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E-FILE AND HAND DELIVERY

Ms. Terry J. Romine
Executive Secretary
Public Service Commission of Maryland
William Donald Schaefer Tower
6 St. Paul Street, 16th Floor
Baltimore, Maryland 21202-6806

Re: PC16 and Verizon Maryland Inc.'s Annual Report [PROPRIETARY]

Dear Ms. Romine:

For filing with the Commission in docket PC16, please find enclosed seventeen (17) copies of the Public version of the Annual Report of Verizon Maryland Inc. ("Verizon"), as well as ten (10) copies of the Proprietary (confidential) version of the Annual Report.

Verizon submits this Annual Report under the Memorandum of Understanding ("MOU") into which it entered with the Commission in February 2009. As permitted by the MOU, portions of Att. B and Att. D to the report are redacted in the Public version to protect their confidentiality. By Letter Order bearing ML # 130071, the Commission permitted Verizon until today to file its Annual Report. If you have any questions or concerns, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink that reads "Jeffrey A. Rackow" followed by a stylized flourish.

Jeffrey A. Rackow

Encl.
JAR/dc
cc: Odogwu Obi Linton

Verizon Maryland Inc.
2011 Annual Report
to the Maryland Public Service Commission
(PSC)
Submitted In Accordance With
Memorandum of Understanding
On Supplier Diversity
Dated February 6, 2009

Verizon Maryland Inc.
Annual Report 2011

Verizon Maryland Inc. (“Verizon”) is pleased to submit this Annual Report pursuant to Part 6 of the Memorandum of Understanding (“MOU”) executed on February 6, 2009 with the Public Service Commission (“PSC”) of Maryland.¹

At Verizon, diversity is not just a vague concept. It is an integral part of our business. Our overall message is that diversity is a fundamental part of Verizon’s culture and it is included in everything we do. We have a long history of promoting Supplier Diversity, having established a formal Supplier Diversity Program as early as 1984.

Verizon's Supplier Diversity team encourages and supports the use of diverse suppliers in our procurement process. The team partners with supplier diversity advocacy groups, chambers of commerce, and other organizations to identify suppliers whose capabilities match the needs of the business.

The Verizon Supplier Diversity program works to create mutually beneficial business relationships with diverse suppliers that strengthen the communities we serve and create value for our shareholders. We strive to provide maximum opportunity for diverse suppliers to compete on an equal basis with all other suppliers who meet our product, service, procurement, and contractual requirements.

¹ Accompanying this Annual Report, and incorporated herein by reference, are Attachments A-1, A-2, A-3, B, C, and D. Certain portions of those attachments are confidential and are being filed on a proprietary basis with the PSC consistent with the terms of the MOU.

2010 Awards & Recognition

Black Enterprise magazine has named Verizon to the publication's list of 40 Best Companies for Diversity. The companies on the list demonstrated strength and outperformed their peers in one or more key categories including board of directors, employee base, senior management, and supplier diversity.

Women's Business Enterprise National Council again has named Verizon as a Top American Corporation. For the fifth consecutive year, Verizon has been named to the Women's Business Enterprise National Council annual list of America's Top Corporations for Women's Business Enterprise. The WBENC's list recognizes corporations for world-class programs that create level playing fields for women's business enterprises to compete for corporate contracts.

Hispanic Business magazine has ranked Verizon number 11 to the publication's **2010 DIVERSITY ELITE 60 List**. It is the sixth consecutive year that Verizon has been named to the annual list.

DiversityBusiness.com's ninth annual online survey named Verizon number 8 as one of the **Top 50 Companies** for Multicultural Business Opportunities. Verizon was selected by the minority and women-owned suppliers themselves in an annual online poll that is available to more than 500,000 voters.

DiversityInc ranked Verizon Number 22 on the publication's **2010 Top 50 Companies for Diversity**. Top 50 companies demonstrate consistent strength in four areas: CEO commitment, human capital, corporate and organizational communications, and supplier diversity.

2010 Diverse Supplier Program Activities

Over the past year, Verizon supported the following external events, among others, aimed at promoting diversity in business:

- American Indian Chamber of TX Annual Conference
- Association of Service Disabled Veterans Annual Conference
- MD/DC Minority Supplier Development Council Annual Conference
- National MED Week Annual Conference
- Minority Supplier Development Council of PA/NJ/DE Annual Conference
- National Association of Minority Contractors (NAMC) Annual Conference
- US Hispanic Chamber of Commerce Annual Conference
- US Pan Asian American Chamber of Commerce Annual Conference
- VA Minority Supplier Development Council Annual Conference
- Women's Business Enterprise Council PA/NJ/DE Annual Conference

Verizon personnel served on the following National Organizations, among others:

- Billion Dollar Roundtable
- National Minority Supplier Development Council (board member)
- MD/DC Minority Supplier Development Council (Chairman of the Board)
- Georgia Minority Supplier Development Council (Chairman of the Board)
- Arkansas Mississippi Minority Supplier Development Council (Chairman of the Board)
- USPAAC (board member)
- USPAAC-SW (board member)
- Women's Business Enterprise National Council (WBENC)
- The Federal Communications Commission's Federal Advocacy Committee on Diversity for Communications in the Digital Age, announced April 22, 2009.

Verizon used various advocacy organizations to provide the necessary third-party certification of minority, women, and service disabled veteran-owned business enterprises (MWSDVBE). Examples of these organizations are:

- Association for Service Disabled Veterans
- National Minority Supplier Development Council (NMSDC)
- California Public Utilities Commission MWBE Clearing House
- U.S. Pan Asian American Chamber of Commerce (USPAACC)
- Women's Business Enterprise National Council (WBENC)
- Women's Presidents Entrepreneurial Organization (WPEO)

Verizon has actively participated in the Maryland Utility Forum which consists of a subset of the companies that signed MOUs as part of Commission's Public Conference No. 16 on Supplier Diversity. Some of the Forum's achievements in 2010 are summarized below:

- Through a series of meetings, the Forum was able to create an open environment for collaborative efforts among the participating companies to share best practices, support supply chain and supplier diversity professionals and generally expand sourcing opportunities in the State of Maryland.
- The Forum developed a good working partnership with MD PSC Commission Staff to further our common goals to promote supplier diversity.
- The Forum provided assistance to utilities that are launching, or have only recently launched, new supplier diversity and reporting processes.

2010 Goals and Diverse Supplier Recruitment

Our commitment to diversity begins at the top of our company. We take Supplier Diversity seriously, and we continuously and consistently measure our progress in this area. Nationwide, Verizon companies purchased more than \$3.76 billion in goods and services from diverse businesses in 2010. Our goal is to increase our percentage of spend with certified diverse suppliers year-over-year.

Diverse vendors interested in becoming Verizon suppliers must be certified by, for example, one of the following organizations: the National Minority Supplier Development Council, the United States Hispanic Chamber of Commerce, the Association for Service Disabled Veterans, the Native American Business Alliance, U.S. PAN Asian American Chamber of Commerce, the Women's Business Enterprise National Council, or the federal or state government.

Our sourcing and procurement process enables qualified suppliers to compete for business opportunities. We use the following as guidelines to position a company for favorable consideration.

Financial Stability – Verizon's policy is that all suppliers must be financially sound and credit-worthy. Reports from services such as Dunn & Bradstreet will be reviewed to verify financial stability. Suppliers must be able to provide copies of their most recent financial statements.

Continuous Improvement – Suppliers should be able to demonstrate fully their processes for continuous improvement of processes, performance and/or features of products and services.

Established Business – Suppliers must be able to provide a legal company name and should be in business for a minimum of three years. Suppliers must be able to demonstrate revenue for this period.

Federal Taxpayer ID – Suppliers must be able to provide a Federal Taxpayer ID.

Proven Track Record and References – Suppliers should be able to provide references of satisfied past and current customers.

Electronic Data Interchange (EDI) and E-commerce – Suppliers must have EDI and/or E-commerce capabilities for receiving, confirming and invoicing orders. Where applicable, Suppliers should also have bar code technology for inventory and tracking purposes.

Insurance & Bonding Requirements – Suppliers must provide Commercial General Liability Insurance, Commercial Automobile Liability, Workers' Compensation, Employer's Liability and Professional Liability. Additional Umbrella/Excess Liability insurance may also be required. Suppliers must be able to obtain bonding when required.

Background Checks - Suppliers must certify to Verizon that they have verified Social Security numbers and legal right to work for all employees and contract personnel and where applicable have conducted (or used an agency to conduct) criminal history checking, drug testing, and verification of education and employment history.

Third-party MWDVBE Certification - If registering as a Minority, Woman, or Service

Disabled Veteran Business Enterprise (MWSDVBE), suppliers must provide certification documentation. Self-certification is not accepted.

Prime Contractor Utilization of Diverse Supplier Subcontractors

Verizon prime suppliers are asked to honor their commitment to diversity by:

- Actively including qualified diverse suppliers or MWSDVBEs as subcontractors/2nd Tier vendors in Verizon procurements.
- Requiring that those MWSDVBEs are certified
- Giving consideration to mentoring MWSDVBEs
- Partnering with Verizon to host MWSDVBE information and opportunity Seminars.
- Submitting to Verizon Prime Supplier relevant data

Progress in Meeting Goals and Efforts to Recruit Diverse Suppliers for Underserved Areas

Verizon has achieved a great deal of success in meeting or exceeding many of its goals for supplier diversity, showing over 44% for diverse supplier spend for Maryland in 2010. However, Verizon does not rest on its past achievements.

Historically suppliers in some industries have been reluctant to become certified as diverse suppliers. Verizon has aggressively encouraged MWSDVBE suppliers to achieve and maintain current certification.

Verizon has collaborated with the State of Maryland MBE office to support the MBE University Initiative and will support this same program during the current year. MBE University is a new initiative, designed as a conference that travels to each of the State's regions and offers training and information on the tools necessary for successfully doing business with the State of Maryland as a minority- or woman-owned business. MBE University was created in collaboration with the State's minority business coordinating agencies and the Governor's Office. Verizon has participated in conferences as a private sector partner and also hosted workshops at the event to educate MBEs on how to do business with Verizon. We will continue to participate in upcoming conferences.

Verizon has worked with local advocacy groups to develop more effective "trade fair" and "match making" type events that target the non-traditional supplier. For example, Verizon has encouraged meetings between highly qualified MWSDVBEs and Verizon Sourcing Process Leaders to discuss both current opportunities and general Verizon requirements for the applicable product or service.

Verizon, through its working relationship with the Utility Forum, MD Department of Minority Business, and the Maryland/District of Columbia Supplier Development Council, has provided for the identification and the inclusion of non-traditional suppliers in Verizon's supply chain.

Complaint Process

Verizon attempts to resolve supplier diversity issues prior to the filing of a formal complaint. When resolution is not successful, complaints should be in writing and fully documented.

To complete the complaint process, the following information should be provided:

- Complainant's representative's name and the name of company
- Mailing address and phone number.
- Name of the company of person or organization that is the subject of the Complaint.
- Address and telephone number of the subject company or person, if known.
- The name of the company's representative who was contacted (if applicable).
- A brief description of the complaint.

The completed complaints should be forwarded to the contact person responsible for the vendor selection within the responsible business unit for the project(s) or Request For Proposal.

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Socially Disadvantaged Groups
 (MOU Sec. 6.2.2)

ATTACHMENT A-1							
	UTILITY NAME: Verizon						
	FOR THE REPORTING YEAR: 2010						
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
LINE #	DESCRIPTION	DIRECT (\$)	SUB CONTRACT (\$)	DIVERSE SUPPLIER PROCUREMENT (\$)	PERCENTAGE (%) OF DIVERSE SUPPLIER PROCUREMENT	TOTAL UTILITY PROCUREMENT (\$)	PERCENTAGE (%) OF DIVERSE SUPPLIER (\$ TO TOTAL UTILITY PROCUREMENT
				COLS. (C) + (D)	\$/ TOTAL COL. (E)		Col. (E) / Col. G
	MINORITY BUSINESS ENTERPRISE						
1	AFRICAN-AMERICAN	\$10,828,762	\$4,520,689	\$15,349,451	14.84%		6.57%
2	AMERICAN INDIAN/NATIVE AMERICAN	\$1,683,980	\$0	\$1,683,980	1.63%		0.72%
3	ASIAN	\$1,388,273	\$2,471,441	\$3,859,714	3.73%		1.65%
4	HISPANIC	\$2,642,631	\$9,585,373	\$12,228,004	11.82%		5.24%
5	TOTAL MINORITY BUSINESS ENTERPRISE	\$16,543,645	\$16,577,503	\$33,121,148	32.02%		14.19%
6							
7							
8	WOMEN BUSINESS ENTERPRISE	\$30,824,453	\$1,023,640	\$31,848,093	30.79%		13.64%
9							
10	SERVICE DISABLED VETERAN BE	\$4,127,562	\$34,344,046	\$38,471,608	37.19%		16.48%
11							
12	NOT FOR PROFIT WORKSHOPS	\$0	\$0	\$0	0.00%		0.00%
13							
14	GRAND TOTAL	\$51,495,660	\$51,945,189	\$103,440,849	100.00%	\$233,483,907	44.30%

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 NAICS Codes
 (MOU Sec. 6.2.2)

ATTACHMENT A-2										
		UTILITY NAME: Verizon								
		FOR THE REPORTING YEAR: 2010								
RESULTS BY PRODUCT										
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
LINE #	NAICS #	PRODUCT/SERVICE DESCRIPTIONS BY NAICS CODE ^{1,2}	MINORITY BUSINESS ENTERPRISE	WOMEN BUSINESS ENTERPRISE	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	NOT FOR PROFIT WORKSHOPS	TOTAL DIVERSE SUPPLIER (\$) BY NAICS CODE	PERCENTAGE (%) TO TOTAL DIVERSE SUPPLIER (\$) BY NAICS	TOTAL UTILITY PROCUREMENT	PERCENTAGE OF DIVERSE SUPPLIER (\$) TO TOTAL UTILITY PROCUREMENT
							COLS. (D), (E), (F), and (G)	\$/ TOTAL COL. (H)		COL. (I) \$ / TOTAL COL. (J)
			\$	\$	\$	\$	\$	%	\$	%
1	236	Construction of Buildings	\$154,322	\$0	\$0	\$0	\$154,322	0.1492%	\$5,518,242	2.80%
2	237	Heavy and Civil Engineering Construction	\$2,556,167	\$2,480,363	\$0	\$0	\$5,036,530	4.8690%	\$33,845,101	14.88%
3	238	Specialty Trade Contractors	\$1,653,925	\$1,332,731	\$37,248	\$0	\$3,023,904	2.9233%	\$17,999,878	16.80%
4	441	Motor Vehicle and Parts Dealers	\$262,872	\$6,516,350	\$0	\$0	\$6,779,222	6.5537%	\$6,962,656	97.37%
5	444	Building Material and Garden Equipment and Supplies Dealers	\$6,699	\$0	\$0	\$0	\$6,699	0.0065%	\$999,943	0.67%
6	532	Rental and Leasing Services	\$0	\$0	\$0	\$0	\$0	0.0000%	\$86,400	0.00%
7	541	Professional, Scientific, and Technical Services	\$11,227,778	\$19,135,196	\$38,434,359	\$0	\$68,797,333	66.5089%	\$69,164,370	99.47%
8	561	Administrative and Support Services	\$3,913,232	\$1,552,602	\$0	\$0	\$5,465,835	5.2840%	\$56,074,594	9.75%
9	562	Waste Management and Remediation Services	\$30,553	\$16,210	\$0	\$0	\$46,763	0.0452%	\$46,763	100.00%
10		Other	\$13,315,601	\$814,639	\$0	\$0	\$14,130,240	13.6602%	\$42,785,959	33.03%
11										
12		Totals	\$33,121,148	\$31,848,093	\$38,471,608	\$0	\$103,440,849	100.00%	\$233,483,907	44.30%
13										
14	Footnotes:									
15	1	NAICS Codes listed are subject to change								
16										
17	2	To the extent that disclosure of the contract amount dollars applies to only one vendor, the Utility may confidentially report data for columns (D) through (K).								

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Goal Comparison
 (MOU Sec. 6.2.2)

ATTACHMENT A-3			
		UTILITY NAME: Verizon	
		FOR THE REPORTING YEAR: 2010	
(A)	(B)	(C)	(D)
LINE #	DESCRIPTION	CURRENT YEAR RESULTS (%)	CURRENT YEAR GOALS (%)
1	MINORITY BUSINESS ENTERPRISE	14.19%	11.00%
2			
3	WOMEN OWNED BUSINESS ENTERPRISE	13.64%	8.00%
4			
5	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	16.48%	5.00%
6			
7	NOT FOR PROFIT WORKSHOPS	0.00%	0.00%
8			
9	TOTAL	44.30%	24.00%

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Program Expenses
 (MOU Sec. 6.2.3)

ATTACHMENT B		(PROPRIETARY)							
	UTILITY NAME:								
	FOR THE REPORTING YEAR:	2010							
(A)	(B)	(C)	(D)	(E)	(F)				
LINE #	EXPENSE CATEGORY	EXPENSE AMOUNT (\$) ¹	PERCENTAGE TO TOTAL PROGRAM EXPENSES	TOTAL UTILITY SPEND ON GENERAL AND ADMINISTRATIVE EXPENSES	PERCENTAGE (\$) OF PROGRAM EXPENSES TO TOTAL UTILITY G&A EXPENSES				
			Col. (C) \$ / Total Col. (C)		Col. (C) \$ / Total Col. (E)				
1	Employee Salary Expenses ²								
2	Other Employee Expenses								
3	Program Expenses								
4	Reporting Expenses								
5	Training								
6	Consultants								
7	Other Program Expenses (List)								
8									
9									
10									
11									
12									
13									
14									
15	TOTAL EXPENSES	\$43,165	100.00%	\$255,217,000	0.02%				
<p>1 Column "C" data were calculated by applying a fixed % to the respective categories of expenses of the Supplier Diversity program nationally to represent a proxy for the Maryland portion of the program. The fixed % (after rounding) was derived from the % of the expenses that Column "E" shows for Verizon Maryland compared to such comparable expenses nationally.</p>									
<p>2 Under MOU § 6.2.3, salary information may be filed with the PSC on a confidential, proprietary basis. In order to protect the confidentiality of such salary data (which may be calculated using subcategory data from other rows), all figures other than row 15 totals appear only in the proprietary version.</p>									

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Complaints
 (MOU Sec. 6.2.5)

ATTACHMENT C					
	UTILITY NAME:				
	FOR THE REPORTING YEAR:		2010		
(A)	(B)	(C)	(D)	(E)	(F)
LINE #	NAME OF COMPANY	FILING DATE OF COMPLAINT	NATURE OF COMPLAINT	RESOLVED YES OR NO	IF NO, PLEASE PROVIDE CURRENT STATUS
No Complaints were filed during 2010.					
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Vendor Contracts
 (MOU Sec. 6.2.8)

ATTACHMENT D ^{1 2}		(PROPRIETARY)								
		UTILITY NAME:	Verizon							
		FOR THE REPORTING YEAR:	2010							
(A)		(B)	(C)	(D)	(E)					
LINE #		VENDOR NAME	AMOUNT (\$)	NAICS CODE	SELF-CERTIFIED: YES (Y) or NO (N)					
78										
79										
80										
81										
82										
83										
84										
85										
86										
87										
88										
89										
90										
91										
92										
93										
94										
95										
96										
97										
		Footnotes:								
		1	Under MOU § 6.2.8, this Attachment "D" may be filed with the PSC on a confidential, proprietary basis.							
		2	Vendors listed are Tier 1 Diverse vendors only							