Met pursuant for the Illinois Commerce Commission,
Supplier Diversity Services: Policy Session 1 held at
160 North Lasalle Street, Suite 800, Chicago, Illinois,
on the 22nd day of January, A.D., 2014, commencing at
the hour of 1:00 p.m.
APPEARANCES:

Chairman Doug Scott
Commissioner Miguel del Valle
Commissioner Sherina E. Maye
Commissioner John T. Colgan
Commissioner Ann Mccabe
Mr. Dan Johnson
Representative William Davis
Ms. Beth Doria
Ms. Loren Henderson
Mr. Jonathan Feipel

ALSO PRESENT:

Various members of the public
CHAIRMAN SCOTT: Pursuant to the provisions of the Open Meeting Act I will convene this Policy Session to discuss supplier diversity. This is the first in a multiple series of meetings on this topic. We started doing these policy meetings last year in greater numbers to try to flush out some of the issues that are important to our State. This was an issue that all of us on the Commission thought was very important and we know there are some legislative matters coming before us too. We wanted to get the best information we could on that. That was obviously a very important issue for the Commission and very important issue for the regulatory community and the State in general. I really appreciate the work Commissioner del Valle and Commissioner Maye and their offices have done to put this together. It's a lot of work to put these sessions together and I really appreciate the efforts that you have made. With that I will turn this over to Commissioner del Valle and Commissioner Maye for opening remarks.

COMMISSIONER MAYE: Thank you very much, Chairman Scott. Thank you all for being here today. Both Commissioner del Valle and I are very excited to kick off the first of our supplier diversity forums. As we mentioned before and we will mention throughout this
particular policy forum, this will be the first in a
series of discussions on this topic. First and foremost
I want to take this time to thank my fellow
Commissioners. It's nice when you're passionate about
something. And we all are actually equally passionate
about this subject, but it's very nice when you have the
support of your colleagues. And thank you for letting
us take the lead with this and run with it and for your
enduring support. That means a lot to all of us. I
would also like to thank our Staff. You know, I always
think about the institutional knowledge that we have
here at the Illinois Commerce Commission. We are just
duly, truly -- we are very fortunate to have the people
we do have. Our Executive Director Jonathan Feipel, who
is here and who you will hear from a little later on
this afternoon has done a lot. He's led our Staff. He
heads our Public Utilities Bureau. We had our External
Affairs Bureau working on this as well and he's done
quite a lot to set the scene for us today. So we hope
you enjoy yourselves. We hope you get an enormous
amount of information from today. I wanted to let you
know this is not something that the Illinois Commerce
Commission that we five Commissioners said, you know,
let's focus on supplier diversity. Yes, we do have a
passion and we realize it is important. However this is being addressed on a national level. Many of you here are familiar with NARUC, which is the National Association of Regulatory Utility Commissioners and it serves as the regulatory umbrella for all the Commissioners throughout all the States. This is a topic that is a priority for our current president of NARUC, Colette Honorable, who is the Chairman in Arkansas. This is a priority for many of Commissions throughout the nation and we are all trying to get on board. We have had some trailblazers such as California, you know, New York is up there. But in my mind Illinois needs to be first and foremost in everything. So we need to jump on the bandwagon and beat them at their game. So hopefully we will do just that by teeing it up with conversation today.

I will pass the microphone on to my fellow Commissioner.

COMMISSIONER DEL VALLE: Thank you, Commissioner Maye. I agree with you wholeheartedly that Illinois needs to be first. We want to be first in every category. There's never been a better time for adopting the good business practices of enhancing shareholder value and managing rate bearer costs to
expand the competition and inclusion in utility
procurement and encouraging greater access for women,
minority, and veteran-owned businesses and employees is
not a social justice issue even though it does address
fairness by providing more opportunities to communities
who, in reality, it is a matter of good business
practice.

Assertions that women-, minority-, or
veteran-owned businesses would not offer competitive
prices and would be more expensive than their
counterparts are not substantiated. They are
questionable at best. The benefits from diverse utility
procurement, investment opening, opening new markets,
and encouraging innovation are supported by the data.
We cannot be distracted by claims that Illinois is
devoid of capable and competent women-, minority-, and
veteran-owned businesses. History shows us we can make
gains through greater inclusion. So today and going
forward we are not interested in these distorting
narratives nor are we interested in investigating their
origin. Rather I believe this Commission is solely
dedicated to working collaboratively with our utilities
to address diversity as the imperative it is. The ICC's
mission is to ensure an appropriate balance between the
interest of ratepayers and the companies serving them. This includes making sure essential services are available to ratepayers at reasonable rates. The General Assembly has been a leader in opening our State to retail competition to lower our State's utility costs through increased competition and innovation.

As we will see throughout these forums, policy forums, supplier diversity is critical. It is important. We have seen from best examples from around the nation, as Commissioner Maye just indicated, that these practices increase competition, reduce costs, and drive innovation. Greater commitment to supplier diversity represents an instance in which the interest of ratepayers and the companies are perfectly aligned. Here at the Commission we believe the utilities agree, are engaged, and have already started to move forward in making gains on this issue. I believe that greater inclusion, competition, and utility procurement investment will stimulate innovation and will also provide a utility with the best possible product or services at the lowest possible cost. But also greater diversity enriches all of the communities served by Illinois utilities, which means that working with the utilities on these practices is not only good business
for them but good public policy for Illinois.

We are rightfully addressing these issues through an ICC Policy Meeting. I ask that we keep in mind the ways that the Commission itself can collaborate directly with the utilities through our own processes to promote a fertile environment for these important practices. I hope this series of Policy Meetings draw up the best role for the Commission in encouraging these practices for the benefit of utilities, women-, minority-, and veteran-owned businesses, and Illinois ratepayers.

Thank you, Mr. Chairman.

CHAIRMAN SCOTT: Okay. Go ahead. Introduce them.

COMMISSIONER DEL VALLE: Oh, I am doing the first introduction.

We have a panel here and I will introduce each member as they are asked to speak. Our first speaker is Dan Johnson. Originally we had Senator Sandoval on the agenda, but he indicated that he couldn't be with us today. He will be participating, we hope, in the next Policy Meeting in the follow-up to this one. But today we have Dan Johnson. And Dan Johnson is the president of Progressive Public Affairs. He lobbies in Illinois for nonprofit organizations, trade associations,
for-profit companies, and individuals. He is an attorney, a registered State lobbyist, an entrepreneur. He has a J.D. from University of Chicago Law School where one of his professors was Barack Obama, President Obama. He also has a BA in Economics and Political Science from the University of Illinois Champaign. Dan worked closely with Senator Sandoval and with Representative Davis in the development of Senate Bill 2526 and House Bill 102. Dan, thank you for being with us today. We appreciate it.

MR. JOHNSON: Thank you, Member del Valle. It's a privilege and an honor to participate in this and a delight to see two former members of the General Assembly and this Commission. So thank you for the opportunity to participate. I thought -- I thought I would provide sort of a broad background as to how these bills sort of came to be to provide some context to members of the Commission as you -- my impression is you would like to get a better understanding as to how we came here today. If the story gets a little broad and winding, please forgive me. I would like to give you the board perspective as to how we came to be here. Beth Doria is the president of the Federation of Women Contractors and the client that I have been
working for on behalf of these issues for a number of years now. Senator Sandoval and Representative Davis have been early leaders in trying to craft public policies to expand supplier diversity generally. Some of the early moves that the Federation of Women Contractors advocated for and Senator Sandoval and Representative Davis championed were putting affirmative action goals on the regulated gaming industry for the first time. So existing licensees now because of new legislation that passed, I think it was last year, Representative Davis worked very hard on something like seven or eight amendments until it finally came through. Finally put goals for the first time on those licensees and their procurements. An early bill as well was Senate Bill 3249, which put similar affirmative action goals on grants that the Department of Commerce and Economic Opportunity made to nonprofit organizations and local governments above $250,000. And so the concept is as the Federation of Women Contractors and legislative leaders like Representative Davis and Senator Sandoval sort of understand the value of supplier diversity on a broad range of industries to strengthening and growing the Illinois economy as they recognize growing these businesses means growing our economy. They are in fact
So how did regulated utilities get into this mix? Well, partially it was built from the experience of seeing the successful MBE and WBE programs in the public sector side. On the public sector side Beth happens to be a leading voice on the Business Enterprise Council in the State of Illinois and oversees many of the implementation of affirmative action, supplier diversity programs for MBEs and WBEs. And so legislators have seen on the public sector side the success of these programs. The wish more broadly felt among more and more members of the General Assembly, I would submit, is to expand the success of these public sectors programs to as much of the private sector as we can. Thus some of the grants that are made to nonprofits, which are really hospitals that have got a lot of capital grants, a lot of municipalities, there ought to be some affirmative action goals tied to those. On the casino and horse track side, there ought to be affirmative action goals to those regulated industries.

In 2012 it came across the radar screen of these leaders that California happens to do something pretty innovative as it relates to public utilities. So I was tasked with sniffing it out and seeing what does
California do that we don't do. As it turns out I got to go to Oakland and watch -- I'm sorry -- Los Angeles and watch the equivalent of the Illinois Commerce Commission, the Public Utility Commission of California hold an en banc hearing on supplier diversity. So I would like to note the historic impact, you know, of this day to have the sort of the first equivalent of an en banc policy workshop discussion on supplier diversity. I should note by the way Senator Sandoval, he is in Mexico, sends his regrets. He is at the Underground Contractors Association annual meeting. A scheduling conflict just didn't allow him to be in both places at the same time, but he sends his regrets.

But at this hearing in Los Angeles it was fascinating that all of the CEOs of all of their utilities, telecom, cable, and electric, and natural gas participated. And the spirit was welcoming, warm, collaborative, and almost -- there was almost a cheerleading aspect to it where each CEO would have a thick report they had to present by Rule. It's called General Order 156, about 15 years old. It requires all of the regulated utilities to submit a pretty thick report on what their plans are for supplier diversity in the future, short meeting, long term, what their numbers
are, how they are hitting them, if they are not what the
problems are.

Each company kind of attempted to sort of out
do each other. And as you know, electric and natural
gas utilities have been in corporate America some of the
best advocates and practitioners of supplier diversity
of any companies in corporate America. So it's sort of
part of their corporate culture to support it. But what
was fascinating about California was it was very
transparent. The actual numbers were -- the actual
spend was, the percentage of spend, the dollar spend, it
was all public, which was a refreshing change to what,
you know, as in most of the country that those numbers
aren't nearly as public particularly on the telecom
side.

So then the advocates took their turn and sort
of had a chance to look over the reports, had their
suggestions. You know, there was a lot of talk on
professional services, you know, needed to do a better
job on finance and legal and accounting trying to up
those numbers. There was a reception that night, but
there was this spirit of collaboration that infused the
entire day.

I reported back to the legislators and to Beth
and Pam McDonough of the Federation of Women Contractors
and they thought this is really something worth
exploring and thus Senator Sandoval filed in veto
session in 2011 what would ultimately become Senate Bill
2526. And through a lot of collaboration originally
included telecom and cable through some, you know,
negotiation where they were exempted out through a
wonderful spirit of collaboration with ComEd and Ameren,
who have been wonderful partners sort of shared their
concerns. We amended it five or six times. Commission
Staff was helpful as well in that process to get these
first reports in Senate Bill 2526.

And, you know, it's led then to an effort led
by Representative Davis in calendar year 2013 to try to
take this excess of this Senate Bill 2526 where for the
first time there would be a public report submitted to
the Commission by the regulated utilities, just natural
gas and electric at first, a product of legislation
compromise, just the, you know, above a certain level so
some of the smaller utilities aren't included. That
would sort of -- We attempted to say what are some
apples to apples benchmarks we can use without putting
too much of a burden on the companies? You know, part
of the collaborative process from Senator Sandoval and
Representative Davis is how do we not burden companies with a report or regulation that doesn't actually advance the ball when the purpose here is how do we help the utilities be the champions of diversity that, you know, they already embrace as part of their corporate identities? You know, more so than any other part of corporate America, utilities really seem to embrace the value of cultural diversity and supplier diversity. So how can we assist? How can reports and -- How can that help?

And so that became the -- you can sort of see it in the language of House Bill 102. And forgive me if I am stealing any thunder. You can see through months and months of negotiations with good faith efforts by telecom and cable and electric and natural gas, there is sort of shift. I think it was the third or fourth amendment when we got to speak with a lot of the supplier diversity people at the utilities that said let's see if we can do something new. And let's see if we can do something innovative. Where many of the companies felt they wanted to avoid a sort of top-down regulatory approach, perhaps we could craft something that would be in the spirit of collaboration that I got to witness in California that encouraged and inspired
... and actually helped the companies hit their numbers and
hit the spend that they wanted to hit any way and
provide some value added to those companies.

One note, a representative of the Obama administration came and said this program in California, this is the most successful supplier diversity program in the country. You know, they went something like an aggregate of a billion and a half spend to a seven and a half billion spend on just MBEs and WBEs and veteran-owned businesses. And it's partly, you know, responsible -- because of General Order 156. The opportunity for such a significant uptick in actual spend is enormous. It's one of our, you know -- some of our biggest companies in helping them up those numbers for veteran-owned, minority-owned and women-owned businesses is potentially extraordinary.

So that's where things sort of ended up at the end of session in calendar year 2013 with some filed language. I think we did it in late May. It sort of put sort of where we had gotten to try to find new language and a new spirit of collaboration, it really hit high numbers to help all parties achieve everyone's shared goals of vibrant supplier diversity program. And I think then the Commission, you know, admirably wanted
to take some initiative and learn some more about how we
came to be and the role that the Commission can play. I
think with that, I think that was my appointed role to
provide some of the broad background. Again I want to
thank you for the honor to testify before you and to
take about such an important topic.

COMMISSIONER MAYE: Thank you very much, Dan.
That was definitely a great overview. What we are going
to do is we're going to have a roundtable at the end.
So you will hear some of the thoughts from the
Commission as well as anyone else. I would like to turn
our attention now to the Honorable William Davis, who is
a State Representative. We do realize how important our
legislators are so we thank you for coming out and
spending your afternoon with us.

The Honorable William Davis is member of the
Illinois House of Representatives representing the 30th
District since 2002. Born in Harvey, Illinois he earned
his Bachelor of Arts degree of political science from
Southern Illinois University in just three years.
Representative Davis went on to earn a Masters of Public
Administration Degree from Governors State University.
He's a member of Kappa Alpha Psi fraternity and a
founding member for Better Funding for Better Schools
Coalition. Since taking office David's top legislative priorities include education funding, increase healthcare availability, and economic development. Davis has been recognized as the legislator of the year by the Illinois Association of Code Enforcement, the Illinois Primary Healthcare Association, and the Illinois Association of Park Districts. Thank you for joining us and we look forward to hearing from you.

REPRESENTATIVE DAVIS: Thank you very much, Commissioner Maye. I thank you very kindly. That was a very thoughtful introduction. As well as to Chairman Scott and the other Commissioners, thank you for the opportunity to be here today to participate in what I feel is a very, very important dialogue in conversation. When I am out sometimes speaking to groups and I get the feedback about, you know -- this is just relative to the State, you know, how the State is going through their financial difficulties and financial challenges, I often indicate that, well, the State is still going to spend money to do things. And to take that kind of thought process into the private sector as was mentioned earlier, you know, these companies are going to be spending money. They have come through either through a process through you as ICC or through a
legislative process to get permission to do things in which they can upgrade infrastructures, rebuild the companies, or whatever the case may be. In order to do so they are going to be spending resources in order to make those things happen. So for me it's just a simple look and say, well, if you are going to be spending dollars, you know, to rebuild and upgrade, you know, what is wrong with asking or talking about how much of that spend is with minority vendors, women-owned businesses, minority-owned businesses, veterans? Whatever those different categories that exist, what is wrong with having those conversations and asking those questions of these entities?

I want to take a step back here and really thank Dan Johnson for all his efforts and his work. He is by far the most progressive person I have known in Springfield. He brings great ideas to us and says, hey, I got an idea. We sit and we talk about it and sometimes it manifests itself into some of what we are discussing here today. So I really, really appreciate all of his hard work. He talked a lot about how from the original thought process we have kind of evolved into House Bill 102 initially and then evolved a little further into, I think, it's 3565. Yes, 3635. Excuse
But the idea here is from not only from just issuing reports about what is the spend is, but now let's talk about, you know, based on those numbers can they be improved? Can they be made better, the establishment of goals? We know goals aren't, you know, it's not a mandate per se. But at some point you got to think about, you know, where you are and maybe let's talk about where you can go in the future. Let's talk about future of goals and establishment of goals. I understand from just my short time in the legislature that the establishment of goals always has to be a well-thought-out process. So sometimes you can, as they say, reach for the stars and you are not going to get there. If you don't get there, are you a failure necessarily? No, not always. But sometimes you just have to be realistic about what those numbers could be, you know, based on the areas in which companies or utilities like the ones we are talking about today, where they spend their money, sometimes there just isn't any diversity in some of those categories. But that allows itself to create an opportunity for companies, for diversity in those areas where there isn't diversity at that point. But in order to get there sometimes you
got to have some baseline stuff. You got to have some baseline information to say this is, you know, where we were before. This is what we spent before. Okay. Now let's get together and see if that can be raised. Can we shoot for something more than what you have and where you have been?

And again when we started out with House Bill 102 and I will just read a small piece of a synopsis of the legislation that says "Requires the Illinois Commerce Commission to establish a procedure for entities regulated by it and their Commission-regulated subsidiaries and affiliates to submit annual detailed and verified plans for increasing female, minority, and disabled veteran business procurement in all categories." That's essentially what we are attempting to do here. And whether it's an establishment by, you know, this body, the Commerce Commission, or the legislature suggesting or maybe suggesting what those goals should be, we are simply saying let's talk about not only where you have been but let's look at where you can go with this and let's talk about establishing some goals. Let's talk about putting some numbers out there. In some cases we may get some pushback on numbers being too high, but sometimes we have to challenge ourselves a
little bit. We have to suggest that to the extent of which you are going to be spending millions or, let's say, hundreds of thousands, millions, let's say, tens of millions in some cases, you are going to be spending a lot of money and there has to be an opportunity for diversity in that spend somewhere. Has to be.

There are some sectors that we haven't touched before that I hope we can get to at some point relative to the dollars they are spending. Not just in terms of the actual construction but also the professional services that these companies also spend money with as well. We want to really take a really very comprehensive and proactive look at where we are and where we want to go. When we started these discussions we got significant and great participation from many of the companies that are represented here in the audience today. Some decided to kind of sit back and just see how the conversations evolve, but some were at the table with us discussing and having good dialogue. And to Dan's credit, our position, as he mentioned earlier, was not to attempt to be punitive, not to overburden you. So when the representatives from the companies came back with ideas for amendments we were very welcoming, you know, to take those in. Because again we wanted them to
feel as comfortable about what we were asking them to do as we felt about asking them to do it. We wanted to make sure that they were all in, so to speak, that they had good buy in, and that they would be committed to doing it. Again, not just saying here are our numbers, but now let's talk about how we can get to increasing those numbers.

And even after those initial conversations I want to certainly give credit to Nicor Gas, who came to me in my district office and said, you know what? I got an idea. This was Dorothy Foster from the Government Affairs. She said I got an idea. Let's host an event. Let's put something out there where we can bring our folks in to talk about supplier diversity and you can invite businesses to come to the event and let's talk about the challenges that they are experiencing, you know, some other areas where we don't have participation. And I would say for a first event, if you will, we had tremendous success. I think we had approximately 80, 80 representatives -- excuse me -- 40 companies who registered to come and then of course we had a lot of the Nicor people, not only from Nicor here in Illinois but their parent company who came in from Atlanta to participate in this. So it was a great first
step to doing something so we are having the right
dialogue about increasing numbers and talking about what
it takes to participate in that space.

Now, that's obviously the gas space. There
are a couple other spaces that we are looking at. We
were fortunate enough that that event to have also
representatives from AT&T as well as ComEd, who came
just to observe. As a result of that observation, we're
talking to those companies about doing a very similar
event where we are reaching out and using all the tools
and resources available to us to reach out to the
breadth of companies that exist that might want to do
work in a space. Again, there are a lot of companies
that don't know they can do work in this space. We want
them to see what the opportunities are, see what the
availability is. And then again, as part of that
particularly where the numbers are smaller in some of
the areas, let's figure out how we can, you know, maybe
grow businesses or encourage them to diversify. You
know, if they do legal work, maybe there is a certain
particular type of legal work they can do to help play
in this space a little bit. We just wanted to put it
all on the table and say what do we want to do to
increase those numbers, to try to make, you know -- to
ask these companies, you know, to show some additional
corporate responsibility and community responsibility.
They already do a number of great things in terms of
their volunteer activities and they have foundations
that, you know, where they make contributions to
not-for-profit organizations. They do a number of great
things, but we want to make this be a part of kind of,
you know, that portfolio of things that they do where
they are actively engaged in making sure that when they
spend money that there is the diversity that exists and
that they are spending money with those companies.

Why, I think, we need to push this a little
bit and it's unfortunate that sometimes -- and people
will never say this publicly, but we often hear the back
conversations where we have nine minority companies who
will say, well, unless somebody makes me do this, why
would I spend money with minority companies? It's an
unfortunate thing to say, but it's often said unless we
are forced or pushed to do that. And to the extent in
which we are trying to push that envelope, then again I
am okay with doing that. You know, I am very much okay
with pushing to make sure that to the extent in which I
have some say in working with these companies, that they
are also doing business with diverse suppliers and
diverse vendors and we want to make all these things happen. I appreciate all the efforts of Dan Johnson in bringing these issues forward, my colleague Senator Sandoval, as well as the Commission now deciding that, you know, this is a really, really important so we want to be a part of this discussion and use the tools that they have to try to help push this along. And I am looking forward to the subsequent discussions where we start to dive into some of the more particulars about how the data looks and again deciding what we can do to try to increase those numbers and make this environment better for diverse vendors. So again I appreciate this opportunity to be here. I am looking forward to continuing with this dialogue and working with you into the future.

COMMISSIONER MAYE: Thank you very much, Representative Davis. We definitely appreciate you speaking to the current efforts that are underway. We look forward to a bit more subsequent conversation later on.

Next we move on to Beth Doria. Beth is the president of Alliance Associates, Incorporated, an association management firm. She also serves as executive director of the Federation of Women
Contractors. In this role Beth is a tireless advocate for the opportunities and rights of women- and minority-owned business owners. An association partner in the Alliance of Minority and Female Contractors she is -- she often conveys critical issues to local, State, and federal legislators serving as spokesperson for the organization's combined membership of over 1,000 contractors. Prior to starting Alliance Associates in 2003 Doria served as a State Women's Business Advocate with the Illinois Department of Commerce and Economic Opportunity. Additionally she served as marketing manager for the Illinois Bureau of Tourism and corporate accounts manager for the Illinois Lottery. Doria is active in several communities and advocacy organizations including the Diversity Action Council, Women Impacting Public Policy, and House of Hope in Illinois. Doria has served on the Illinois Business Enterprise Account for five terms and served as chair of its policy and enforcement committee. She is the recipient of numerous awards and recognitions including Crain's Who's Who in Chicago Business 2012 and 2013, 2002 Women's Business Advocate of the Year, and the SBA Women and Business Champion Award for 2007. Doria also received a Lifetime Achievement Honorary Doctorate of Philosophy in
Humanities from Ramah Institute of Theology for her lifelong work for women and minorities. I'm sure after that, you all can see we are excited to have her here and her knowledge. Thank you.

MS. DORIA: Thank you for inviting me. I would like to start by commending the Commerce Commission for being very proactive on this initiative. Particularly Director Feipel has just been wonderful to work with and from the get go has been very energetic and very involved in this process. While I represent the Federation of Women Contractors, from the time I took on that role I really broadened my scope to include minorities as well. Because anyone who's familiar with these MWDBE programs as well as the disabled veterans programs, we are all facing the same challenges. Some face more challenges than others, but it really is a challenge every day to be able to work on, to be able to be taken seriously in some cases, be able to prove yourself, and really be able to do a great job on a regular basis. And as Representative Davis pointed out, all too often the mantra is that unless someone is forced to do business with a woman or a person of color they are not going to. And the statistics certainly do bear that out.
We have -- our organization for now over ten
years since I have taken over, we have really looked
very hard at ways in which we can address these
disparities and recognizing in particular with utilities
that it's a unique segment in that, you know, these
contractors or the vendors must really have capacity and
capability to be able to work in that arena. One of the
things that we had talked about early on was this being
an opportunity for us to collaborate with the various
utilities to say where is that disparity. And perhaps
there is opportunities for us to put together more of a
mentorship type of a program where together we would be
able to identify some contractors who are very capable
of doing that work but have been unable to really find
the correct person to get in touch with or be able to
kind of break down that initial, get past the
gatekeeper, I guess is really the main thing. And that
was how we got involved in that I often get phone calls
from people saying, can you help me? You know, for
years I have been trying to get into do some work with
X, Y, and Z company. And I, you know, I call all these
people. I go to all these meetings. I can't ever get
anywhere.

So we really thought that through this process
we wanted to be able to work with the different companies to do exactly that and build capacity and make models, make a lot of great companies that are sustainable, and that, you know, that the utility companies are able to really point to with a sense of pride and say we helped build this. That's a good thing on both sides.

I want to express my appreciation to Representative Davis and certainly Senator Sandoval for taking on this because oftentimes in the General Assembly, you know, some people are afraid to kind of advance bills unless they know that they are going to get passed. And so we -- I want to really commend them for their work and I appreciate all their hard work and their efforts toward this. But I also want to say a word to the utility companies in that this really has been a very pleasurable experience, if I can use that word, that it was not met with a brick wall right away. And I did find a lot of ability or, you know, genuine wanting to make this work. And see how we can build a great program that we can all point to with a sense of pride and one in which the utility companies can also kind of tout those numbers and have them be real numbers. That's another thing that we really face. A
lot of companies can say, well, we do X amount of
dollars with diverse businesses; but what does that
really mean? If you have a company that let's just say
has a minority vendor that does investment and is doing
investments in their portfolio, are they just saying,
well, okay. We are doing, you know -- we are doing
two billion dollars in investments with one vendor,
that's not really what we are looking for. We are
wanting to really spread it across, maximize the
opportunities for as many contractors as we possibly
can, and again as I said, really build great sustainable
businesses that make it more competitive on both ends.
So I appreciate everybody's participation and
commissioner's cooperation in this process and I look forward to truly
building a program that everybody can be very proud of.

COMMISSIONER DEL VALLE: Thank you. Once again,
after we have heard from all our panelists, we will have
lots of questions. I'm sure we will have a very good
discussion. Our last speaker before we begin the
questioning session is Loren Henderson. Loren, I
understand, does have a power point presentation, right?

MS. HENDERSON: Mm-hmm.

COMMISSIONER DEL VALLE: Loren is an assistant
professor in the Department of Sociology and
Anthropology at the University of Maryland, Baltimore County. Professor Henderson's presentation was prepared in collaboration with Dr. Cedric Herring, who unfortunately could not be here today. Dr. Cedric Herring is a professor in the Department of Sociology at the University of Illinois Chicago and at the Institute of Government and Public Affairs. Professor Henderson's research interests include diversity issues, stratification in equality, health disparities, race, class, and gender, and sexuality issues. She is a coauthor of a forthcoming book entitled Diversity in Organizations: a Critical Examination. She is also an author of several research articles on diversity. I'm not going to list all the articles. There are quite a few.

Thank you, Professor Henderson, for being with us today.

MS. HENDERSON: Thank you. I just want to thank the Commission for inviting me. I would like to thank Martin for all his work in helping me get ready to present today. I am just happy to be here. I am going to switch sides now.

COMMISSIONER DEL VALLE: Could you plug in the microphone, please?
MS. HENDERSON: Okay. So again I want to thank you for inviting me here today. So today I would like to share some of my research with Dr. Cedric Herring about the business case for diversity. In doing so I will discuss the impact of racial and gender diversity on businesses. I will talk about the quantifiable metrics that we have used to help identify these benefits. I will also talk about why it is important to have utilities file the kinds of reports that they are currently required to file. My presentation will touch on what we can determine from the reports that have already been filed and what additional future reports should include. Finally, I will talk about some of the kinds of practices that have been found to be successful in increasing opportunities for minority-owned, women-owned, veteran-owned, and small business enterprises. I will also share some of my thoughts about what else could be done to strengthen diversity efforts.

Most forward looking organizations are trying to better understand their customers, clients, or constituents so they can be selected over their competitors. There are however competing claims about diversity. Proponents of the business case for
diversity claimed that diversity pays. They claim it represents a compelling interest that will help meet customers' needs. It enriches understanding of the pulse of the marketplace and proponents argue that it improves the quality of products and services offered to customers. They also argue that diversity offers the promise of greater profits and earnings. Moreover, diversity enriches the workplace by broadening employee perspectives, strengthening their teams, and offering greater resources for problem resolution. The creative conflict that may emerge as a result leads to closer examination of the assumptions, a more complex learning environment, and arguably better solutions to workplace problems.

Because of such positive attributes it has been argued that companies increasingly have relied upon diversity in their workforce to increase their profits and their earnings. In contrast, skeptics of the business case for diversity claim that diversity has significant costs that are often overlooked. Some critics for instance point out that racial and ethnic diversity are linked with conflict especially emotional conflict among coworkers. They claim that group cohesiveness is diminished and as a result workplaces
witness increase employee absenteeism and turnover. Greater diversity it is also suggested is also associated with lower quality because it places lower-performing people in positions for which they are not well suited. It is for these reasons that skeptics of the business case for diversity have questioned the real impact of diversity programs on the bottom line of business organizations.

Dr. Herring conducted research on business organizations and published an article in 2009 entitled Does Diversity Pay?: Race, Gender, and the Business Case For Diversity in the leading sociological journal. Building on this research he and I also studied the impact of diversity in high risk cases. In the next part of the presentation I will present some findings from that work that highlight the business case for diversity.

Dr. Herring used data from the national organization survey, a nationally representative sample of for-profit business organizations to test a hypothesis. He wanted to look at whether racial and gender diversity were related to business outcomes. He used quantifiable metrics such as revenue, number of customers, market share, and relative profits. In this
slide some of the various business outcomes of establishments by their levels of racial and gender diversity are displayed. It shows that those corporations with higher levels of racial and gender diversity have higher sales revenue suggesting that as racial diversity within the organization increases, sales revenue increases.

This slide shows that higher levels of racial and gender diversity are also associated with greater numbers of customers.

This slide shows that as racial and gender diversity increase, market shares increase as well.

And this slide shows that as racial and gender diversity increase, relative profits increase.

When we took other factors into consideration like the size of the firm, the age of the company, the legal form of incorporation, the region, the industrial sector, et cetera, multivariant analysis offers support for all of the hypotheses. Overall, diversity is associated with increased sales revenue, more customers, greater market share, and greater relative profits.

Such results clearly run counter to the expectation of skeptics who believe that diversity and its efforts to achieve it would be harmful to business organizations.
These results, are consistent with arguments that suggest that an diverse work force is good for business and that diversity offers a direct return on investment that promises greater profits and earnings.

Although I am here to speak about the business case for diversity I recognize that the Public Act was instituted to aid the inclusion of WMBE suppliers who face significant barriers in the marketplace both because of individual deficits and discrimination. In some previous research on the City of Chicago's Minority Women and Disadvantaged Business Enterprise Program Dr. Herring and myself reported that while significant progress had been made in integrating minorities into public and private sector contracting activities, meaning other variables remained. When subcontracting vendors were asked about their working relationships with prime contractors they usually felt that they were outsiders. They suggested that as prime contractors tended to prefer to work with network insiders, which were most often established white-owned vendors.

Mandatory minority subcontracting requirements are often used to assist minorities and women to overcome these barriers.

In terms of access to borrowing, roughly
80 percent of African-American contractors stated that they found it difficult to acquire working capital. We also found that minority-owned businesses are being discriminated against in the credit marketplace. When we compared black- and white-owned companies with the same work experience, the same amount of experience in the industry, the same owner age, and the same level of education, the black-white gap in credit scores for new businesses actually widened. We also found they are both racial and gender differences in access to credit even when you compare businesses with the same credit ratings. When credit scores were taken into account, racial and gender differences in access to credit generally became more pronounced rather than less pronounced among new firms. In other words, not only do credit scores fail to explain racial and gender differences in credit lines, they appear to mask the size and significance of such differences. Although barriers persist we believe such patterns are even worse when there are no MWB goals in place.

The next part of the presentation will focus on why it is important to have utilities file the kinds of reports that they are currently required to file. Research conducted by researchers from the University of
California at Berkeley and Harvard University show that efforts to establish responsibility for diversity lead to the broadest increases in diversity. Moreover, organizations that establish responsibility in reporting on their levels of diversity see better effects from diversity training, and evaluation, networking, and mentoring. So having reporting requirements is not only good for letting us assess the state of diversity in companies, it is also good for increasing diversity and increasing the benefits of diversity. Reporting also provides an opportunity to demonstrate a commitment to increasing supplier diversity.

Based on the reports that have already been filed, the regulated utilities have made a commitment to a hearing of the Public Act. The reports indicate that the utilities participated in trade shows, conferences, and joined affiliates with minority suppliers. Overall no company set a goal of obtaining minority suppliers above 5 percent and a goal of obtaining women suppliers above 10 percent. However, most companies reported meeting or exceeding their set goals. While these efforts are in step and in the right direction, there are limitations in the reports
that should be addressed. Overall these reports are
aimed at providing accountability of regulated utilities
such that they minimize cost, increase competition, and
more importantly they should lead to increases in the
use of WMBE suppliers. Overall the utility reports do
not provide a transparent explanation of how they
determine their supplier goals or how they are going to
address the various discussed by WMBEs. The reports
also lack demographic information about their client
base, overall revenues, their spending patterns, and
other quantifiable metrics. The inclusion of these
items would make it possible for the examination of
whether awarding contracts to WMBE suppliers actually
leads to quantifiable metrics discussed earlier.

Given that the playing field is not level,
what can be done to make things more even? There are
several changes in how regulated utilities do business
that would help minority businesses achieve procurement
from them. Supplier reports suggest that the primary
means of increasing supplier diversity involve
networking initiatives.

However, based on our research the most common
change that would help vendors get additional work is
the unbundling of large contracts. Clearly regulated
utilities can award large contracts that are beyond the reach of most small firms. Such firms are disproportionately owned by women and minorities. Nearly half of minority vendors said that prompt payment of invoices would help them get additional work. Also capital constraints are limiting the ability of minority vendors to take part in procurement. Prompt payment disproportionately assists the undercapitalized vendors, particularly those experiencing restricted access to loans. Slow payment discourages participation by these credit-restrained firms. Nearly four in ten minority vendors stated that a waiver of lowering of bond requirements would help them get additional work. A longer bid lead time would also help almost three in ten minority vendors get additional work. In order to achieve greater supplier diversity in regulating utilities in Illinois we believe that it is necessary to target and redistribute goods and resources to people and businesses who originate from traditionally included disenfranchised or disprivileged groups that have historically been victims of discrimination. Doing so will allow for an expansive notion of diversity and it leads to greater inclusion of minority-owned businesses.

There are several other things that will make
the realization of supplier diversity in regulated utilities in Illinois more likely. First the Illinois Commerce Commission needs to establish a consistent set of guidelines with performance appraisals that will transparently point out areas of success and areas in need of improvement. This will need to be done in conjunction with the regulated utilities and it may require the assistance of external organizations and consultants. Regulated utilities should develop written supplier diversity policies that clearly define their commitments in measurable and quantifiable ways. Such a metric should be included in the annual performance goals for the utilities and the policy should articulate the rationale supporting the initiative.

All levels of management should be held accountable for implementing supplier diversity policies and for making progress towards diversifying those throughout the supplier chain. Because corporate purchasing organizations are involved in driving supplier chain decisions, the supplier diversity program should be linked of the company's procurement department. Consistent with the Illinois House Bill 102 we believe the Illinois Commerce Commission should develop a clearinghouse and database of WMBE suppliers.
that regulated utilities could and should turn to expand their efforts. This clearinghouse and database could be funded by the utilities if necessary.

Finally, it is important to demonstrate to organizational members that diversity is institutionally beneficial. In the business world diversity produces positive outcomes over homogeneity because of growth and in the business and may depend on people from various backgrounds working together to capitalize on their differences. I would like to thank you again, thank the Commission for allowing me to testify today. And I can send any of these references that you need.

COMMISSIONER MAYE: Thank you very much, Loren. Now that we have heard from each panelist we wanted to have a moment with a liberal discussion. As I mentioned earlier, Illinois does not want to just participate because it seems like the right thing to do; but we want to get involved because we know it's the right thing to do.

We are hoping this discussion will allow us to have some words and get some thoughts on how the Illinois Commerce Commission can step in and what role we should take and what role we can take in assisting our utilities in their supplier diversity efforts.
Miguel, did you want to ... COMMISSIONER DEL VALLE: We are going to start up with some questions here. If you would like, you can join the group. MS. HENDERSON: I will just stay here. COMMISSIONER DEL VALLE: Okay. Very good. But thank you, thank you all once again for your wonderful presentations. I want to go back to some of the history here. We know that we have had one report filed, the first report as a result of House Bill 102; right? MR. JOHNSON: The 2526. COMMISSIONER DEL VALLE: Section 5-115. MR. JOHNSON: Yeah. COMMISSIONER DEL VALLE: And the next report is due February 1st. But back in October Senator Sandoval sent a letter to the Commission, to the Chairman of the Commission and I know that letter copied Beth Doria. It's the October 31st letter. It indicated that -- Now I am just working right off the letter if I may. It says "Further all utility -- all utilities shall submit the rules, regulations, and definitions used for their procurement goals and their annual report." This was a letter indicating that the language
in the Section was good, but he wanted to share what he expected from the utilities to include in their report. And he spells out a number of things here. For example, he expects the annual report to include a summary of MWBE purchases or contracts or breakdowns by ethnicity, product, and service categories, an explanation of any circumstances that may have caused the utility fall short of its goals, a list of MBE, WBE complaints received during the past year, a description of any efforts made to recruit MBE, WBE suppliers, and justification for the continued existence of any excluded category of products or services, which has been removed from the procurement dollar base used to set goals because of the established unavailability of MBE suppliers.

Then he goes on to say, "It has come to my attention that representatives of the utility companies may have incorrectly interpreted the scope of the law in order to minimize their reporting requirements."

Of course, given that feedback, I anticipate that the next report will contain more information than the first report. But I have here a copy of one of the reports. I am not going to mention the utility, but this is it. This is one side and these are the numbers.
And in this report the MBE percentage is 1.8 percent. 1.8 percent. I don't want to get into a discussion about what is the right percentage because we don't know, but I think it's safe to say that 1.8 is low. 1.8 MBE given the huge minority population that we have in the State of Illinois and certainly in the Chicago metropolitan area.

So in your opinion, what has transpired? Because one of the responses I saw to the efforts to ensure that the report went beyond what the Section 115 says, one of the responses I saw in writing was basically we are complying with what the Section says and that's it. Which of course, in my mind, points to the need of, Representative, your bill, which enhances the current reporting requirement.

Just if you could expand on that?

MR. JOHNSON: Sure.

COMMISSIONER DEL VALLE: And maybe the Representative can also answer that.

MR. JOHNSON: Thank you, Member del Valle. So you are referring to a sentence that I will read to sort of provide the context that there was a lot of discussion about. It's a second paragraph of the law. "Each regulated gas and electric utility with at least 100,000
customers shall submit the rules, regulations, and definitions used for their procurement goals in their annual report." As that language was drafted, that was in the original bill and survived all the amendments to the Public Act. That was thought of as, you know, an all-encompassing sort of catchall so the utilities can share how do they define an MBE. Is there a cap? What certifications do they use? When you come up with your numbers, what do the regulations use to come up with those numbers? What are the rules that you use? You know, they are a private company. Senator Sandoval is a former procurement official with the federal government. He spent 15 years in procurement with the feds. He is sort of intimately familiar with how procurement works. Knowing what the rules and regulations and definitions used are sheds a whole lot of light into what these numbers actually represent. There was some discussion -- let me make sure I have got my calendar right. The law was signed in August of 2012. The fall of 2012 and the winter of 2012 brought a lot of conversation and discussion about what that phrase meant. You know, there was some talk that, well, maybe a definition is, you know, this is our report. That's how we define it. That's the definition we are using
for this report. So there was a feeling that that was
an incorrect interpretation of what that sentence in the
law means. So I think the first wave of reports. And,
you know, it's the first time. I should credit again
Commission Staff and utility representatives, who did
engage with it, I think, openly and there was some fair
discussion. But particularly Commission Staff worked
pretty hard on trying to figure out, you know, what that
means from the Commission's perspective and what sort of
guidance the Commission can provide the utility that is
needed to submit this report. For the first go round, I
guess, from my personal perspective, I think, you know,
it's a quick timeline between -- for government between
August and February 1st. So maybe it's fair that it
wasn't quite rolled out as aggressively as I think the
intent of the legislation probably clearly evinced.
Maybe for this coming -- now that there's been more
time, I think the, you know, the two-page report can get
a lot closer to a 10- or 15-page report to start sharing
what certifications do you accept when you say somebody
is an MBE or WBE? There is a lot of
certification-competing agencies. You know, how do you
define -- do you count a supplier as 100 percent or do
you count it like the State does, you know, at
70 percent or less? So when you say these are the numbers, what exactly do you mean? That's sort of -- that was more what the intent of the legislation was, at least from my perspective, as somebody was involved. I can't speak directly for Senator Sandoval, of course. But I can say as former procurement official, he is, you know, intimately familiar about what procurement means and I know he was concerned in the fall that the actual reports may end up being thinner than what he was anticipating receiving. But I will let him at the next opportunity when he is back in town to have a direct conversation on his views on that.

COMMISSIONER MAYE: Representative Davis, I want to add something to Commissioner del Valle's question. Perhaps you can expound on this.

That letter, actually when I read it, I was quite shocked because the letter was drafted or it was sent out on October 1 of 2012, I believe, which was about two months after the Bill was enacted. And so my first question, I believe, I asked Jonathan, I said, are we sure the utilities saw this? And upon receiving an answer of yes, I was quite shocked because I did review all of the reports that were filed in 2013. And it wasn't clear to me from reading the reports that the
utilities were aware of what was expected, you know, to be in the reports. I do understand that was the first reporting requirement cycle. And so we are now going into a new year. Hopefully in two weeks on the new deadline we will see some better reports. But as a member of NARUC's Utility Market Access Committee I have seen reports from all over the nation and have been floored at how phenomenal some of these reports are and seeing what some of these utilities are submitting and just seeing really the level that, I guess, they are taking it. I would just wish that we can take it as seriously as some of the other states because it is clear which states obviously have a lot more supplier diversity initiatives than we do. I was again quite shocked when I looked at the reports for our State.

REPRESENTATIVE DAVIS: Well, I am obviously just hearing about the letter. But I can appreciate what Senator Sandoval was doing in terms he was trying to clarify in some respects. You know, sometimes, I guess, one way to look at what Commissioner del Valle said in terms of looking at particular numbers being low, again, you know, that to me presents an opportunity as well. Because if that is truly the number, I guess, in its purest form, you know, we can figure out how to build
upon that number. When you ask for information, again, that's why -- From House Bill 102, you know, all the different amendments of it that Dan and I were entertaining because, you know, we want to get to a point where the information that's being provided is the purest information available. Whether we like it or not, it is what it is. But again, where do we go from there? If that -- if 1.8 in that particular category becomes the benchmark; then if that information we receive through disparities studies, whatever the tools are show that there is an opportunity to do more, say, in that particular category, then we are going to put a goal out there that speaks to really what can be accomplished in that area. And we are going to put that goal out there and we are going to push and encourage these companies to do it. As a legislator I am going to do everything I can, which means that I am going to -- you know, here are some businesses for you to look at. Here are the complaints you are getting from businesses as was mentioned earlier. I want to cover the complete spectrum of whatever information is needed or can be obtained to make sure that, you know, we are get to go, you know, a point where, you know, the opportunities are there and that people have the ability to go after the
opportunities. Now, if they choose not to, that's obviously their choice. But let's not make it so that they can't get to where they are trying to go if it is indeed their desire.

When we talk about legislation we have to talk about training wheels, as Commissioner del Valle and Commissioner Scott will understand. Trailer bills are how we try something and maybe it didn't quite get to where we wanted to or wasn't quite defined appropriately so we subsequently do other things so that we can, you know, really get to where we are trying to go. So whether that's through a legislative act or an act of the Commission, you know, clearly, you know, we want companies to do better than what Commissioner del Valle just said. We definitely want that. And the question is, how do we get there? And it encourages that participation from the government side as well as the private sector side. Hopefully they walk in the door recognizing that we are not doing very well. That's important for them to recognize if they are not doing very well because that now creates, we want to do better. If nothing else, we don't want to be put in front of someone and have this put in front of us that we are not doing good. We want to be proactive and make
sure we are doing everything possible; and as the reporting opportunities come, that you see those numbers going up.

COMMISSIONER DEL VALLE: So Representative Davis, I agree with you wholeheartedly. But in looking at Section 5-115 and then comparing it to House Bill 3635, that's the Bill that was filed in May, that Bill contains the very last language that you worked on?

REPRESENTATIVE DAVIS: That's where we are at this point.

COMMISSIONER DEL VALLE: So in looking at that Bill, that House Bill 3635 does address a number of the issues that were raised in the letter. It's not identical but it does address one of the issues. For example, asking for a list of the certifications the company recognizes, explanation of the challenges faced in finding quality members, and offering any suggestions for what the Commission could do to be helpful to identify those vendors, an outline of the plan to alert and encourage potential vendors in the area to seek business from the company, an explanation of the plan for the next year to increase participation. And this is for the annual report. These are required items. So if this is enacted, it would be impossible to cover that
with one page.

Representative Davis: I'm sure.

Commissioner Del Valle: So my question is -- and for Dan also because I know you worked with the Representative, what is the status of this Bill and was this language negotiated with the utilities? Because I know this Bill includes telecommunications and it includes water. So it does increase a number of folks who were asked to report.

Representative Davis: Well, again, thank you for acknowledging the Bill. It is -- we are still -- Honestly, I will say we are still negotiating. Again, our objective all along was not to be punitive in any way, but to continue to encourage the dialogue and encourage the participation from all sectors. So whether or not this is the completely finished product, I couldn't say for sure at this point. But certainly this represents conversations in Springfield over the summer. Unfortunately as the fall came around, we weren't able to have -- we were trying to have another conference call, which we have yet to have. Every time we put something out there we wanted make sure the companies had a opportunity to vet it, to take it to all the entities, the departments that would otherwise have
something to do with this, and come back with their
suggestions and their concerns.

Honestly, Commissioner, a few of the companies
have said they are okay with this. Some have yet to say
they are okay with it, but quite a few have said they
are okay with this. Again, they understand what we are
trying to say. As I look out in the audience here, you
know, and see the diversity of people who are
representing these companies, they clearly understand
what we are attempting to do and where we want to go
with this. They are working very hard to try to get us
a product or work with us to get to a product that
everyone can embrace and that helps us accomplish, you
know, the goals we have set forth.

COMMISSIONER DEL VALLE: Representative, I want to
commend you. I think -- Well, I think you are an
excellent State Representative and I have said that to
you before in dealing with you on other issues. But
it's obvious here that you wanted to build on what you
did before.

REPRESENTATIVE DAVIS: Of course.

COMMISSIONER DEL VALLE: And improve. So I am
very, really pleased to hear you say there are some
utilities who have agreed.
COMMISSIONER DEL VALLE: To the language in this Bill because it really ensures that the quality of the reporting will increase dramatically. I commend you for that.

REPRESENTATIVE DAVIS: Thank you very much, Commissioner. I will say that is our intent. The reporting will indeed improve. Once this will be passed and signed into law, what that first report looks like, we will all be interested to see. And then we will figure out where to go from there. As Beth has already done, let me thank Executive Director Feipel. He has truly, truly been a tremendous asset to us in this process. I don't have to tell you exactly how smart he is and what he brings to the table in this conversation, but he's been very encouraging in terms of trying to help us to get to where we are trying to go and I really appreciate his efforts in this as well.

COMMISSIONER COLGAN: I appreciate this discussion. And I think, you know, we are bringing together here a body, which is basically quasi judicial in terms of our task is mainly to enforce laws that are established through a process of stakeholders who want certain things and there is other people who resist that
and there is a lot of back and forth there. And I understand that legislation process and I know that it takes time for issues like this to evolve. And I'm assuming that we have on one end a California model, which is pretty mature. And on the other end we have the Illinois model, which is very, very new. And I understand the legislation process where you want something, but to get that you have to negotiate with the stakeholders. If you want that to pass out of the General Assembly you have to have certain people on board with that process. I am familiar with that.

I know that that change doesn't just come out of the clear blue. I mean, you can't just pull the California model down and put it out there and say we want a mature process and we want it now. It's incremental. It takes time. So my understanding is that we have a firm step and it might not be what some people wanted and I'm sure there is going to be a resistance to maturing that model as it's developed further.

But, I guess, I have a question in terms of I heard mention of General Order 156 out of California. Is that a Public Utility Commission Order or is that a sta- -- you know, I'm sure there is a statute in place
that has been amended over time. And so General Order
156, what is that?

MR. JOHNSON: Sure. It's a great question,
Commissioner. It was an action of the Public Utility
Commission. So 15 years ago or so the Chairman and the
Members of the Board just decided they were going to
issue on their own authority under the general statutory
authority what became General Order 156. So there
hasn't been an authorizing statute to specifically
empower or direct or authorize the California Public
Utilities Commission to implement their supplier
diversity program. They really took the lead and did it
on their own accord under their regular existing
statutory authority to do so. But there was no
legislation initiative to direct them to do that.

COMMISSIONER COLGAN: Okay. So they -- In this
case here in Illinois we have a general statute and I
think the requirement that we have in the statute is to
file reports on our website.

MR. JOHNSON: Yes.

COMMISSIONER COLGAN: And so what you are saying
is the California Commission took on a proactive role.
They went beyond the quasi judicial function so much as
I outlined just a little bit ago, but more stepped out
in front in terms of a quasi legislation role and defined what they thought would be appropriate. And so there is -- The General Assembly, there was no pushback from the General Assembly on that or are you familiar with how that process went?

MR. JOHNSON: You know, I asked a similar question, you know, from Illinois. They -- I should start by saying some of the folks in California I have connected with some of the Staff of the Commissioners so you can hear the story from them hopefully at a later date. My impression is the California General Assembly, that there wasn't any sort of attempt to repeal their authority. There wasn't a lot of pushback and that it's really been sort of a Public Utility Commission-led effort including sort of a renewal and an expansion of their reporting five, six years ago or so without a lot of resistance either. You know, the stories they sort of told of the early days were for the establishing the Beachhead when they were really the only State of the union to do anything like that. And that a decade in or so, they had built enough consensus with their stakeholders that they could expand the program and build on their success. But there hadn't been -- there was a State Senator who was sort of involved, sort of
one of the sort of -- she was sort of the patron saint
of the program, but it wasn't through a legislative
initiative. It was sorts of the stakeholders who cared
about it happened to be on the PUC at the time.

COMMISSIONER COLGAN: Well, we appreciate
California because we learn a lot how do things and
sometimes how not to do things from California. But
that informs the process and we move forward.

So, you know, between California and Illinois,
are there in betweens? I mean, are there states that
are in the midst of a process that is bringing it one
way or the other or are you aware?

MR. JOHNSON: I wouldn't say we're -- I wouldn't
put us at one edge, you know, just a state like Indiana
perhaps or a state like, you know, North Dakota where
there is absolutely nothing, I would put us in the
middle already. Particularly given the initiative of
the Commission to take a hard look at the new program
and to engage with some of the nuances of this, I would
say I am not aware of another State Commission, who is
actively looking at this issue as aggressively as the
Commission is starting today. So I give Illinois and
the Commission a bit more credit perhaps than putting it
at one end of the spectrum. I am aware that Maryland is
somewhere in the middle. I am tad fuzzy on the specific
details, but my impression is that it is a not -- it is
the equivalent of their Public Utilities Commission had
made an attempt and they have an understanding and
agreement that utilities will participate with reports,
but it doesn't rise to the same level as General Order
156, which is sort of, I think, the strongest State
level regulatory regime in the country. Maryland is
sort of out there, and I would put us in the middle now
that something exists.

COMMISSIONER COLGAN: I think just in that regard
that --

And, Representative, I think -- I'm really
glad to see a member of the General Assembly here
because I think it's important for the General Assembly
and I know you have talked quite a few times about our
Executive Director Jonathan Feipel working with the
General Assembly. Because I think that's how it works,
you know. If the Illinois Commerce Commission wants to
jump out in front of this and take control of it and do
something, you know, like Order 156 without having some
sort of coordination with the General Assembly, which,
you know, clearly has the statutory authority to create
legislative policy in Illinois, I think it's important
for us to discuss and work closely together as we move forward down the road.

MR. JOHNSON: If I may, Commissioner, I just wanted to acknowledge, you know, Director Feipel as well has been an exceptionally helpful resource but particularly helpful in that would provide language when asked and was always exceptionally differential to Senator Sandoval and particularly Representative Davis. To say if we can be a resource, we are happy to be one; but was always extremely differential that wasn't sort of pushing his ideas or an agenda or trying to sort of force his will or anything, but he was extremely helpful and differential in that way. So again I know it was appreciated.

COMMISSIONER COLGAN: Thank you.

MR. JOHNSON: Thank you.

CHAIRMAN SCOTT: Thank you very much, everybody, for being here today and working on this issue. I know we have had a chance to talk about it in the past, Dan and Representative Davis, I appreciate it as well as Ms. Doria and Professor Henderson. I want to ask Dan and Representative Davis a couple of things about the two different bills just so I have a better handle on -- actually three different
bills now so I have a better handle on kind of the
devolution of where this is coming from and where it is
now. But then I want to ask a couple of questions, if I
may, of both Ms. Doria and Professor Henderson as well
as it pertains to this.

So when the original 102 got filed so that was
almost right after the 2526 had been signed and taken
effect and was before the first reports came in.

MR. JOHNSON: Mm-hmm.

CHAIRMAN SCOTT: So the purpose obviously in 102
pretty closely mirrors California's statute right down
to the --

MR. JOHNSON: Right.

CHAIRMAN SCOTT: -- letter almost. I realize
there are some things that don't necessarily work
between the two states in terms of how we define things
and all that. So there was some changes from the
original 102 that needed to be made based on that, is
that a fair statement?

MR. JOHNSON: That's accurate, yes.

CHAIRMAN SCOTT: But beyond that, you know, there
is a lot in 102 that has dropped out. And I certainly
understand and appreciate the legislative process as
everybody has talked about. But the original purpose
for introducing 102, are both of you satisfied that they
are still -- I realize that it's important to get things
out of the legislative process. And so the latest 102
or 3635 that, you know, represents more than what was in
2526. Again, bog down these numbers. But are the
original purposes of why 102 got introduced, are those
still present or have some of those things you think
would be really important? I don't want to put you in a
bad spot because I realize there is a give and take.
But are the purposes for introducing them in the first
place still there?

    REPRESENTATIVE DAVIS: Overall intent still is.

    Again, as I looked at the progress from 2526 to where we
are now, you know, it was actually asking them to issue
a report in the category. Now we are moving toward,
well, instead of just issuing a report, let's talk about
the goals. What is achievable in respect to what goals
are? Again, you saw how 102 evolved. It was just the
back and forth dialogue with the utility companies.
Those that agreed to participate with us or wanted to
participate with us and trying to again come up with at
the very least something that was palatable. I think
the overall intent is. Because again if we look at
California kind of being the standard bearer in this
respect, sometimes you can't get to the -- you can't get there in the first try, so to speak.

CHAIRMAN SCOTT: Sure.

REPRESENTATIVE DAVIS: It's going to take some time. I think even to the extent in which, you know, if we are successful in passing some version of this and we start that process, you know, maybe it just takes the participating utility company to say, oh, I guess this really isn't that bad. Then we move a little further. We take another step or another couple of steps, if you will, towards possibly getting to, say, a complete House Bill 102. But it may just take a little time to do so. But I think -- and I don't know if Dan would agree, but I think our intent is still there. You know, but now we are just trying to figure out the nuances of trying to move something. Then we will figure out once we are able to where we go from there.

MR. JOHNSON: I would echo Representative Davis's comments. I think if it was one member of the General Assembly, I think, Representative Davis would be delighted to pass HB 102 as is and Senator Sandoval would be delighted.

CHAIRMAN SCOTT: We are working on that. We just haven't gotten there yet.
MR. JOHNSON: It's going to be on the ballot, I hear. I think Representative Davis's direction has been very clear that he is setting an ambitious course but looking for an agreement particularly expanding the industries that are covered.

CHAIRMAN SCOTT: Right.

MR. JOHNSON: That's been part of the challenge is industries that currently aren't reporting are having a longer time sort of coming to terms with an agreed Bill.

CHAIRMAN SCOTT: So if the first Public Act 2526 had passed was more about baselining as somebody mentioned earlier in trying to figure out where we are at through the reports. Fair to say now that the Bill that we have got in front of us, the latest edition of it in terms of adding reporters, the clearinghouse concept that's there, and strengthening the definition so that we take away maybe of the ambiguity that was there, is that fair to say what the improvements are of this Bill building on the last one or am I missing something?

MR. JOHNSON: Yeah.

REPRESENTATIVE DAVIS: Yeah, absolutely, Chairman.

I would agree with that.

CHAIRMAN SCOTT: Thanks for that. I appreciate
Let me ask Ms. Doria and Professor Henderson a couple things, if I can.

COMMISSIONER MAYE: Of course you can.

CHAIRMAN SCOTT: Thanks.

Obviously as a business owner yourself or running a business in addition to the association work you do, where do you see the gaps in this, specifically as we talk about utilities, where do you see -- not talking about any particular utility, but just in general where do you see some of the gaps are that maybe shedding some light through these bills could help to alleviate.

MS. DORIA: Recognizing again that utility companies are somewhat unique in what it is they would require of vendors, I think that probably the biggest perhaps misconception, I think, might be in the men at that time that there aren't capable vendors out there that have the capacity to do the work. So that certainly is one thing that I think this reporting will help us identify. And certainly the areas geographically where that is happening as well. That was a very important aspect of what we were trying to get at was, you know, really where are we missing good
qualified vendors to be able to do some of this work?

As far as other gaps go, I would have to think that, you know, again, it's tough within the utility arena for companies who have generally not worked in that arena before or at least haven't had an opportunity. Let's just -- I will just take an electrician as a good example. You know, perhaps they have done a lot of different private work as well as public construction. But they just haven't been able to break through to do any type of -- to get any work with any utility companies. And that, I think, is probably the biggest barrier and one that I hope that, you know, we are able to address through this reporting.

CHAIRMAN SCOTT: A couple of things anecdotally I heard and they showed Professor Henderson's slides were the kind of things that get mentioned to us a lot and they are really not that much different than what you hear in other procurement -- I used to work for a municipality. We did a lot of procurement there too. I am really hearing here again, but it's probably even amplified because of the nature of the utility work. But the size of the procurements that are involved and maybe a lot of contractors can't meet some of these requirements to do all of the work that's there, the
bundling or unbundling as it was phrased earlier. And then the long-term relationship issues because we are talking about private entities getting contracts for the public side who have been doing procurements for years and years. But are those two -- I mean, you hear those anecdotally. I am curious of your experience here in Illinois, are those two issues that especially in the utility sector, is that something that's --

MS. DORIA: Absolutely. You know, everyone likes when they have a relationship with someone. You know, you have a comfort level obviously that, you know, if there is something wrong you are able to pick up the phone and contact that person and get it fixed. When you bring in a new contractor you don't know what that relationship is going to be so there is some hesitancy to kind of break out of your comfort level and, you know, and try someone new. But I hear that all of the time. And that's a difficult one to, you know, to really overcome when you don't have a commitment from the top on down.

Again, you know, Commissioner del Valle, when you talk about 1.8 participation rate, one of the things probably the biggest advantage to the reporting is that it is going to shed some light on it. And, you know,
echoing Representative Davis, we don't want it to be a punitive process; but I think for the utility companies as well when they start seeing what others are doing, then they are liable to say or talk amongst themselves. Well, you are doing so well. What is it you are doing and we are not doing and what can we do? The Nicor Gas outreach event that happened was great and at the event I told Representative Davis, I said, if this was the only thing that came out of this, it's a good thing. Because at least, you know, it got them very -- thinking about it. We need to do more. Make them take a little proactive stance on it and looking at how they can better improve the process. That's really all we are trying to do. Let's improve the process. Let's make it more competitive for them. The companies will see a much greater benefit as the data bore out that, that one of the things about hiring minority companies that those -- there is a trickle-down effect. Minority companies tend to hire other minorities. So it's not just your first -- it's not just your first hit. It's not just the first company or the subcontractor that you are hiring. It's all of the people that go on down the line. One of the other things that you will
generally hear anecdotally -- and I participated in a
number of disparity studies. The other thing that we
hear from the prime contractors is it always costs us
more to do business with minority contractors. There is
a little truth in that smaller companies, we do not get
the benefit of the, say, the discounts that a lot of the
large companies get. Walsh Construction can pretty much
call up any vendor that they have and they get a much,
much reduced rate on anything that they purchase. In
addition, they are -- you know, any type of bonding --
Let's talk about the bonding because that really is a
huge issue. The bonding rate that they get is
significantly less than any bonding rate that even
well-established women- or minority-owned companies get.
The bulk of my members, the women contractors, the
average time in business is 25 years or more. So these
women have been around for a long time,
well-established, very solid business people, have been
able to ride those ups and downs of the construction
industry. They still have a hard time getting a good
bonding rate. So if somebody could explain that to me,
I would be more than happy to listen to it.
But that is another issue that I think, you
know, perhaps when they talk about it costing more,
well, that has to be reflected in their bid. On top of
that, let's go to the slow pay because the contractors,
like the prime contractors, the smaller contractors or
smaller prime contractors, they are still required to
pay all their labor. They are still required to pay
their suppliers. They are still required to make their
IRS payments as well as their union dues payments. And
when you are left out without getting paid on a job for
significantly longer periods of time, sometimes in some
cases it can go out to 120 days or greater, that, you
know, that makes it much tougher for those companies to
be able to survive where, you know, larger companies are
able to kind of spread their costs out and do some
creative financing.

CHAIRMAN SCOTT: Professor, kind of the same
question to you and then add a little bit to it. Is
there anything inherently different about utilities you
see as opposed to the same procurement issues whether
it's in construction or other things that you are maybe
more familiar with?

MS. HENDERSON: Well, when Dr. Cedric Herring and
I did our research with the minority, women businesses
in Chicago these were the kinds of issues that they
brought up in terms of unbundling, bond rates, getting
payments on time. I don't really think that those are necessarily the utility's problem in a certain way that they have to deal with it legally. Like you said, they want to go to people -- companies that they are most comfortable with. They want the best price. But I think if we can convince companies that through the reporting that they could see that in the end they really will benefit from having a diverse supplier base because they will be able to get some more competitive rates if they can do some of those things like implementing the unbundling or even waiving some of the requirements that some of the companies talked about. I think it's there that the commitment will be shown. So a lot of the commitment, I think, has been in the networking, which is about bringing the suppliers to the utilities. Let's meet up.

But it's not that the suppliers don't know that the utilities exist, right? They do know that. And they want to participate, but they cannot no matter how much they network, navigate these barriers that keep them out. And so by just investing in networking, I don't think -- I think that's where a big gap is that a lot of the investment. And if you look at the reporting, which is great, most of the companies said
that they invest a lot in joining organizations and
doing a lot of networking and meeting with interested
companies. But there was one particular utility that
reported. But the suppliers have these barriers and
it's not our job to deal with it. So I think that we
have to figure out a way. Maybe that's where the
Commission can come in is to help the companies to see
the benefit in the end of what unbundling these large
contracts and making it more possible to navigate some
of these barriers or even putting in -- putting in place
just not just networking but people who can actually
help the companies to navigate some of the things. So
if there is an upcoming contract they know is coming
out, they can work with companies to getting in place
all the paperwork because a lot of the companies are
very small so they are working. They don't have a lot
of time for --

I'm sure you can testify to that.

So I think some of that more investment is
there instead of just the large investment in the
networking.

REPRESENTATIVE DAVIS: I just want to add some of
the irony in what I'm hearing and it's great when she is
talking about unbundling and trying to figure out how to
help smaller entities. The State government is generally looked as this huge behemoth that takes a long time to turn. The irony is that particularly in road construction, you know, we are pushing in State government unbundling contracts. We have recently passed a piece of legislation, myself and Senator Hunter passed a revolving loan Bill for companies who want to work with IDOT where they can get access to some resources to help some of their upfront costs and it's paid back as the contract is paid out. So the irony is that where you expect the private sector to be innovative and to have the flexibility to do a lot of things, State government is in this case leading the way in doing some of these things. Hopefully some of the examples we have put forward the private sector will be able to look and say, well, State government can do it. Obviously we must be able to do it as well.

CHAIRMAN SCOTT: Dan?

MR. JOHNSON: Thank you, Mr. Chairman. Just one quick follow-up. On the bonding front, we have been trying to tackle that on the State government side as well. It's worth looking into. The performance bond requirement, which is essentially requiring a contractor to buy insurance at a higher rate if you are small,
cheap if you are big that if you default or go bankrupt
there will be money for the State, the customer, to
cover the cost of this thing if it goes south. Well,
taxpayers pay for it ultimately because it's built into
the cost of the contract. And so we wanted to see --
We asked IDOT, well, we are buying this insurance.
Anybody cashing out? What is the rate of default? It's
next to nothing. I think, it was one or two over six or
seven years. And so we are simply buying very expensive
insurance that we never cash out because contractors
just don't -- they don't go bankrupt. They do the job,
right? So similarly on the -- on the regulated utility
side it's worth thinking about when utilities impose
this expensive insurance on their vendors that's
ultimately passed to the ratepayers and this insurance
that we require vendors to buy, there is never any
real -- there is no real instances where the vendor goes
belly up. And so the insurance company pays out or
the surety pays out. It's worth taking a very hard look
from the ratepayer perspective as to whether utilities
ought to be imposing these bonding requirements on
their vendors because they are buying an expensive
financial product and we're not getting much of a return
for it.
CHAIRMAN SCOTT: That's an interesting point. And depending on the type of work that's involved too.

MR. JOHNSON: Yeah.

CHAIRMAN SCOTT: You get safety and reliability issues, which, you know, obviously come before us all the time that we have to necessarily pay attention to. So obviously that's -- it's a balancing act with everything else, but I appreciate the point that you have made.

MR. JOHNSON: Thank you.

CHAIRMAN SCOTT: Let me just ask too because it goes what we have been discussing the last couple of minutes. I know it was State government and I appreciate what you said, Representative Davis, about the steps that the states have done and lot of other units of government have been doing the same thing because they are trying to achieve similar goals. I know the State also has resources to not just monitor resources, but to help businesses navigate the paperwork and other things that are out there. Are there any utility -- This is a question obviously we will raise with them. But are there any utilities that you know of that have that kind of program? I was at similar event the one you described Nicor did with
Ameren in St. Louis where they -- very similar kind of things. Here is the kind of work we have got coming up. Here is the kind of contracting we are going to need to do. Here is people who can talk with you. It's a nice process from that standpoint. But are there people that you know of within the companies are dedicated to kind of helping perhaps some of the minority and small businesses get through some of these hurdles that are out there?

REPRESENTATIVE DAVIS: I can't say that I am. I think based on their own particular knowledge and expertise and knowing what it takes in order to do business with them, they probably have the information to refer. You know, you need to get certified this way or that way so here is some people you can talk to. We tried to be proactive with our event with Nicor to try to bring some of that information out to individuals where we even had a company that did some a venture capital work as well. You know, just trying to provide those kinds of resources. But I can't say with any degree of certainty that that is within the companies we are talking about necessarily. But certainly I am sure when they are approached by vendors who want to do business with them and they ask that question, you know,
are you? And if not, here is where you can go to.

MR. JOHNSON: I think every company that, you
know, we were working with, they all had a supplier
diversity contact that they sort of ran the language up
to. We got to talk directly to some of them and get
some feedback. I think one of the things that came
out of the latest version is, it would be nice if there
was one database where any vendor could see any contact
and all the companies lined up. That doesn't really
exist. So I think every company in the regulated space
has a supplier diversity or diversity person or
department. We were just hoping to try to make it a
little bit easier for new vendors to access who those
folks are.

CHAIRMAN SCOTT: Thank you very much. Appreciate
all your time and your answers and being here.

COMMISSIONER MAYE: Thank you, Chairman. I wanted
express a consistent sentiment. Obviously Executive
Director Feipel has been very involved in this process,
but I wanted to allow him the opportunity speak and talk
about the Commission's involvement in any future steps.
Did you want to do that?

EXECUTIVE DIRECTOR FEIPEL: Sure. Thank you much.
I think just the overall as far as how we got here
today, we have heard lots and lots about all the
different processes and evolution to this. Clearly it
started a year ago with working with the utilities,
working with the energy associations that come with the
reports that got filed last year. We have been working
again with the same groups, utilities, energy
associations to beef up the reports. We definitely have
the benefit of the fantastic process that went on last
year that gave some more inclusion that we could push to
say look at this place to find good information to again
flush out those reports that are due here next week.

So we will see. I think that's been our
role so far as to work with what we have got and of
course to support any questions or support the meeting
to do so.

COMMISSIONER MAYE: Since Executive
Director Feipel has now spoken, I want to know from each
you if -- and I know you, Professor Henderson, you
briefly mentioned it -- but exactly what the
Commission's next steps, recommendations for the
Commission's next steps in this process. I know you
mentioned, Professor Henderson, allowing or getting the
companies to see the value in diversity. But
specifically what is it that you are advising our role
to be in this process, particularly the implementation of the proposed Bill?

MS. HENDERSON: Well, again, so establishing a database that all the regulated utilities can access at one time and a way to allow new vendors to maybe even upload or to state that they have their certifications are up to date or something like that where -- and then accountability, right? A part of this is about accountability. It's hard to say that because we don't want to be punitive. We want to be using positive reinforcement, but this is about making sure that companies see the value in accessing supplier diversity along with accountability. And so expanding the reports, I think, are important in putting in as much detailed information as possible. I thought the California report was really a good model and maybe to use that as a model someone can go through and highlight the most important things that should be there. So I think that's fairly easy for companies to do.

Also I do think that the companies should look at whether the supplier diversity does make a difference. I think it's important to have empirical evidence that demonstrates that, right, especially if we are moving beyond just the moral case but we want to go
for the business case and we can't do that without having data. So the regulated utilities should be committed to providing the best, the most accurate up-to-date information in their reports that allow for tracking. So that's what I would suggest.

COMMISSIONER MAYE: Thank you.

REPRESENTATIVE DAVIS: I obviously certainly agree. And I guess because I have not -- other than speaking to Director Feipel -- obviously not having this conversation with the Commissioners, one of the comments came up when we were walking through this process last year was whether or not the Commission was actually the best place for this information to be versus maybe one of the other State agencies, if you will. For me, you know, I thought naturally just because of the nexus between regulating utilities and the ICC that it was appropriate to have the information here. But I think walking away from this conversation, I believe that the Commission would like to have this information, you know, at your disposal, you know, and that those reports be filed with the Commission and this is actually the best place for them to be. And what it requires is that it requires that people understand that the reports are just the reports. They allow us to talk about, you
know, some aspect of the work that's done or lack thereof, if you will. And that they are not to be used outside of just for what they are for, reporting numbers. While the Commission has a broader role as it relates to dealing with these entities we are talking about, that's something different in terms of how you deal with their rates and all those other things with them. But this information is just about looking at how they do business and are there opportunities for them to do business in more diverse areas or do more business in more diverse areas? And that's it. So I am very comfortable with this information being housed here with the Commission and certainly that this is where indeed this information should be.

MR. JOHNSON: Thank you, Commissioner. I would suggest, you know, my personal view is that, you know, I think the initiative, Commissioners, to take a day and look into it. It is admirable and I would encourage to you do so. I think given your existing statutory authority, I think in your independent judgment to the extent that you find the reports lacking and your interpretation of the existing language doesn't match up with what your independent judgment as to what those reports ought to be, I would encourage you to exercise
whatever judgment you find appropriate and providing whatever guidance under whatever authority you currently have under existing statute to the regulated industries to do what you may consider to be a more, you know, more compliant job.

There is no prohibition on other industries voluntarily participating. And I think to the extent, you know, you can say that you would be happy to welcome other reports from entities that aren't required under existing law to submit those in other industries, I would encourage you to consider whether that's a position the Commission might want to take. But I think particularly, you know, having an opportunity where the regulated utilities, both those that are under reporting obligations and those that aren't to have a chance to come before you in a, you know, not a sort of formal hearing but something like this to flush out the issues and to talk about as, you know, the legislation calls for to have an annual workshop to say let's let the companies come and talk about what they are facing, what their goals are, whether they are legally required to or not. And have an opportunity for the advocates to participate as well, I think, would be extraordinarily helpful in providing that collaborative value-added
venue. I can't think of another entity off the top of my head that's more appropriate to convene those stakeholders and drive that conversation. So I would encourage you to continue to look at your existing statutory authority and drive this conversation in forming some new policies and practices.

REPRESENTATIVE DAVIS: May I add one thing? In terms of the role of the Commission as the professor indicated, she indicated in one of her earlier slides that some people felt that by doing business with, say, smaller businesses that there are increased costs to this. Now, this may be where I am a little bit naive in terms of the role of the Commission as it relates to regulating utilities. But I often hear that costs or if there are increased costs, those costs will be passed down to the consumers. I think -- What I think the Commission has to be willing to embrace, if I could say it that way, is that if we are talking about doing business with small businesses and if there is indeed increased cost associated with that, is that an acceptable cost as it relates to passing it down to the consumer if that's the way it has to be paid for? Maybe there are other ways in which it can be paid for. But I have heard on more than one occasion that when we do do
business with small businesses, that other cog in the wheel, that's an added one cent, two cents to our overall cost. And that's going to be passed down to the consumer. And the ICC is going to slap our hands for doing that. I have heard that on several occasions. So whether or not there are increased costs or as the professor indicated that on the back end that there are benefits to doing business with small businesses, maybe that's something on the front end of this conversation the Commission can state having either studied or whatever the case may be to say that it's okay to do business with small businesses. That may be a way to kind of open this up a little bit versus there is always the fear -- at least maybe perceived fear that if we do that business and that increased costs if there are any that come along with, we would have to pass those down. That's not what the Commission wants us to do in terms of passing increased costs down to the consumers. So maybe on the front end of this, you know, to look at this cost issue in a serious way and really find out if that's how it actually works. I say that from my perspective because I don't obviously deal exactly with this the way you deal with it. But is that really how it works? Or is that just smoke and mirrors, as they
COMMISSIONER COLGAN: I think it can work in a lot of different ways, but part of our requirement is low cost, least cost service. And in the Public Utility Act it doesn't say we are supposed to be doing economic development or development of small business. And, you know, if -- And there's been testimony here today that people do things when they are required to do them. And so if the Commission is required to do certain things, the Commission will do certain things. But then I'm really glad you brought up the issue of cost because then it becomes an issue of how do you reconstruct or reconfigure your staff, reassign people to do different issues, and maybe the need for resources to bring people in who have that kind of expertise, which may not be present in the current staff. So those are all -- this is very much a partnership that needs to be worked through with all the stakeholders that are involved in the process. Because usually when it comes to adding on any kind of new sort of way of doing business, there is usually some cost involved there. It's really important that those be dealt with up front, like you just said, just up front deal with that.

And then, I think, the Commission works best
when, you know, sometimes we can interpret what the statute means. But if the statute doesn't open the door, we are probably not that likely to just jump over in there unless we feel there is a really important reason for doing that. But the statute at least has to, you know, put the little piece in there that says we shall do this or we shall do that and then we have to figure out in coordination with others on how that did actually come about. But if it doesn't say -- like if it says -- You know this language better than me.

If it says the Commission should consider, you know, that's a lot different than the Commission shall. And so -- But then again, that goes hand in hand with new resources, new people, new expertise to get the job done, and to do it appropriately.

COMMISSIONER DEL VALLE: Quick question for Dan Johnson relative to the last comments.

Before I do that, Representative Davis, I think it's also important to remind people that ratepayers are paying a whole lot more today for the purpose of modernizing the system. It's coming out of their pockets increased cost, a huge cost and we approve -- as a Commission we approve those costs
because modernization is good. It's necessary. It benefits everyone. So keep that in mind when you are responding to folks who may raise that issue. And I think that, to me, it's a nonissue, but you are absolutely right that it's something that needs to be talked about.

Going back to your point, the California model as a clearinghouse, I understand that the Commission helped set up that clearinghouse in California?

MR. JOHNSON: So --

COMMISSIONER DEL VALLE: House Bill 3635 does call for an annual workshop. So if it's in the law, Commissioner Colgan, we would do it.

Is that something you feel the Commission can do even if it's not in statute?

MR. JOHNSON: I --

COMMISSIONER DEL VALLE: And the clearinghouse issue also, if you could address that?

MR. JOHNSON: So the clearinghouse in California is, it's an entity that the utilities fund. They contract out to a provider that administers it. I think it's something like a 2 and a half million dollar budget. Their role is to say any vendor that wants to be registered to do business with the utilities, they go
to that one clearinghouse. They get certified quickly, something like three days, as an MBE or WBE or veteran-owned businesses. And then the utilities have access to this clearinghouse of all the vendors out there and whatever services they provide.

You know, it was thought to be potentially helpful, but ultimately it's a decision for the utilities to make whether that would be helpful to them or not. Word we got back was we don't really see the value of that, which is why it didn't make into the latest version. You know, maybe if they take a second look, maybe over the winter they would find it would be helpful. But it was just because it seems to be met with such a claim in California, perhaps there would be value here in Illinois. I think that's the one where we probably defer the most to the companies as to whether they would see value in having a centralized clearinghouse or not. Certainly a narrower function -- the clearinghouse that lists these are the certifications that the utilities accept and these are the ways you can register with the utilities. Even if do you it four or five times with each company, that centralized clearinghouse is something that I think the vendors would like to see, which is a far narrower scope
than what the clearinghouse which serves the utilities as well in California. But we -- I think, if I can -- I think Representative Davis felt, you know, and we felt that if the utilities felt it wasn't that helpful, then no need to push it right now.

To your other question I probably can't answer well the scope of your existing statutory authority to convene; but I would suspect if you can convene a meeting like this to discuss, I would imagine you could certainly convene all the other industry folks to come and talk about supplier diversity. I want to thank all of you for doing this because, as you know, simply convening and discussing helps move an issue and move an agenda along. I think continuing to do so will certainly help bring attention and move the process and finding consensus faster than would otherwise occur.

Thank for convening this discussion today.

COMMISSIONER DEL VALLE: But there is support for an annual workshop?

MR. JOHNSON: I can't say. I certainly believe an annual workshop would be helpful, but I can't say for sure if you have the legal authority to do so. If you do, if would be great to have an annual workshop. I just think having a day when all the companies are
there, everyone knows it's coming, people can --
companies can sort of compete with each other.
Advocates get a chance to think about and talk to their
members and hear among members what other problems are.
It's a great chance to know that it's on the calendar
every year. This is the day we tackle supplier
diversity and we make progress on that issue. It's
something that I think we feel very strongly about.

COMMISSIONER DEL VALLE: Thank you.

COMMISSIONER MAYE: Thank you very much. I didn't
know if any of my other colleagues had any other
questions? No.

Well, in closing, I definitely wanted to thank
all the panelists. Thank you so very much for your
time. Thank you for everyone who came out today. As we
mentioned, this is the first of a series of policy forum
workshops. We will be hosting another one. The date is
tentative. We are looking at the month of March. As
soon as we confirm that date we will definitely make
sure to get that out to you. We will be asking the
different companies that we do regulate to speak on
their supplier diversity initiatives and things that are
going on. We definitely know there are many supplier
diversity initiatives at your respective companies. We
just want to hear about it. For example, the Nicor Supplier Diversity Outreach Initiative that was held a few months ago, which we heard was fantastic. We were actually all at a conference so we could not attend, but we did hear that it was great. So we want to hear about things like that. Another thing to note, which was mentioned about 17 times today but just in case you didn't hear, the reporting deadline is February 1st. It's coming up next week so we are looking forward to receiving those reports. And of course if there are any questions -- I don't know -- If there are any questions, just let any of our offices know or any of our advisers. Of course Executive Director Feipel is always here to answer questions and assist you with anything you do need. At this time I would like to pass this back over to our Chairman Scott.

CHAIRMAN SCOTT: Is there anything else that needs addressed? Thank you to everyone for being here today. We really appreciate it. Speaking for myself, looking forward to helping making these issues better as we go forward and as Commissioner Maye said talking to the companies and others who are interested. And this is a nice framework for doing that. We really appreciate you spending your time with us this afternoon.
Nothing else. The meeting stands adjourned.

Thank you.

Commissioner Maye, thank you.

Commissioner del Valle, I thank you for you and your advisers for putting this together.

(Whereupon the meeting of the Illinois Commerce Commission, Supplier Diversity Services: Policy Session 1 was adjourned.)
STATE OF ILLINOIS
    )
    ) SS
COUNTY OF COOK
    )

Jessica L. Maro, being first duly sworn, on oath says that she is a Certified Shorthand Reporter, doing business in the City of Chicago, County of Cook and the State of Illinois;

That she reported in shorthand the proceedings had at the foregoing meeting of the Illinois Commerce Commission, Supplier Diversity Services: Policy Session 1;

And that the foregoing is a true and correct transcript of her shorthand notes so taken as aforesaid and contains all the proceedings had at the said meeting of the Illinois Commerce Commission, Supplier Diversity Services: Policy Session 1.

______________________________  
JESSICA L. MARO, CSR
CSR No. 084-004746

SUBSCRIBED AND SWORN TO before me this 29th day of January, A.D., 2014.

______________________________  
NOTARY PUBLIC