18 month on where we are against the goals, where we
19 are current and where we are going.

20 COMMISSIONER del VALLE: I appreciate the fact
21 that based on what you describe is very hands-on,
22 and we talk about the importance of leadership

1 coming from the top, but you don't make every single
2 decision. You do have key people in key positions
3 that make decisions, procurement spending decisions.

4 MS. PRAMAGGIORE: That's right.

5 COMMISSIONER del VALLE: And so from the very
6 beginning, we have said that the commitment has to
7 be at that level as well.

8 How do you insure that that commitment
9 is there? What are the internal accountability
10 measures that you have in place to be able to verify
11 that that level of commitment is there and reflected
12 in the numbers?

13 MS. PRAMAGGIORE: So we -- you know, as I
14 indicated, we set goals under our five part plan and
15 we assign accountability for those goals. I am very
16 much a believer in the line owns this.

17 If you try to hand it off -- so the
18 supply chain folks support us in achieving these
19 goals, but the people who run the business on a
20 day-to-day basis have to own this. It has to be
21 part of the business.

22 If you try to hand it off to a support

1 group, it just doesn't have the effect. You don't
2 have I think the ownership and the accountability,
3 so I expect my -- the meeting I was describing to
4 you of a week ago was a meeting that I had with my
5 senior leadership team and they all own and they are
6 all accountable for a goal in our Diversity
7 Inclusion Plan.

8 Figel and Michelle own the supplier
9 diversity number. They are held accountable to
10 that, and they will have discussions in their review
11 mid-year and end-of-year review on where we are at
12 on those things, so it is part of how they're
13 evaluated in the company, and each of the senior
14 executives have a piece of the diversity inclusion
15 plan.

16 COMMISSIONER del VALLE: On the second part of my
17 question on the external side of when I read these
18 reports, you all mentioned the same groups that you
19 are working with in terms of the Chamber, et cetera,
20 and at the last session we had last year, I said
21 that it's important for new players to be brought
22 in, because it is a two-way street. I mean, we

1 can't put it all totally on you. We need advocates
2 out there also and associations that are assisting
3 you in making contacts with potential vendors, et
4 cetera.

5 So what are you doing to grow the
6 number of external partners, if you will, that go
7 beyond the historical traditional groups that I
8 always hear about that, you know, you go to banquets
9 and you buy the tables, and do you all those things,
10 and they look great when they're mentioned in your
11 reports and in your literature, but they -- if you
12 are really going to grow, you have got to get
13 beyond -- in addition to using these groups, you
14 have got to start using some new folks, too.

15 MR. MARQUEZ: Commissioner, we totally agree with
16 that. As Michelle Blaise commented earlier in her
17 testimony, one of the new groups that we are working
18 with in trying to grow is really our disabled
19 veterans and veterans organizations, so
20 traditionally not an organization we work with, to
21 your point, but one that we are looking to see with
22 them who we can identify from a new diverse business

1 vendor to work within Com Ed.

2 Some of the traditional ones we are
3 working with, we are also working with them and
4 challenging them to help us not only in identifying
5 other potential vendors but, for example, working
6 with them on the development of existing vendors so
7 they can have their capacity increase so that they
8 can then do work, for example, with ComEd.

9 Sometimes it's working with existing relationships,
10 but perhaps in a new way in addition to working with
11 new ones like the veteran's group.

12 REPRESENTATIVE DAVIS: Commissioner, may I? One
13 of the things in terms of getting to what you are
14 talking about, there's also some regional
15 challenges, because I heard a lot of everybody
16 saying the City of Chicago. I don't represent the
17 City of Chicago. I am in the south suburbs, so
18 there are regions that are not being accessed
19 appropriately as well that may offer some of these
20 new partners that they're looking for but we have to
21 encourage them to come out into the south suburbs.

22 Also, I wanted to add that one of the

1 challenges, as I understand -- I'm not a contractor.
2 I have not done any of that kind of work --
3 sometimes it's the time from saying let's bring in
4 contractors to the time that they actually get work
5 and start working. That's a challenge as well,
6 because sometimes that process can take three to six
7 months.

8 If you talk about a small business or
9 a small contractor, you know, maybe they have the
10 ability, because you are asked to ramp up a little
11 quicker than it appears that the processes are
12 working.

13 So I guess sometimes the process is a
14 challenge also for working with smaller vendors, but
15 sometimes that length of time -- and I don't know if
16 it's just the bureaucracy that exist within the
17 agencies. They don't allow them to move quicker,
18 but sometimes those businesses are ready to move
19 forward right now and that process can be kind of
20 lengthy to get to that point and sometimes it can be
21 adverse to them as well.

22 MR. PATE: I absolutely agree. One of the things

1 we talked about with the Alpha Program we're
2 bringing in small vendors and bypassing what would
3 be the normal process and giving them the
4 opportunity to get their foot in the door and some
5 work-arounds I talked about.

6 As a company, you have to make a
7 commitment to that and, like I say, you may not be
8 able to handle a 45-day billing, because you have
9 got payroll, and there's some things you have got to
10 do to get your foot in the door. I certainly think,
11 as Byron said, the company is working on that right
12 now.

13 The first part of that question was
14 about how you expand that diversity pool, and one of
15 the things we think is key that we found have been
16 very beneficial to us is really to have champions.
17 Byron's definitely a champion.

18 When somebody's not hitting their goal
19 monthly, he's in the office jumping up and down,
20 what are you going to do at the local level to have
21 the champions and be able to identify quite often
22 smaller vendors we are not even aware of. You know,

1 they're in the community and they bring them
2 forward, and just off the top of my head probably
3 half a dozen times folks have brought people forward
4 like that to us, and these are workers, mine and gas
5 guys. They say, hey, you know, we have this small
6 company that can do some work for you and, you know,
7 and many times that works out where you are able to
8 bring those contractors on and provide them some
9 work, so I think having a local champion is key.

10 MR. WITHERSPOON: Also, I want to add to your
11 question when Commissioner del Valle spoke with
12 regard to new organizations out there, you know, the
13 conundrum is a balance, and so we are talking about
14 some of the existing organizations that we are
15 currently working with, and when I hear Fidel
16 mention kind of rethinking how we are approaching
17 those, and so, for example, the balance would be how
18 do we rethink approaching some of our existing
19 industry groups.

20 For example, one comes to mind would
21 be like The Electrical Institute. We have recently
22 come from a conference where there's suppliers there

1 that share amongst the utilities and working through
2 leveraging them and driving some depth, because what
3 we don't want to lose sight of, as we begin to
4 expand with new organizations, is to grow so wide
5 that you won't have any real focus on the areas
6 that's going to yield you the maximum amount of
7 opportunity, and so we certainly have to expand, but
8 we also want to have a concentration on how do we
9 build the depth with the industry groups that we are
10 currently involved with and how can we reshape them
11 to maximize the opportunities that they can bring us
12 as well.

13 MS. ELDRINGHOFF: The only thing that I would add
14 to my peers' comments is that I think one of the new
15 things we have is this Business Diversity Council
16 that we have already started leveraging. We're
17 having trouble finding somebody in this kind of
18 category, a diverse supplier, and pulling resources
19 or understanding other contractors that are doing
20 work for some of our utility peers and trying to get
21 those people into our pipeline as well, so that
22 would be a new way that we are expanding as well.

1 MR. HILL: Just quickly, you know, on a national,
2 regional or local level, I think the burden is on us
3 to do research to identify who's out there that can
4 align with what it is we need, and so I'll take this
5 opportunity to talk about ABE as an example.

6 The ABE National Conference was
7 recently held in Charlotte about two months ago and
8 there was a tremendous focus around entrepreneurs
9 within the energy industry, and for us as utilities,
10 that's a tremendous connection having access to a
11 wide variety of businesses representing our needs
12 that are currently working with utilities that we
13 share common interests, needs and requirements in.

14 So I think just to really be
15 open-minded and really be an inquisitor around the
16 value proposition that the organization has for us
17 because at the end of the day, to Byron's point, we
18 can stretch ourselves really thin in trying to
19 engage in a number of organizations that may provide
20 similar value, but we really need to, in my opinion,
21 focus on minimizing our value that we are receiving
22 out of those organizations that are benefiting us.

1 COMMISSIONER MAYE: I think these are all great
2 responses. I think we all realize that there is an
3 issue, and, I think ABE is a really good point and a
4 good, you know, connecting point for how we can
5 resolve some of the issues we've talked about as
6 vendors.

7 Speaking of, I guess, voids or, you
8 know, we saw all of your presentations, we looked at
9 your reports, and a significant void is the
10 veteran-owned businesses, so what is it, Jeremy,
11 that you think that's missing? What do you think
12 should be done to try to fill some of these
13 contracts with veteran-owned businesses?

14 MR. TRASKA: You are speaking non-financial?

15 COMMISSIONER MAYE: Generally, across the board,
16 but I understand you are a financial services firm,
17 to the extent you want to speak to that, too.

18 MR. TRASKA: I think the large, more established
19 organizations working with up-and-coming enterprises
20 is key, and that's something that's really with
21 veteran set-asides and support for veteran
22 businesses.

1 California has sort of been a pioneer,
2 and, you know, I can say that kind of mentoring with
3 established vendors that you have can be something
4 that can be very helpful.

5 We, as a firm, were actually able to
6 benefit from something like that. We took advantage
7 in our early days of the U.S. Department of
8 Treasurer's mentor and protege program, so we were
9 pared with Goldman Sachs to provide some capital but
10 quite a bit of other liquidity-related items and a
11 lot of training, because breaking into financial
12 services, particularly Wall Street, is not as easy
13 as some people may think.

14 I think if there's a way to, again,
15 with established utilities or vendors, to help
16 mentor those types of businesses that may need a
17 hand up or some guidance could be a good thing. How
18 you mentor them I'm not quite sure.

19 COMMISSIONER MAYE: Well, a lot of our utilities
20 are doing that. I know Ameren -- or do you want to
21 speak to Ameren's program and the mentoring that you
22 are doing? Okay. I hope that this was -- I think

1 this was your symposium, wasn't it, with Stephanie
2 Hickman?

3 MR. WITHERSPOON: Yes.

4 COMMISSIONER MAYE: Can you speak to that --

5 MR. WITHERSPOON: Yes.

6 COMMISSIONER MAYE: -- and can you speak to
7 whether or not you had in the past any veteran-owned
8 businesses participate in that?

9 MR. WITHERSPOON: Thank you, Commissioner Maye.

10 And so at our April symposium we had
11 one of our suppliers, Entran (phonetic) -- I think
12 they're in the room here -- they brought in a
13 supplier from Chicago downstate and is doing some
14 mentoring for them right now on the Missouri side
15 with some underground construction and actually
16 manhole cover work, and so they're down there.
17 They're doing that.

18 Now that's something that Entran
19 decided that they wanted to do. Now --

20 COMMISSIONER MAYE: On their own, not through
21 Ameren?

22 MR. WITHERSPOON: So one of the things we did

1 with Entran, as a partner of ours, they heard -- as
2 we challenge our suppliers, they heard us and they
3 said, hey, this is something that we are going to
4 do, and they begun doing that.

5 We are also doing something with a
6 company called David Mason. I don't know if anyone
7 is here from Mason as well, but we're doing some
8 mentoring with them, and that's internal, and so
9 both on the Ameren Missouri and Ameren Illinois side
10 where we have focused efforts in helping them grow
11 on their core competencies with what they're
12 offering us from a survey perspective and then
13 they're doing some home inspections in that around
14 Illinois.

15 So those are some hands-on things that
16 we are doing internally with our suppliers in
17 addition to the standard stuff we're sending them
18 to.

19 COMMISSIONER MAYE: Does anyone -- any other
20 utility have these types of programs? Have you all
21 had veteran-owned businesses participate in any type
22 of mentoring programs?

1 MR. MILLER: We are a veteran-owned business
2 also.

3 COMMISSIONER MAYE: Okay. I apologize.

4 MR. MILLER: You know, one of the things I want
5 to add is, because we only work for ComEd, now
6 hopefully that will be met with other opportunities.

7 (laughter.)

8 But what ComEd does is really good.
9 We had -- his name is Ed Finnegan. He's at Supply
10 Chain, and he calls me bi-weekly and he asks what
11 are you bidding on, so there's that communication
12 with Supply Chain that knows that with MCI we are
13 under the radar. Here's what we are bidding, where
14 are you at, what stage, what's out there, what have
15 you been awarded, what did you lose, and that's been
16 a big help to us.

17 COMMISSIONER MAYE: That's a great story.

18 CHAIRMAN SHEAHAN: Commissioner Maye, Brian
19 Sheahan. I would like to ask a quick follow-up if I
20 may.

21 COMMISSIONER MAYE: Please do, Chairman Sheahan.

22 CHAIRMAN SHEAHAN: Yes. I would like to ask you

1 a quick follow-up question sort of related to that
2 line of questioning. I'm just wondering -- this is
3 for the utilities. I'm wondering how the Commission
4 can be more helpful in this process.

5 Are there regulatory or statutory
6 changes that could be made that would help
7 facilitate your efforts to expand employment as to
8 supplier diversity?

9 MS. PRAMAGGIORE: Chairman, this is Anne
10 Pramaggiore.

11 I think creating visibility is one of
12 the strongest tools that you have. Meetings,
13 hearings like this, you know, sort of calling out
14 successes, challenging weaknesses, I think that's
15 one of the strongest tools you have.

16 Honestly, one of the things that we do
17 at Exelon, and we are working to adopt at ComEd, we
18 could have an award for our professional services,
19 which are procured at the Exelon level for
20 diversity -- for our diverse suppliers, so, for
21 example, law firms. We ask them to come in and, you
22 know, use diverse talent in the services they

1 provide us.

2 So when we see that strength, when we
3 see them mentoring people within their organization
4 or other firms, there's an award that's given out
5 every year. We are working on that.

6 In fact, I think that's Terry
7 Donnelley. He's not here. That's his assignment
8 for this year is to set up an award for our
9 suppliers along those lines, but people,
10 organizations, like to be recognized. You know, I
11 think creating visibility, letting organizations
12 know that it's going to be on people's radar screen
13 I think that's a very powerful tool.

14 COMMISSIONER del VALLE: Related to that, and I
15 have a question for Representative Davis.

16 The more folks that we have at the
17 table, the more partners that are involved with the
18 Council, the more visibility there is, the more
19 contacts are made and connections and activity
20 generated, and during this session there was a
21 bill -- there is a bill that didn't move that would
22 have added telecom and cable to the reporting. That

1 bill didn't move. It would be great if they came on
2 board voluntarily, because, as American Water
3 stated, they said this is good. We want to do this.
4 That hasn't happened.

5 In responding to the Chairman's
6 question of what can we do legislatively, what can
7 the Commission do, I would say that one of the
8 things that we can do is encourage more folks to
9 come on board so that you could share the
10 responsibilities, share resources, share best
11 practices, and cover more ground. So what is the
12 status of that bill?

13 REPRESENTATIVE DAVIS: The irony in the
14 Commissioner's question is nobody wants any more
15 regulation, at least that's when we talk about these
16 things quietly. We don't really want any more rules
17 to govern how we operate.

18 (laughter.)

19 You are right. If we can get someone
20 to come on voluntarily and do it, that's fantastic,
21 but the telecom issue that you just mentioned is
22 part and parcel. They don't want any more

1 regulation.

2 In some respects some of the companies
3 feel we are not under the auspices of the ICC,
4 therefore, sometimes it takes us to put the issue
5 out there and just drive it home. It just really
6 boils down to that.

7 Again, looking at all the different
8 sectors, there were several pieces of legislation
9 that encouraged this type of reporting, again, at
10 the higher education level, hospitals, to name just
11 two of them. I believe there were a couple of
12 others as well. So some of it is their ability
13 to -- how can I say it -- their ability to encourage
14 leadership, not to call the bills or move the bills.
15 Sometimes it's a part of that.

16 But, again, as we look at doing this,
17 part of the reason why we have to do these kinds of
18 things is that because that diversity wasn't that
19 important in the first place, and so we have to move
20 legislation to, you know, ask companies like the
21 ones sitting at the table today at least tell us
22 what they're doing in that area.

1 So let me rephrase it. I won't say
2 that it's not important for them, but in terms of
3 telling us what they're doing, you know, we have to
4 use legislation as a means or mechanism for them to
5 provide us with that information.

6 But under the guise that nobody wants
7 any more regulation, that in and of itself makes it
8 difficult to move these issues forward, but we hope
9 that again with the example of American Water saying
10 that, you know, we are willing to do this because
11 (A) we want to get better at it, we want to show you
12 where we are, we want to get better at it, we hope
13 that example will show itself to other companies.

14 I think on the telecom side of it,
15 it's going to be tough. I mean, that issue is not
16 just this year. I think last year we had a bill
17 that wound up not moving as well to try to bring
18 telecom into the conversation. So it is going to be
19 tough. We just have to move it forward. It's a
20 tough piece of legislation. I would have to put it
21 out there, work and negotiate until we get
22 commitment amongst those companies and move the

1 issue forward.

2 COMMISSIONER del VALLE: So you are going to
3 continue to work on it?

4 REPRESENTATIVE DAVIS: Oh, absolutely, definitely
5 on telecom for sure.

6 COMMISSIONER MAYE: So right before we close, I
7 would like to be respectful of everybody's time.

8 So, Kate, I just wanted to ask you if
9 you had any final thoughts or recommendations for
10 the group based on what you saw today?

11 MS. TREGASSER: No. As I stated before, it's a
12 really good foundation and I think the commitment
13 from all the utilities -- I just think that, you
14 know, just going forward and just I think more
15 detail in the reporting specifically to uniform
16 definitions and how to increase -- when you talk
17 about veterans, I think a lot of issues there is
18 unfortunately there's not a lot of certified veteran
19 companies, so it starts there. Agencies are trying
20 themselves to get more companies certified. One has
21 to start there before the actual companies can hire
22 more veteran companies.

1 have a great day and safe travel to you.

2 (Whereupon, the above
3 matter was adjourned.)

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