BEFORE THE

ILLINOIS COMMERCE COMMISSION

ANNUAL SUPPLIER DIVERSITY POLICY SESSION

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at 160 North Lasalle Street, Chicago, Illinois.

PRESENT:

BRIEN J. SHEAHAN, Chairman

ANN McCabe, Commissioner

SHERINA E. MAYE-EDWARDS, Commissioner

MIGUEL DEL VALLE, Commissioner

JOHN R. ROSALES, Commissioner

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

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

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

Thank you to each of the companies for being here. Companies that understand supplier
diversity see it not as an expense to cut in a slow economy but as an investment in the future; and that's certainly how we view it at the Illinois Commerce Commission.

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

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

As we increase the diversity of the ICC Staff, we encourage the utilities to do the same. Diversity plays a vital and organic role in the
communities that we serve. Embracing and encouraging diversity is a continuous effort and one that the Illinois Commerce Commission is proud to lead.

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

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

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

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

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

Good afternoon, everyone. First and foremost, I would like to pull a quick page out of a church book. If you have a seat next to you, can you just raise your hand? Because we have a line of
people who are looking to sit down. So if you would like to take a seat, we also have an overflow room, which is in the library -- N-808. My apologies. And you can hear from that room as well. So if you would like to take a seat, it's probably the best time to do it now, or we do have an overflow room.

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

I'd also like to thank my colleagues on the Commission, particularly Commissioners del Valle and Rosales for their continued commitment to this important issue, as well as Chairman Sheahan and Commissioner McCabe for their leadership in emphasizing the importance of diversity broadly but, particularly, as it relates to our internal culture here at the ICC.
As I said a few months back at our diversity round table, you know that we have -- many of you know that we have Open Meetings Act rules, and it only allows two Commissioners to be in a room speaking on a particular topic at a time. So I had always been in that number. And when Commissioner Rosales joined the Commission about a year ago, he also was very, very, very interested and very passionate about these issues. So, for me, it gave great pleasure to, you know, have a battle on which Commissioners would be in the room.

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

As I believe I stated at last year's session, diversity does not just make sense; it makes dollars. However, a commitment to engaging with diverse suppliers and service is not just a purely
financial investment; it is also a meaningful investment in both the community and economy.

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

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

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

I'm very happy to say that I've seen an increase in information shared across the utilities over the course of this last year, which is
exactly the role that we'd hoped for the IUBDC.

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

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

Embracing and encouraging diversity is an effort that we've all taken together. And I am
very proud of where we are today in Illinois and most
certainly proud of the Illinois Commerce Commission.

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

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

Lisa, would you stand and just wave?

MS. LISA WILLIAMS: (Complying.)

(Whereupon, there was applause.)

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

COMMISSIONER ROSALES: Thank you, Commissioner.
Thank you to the utilities for your efforts in compiling your reports and for taking the time to be here with us today. I'd also like to thank our other esteemed speakers and all of our guests for being here.

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

As I've said in the past -- as I've strongly said in the past, it's good to see that everyone is making an effort; but I'm interested in results. With that in mind, when I received -- excuse me. When I reviewed these reports, I was looking at more than the measure of the diversity spend. I was looking at the measure of impact. Aside from the quantitative data in these reports, there's an underlying narrative about the utilities'
qualitative goals. On the face of most reports it appears that we are moving in the right direction.

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

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

In review, the largest goal is to encourage utilities to foster meaningful participation from diverse suppliers. And achieving that goal would require people to move beyond the compliance mindset. To make real impact, reporting
entities may need to go beyond setting goals that
don't raise the bar and submitting annual reports.

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

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

Thank you, Commissioner.

CHAIRMAN SHEAHAN: Commissioner McCabe?

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

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

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

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

This is all commendable and a sign that the Illinois utilities are ready to become
national leaders on this issue. But Illinois utility
infrastructure in industries -- you know, our
electricity, gas, and water are going through a
transformation; and this means that there is more
opportunity for the utilities and diverse suppliers.

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

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

As I stated last year, these annual
meetings are not a celebration of the progress made
to date. These meetings are a tool among many to
help the companies develop and implement strategies for strengthening their commitments to diversity. And I'm glad you are all here to participate in this important process and willing to continue the hard work that is needed to build on the progress made to date.

And we do have all of the utilities here represented by the presidents of the utilities. For the Commission it's important to have the presidents of the utilities at this annual event. Ameren's president was not available; therefore, Ameren is not here today. But I thank the presidents who are here today for meeting, certainly, our expectations as a Commission to have the opportunity, on an annual basis, to dialogue with you directly regarding these reports. Thank you.

CHAIRMAN SHEAHAN: Thank you.

COMMISSIONER ROSALES: I would now like to introduce Ralph G. Moore, President of RGMA, Ralph G. Moore & Associates. Mr. Moore has over 40 years of experience and is nationally recognized as one of the world's foremost thought leaders in the area of
supplier diversity and minority business development. He specializes in strategic alliances between Corporate America and minority businesses and the role of minority entrepreneurship and community economic development.

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

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

He has received much recognition for his work and the recognition of a lifetime of contributions to minority business development. He was inducted into the Minority Business Hall of Fame in April of 2015. I worked with Mr. Moore with the Capital Improvement Project with the Chicago Board of Ed. I know him very well.
Mr. Moore, thank you for appearing as our guest. We look forward to hearing your thoughts.

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

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

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

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

Overview of the Current Report: -- and, again, I know that you're going to have individual presentations, so I won't take a deep dive on the individual reports. But I can confirm that
the ICC Supplier Diversity Initiative is having a measurable impact on the level of contracting with Illinois-based diverse businesses as well as the local economies throughout the state.

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

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

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

They have had meaningful gains in all categories, including Professional Services. Ameren has also made a significant gain in the area of spend.
with veteran-owned businesses, which is the toughest area in the country not just for utility companies, but throughout Corporate America.

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

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

And a matter of full disclosure,
Emmett Vaughn, who works for Exelon, used to work for me. So I'm president of his fan club, and he's the president of mine. So it might be showing.

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

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

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

I notice that there's another
acquisition in place. Southern Company is acquiring AGL Resources. The good news is that Southern Company also has an excellent track record in supplier diversity, so we should be able -- we should continue to expect outstanding results from Nicor.

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

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

Please allow me to use the remaining time that I have to share my thoughts on the opportunity that the ICC has to embrace Next
Practices in supplier diversity. One of the key areas that we must focus on is scalable -- developing scalable diverse suppliers. It's one of the things that I think that it's going to be the end result of what moves the data as it relates to these reports.

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

And I know that this goes against the common thinking that we should increase the number -- or the number of suppliers is a key metric. I contend that numbers is a key metric, but we also should be looking at the quality of the relationship versus just the number of minority suppliers, or diverse suppliers, in your supply chain. Every chief procurement officer in America is trying to reduce
the number of suppliers, so we need to be sensitive
that we're in a cross-functional disconnect when
we're trying to expand the number just to expand the
number.

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

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

I know that sometimes the politics of
that becomes difficult because of phone calls and
other -- Well, why did you leave my company or this
out? The reality is that we have to start growing
the capacity of firms so that they can qualify to
compete not just with other minority firms or other
diverse firms but with the majority firms as we look
at the changing demographics.

COMMISSIONER MAYE-EDWARDS: Mr. Moore, I have a
clarifying question to make sure that I understood.
You're saying that it's better for an
organization or a company -- specifically, if they're
a utility -- to award one contract of a million
dollars to one company as opposed to unbundling, like
we often encourage the companies to do?

MR. RALPH G. MOORE: I'd say that you've got to
do both. But understand that if you unbundle, then
what you're going to do is reduce the
competitiveness. Because many times there's an
investment to ramp up to be successful in a contract,
and the economies of scale will make a smaller
contract less profitable for a company. So they may
not be able to buy the equipment or buy the
technology. So even if you unbundle to get a company
in the door, we then must allow them to grow, which
sometimes might create the opposite where we need to
bundle a contract so that they can grow even further.
So it's a strategic initiative that requires a case-by-case analysis. But unbundling by itself could be dangerous for the profitability of -- the long-term profitability of minority firms.

COMMISSIONER MAYE-EDWARDS: Very interesting.

Thank you.

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

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

But the enemies of these programs, they like to keep the minority programs -- the minority contractors just dealing with small contracts. That's why we have the side standards that were crippling, and they're still crippling. The reality is non-minority firms don't have standards. And we have side standards where a minority firm will graduate from the program
at a number that is so low that it will put them in
no man's land. They're too large to be certified as
a minority firm, but too small to compete with the
majority firms. So we have to be very careful how we
approach this.

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

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

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

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

MR. RALPH G. MOORE: Exactly.
COMMISSIONER DEL VALLE: And the corporate culture has to acknowledge and understand the importance of that. Otherwise, we're not going to see both the growth measures -- both growth measures, in terms of size of contract, which I understand is important, of course, and the number of businesses being developed and being given opportunities to grow.

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

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

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

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

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

The other issue that is critical in expanding the ecosystem is the next generation of
minority suppliers. We need to start planting the seeds as it relates to junior achievements in other organizations. How do we get young people thinking about starting businesses? Many people don't start until they're in their 20s. We need to get kids talking about entrepreneurship in their teens, even in grammar school. We need to plant those seeds.

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

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

When it's a strategic process, you're looking at exceptional diversity of certified businesses that will enhance performance, that grows
jobs, creates jobs for the economy, grows the economy, stabilizes communities. And then the cycle continues because they then contribute to the performance of that utility that enables them to do more business with exceptional diverse suppliers.

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

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

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

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

MR. RALPH G. MOORE: Well, it's interesting. Once again, access to capital, it's a catch-22. You need to have a profitable business to access capital.
And usually the test I will ask anyone -- and I've seen a lot of bad deals. The reason that they didn't get capital was not because they were a minority, but because it was a bad deal. And I'll ask them, Would you use your daughter's tuition fund? Would you lend your money to this company based on that? And many times it's a bad deal because they've signed the minority piece of a contract. It's not profitable. They have one or two customers. They're not growing their business. So what we have to do is intensify capital sources to provide capital to good ideas. But beyond this, before we get to the good ideas, we need capacity building.

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

We need to build a capacity so that diverse businesses can present viable business plans to lenders and capital sources so that they can access capital. There's more than enough capital in
the marketplace. The key is making sure that they have a viable presentation and a viable business plan, which means they have good customers and good technology and all of these things that would go with it.

CHAIRMAN SHEAHAN: Thank you.

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

MR. RALPH G. MOORE: Well, there's a phenomena: strategic sourcing. Your major consulting firms have come -- Centra and many of the others, they've determined that instead of just having an annual contract or having 4 contracts for 25,000, it's more efficient to have just one contract for a hundred thousand. And even beyond that, instead of just having a 1-year contract, let's have a 5-year contract. So all of a sudden what was 4 individual $25,000 contracts is now one half-million dollar contract. You get a better margin on a larger
number. That has impacted minority business supplier diversity, and we have to educate our businesses to understand this because they're competing in that marketplace.

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

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

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

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

COMMISSIONER MAYE-EDWARDS: Thank you very
much, Mr. Moore. I believe we'll have you back at
the round table later this afternoon after the CEO
reports.

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

COMMISSIONER MAYE-EDWARDS: Thank you.

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

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

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

Ms. Pramaggiore?

MS. ANNE PRAMAGGIORE: Thank you very much.
Good afternoon, Chair and Commissioners. Thank you.

We are grateful for the opportunity to be here today and present the results of our progress that we've made to increase investments in diverse supply chain spending and the opportunity this presents to strengthen our neighborhoods and our communities.

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

Joining me today are Fidel Marquez, our Senior Vice President of Legislative and External Affairs. He's going to provide an overview of the work that we've done in 2015, and Michelle Blaise, our Senior Vice President of Technical Services and the first woman to hold the title of Chief Engineer at ComEd. She will focus on our goals and key initiatives underway this year with an update on how we're thinking moving forward.
I just want to start with a brief overview both of our approach to diversity and inclusion at ComEd, in general, and supplier diversity in particular.

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

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

Our commitment to diversity starts with our workforce, with those who perform the work and represent us in the communities that we serve. At ComEd we employ, approximately, 6600 people. Of
that population, 49 percent are diverse. 51 percent of our key managers, our top 250 employees, are diverse. And 58 percent of our executives are diverse. During 2015 we hired 632 employees, 55.7 of whom were diverse. Additionally, 54 percent of ComEd promotions in 2015 were diverse. And if we focused just on the key manager and executive promotions, that percentage was 64 percent.

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

Our Icebox Derby is our STEM program for girls. We take 6 teams of teenage girls each summer, give them a recycled refrigerator, a ComEd engineer, and help them turn that refrigerator into
an electric race car.

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

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

So let me switch and just say a few words -- give you an overview about our supply chain for 2015 and then hand off to Fidel and Michelle.

Since 2012, the beginning of the Smart Grid Program, we've pumped $4.8 billion dollars of supply chain spending into Illinois, and that includes 1.8 billion total diverse supply chain spend. This reflects nearly a fourfold increase in diverse spend over the last 4 years. It also reflects a substantial
increase in not only the absolute spend, but in the proportion of our total spend that diverse suppliers represent.

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

Fidel and Michelle will cover the details, but I want to cover some of the highlights. We are very enthusiastic about our work at the project level and are focusing more and more on that. Our Chicago Training Center, completed in 2015, was constructed with diverse businesses. 90 percent of the construction work was accomplished with diverse firms.

Another major project where we focused spend on the diversity spend is our Grand Prairie Gateway Project. This 60-mile electric transmission line is being built between ComEd's existing
substation near the communities of Byron and Wayne.

To date, ComEd has spent $80 million dollars, 30
two million of which has been diverse, or 37.5 percent.
Secondly, we've progressed another year with our Five
Forward Program. And, as Mr. Moore indicated, this
is a program where we focus specifically on 5
different suppliers and support them over 5 years and
help them grow. So it's a very focused program.
Since 2009 we've spent over $30 million dollars with
these firms.

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

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

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

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

And then 2015 was the year that we launched the IUBDC. This, pursuant to the vision of the ICC, is a place where Illinois utilities are sharing best practices, supporting each other to
increase diverse spend, and actually sharing our experiences with diverse suppliers. This organization has attracted tremendous attention and generated a lot of energy around this important issue.

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

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

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

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

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

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

Our expenditures with African American-owned enterprises grew by 82 percent in 2015 from 39 million to 71 million. Top spend categories included Facilities; Fleet; Construction, in both Transmission and Distribution; and Engineering. Our expenditures with Latino-owned enterprises grew 52 percent in 2015 from 38 million to 57.6 million. Top spend categories also included Engineering and...
Technical Consulting; Facilities, Advertising and Marketing; and Environmental Services.

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

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

In 2015, professional services and high-margin expenditures significantly contributed to accomplishing our diversity supplier spend goals. The professional service strategy focuses on key industries, including Advertising and Marketing, Business Consulting, Engineering and Technical Consulting, HR services, and IT professional
services. In 2015, ComEd's Tier 1 spend with high-margin diverse suppliers exceeded $46 million dollars, representing 9 percent of the total of Tier 1 spend.

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

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

In 2015 our customers' education and advertising spend in support of energy efficiency also reached a new high, rising to more than
$11 million dollars. Some of the key diverse suppliers include Paco Communications and Carol H. Williams Advertising.

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

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

As the program progresses, CPS and ComEd will coordinate with the City Colleges of Chicago to explore new ways for CPS students to capitalize on this advanced training through Dawson
Tech where we help with the Overhead Electrical Line Workers Program in conjunction with the City Colleges.

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

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

CONSTRUCT, indeed, has come a long way, fast and furious, thanks to the collaboration
and commitment to our fellow utilities and Chicago area companies and the great social service agencies that make this program run.

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

Thanks again to them that what began as a pilot in 2013 with 10 companies and 3 social service agencies is now a full-fledged training curriculum with 30 companies, 6 social service agencies helping to provide employment opportunities that for many participants would not have been available before.
We've also partnered with Nicor Gas, Peoples and North Shore Gas, and BP America in partnership with the National Energy Education Development Project. We helped launch the Energizing Student Potential Program; that's a STEM-focused energy program for Grades 5 through 8. This program provides resources and grants funds to bring the field of energy into the classroom and helps students and teachers explore emerging technologies and helps schools meet next generation science standards and goals.

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

We're very proud to play a key role in the support and effort and are excited about what it holds for our customers, communities, and the region. Thank you very much for your time and
interest. I'll now turn it over to Michelle Blaise.

MS. MICHELLE BLAISE: Thank you, Fidel.

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

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

This year we've completed most of the Grid Modernization Program of the Smart Grid Program. We've installed more than 2.4 million digital smart meters, and we're on track to completing the installation of 4 million smart meters by 2018, 2
Let me highlight the progress that we've made since we began the EIMA program in 2012. We've replaced over 2600 miles of underground cable. We've refurbished nearly 22,000 manholes. We've inspected and treated nearly 600,000 poles on the system, and we've installed over 2300 smart switches.

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

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

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

In 2016, we're focused on increasing diversity-certified supplier expenditures to more than $700 million dollars and nearly 31 percent of our total procurement. To that, some of the actions that we've taken is we're identifying areas from the new and emerging technology space where potential diverse-certified suppliers can be developed. We're developing more suppliers, especially in historically unrepresented categories such as Engineering and Construction. We're continuing to encourage and
assist our non-diverse prime suppliers to develop subcontracting plans and programs to increase the utilization of Tier 2 diverse suppliers. And our plan for increasing participation includes several steps.

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

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

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

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

We've also improved our IT infrastructure to enable us to better measure the participants and opportunities that are being given to diverse suppliers. In the area of training, we've
introduced formal and informal supplier diversity training throughout the company to offer counsel and assistance to employees that are engaging the procurement process.

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

Team members are conducting training sessions focused on upcoming projects on how to work with direct suppliers to optimize diverse subcontracting. As well, diverse business empowerment processes are integrated into the day-to-day operation of our supply and sourcing professionals who are required to collaborate with the Diverse Business Empowerment Office to identify
appropriate sourcing opportunities to increase spend across the company.

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

We're also excited about the opportunities presented by the Next Generation Energy Plan that was introduced to the General Assembly in April. We're especially excited that the program would also create thousands of new clean energy jobs through energy efficiency programs, energy innovation, and renewable energy, and support -- and, most primarily, support continued growth in our diverse spend.
As one of Illinois' largest procurers of goods and services, we appreciate the profound impact that our decisions have on the evolution of Illinois' diverse suppliers and our ability to help build strong community and contribute to the economic vitality of the region.

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

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

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

MS. MICHELLE BLAISE: The Tier 2 institute, it's coordinated by our Diverse Business Empowerment Organization. We bring in our known Tier 2 vendors in the area and really give them the opportunity to
interact and network with our primes. And it's
making that connection, as well as they get to
introduce who they are and what they do.

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

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

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

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

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

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

MS. MICHELLE BLAISE: Okay.

COMMISSIONER MAYE-EDWARDS: If there are no
questions from my colleagues, we'd like to thank
ComEd. Ms. Pramaggiore, thank you so very much.

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

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

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

One of the things that we'd like to highlight is, in 2015, Illinois American Water had
many successes. I heard Commissioner del Valle comment very well that this is not a celebration, but I think it is important to recognize the hard work that we've accomplished.

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

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

Overall spend with certified diverse suppliers in 2015 more than tripled our numbers in 2014. And Jerry will give you the specifics on that. Illinois American Water is committed to ensuring compliance with federal acquisition, regulation state laws, and company policy, and
internal bidding requirements. I commend its
continuance to connect best in-class suppliers to a
diverse supplier base. And echoing what was heard
earlier about second tier vendors, we'll continue to
be an opportunity to build the capacity of our
suppliers within Illinois American Water, connecting
them with our suppliers.

I want to give you an example of that.

Many of you have heard of the Jackie Joyner-Kersee
facility in East St. Louis. We've had two diverse
events there. One was a regional event between
Missouri American Water and Illinois American Water,
and then most recently one that was just primarily
for Illinois American Water where we connected second
tier vendors with primary vendors of our company to
connect that networking environment. And, to much
success, those connections resulted in relationships
that created spend with diverse suppliers. So that
was a success in '15 as well.

Again, I kind of echo the comments
that Anne mentioned. When you talk about diversity,
it's more than just supplier diversity. And that's
the same with American Water of Illinois and American Water. So we're really excited to provide some hiring -- or demographics of our HR resources in the presentation as well. And you'll be able to see, in 2014 and 2015, a significant commitment of the leadership of Illinois American Water. And, again, as Commissioner Rosales said, outcomes and results. So we'll be able to present that as well.

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

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

We've created a supplier diversity video that's on our external link. We sent the connection to the Commissioners last week. Plus, we've also updated our external web page. Not only does it point to diversity information for American Water, but it also directs the visitors to the Illinois Commerce Commission where our diversity report is filed.
In addition to that, we have collaborated with some of our diverse partners that we've developed over the last couple of years: Urban GIS, which Nicor brought to our attention through a phone call between Jerrold Hill and myself; Milhouse Engineering, that Exelon brought to our attention, with Terry calling myself and discussing. So there is a lot of sharing of best practices and best companies that we're -- with the IUBDC, that we're moving forward through.

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

So major electrical contractors like, in our region, Sachs Electric can start building a relationship with those suppliers. This particular company is a prime supplier to the Tennessee Valley
authority for electrical cables, switch gears, transformers. So we brought them into the -- they entered into the St. Louis community on a very small basis, and then we helped introduce them to the electrical contractors in the Greater St. Louis Metropolitan area. And, in fact, just these past few weeks they just received their first second tier contract with one of our prime contractors, which we're very proud of.

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

If we can go to the next slide, this is our corporate overview. We had over a billion and
a half from sourceable spend. At the corporate level, with certified diverse suppliers, we're about 17.16 percent. Our goal for 2015 was 18 percent. It's just been increased to 20 percent for 2016. So we are moving the needle up, and we'll stretch those as we achieve our milestones.

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

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

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

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

We've had a great year bringing in new companies. Some of these have been at work for a
couple of years that we're bringing in. Flinn Engineering is a small woman-owned business that's a start-up company. Last year they had one employee at the beginning of the year. Now they have 10.

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

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

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

ComEd brought to our attention Milhouse Engineering. We courted for a long time
last year. This year they were just awarded their first contract with us, and they have 2 pending contracts that are in the bidding process right now, and their chance of success is pretty good. They're a great company to work with.

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

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

Speaking more about where we're going, we continue to try to enhance our reporting capabilities. We're still not where we need to be.
We all realize that. We're having an upgrade to our supply chain platform, which is SIC for us. We're a P to P portal. That roll-out isn't expected until the fourth quarter of this year, which will provide us enhanced reporting capabilities where we can slice and dice the data. Right now the report -- to break down the MBEs it's a manual process. We're trying to get to where it's an automated process so that we can evaluate the data quickly and be able to report back to our people quickly.

This year we've partnered with the Illinois Hispanic Chamber of Commerce. At an event that we attended a couple weeks ago they were very helpful actually at the MMSDC local event that happened about 6 weeks ago here in Chicago. I was able to meet some great people from the Illinois Hispanic Chamber of Commerce. We made some great connections. They're helping me with a couple of our smaller suppliers that aren't currently certified and also are helping those smaller suppliers become certified, offering them classes on how to manage their business on a daily basis and also providing IT
training to the company. They're an extremely great resource of American Water, and we're very proud to be partnered with the Illinois Hispanic Chamber of Commerce.

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

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

The Leading Supplier Academy Workshop -- we talked briefly about that earlier -- is providing opportunities for the minority community to partner with our primes and also have our primes have the ability to reach out to the minority community of people that they may or may not have worked with in the past. This has been very successful for us. It's usually a very -- for lack of a better word, an intimate type of event where we pick a diverse supplier, and then we bring in contractors that are primes that aren't diverse --
half a dozen to a dozen -- to meet with a diverse supplier and perform these partnerships. And it's been very successful for us. I try to do it on a smaller scale, more informal.

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

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

As you know, American Water is larger than just Illinois American Water, as we have the CSG, the MSG, the Laboratory, and the Call Center. And so what was important is, although we're reporting on our supplier diversity for Illinois American Water, we wanted to represent that in 2015 we had 1,036 employees across the state of Illinois spend 52 million in salaries and wages. And for every 1 dollar -- for every dollar spent in the state
of Illinois by American Water, it created 86 cents of
economic development. So there's a great opportunity
to further diversify the supply within the state.

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

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

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

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

And East St. Louis Water Treatment Plant, that was also competitively bid out. We awarded it to Sachs Electric. They had a little over 15 percent diversity participation. As a result of Our Leading Academy Supplier Workshop with diversified supply, they're now being awarded a lot of the electric wiring for that upgrade. So they're going to exceed their 15 percent. Plus, we brought in a new diverse supplier player into the St. Louis region, and not only will they be providing Sachs
wiring and cabling for this project but for other projects that Sachs Electric is doing in the community that has nothing to do with American Water.

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

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

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

MR. JERRY GARLAND: The qualifications for certification are at the end of our annual report. They just have to be with a recognized certified body. So the City of Chicago, CMS, NMSDC, et cetera. And in the last couple of pages in our annual report, and also on our diversity web site,
there's a link that says, "Get Certified"; it lists all of the certified agencies with a phone number, and e-mail, and a web address for them to get certified. In addition to that, if they're having difficulty, I let our suppliers know that they can contact me, and I make a personal reach-out. I've made personal reach-outs to CMS, and they've been extremely helpful in getting some of our suppliers certified. The Illinois Hispanic Chamber of Commerce is helping a couple of our vendors getting their MBE certification as well. So it's kind of a collaborative effort. We've provided the resource. But if the supplier is still having difficulty, we try to go the extra step.

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

COMMISSIONER ROSALES: So would -- maybe that's another resource. Maybe somebody could bring it up at the round table. Because how many could not
become a part of your numbers because they couldn't become certified?

MR. JERRY GARLAND: The ones that we're having the greatest difficulty with in becoming certified are veterans. Veteran-owned businesses are held to a higher level of accountability than other minorities. And I'll give you an example. If you're a straight MBE and you own a dealership that sells cars, you can become certified as an MBE. But the Veterans Administration has dollar thresholds and size. Although the margins are small on veteran-owned companies and the agreement that they have with the OEM, the Original Equipment Manufacturing -- the Fords, the Sterlings, whoever -- you know, their gross sales are very large; their margins are small. But the qualification criteria with the Veterans Administration is total annual sales. So they're basically thrown out of becoming certified.

MR. BRUCE HAUK: So, Jerry, would you -- for the benefit of the Commissioners, would you suggest that the biggest challenge that we have is with
veteran certification and not with those areas?

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

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

COMMISSIONER ROSALES: Okay. I appreciate
that.

The last question, if I could,

Commissioner...?

COMMISSIONER MAYE-EDWARDS: Of course.

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

The legal work, what category is that
put under?
MS. DAWN GILBERT: Professional Services.

MR. JERRY GARLAND: Professional Services.

COMMISSIONER ROSALES: Thank you.

COMMISSIONER MAYE-EDWARDS: Thank you, Commissioner Rosales.

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

But it just seems as though it doesn't seem like a very good -- I don't know that -- Is it effective? Do you find that you ever have issues with those who are self-certified who may not actually be within that enterprise that they claim to be or...?

MS. DAWN GILBERT: Well, what we try to do is encourage them to receive certification, because our data -- we like for our data to be auditable. And in order for it to be auditable, we must have a certificate. So I can't stop you from
self-identifying as a woman-owned business if you're not a woman-owned business. You can say, My wife is the head of the business.

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

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

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

MS. DAWN GILBERT: And, also, because we have to report the cases to the federal government as part of our business that we do with the military bases,
we also report self-certified and certified. So that's why we cached that data.

COMMISSIONER MAYE-EDWARDS: Any other questions?

(No response.)

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

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

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

COMMISSIONER ROSALES: Commissioner?

COMMISSIONER MAYE-EDWARDS: Yes, Commissioner Rosales?

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

COMMISSIONER MAYE-EDWARDS: Thank you, Representative. You will be acknowledged right after the 5-minute break. Thank you.
(Whereupon, a brief recess was
taken.)

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

COMMISSIONER DEL VALLE: Thank you,
Commissioner.

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

Thank you for your work,
Representative Davis, and for taking the time out of
your busy schedule. I know you've got a lot going on. And of course we now invite you to say a few words.

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

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

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

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

I've learned that it's not enough just to pass a bill and walk away riding off into the sunset waving your hand. You have to continue to stay engaged. You have to continue to ask questions. You have to continue to make yourself available to the conversation. You have to, particularly, make yourself available to the vendors. And I think that some of what gets lost is not all of the vendors know, A, about the legislative process or who spear-heads those conversations, and that by
spear-heading those conversations they can come to me or other legislators and say, You know, here are my challenges, Here are my issues, How can you help me to address them? And that's something that I've continued to try to do.

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

One of the things that I have stated to a few of the staff, and I just mentioned it to the Chairman, is while we're hearing from the company side of this conversation -- and I don't know how to do it necessarily -- maybe we can consider hearing from the vendors' side of this conversation. Because, to the extent in which they are trying to make themselves available for these opportunities and we hear the requirements that are necessary so that they can participate, we think that there's still some other challenges that they're having. We still think that there are some issues there. And if this
is our forum, if this is our platform, then we have
to figure out how to do it. And I'm sensitive enough
to know and smart I'm smart enough to know that you
put a vendor here, and while they want to tell you
the truth, they may be hesitant to tell the truth for
fear of not being able to get business. And that's
just an unfortunate reality of where we are.

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

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

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

What we've learned from diverse vendors is that their own workforce is diverse as well. Black vendors hire black individuals. Latino hire Latino individuals. Women hire women. And we've seen significant evidence, particularly on the women's side of things -- not that there aren't movement around in all respects, but a company out in the South Suburbs is going to look to hire people in the South Suburbs is, essentially, what I'm trying to
So whatever we can do to continue to push, to continue to urge, to continue to partner with the companies that are presenting for you today, that is ultimately what we want to do. We will continue to work in that vein.

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

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

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

But, again, the opportunity to have this dialogue in front of you is extremely important. I'm looking forward to continuing to be that partner
on supplier diversity, acknowledging where we've fallen short, and doing what we can legislatively to try to raise that back up.

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

(Applause.)

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

There was one thing that you said that I was shaking my head on because since establishing our Office of Diversity and Community Affairs we have had a lot of vendors to reach out to us at the ICC
through that office and say, Well, things aren't exactly as we thought, or There's this program, and it's kind of more on the outside as it actually is, participating in it.

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

So we do have to sit down and figure out -- and I think Commissioner del Valle and I were just saying to one another earlier, you know, we really have to -- we want to make sure that we have very thought-provoking dialogue at this policy session. And so we need to figure out how can we get vendors to come to the table, to be comfortable speaking about their experience -- hopefully,
positive ones, but maybe what -- and nothing
negative, so to speak -- but what are some
opportunities for our utilities.

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

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

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

But I, very briefly, want to respond
to a couple of things that you said that I agree with
you wholeheartedly on. One is, we have to look at
different ways of evaluating progress. And as I was
saying earlier, one of the ways that I look at
progress is, Are you increasing the number of
participants?

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

Second, the CONSTRUCT Program is a
wonderful program, and kudos to everyone involved.
Beautiful. But look at the scale. 80 percent
placement rate. Excellent. But look at the number of participants. Now with Nicor and the other companies involved -- I mean, look at how many folks are involved here -- we should be able to see that program scale up quite a bit.

STATE REPRESENTATIVE WILL SMITH: Absolutely.

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

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

And I know that you're really concerned about making sure that the South Suburbs are well-represented in that. So all of those kinds
of analyses need to take place in order to really truly measure progress.

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

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

COMMISSIONER DEL VALLE: Thank you.

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

COMMISSIONER ROSALES: Representative?

COMMISSIONER MAYE-EDWARDS: Oh, my apologies.
Go ahead.

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

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

And one of the things that I'm really proud of in the year that I've been here is just the communication and the work that Commissioner Edwards has done and the folks in Diversity with Lisa and Danisha. We get a lot of that feedback. And then,
in turn, we get to go back and say, Hey, what's the
story here? So it seems like it's working so far --
so far.

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

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

COMMISSIONER MAYE-EDWARDS: Thank you.

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

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

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

Before I begin my formal remarks I
would like to comment on the last dialogue around
engaging diverse partners, both existing and
potential partners. One of the objectives of the
IUBDC's strategic plan for 2016 is to do exactly that, to create a forum where we will allow our current partners across all of the respective organizations to give us feedback, to offer us the their perspectives around not only our individual engagement for our respective organizations, but our engagement on behalf of the IUBDC.

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

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

COMMISSIONER MAYE-EDWARDS: We would love that.

Thank you.

MR. MELIVN WILLIAMS: Thank you.
As president of Nicor Gas and Chair of the Illinois Utility Business Diversity Council, I've been afforded the opportunity to influence the narrative regarding the often complex conversation around organizational and business diversity. I also have the responsibility of driving measurable, sustainable results for my business.

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

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

This progress is important to us because our commitment to engaging in diversity extends beyond just our core competency around
infrastructure replacement and maintaining gas
pipeline; but equally important is our focus on
changing the narrative.

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

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

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

Our commitment to business diversity
is neither a program or priority. That's one of my
favorite comments, because programs end and
priorities change. We believe that our organization
must treat business diversity as a value and a strategic business imperative. Diversity is a value that influences how we engage both our internal and external stakeholders. Our engagement is based on our foundational pillars of supplier diversity advocacy, development, procurement, and reporting.

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

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

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

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

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

Externally, we also continued our efforts to advocate, develop, and create opportunities for diverse businesses. In 2015, we hosted Nicor Gas's first matchmaking event, partnering with elected officials and several local
advocacy groups. This event enabled dozens of
diverse businesses to engage and explore
opportunities with key prime partners at Nicor Gas.

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

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

And, lastly, the support and collaboration amongst the utilities here today has risen to a level only possible through the Illinois Utility Business Diversity Council. We continue to make progress towards our mission of serving the
Illinois utilities as a forum for best practice hearing and information exchanged in advancing the growth and utilization of utility-based diverse businesses in the state of Illinois.

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

Our 2015 initiatives established a framework that will drive accountability and sustainability in our business diversity efforts. These initiatives -- including our updated compensation program, the implementation of a balance score card, and our external engagement -- have helped us not only increase our spend but provide
greater access and broaden the opportunities for
diverse businesses. In fact, our efforts to increase
access and opportunities generated more than
$10 million dollars with new MWVBEs and more than
$27 million dollars increase with existing partners.

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

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

We have several initiatives underway
that will assist in meeting that goal. We will
build on the success of our initial construction and engineering summit by hosting a similar event in 2016. We will continue to establish and expand our partnership through the diverse professional services companies much like the progress that we've experienced over the last 6 months in the financial and legal areas of our business. We will continue to cultivate those relationships, and hopefully we will continue to grow new firms and expand those opportunities with existing partners as a part of our overall objectives.

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

Over the past year our efforts to engage key prime partners through periodic diversity assessment have resulted in measurable progress. The number of businesses engaged in subcontracting with our company -- with our prime partners went from 41 in 2015 to 119 -- excuse me -- 41 in 2014 to 119 in 2015.
Our second tier of MWBE spend increased from 14 million, again, in '14 to 36 million in '15. Although second tier participation is not the solution to help us meet our goals, it continues to be a key element of a multifaceted approach that we're taking to drill our pipeline of diverse business partners.

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

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

You know, reporting is an important part of that. We're not just simply asking our prime partners to understand what our goals and objectives
are. We're holding them accountable for reporting in the same manner that we report, both internally and externally as well.

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

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

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

Those are just a few examples of the 2016 initiatives that will help us continue the
momentum forward. Our endeavor is broader than simply meeting a goal.

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

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

That concludes my remarks.

COMMISSIONER MAYE-EDWARDS: Thank you very
much.

Commissioner del Valle?

COMMISSIONER DEL VALLE: Thank you.

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

Was there activity prior to 2015?

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

COMMISSIONER DEL VALLE: In this category?

MR. MELVIN WILLIAMS: In all of those categories. We continue to see, again, progress in terms of the level of engagement and level of commitment within the professional services. And I think you will also see -- I know that you will also see in 2016 that that number will -- that engagement
and the reflecting results will continue to grow each year.

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

MR. MELVIN WILLIAMS: Yes, we do.

COMMISSIONER DEL VALLE: Okay. Thank you.

COMMISSIONER ROSALES: How will you provide for that growth?

MR. MELVIN WILLIAMS: Pardon me?

COMMISSIONER ROSALES: How will you provide for that growth?

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

Where, traditionally, we focused on areas particularly around our infrastructures, we're now expanding those opportunities in the professional services realms. And it's a simple matter of being able to demonstrate what our long-term planning is
with respect to both professional services as well as
in areas of infrastructure.

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

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

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

MR. MELVIN WILLIAMS: Well, you know, that's a
cultural dynamic, Commissioner. And we talk about
that lot, and it's not just something that's
reflective of Nicor Gas. I mean, there are a number
of what I describe as key misperceptions, if you
would, regarding our engagement and our commitment
around business diversity.
First, it's that if we engage in business diversity with a potential partner, that it automatically results in the displacement of a prime partner. And, again, these are misconceptions.

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

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

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

So part of our ability to ensure that we're engaging with our leadership team around understanding, that's the shift between being a program or a priority and being a business imperative
and talking about and ensuring that our leaders understand why is this important for our business, why is this and imperative. And that is the shift, and it doesn't happen over night.

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

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

I wanted to touch on something. I think it was in your 2014 report. And I know we had a dialogue with Beth Reese about this last year, but at that time Nicor Gas just was not able to measure
your Tier 2 spend and kind of have that work.

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

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

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

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

(Laughter.)

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

And just in our overall strategy in working with our prime suppliers, Melvin and I, 2
years ago, began this process of having periodic performance assessments where we sat down and really drove that message not only through the supply chain organization, but we also leveraged key business leaders that have the responsibility and oversight for those different contractors in their respective organizations to align around our objectives.

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

And so those engagements were really two-fold with respect to development and increased utilization. But, ultimately, the reporting is where, over the last year, we began to implement a more rigorous process where we were driving that accountability. It wasn't just about giving us insights around their numbers; it was the activity that was generating the numbers that would also fuel
downstream opportunities to grow those second tier contracts with our prime contractors and then elevate some to first tier contractors with us.

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

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

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

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

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

Mr. Matthews?

MR. CHARLES MATTHEWS: Okay. Thank you,
Commissioner Edwards. And, more importantly, let me thank the entire Commission. Let me echo that thanks that I know -- and I've already heard from my colleagues -- and that is for being supportive and engaging in all of our supplier diversities program. We cannot be successful without your engagement and your encouragement.

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

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

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

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

(Laughter.)

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

When I talk about a foundation and we talk about WEC Energy Group's Supplier Diversity Program, I'll just share a couple of statistics with you. The Supplier Diversity Program started in 2003. And if you look at the growth from 2003 to 2015, it's over 1500 percent — 1500 percent. When I first saw that number, I couldn't fathom even seeing that number in a percentage format. But we've grown that program from a little under a $10 million dollars span in 2003 to over a $150 million dollars in 2015.
In 2015, We Energies received the Edison Electric Institute's 2015 Supplier Diversity Innovation Award, which is only given to two utilities. We heard that Mr. Dahlberg liked that program, but I really liked that program. And that is the template that we've sort of put into play in 2015 as a basis to build a sustainable supplier diversity program at We Energies -- or at Peoples Gas and North Shore Gas going forward.

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

But at the high level, we increased spend with minority business enterprises. We had a 65 percent increase in that category. We increased the number of diverse businesses across all categories. We increased spend with professional services. We had significant spend with the Women's
Business Enterprise, and that was despite a setback that clearly we've documented in the report. But even with that setback of losing a significant -- actually, the single biggest diverse supplier in our portfolio from 2014, we still have significant spend with the women's business enterprises.

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

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

And let me go back and talk about another point that was made about you have to be careful with programs that are built around compliance. The We Energies Programs and those numbers that I've showed you, that's a program that
was built around commitment. There is no compliance requirement in Wisconsin. And I think we all know Wisconsin just has a diverse population -- or state on a relative basis. It's not very diverse.

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

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

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

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

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

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

And we've created a supplier diversity steering committee, and the committee is made up of those individuals that are responsible for the
majority of the dollars spend at Peoples Gas and North Shore Gas. And the person that I've asked to chair that is the person with the biggest dollars spend and the person responsible for procurement under our modernization program.

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

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

MR. JERRY FULMER: Thank you, Charles.

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

As Charles mentioned, I serve as Vice President of the Supplier Diversity Initiative at a WEC Energy Group, including Peoples Gas and North
Shore Gas. I've started there -- for a while. I don't like to say numbers -- but since 2002. My major objective is to bring best practices and a strategy to the Supplier Diversity Initiative at Peoples Gas and North Shore Gas.

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

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

So there were several success stories that you'll see that we did in 2015. For the MBEs we had an increase of our spend, if you'll notice, from
2014 to 2015, from 15 million -- 15.2 million to 25.3 million. That's a significant increase for us. We've worked hard to look at other areas to make sure that we've brought in diverse firms, especially the MBEs, in a lot of our business. And you'll find that there's a lot of areas that have came in. We looked at General Construction, Restoration, Engineering and Technical Services, as well as Business Diversity, and Professional Services. We've also -- if you notice, from 2013 to 2015 we had a significant increase in our number of MBEs used, from 33 to 72 for 2015.

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

We're continuing to work with our IUBDC members as well as some of the other advocacy groups. As well as, when we look at our budgetary
and planning process, that's another area when we start looking at identifying firms or identifying projects where we're going to start looking at bringing in more veteran-owned businesses as well.

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

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

One of the other significant increases that we had was in our professional services. We took that in mind. We looked at legal services. We looked at consulting services in the area of
marketing. And, as you see, we've had a significant growth in our professional services to 1.8 million.

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

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

For 2016 goals, you know, when we look at our goals, we do look at -- we meet a lot with our internal folks. We look at budgetary. We look at
the planning phase. So we had to increase the overall diverse spend goal in 2016 to 17 percent, which is increased by 2 percent from 2015. So we increased our MBE to 9 percent. We increased it -- of course, again, with the WBE, it's 8 percent.

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

How we're going to get there, and what we're going to be doing in the future. I think the Nicor president, Melvin, mentioned this, and I've said this all along, you've got to increase access. And to increase access, make them aware of our procurement and business processes, there's a number of things that we're going to be doing: hosting a lot of matchmaker meetings. Just for 2016, year to date, we've had about 24 to 26 matchmaker meetings, targeted meetings which consist of our supply chain as well as our end user business groups.
Charles mentioned our steering committee. A number of those people that are a part of the steering committee are some of the decision-makers in the company, and we make sure that they're a part of those target meetings.

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

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

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

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

You know, I truly want to say thank you, though, for the Commission, because it's because of you and because of organizations like us that we continue to work and serve the community and economy.
that we serve and live. We really intend to really
set the bar in our supplier diversity initiative,
especially with our leadership of Charles Matthews
and our other associates within the company.

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

COMMISSIONER MAYE-EDWARDS: Thank you.

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

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

COMMISSIONER ROSALES: I see the other
presidents looking at you with a worried eye. That's
why I'm asking.
MR. CHARLES MATTHEWS: Well, I think we're fortunate in Illinois to have a lot of utilities with good supplier diversity programs; and I think you heard that coming from Mr. Moore. But certainly I don't think our program, or the template that we have, takes a backseat to any utility, including my colleagues.

COMMISSIONER ROSALES: Jerry?

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

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

COMMISSIONER ROSALES: He's a part of your fan
club, though, is he not?

(Laughter.)

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

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

That being said, that's not something that we're looking forward to all of the time. I mean, we're constantly looking to make sure that everyone is moving forward. But when something happens -- I mean, we talked about it before, about getting into the weeds and making sure that the -- getting the data, getting the raw data, so that we could look into it closely. We appreciate it when
you let us know when things aren't going as well as a
you thought they were going to go and the rationale
behind it. That's important.

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

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

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

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

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becoming a big issue where diverse suppliers get so big, so profitable, so attractive that they get bought out by a majority firm. Is that a good thing? Is that a bad thing? I don't think it's a bad thing. And that speaks to your point. We need to understand what's driving the dip and make sure that we understand how to define success. But thank you for understanding those dips.

COMMISSIONER ROSALES: But is that what you're referring to in your report about finding quality vendors and the non-compete agreements with the large minority firms? That's what you wrote. The challenge is finding quality vendors. And I was looking for you to elaborate on the non-compete agreements with some of those large minority firms.

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

COMMISSIONER ROSALES: Yeah. It said you had some challenges finding -- Some of the challenges finding quality vendors was the non-compete agreements with the large
MR. CHARLES MATTHEWS: If I can, that's a challenge with regard to Tier 1.

COMMISSIONER ROSALES: I understand.

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

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

COMMISSIONER ROSALES: Interesting. Okay.

MR. JERRY FULMER: But just to add on to what Charles mentioned, he's absolutely right; but we're working on those areas like that. That's why we're calling in these Tier -- our Tier 1 suppliers and really speaking to them about the goals and objectives and what we're looking at from our
Supplier Diversity Initiative and that they as a partner have to work with us to look at achieving those Tier 2 goals.

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

MR. JERRY FULMER: Yes.

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

MR. JERRY FULMER: Well, absolutely nothing.

That's what we meant by --

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

We wanted to make sure that we looked at that and talked to that end user group in the procurement area. So we're looking at diversifying our diverse suppliers within that space.
COMMISSIONER DEL VALLE: And along with that, you also mentioned that you worked with the advocacy groups. And I've been harping at this since Day 1 about the need for you to make yourself available to folks who are not connected with those groups, who are not members, who are not paying dues; but individuals who may not be aware of who those groups are, but are quite capable of providing those services.

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

And the last point is, you know, a few years ago when we first did our first policy session, which is when the idea for a council was surfaced, we talked about the goals. And I was critical of Peoples for having a really low goal to begin with. I still see numbers that don't show as much growth,
in my mind, in terms of goals; and I don't see them
reflective of the kind of capital spending that
you're now doing and will be doing for years to come.
Are you going to increase your goals, particularly for MBEs? Is that going to...?

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

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

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

So as we get further into it, we start to see some of the legacy 2, 3, 4, 5-year contracts
roll off that did not have or contemplate the level
of expanding the goals we want to have in the future.
You'll start to see those goals ramp up fairly quick.
But right now we're still trying to live within
contracts that were already in place.

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

MR. JERRY FULMER: And, Commissioner del Valle,
to add on to Charles, that's why even though those
contracts are in place, that's why we're bringing in,
from a targeted standpoint and a matchmaker
standpoint, diverse firms in so that we can start
that process of knowing who we have business with
based on relationships and being aware and knowing
who they are. That's why we're bringing in the firm
so that, when that does come up, that we identify
those firms that have taken roles both on a Tier 1
and Tier 2 level.

COMMISSIONER MAYE-EDWARDS: Thank you.

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

Is that right?

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

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

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

MR. CHARLES MATTHEWS: We mean require. We mean a target. We have a target. We understand with
our primes that they don't have supplier diversity programs -- and I think that's already been discussed -- built in. And they don't have the infrastructure in place.

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

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

So I think the time is right. And they've acknowledged that they believe that they can comply with that with the help of our supplier
diversity program, and the access, and the relationship that we've developed with those suppliers.

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

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

MR. JERRY FULMER: And, Commissioner, I can add that we also track and monitor. They do monthly reporting. We will be having them do monthly reporting to us. That is part of the goal and objective, too.
COMMISSIONER MAYE-EDWARDS: Right. So I just want to make sure that I fully understand because I think, Mr. Matthews, you used the term "strongly encourage" as well, which kind of made me think, "hmm". So perhaps it's not --

Is there no possibility, or is it not --

Is there actually no requirement?

Meaning, when I think of the word "require", right, I'm thinking that it's mandated. There's no if, and, or buts about it. It is you're required to do this.

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

MR. CHARLES MATTHEWS: Well, it's not as stringent as, you know, every year. But we will assess contractors when the contracts go back out, and we will take that into consideration. And if they've consistently not met that target, well, we're going to get things in terms of our competitive they are for the future.
COMMISSIONER MAYE-EDWARDS: I see. And that's communicated to them?

MR. JERRY FULMER: Absolutely.

COMMISSIONER MAYE-EDWARDS: I see. Okay.

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

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

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

MR. CHARLES MATTHEWS: Thank you.

MR. JERRY FULMER: Thank you.

COMMISSIONER MAYE-EDWARDS: Now, I know we're all dying to get to the roundtable discussion, but I think we have a little bit of treat for you first. I would like to introduce Mr. John Rogers, Jr. He is the Founder, Chairman, Chief Executive Officer, and
Chief Investment Officer of Ariel Investments, an investment firm that Mr. Rogers founded in 1983 to focus on undervalued small and medium-sized companies shortly after he graduated from Princeton University.

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

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

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

I just would like to say that when I thought -- I had quite a few conversations with
Mr. Rogers, and I thought he would be fantastic to be here today. And I ran it by a few people; and they all said, There's no way you're going to get him.

Well, hello, Mr. Rogers.

(Laughter.)

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

(Applause.)

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

I've been doing this 33 years as an entrepreneur, and I've had a lot of chances to fight for diversity inclusion on the various boards that I've been engaged on, not only McDonald's and Exelon, but at the University of Chicago and when I was the President of the Chicago Park District. And when Mayor Emmanuel got elected, I got to chair his task force on supplier diversity.
So I bring lot of different experiences to this discussion. And I've also had challenges as someone who's also been a vendor, so I've lived that part, too. And coming from parents who are entrepreneurs I know the challenges that that can bring.

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

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

And I think our state utilities can
sort of be the anchors and, hopefully, not only help
transform this discussion and dialogue, but hope to
be role models for other anchor institutions within
the state of Illinois who could be doing a better
job.

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

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

These companies employed thousands of
people, supported local businesses and charities, and
were role models for budding entrepreneurs like
myself. You know, they really moved the needle.

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

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

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

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

So in a city that is a majority minority, for us to be shut out in all of these areas
shows to me that these programs that are so well-intentioned by so many well-intentioned people really aren't moving the needle, really aren't making a difference. The facts are clear that these programs really have been failing to build business of scale that can kind of create the kind of job creation and wealth creation that we all hoped they would.

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

And if you think about it, all of the corporations today, even though -- all of our corporations, whether non-profits or utilities or major corporations, when they talk about supplier diversity, they really are talking about working with procurement, working in the areas where the least amount of wealth is being created often. And if you think about it, these businesses that go through
procurement often are the companies that have the lowest profit margins, the slowest profit growth, the lowest various increase, and they have the most inconsistent cashflows in places where it's really hard to create real wealth.

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

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

So we know where the wealth's created in the today's society is. It's no secret. It's Silicon Valley. It's Wall Street. Here in Chicago
it's 1871. It's on LaSalle Street. The law firms, the real estate organizations, the media companies, the private equity funds, the hedge fund managers, the investment bankers, the insurance, audit and consulting firms, venture capital, banks. You know, it really is where all of the wealth is created today.

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

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

So you hate to say it, but in some
ways this is kind of a modern day Jim Crow. You know, the black and brown entrepreneurs get the opportunities in the low margin commodity parts of the supply chain, and the white men get to have their opportunities in the higher margin professional services part of the spend and financial services part of the spend.

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

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

Now, sometimes people say --

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

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

And I remember when I was the Park District president, I guided a symposium, the kind of thing that we all talked about today where we gave
minority entrepreneurs an opportunity to meet with
the buyers. And the folks at the museums were in the
park because we were pushing the museums in the park
to work with minority-owned businesses, and they're
all on park land.

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

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

Secondly, I would keep track of the
spending by category not just the growth rates, but
how much was spent last year in investment banking. Out of the entire amount, what went to minority firms? If it's the legal services, or if it's real estate services, if it's whatever it happens to be, but keep track of every category by spend, by the total spend; and I think we'll make a difference.

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

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

So, finally, at the end of the day I think what we really have to do -- and I also give credit to Exelon. They have done an extraordinary
job on all of these things, pushing their suppliers
to be more diverse, making sure that the majority of
suppliers have diverse teams. We need to have that
as a role model. I think they're the best in the
nation that I've ever seen in doing this. And I know
it's a little bit of a conflict of interest me being
on the board there, but it's extraordinary what
they've been able to do.

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

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

(Appplause.)

COMMISSIONER DEL VALLE: I think that some of
the numbers that we're seeing this year in the professional services category are as a result of our emphasis at last year's Policy Session on those categories and the discussions that have taken place since then. So there is some movement, albeit very small, at this point in that direction.

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

But I have to take advantage of this opportunity. First of all, I'm honored by your presence, and I really appreciate you taking the time to be here. But since you're on the board of Exelon -- and this is not an "I've got you one", but I really truly want you to comment on this.
The last time I asked for numbers, employment numbers. And I mentioned this because Anne started her presentation talking about ComEd's workforce diversity and how 49 percent is diverse. Right? That was the number you gave.

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

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

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

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

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

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

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

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

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

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

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

something's not working.

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

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

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

MR. JOHN ROGERS, JR.: I wanted to answer one other part of your question. What I've tried to talk
about today is that I do believe you want to have minority businesses having the opportunity to be involved in all aspects of the spend. And it's not to sort of say that one isn't important. Really all areas are important. We want to be able to be fully engaged.

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

These financial services companies start out as financial services companies, but they've been able to, through what they do in private equity -- managing pension funds, or endowments, and corporate pension funds, and public retirement systems -- they take that wealth, buy these companies and, ultimately, have this enormous impact on our society.
If you think about the number of C-Suite jobs that are controlled by private equity leaders, how many board members are controlled by private equity, it's extraordinary how our society has changed. And our masters of the universe used to be the manufactures 40 years ago, but the masters of the universe today -- the people who have the jobs, and the wealth, and the power, and the influence are very much focused in those types of areas, whether it's venture capital or private equity. And it's just the way it is.

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

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

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

Thank you, Jerry. Okay.

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

We talked about the CONSTRUCT Program, which is just awesome, and everybody agrees that it's great. But we need to go even lower, you know, in terms of the programs that you have with the museum for the 5th, 6th, 7th, and 8th graders. Nobody ever grows up and wants to be in energy. You know, why?

They don't know anything about it.

You know, so when we talk about the pipeline that goes through, I mean, we have a 2.9 percent. I mean, hey, there's a problem here, and we need to address it. But it's kind of hard to address
within 6 months, or 9 months, or even a year and a half. I mean, that's something that we have to grow into, but that's something that we need to start. You know, and if we're not doing it now, shame on us. So I appreciate knowing the numbers, good and bad, because at least we can start making some end roads so that we can move forward.

MS. ANNE PRAMAGGIORE: Thank you. If I could, I just wanted to comment that John's concern and the Commission's focus on the services sector in the economy is really, really critical in this business going forward. If we think about the where the business is heading, it's likely to be far less asset-oriented 20 to 25 years from now and far more service-oriented. So the shift that we need to make, in terms of focusing and figuring out --

You know, we've got some history on developing businesses on the supply side and the asset side of our business, not so much on the service side. And I think that becomes really important because it's a shift in the wealth, as John
has pointed out, but it's also a shift in our business that's going to be really important going forward. So I think, you know, just a take away is that the importance of that in our business may be heightened just because of the transformations we're seeing.

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

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

And our idea is to create a template that we could take to NARUC, our national association, and see if we could get buy-in from
states around the country to begin at least laying
out sort of what the numbers are, to create some
pressure and awareness.

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

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

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

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

And then there's all kinds of other
fees in the 401(k) plan, and mutual funds, and all
kinds of things there that they don't even think
about. They just are pigeonholed in this one area that they've been comfortable with for a long, long time. I always tell people it's like the Graham family that owned the Washington Post. They realized that the world had changed. Their family had been a great newspaper company for generations, but the world had changed because of the internet. They sold the company to Jeff Bezos, who they knew could come in with an entirely fresh perspective to keep that newspaper alive going forward.

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

CHAIRMAN SHEAHAN: How do you crack that relationship between big banks and the corporate
entity? You know, the big bank -- you know, there are only a handful of them. They have a lot influence. And they like to have that business, right, when it comes up. So how do you kind of break into that?

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

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

But it takes that kind of strength of leadership because we're not going to take -- as you talked about earlier, about requiring things, he
required that this really happen, and he means it. And if it doesn't go forward, you know, they can't keep doing business. So we need to have the leadership to believe it. Otherwise, it doesn't change. And you have to be insistent because they'll give you every excuse why not.

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

And that's why, you know, in the old world, you want to have a jury of your peers to determine whether you are guilty or not guilty when it comes to some kind of activity. We don't often have a jury of our peers to determine whether minority businesses get a really fair shake. And we need to able to at least have some idea. And let's invite the formed leadership to stand up and fight back.
COMMISSIONER MAYE-EDWARDS: So I think, as you've noticed, we've kind of segued into our round table without everyone even noticing. So I am going to allow my colleagues to introduce our moderator, and then we have a couple of questions to kick this off.

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

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

So please get us started.

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

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

(Laughter.)

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

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

Five Forward is an initiative in which we actually, based on research, learned that, very
much what John indicated, Chicago and their regions, the 6-county region, is actually lagging behind in creating minority businesses of scale. And this is critically important because, as John indicated, when there were 13 members on the BE 100, you were talking about thousands of jobs.

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

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

But we can't forget those core services of construction and manufacturing in other areas, because that is part of a larger ecosystem.
You want to see a hundred million dollar construction firm in Chicago that's owned by a minority. You are not seeing that here. You are seeing that in Atlanta. You're seeing it in Denver. You're seeing it in Detroit. We need to be seeing that in Chicago.

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

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

What we've heard about is a kind of contrast between having a large number of very small businesses and selecting some companies to grow and develop. And so when I think about the Five Forward Initiative, we're very focused on saying you've got to have some companies that you engage with and
long-term strategic relationships so they can be
developed, they can grow, and can create jobs in
communities.

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

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

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

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

MR. MELVIN WILLIAMS: Certainly. So I'll start
with, John, thanks for your comments and your wisdom.
While I agree with really almost everything that
you've said, the areas where I would open up for an
opportunity to engage in further dialogue would be
specifically around the fact that I agree that the
programs don't work -- never have.

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

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

Now, to the extent that there are
areas of our business where, historically, there has
not been opportunities -- and I totally agree with
you that there are certain areas around financing, around access, around M & As.

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

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

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

If you look at the 4 utilities in this state, 3 of which are led by 3 African-Americans, one of which is led by a female, I think that in and of
itself speaks volumes around the changes that are occurring within this state. And having personally gotten to know each one of those leaders over the last year, I will tell you that the commitment is here.

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

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

You know, from Day 1 when AGL Resources acquired Nicor Gas, from Day 1 we started meeting with Ariel, and Loop, and other financial services companies here in Illinois.
Now, to the extent that we've executed opportunities with certain companies, we have. Others, we have not. But the reality is we've allowed the access to those opportunities. We've opened doors that haven't historically been open. And, quite frankly, if I can speak, and finally, look at where Nicor was 5 years ago. When acquired Nicor 5 years ago, our total spend was less than 2 percent. Today that spend is close to 30 percent. And while we certainly acknowledge the fact that we have opportunities to improve in every area of our business -- specifically financial services, but other areas as well -- our commitment is that we will continue to do that. And, finally, the one thing that we don't talk about a lot in these settings is -- we can talk about strategy. We can talk about programs. We can talk about all of the focus that we have and commitment. But the thing that we deal with most is culture, and we all know that culture will eat strategy for lunch every day of the week. And so we're dealing with that dynamic
as well, and it takes time. But what I commit to you -- and I know that my colleagues commit the same thing to you and to our potential partners -- is we're going to ensure that we're continuing to advance the narrative around changing the culture as well.

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

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

John, you wanted to speak, too.

MR. JOHN ROGERS, JR.: I'm just going to echo one thing that you mentioned, Gloria. You know, I brought up the high margin professional services, but I also gave you examples of extraordinarily
successful entrepreneurs in real estate, and in
insurance, and in media, in several areas.

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

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

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

But as Gloria said also, in
construction we should have a hundred million dollar
construction firms that are here, too. So I want to
make sure that it's not exclusionary. But the reality is that if you look at it, you'll see the programs that have been executed just haven't worked. We've all talked. We go to the conferences. We go stand in the booths with the people who will give you the phantom opportunities, but in reality people find a good way to obfuscate what's really happened here.

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

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

WVON, the Defender Newspaper. You can go down list. If our institutions are advertising the way they say they believe in diversity and
inclusion, and putting ads in those publications, and advertising on those radio stations, the Johnson Publishing building would still be black-owned and be the only black-owned headquartered building in a major city. But it's gone because people who promised to worked with those kind of businesses found a way to always have an excuse not to do so. So I just want to -- you know, facts are stubborn things. It's just not working.

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

So when we asked 18 corporations to step forward and select 5 minority businesses in 2009 and do business with those companies for a period of 5 years, we measured the impact of those 18 corporations. And they started out with $186 million dollar of spend, and at the end of their 5-year period they had doubled their spend.
When you look at the multiplier effect -- so when you get your paycheck, you go and pay your rent, and you get your car fixed, and you go to the local cleaners, that dollar circulates in the community -- in some communities more strongly than others. But we had about a 2.5 multiplier effect. So what you saw was $800 million dollars of economic activity and about 4700 jobs created in 2014.

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

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

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

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

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

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

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

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

So the whole issue of supplier development has to be part of a strategic plan. And I've heard folks talk about strategic plans here -- I know that Exelon has one and ComEd has one -- that
talks about development as part of a parallel strategy of increase minority spend.

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

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

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

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

But if you want to grow a business, your line has to get involved. That's why I have
Michelle and Fidel with me here today. They deal with these companies every day. Michelle runs our engineering. Michelle runs our major projects. And she is working with the firms to help them understand what it takes to be safe at our company, which is not an easy thing. Bridget Reidy and her group and Emmett work with these companies after they go through a procurement. They walk them through, you know, Here's where the assessment was that you didn't quite cut it on the procurement.

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

MR. MELVIN WILLIAMS: I would add to Anne's
comment. I mean, it's consistent with what John is saying as well. The other thing you have to do is you've got to be able to acknowledge the limiting factors, and you've got to be able to find -- either eliminate them or find solutions to them.

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

And so to the extent that -- in areas like cost, for instance, one of the things that majority partners, for instance, and many organizations, have used to exclude diverse companies is the cost dynamic. If you're looking at this purely from a procurement lens and you're making decisions around these opportunities based on cost being the deciding factor, we all know what the
ultimate outcome has been and will continue to be. If you're limiting the opportunities and diverse companies don't have the experience, but you're using experience as one of those factors, we all know what the conclusion will be.

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

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

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

  MR. CHARLES MATTHEWS: Yes.

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

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

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

  The challenge with the business services, professional services, as I see it -- the legal department, the financial services, those services that, for the most part, in the world we
live in today, that are being procured, or secured, at the corporate level -- there has been an unwillingness to unbundle, to strategically unbundle those where you still have capacity. And instead of a strategic unbundling, throwing off the pieces when they do.

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

There's just been this block to unbundle, you know, pension funds. You know, break up the pension funds. Have the board issue a mandate that if you're going to have 5 fund managers, one of them is going to be a minority. You know, there's just been an unwillingness to do that. And I think that's critical. We're going to have to push that issue. And I know I've started having that conversation with my finance, treasury people; and they're getting it.
You know, insurance -- sure, you can get debt. If I go out and do a line of credit and I put it all in one bank, absolutely, I can -- maybe I could optimize the cost of my debt. But is that the right thing?

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

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

I don't think you have to unbundle because there's a lot of boutique, advertising, legal, financial services firms, non-minority, that are walking in the front door and getting contracts
with minimum experience, very small staffs. The key is for a sincere commitment to be there.

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

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

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

So we have to -- it's going to be a shotgun marriage in some cases, initially. But it's not a matter of unbundling as much as it's requiring
the relationship to take place.

COMMISSIONER ROSALES: Let me ask a question.

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

MS. GLORIA CASTILLO: I'm sorry?

COMMISSIONER ROSALES: The Five Forwards that
have failed.

MS. GLORIA CASTILLO: Certainly.

We launched the initiative in 2008.

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

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

This is not a small commitment that
the firms make, because it's not simply selecting 5
firms and then we walk away. They actually report
their spend with each of those firms on a quarterly basis. They also report on satisfaction levels with their minority firms on a semiannual basis. And, at the same time, the minority firms have an opportunity to report back on their satisfaction of the relationship with the corporation.

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

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

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

But we've expanded the availability of access to the program through their primes, but we've
strengthened the technical support services of the initiative through collaborative partners like CMSDC, Illinois Hispanic Chamber of Commerce, Women's Business Development Center. And we've instituted a series of industry forums.

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

So it's a very robust program. I've met with mayors in other cities who are interested in replicating Five Forward in their city because, frankly, it's the only program of its type that requires that quarterly spend data and a university partner. So I didn't come up with those numbers. You know, I didn't take a pencil out and figure that out. That is done in partnership with the University of Illinois. The data goes to the University. It doesn't go to Chicago United. So it's the only
program of its like in the country where we have all
of the components come together to have this kind of
economic impact measurement.

COMMISSIONER ROSALES: Thank you.

COMMISSIONER MAYE-EDWARDS: You know, there's
something that I just quickly wanted to ask about, if
that's okay.

So we talked a little bit earlier
about the categories somewhat. And in his remarks
Mr. Rogers discussed the issue of the difference
between supplier diversity and how there's been
somewhat of an evolution and now we've kind of moved
forward the business part today.

So we know about the IUBDC. And last
year when you were encouraging the creation of the
IUBDC, there was a bit of controversy surrounding the
term rightly used, "supplier diversity" or "business
diversity". And from this Commission we pretty much
demanded that it be "business diversity" for many of
the reasons that Mr. Rogers stated in his remarks.

We did get quite a bit of pushback.
And we won't mention where the pushback came from,
but there was some concern there. And so I think that by getting everyone to agree that "Business Diversity Council" was the proper term for it, I think that was a step in the right direction.

Now, with that said, I think that goes hand in hand in talking about the tracking of the categories; right? Specifically, do you separate them out? Do you have legal services? Do you have the financial services, so forth and so on -- which we're not doing?

I wanted to see if we could get a response from the utility executives on what your thoughts are on the categories, and labeling it, and specifying what it actually is, so that we can see from a business diversity perspective and the whole, where we are as opposed to now where everything is just kind of lumped together.

MR. MELVIN WILLIAMS: So I'll start with we're open to being as transparent as you would like us to be. I mean, there's nothing that we are not willing to report in a manner in which it allows you to be able to have full access to how we're performing.
With respect to the "supplier diversity" and "business diversity", I think that in and of itself is an interesting dialogue and one that I actually agree with. And we're really talking about, you know, which vernacular most aligned with what the actual commitment is.

And so to the extent that we're in our organization and we're using terms like "supplier diversity", what does that mean within the organization? What does that mean to the leaders who are often making these decisions?

And so how do we change the narrative around that from, to John's point, what has historically been more of a vertical supply chain type of dynamic within the organization to more broadly around a business imperative, in terms of this is how we do business. And this is the way --

And it's that shift that we've been talking about. You can call it culture, or you can call it business strategy. You can call it many things. But it's that shift around changing that narrative in a way that allows the business to view
this more as an imperative than just a program, or a priority, or a supply chain function. It really is around. This is how we do our -- This is how we will manage our business because this is where we get efficiency, this is where we get the diversity of experience, this is where we get the opportunity to ensure that we're bringing different talents and different experiences into the business.

And so that has nothing to do with supply chain. That has everything to do with the business imperative around how do we create these opportunities to ensure that they're supporting our business in that manner.

MR. CHARLES MATTHEWS: And I completely support tracking as granular as the Commission would like; and believe we already do it.

I think the big challenge would be consulting. I think there's still some difficulty there. You know, consulting sometimes goes in terms of construction. Sometimes it goes in finance. So that might require some additional work, but I am totally supportive, and I think we should do it.
MS. ANNE PRAMAGGIORE: We can provide that data by category.

MR. BRUCE HAUK: And I agree as well with being as transparent as you can be.

One thing that I would mention, too, though is although -- I mean, you really think about the utility industry as a whole. And I completely agree that the professional service avenue, that's an area to grow. But I think we've got to also realize that the majority of our investment is in assets and will continue to be for many years to come.

So when you look at the total picture, the dollars that we're talking about comparison-wise is very small compared to the amount of infrastructure investment. So I would hate to set up some type of expectation that there's going to be some huge growth. I mean, for example, the professional services line is very de minimis in comparison to the amount of money that we spent in investment per year.

So I do agree that there are opportunities to open up those areas, and there has
been resistance in corporations. But from a utility standpoint, we're an infrastructure investment type of business, and we are the backbone of this country in terms of investment. And when the economy is bad, when the economy is good, we make the investments to provide the reliable service. So that will always continue to be the bread and butter or the real emphasis of what we're behind in terms of asset development and infrastructure replacement.

MR. JOHN ROGERS, JR.: Two things: One is that keeping track by category -- at Exelon I get a big book this big every year (demonstrating.) Emmett Vaughn comes in with Bridget Reidy, and we go through it category by category.

And you can see it's just not professional services. It can be advertising. I can see today -- we have utilities here in Chicago, Baltimore, and Philadelphia -- how much we're spending with minority advertising agencies out of a total spend. And realizing that, of course, the city is black and brown, primarily, the marketing spend should be proportional. But it gives you a vehicle
to have that conversation if you have all of the data
as transparent as possible.

The second part of this issue about
looking at it based upon asset spending, what I do
for a living day to day is I'm a stock picker. I'm
an investment analyst. And I believe very strongly
in what Warren Buffet talks a lot about. And when
you invest in companies with the Buffet model, you're
trying to find the most profitable companies to
invest in, the ones that have the most consistent
cash flow.

So it's not about the total revenue
line that matters to the greatest investor, if you
will. It's the profitability, the consistent
profitability, in cash flows that matter.

So if you looked at the spend by
profit versus by revenue, you would have a different
dialogue than you do. And I know that would be hard
to do, so I'm not saying or suggesting that we have
to do that; but just realizing in the back of your
mind that a dollar spend on legal services is not the
same as a dollar spend on a commodity where you buy a
zillion components of something and mark it up half a cent. The numbers look very large, but the profitability, and the number of employees hired, and the amount of wealth created is entirely different than the head of a law firm, or the head of a KPMG, or a Pete & Marwick, where they have 200,000 employees and an enormous amount of wealth built.

And the last part about it, from a financial services standpoint, what we've done at Exelon -- they have over almost $40 billion dollars in its pension plan. And we spend, you know, almost now $10 billion dollars on minority-owned pension fund managers. It's creating an enormous amount of wealth and opportunity and jobs because of that initiative.

And, as I said earlier, the people who get private equity and hedge funds opportunities ultimately become the masters of the universe these days. So making sure that that part of the world isn't left out of the equation because there's an enormous amount of spend in pension area that in traditional ways people never think about it.
I'm sure there are other categories that are like that also. I happen to know that because that's the field I'm in. But what we've done there has just been fantastic, and there's opportunity that's there that wasn't -- it wasn't there in Baltimore. We bought that utility. It wasn't there in Philadelphia. We bought that utility.

During the minority cities who played baseball in 1940, No Person of Color Need Apply. But once Exelon took over, all of a sudden they've got a Baltimore utility -- a Baltimore company managing part of their pension fund that's a diverse firm.

MS. GLORIA CASTILLO: There's one last point that I want to make sure that we cover, because Mr. Williams mentioned cost and quality issues. And so I don't want to kind of leave that as the standard that if you're working with minority firms, that that may be the challenge for you and it's insurmountable.

Because ComEd just completed a training center with a 90 percent diverse spend. And if I'm not mistaken --
Anne, can you speak to the cost, on-time delivery, quality? What did you experience in building that?

MR. MELVIN WILLIAMS: Let me make sure that I was clear because my description around cost and quality was two-fold. One, around misconceptions within the organization; and, two, around limiting factors, right, and understanding that these are limiting factors so that we can address it.

I just wanted to make sure that we are clear about that.

MS. ANNE PRAMAGGIORE: Well, just quickly, you know, we did build the training center. It was a targeted competitive procurement. It was 90 percent diverse spend. It was on time. The quality is terrific. You know, I think we built it -- you know, the cost was consistent with any other cost structure that we would have seen. So I think we were very, very happy with that.

I don't know -- and Michelle would be better able to answer this than I. But my sense is we don't see any variation that we would not see
otherwise amongst firms. You know, you're going to get some firms that just are not going to be able to get their costs in line and be competitive, and some that do. And so, you know, I don't think that it's different than sort of the normal universe, is what we see.

MR. RALPH G. MOORE: Can I also just briefly address second tier? You had a question regarding second tier, if it's mandatory or not.

We had the opportunity -- as a matter of fact, the NMSDC where we've done most of the training over the last 22 years, I was a member. I facilitated the second tier task force in 1998 and in 2004. I wrote most of the rules that are still in place for the second tier that most corporations use. We've implemented the second tier program for Wal-Mart as well as AOL, Time Warner, and Ameritech.

So when you talk about second tier -- and you hit it on the head -- there has to be language. Contract language has to be -- "second tier" has to be in the contract. As a matter of fact, it needs to be in the RFX and the RFQs. If
you're going to have a viable second tier initiative. If you don't have it in writing, you don't have it. So what I like to say is if you don't have -- And then you also have to have consequences if you don't hit your targets. So if you don't have consequences, it's not a second-tier program; it's a second tier survey.

COMMISSIONER MAYE-EDWARDS: Thank you. That was very, very helpful.

I think we would like to be here for hours, and hours, and hours. We have lots more questions. This, honestly, I think is probably one of the most, I think, successful and very helpful round tables that we've had to date with this policy forums.

So I wanted to just thank all of the participants and, of course, allow my colleagues to provide a couple of closing remarks. Thank you.

COMMISSIONER DEL VALLE: Thank you.

(Laughter.)

CHAIRMAN SHEAHAN: Yeah. I would just also like to thank everyone for being here today, but
particularly our utility executives. We appreciate
and respect the fact that this is a big time
commitment for all of you, really. And this has been
a terrific discussion and I think very helpful. So
thank you.

I think, you know, one I thing that I
take away is the sincerity of the presentations. I
want all of you to know that we also are trying to do
our part at the Commerce Commission to be more
inclusive. I think we in the last year have become
more inclusive than the agency has ever been, in
terms of leadership. So we share that commitment,
and thanks again for being here.

COMMISSIONER McCabe: Thank you. And I would
vote for more discussion and round table and less
presentations next year.

(Laughter.)

COMMISSIONER Maye-Edwards: Noted.

COMMISSIONER Del Valle: Agreed.

COMMISSIONER Rosales: I've been here a little
bit over a year. I attended a meeting late last year
with the Utility Diversity Council. And, as you
know -- "as you know" -- I try to have my words succinctly. I refrained from taking a picture because I was not really impressed by the growth, of what I thought it should be.

And I come from an industry that would codify everything, and I didn't understand how this industry worked in terms of the communication that you all have. So I've matured a little bit, in terms of understanding.

And I point to Ralph about, you know, when you codify something, all of a sudden it's compliance. And so once you get the compliance part, we make a number of 8 percent. And when you get 8 percent, the job's over, let's go home. And that's not what we're trying to do.

From us and the Commission, I want to tell you that we really appreciate the dialogue that we have. But a couple of things that I wanted to be clear about: number one, again, when I spoke about it earlier, about the top down, I see that; but it comes from the top down. If you are not sincere in your folks in explaining to them what you're looking for,
it just doesn't happen. I've been in business long enough to understand that.

And make sure that they buy in, that it's not the flavor of the month. You know, you've got to go to the Commission in June, you know, and this is really important that we do well with diversity, and then back in July and August we're back to business. I understand how business works, but it has to be a constant.

The aggressive goals and targets, we talked about that before. And it's something that -- we're not giving you goals and targets, but we're looking for them. I would say my one disappointment is -- in some of the reviews there was less of a goal this year than it was the year before. And that's not something that we take very lightly. So we're looking to make sure that that doesn't happen again in terms of goals and targets.

And I really am impressed by the movement. You know, I know Commissioner Maye started the program with the Diversity Council. I understand now what needed to get done. Again, I wasn't
impressed by the numbers for 2014. I kept thinking, What numbers are they looking at? Commissioner del Valle was like, This is not going to be a pat-on-the-back type of a meeting. And there was a lot of that going on, and I was really disappointed with my first meeting.

But I've certainly seen the progress that you've made. And from a Commission standpoint, I really want to tell you that we appreciate the work that you've done. Thank you.

CHAIRMAN SHEAHAN: All right. If we have nothing else, we're adjourned.

(Applause.)

(Whereupon, the above matter was adjourned.)