

**Before
The Public Service Commission
Of
The State of Maryland**

Administrative Docket PC 16

**The Commission Staff's Summary of the
2015 Maryland Supplier Diversity Program
Annual Reporting**

July 14, 2016



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I. Executive Summary:

This report summarizes the data collected as part of the Supplier Diversity Program (“Program”) instituted by the Maryland Public Service Commission (“Commission”). For this reporting year, fifteen of the nineteen Signatories of the Model Utility Supplier Diversity Memorandum of Understanding (“MOU”) filed their Supplier Diversity reports for 2015. The Program continues to progress towards the aspirational goal of encouraging the utility companies to award 25 percent of their total procurement Spend to minority-, women-, service-disabled-veteran-owned businesses as well as not-for-profit companies. Diverse Spend has more than doubled since 2009, which was the year of the first report after the signing of the MOU. The average annual growth in Diverse Spend over 2009-2015 is 15.44 percent. Total Procurement Spend by the reporting Signatories grew at an annual rate of 12.24 percent over that same period. The key metric, Diverse Spend Ratio (“DSR”), which the Program seeks to track, increased to 18.09 percent¹; the average growth in DSR since 2009 is 3.68 percent per year². However, over the past five years, from 2010 to 2015, DSR’s average growth has been recorded at 1.52 percent.

II. Introduction:

The Commission hosts an annual hearing on Public Conference Sixteen (“PC16”, “Hearing”) during which the Commission considers testimonies, as well as public comments, on diversity procurement practices of the Maryland regulated utility companies participating in the Supplier Diversity Program. The Hearing is one of the requirements of the MOU between the Public Service Commission and these utilities (including investor-owned utilities, cooperatives, telecommunications, and transportation companies; “Signatories”, or “Companies”). MOU requirements include the filing of annual reports and annual plans (“reports” collectively), with the Commission, by each MOU Signatory. The Staff of the Public Service Commission (“Staff”) prepares an annual report based on these filings. The PC16 Hearing is an opportunity for the Commission to review the annual report prepared by Staff and listen to concerns, comments, and suggestions offered by different parties including advocacy groups and the Signatories themselves. Further, this Hearing provides the opportunity to assess and highlight efforts made towards the goals set forth in the MOU. The following is a list of all the Signatories of the MOU³:

1. Association of Maryland Pilots
2. AT&T Corporation
3. Baltimore Gas & Electric Company
4. CenturyLink
5. Chesapeake Utilities Corporation – Maryland Division
6. Choptank Electric Cooperative, Inc.
7. Columbia Gas of Maryland
8. Comcast Phone of Northern Maryland Inc. and Comcast Business Communications, LLC
9. Delmarva Power & Light Company

¹ This figure includes gas purchases as reported by Baltimore Gas and Electric Company; excluding gas purchases, the DSR would have been 17.25 percent for 2015.

² Please refer to the calculation methodology in the Appendix section to this report.

³ The Signatories in font colored red did not provide their reports for 2015.

- 10. Easton Utilities
- 11. Pivotal Utility Holdings, Inc. d/b/a Elkton Gas
- 12. First Transit BWI Airport
- 13. The Potomac Edison Company
- 14. Potomac Electric Power Company
- 15. Southern Maryland Electric Cooperative, Inc.
- 16. Veolia
- 17. Verizon Maryland, Inc.
- 18. Washington Gas Light Company
- 19. XO Communications⁴

III. Summary of the 2015 Report:

This year, fifteen Signatories filed their 2015 Maryland Supplier Diversity Program annual reports. These Signatories spent a combined \$567.64 million in procurement of goods and services from Diverse Suppliers (Total Diverse Supplier Procurement or “SDP”). This amounts to an 18.09 Diverse Spend Ratio, an increase of 6.25 percent compared to last year’s 17.02 DSR.⁵ Diverse Spend Ratio is derived by dividing the total amount spent in procurement of goods and services from Diverse Suppliers by the total amount, Total Spend, spent by the Signatories to acquire all goods and services from all of their suppliers regardless of their diversity status. Table 1 shows the amount of total Diverse Spend for the past two reported years, 2014 and 2015.⁶

Table 1: Total Diverse Spend for 2014 and 2015

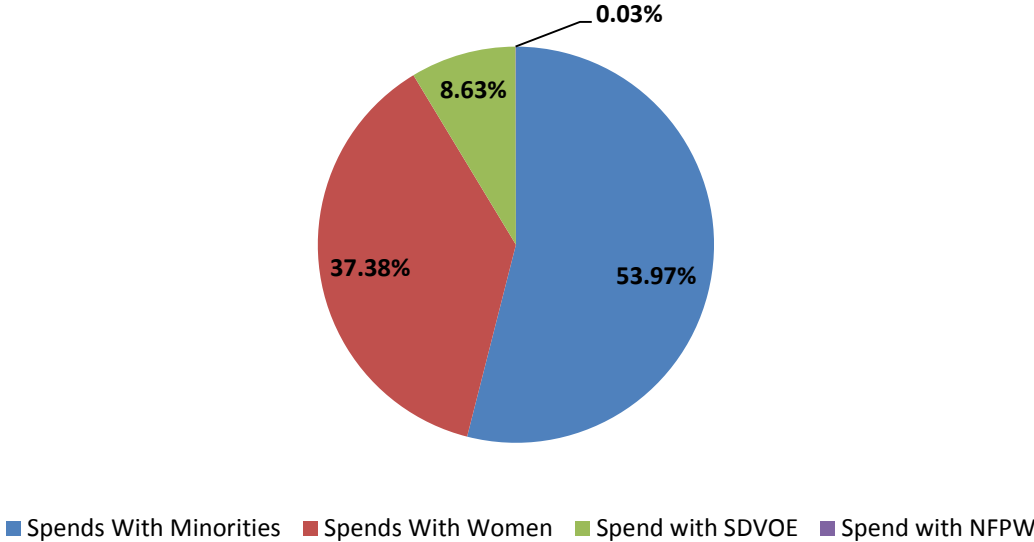
| Total Spend for 2014 and 2015 | |
|-------------------------------|------------------------------|
| Report Year | Amount (Millions of Dollars) |
| 2014 | 568.28 |
| 2015 | 567.64 |

Total Diverse Supplier Procurement:

Total Diverse Spend consists of four different categories: Minority-Owned Enterprises (“MOE”), Women-Owned Enterprises (“WOE”), Service-Disabled-Veteran-Owned Enterprises (“SDVOE”) and Not-for-Profit Workshops (“NFPW”). MOE receives \$306.33 million, WOE receives \$212.12 million, SDVE receives \$48.97 million, and NFPW receives \$0.164 million. The pie-chart below, Graph 1, represents the breakdown of the four categories of Diverse Spend into which Diverse Procurement is subdivided.

⁴ XO Communications has withdrawn from the Supplier Diversity Program
⁵ AT&T had filed new 2014 report to reflect Diverse Spend within Maryland
⁶ Total procurement reported by the Signatories for 2015 has decreased 4.85 percent, from \$3.3 billion to \$3.1 billion.

Graph 1: Total Diverse Spend for 2015



Under the MOU, the Companies aspire to award 25 percent of their total Spend to Diverse Suppliers. All the participating Companies, in their annual plans, set out their incremental goals along with detailed outlines of their strategies to achieve those goals. For the 2015 reported year, four of the fifteen companies filing their Maryland Supplier Diversity Program Annual Report with the Commission have met or exceeded the 25 percent ratio. Table 2 lists those four companies along with their DSRs for 2015.

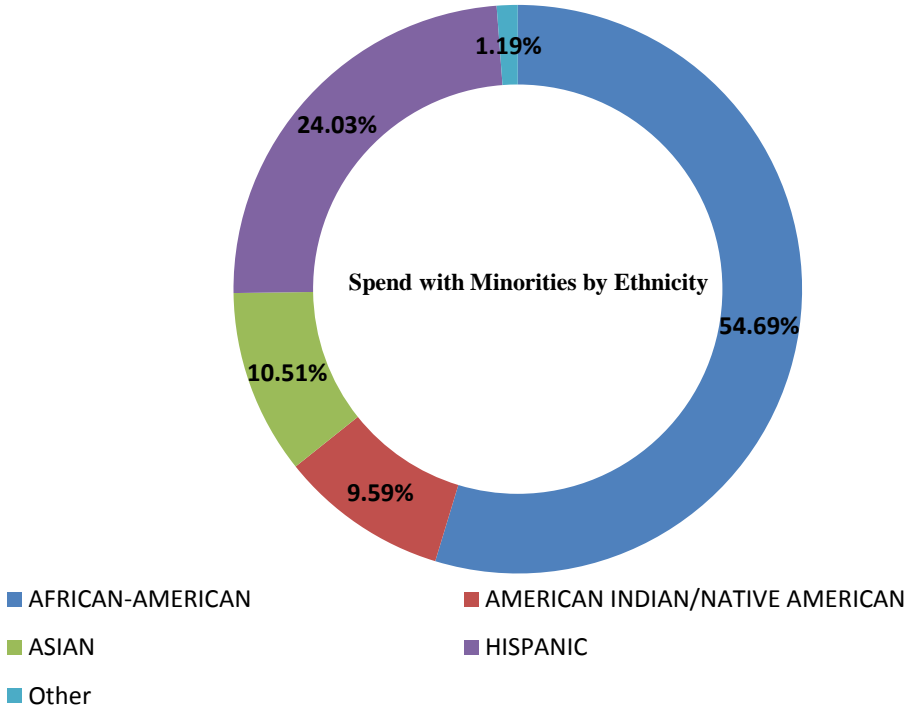
Table 2: Top Four Signatories in DSR for 2015 Reported Year

| Companies Exceeding 25 Percent of Diverse Spend | |
|---|-------------|
| Companies | Spend Ratio |
| Association of Maryland Pilots | 41.94% |
| The Potomac Edison Company | 30.20% |
| AT&T Corporation | 27.17% |
| Washington Gas Light Company | 26.31% |

Minority-Owned Enterprises

The category MOE contains four major subgroups: African-American-Owned businesses (“AAOB”), American-Indian/Native-American-Owned businesses (“NAOB”), Asian-Owned businesses (“AOB”), and Hispanic-Owned businesses (“HOB”). Fourteen of the fifteen Signatories that provided reports for 2015 broke down their MOE Spends by ethnicity; AAOB accounts for 54.69 percent of the total MOE Spend. Graph 2 breaks down Spend within MOE. These fourteen companies transacted for \$306.33 million (or 53.97 percent of total Diverse Spend) with MOE. Graph 2 below is the new Spend representation which breaks down MOE Spends by ethnicity as reported by the Signatories.

Graph 2: Spend by Ethnicity for 2015



Procurement from Minority-Owned Enterprises

Table 3: Minority Spend by the Fifteen Reporting Signatories

Table 3 lists the top three companies spending the highest amount in procurement with Minority-Owned Enterprises in 2015. A total of \$306.33 million was spent to procure goods and services from MOEs. While AT&T has attained the highest ratio in this category, BGE has reported the highest Spend amount at \$76.71 million (\$99.30 million, including the purchase of Gas) followed by WGL with \$74.68 million.

| Share of Diverse Spend with MOE: Top Three Companies | |
|--|-------------|
| Companies | Spend Ratio |
| AT&T | 72.09% |
| Pepco | 71.66% |
| WGL | 64.17% |

Table 4: Minority Spend by the Fifteen Reporting Signatories

A total of \$212.18 million was spent to procure goods and services from Women-Owned Enterprises. While Choptank achieved the highest ratio in this category, Baltimore Gas and Electric has reported the highest Spend amount at \$64.66 million.

| Spend with WOE: Top Three Companies | |
|--|--------------------|
| Companies | Spend Ratio |
| Choptank | 93.03% |
| Chesapeake Utilities | 85.66% |
| Delmarva | 81.26% |

Table 5: Minority Spend by the Fifteen Reporting Signatories

A total of \$48.97 million was spent to procure goods and services from SDVOEs. While Elkton Gas reached the highest ratio in this category, Verizon has reported the highest Spend amount at \$23.42 million.

| Spend with SDVOE: Top Three Companies | |
|--|--------------------|
| Companies | Spend Ratio |
| Elkton Gas | 62.47% |
| Verizon | 42.63% |
| BGE | 9.36% |

Breakdown of Spend with Minority Owned Businesses

Table 6: Ratio of MOE Spends with African American Owned Businesses (AAOB):

A total of \$167.53 million was spent on procurement of goods and services from AAOBs. While Chesapeake Utilities reported the highest ratio of MOE Spend with AAOBs, WGL has spent more on procurement in this category; \$55.44 million with AAOB businesses.

| Spend with AAOB: Top Three Companies | |
|---|--------------------|
| Companies | Spend Ratio |
| Chesapeake Utilities | 100.00% |
| Columbia Gas | 98.97% |
| Association of Maryland Pilots | 94.68% |

Table 7: Ratio of MOE Spends with Amerindian/Native-American Owned Businesses (NAOB):

A total of \$29.37 million was spent on procurement of goods and services from NAOBs. Baltimore Gas and Electric Company procured the highest ratio of MOE Spend with NAOBs, a total of \$26.19 million, which is also the highest amount spent by a Signatory in this category.

| Spend with NAOB: Top Two Companies | |
|---|--------------------|
| Companies | Spend Ratio |
| BGE | 26.37% |
| Verizon | 11.34% |

Table 8: Ratio of MOE Spends with Asian-Owned Businesses (AOB)

MOE Spends spent to procure goods and services from AOBs amounted to \$32.18 million. Choptank spent their entire total of Diverse Supplier Procurement Spends with Asian-Owned businesses; as a result Choptank has the highest ratio of MOE Spend with AOBs. However, BGE has reported the largest Spend amount, \$15.41 million, in this category.

| Spend with AOB: Top Two Companies | |
|--|--------------------|
| Companies | Spend Ratio |
| Choptank | 100.00% |
| Easton Utilities | 74.22% |

Table 9: Ratio of MOE Spend with Hispanic-Owned Businesses (HOB)

Hispanic-Owned Businesses received the second largest share of MOE Spends, \$73.62 million. While Delmarva reached the highest ratio in this category, Verizon has spent the largest Spend amount, \$23.42 million with HOBs.

| Spend with HOB: Top Three Companies | |
|--|--------------------|
| Companies | Spend Ratio |
| Delmarva | 35.59% |
| Pepco | 31.06% |
| Verizon | 28.66% |

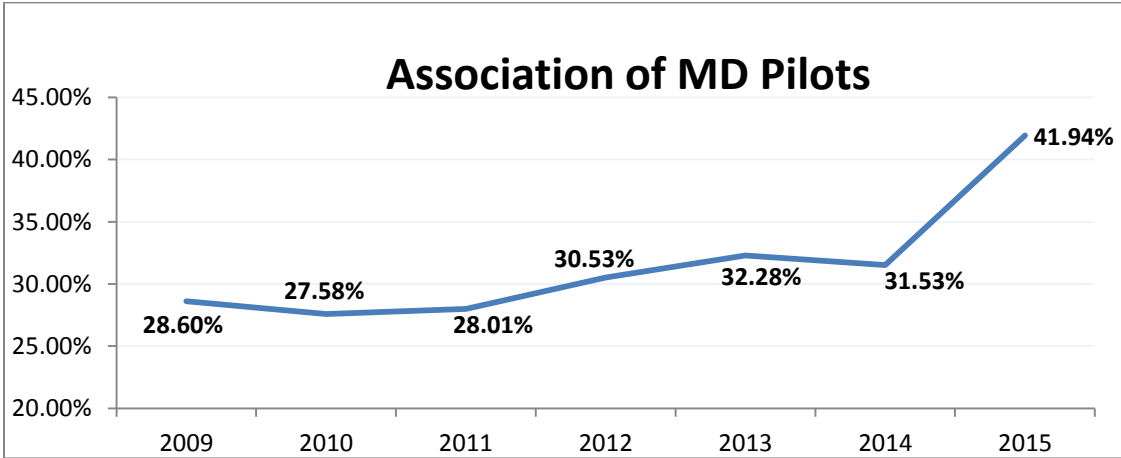
IV. Company Level Summary:

Throughout this report the North American Industry Classification System (“NAICS”) codes are used to categorize the types of services the Signatories procured from Diverse Suppliers. Originally the NAICS codes were developed by the Federal Government to categorize different types of businesses and services in order to summarize and analyze statistical data describing the U.S. Economy. Various agencies and organizations also use NAICS as a basis for their procurement programs, requiring that an NAICS code be provided for each good or service procured.⁷

Association of Maryland Pilots:

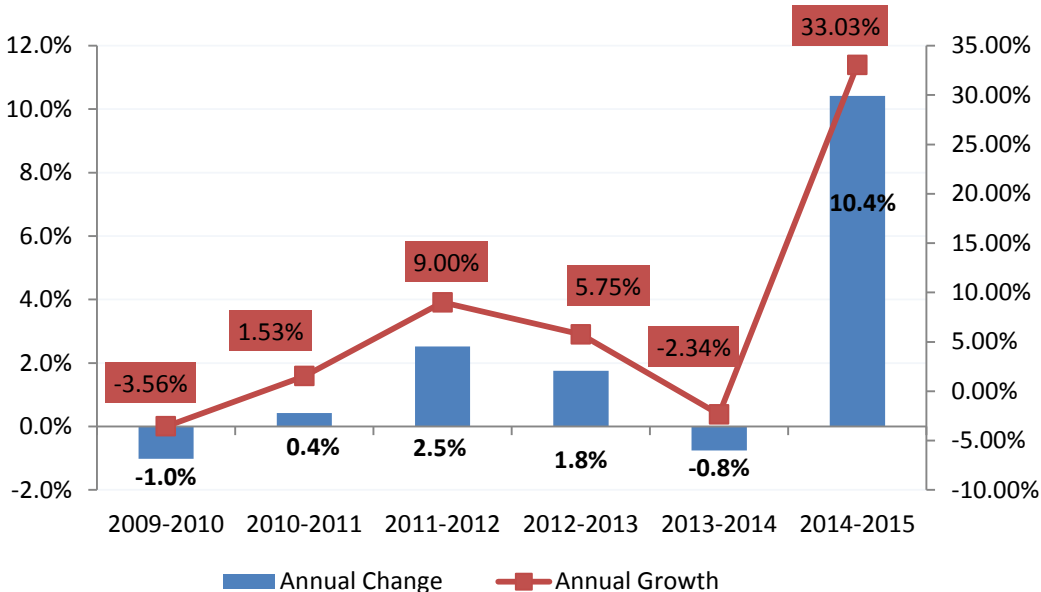
Since 2010 the Association of Maryland Pilots (“the Pilots”) has filed annual reports every year. In 2015, the Pilots spent \$0.397 million on procurement of goods and services with Diverse Suppliers. African American businesses received 94.68 percent of the Pilots’ MOE Spend. The Pilots’ Diverse Spend grew by 45.95 percent on average over the past seven years while their total procurement grew by 27.55 percent over that same period. Among all of the Signatories that reported their 2015 reports, the Pilots rank 1st in DSR and have an average DSR of 31.50. The Pilots’ DSR grew at an annual rate of 7.2 percent per year over the past seven years. Graph 3 demonstrates how the Pilots’ DSR has evolved over that same period while Graph 4 illustrates the changes in annual DSR over the past seven years.

Graph 3: Association of MD Pilots Historical Spend Ratio



⁷ For more information on development and purpose of the NAICS codes, please see <http://www.census.gov/eos/www/naics/faqs/faqs.html>.

Graph 4: The Pilots’ Annual Change and Annual Growth Rate in DSR



In addition to having the highest DSR for 2015, with 41.94%, the Pilots are the only company to have consistently surpassed a DSR of 25 percent every year. The graph above traces the Pilots’ historical SDR over the past seven years.

The Pilots contracted with nine different contractors; five of them are reported to be contractors that are self-certified.⁸ The largest category of Spend is “land transportation” with 32.38 percent followed by “fuel/gasoline” with 22.38 percent.

AT&T Corporation:

AT&T Corporation (“AT&T” or “Corporation”) filed its second annual report and annual plan since the Company’s signing of the MOU in 2012. In 2015, the Corporation spent \$28.03 million on procurement of goods and services with Diverse Suppliers. Minority-Owned businesses received 71.66 percent of AT&T’s Diverse Spend followed by WOE’s with 24.45 percent. The Corporation’s Diverse Spend grew by 1.10 percent on average over the past two years while their total procurement grew by 13.45 percent over that same period. Among all the Signatories that submitted 2015 reports, AT&T is ranked 3rd in DSR with 27.17 percent and has an average DSR of 28.83 over the past two years⁹. The Corporation’s DSR grew at an annual rate of 1.10 percent per year over the two past years.

The largest category of goods and services procured by AT&T from Diverse Suppliers was in the “telecommunication equipment” sector. The second largest category of goods and services

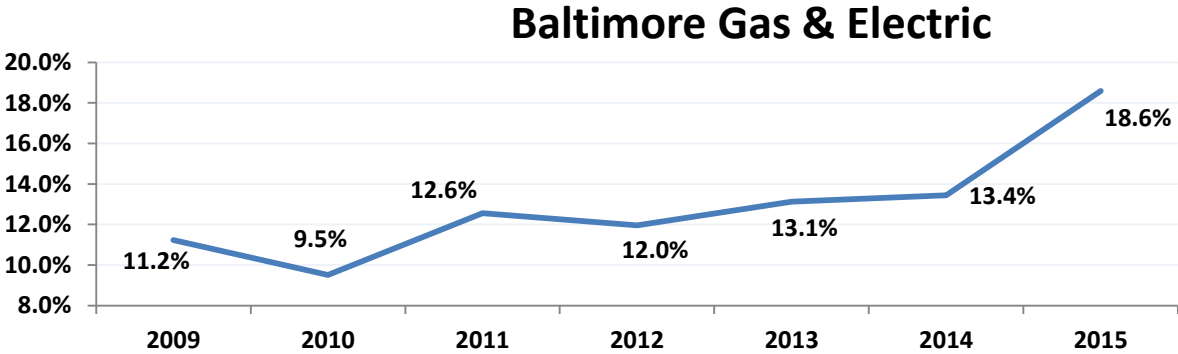
⁸ A business entity that certifies, in writing and under the penalties of perjury, that it meets the definition of a Diverse Supplier; Model MOU, p. 11.
⁹ This is AT&T’s second year of filing annual reports since the Company’s signing of the MOU in 2009; thus, no graphs are needed to establish the trend in the Company’s performance.

procured by AT&T from Diverse Suppliers is “Consumer Computer and Peripheral Equipment”¹⁰.

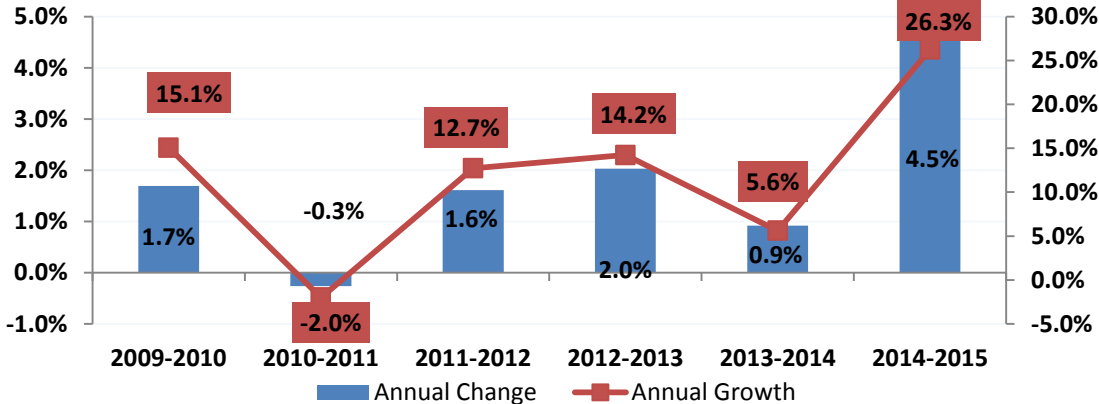
Baltimore Gas and Electric, Inc.:

Since 2010, Baltimore Gas and Electric Company (“BGE” or “Company”) has filed an annual report and an annual plan every year. BGE is one of seven Signatories that have filed all their reports since the signing of the MOU in 2009. In 2015, the Company spent \$180.88 million¹¹ on procurement of goods and services with Diverse Suppliers. The Company has a 21.75 DSR for this year.¹² BGE’s Diverse Spend grew at an annual rate of 21.50 (without gas it is 16.80 percent) percent over the past seven years while total procurement grew by 9.90 percent per year over that same period. Among all the Signatories filing their 2015 reports, BGE is ranked 6th in DSR. Graph 5 below illustrates BGE’s historical DSR and Graph 6 provides a depiction of the changes in the Company’s DSR.

Graph 5: Baltimore Gas and Energy Historical Spend Ratio



Graph 6: BGE’s Annual Change and Annual Growth Rate in Spend Ratio



¹⁰ AT&T elects to keep Company specific data outlining detailed Spend breakdown confidential.

¹¹ Excluding gas purchases, the Company spent \$154.66 million and a DSR of 18.59.

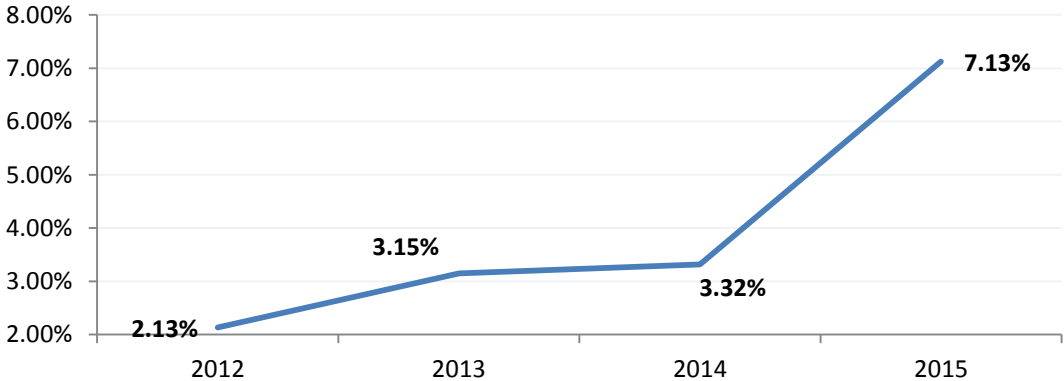
¹² BGE’s total Diverse Spend excludes \$26.22 million of procurement of natural gas. This represents 16.96 percent of the Company’s Diverse Spend.

The Company reported transactions with over 260 Diverse contractors/subcontractors. The largest category of Spend is “Merchant Wholesalers Durable Goods” with 22.52 percent and “Administrative and Support Services” follows with 15.48 percent.

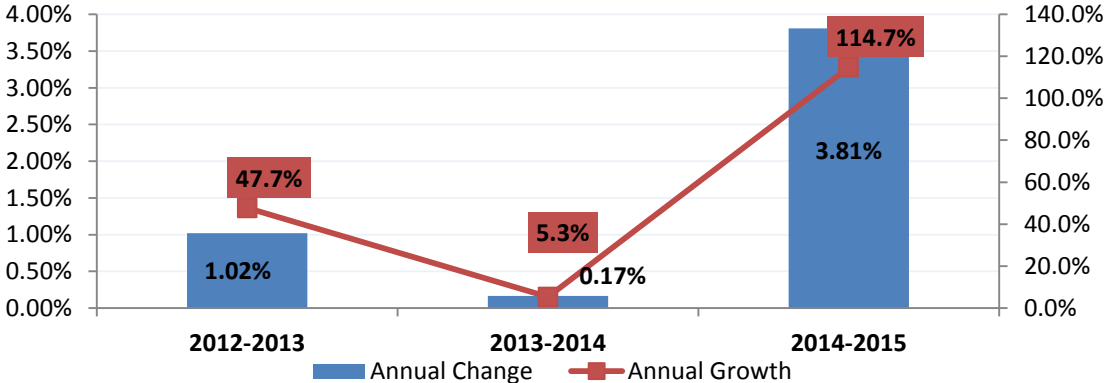
Chesapeake Utilities:

Chesapeake Utilities (“Chesapeake” or “Company”) has filed annual reports every year for the past four years. In 2015, the Corporation spent \$0.634 million on procurement of goods and services from Diverse Suppliers. Women-Owned businesses received 85.66 percent of Chesapeake’s Diverse Spend followed by MOEs with 14.34 percent. All of the Corporation’s MOE Spend was spent on procurement of goods and services from African-American-Owned businesses. The Company’s Diverse Spend grew by 185.74 percent on average over the past four years while their total procurement grew by 61.15 percent over that same period. Among all the Signatories filing their 2015 reports, Chesapeake is ranked 14th in DSR with 7.13 percent and has an average DSR of 4.96 percent over the past four years. The Company’s DSR grew at an annual rate of 55.92 percent. Graph 7 depicts the evolution in Chesapeake’s DSR over the past four years while Graph 8 illustrates the annual changes along with the corresponding annual growth in Chesapeake’s DSR.

Graph 7: Chesapeake Utilities’ Historical Spend Ratio



Graph 8: Chesapeake’s Annual Change and Annual Growth Rate in Spend Ratio

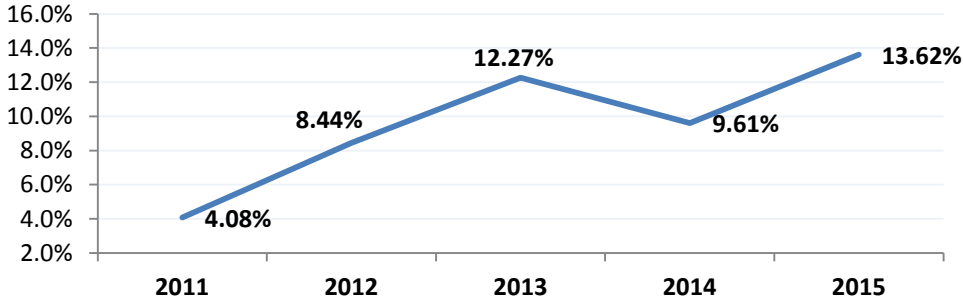


The Company contracted with eight different contractors/subcontractors. The largest category of Spend is “Professional, Scientific & Technical Services” which received 65.04 percent of Chesapeake’s total Diverse Spends.

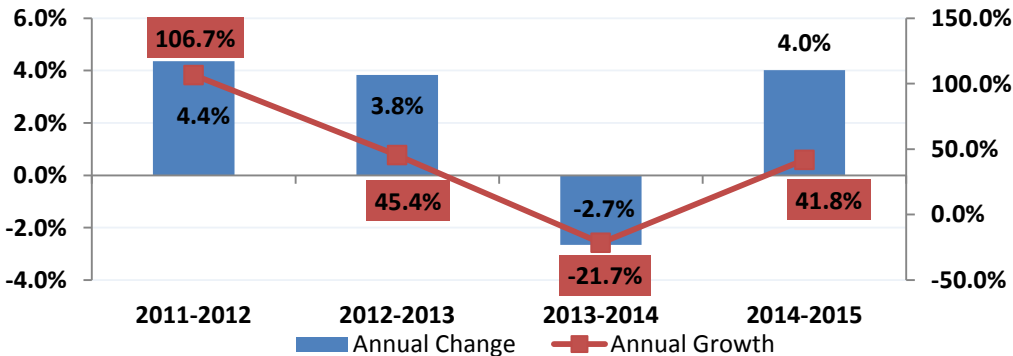
Choptank Electric Cooperative:

Choptank Electric Cooperative (“Choptank” or “Cooperative”) has filed annual reports every year for the past five years. In 2015, the Cooperative spent \$2.38 million on procurement of goods and services from Diverse Suppliers. Women-Owned businesses received 93.03 percent of Choptank’s Diverse Spend followed by MOEs with 6.80 percent. All of the Cooperative’s MOE Spend was spent on procurement of goods and services from Asian-American-Owned businesses. The Company’s Diverse Spend grew by 48.83 percent on average over the past five years while their total procurement grew by 1.69 percent over that same period. Among all the Signatories filing their 2015 reports, Choptank is ranked 9th in DSR with 13.62 and has averaged 9.60 percent over the 2010-2015 period. The Company’s DSR grew at an annual rate of 43.03 percent. Graph 9 depicts the evolution in Choptank’s DSR over the past five years while Graph 10 illustrates the annual increase along with the corresponding annual growth in the Cooperative’s DSR.

Graph 9: Choptank Electric Cooperative’s Historical Spend Ratio



Graph 10: Choptank’s Annual Change in DSR and Annual Growth Rate in DSR

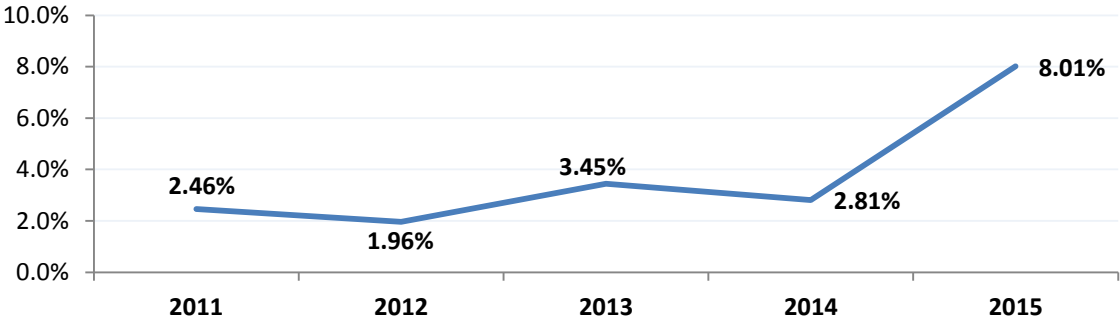


The Cooperative reported 28 different contracts with Diverse Suppliers. “Heavy and Civil Engineering Construction” received 34.75 percent of Diverse Spends followed by “Merchant Wholesalers, Durable Goods” with 31.41 percent.

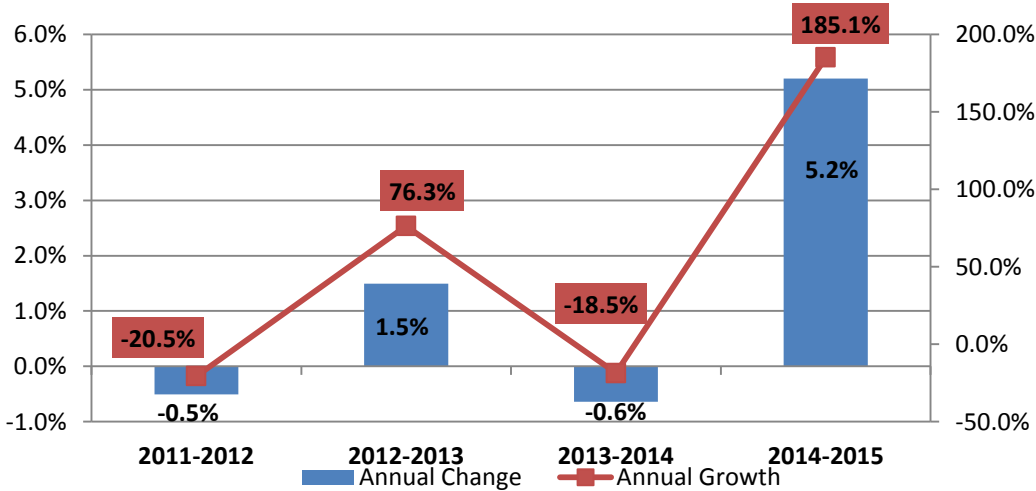
Columbia Gas of Maryland, Inc.:

Columbia Gas of Maryland (“Columbia” or “Company”) has filed annual reports every year for the past five years. In 2015, the Company spent \$0.954 million on procurement of goods and services from Diverse Suppliers. Women-Owned businesses received 93.03 percent of Columbia’s Diverse Spend. MOEs received 52.52 percent of all of the Company’s Diverse Spend. The Company’s MOE Spend on procurement of goods and services are with African-American-Owned businesses; 98.97 percent of all MOE Spend. Columbia’s Diverse Spend grew by 72.36 percent on average over the past five years while their total procurement grew by 9.87 percent over that same period. Among all the Signatories filing their 2015 reports, Columbia Gas is ranked 13th in DSR with 8.01 percent. Columbia’s DSR averaged 3.74 percent over the 2011-2015 period and grew at an annual rate of 55.56 percent. Graph 11 depicts the evolution in Columbia Gas’ DSR over the past five years while Graph 12 illustrates the annual increase along with the corresponding annual growth in Columbia’s DSR.

Graph 11: Columbia Gas of Maryland Historical Spend Ratio



Graph 12: Columbia’s Annual Change in DSR and Annual Growth Rate in DSR

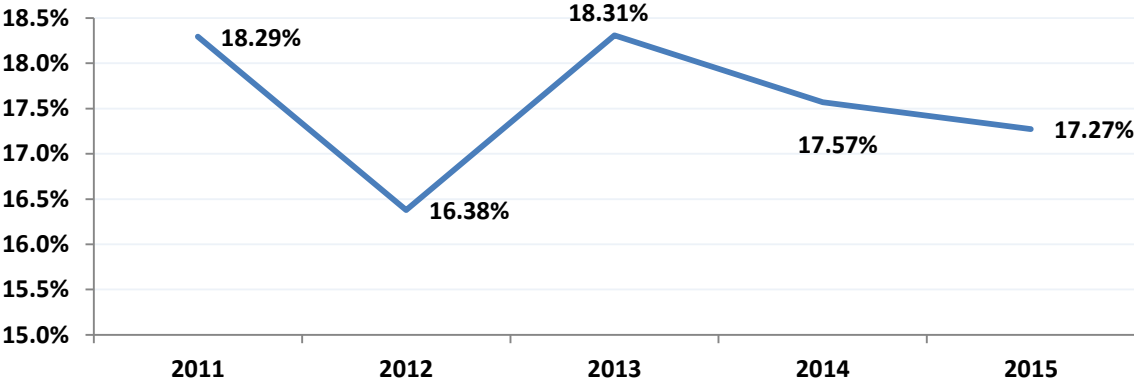


The Company transacted with a total of 9 Diverse Suppliers. Diverse Suppliers providing “Heavy and Civil Engineering Construction” services/goods received 87.71 percent of the Company’s total Diverse Spends.

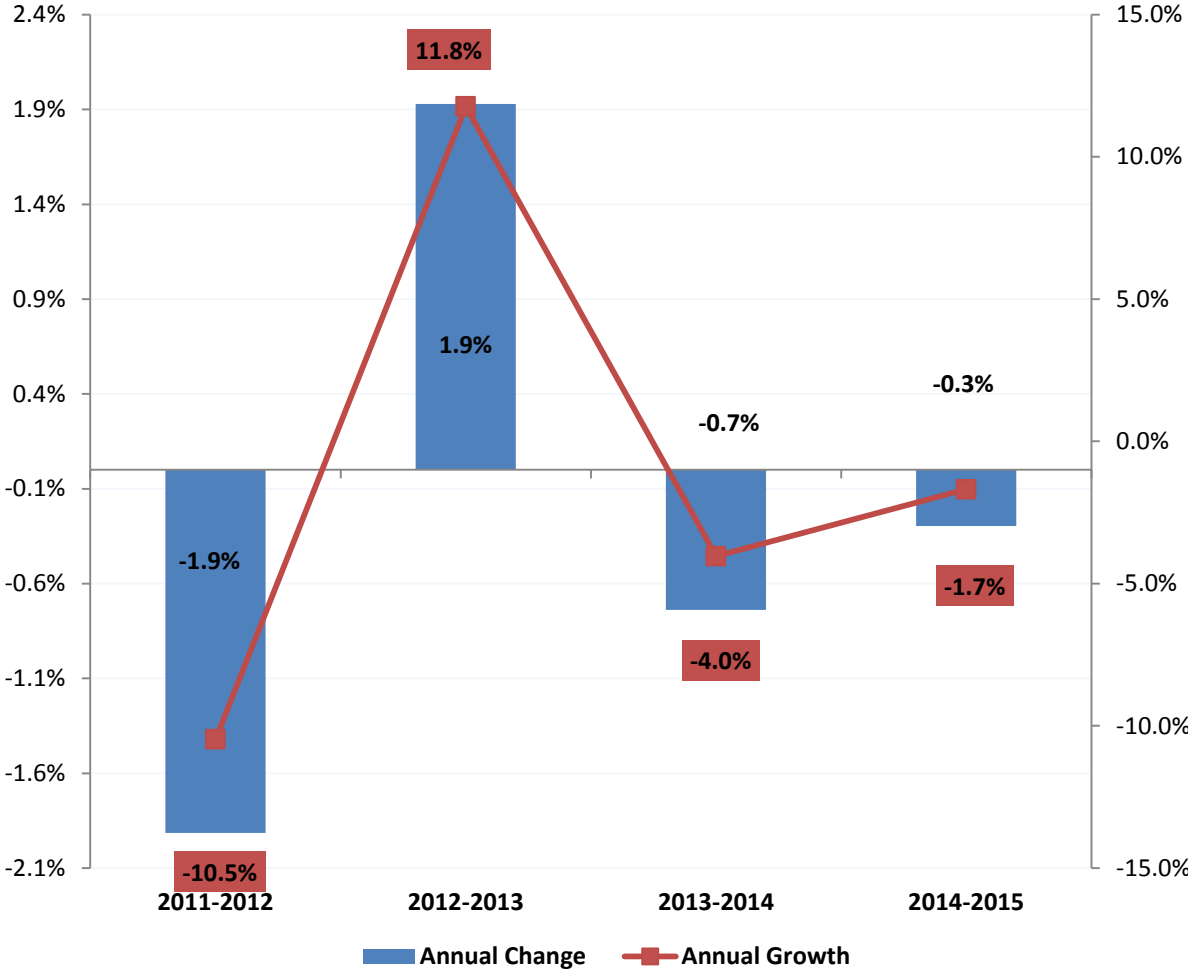
Comcast Phone of Northern Maryland Inc. and Comcast Business Communications, LLC:

Comcast Phone of Northern Maryland Inc. and Comcast Business Communications, LLC (“Comcast” or “Company”) has filed annual reports every year for the past five years. In 2015, the Company spent \$39.92 million on procurement of goods and services from Diverse Suppliers. Women-Owned businesses received 56.34 percent of Comcast’s Diverse Spend followed by MOEs with 42.72 percent of all Diverse Spends. The Company’s MOE Spend on procurement of goods and services are mostly with African-American-Owned businesses, 71.07 percent, and Hispanic-Owned businesses, with 25.12 percent of all MOE Spend. Comcast’s Diverse Spend grew by 5.72 percent on average over the past five years while their total procurement grew by 17.56 percent over that same period. Among all the Signatories filing their 2015 reports, Comcast is ranked 7th in DSR with 17.27 percent and averages a DSR of 17.56 percent per year over the 2011-2015 period. The Company’s DSR decreased on average by 1.10 percent per year. Graph 12 depicts the evolution in Comcast’s DSR over the past five years while Graph 13 illustrates the annual increase along with the corresponding annual growth in the Company’s DSR.

Graph 12: Comcast Historical Spend Ratio



Graph 13: Comcast’s Annual Change in DSR and Annual Growth Rate of DSR



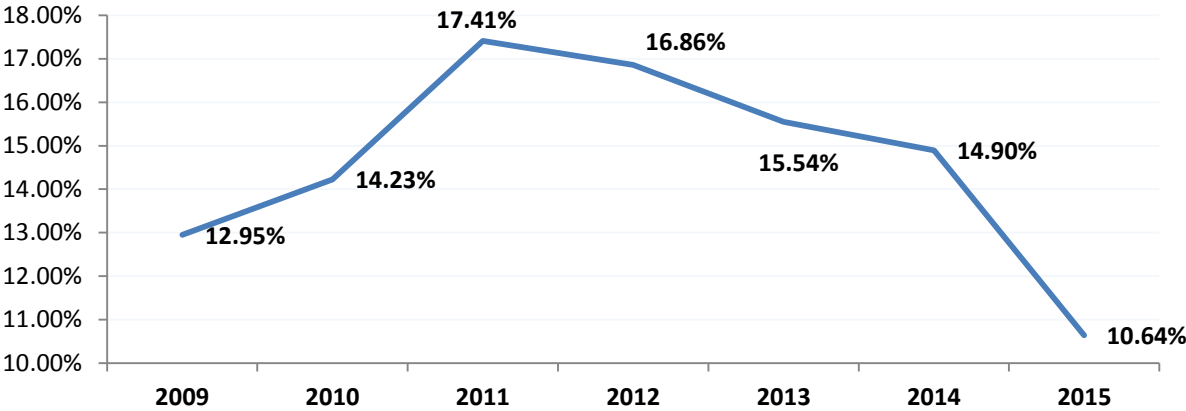
The Company did not provide a breakdown of its Diverse Spends by NAICS codes or by vendors in their Diverse Procurement report for 2015.

Delmarva Power & Light Company:

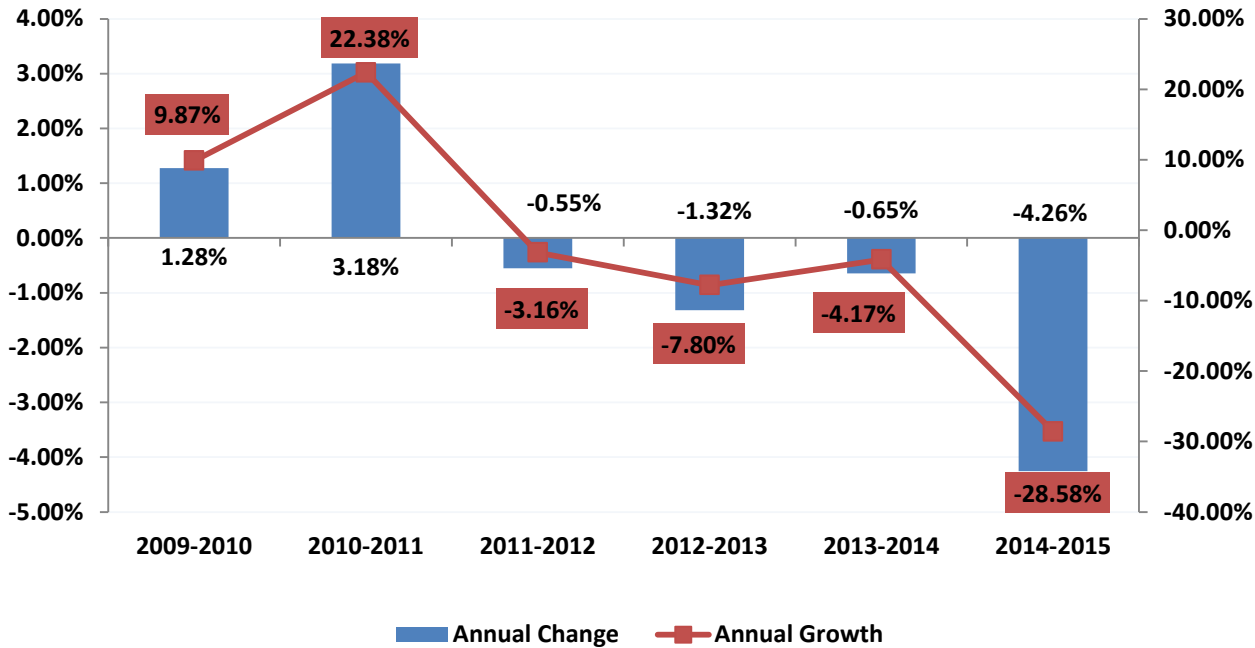
Delmarva Power & Light Company (“Delmarva” or “Company”) has filed annual reports every year for the past seven years. In 2015, the Company spent \$38.82 million on procurement of goods and services from Diverse Suppliers. Women-Owned businesses received 81.26 percent of Delmarva’s Diverse Spend followed by MOEs with 17.09 percent. The Company’s MOE Spend on procurement of goods and services are subdivided between Hispanic-Owned businesses, with 35.59 percent, followed by African-American-Owned businesses, with 33.78 percent, and then Asian-American-Owned businesses, with 30.41 percent. Delmarva’s Diverse Spend grew by 18.51 percent on average over the past five years while their total procurement grew by 20.13 percent over that same period. Among all the Signatories filing their 2015 reports, Delmarva is ranked 11th in DSR with 10.64 percent and averages a DSR of 14.65 percent per year over the 2009-2015 period. The Company’s DSR decreased on average by 1.91 percent per year over that same period. Graph 14 depicts the evolution in Delmarva’s DSR over

the past seven years while Graph 15 illustrates the annual increase along with the corresponding annual growth in Cooperative’s DSR.

Graph 14: Delmarva Historical Spend Ratio



Graph 15: Delmarva’s Annual Change in DSR and Annual Growth Rate of DSR

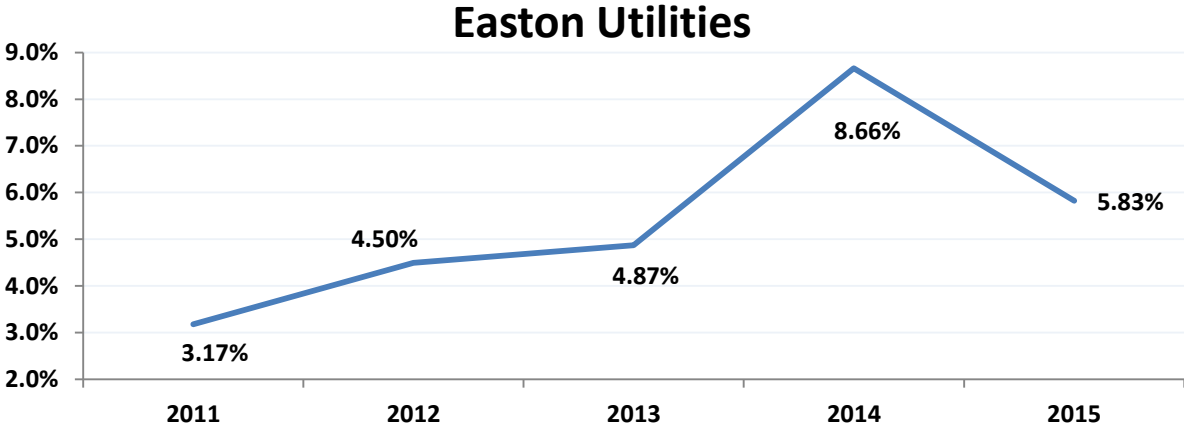


The Company provided a breakdown of its Spend by NAICS codes and by contracts and subcontracts to Diverse Suppliers. Delmarva awarded 57.42 percent of its Diverse Spend to Diverse Suppliers providing “Construction” services followed by Diverse Suppliers providing “Electric Equipment/Component Manufacturing” with 13.12 percent.

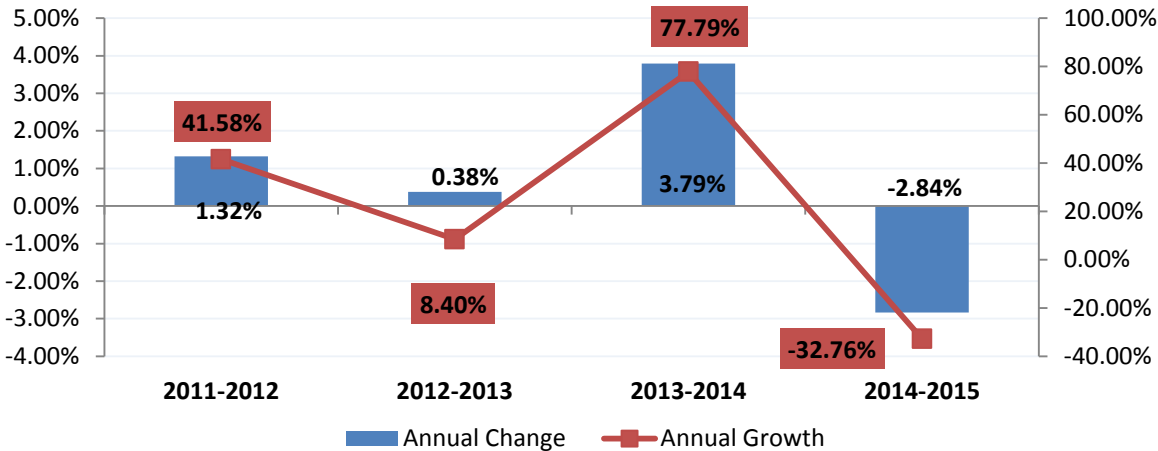
Easton Utilities:

Easton Utilities (“Easton” or “Company”) has filed an annual report every year for the past five years. In 2015, the Company spent \$0.192 million on procurement of goods and services from Diverse Suppliers. Women-Owned businesses received 76.10 percent of Easton’s Diverse Spend followed by MOEs with 23.90 percent. The Company’s MOE Spends from procurement of goods and services are subdivided between Asian-American-Owned businesses, with 74.22 percent, followed by Hispanic-Owned businesses, with 25.42 percent. Easton’s Diverse Spend grew by 44.25 percent over the past five years while their total procurement grew by 26.74 percent over that same period. Among all the Signatories filing their 2015 reports, Easton is ranked 15th with a 5.83 DSR and the Company’s average DSR is 5.41 over the 2011-2015 period. The Company’s DSR grew by an average of 23.76 percent per year. Graph 16 depicts the evolution in Easton’s DSR over the past five years while Graph 17 illustrates the annual increase along with the corresponding annual growth in Cooperative’s DSR.

Graph 16: Easton Utilities Historical Spend Ratio



Graph 17: Easton’s Annual Change in DSR and Annual Growth Rate of DSR

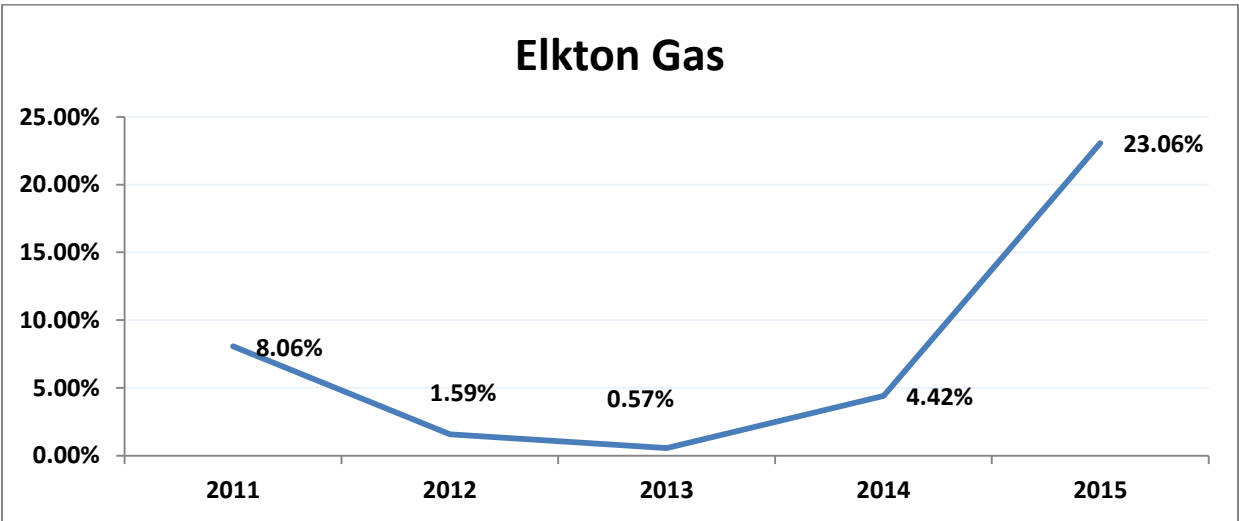


The Company transacted with a total of 26 Diverse Suppliers. Diverse Suppliers providing “security services” received 19.87 percent of the Company’s total Spends followed by “Professional, Scientific & Technical Services” with 17.19 percent.

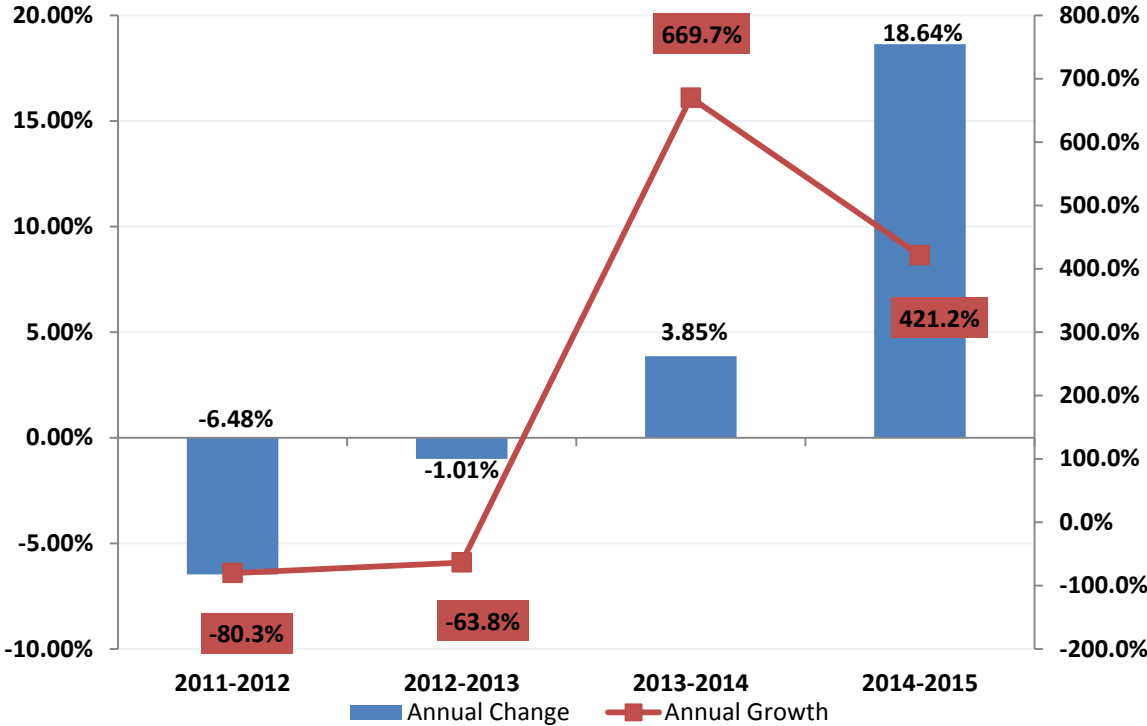
Pivotal Utility Holdings, Inc. d/b/a Elkton Gas:

Pivotal Utility Holdings, Inc. d/b/a Elkton Gas (“Elkton” or “Company”) has filed annual reports every year for the past five years. In 2015, the Company spent \$0.295 million on procurement of goods and services from Diverse Suppliers. Service-Disabled-Veteran-Owned businesses received 62.47 percent of Elkton’s Diverse Spend followed by MOEs with 25.60 percent. The Company’s MOE Spends from procurement of goods and services are subdivided between African-American-Owned businesses, with 89.28 percent, followed by Asian-American-Owned businesses, with 7.82 percent. Elkton’s Diverse Spend grew by 203.20 percent over the past five years while their total procurement grew by 50.71 percent over that same period. Among the Signatories filing their 2015 reports, Elkton is ranked 5th with a 23.06 DSR, which currently averages 7.54 over the 2011-2015 period. The Company’s DSR grew by an average of 236.70 percent per year. Graph 18 depicts the evolution in Elkton’s DSR over the past five years while Graph 19 illustrates the annual increase along with the corresponding annual growth in the Company’s DSR.

Graph 18: Pivotal Utility Holdings Historical Spend Ratio



Graph 19: Elkton’s Annual Change in DSR and Annual Growth Rate of DSR

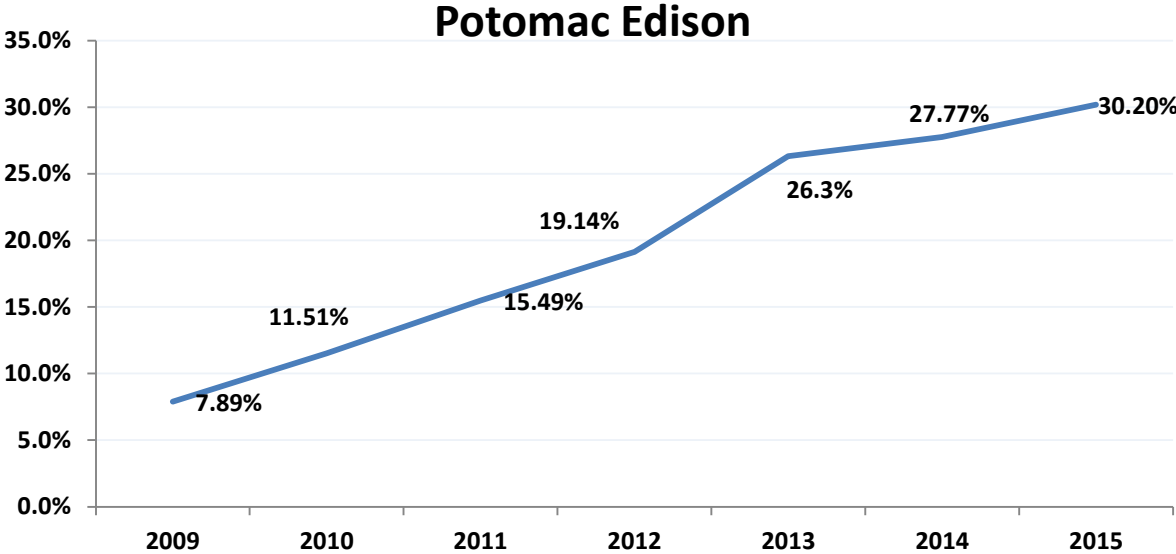


The Company transacted with a total of 34 Diverse Suppliers. Diverse Suppliers providing “Construction Services” received 60.05 percent of Diverse Spend while Diverse Suppliers providing “Motor Vehicles and Parts Dealers” goods/services received 20.92 percent of Diverse Spend.

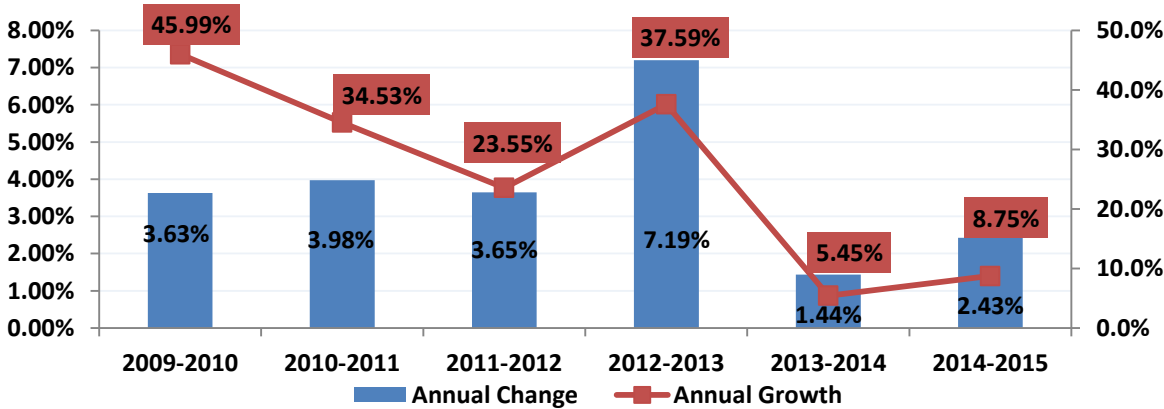
The Potomac Edison Company:

The Potomac Edison Company (“PE” or “Potomac” or “Company”) has filed annual reports every year for the past seven years. In 2015, the Company spent \$16.37 million on procurement of goods and services from Diverse Suppliers. Women-Owned businesses received 77.37 percent of PE’s Diverse Spend followed by MOEs, with 22.63 percent. The Company’s MOE Spend on procurement of goods and services are subdivided between African-American-Owned businesses, with 47.76 percent, followed by Asian-American-Owned businesses, with 35.21 percent. Potomac’s Diverse Spend grew by 39.66 percent over the past five years while the Company’s total procurement grew by 11.82 percent over that same period. Among all the Signatories filing their 2015 reports, Potomac is ranked 2nd with a 30.20 DSR. In addition, the Company’s DSR averaged 19.76 over the period stretching from 2011 to 2015. PE’s DSR grew by an average of 25.98 percent per year. Graph 20 depicts the evolution in PE’s DSR over the past five years while Graph 21 illustrates the annual increase along with the corresponding annual growth in the Company’s DSR.

Graph 20: The Potomac Edison Company Historical Spend Ratio



Graph 21: PE’s Annual Change in DSR and Annual Growth Rate of DSR

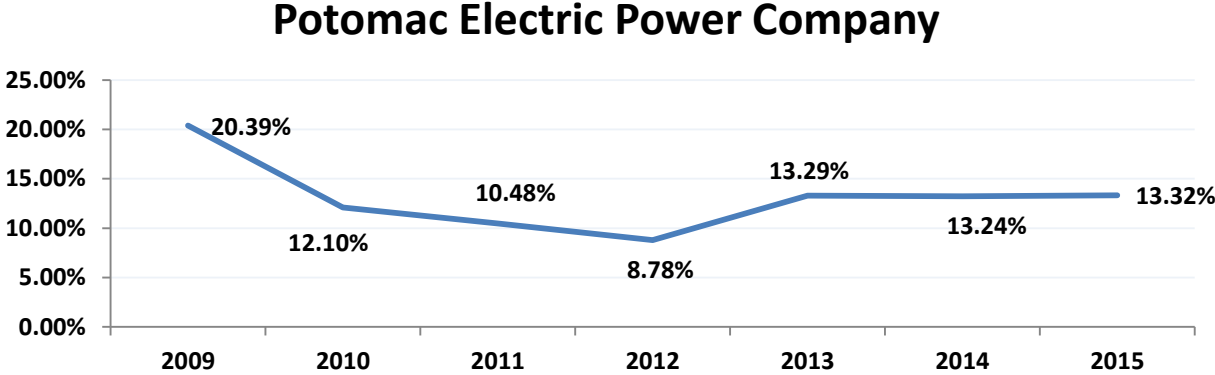


The Company provided a breakdown of its Diverse Spend by NAICS. PE awarded 49.56% of its Diverse Spend in contracts to businesses providing “Specialty Trade Contractors” services while Diverse Suppliers providing “Heavy and Civil Engineering Construction” goods/services received 20.80 percent Diverse Spend.

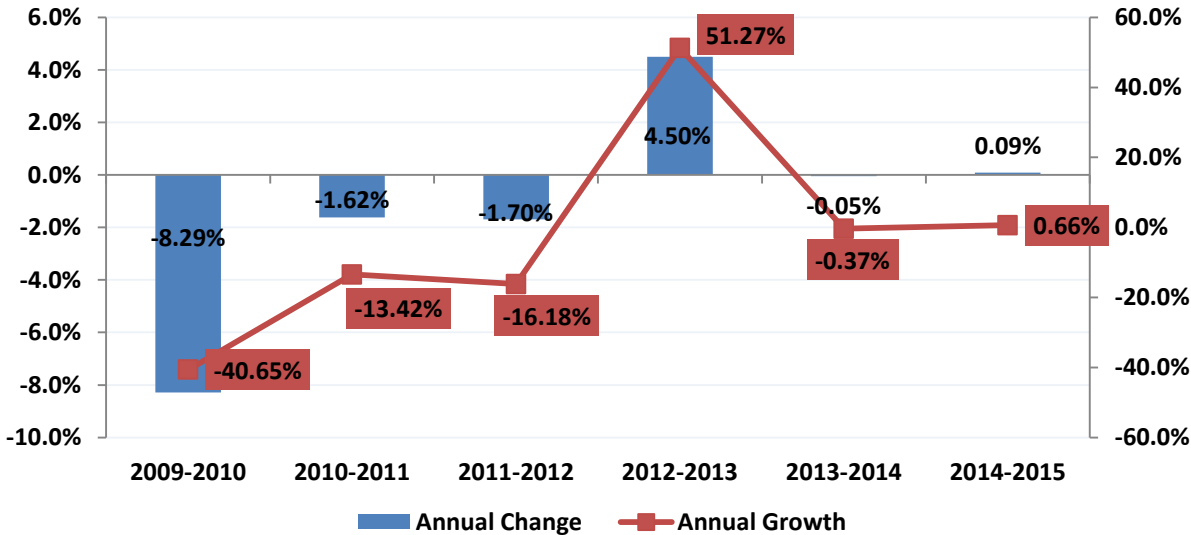
Potomac Electric Power Company:

The Potomac Electric Power Company (“Pepco” or “Company”) has filed annual reports every year for the past seven years. In 2015, the Company spent \$78.00 million on procurement of goods and services from Diverse Suppliers. Minority-Owned businesses received 72.09 percent of Pepco’s Diverse Spend followed by WOE’s, with 27.42 percent. The Company’s MOE Spend on procurement of goods and services are subdivided between African-American-Owned businesses, with 67.19 percent, followed by Hispanic-Owned businesses, with 31.06 percent. Pepco’s Diverse Spend grew by 11.29 percent over the past five years while the Company’s total procurement grew by 18.86 percent over that same period. Among all the Signatories filing their 2015 reports, Pepco is ranked 10th with a 13.32 DSR. In addition, the Company’s DSR averaged 13.09 over the period 2011 to 2015. Pepco’s DSR decreased 3.12 percent per year on average. Graph 22 depicts the evolution in Pepco’s DSR over the past five years while Graph 23 illustrates the annual increase along with the corresponding annual growth in the Company’s DSR.

Graph 22: The Potomac Electric Power Company Historical Spend Ratio



Graph 23: Pepco’s Annual Change in DSR and Annual Growth Rate of DSR

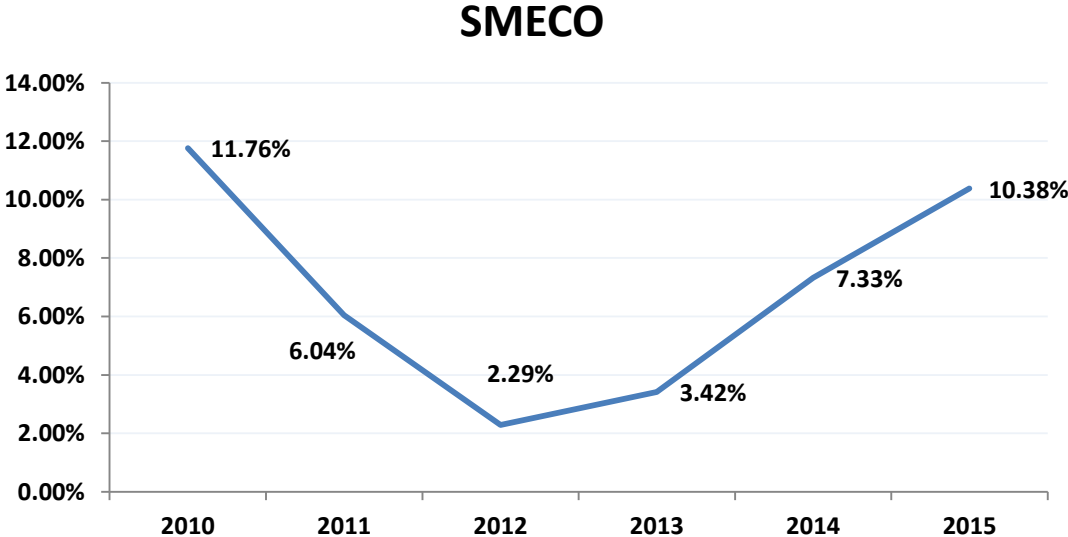


The Company provided a breakdown of its Diverse Spend by NAICS. Pepco awarded 35.71 percent of its Diverse Spend in contracts to businesses providing “Construction- General” goods/services while Diverse Suppliers providing “Electric Equipment/Component Manufacturing” received 29.37 percent Diverse Spend.

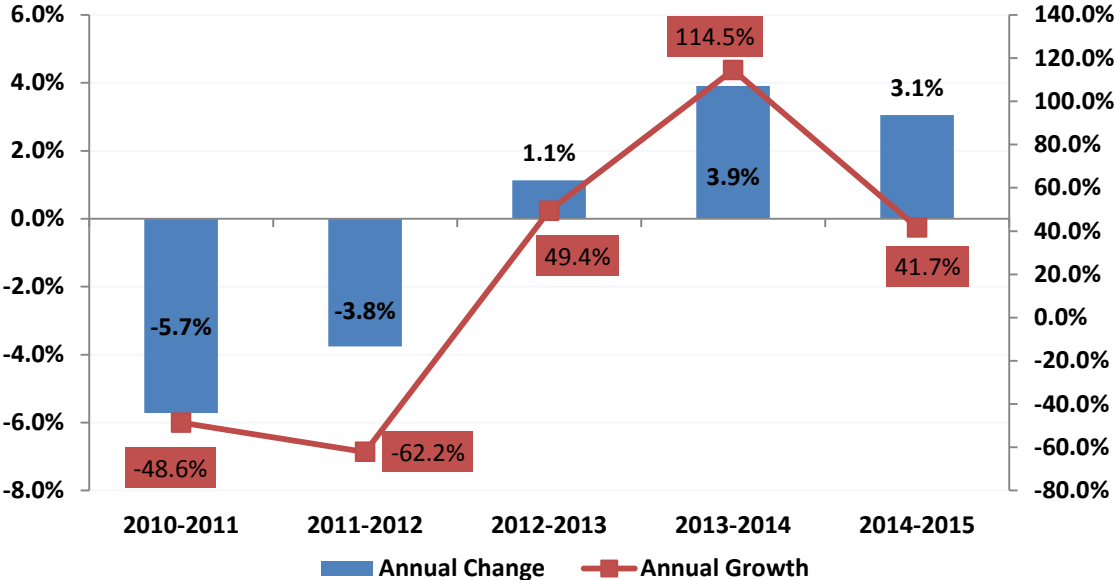
Southern Maryland Electric Cooperative, Inc.:

Southern Maryland Electric Cooperative, Inc. (“SMECO” or “Cooperative”) has filed annual reports every year for the past six years. In 2015, the Company spent \$9.45 million on procurement of goods and services from Diverse Suppliers. Women-Owned businesses received 64.26 percent of SMECO’s Diverse Spend followed by MOEs with 32.65 percent. SMECO did not provide a breakdown of the Cooperative’s MOE Spend on goods and services. SMECO’s Diverse Spend grew by 35.41 percent over the past five years while the Cooperative’s total procurement grew by 52.05 percent over that same period. Among all the Signatories filing their 2015 reports, SMECO is ranked 12th with a 10.38 DSR. In addition, the Cooperative’s DSR currently averages 6.87 over the period stretching from 2010 to 2015. SMECO’s DSR grew by an average of 18.96 percent per year since 2010. Graph 24 depicts the evolution in SMECO’s DSR over the past five years while Graph 25 illustrates the annual increase along with the corresponding annual growth in the Cooperative’s DSR.

Graph 24: Southern Maryland Electric Cooperative Historical Spend Ratio



Graph 25: SMECO’s Annual Change in DSR and Annual Growth Rate of DSR



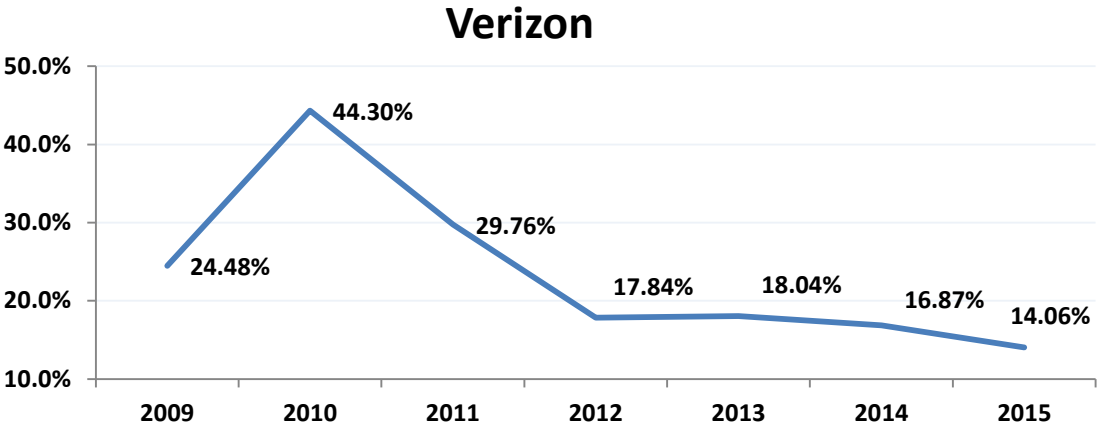
The Cooperative provided a breakdown of its Diverse Spend by NAICS. SMECO awarded 19.68 percent of its Diverse Spend in contracts to businesses providing “Electric Equipment/Component Manufacturing” goods/services while Diverse Suppliers providing “Administrative and Support Services” received 15.85 percent of Diverse Spend.

Verizon Maryland, LLC¹³:

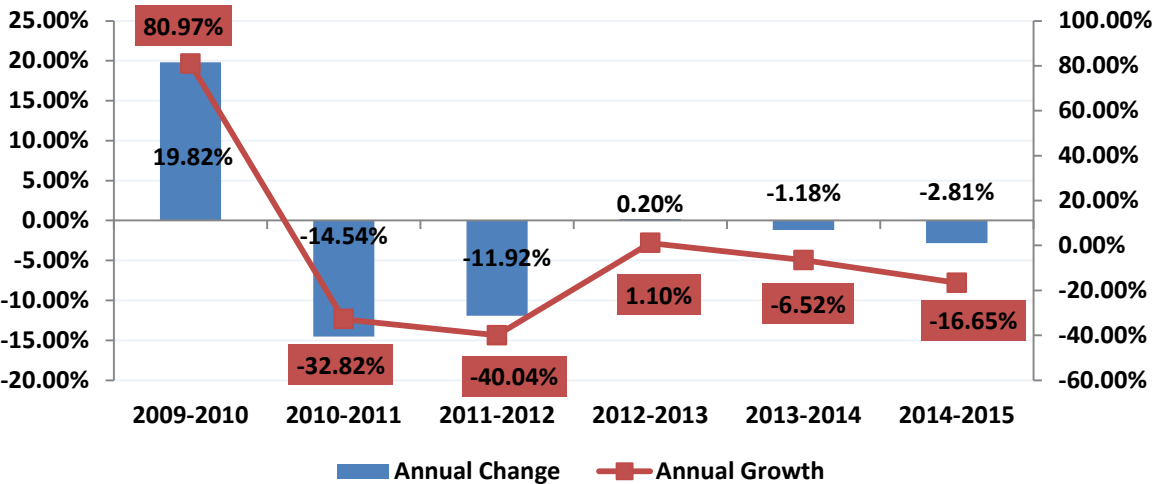
Verizon Maryland, LLC (“Verizon” or “Company”) has filed annual reports every year for the past seven years. In 2015, the Company spent \$54.94 million on procurement of goods and services from Diverse Suppliers. Minority-Owned businesses received 44.75 percent of Verizon’s Diverse Spend followed by SDVOEs with 42.63 percent. Verizon spent 59.16 percent of the Company’s total MOE Spend on goods and services with African-American-Owned businesses followed by Hispanic-Owned businesses with 28.66 percent. Verizon’s Diverse Spend decreased by 8.41 percent per year over the past seven years while the Company’s total procurement grew by 2.52 percent over that same period. Among all the Signatories filing their 2015 reports, Verizon is ranked 8th with a 14.06 DSR. In addition, the Company’s DSR averaged 23.62 over the period stretching from 2009 to 2015. Verizon’s DSR decreased at an annual average of 2.33 percent since 2009. Graph 26 depicts the evolution of Verizon’s DSR over the past seven years while Graph 27 illustrates the annual increase along with the corresponding annual growth in the Company’s DSR.

¹³ The Company provided a breakdown of its Diverse Spend by NAICS.

Graph 26: Verizon Maryland, LLC Historical Spend Ratio



Graph 27: Verizon’s Annual Change in DSR and Annual Growth Rate of DSR

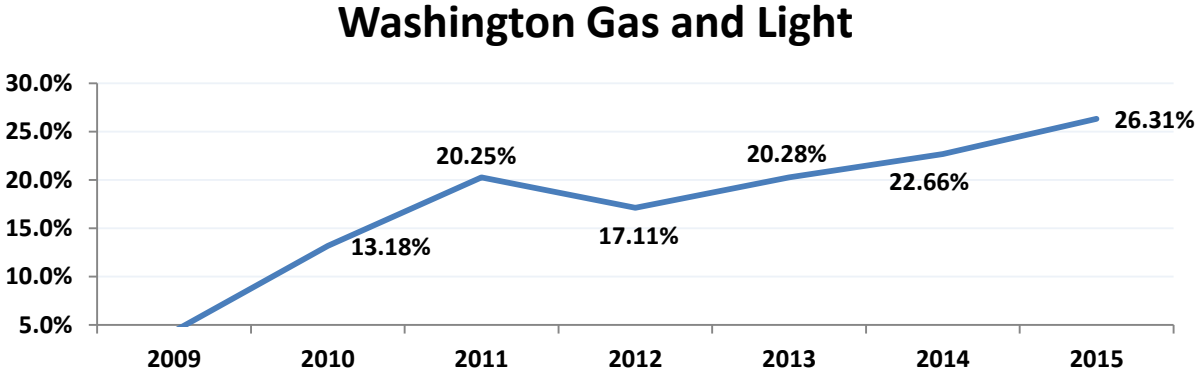


Washington Gas Light Company:

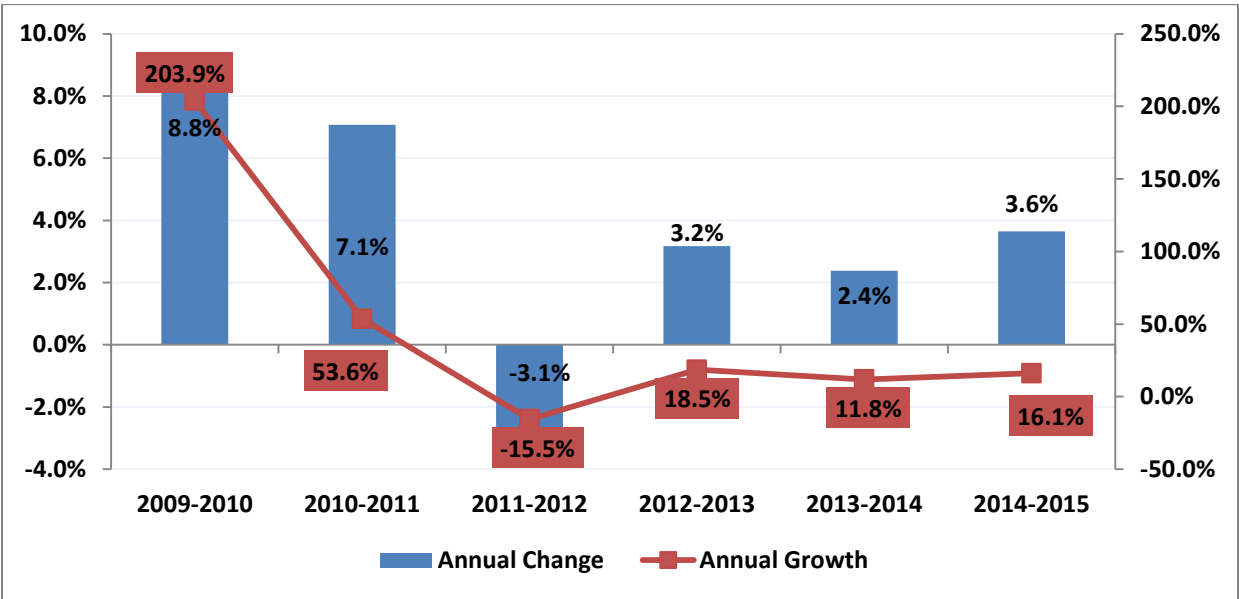
Washington Gas Light (“WGL” or “Company”) has filed annual reports every year for the past seven years. In 2015, the Company spent \$116.37 million on procurement of goods and services from Diverse Suppliers. Minority-Owned businesses received 64.17 percent of WGL’s Diverse Spend followed by Women-Owned businesses with 30.83 percent. Washington Gas spent 74.24 percent of the Company’s MOE Spend on goods and services with African-American-Owned businesses followed by Hispanic-Owned businesses with 21.17 percent. WGL’s Diverse Spend average an increase of 39.72 percent per year over the past seven years while the Company’s total procurement grew by 7.94 percent over that same period. Among all the Signatories filing their 2015 reports, WGL is ranked 4th with a 26.31 DSR. In addition, the Company’s DSR averaged 17.73 percent over the period stretching from 2009 to 2015. WGL’s DSR increased at an annual average of 48.06 percent since 2009. Graph 29 depicts the evolution of WGL’s DSR

over the past seven years while Graph 30 illustrates the annual increase along with the corresponding annual growth in the Company’s DSR.

Graph 29: Washington Gas and Light Company Historical Spend Ratio



Graph 30: WGL’s Annual Change in DSR and Annual Growth Rate of DSR



The Company provided a breakdown of its Diverse Spend by NAICS. WGL awarded 60.62 percent of its Diverse Spend in contracts to businesses providing “Specialty Trade Contractors” goods/services while Diverse Suppliers providing “Professional, Scientific, and Technical Services” received 12.74 percent of Diverse Spend.

V. Conclusions and Recommendations

Fifteen of nineteen Signatories filed their 2015 Supplier Diversity Report with the Commission. The reported data indicated that the companies continue to progress towards the aspirational goal of awarding 25 percent of the Signatory's total procurement to Diverse Suppliers, albeit slowly. Total Diverse Spend decreased by \$0.640 million from the 2014 figures. The program's DSR increased by 1.06 points, higher than it was in 2014; this represents a 6.25 percent increase from the previous year. Overall DSR averaged 16.07 percent per year over the period 2009-2015 and grew at an average annual rate of 3.68 percent. The Signatories have improved their reporting and have also provided more detailed data which facilitated the analysis of the program as a whole. Most of the Signatories that provided their annual reports for 2015 reported growing DSRs and rising Diverse Procurement.

Staff will continue working with the remaining Signatories of the MOU through the Utility Forum with the aim of finding the most efficient methods that will foster more detailed reports in order for Staff to find other angles to analyze the performance of the Program and the progression towards the aspirational goal set in the MOU. Staff believes that better reporting will help discover the areas where performance can be improved.

VI. Appendix:

- **Total Diverse Supplier Procurement (“DSP”)**: The total amount spent on procurement of goods and services from Diverse Suppliers.
- **Total Utility Procurement (“TUP”)**: The total amount spent on procurement of goods and services from all types of suppliers.
- **Diverse Spend Ratio (“DSR”)**:
 - Total SDP divided by total TUP.
- **Annual Change in DSR (“AC-DSR”)**:
 - The subtraction of the current year DSR from the DSR of the previous year. This figure tracks the magnitude of the change in DSR from the previous year.
- **Annual Growth Rate of DSR (“AGR-DSR”)**:
 - Annual change in DSR divided by the DSR of the previous year. This figure can be seen as a relative change in DSR compared to last year; it is the proportion of the annual change relative to the previous year’s DSR. It tracks how fast the Signatories are moving towards the aspirational goal of 25% every year.
- **Average Annual Growth Rate of DSR (“AAG-DSR”)**:
 - This figure tracks the growth rate over a specified period. The formula is the following:
 - **Average Annual Growth** = $\frac{\text{Sum of annual growth over the period}}{\text{Number of years in the period}}$