BEFORE THE

ILLINOIS COMMERCE COMMISSION

BENCH SESSION

ANNUAL SUPPLIER DIVERSITY POLICY SESSION

Thursday, June 11, 2015

Chicago, Illinois

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

PRESENT:

BRIEN J. SHEAHAN, Chairman (via teleconference)

ANN McCABE, Commissioner

SHERINA E. MAYE, Commissioner

MIGUEL DEL VALLE, Commissioner

SULLIVAN REPORTING COMPANY, by

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COMMISSIONER SHERINA MAYE
COMMISSIONER MIGUEL del VALLE

Remarks

REPRESENTATIVE WILLIAM DAVIS

Reflections Regarding 2014 Utility Section 5-117 Reports

MS. O. KATE TREGASSER,
Partner, KREIG & DEVAULT

Section 5-1117 Reports 2014

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MR. RON PATE,
Sr. VP Operations and Chief Executive Officer

MR. BYRON WITHERSPOON,
Director of Supplier Diversity

MR. BRICE SHERIFF,
Director of Regulatory Affairs

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

Good afternoon, Chairman. Are you with us?

CHAIRMAN SHEAHAN: Good afternoon. I am with you.

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


I regret that I can't be there with you due to family commitments, but I want to thank all of those that are in attendance today, especially Representative Davis and the senior utility executives who are with us, Ron Pate from
Ameren; Anne Pramaggiore from ComEd; Bruce Hauk from American Water; Beth Reese from Nicor; and Polly Eldringhoff from Peoples.

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

MS. REESE: Thank you, Chairman.

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

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

Today's forum is designed to serve two primary purposes, not only does it satisfy the legal requirement that large public utilities report on
their procurement goals and spending for the previous calendar year, but it also presents an opportunity for us to hear personally from senior leaders on the topic of Sustained and Improving Supplier Diversity Initiatives in Illinois. Thank you to each of the companies for being here today.

Companies understand supplier diversity is not an expense but an investment. These initiatives not only foster local economic development but strengthen community relations. We have found that the utility companies presented today, Ameren, American Water, ComEd, Peoples and Nicor, have met their reporting obligations, but, more importantly, have taken increased diversity to heart.

Diversity was one topic we discussed in my first bench session as Chairman. At the time I expressed my firm believe that we must lead by example and, to that end, the Commission has held a mirror to itself to promote diversity within our Staff and to better align initiatives with our core values and operations.
Our new general counsel is of Indian
descent. Our new chief of external affairs is
female. Our new chief administrator is African
American, and our new chief of the ICC police is
Latino, just to offer a few examples of our
progress.

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

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

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

As you stated, diversity does not just
make sense; it makes dollars, and I'm so very proud
how far we have come in Illinois. We are here
specifically to discuss our diversity, but it's
truly the annual report we will focus, and I want to
echo the Chairman and thank everyone for being here
today.

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

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

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

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

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

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

And I just sat there looking at him, and I was shocked, and he said, "It's great that we are encouraging utilities to do this, but how can we tell them to do this with a straight face when we aren't doing it ourselves?"
And this man he has made some changes.

He has definitely incorporated diversity in the decisions he has made and he does not just talk the talk but he walks the walk.

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

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

A few months ago I had the pleasure to attend Ameren's Supplier Diversity Symposium, which was a great event, and also what I was so proud about was that there were representatives from ComEd. There were representatives from Nicor Gas. There were representatives from many, many, many of our utilities, and to me that's exactly what the
council's about. It's to share best practices.

It's to go back and say this is what works at Ameren, maybe it will work for ComEd, or maybe not, but we can now see that -- we can see not just how we can improve but how we apply to all the different utilities in all the different ways.

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

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

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

COMMISSIONER del VALLE: Always.

COMMISSIONER MAYE: Yes, I know.

COMMISSIONER del VALLE: Thank you, Commissioner Maye. I also want to thank the Chairman for his commitment to diversity, because, as Commissioner Maye indicated, the Mr. Chairman indicated we cannot
judge you and at the same time not allow you to
dJudge us, and so the same way we are looking at your
numbers, we want you to look at the Commission's
numbers. We want you to look at the job of the
eexecutive director and what our numbers look like in
terms of procurement as well as hiring.

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

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

Progress has been made over the last
year, no doubt about it, but I have to tell you that
it's not enough, particularly for MBEs. I think the
African American numbers and the numbers for Latinos are still low.

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

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

(Whereupon, Commissioner McCabe entered the room.)
These numbers certainly look good when you take them in totality, and we'll see that today, but when you begin to exclude small businesses, when you begin to exclude women, then the numbers don't look as good as we need them to look, and I think we all ought to be up front about that. Let's not try and sugar coat reality.

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

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

As part of this process, we are constantly looking at where we can do better,
whether it's low minority-owned business numbers or
whether it's one or two contracts which are having
an outside influence on the numbers.

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

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

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

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

(laughter.)

I have acknowledged the presence of
Commissioner or State Representative Davis.

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

PRESENTATION

BY

REPRESENTATIVE DAVIS:

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

I think your comments are right on as it relates to that we are at a certain point where we certainly know that those numbers can get better, and we appreciate the efforts of all of the utility companies that are working very hard, that are creating programs and opportunities to increase that diversity, not only within their own workforces, but
also with the vendors and the others that we work
with, but we know that there's more that can be
done, and we are constantly trying to push the
envelope.

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

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

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

It is very easy to start a supplier
diversity council. It's very easy to hire someone who is suppose to be dealing with diversity or over-diversity. That's the easy part.

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

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

So that's another way in which we have to encourage our companies, wherever they are in the State of Illinois, whatever sector they're in in the State of Illinois, to try to move that particular ball forward.
If there's a need for additional legislation to try to help encourage, we'll be more than happy to introduce and hopefully see that successfully signed into law.

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

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

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

COMMISSIONER del VALLE: Thank you very much, Representative Davis. Thanks for being here today.
REPRESENTATIVE DAVIS: My pleasure. Thank you.

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

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

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

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

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

Kate has been working with us, particularly my office. You know, she does -- she's great at what she does. She looked at these reports. She is going to provide her perspective of them from over the last year. She definitely gives a lot of guidance on a pro bono basis which we definitely appreciate.
So, Kate, thank you for being here.

We are very anxious to hear what you have to say.

At this time -- also, there are some empty chairs. I see a crowd of people at the door. Also, we have an overflow room which has audio set up, right, Commissioner? And that's in N801. It's the Video Conference Room. You walk straight down the hall and you will see it. If you prefer to come in, there's definitely some seats available.

PRESENTATION

BY

MS. TREGASSER:

Thank you, Commissioner Maye. I would like to thank the Commission for inviting me to speak today.

As a stakeholder in this supplier diversity area, I commend the General Assembly and the Commerce Commission, and especially Commissioner Maye and Commissioner del Valle, for being very proactive on this initiative. I would also like to thank the utility companies for being enthusiastic partners.
I was asked to review the annual reports that were filed with the Commission, and I was very encouraged by the level of detail presented in the reports.

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

Looking at the 2014 report, it shows us the progress by utilities in procuring goods and services from women, minority, veteran and small businesses.
Ameren has increased from 20 percent in 2013 to 28.8 percent in 2014. ComEd has increased from 27.3 percent in 2013 to 34 percent in 2014. Peoples/North Shore has increased from 40.83 percent in 2013 to 43.06 in 2014. Nicor has increased from 14.59 percent in 2013 to 22.92 percent in 2014.

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

Utility spending with diverse and small business suppliers has increased from just over $600 million in 2012 to just over 1.1 million in 2014.
Additionally, these reports show how the companies run their diversity procurement operations and how they recognize the need for improvement, but what do these numbers tell us? Clearly these actions over the last few years show that everyone understands the importance of supplier diversity.

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

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

First, we need to continue to secure buying from top management. This needs to continue
to be the number one priority. If the top
management loses interest in this supplier diversity
program, there's little chance of it continuing to
grow within the companies. These reports
demonstrate that we currently have strong buying
from the top.

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

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

Thirdly, we can increase
opportunities for diverse suppliers with new
opportunities by tracking outreach efforts, create
new opportunities, including target market contracts
that are exclusively available through diverse
suppliers, breaking out contracts into economically feasible and geographically feasible contracts.

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

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

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

The flip side is that I often hear from large companies that diverse suppliers increase
their costs. Creating more competition could open
doors to more diverse suppliers and ideally decrease
the cost of procuring the goods and services of
other companies.

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

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

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

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

For example, there's several
definitions of a small business. The State of
Illinois defines a small business as having revenue
under 10 million or for certain industries having
less than 250 employees, but the Small Business Administration's definition of a small business includes companies with revenue as high as $38-1/2 million or for certain industries a thousand employees. The spending numbers reported may be inflated if the intent of the law was to use the state's definition.

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

I appreciate the opportunity. Thank you.

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

MS. TREGASSER: Sure. I represent several hundred M and WBEs and veteran-owned businesses with
their certifications, as well as I represent large companies with their supplier diversity programs, you know, implementing or improving their programs.

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

COMMISSIONER del VALLE: I have a couple of questions.

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

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

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

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

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

MS. TREGASSER: Correct.

COMMISSIONER del VALLE: -- whether that is
happening or not?

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

COMMISSIONER del VALLE: The SBA?

MS. TREGASSER: Uh-huh.

COMMISSIONER del VALLE: What would you
recommend?

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

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

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

COMMISSIONER del VALLE: Significantly decrease?

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

COMMISSIONER del VALLE: That's an important
point and we are certainly going to make note of that.

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

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

MS. TREGASSER: Correct.

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

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

MS. TREGASSER: Wholeheartedly.

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

MS. TREGASSER: Yes.
COMMISSIONER del VALLE: And would you agree that those numbers are kind of buried in these reports because of the overall small business spend and women business spend.

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

COMMISSIONER del VALLE: Thank you.

COMMISSIONER MAYE: Just some follow-up. I know
we met with a couple of our utilities and one in particular we talked about the self-certifying issue. There really is no way. It's kind of an honesty policy. There is no way to verify who they truly are, you know, if they're a small business or if they're self-certified as a women-owned business, if it's truly a one-woman business that is the majority share of that business, so --

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

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

COMMISSIONER del VALLE: Okay. Our first utility
is Ameren Illinois represented by Ron Pate, Senior Vice President of Operations and Technical Services.

Ron.

PRESENTATION

BY

MR. PATE:

Good afternoon, Commissioners and those in attendance. I am Ron Pate, Senior Vice President of Operations and Technical Services.

With me today is Byron Witherspoon, Director of Supplier and Diversity for Ameren Corporation; and Brice Sheriff, Director of Regulatory Affairs for Ameren Illinois.

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

I appreciate the opportunity to be here today representing Mr. Mark and Ameren Illinois to talk about our Supplier Diversity Program. I
might stop right here to say sometimes he has me
fill in for him at meetings that aren't as pleasant
as this one or the one this morning with the rock
star kickoff.

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

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

I'll spend a couple of minutes giving
you an overview of our program and our efforts to
further strengthen diversity with the inclusion of
Ameren, any Byron is going to discuss the

As a major purchaser of materials and
services, we realize Ameren can play a significant
role in growth and development in diverse suppliers.

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

Some of the strategies that we are utilizing to help support these efforts -- and Byron will give more details -- is developing a scholarship program for business owners at Tuck School of Business at Dartmouth University in New Hampshire, also sponsoring a biennial symposium to raise awareness for the procurement process developing an Ameren inclusion council. This cross-sectional group of employees makes suggestions for improvements in current diversity inclusion initiatives, as well as identifies measures for
evaluating our progress. In 2013 we hosted a company-wide diversity festival where over 5,000 of our employees, their families and vendors attended. This same event is being planned for this coming October.

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

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

Also, we work with community-based organizations, such as the NAACP, Urban League, Black Chamber of Commerce, and also county employee training organizations, and, of course, our union partners, and not just identify diverse suppliers
but to make sure that they have an opportunity to work on our property.

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

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

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

So with that, I will ask Byron to
discuss the performance and give some more details.

PRESENTATION

BY

MR. WITHERSPOON:

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

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

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

We have mostly business segments with
many different types of business services that we procure. The Ameren business segments include business and in corporate services generation, transmission, and our focus for today's discussion is the Ameren Illinois energy delivery business.

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

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

So when we talk about the goods and services in that space, we're talking things like
overhead line construction, transformers, vegetation management, et cetera, and you will find the descriptions for those categories in our annual report beginning on Page 4.

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

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

So you heard Ron mention the senior level leadership support and influence. I would like to call this the sine qua non of what we do. It is the necessary ingredient of the essential condition for our program to be successful. There's
accountability for what we are doing and supplier
diversity that extends all the way up from Ameren
Illinois' perspective to Richard Mark and Ron Pate,
but also from an Ameren perspective to our entire
executive leadership team.

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

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

I have a team of five that report off
to the business segments, and so when we are talking
about establishing corporate and business segment
goals, that's key for us, because at the corporate
level, there's a target. A goal of this year it happens to be 12-1/2 percent. Last year it was at 12 percent, and we come in at 12.3 percent on the corporate level. We are talking about Ameren Illinois as well, but our goal has cascaded down throughout our business segments and each business segment share in a portion of what that goal may be based on what their total spend profile looks like.

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

I recall mentioning last year that a good venue for that is allowing supplier introductions into the business, and so what Ron's team does -- we can supply diversity professionals -- they will coordinate a meeting and they'll talk through their progress and they'll also
have a forum for the diversity supplier to talk thorough their goods and services that they provide.

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

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

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

Alpha opportunities initiative, you might be asking what is that. So our Alpha opportunities initiative is an initiative that provides an entry point for non-incumbent suppliers
to gain experience with Ameren. And so what do I mean?

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

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

To-date, we have about ten suppliers that's part of that program. Seven of those are the new suppliers. We are not talking large volumes of spend, but I think in the spirit of what we are trying to do is really not about the spend. It's about creating some depth and some sustainability, and so it is consistent with our pillar of creating sustainability.
MR. PATE: If I could just add, Byron, we think this is a real key to talk about how we are going to expand to diverse suppliers that we have, as stated earlier, getting folks in that are smaller to get them aware and then expanding that.

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

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

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

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

I will tell you another aspect of our program that we have done is we have heard from our primary suppliers as well, and so we have engaged them, and they come out to some of our events, but what they have said to us is, hey, you know what, in some of the complex work scope areas, we are not finding the suppliers at your events, and so what we
have done we are actually hosting an event -- well, I will take that back. A supplier is hosting an event tomorrow where we have gone out to the supplier, We said, hey, we have a bunch of suppliers that are unique to the type of work that you are looking for. They're going to host them at their facilities. So we help facilitate those types of engagements in order to continue to create depth in our supplier chain and so we can properly match, if you will, our primary suppliers with the kind of work that they're looking to do.

So when we look at the results, we believe our focus has yielded the results that we are looking at today over the last several years, and so when you look at Ameren Illinois' number 127 -- and I heard Commissioner del Valle talk about we have to keep a healthy perspective on what the percent increase is -- but now when we look at our 2013 spend over 2014, we are talking close to a 35 percent increase, and if you look at 2012 on how Ameren Illinois finished compared to 2014, it's about 150. It's close to a 150 percent increase.
Our annual reports kind of give you the break out. I heard you mention some numbers. We agree that we have work to do. We focus our efforts in that effort. We are very deliberate about how we are going about increasing a minority spend with respect to how we are introducing the suppliers into the business.

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

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

One other thing before I turn it back over to you, Ron, we had a series of meetings, one I did get a chance to attend and, Commissioner Maye, you and Commissioner del Valle sponsored an
investment banking meeting here in Illinois. We also did something similar in Missouri, and this is more for information that we have a book of business, if you will, with minority-owned investment banking firms of close to $20 million, we are talking fees about $300,000, but we have done those kinds of things with some stocks and executive level stock purchase, some debt selling in the market, and that, so we have been able to bring on board some minority investment banking firms as well and continue to drive in that area as well.

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

MR. PATE: Sure. Thank you, Byron.

As you can see, we are continuing to build our efforts in this area remains a top priority for Ameren leadership. We are committed to expanding our direct and subcontracting program, and, as Byron described, investing in opportunities to build a stronger, more diverse supplier pipeline, increasing access to business opportunities,
supporting those programs that are creating long-term sustainability within our diversity ranks. As a company, we understand the importance of diversity and inclusion to help us perform at our best for our customers and our shareholders. Excuse me.

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

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

As a result, that whole sense of togetherness and inclusion will help us take our performance to the next level, and that's what we are striving to do at Ameren is to take our performance to the next level to benefit our customers and Illinois ratepayers.
So on behalf of all of Ameren Illinois, we thank you for the opportunity.

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

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

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

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

Our primary focus has been with the diverse category, and so when we do our scrub, we do a biennial scrub to where we are identifying
suppliers. If they get captured as a small business, we are tracking it, but there's no strategic focus in increasing that spend.

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

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

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

So when you look at the portion of the diversity pie, the diverse spend, and we say, hey, generally the rule might be 55/45 and the remaining being veterans, 55 percent being women, 45 percent being minority, and the difference between veterans, in order to reshape that pie, what we will do is,
one, when we do our opportunities assessment, the
goal is to identify a ratio of more minority
suppliers to the other categories that we're
introducing.

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

COMMISSIONER MAYE: Thank you very much.

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

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

COMMISSIONER del VALLE: I want to continue going
the same way. If you want to reshape the diversity
pie and you are monitoring it, shouldn't that be
reflected in your goals? The MBE goal for 2012 was
2 percent; in 2013 it was 2.5 percent; and in 2014
it was 2.6 percent, so there was much more growth, a
half percent between 2012 and 2013. It went from
2.5 to 2.6, and, yet, we you spending more.

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

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

Now what we saw is how do we begin, so
aligning ourselves or getting plugged into the
community with respect to uncovering those minority
suppliers that can help support that number at a
trajectory that would impact that and balancing it
with introducing or filling a pipeline at the Alpha opportunities level and building them.

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

MR. WITHERSPOON: Opportunity for us.

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

COMMISSIONER MAYE: Thank you very much, Ameren Illinois.

Next we will have the president and CEO of Commonwealth Edison, Anne Pramaggiore.

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

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

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

Joining me today are Fidel Marquez, ComEd's Senior Vice President of Governmental and
Internal Affairs. Fidel is ComEd's executive sponsor for supplier diversity and he'll provide a review of ComEd's activities in 2014.

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

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

I just want to quickly highlight an effort in each area. Our commitment to diversity
starts with the workforce. At ComEd we employ approximately 6300 people and as of the end of 2014 roughly 52 percent of these employees were diverse. During 2014 we hired 865 employees, 50 percent of whom were diverse and 133 interns, 59 percent of whom are diverse. In 2015 year to date, we have hired 431 employees, 57 percent of whom are diverse.

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

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

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

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

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

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

And, finally, on leadership, which is our fifth pillar, I would highlight that our Chicago training center project, which is scheduled to be up
and running by the first quarter 2016, we have let
almost 90 percent of the contracts to either MBE,
WBE or VBE suppliers.

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

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

COMMISSIONER MAYE: Thank you.

PRESENTATION

BY

MR. MARQUEZ:

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

As Anne explained, we reached an
all-time high in 2014 with $450 million in diverse
business investment. It was an increase of a hundred million dollars over 2013, and, as Anne said, a 32 percent increase.

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

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

I would like to say a few words about our work in this area, and I will highlight some of our progress in the area of workforce development
and training as well.

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

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

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

As it relates to debt issuance, it's important to note that the way we structure consolidated facility packages enables us to work
with a broader range of banks, including smaller institutions, than would be typically possible. We include diversity firms on every normal course of debt financing. From 2009 to 2014, total underwriting fees to diverse banks has been over $5 million. ComEd has arranged $34 million in lines of credit with community and minority-owned banks in Illinois, including Seaway Bank and Riverside Community Bank.

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

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

We have included diverse banks in
other areas of the company in addition to those capital marketplaces, including, for example, investment firms to assist us with management of pension and health care assets.

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

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

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

As Anne mentioned, this was a target market project in which we were specifically focused
on minority investments in this, and over 90 percent
of the remediation and construction work is with
minority firms. This facility will employ about
40 full-time staff and is especially designed as an
education and training center for ComEd's workforce.
About $4,000 employees will participate in training
at this new facility each year.

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

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

As this program progresses, CPS and
ComEd will coordinate with the City of Chicago to
explore new ways for CPS students to capitalize on
the advanced training programs available at the Dawson Technical Institute where we operate the Overhead Electrical Worker Program to meet the need for overhead electricians and line workers.

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

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

Nicor Gas has recently joined us as a Construct partner. In fact, we are partnering with over 20 leading companies in the construction and engineering fields, as well as trade unions, such as IBEW and six social organizations, including Aspira of Illinois, Austin Peoples Action Center, Chicago Urban League, the National Latino Education Institute, the Quad County Urban League, and YWCA of Metropolitan Chicago.
In May of this year 55 students graduated from Construct and, in 2014, 75 of the 88 candidates who completed the program were offered jobs in Illinois, so the program is working.

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

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

PRESENTATION

BY

MS. BLAISE:

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

As senior vice president of technical services, I work closely with colleagues both inside and outside of the organization, as well as bring the outside supplier partners to plan and employ
programs to modernize and reinforce our broad transmission and distribution system.

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

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

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

The Smart Grid is not the only major initiative we have underway. In 2014 we began working on a multi-year $1.7 million program to address potential generation retirements, install new transmission facilities and upgrade existing
facilities to further enhance the strength and
reliability of the system.

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

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

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

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

In 2015 our supplier diversity office
has launched several innovative programs to further
encourage diversity in the bidding and procuring of
products and services.

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

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

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

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

One of our highest priorities is
developing diverse suppliers in low utilization categories. In support of this goal in 2015, we are, as I noted earlier, targeting high potential diverse suppliers for opportunities and low utilization categories, such as transmission and substation construction and engineering design services.

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

One of the greatest outcomes of that event was a decision by one of our major prime vendors to host its own supplier diversity event to identify strategic partners that they could bring on and other suppliers have started adding their own diversity and inclusion staff.
We are inviting sourcing and key decision makers and networking workshops with diverse suppliers. There have been 13 events organized in conjunction with the Certified Minority Supplier Diversity Council, the Chicago Business Opportunity Fair and other leading organizations, such as the Women's Business Development Center and the Illinois Hispanic Chamber and others.

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

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

We are also attending the disabled veterans events to build relationships and identify potential suppliers in that group, and we are stepping up outreach efforts with local and national advocacy organizations.
We are identifying and developing suppliers where diverse suppliers are limited. We are increasing our engagement with regional and national advocacy organizations to identify qualified diversity suppliers. These groups include national organizations such as Rainbow Push, Trade Bureau, the National Minority Supplier Development Council, the Women's Business Enterprise National Council, and the Elite Service Disabled Veterans-Owned Business Network participated in workshops held by this group earlier this year.

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

I would like to highlight the work that we have done with 5 Forward. In 2014 ComEd completed its sixth year of support for Chicago
United’s 5 Forward programs. It enlists the commitment of CEOs from mid-size to large-size corporations in the Chicago and Metropolitan area to establish or expand business relationships with five current or new local minority firms.

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

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

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

We are very proud and pleased to be a
part of that program. It's delivering meaningful
results and we are grateful for the support and
guidance provided by Chicago United's president,
Gloria Castillo.

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

COMMISSIONER MAYE: Thank you.

Commissioner McCabe.

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

MR. MARQUEZ: We are -- the increase in spend for
2015 over 2014, as Anne mentioned, is a hundred million dollars. Through programs that Michelle mentioned, like 5 Forward and others where we are engaging I'll say suppliers in which have been maybe not traditional with the utility, that's been the area to focus an increase.

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

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

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

MS. BLAISE: As I said, when we are evaluating bids, one of the key -- we have five criteria to
look at, safety, the safety performance of that contractor, the quality of work, as well as the pricing.

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

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

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

COMMISSIONER MAYE: Thank you.

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

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

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

MS. BLAISE: If you have zero --
COMMISSIONER del VALLE: They're aware that it's 15 percent?

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

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

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

My question, is given that the Diversity Council has been mentioned a few times and mentioned as a place where we could really make more progress, and you were, I think, here when we brought in -- that is, we talked about California's Diversity Council. That's when the diversity council idea first surfaced, but I recall that there were descriptions about the aggressive nature of that Council and how there was accountability in terms of numbers, and annual performances were looked at.
I'm wondering -- and given the significant role that you played in the creation of the Illinois Council with Beth, and I really truly appreciate both of your roles in this, it's been very, very helpful.

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

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

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

I think our goal has been to increase diversity and so that's what we have gone out to do. I think we are now at a maturity level I think where we can start pulling that apart and shape that.
I think what the Diversity Council can do is, one, is have a conversation about targets at a more granular level, and I think we can get in some best practice information on that.

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

One of the things we do is we ask our large suppliers to shepherd other companies. Many of them do this. They have taken smaller companies under their wing and helped them, so there's sort of two levels of oversight and training going on with these small companies, but I think to take a model like Chicago United and bring it to the Council and
really sort of work on how can we be developers of business rather than just, you know, sort of order takers putting on you a RFP and waiting for people to come to us.

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

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

Again, I think the model of building, and, again, I think Chicago United is right here in Chicago has a national model for that, and I think we can bring that in and start to do some really exciting things, but I think the metrics and then
the model for building these businesses is what I think, you know, I look forward to the Council.

COMMISSIONER MAYE: Thank you so much.

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

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

MR. MARQUEZ: Well, it's a complex process. We first have to look at the scope of work that we have planned for that year, what's all going to be included, the range of types of projects, whether they're on the construction side, the engineering side, the special services side, and then you have to take a look what is an opportunity then for that. So that mix in the formula may shift from year to year, so I wish it was much simpler than that. We start with what the planned scope of work and
And then we say we can do more, that's the art, the science is what Fidel talked about, then we say we need to push forward, so we set 28 percent this year. We reach 26 percent of total spend last year, and that is excluding the small businesses. Again, we do all the analysis that Fidel talked about -- it's very rigorous -- and then we say let's push.

COMMISSIONER MAYE: I think the push is evident.

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

MS. PRAMAGGIORE: Thank you.

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

PRESENTATION

BY

MR. HAUK:

Good afternoon, Mr. Chairman, Members of the Commission, and Representative Davis. I appreciate your attendance and the opportunity to speak. Accompanying me is Jerry Garland of Illinois...
American Water, and he manages the Supplier Diversity Initiatives, and also from our parent company, American Water based in New Jersey, I have with me Dawn Gilbert as well. She manages our Supplier Diversity Initiatives across the entire company.

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

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

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

I heard Commissioner Maye make the comment there's a lot of passion around diversity, and specifically in Illinois and across this great nation and this great state, but success comes with surrounding yourself with those that are passionate about a concept or an idea, and I am very fortunate as a leader of Illinois American Water to be surrounded by individuals that are passionate about that as well, and it's kind of like when you are in the hospital and birth happens, it's a lot of celebration. It's a lot of excitement, and I see Jerry give high-5s in the hallway when we sign up a supplier for diversity, so that's how we see diversity and the passion when we sign up a contract with a new vendor. It's an exciting occasion for us and our company.
So with no further ado, American Water is the largest investor-owned water and waste water service provider in the nation and we employ 6,400 dedicated professionals across this great country.

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

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

So to me, I think it's a great opportunity for American Water and Illinois American Water to participate in this great initiative, but I
think it's also more important to talk about it's not a program. It's not an initiative. It's not a strategy as much as we are trying to create a culture, a business that does the right thing.

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

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

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

So, as you have seen and heard, this
Commission is well aware of the challenges that that creates, and it's a great opportunity for progress in this country and this great state.

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

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

Since that time, Commissioner Maye mentioned this earlier today, with the good works of Representative Davis and others of the General Assembly, Public Act 98-1056, brought Illinois American Water into the fold of having the fact we
serve more than a hundred thousand customers or a population of 1.2 million Illinoisans in our business. That's why we are here, but we were willing participants I believe. We wanted to participate, and I think that's great.

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

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

More specifically, the diversity participation is trending upwards. Our 2014 data shows that our diverse suppliers spend through the first quarter of 15 was 2.4 million, juxtapose to
the year-end spend of 6.2 in 2014. Diversified suppliers certified as $1.9 million spend in the first quarter. That's compared to a year-end spend of 3.3 million. We are on track to exceed our year two goal.

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

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

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

At this point I will turn it over to Jerry to speak about some more specifics of it, but
I'll leave you with two comments regarding diversity beyond just spend that Illinois American Water takes very seriously, and that is I think as an executive of utilities, having been in this business for several years, oftentimes diversity has been lacking. That's why we are here. It's important.

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

Two things that we have done at Illinois American Water is our Mobile Education Center. We go out in the communities that we serve and we show them what our trades and crafts are, and these are great stable jobs that provide for families for years to come, and we are here to stay.
Additionally, we have the STEM project, which is science, technology, engineering and mathematics. So I often say we don't launch rocket ships and we don't launch missiles, or what have you, in the utility industry, but I'm here to tell you that the electric, gas and water utilities have the technology to do that.

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

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

PRESENTATION
BY
MR. GARLAND:
Thank you, Bruce. Thank you, Commissioners, for having us here today.
I want to -- before I go into my spiel, I kind of want to go back into something that was talked about, and that's building our diversity spend.

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

We can't make a plan today and say in 2025 or 2024 that it's the right plan, because it never will be, and that's why in the 10-year plan that we put in our report we deliberately put in
these three-year increments where we re-evaluate the plan, you know, when we talk to the Commissioners to see if it made sense or if we had to realign ourselves someplace in the 10-year plan, put in new goals in the 10-year plan and move forward and never stay stagnant in our progress forward. With Dawn's help at the corporate level, we are trying to enhance our reporting capabilities.

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

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

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

We are unbundling some of our opportunities with the help of Dawn opening up new opportunities to diverse suppliers that weren't reported to you before in our businesses.
We want to increase our diversity spend at all levels of the diversity committee. We want to identify good matches.

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

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

Jerrold has helped me out in a lot of instances. Byron, Martine, Sharon Moy, I could on
and on. They have been a tremendous resource for me and very helpful. I greatly appreciate the help, and it's important, but not only for American Water, Illinois American Water, it has to grow for our company at the corporate level as well. We need a basic foundation and starting point, and I believe we have done that. I have a couple of samples. Carcus Phosphates is a women-based business here in the State of Illinois. Illinois American Water we only do about $127,000 annually, but on our corporate level for American Water and all our other divisions, regulated and unregulated, we do over 3.6 million a year with them.

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

Like United Building Maintenance, we started working with them on several solicitations with them. We want to expand their businesses to
other footprints in other states. It's important for us to be a good citizen to the State of Illinois and grow our diverse businesses and they are successful and successful in supporting us in Illinois as well.

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

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

MR. HAUK: If I may, I apologize, Jerry. One comment I want to make sure is clear is as we are reporting out for Illinois American Water in talking about the fact we have 450 employees in our regulated operations throughout the State, Illinois is also the home of our call center or customer service center for all of American Water, as well as
our world-renowned lab in Belleville, Illinois.

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

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

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

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

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

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

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

I talked about our CAPEX and about truing-up a few minutes ago. Part of our data that you see reported in the future we are not going to report our second tier spend on our major CAPEX project until that project is completed, because it's a fuzzy number. We would rather report that actual data when the project's completed, because we know it's a true and valid number, and we'll break out that data in our reports in clarity in future years so you can see that, because it's honesty, integrity to us to accurately report data to use at the Commission, because we want you to be able to
rely on the data that we are providing you as I'm sure that all our counterparts do.

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

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

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

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

Thank you very much for your time.

COMMISSIONER MAYE: Thank you very much.

So thank you very much. Any questions?

(No response.)

People will have questions for you in the roundtable. Thank you so much.
Next I would like to introduce

Ms. Beth Reese, Chief Financial Officer of AGL Resources and past president of Nicor Gas.

PRESENTATION

BY

MS. REESE:

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

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

Representative Davis, thank you very much for your passion on this issue as well. We have enjoyed working with you over the years on this issue and I look forward to continuing to do that.
As Chairman Sheahan had mentioned, as Commissioner Maye introduced me, I am in transition back to Atlanta as our chief financial officer, so please know that one of the passions and commitments I take with me into that role is from Sea Sweep (phonetic) to focus on our supplier diversity.

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

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

Our overarching goal, and others have said this today, is to improve year over year
diversifier participation as measured in dollars spent but also percentage.

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

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

You can see that we also set a stretch goal for 2015 which really we are trying to keep our eye on 2016. We really want MWBE spend to be at 20 percent in order to go to where we ended up in 2014 at 13.15 percent. To that 20 percent, we have
set an aggressive goal of 16.6 percent, as reflected on the chart.

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

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

What does that really mean? As of October, we started requiring each supplier with a minimum of a hundred thousand dollar spend with us -- with sales to us to provide a utilization plan for each bid. How were they going to engage the
second tier suppliers if they themselves were not WBE.

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

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

We will be enhancing our supplier diversity business development program. As others have mentioned, it's not just going to find people
who are there issuing RFPs. It's also developing
future suppliers to make sure that we have the
sustainability in all aspects of our business that
we need.

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

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

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

We did partner with the Chicago Urban
League to launch a new web-based portal which allows connection for suppliers with opportunities offered by companies in Illinois, not just with utilities but all companies. We believe that's important for sustainability as well.

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

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

This year we will be hosting a supplier diversity summit to promote business development with under-utilized professional services, and they're really utilized on our part to be able to promote things like HR, legal and pension fund management.
And to take a side note, as the CFO who's now responsible for things other than just Nicor Gas, pension funds, investment opportunities, things that will report up to me, and I'm pleased to say that approximately 19 percent of the investments for the combined assets of the pension plan are currently invested with minority or women-owned fund managers, but that's obviously an area to focus on and continue to understand how we can expand on, as well as being able to use investment banking firms for future debt issuances we have not had this year but we'll continue to focus on that.

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

We are also working with some of our big prime partners to perhaps host their own symposiums and matchmaking events, and, of course,
we will continue to engage with ours.

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

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

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

We have developed a formal supplier business development program which will offer mentoring, management consultation, education and technical support to selected business partners.
throughout the footprint.

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

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

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

As far as procurement goes, these are actually the dollars that relate to the first slide and percentage spend. We really want to thank and appreciate the Illinois General Assembly, as well as the ICC, for their approval of our version of the Qualified Infrastructure Program that we call
"Investing in Illinois and Micro Gas System Improvement Initiative." As a reminder, we started that program in December of 2014.

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

And, finally, with reporting, we want to make sure that we provide leadership with transparency. We can't make decisions if we don't know what's going on with the numbers, and, as you can see here, we are quite pleased with the increase.
of our actual percentage spend with the various
categories year to year.

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

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

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

We are really excited about continuing
to corroborate with our utility partners through the
Illinois Utility Business Diversity Council, and I
know that under Melvin's leadership we will exceed
our diversity goals and I will be overseeing it from Atlanta.

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

COMMISSIONER MAYE: Thank you.

COMMISSIONER del VALLE: Quickly, because I know --

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

COMMISSIONER MAYE: That was awesome.

COMMISSIONER del VALLE: I appreciate that.

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

MS. REESE: We are.

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

MS. REESE: Yes.

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

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

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

MS. REESE: Yes.

COMMISSIONER MAYE: Do you mind that?

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

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

MS. REESE: So it is how they get paid through bond financing. I think that we just haven't issued any bonds, so we would be in the marketplace in the next year or so, and you will see us be much more deliberate about how we think through using
minority-owned firms. We had these conversations, including one yesterday. We understand that.

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

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

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

COMMISSIONER MAYE: Thank you so very much. We appreciate your coming all the way back from Atlanta. As the Chairman stated, it's been a
pleasure working with you. We hope you won't be a stranger.

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

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

MS. ELDRINGHOFF: Yes.

COMMISSIONER del VALLE: Is that good enough? -- Chief of Staff and Director of Strategy and Performance.

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

MS. ELDRINGHOFF: Thank you. Appreciate that.

PRESENTATION

BY

MS. ELDRINGHOFF:

So hello and thank you for the opportunity to be here. As you have stated, I'm Chief of Staff of Peoples Gas and North Shore Gas,
and John Kleczynski, the President of Peoples Gas
and North Shore Gas, did ask me to send his regrets
due to the late notice of not being able to attend.
Thank you for being flexible here with me today.

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

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

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

For more than a century, our business
has taken great care to invest in diversity
resources, which includes employees and suppliers to
design, build and operate, as well as maintain our
natural gas systems in Chicago and our North Shore
communities.

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

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

I'm proud to say we continue to make
progress in our spend participation with DBEs this past year almost doubling our spend to $110 million, and in total we exceeded our diversity spend goals by more than 7 percent, but we heard the feedback earlier today, Commissioner del Valle and also from the expert witness, Kate Tregasser -- excuse me -- that we need to increase our focus on increasing spend with minority businesses.

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

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

This new initiative is designed to increase first and second tier procurement
opportunities, as well as the use of minority women
and veteran-owned businesses throughout all of our
business activities, and we strengthen the language
in our contracts to turn goals into results and
targets into requirements.

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

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

For main restoration contractors, we
have a minimum spend of 10 percent DBE with a
three-year contract and also, again, they have to
increase their spend 2 percent year after year, and
we will continue to challenge every part of our business to explore ways in which we can responsibly increase our supplier diversity spend in the community.

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

As we work to upgrade and modernize the natural gas infrastructure in the State of Illinois, Peoples Gas and North Shore Gas are committed to developing and building even stronger relationships with business and advocacy organizations along with our Illinois utilities to grow and sustain a higher level of supplier diversity and to support the businesses that
represent the customers we serve.

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

PRESENTATION

BY

MS. SHADID:

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

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

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

Peoples Gas and North Shore Gas has increased their DBE spend more than 8 percent over the last year. As you can see on this slide, when looking at the last three years, we have more than tripled our DBE spend since 2012, A DBE spend increase from 60 to 111 million in 2014. We have
accomplished this through partnering with more than hundreds of diverse suppliers steadily increasing in that number about 5 percent since 2012.

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

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

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

While our 2012 filing highlighted our opportunities in 2013, we commenced re-qualification for potential MBEs and WBEs and also provided more
opportunities to our existing strategic shifting spend from non-diversifiers to an MBE or a WBE supplier.

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

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

We have also been intentional with matchmaking efforts at our events where we teamed up our first year prime contractors with DBEs for a second-tier relationship.
We also look for other partnership opportunities, such as the Chicago Business Opportunity Fair where we were one of the sponsors this year, which is held annually at Navy Pier.

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

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

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

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

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

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

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

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

Number two, we discussed with them
their work capacities to help us better in carving out smaller projects that they can bid on. I'm happy to report that in 2014 they actually came on board as a substantial primary contractor and a potential future partner in furthering the Supplier Diversity Initiative.

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

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

One case study in our report demonstrates how an environmental primary supplier continues to include and expand second tier contractors in environmental excavation, underground concrete removal, site restoration, analytical lab service and more.
In 2015 we have increased the goals required in this effort and also align PGL and North Shore Gas employees performance goals with the goal of increasing the supplier diversity.

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

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

Resources such as the City of Chicago Supplier Diversity Database, along with others, are being used by our outsourcing professionals to access potentially the supplier information by
category so they can be included in our procurement process.

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

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

To insure this is done in line with federal safety guidelines and in the interest of the ratepayers, the evaluating team follows a pre-qualification process which encompasses a detailed review of their operator qualifications, supplier safety plan, historical safety records, and other requirements depending upon the category that they're bidding on.
As already mentioned, our major RFPs and contracts with new and existing contractors require them to subcontract to a DBE and also requires tracking of their spend through proactive reporting.

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

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

In addition, we also became members of NAMWOLF, which is the National Association of Minority and Women-Owned Law Firms, and have opportunities especially through the organization Business Advisory Council that we are a part of to learn from other large companies about successful partnering and mentoring relations with diverse law firms.
We are excited about the opportunity about the IUBDC, even before -- as mentioned before, even before the formal council formation, the peer companies have collaborated on knowledge sharing.

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

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

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

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

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

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

We are also exploring possible collaborative opportunities, such as the Construct, which is, as you heard before, a program led by
ComEd and excited about a possible collaborative supplier diversity event targeting professional services.

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

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

In line with your comment, Commissioner del Valle, that you made at the beginning of the session, while our DBE numbers continue in the upward trend and speak to the progress we have made, we recognize that we have a lot more work to do and we believe in the initiatives that will help us improve the opportunities and relationship with diverse businesses. Increasing our supplier diversity and sustainable level of performance over time are our long-term goals.
As one of the proud founding members of the Illinois Utilities Business Development Council, Peoples Gas and North Shore Gas are excited to be a part of developing actions to grow diversified certified businesses in the State of Illinois. Thank you.

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

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

MS. SHADID: I didn't hear you.

COMMISSIONER del VALLE: Your MBE goal was 3 percent, and you fell short of that. You came in at 2.91 percent, and so in our earlier discussion about professional services, I'm looking at the spend byproduct and service categories, and I see, for example, for MBE legal services the total was $111,000; in restoration, and this is again for MBE, 150,000 as compared to the WBE in restoration was 72 million.
Are you looking to balance things a bit and improve those numbers?

MS. SHADID: Yes.

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

What's your plan?

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

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

COMMISSIONER del VALLE: Your spend is
15 million. That's 15 million given the overall spending that's taking place with the Main Replacement Program and another spend as a result of rate increases you received, it's a very, very, very low number.

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

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

COMMISSIONER del VALLE: I'm glad you said that. That's the creativity. That's the leadership that we need, and I don't want to take anything from any other group that falls into this large category of
diverse spending, whether they're women, or veterans, or any other group.

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

MS. SHADID: Right.

COMMISSIONER MAYE: Thank you very much.

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

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

A VOICE: He was here.
COMMISSIONER MAYE: No problem.

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

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

We had the opportunity to read your reports and to see what you are doing and see those numbers and have an opportunity to analyze that.

Right now we want to talk about solutions which to me is just as important identifying, you know, any issues that you may have come across.

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

Would each of our vendor representatives briefly introduce themselves.

MR. TRASKA: My name is Jeremy Traska. I'm with Drexel Hamilton and I'm with the Capital Markets
Drexel Hamilton is a service disabled veteran-owned investment bank, actually the largest in the country. We provide investment banking broker services. We also have a side mission. Beyond just our majority ownership, we hire -- we have a mission of hiring and training service disabled veterans. In terms of our overhead count, the firm is 50 percent military veterans of whom are designated as service disabled.

COMMISSIONER MAYE: Thank you.

MR. MILLER: Arthur Zayas Miller.

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

MR. MILLER: Sorry about that. Arthur Zayas Miller, the President of MZI Group. We are a Chicago-based electrical, mechanical, utility contractor. We are Latino-veteran-owned. We have been working for ComEd on the -- we have been working for ComEd for seven years now. We have been working for them direct for the past three years.
COMMISSIONER MAYE: Thank you. So I want to turn to the vendors first. You have had the opportunity to hear from our utilities. From your perspective, what first comes in your mind when you think of the state of supplier diversity for utilities in Illinois?

MR. TRASKA: I think, in general, because I represent the financial services, you know, that's one of those segments of business or supplier diversity that's I think somewhat new and there's no hard and fast rules necessarily in terms of how people in supplier diversity handle that, but I think you had mentioned in the past capital market fees are typically ancillary fees that are paid to credit facility banks that lend to utilities. It's very difficult to carve out fees beyond that. I think, in general, definitely in-state utilities have done a very good job of handling that, so I commend them for that.

MR. MILLER: As for the construction field, I think that it's been an incredible story just by them soliciting us and the Hispanic Chamber, HACIA.
We have grown our company -- now that we are working direct, we have grown our company by 75 employees. We have invested $3 million in equipment with local Illinois companies, expanded, as Anne said earlier, our warehouse on the southeast side, and by also being a minority company speaking about minority legal, we have a Latino law firm that we deal with. Our accounting firm is a minority. We have hired minorities, veterans, so I think that in that space a lot of minority firms that are given the opportunity they'll give back into that community.

COMMISSIONER MAYE: I think that's the key.

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

(No verbal response.)

No? Okay.

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

MR. WITHERSPOON: So sole-sourcing -- I mean,
that is something that we can do. It requires a policy deviation.

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

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

MR. HILL: Sorry about that.

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

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

MS. BLAISE: Yes.

COMMISSIONER MAYE: Does anyone not?

(No response.)

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

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

COMMISSIONER MAYE: Did you want to add --

MS. GILBERT: I was going to say specifically for American Water, because we do a lot of business with the federal government and military service
groups -- I'm sorry.

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

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

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

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

MS. PRAMAGGIORE: Personally I'm very involved. I will just describe we had a meeting about a week ago. I sat with the senior team and we went through what I described to you as our annual diversity
inclusion plan. We hit on five pillars and, you
know, we had a discussion at the very senior level.
The ownership is at the senior level to make
those -- you know, we set goals for ourselves to
make sure those goals happen, so we work with -- you
know, we have a supplier diversity group, and Emmett
Vaughn, leads that. We work with our supply folks,
but really the ownership is in the line
organization, people like Michelle, who control much
of the spend, she is, you know, intimately involved
with shaping it and making decisions, and, you know,
I'm completely involved in goal setting and I'm
often involved in some of the individual decisions
and discussions about particular contractors.

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

MS. REESE: I would comment on that as well. I'm
very involved with the Nicor Gas Club, as well as
the HR resources. I want to mention that we have a
goal for supplier diversity in our annual incentive
plan. I was responsible for putting all the goals together, so I got to focus on that one as well.

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

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

COMMISSIONER del VALLE: I appreciate the fact that based on what you describe is very hands-on, and we talk about the importance of leadership
coming from the top, but you don't make every single
decision. You do have key people in key positions
that make decisions, procurement spending decisions.

MS. PRAMAGGIORE: That's right.

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

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

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

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

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

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

   COMMISSIONER del VALLE: On the second part of my question on the external side of when I read these reports, you all mentioned the same groups that you are working with in terms of the Chamber, et cetera, and at the last session we had last year, I said that it's important for new players to be brought in, because it is a two-way street. I mean, we
can't put it all totally on you. We need advocates out there also and associations that are assisting you in making contacts with potential vendors, et cetera.

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

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

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

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

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

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

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

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

MR. PATE: I absolutely agree. One of the things
we talked about with the Alpha Program we're bringing in small vendors and bypassing what would be the normal process and giving them the opportunity to get their foot in the door and some work-arounds I talked about.

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

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

When somebody's not hitting their goal monthly, he's in the office jumping up and down, what are you going to do at the local level to have the champions and be able to identify quite often smaller vendors we are not even aware of. You know,
they're in the community and they bring them
forward, and just off the top of my head probably
half a dozen times folks have brought people forward
like that to us, and these are workers, mine and gas
guys. They say, hey, you know, we have this small
company that can do some work for you and, you know,
and many times that works out where you are able to
bring those contractors on and provide them some
work, so I think having a local champion is key.

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

For example, one comes to mind would
be like The Electrical Institute. We have recently
come from a conference where there's suppliers there
that share amongst the utilities and working through leveraging them and driving some depth, because what we don't want to lose sight of, as we begin to expand with new organizations, is to grow so wide that you won't have any real focus on the areas that's going to yield you the maximum amount of opportunity, and so we certainly have to expand, but we also want to have a concentration on how do we build the depth with the industry groups that we are currently involved with and how can we reshape them to maximize the opportunities that they can bring us as well.

MS. ELDRINGHOFF: The only thing that I would add to my peers' comments is that I think one of the new things we have is this Business Diversity Council that we have already started leveraging. We're having trouble finding somebody in this kind of category, a diverse supplier, and pulling resources or understanding other contractors that are doing work for some of our utility peers and trying to get those people into our pipeline as well, so that would be a new way that we are expanding as well.
MR. HILL: Just quickly, you know, on a national, regional or local level, I think the burden is on us to do research to identify who's out there that can align with what it is we need, and so I'll take this opportunity to talk about ABE as an example.

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

So I think just to really be open-minded and really be an inquisitor around the value proposition that the organization has for us because at the end of the day, to Byron's point, we can stretch ourselves really thin in trying to engage in a number of organizations that may provide similar value, but we really need to, in my opinion, focus on minimizing our value that we are receiving out of those organizations that are benefiting us.
COMMISSIONER MAYE: I think these are all great responses. I think we all realize that there is an issue, and, I think ABE is a really good point and a good, you know, connecting point for how we can resolve some of the issues we've talked about as vendors.

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

MR. TRASKA: You are speaking non-financial?

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

MR. TRASKA: I think the large, more established organizations working with up-and-coming enterprises is key, and that's something that's really with veteran set-asides and support for veteran businesses.
California has sort of been a pioneer, and, you know, I can say that kind of mentoring with established vendors that you have can be something that can be very helpful.

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

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

COMMISSIONER MAYE: Well, a lot of our utilities are doing that. I know Ameren -- or do you want to speak to Ameren's program and the mentoring that you are doing? Okay. I hope that this was -- I think
this was your symposium, wasn't it, with Stephanie Hickman?

MR. WITHERSPOON: Yes.

COMMISSIONER MAYE: Can you speak to that --

MR. WITHERSPOON: Yes.

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

MR. WITHERSPOON: Thank you, Commissioner Maye.

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

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

COMMISSIONER MAYE: On their own, not through Ameren?

MR. WITHERSPOON: So one of the things we did
with Entran, as a partner of ours, they heard -- as we challenge our suppliers, they heard us and they said, hey, this is something that we are going to do, and they begun doing that.

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

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

COMMISSIONER MAYE: Does anyone -- any other utility have these types of programs? Have you all had veteran-owned businesses participate in any type of mentoring programs?
MR. MILLER: We are a veteran-owned business also.

COMMISSIONER MAYE: Okay. I apologize.

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

(laughter.)

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

COMMISSIONER MAYE: That's a great story.

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

COMMISSIONER MAYE: Please do, Chairman Sheahan.

CHAIRMAN SHEAHAN: Yes. I would like to ask you
a quick follow-up question sort of related to that line of questioning. I'm just wondering -- this is for the utilities. I'm wondering how the Commission can be more helpful in this process.

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

MS. PRAMAGGIORE: Chairman, this is Anne Pramaggiore.

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

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

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

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

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

The more folks that we have at the table, the more partners that are involved with the Council, the more visibility there is, the more contacts are made and connections and activity generated, and during this session there was a bill -- there is a bill that didn't move that would have added telecom and cable to the reporting. That
bill didn't move. It would be great if they came on board voluntarily, because, as American Water stated, they said this is good. We want to do this. That hasn't happened.

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

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

(laughter.)

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

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

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

But, again, as we look at doing this, part of the reason why we have to do these kinds of things is that because that diversity wasn't that important in the first place, and so we have to move legislation to, you know, ask companies like the ones sitting at the table today at least tell us what they're doing in that area.
So let me rephrase it. I won't say that it's not important for them, but in terms of telling us what they're doing, you know, we have to use legislation as a means or mechanism for them to provide us with that information.

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

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

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

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

   COMMISSIONER MAYE: So right before we close, I would like to be respectful of everybody's time. So, Kate, I just wanted to ask you if you had any final thoughts or recommendations for the group based on what you saw today?

   MS. TREGASSER: No. As I stated before, it's a really good foundation and I think the commitment from all the utilities -- I just think that, you know, just going forward and just I think more detail in the reporting specifically to uniform definitions and how to increase -- when you talk about veterans, I think a lot of issues there is unfortunately there's not a lot of certified veteran companies, so it starts there. Agencies are trying themselves to get more companies certified. One has to start there before the actual companies can hire more veteran companies.
So I think just in general staying active and just continuing to refine reports as well as to look at the prior year reports and to make sure that what they said in prior years is what they're doing in the future.

COMMISSIONER MAYE: Thank you so much. I really appreciate it.

Commissioner del Valle, do you have some final thoughts?

COMMISSIONER del VALLE: It's 4:02. Thank you.

(laughter.)

COMMISSIONER MAYE: Chairman Sheahan, anything final?

CHAIRMAN SHEAHAN: Yes. I would just concur with that and thank everyone for attending and their participation.

COMMISSIONER MAYE: Thank you so very much. Thank you all, also our advisors who helped with this wonderful forum today, and we look forward to working with you all in the future. Thank you and
have a great day and safe travel to you.

(Whereupon, the above matter was adjourned.)