

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

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| In the Matter of a Voluntary Docket to |) | |
| Study the Benefits of and to Encourage |) | File No. AO-2011-0332 |
| Utilities' Efforts to Procure Goods and |) | |
| Services from Diverse Suppliers |) | |

**COMMENTS OF SELECTED MISSOURI INVESTOR-OWNED UTILITIES
IN RESPONSE TO THE COMMISSION'S ORDERS**

Ameren Corporation (specifically Ameren Missouri, but information is also shared on Ameren Illinois, Ameren Energy Resources and Ameren Services as the program is a full enterprise program), Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company (collectively referred to as KCP&L), Laclede Gas Company, Missouri-American Water Company and Missouri Gas Energy (MGE) (collectively, the "Companies"), as members of Missouri Energy Development Association (MEDA) and regulated investor-owned utilities in the State of Missouri, have agreed to join together and hereby submits comments to the Missouri Public Service Commission (MPSC) on this matter. The Companies share a common interest in and commitment to providing opportunities that support and advance the procurement of goods and services from diverse suppliers. As such, they have formed a Supplier Diversity Advisory Council, to exchange information, share ideas, and provide ongoing support and advancement of each company's supplier diversity programs, and identify and nurture diverse suppliers in Missouri. KCP&L and Ameren Missouri have agreed to lead this effort.

Comments to Commission Questions

- How should "diverse suppliers" be defined?

Most diversity programs define diverse suppliers as minority, women, veteran, and service disabled veteran owned businesses. The MPSC'S April 12, 2011 Order Opening Repository File also referred to small businesses. While the Companies support small business owners, they are not generally included in diversity supplier programs, except as provided below in connection with General Services Administration (GSA) contracts.

- What goods and services do utilities procure from outside suppliers?

See Exhibit 1 attached.

- Who are the diverse suppliers in the State of Missouri that could serve Missouri's utilities?

There are many diverse suppliers in the State of Missouri who can perform work to meet the needs of Missouri's utilities. Various sources are used to identify certified suppliers in the State and specific certification guidelines are used to determine supplier eligibility. Some of these

include the Central Contract Registry (CCR), National Minority Supplier Development Council (NMSDC) with local affiliates such as the St. Louis Minority Supplier Development Council and the Mid-America Minority Supplier Development Council, Women's Business Enterprise National Council (WBENC), State and City local minority councils and State and City certifications. Most of the utilities accept third party and self-certification as approved by the Small Business Administration (SBA).

- Which utilities already have supplier diversity programs in place?

The Companies all have supplier diversity programs in place, and although the programs differ among utilities, they share a common goal. Each utility commits to identifying and utilizing qualified diverse-owned business enterprises that add value to their strategic sourcing and business segment relationships and their company's growth. They all agree that successful execution of the initiative will benefit their customers, shareholders and the communities they serve. By forming a Supplier Diversity Advisory Council as utilities under MEDA, the Companies are committed to exchanging information and sharing ideas and practices, including the National Association of Regulatory Utility Commissioners (NARUC)/Utility Market Access Partnership Board (UMAP) recommendations, that will promote and advance their supplier diversity programs.

All of the Companies have internal, company level tracking and reporting of spend with diverse suppliers. Some of the Companies push goals down to the department or division level as well. Strong tone at the top and accountability are viewed as keys to success.

The utilities that report to the GSA include subcontract language in any contract with the Federal Government, which exceeds \$650,000 or \$1,500,000 for construction. If the contract has subcontracting possibilities the responsible party is required to submit an acceptable subcontracting plan that contains goals for the award of subcontracts to Small Businesses (SB), HUBZone, Small Disadvantaged Businesses (SDB), Women-Owned Small Businesses (WOSB), Veteran-Owned Businesses (VOSB) and Service Disabled Veterans-Owned Businesses (SD/VOSB).

Some best practices employed by the Companies include:

- Employee training programs on supplier diversity policies and procedures
- Diversity supplier mentoring programs
- Capturing and reporting second tier spend
- Participating in various outreach events such as Procurement one-on-ones, networking events and business opportunities fairs
- Membership in local diversity supplier councils, minority chambers of commerce, etc.
- Hosting annual supplier diversity awards and recognition events

Other activities which a number of the Companies participate in include:

- Mid-America Minority Supplier Development Council (MAMSDC) opportunity fairs, lunch and learns and corporate roundtables

- The St. Louis Minority Supplier Development Council's Alliance for Minority Procurement bi-monthly meetings, business opportunity fairs, and mentoring programs
 - Board member participation on the Minority Supplier Council
 - National Minority Supplier Development Council (NMSDC) annual conference
 - Membership and Chair of the Utilities Industry Group, a group of 26 corporate members of the NMSDC from around the country who share best practices for world class programs for supplier diversity within the utility industry
 - Chair for The Hispanic Chamber of Commerce
 - Women's Business Enterprise National Council (WBENC) annual conference
 - Edison Electric Institute (EEI) annual national supplier diversity conference; hosted 2010 conference in Missouri
 - Institute for Supply Management (ISM) meetings
 - The Hispanic Chamber, Asian Chamber, and Ohio GATE meetings
 - One of the utilities hosts an annual symposium which has become a draw for national diverse suppliers
- Among those utilities that have a supplier diversity programs in place, how is success measured?

Success is typically measured in one or more of the following ways:

- Percentage of sourceable spend with diverse suppliers
 - Inclusion of diverse suppliers in the bidding events
 - Success of diverse business in Companies' mentoring programs
 - Number of prime suppliers reporting second tier spend
 - Number of diverse suppliers in the program
- What incentives might encourage utilities to procure goods and services from diverse suppliers?

No incentives are needed to encourage utilities to procure goods and services from diverse suppliers. The Companies believe ensuring that diverse suppliers are included in the procurement process is simply smart business. When they succeed, our company wins, their company wins, and our entire community wins through resulting economic development. The Companies look for the best value, which is a combination of quality, customer service, safety, timeliness, price and delivery that provide the greatest overall value to our customers and our companies. Diversity of suppliers brings innovative thoughts and ideas and new solutions to old problems. Increased competition in the supplier procurement process drives down cost and increases quality and service.

Some of the utilities have supplier diversity goals tied to their management review process and incentive plans.

- What barriers exist that might discourage utilities from procuring goods and services from diverse suppliers?

There are no barriers that discourage utilities from using diverse suppliers. However, from a financial or operational standpoint, because many of the diverse suppliers tend to also be small businesses, sometimes issues related to capacity and capability requirements, inadequate or incomplete safety records, and lack of financial strength and security backing, can be challenges.

- What barriers exist for diverse suppliers seeking to work with regulated utilities?

The same issues mentioned in the prior response apply here as well. Additionally, diverse suppliers sometimes are not sure how to register and who to call at the Company for assistance. Also, the process to gain certification can at times be lengthy. Some of the utilities work to correct these barriers by working with the diverse suppliers to educate them on how to do business with their companies.

- How do utilities currently seek vendors and do current selection methods tend to create barriers for diverse suppliers?

The Companies all participate in local diversity supplier councils and trade fairs. The larger electric companies also participate in EEI conference and NMSDC conference. Other methods that were used by some of the utilities are CCR, local city and state registry, one on one procurement meetings, local chambers, and lunch and learns, their own supplier database systems, referrals by other companies, SBA breakfast and other networking events.

Selection methods tend to focus on business strategies set forth with procurement and the end user. The Companies agree that inclusion of diverse suppliers in Request for Proposals (RFP) was very important and do not believe that the current selection methods tend to create barriers.

- Are there "best practices" that can be adopted to facilitate and encourage procurement of services from diverse suppliers?

The Companies believe that there are best practices that should be considered in facilitating and encouraging procurement of goods and services from diverse suppliers.

Some examples are:

- CEO commitment from the top down
- Mentoring of diverse suppliers
- Create a database of diverse vendors or potential vendors (contacts)
- Create pro-active strategies for utilizing qualified diversity suppliers
- Defining procurement policies
- Internal education with the business units
- Supplier diversity goals established internally

Conclusion

The Companies believe competitive strength is best achieved through a diverse group of people working together to find innovative procurement solutions. We want to form business relationships with companies that supply high-quality materials and services at competitive prices. To that end, the Companies are committed to ensuring that diverse suppliers are afforded the opportunity to participate in the procurement process and are encouraged to do so.

As stated above, the Companies have formed a Supplier Diversity Advisory Council, and have agreed to meet periodically to share diversity supplier information and practices among their organizations. Supplier diversity is about economics; when we work with our local diversity suppliers we help our economy. The Companies respectfully request that the Commission consider the foregoing comments when considering any additional steps regarding this matter.

Respectfully submitted

/s/ Roger W. Steiner

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Exhibit 1: Sample of products and services that could be procured from outside suppliers.

Dated: May 13, 2011

CERTIFICATE OF SERVICE

I do hereby certify that a true and correct copy of the foregoing document has been hand-delivered, emailed or mailed, postage prepaid, to all parties of record this 13th day of May, 2011

/s/ Roger W. Steiner

Roger W. Steiner

Exhibit 1

A sample of products and services that could be procured from outside suppliers:

- Construction services
- Boilers
- Turbines
- Pipe
- Catering
- Consulting
- Service Lines
- Valves
- Fittings
- Maintenance, Repair and Operation (MRO) materials
- Environmental systems
- Chemicals
- Environmental services
- Engineering services
- Control and instrumentation materials
- Engineering and project management services
- Boiler materials
- Janitorial supplies and services
- Paper Supplies
- Legal services
- Small industrial electrical components, fuses, non-original equipment manufacturer (OEM) bearings, cleaning supplies, welding supplies, power transmission materials, etc.
- Nuclear materials
- Pole, line hardware
- Promotional
- Meter services
- Pumps, motors
- Substation materials
- Gas distribution materials
- Construction services
- Engineering services
- Street lighting
- Transformers
- Wire and cable
- Vegetation management
- Trucks, earth movers, rail, tires and parts
- Fleet vehicles and services
- Information technology (materials and service)
- Desktops, laptops, servers, LAN/WAN equipment, routers, software, telecom equipment, etc.
- Human resources services

Due to specialized requirements and warranties on some products and services, diversity supplier participation may be limited. (Original equipment manufactures).