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MAIL-LOG NUMBER: _____

March 31, 2010

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

Re: Maryland Supplier Diversity – 2009 Report in re. the Memorandum of Understanding (the “MOU”), dated February 6, 2009 between The Potomac Edison Company, d/b/a Allegheny Power and the Commission (PC16)

Dear Ms. Romine:

In accordance with Section 6.1 of the above-referenced agreement, enclosed please find the original and seventeen (17) copies of The Potomac Edison Company’s 2009 Supplier Diversity Report, as well as the appropriate attachments. As Attachments B and D are CONFIDENTIAL, redacted versions are attached hereto. Confidential copies will be sent to your office under separate cover.

As discussed in the Annual Plan for fiscal year 2009, The Potomac Edison Company (the “Company”) worked towards increasing its total percent spend with minority, women and service disabled veterans to ultimately achieve the 25% aspiration goal. These efforts have resulted in a 2.89% increase over the Company’s 2008 year-end total Maryland spend with minority, women and service disabled veterans (the Company’s 2008 spend was reported as 5%). The Company is pleased to report that the Company’s 2009 Maryland spend has increased to 7.89% coming within 0.13% of the 8.02% short term goal.

As further addressed in the Annual Plan for fiscal year 2009, the Company participated in the Maryland Minority Business Enterprise Workgroup, the EEI Supplier Diversity Committee and other organizations designed to increase communications and contacts between organizations such as the Company and qualified Diverse Suppliers. As a result of Allegheny’s outreach activities and the addition of the new Supplier registration section on the Company’s website,

over 100 new Diverse Suppliers completed the registration process in 2009 and are now included on the Company's vendor list.

The Company believes that one of the best methods to increase Diverse Supplier spend is to ensure that a wide and varied pool of bidders are available to participate in the Company's bidding processes. As such, the Company continues to track its bid participation with Diverse Suppliers and for the period January 1, 2009 to December 31, 2009, 58% of participants in the Corporate-wide¹ bidding process were women, minorities, service-disabled veterans or veteran owned businesses. This demonstrates an increase in 11% over participation in 2008 (2008 participation was reported as 37%).

As reported in the 2010 Annual Plan, Potomac Edison continues to work towards strengthening and broadening its Supplier Diversity program. Please contact the undersigned should you have any questions or concerns regarding this matter.

Very truly yours,

/es/ Jennifer L. Petrisek

Jennifer L. Petrisek
Senior Attorney

Enclosure

¹ Note that the Average Bid Participation noted herein is calculated for the Allegheny Energy corporation as a whole, including all subsidiaries, and is not broken down by Company or state-specific spend.

The Potomac Edison Company, d/b/a Allegheny Power

Annual Report for Calendar Year 2009
Minority, Women and Service Disabled Veteran-Owned
Business Enterprises
January 1, 2009 – December 31, 2009

Prepared March 31, 2010

The Potomac Edison Company d/b/a Allegheny Power (“Potomac Edison”) hereby submits its 2009 Annual Report pursuant to the State of Maryland Public Service Commission Memorandum of Understanding (“MOU”), signed on February 6, 2009.

This report for the Maryland business segment of Potomac Edison summarizes the Diverse Supplier program for the period of January 1, 2009 through December 31, 2009.

Allegheny Energy Services Corporation (“Allegheny”), acting on behalf of Potomac Energy, engaged in the activities identified below in 2009. As Allegheny also acts on behalf of Allegheny Energy and its affiliates and subsidiaries (the “Company”), some work conducted, such as outreach and internal activities, are performed on an Allegheny Energy company wide basis. However, all numerical reporting in the Attachments hereto are specific to Potomac Edison’s Maryland operations.

1. Participated in the following internal and external activities (MOU §6.2.1):

INTERNAL EFFORTS:

- Provided training to employees on use of the new vendor query developed on the Company’s internal website for purpose of identifying Diverse Suppliers to include on bidders’ list and Requests for Quotations (“RFQs”). As a result of such activities, the Company achieved a 58% average participation from Diverse Suppliers on RFQ purchase order inquiries – bid opportunities. This represents an increase of 11% over the 2008 average participation (2008 average participation was 37%).
- Provided guidance and training to strategic sourcing specialists and other personnel involved in the procurement process. Allegheny and Potomac Edison encourage procurement opportunities for Diverse Suppliers in the procurement of material, equipment, and services. Topics discussed included current year’s performance in regard to current year goals with Diverse Suppliers. Other topics discussed are recognition of special achievements, trade fair participation, identification of Diverse Supplier subcontracting opportunities, and overall departmental performance in achieving diversity participation goals.

- To encourage advancements in the program by group discussions, Allegheny provided Supply Chain management and corporate management with monthly updates of the Supplier Diversity Program yearly goals and progress.
- To increase employee awareness, Supplier Diversity monthly charts identifying yearly goals and progress are provided on the Company's internal web site for viewing by all Allegheny employees.
- Developed new Supplier section on the Company's external web site www.alleghenyenergy.com for companies who are interested in doing business with Allegheny Energy. The following information is provided on the site:
 - Purchasing guidelines and procedures
 - Supplier registration process
 - The Company's Supplier Diversity Program
 - Answers to frequently asked questions
 - Contact information

EXTERNAL EFFORTS:

- Attended all meetings and actively participated in Maryland Utility Forum on Supplier Diversity. Major accomplishments included:
 - Submitted consistent Interim Reports, working with Commission Staff to understand and clarify the reporting parameters prior to submission.
 - Identified major spend categories.
 - Identified major construction projects.
 - Shared vendor database information and 2nd tier reporting and tracking information.
 - Brainstormed business development needs and supplier capacity issues.
 - Defined *Direct vs. Indirect* Spend for 2nd tier reporting.
 - Compiled a comprehensive list of the Utility Forum member's material and service commodities and identified corresponding 3-digit NAICS code classification, creating standardized NAICS code spend classifications.
 - Established a "*shared site*" for posting documents and calendars.
 - Submitted joint Utility Forum response to the Interim Issues Identified by Staff.

- Attended the 2009 National Minority Supplier Development Council Business Opportunity Fair. The theme of the event “Recipe for Success” held up to its name. The conference provided many opportunities to network with minority businesses and to attend educational workshop sessions covering topics of key importance in developing and maintaining a successful supplier diversity program.
- Was an active Corporate member of the Western Pennsylvania Minority Supplier Development Council (WPMSDC); attended and participated in various educational sessions attended by minority businesses and WPMSDC members. Also, provided ad sponsorship and attended the Annual Business Opportunity Fair; an event that includes informative seminars and provides networking opportunities.
- Was an active member of the Edison Electric Institute’s (EEI) Supplier Diversity Committee; attended the GSA/SBA Federal Subcontracting Best Practices Workshop and participated in the annual EEI Supplier Diversity Conference. Attendance at the EEI workshop and conference provided the opportunity to:
 - Stay informed on supplier diversity regulations and initiatives; hearing updates directly from GSA and SBA.
 - Participate in workshops sharing ideas and best practices. Some of the topics discussed at the 2009 workshop included, developing a sustainable second tier process, working with senior management, program measurement and tracking.
 - Develop relationships with industry peers, sharing challenges and successes.
 - Meet potential new suppliers during one-on-one match making sessions.
- Met and spoke with numerous Diverse Suppliers to increase their interaction with the Company’s employees involved in the Procurement process to further increase the diversity of our supplier base.
- Provided opportunities for sourcing employees to meet with Diverse Suppliers and to discuss procurement opportunities with the Company.
- Assisted potential Diverse Suppliers in understanding the process for being added to the Company’s vendor listing.
- Assisted Diverse Suppliers in identifying the types of materials and services purchased by the Company, and helped them interpret Company specifications and industry standards, when applicable.

2. See Attachment A-1, A-2, A-3 for overall summary of total Diverse Supplier spend, with breakdowns by socially disadvantaged group, compared with total Utility dollars spent of goods and services (MOU §6.2.2).
3. See Attachment B in the Annual Report, identified as “**CONFIDENTIAL**” for the itemization of the Diverse Supplier program expenses including salaries, outreach etc., compared with total utility dollars spent on general and administrative expenses (MOU §6.2.3).
4. The objective of the Company’s Supplier Diversity Program is to provide and encourage business opportunities with all segments of small business including Diverse Suppliers. Added to this objective for purpose of Maryland’s MOU is Diverse Supplier-owned large businesses. Every person or firm/vendor desiring to sell supplies, materials, equipment and services to the Company, regardless of size or diversity, must submit Vendor Information Form 37-215 for consideration and placement on the Company’s vendor list (onsite service vendors are also required to complete a qualification form). Included on the Vendor Information Form 37-215 is the request for Third Party Certification and a business self certification section with required signature. The process for adding and classifying a new vendor to the Company’s SAP vendor master is outlined in the Company’s Business Practice Document - Supply Chain Section and followed by all businesses of the Company’s including the Maryland business segment of Potomac Edison.

As a result of Allegheny’s outreach activities and the addition of the new Supplier registration section on www.alleghenyenergy.com, over 100 new Diverse Suppliers completed the registration process in 2009 and are now included on the Company’s vendor list. In order to meet or exceed our goals, Allegheny continually strives to increase our Supplier Diversity base. The availability of interested third party certified Service Disabled Veterans is currently difficult to identify and recruit, and as a result has affected our ability to meet our SDVOB goals (MOU §6.2.4).

5. Prime contractors for both material and services utilized Diverse Supplier subcontractors. Diverse Supplier subcontractors participated in the Company’s procurement of vegetation management, line hardware, distribution transformers and electrical equipment (MOU §6.2.5).
6. There were no Diverse Supplier procurement-related complaints reported directly to Potomac Edison during the 2009 reporting year, see Attachment C (MOU §6.2.6).
7. In the event Potomac Edison were to receive a complaint regarding Diverse Supplier procurement-related issue or concern, the General Manager, Supply Chain Support would be notified to follow-up and address the complaint (MOU §6.2.7).
8. See Attachment D, identified as “**CONFIDENTIAL**” for list of Diverse Suppliers that received payment for 2009 contract services, the NAICS Code(s) for the services provided, and the dollar amount paid to the vendors (MOU §6.2.8).

9. Further description of efforts made to recruit Diverse Suppliers of products or services in NAICS Code Categories where Diverse Supplier utilization has been low (MOU §6.2.9).

- The number of Service Disabled Veterans Owned Business (“SDVOB”) qualified and registered to provide services and/or materials to Allegheny Energy facilities is limited, thereby, resulting in Potomac Edison’s inability to meet our 2009 SDVOB goal of 0.02. In an effort to recruit SDVOB, Allegheny recently participated in a January 20, 2010 Public Utilities Outreach Forum Brunch for SDVOB. We were very encouraged by the event, where Allegheny personnel met with many SDVOB, exchanging information and requesting them to register with the Company. Unfortunately, to date none of the SDVOB that we met with in January have responded. Allegheny will continue efforts to identify and add SDVOB and work with SDVOB to encourage them to register with the Company (MOU §6.2.9).

REDACTED ATTACHMENTS

Attachments to
Allegheny Power's
Annual Report for Calendar Year 2009
Minority, Women and Service Disabled
Veteran-Owned
Business Enterprises
January 1, 2009 – December 31, 2009

**Attachment B and Attachment D attached
hereto are REDACTED. Confidential
versions have been filed with the MD PSC.**

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

ATTACHMENT A-1							
		UTILITY NAME: Allegheny Power					
		FOR THE REPORTING YEAR: 2009 Annual Report					
(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	\$84,043	\$1,034	\$85,077	2.86%		0.23%
2	AMERICAN INDIAN/NATIVE AMERICAN	\$61,124	\$0	\$61,124	2.05%		0.16%
3	ASIAN	\$1,995,345	\$2,722	\$1,998,067	67.15%		5.30%
4	HISPANIC	\$3,930	\$39,724	\$43,654	1.47%		0.12%
5	TOTAL MINORITY BUSINESS ENTERPRISE	\$2,144,442	\$43,480	\$2,187,922	73.53%		5.80%
6							
7							
8	WOMEN BUSINESS ENTERPRISE	\$586,616	\$200,864	\$787,480	26.47%		2.09%
9							
10	SERVICE DISABLED VETERAN BE	\$0	\$0	\$0	0.00%		0.00%
11							
12	NOT FOR PROFIT WORKSHOPS	\$0	\$0	\$0	0.00%		0.00%
13							
14	GRAND TOTAL	\$2,731,058	\$244,344	\$2,975,402	100.00%		\$37,727,354

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

ATTACHMENT A-2										
		UTILITY NAME: Allegheny Power								
		FOR THE REPORTING YEAR: 2009 Annual Report								
RESULTS BY PRODUCT DESCRIPTIONS / NAICS CODES - TOP 25 LISTED ON ATTACHMENT-D & ALL OTHERS IDENTIFIED AS "OTHER"										
(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. (H) \$ / TOTAL COL. (J)
1	115	Support Activities for Agriculture and Forestry	16,068		\$0	\$0	16,068	0.5400%		0.04%
2	236	Construction of Buildings	16,068		\$0	\$0	16,068	0.5400%		0.04%
3	237	Heavy and Civil Engineering Construction		5,163	\$0	\$0	5,163	0.1735%		0.01%
4	238	Specialty Trade Contractors	30,743	22,732	\$0	\$0	53,474	1.7972%		0.14%
5	322	Paper Manufacturing	26,980		\$0	\$0	26,980	0.9068%		0.07%
6	323	Printing and Related Support Activities	26,980	129,658	\$0	\$0	156,638	5.2644%		0.42%
7	325	Chemical Manufacturing	9,258		\$0	\$0	9,258	0.3112%		0.02%
8	326	Plastics and Rubber Products Manufacturing	9,258		\$0	\$0	9,258	0.3112%		0.02%
9	331	Primary Metal Manufacturing	9,258	52,260	\$0	\$0	61,518	2.0676%		0.16%
10	332	Fabricated Metal Product Manufacturing		52,260	\$0	\$0	52,260	1.7564%		0.14%
11	333	Machinery Manufacturing		53,665	\$0	\$0	53,665	1.8036%		0.14%
12	334	Computer and Electronic Product Manufacturing		1,405	\$0	\$0	1,405	0.0472%		0.00%
13	335	Electrical Equipment, Appliance, and Component Manufacturing	4,549	3,484	\$0	\$0	8,033	0.2700%		0.02%
14	339	Miscellaneous Manufacturing	4,549		\$0	\$0	4,549	0.1529%		0.01%
15	423	Merchant Wholesalers, Durable Goods	943,550	46,596	\$0	\$0	990,146	33.2777%		2.62%
16	424	Merchant Wholesalers, Nondurable Goods	1,023,765	5,242	\$0	\$0	1,029,007	34.5838%		2.73%
17	493	Warehousing and Storage		32,221	\$0	\$0	32,221	1.0829%		0.09%
18	531	Real Estate	19,451		\$0	\$0	19,451	0.6537%		0.05%

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

ATTACHMENT A-2										
		UTILITY NAME: Allegheny Power								
		FOR THE REPORTING YEAR: 2009 Annual Report								
RESULTS BY PRODUCT DESCRIPTIONS / NAICS CODES - TOP 25 LISTED ON ATTACHMENT-D & ALL OTHERS IDENTIFIED AS "OTHER"										
(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. (H) \$ / TOTAL COL. (J) %
19	532	Rental and Leasing Services		32,221	\$0	\$0	32,221	1.0829%		0.09%
20	541	Professional, Scientific, and Technical Services		120,063	\$0	\$0	120,063	4.0352%		0.32%
21	561	Administrative and Support Services		1,787	\$0	\$0	1,787	0.0601%		0.00%
17	562	Waste Management and Remediation Services		2,591	\$0	\$0	2,591	0.0871%		0.01%
18	722	Food Services and Drinking Places		3,246	\$0	\$0	3,246	0.1091%		0.01%
20	811	Repair and Maintenance		1,787	\$0	\$0	1,787	0.0601%		0.00%
21	922	Justice, Public Order, and Safety Activities		1,787	\$0	\$0	1,787	0.0601%		0.00%
22		Other: Subcontract \$ 244,344	43,480	200,864	\$0	\$0	244,344	8.2121%		0.65%
		Other: Vendors payment <2,500	3,966	18,448			22,414	0.7533%		0.06%
23		Totals	2,187,922	787,480	0	0	2,975,402	100.00%		37,727,354
24										
25	Footnotes:									
26	1	NAICS Codes listed are subject to change								
27										
28	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: Allegheny Power		
	FOR THE REPORTING YEAR: 2009 Annual Report		
(A)	(B)	(C)	(D)
LINE #	DESCRIPTION	CURRENT YEAR RESULTS (%)	CURRENT YEAR GOALS (%)
1	MINORITY BUSINESS ENTERPRISE	5.80%	5.50%
2			
3	WOMEN OWNED BUSINESS ENTERPRISE	2.09%	2.50%
4			
5	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	0.00%	0.02%
6			
7	NOT FOR PROFIT WORKSHOPS	0.00%	0.00%
8			
9	TOTAL	7.89%	8.02%

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

ATTACHMENT B: CONFIDENTIAL					
	UTILITY NAME: Allegheny Power				
	FOR THE REPORTING YEAR: 2009 Annual Report				
(A)	(B)	(C)	(D)	(E)	(F)
LINE #	EXPENSE CATEGORY	EXPENSE AMOUNT (\$)	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	Other Employee Expenses				
3	Program Expenses				
4	Reporting Expenses				
5	Training				
6	Consultants				
7	Other Program Expenses (List)				
8	MD Utility Supplier Diversity Forum				
9	Supplier Diversity logo items				
10					
11					
12					
13					
14					
15	TOTAL EXPENSES				

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

ATTACHMENT C					
	UTILITY NAME: Allegheny Power				
	FOR THE REPORTING YEAR: 2009 Annual Reports				
	(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
1	Allegheny Power received no Diverse-Supplier procurement-related complaints during the 2009 calendar year.				
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: CONFIDENTIAL										
		UTILITY NAME: ALLEGHENY POWER								
		FOR THE REPORTING YEAR: 2009 ANNUAL REPORT								
(A)		(B)	(C)	(D)				(E)		
LINE #		VENDOR NAME	AMOUNT (\$)	NAICS CODE				SELF-CERTIFIED: YES (Y) or NO (N)		
1										
2										
3										
4										
5										
6										
7										
8										
9										
10										
11										
12										
13										
14										
15										
16										
17										
18										
19										
20										
21										
22										
23										
24										
25										
26		Total								
27										
28		Footnotes:								
29	1	To the extent that disclosure of the contract amount dollars applies to only one vendor,								
30		the Utility may confidentially report data for columns (B) through (E).								