

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

**Administrative Docket PC 16**

**The Commission Staff's Summary of the  
2016 Maryland Supplier Diversity Program  
Annual Reporting**

**Updated  
June 8, 2017**



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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, four of the nineteen Signatories of the Model Utility Supplier Diversity Memorandum of Understanding (“MOU”) did not file their Supplier Diversity reports for 2016. 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 average \$611.50 over the past three reporting years while total Utility Procurement average \$3.~~19~~<sup>22</sup> billion over the same period. The average annual growth in Diverse Spend over the period 2014-2016 is 15.24 percent. Total Procurement Spend by the reporting Signatories grew at an annual rate of ~~1.79~~<sup>2.81</sup> percent over the past three years. This year, Diverse Spend Ratio (or “DSR”), the key metric that the Program seeks to track, increases to 21.96 percent<sup>1</sup>; DSR grew by ~~25.24~~<sup>1.46</sup> percent from the previous reporting year<sup>2</sup>. The average annual growth in DSR since 2014 is ~~13.45~~<sup>12.08</sup> 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 MOU<sup>3</sup>:

1. Association of Maryland Pilots
2. AT&T Corporation ([“AT&T”](#))
3. Baltimore Gas & Electric Company ([“BGE”](#))
4. **CenturyLink**
5. Chesapeake Utilities Corporation – Maryland Division ([“Chesapeake Utilities”](#))
6. Choptank Electric Cooperative, Inc. ([“Choptank”](#))
7. Columbia Gas of Maryland ([“Columbia Gas”](#))
8. Comcast Phone of Northern Maryland Inc. and Comcast Business Communications, LLC ([“Comcast”](#))

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

<sup>2</sup> Please refer to the calculation methodology in the Appendix section to this report.

<sup>3</sup> The Signatories in font colored red did not provide their reports for 2015.

- 9. Delmarva Power & Light Company ([“Delmarva”](#))
- 10. Easton Utilities Pivotal Utility Holdings, Inc. d/b/a Elkton Gas ([“Elkton Gas”](#))
- 11. **First Transit BWI Airport**
- 12. The Potomac Edison Company ([“Potomac Edison”](#))
- 13. Potomac Electric Power Company ([“Pepco”](#))
- 14. Southern Maryland Electric Cooperative, Inc. ([“SMECO”](#))
- 15. **Veolia**
- 16. Verizon Maryland, Inc. ([“Verizon”](#))
- 17. Washington Gas Light Company ([“WGL”](#))
- 18. **XO Communications<sup>4</sup>**

**III. Summary of the 2016 Report:**

This year, fifteen Signatories filed their 2016 Maryland Supplier Diversity Program annual reports (“reports”.) They spent a combined \$698.76 million in procurement of goods and services from Diverse Suppliers (Total Diverse Supplier Procurement or “DSP”) while they reported \$3.19~~22~~ billion in Total Utility Procurement (“TUP”.) As a result, the DSR is ~~22.64~~~~1.96~~ percent, the highest recorded DSR since 2009. DSR is derived by dividing DSP by TUP. Table 1 shows the amount of total Diverse Spend for the past two reported years, 2015 and 2016<sup>5</sup>.

**Table 1: Total Diverse Spend for 2015 and 2016**

Total Spend for 2015 and 2016	
Report Year	Amount (Millions of Dollars)
2015	\$567.46
2016	\$698.76

**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 \$410.60 million, WOE receives \$255.74 million, SDVOE receives \$32.34 million, and NFPW receives \$80,000. Table 2 represents the breakdown of the four categories of Diverse Spend into which Diverse Spend Procurement is subdivided.

<sup>4</sup> XO Communications has withdrawn from the Supplier Diversity Program

<sup>5</sup> Total procurement reported by the Signatories for 2015 has decreased 4.85 percent, from \$3.3 billion to \$3.1 billion.




**Table 2: Total Diverse Spend for 2016**

Categories	Share of DSP
Spends With Minorities	58.76%
Spends With Women	36.60%
Spend with SDVOE	4.63%
Spend with NFPW	0.01%

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 2016 reporting year, ~~three~~ 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 3 lists the ~~three~~ four top performing companies along with their DSRs for 2016 with a green dot.

**Table 3: Top Four~~Three~~ Signatories in DSR for 2016 Reporting Year**

Diverse Spend Ratio for 2016	
Companies	DSR
Association of MD Pilots	26.50%
AT&T	18.83%
BGE	26.29%
Chesapeake Utilities	11.33%
Choptank	9.44%
Columbia Gas	12.57%
Comcast	22.14%
Delmarva	18.48%
Easton Utilities	10.07%
Elkton Gas	10.00%
Potomac Edison	26.06%
Pepco	20.93%
SMECO	11.52%
Verizon	14.64%
Washington Gas Light Company	29.13%
DSR for 2016	22.64%

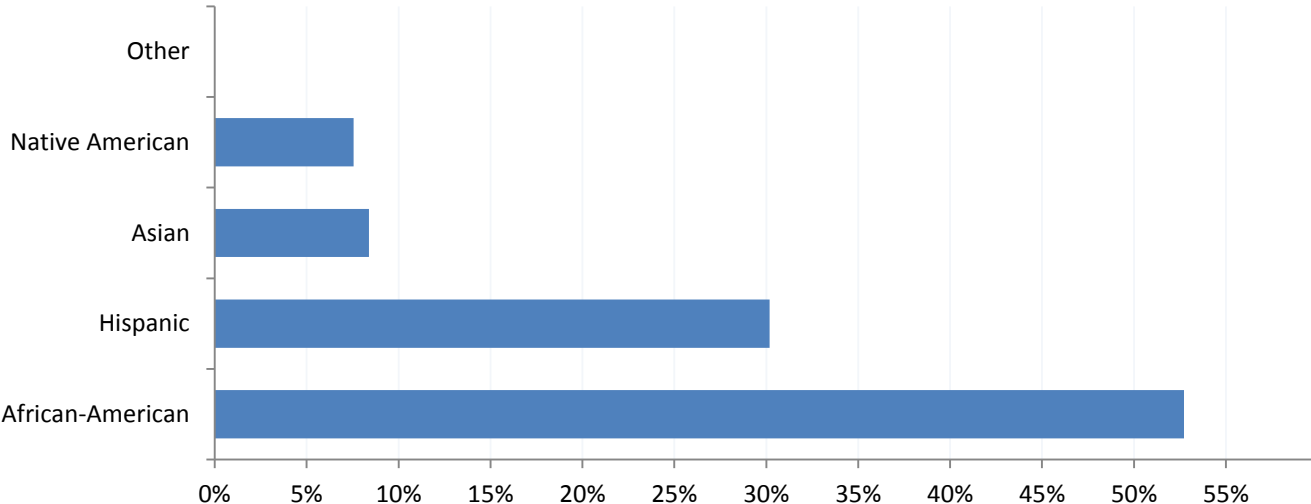
	At or above the MOU goal, 25%
	At or above 8-year average, 16.89%, but below the MOU goal.
	Below 8-year average, 16.89%

**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 2016 broke down their MOE Spends by ethnicity; AAOB accounts for 52.95 percent of the total MOE Spend<sup>6</sup>. Graph 1 below breaks down the Spend within the MOE category. These fourteen companies transacted for \$277.03 million (or 39.65 percent of total Diverse Spend after excluding \$134.57 million) with MOE. Graph 1 below is the new Spend representation which breaks down MOE Spends by ethnicity as reported by the Signatories.

**Graph 1: Spend by Ethnicity for 2016**

**Share of MOE Spends Received by Minority Groups**



<sup>6</sup> The total amount excludes \$134.57 million of MOE Spends that could not be readily broken down by ethnicity.

## Procurement from Minority-Owned Enterprises

**Table 4: Minority Spend by the Fifteen Reporting Signatories**

Table 4 lists the top five companies spending the largest (column 2; column 1 reports the company's share of its own reported DSP) amount in procurement with Minority-Owned Enterprises in 2016. A total of \$410.6 million was spent to procure goods and services from MOEs. While Easton has the highest ratio in this category, BGE reports the largest share<sup>7</sup> of the \$410.6 million.

Companies	Share of Own DSP <sup>8</sup>	Share of Total Reported MOE <sup>9</sup>
Easton Utilities	83.49%	0.12%
Pepco	79.96%	18.19%
AT&T	68.88%	3.38%
WGL	62.63%	23.89%
BGE	56.79%	32.53%

**Table 5: Minority Spend by the Fifteen Reporting Signatories**

A total of \$255.74 million was spent to procure goods and services from Women-Owned Enterprises. While Choptank, Chesapeake Utilities, and Elkton Gas achieved the highest ratio of their own DSP spend with in this category, BGE and WGL reported the highest Spend ratio of the total DSP spend with WOE's.

Share of DSP with Women-Owned Enterprises		
Companies	WOE as a Share of Own DSP	Share of Total Reported WOE for 2016
BGE	41.53%	38.20%
WGL	33.94%	20.79%
Delmarva	58.33%	11.31%
Comcast	46.31%	11.26%
Pepco	20.00%	7.31%

<sup>7</sup> This figure excludes \$15.53 million in gas purchases.

<sup>8</sup> This is based on each company's share of reported Diverse Spend Procurement

<sup>9</sup> Each company's share of the total MOE Spend reported by all 15 companies or \$410.60 million.

Companies	WOE as a Share of Own DSP	Share of Total Reported WOE for 2016
Choptank	92.84%	0.82%
Chesapeake Utilities	88.12%	0.38%
Elkton Gas	83.15%	0.04%
Association of MD Pilots	72.52%	0.08%
SMECO	64.86%	2.35%
Delmarva	58.33%	11.31%

**Table 6: Minority Spend by the Fifteen Reporting Signatories**

A total of \$32.34 million was spent to procure goods and services from SDVOEs. Verizon reported both the highest share of won DSP and highest share of total SDVOE amount for 2016.

Companies	SDVOE as a Share of Own DSP	Share of Total Reported SDVOE for 2016
Verizon	37.93%	62.97%
WGL	3.42%	16.59%
BGE	1.67%	12.18%
AT&T	3.63%	2.26%
Comcast	1.00%	1.92%

Companies	SDVOE as a Share of Own DSP	Share of Total Reported SDVOE for 2016
Verizon	37.93%	62.97%
PE	4.65%	1.80%
AT&T	3.63%	2.26%
WGL	3.42%	16.59%
SMECO	2.85%	0.82%



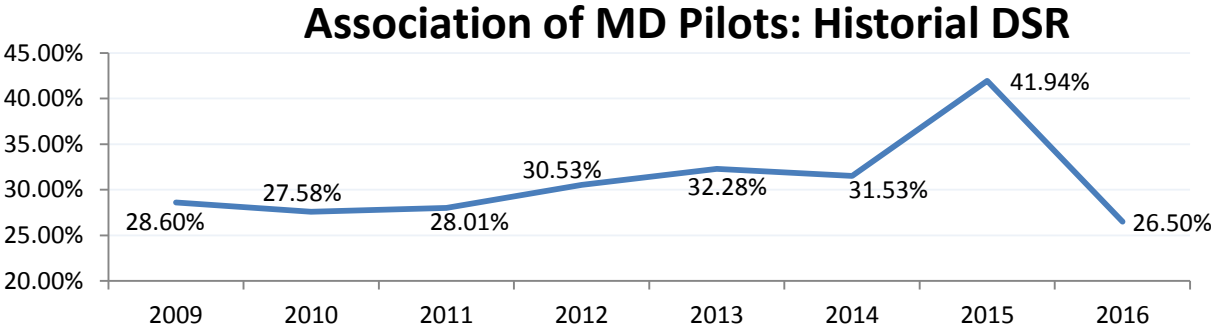
**IV. Company Level Summary:**

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.<sup>10</sup>

**Association of Maryland Pilots:**

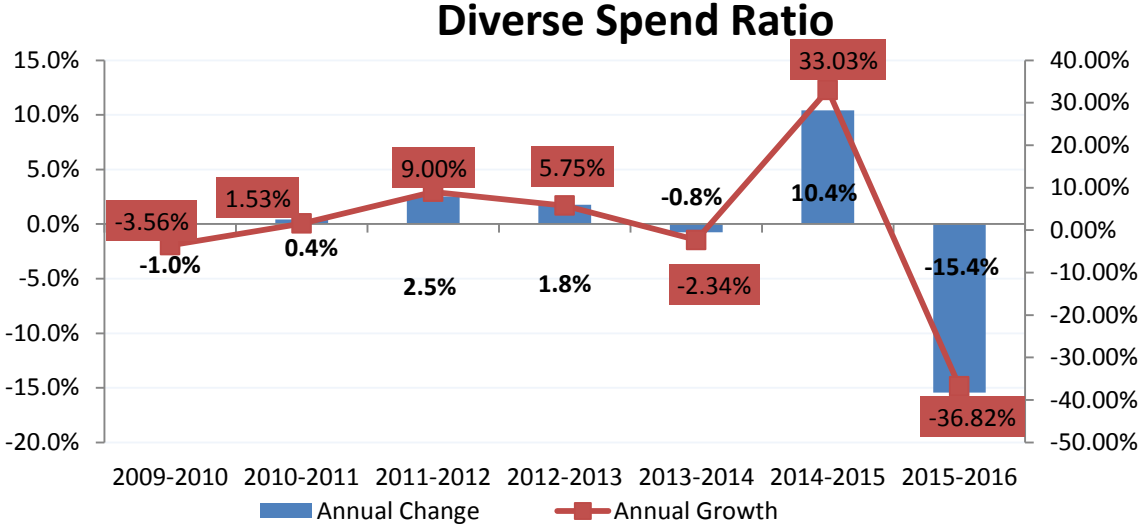
Since 2009 the Association of Maryland Pilots (the “Pilots”) has filed annual reports each year. Graph 2 demonstrates how the Pilots’ DSR has evolved over this period of time, while Graph 3 illustrates the changes in annual DSR over the past eight years. Graph 3 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, the Pilots spent \$286,000 on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, the Pilots rank 2<sup>nd</sup> in DSR. The Pilots’ DSR grew at an annual rate of 0.94 percent per year over the past eight years. This low growth rate is due to the sharp decrease in DSR when compared to the previous year. Despite this, the Pilots still have the second highest DSR for the 2016 reporting year. The Pilots are the only company to have consistently surpassed a DSR of 25 percent every year.

**Graph 2: Association of MD Pilots Historical Spend Ratio**



<sup>10</sup> For more information on development and purpose of the NAICS codes, please see <http://www.census.gov/eos/www/naics/faqs/faqs.html>.

**Graph 3: The Pilots’ Annual Change and Annual Growth Rate in DSR**



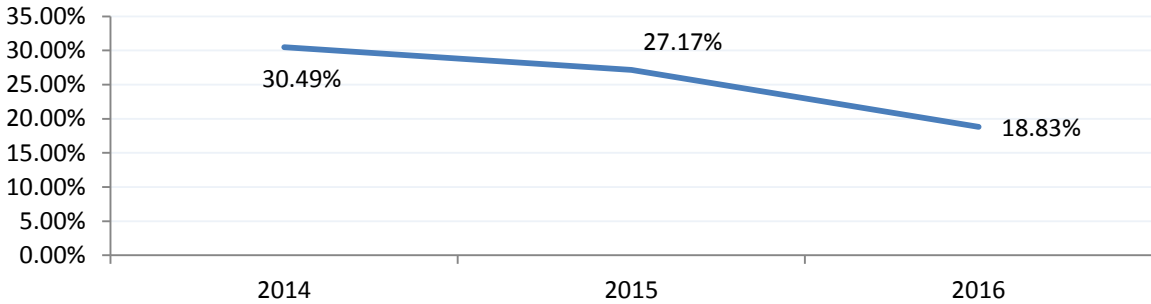
The Pilots contracted with ten different contractors; five of these companies are self-certified<sup>11</sup>. The largest category of Spend is “land transportation” with 42.29 percent. African American businesses received 65.58 percent of the Pilots’ MOE Spend.

**AT&T Corporation:**

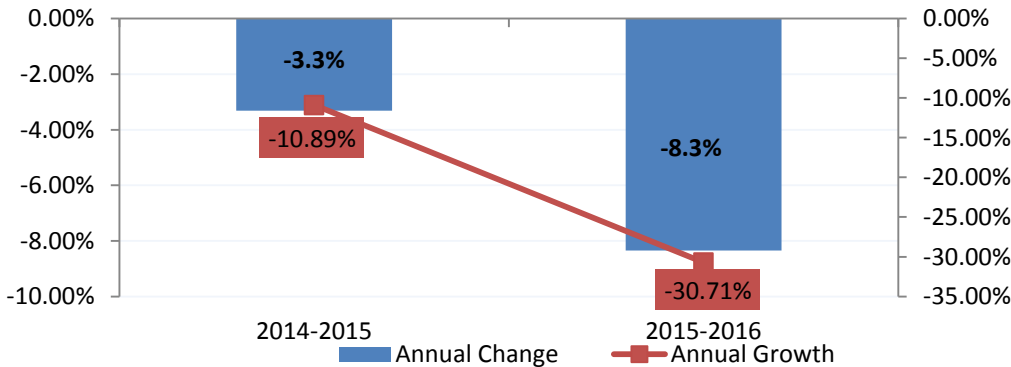
AT&T Corporation (“AT&T” or “Corporation”) filed its third annual report and annual plan since the Company’s signing of the MOU in 2012. Graph 4 demonstrates how the Corporation’s DSR has evolved over this period of time, while Graph 5 illustrates the changes in annual DSR over the past ~~three~~ seven years. Graph 5 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, the Corporation spent \$20.16 million on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, the AT&T ranks 7<sup>th</sup> in DSR. The Corporation’s DSR grew at an annual rate of 25.50 percent per year over the past three years.

<sup>11</sup> 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.

**Graph 4: AT&T Corporation Historical Spend Ratio**



**Graph 5: AT&T Corporation Annual Change and Annual Growth Rate in DSR**



The largest category of goods and services procured by AT&T from Diverse Suppliers was in the “Broadcasting Companies, Television” sector<sup>12</sup>.

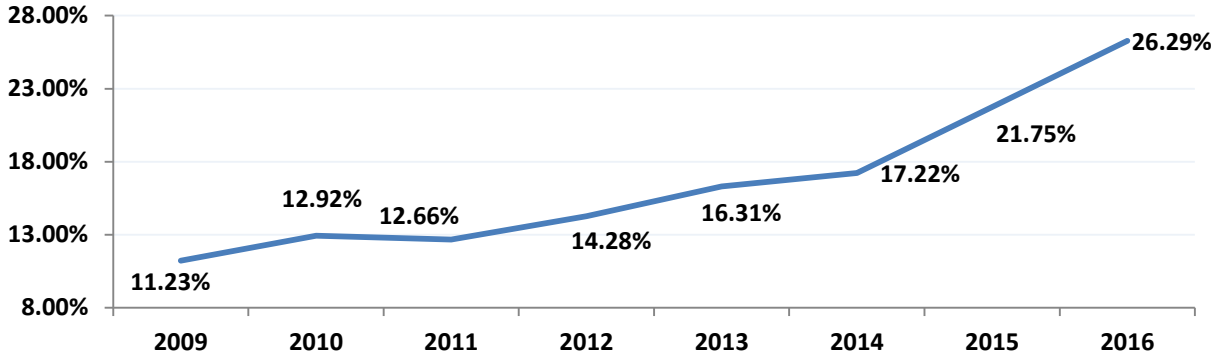
**Baltimore Gas and Electric, Inc.:**

Since 2009 Baltimore Gas and Electric (the “Company” or “BGE”) has filed annual reports each year. BGE is one of seven Signatories that have filed annual reports since the signing of the MOU in 2009. Graph 6 below demonstrates how BGE’s DSR has evolved over this period of time, while Graph 7 illustrates the changes in annual DSR over the past eight years. Graph 7 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, BGE spent \$235.19 million on procurement of goods and services with Diverse Suppliers<sup>13</sup>. Among all of the Signatories that filed their annual report for 2016, BGE ranks 3<sup>rd</sup> ~~4<sup>th</sup>~~ in DSR. The Company’s DSR annual growth averages 15.20 ~~1.98~~ percent per year over the past eight years.

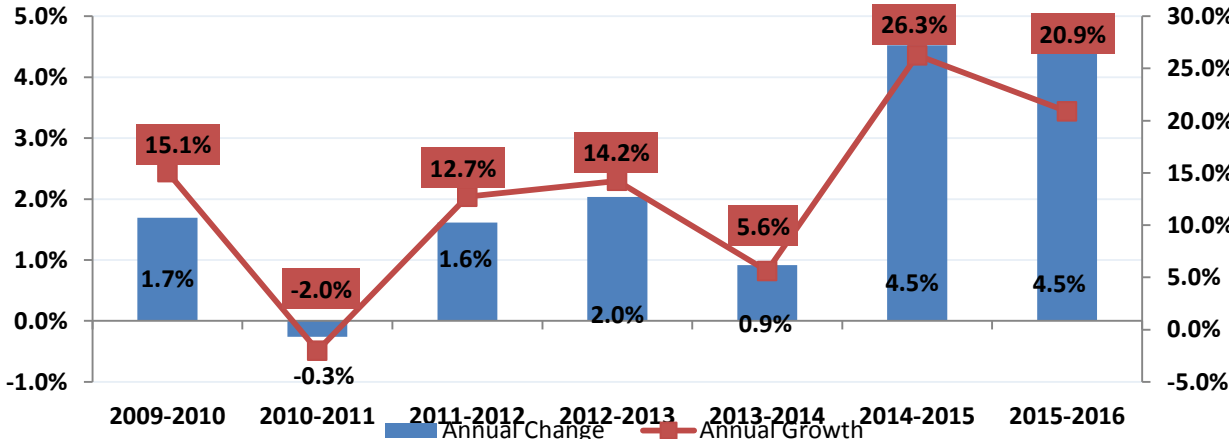
<sup>12</sup> Last year AT&T chose to keep Company specific data outlining detailed Spend breakdown confidential.

<sup>13</sup> This amount excludes \$21.50 million in gas purchases; ~~this would have resulted in a DSR of 25.91.~~

**Graph 6: Baltimore Gas and Energy Historical Spend Ratio**



**Graph 7: BGE’s Annual Change and Annual Growth Rate in Spend Ratio**



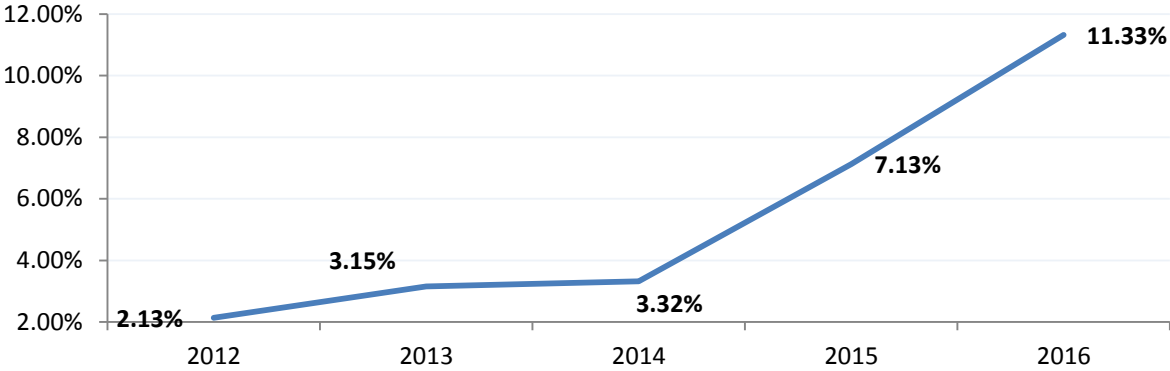
BGE contracted with 365 companies (Tier 1 and Tier 2 combined). All these contractors are third-party certified. The largest category of Spend is “Professional, Scientific & Technical Services” with 23.65 percent.

**Chesapeake Utilities:**

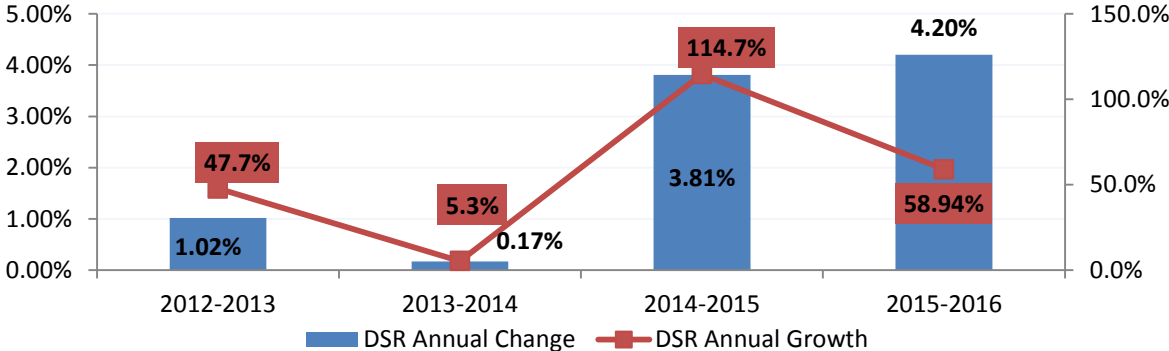
Since 2012 Chesapeake (the “Chesapeake”) has filed annual reports each year. Graph 8 demonstrates how the Chesapeake’s DSR has evolved over this period of time, while Graph 9 illustrates the changes in annual DSR over the past eight years. Graph 9 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, Chesapeake spent \$1.11 million on procurement of goods and

services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, Chesapeake ranks 12<sup>th</sup> in DSR. Chesapeake’s DSR grew at an annual rate of 56.678.94 percent per year over the past five years.

**Graph 8: Chesapeake Utilities’ Historical Spend Ratio**



**Graph 9: Chesapeake’s Annual Change and Annual Growth Rate in Spend Ratio**

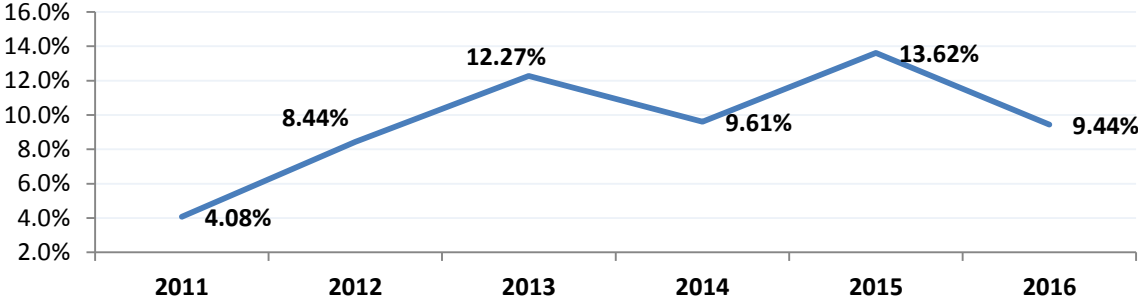


Chesapeake contracted with 9 different contractors; five of these companies are self-certified.

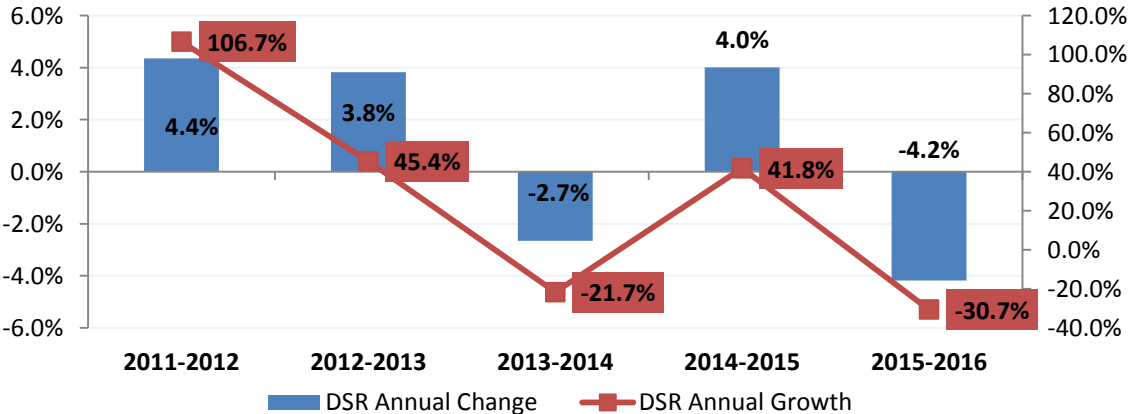
**Choptank Electric Cooperative:**

Since 2011 Choptank Electric Cooperative (the “Cooperative” or “Choptank”) has filed annual reports each year. Graph 10 demonstrates how the Choptank’ DSR has evolved over this period of time, while Graph 11 illustrates the changes in annual DSR over the past eight years. Graph 11 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, Choptank spent \$2.25 million on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, Choptank ranks 15<sup>th</sup> in DSR. The Cooperative’ DSR grew at an annual rate of 28.29 percent per year over the past five years.

**Graph 10: Choptank Electric Cooperative’s Historical Spend Ratio**



**Graph 11: Choptank’s Annual Change in DSR and Annual Growth Rate in DSR**

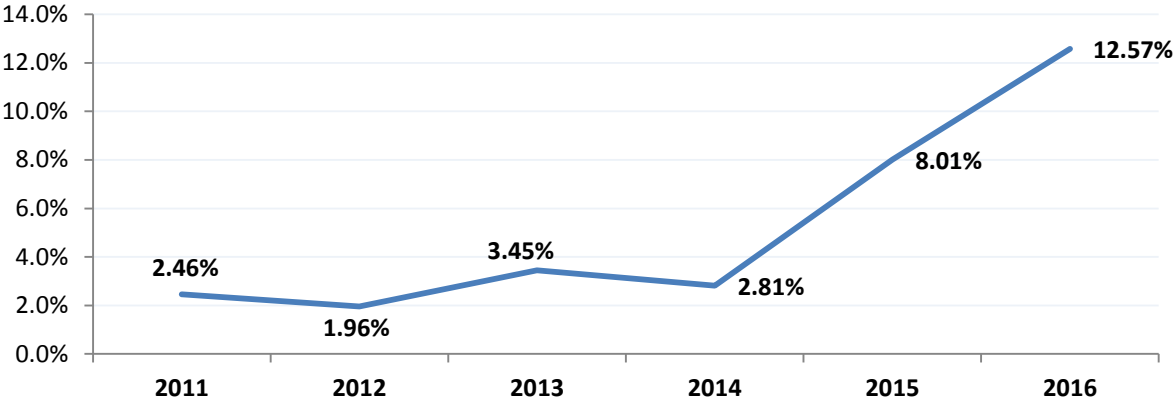


The Cooperative contracted with 30 different contractors; five of these companies are self-certified. The largest category of Spend is “Merchant Wholesalers, Durable Goods” with 32.15 percent.

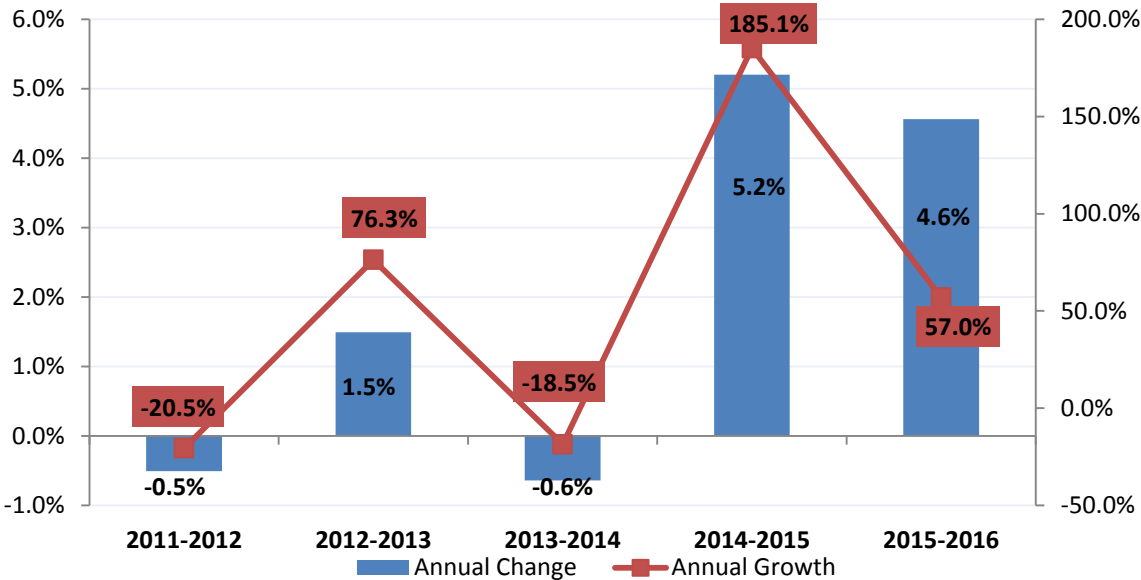
**Columbia Gas of Maryland, Inc.:**

Since 2011 Columbia Gas of Maryland (“Columbia” or “Company”) has filed annual reports each year. Graph 12 demonstrates how Columbia’s DSR has evolved over this period of time, while Graph 13 illustrates the changes in annual DSR over the past five years. Graph 13 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, the Company spent \$1.73 million on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, Columbia ranks 10<sup>th</sup> in DSR. Columbia’s DSR grew at an annual rate of ~~55.85~~37.47 percent per year over the past five years. This high growth rate is due to a sharp increase in DSR in both 2015 and 2016.

**Graph 12: Columbia Gas of Maryland Historical Spend Ratio**



**Graph 13: Columbia’s Annual Change in DSR and Annual Growth Rate in DSR**



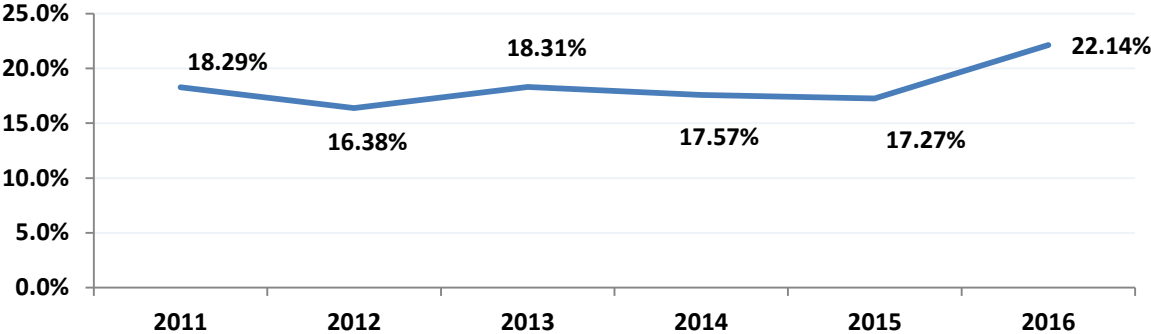
The Company contracted with nine different contractors; three of these companies are self-certified. The largest category of Spend is “Heavy and Civil Engineering Construction” with 36.68 percent.

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

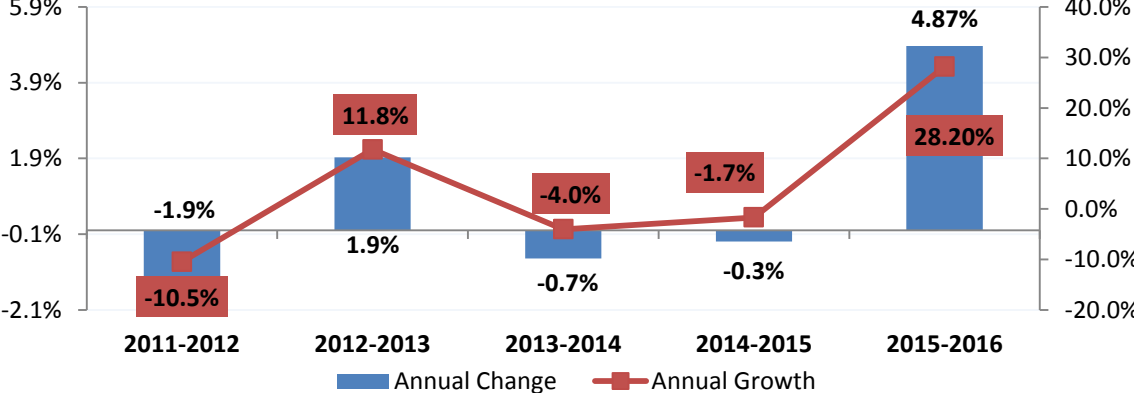
Since 2011 Comcast Phone of Northern Maryland Inc. and Comcast Business Communications, LLC (“Comcast” or “Company”) has filed annual reports each year. Graph 14 demonstrates how Comcast’s DSR has evolved over this period of time, while Graph 15 illustrates the changes in annual DSR over the past five years. Graph 15 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the

previous year. In 2016, the Company spent \$62.19 million on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, the Comcast ranks 5<sup>th</sup> in DSR. The Company’s DSR grew at an annual rate of 4.76 percent per year over the past five years. This growth rate is due to a 28.20 percent increase in DSR when compared to the previous year.

**Graph 14: Comcast Historical Spend Ratio**



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



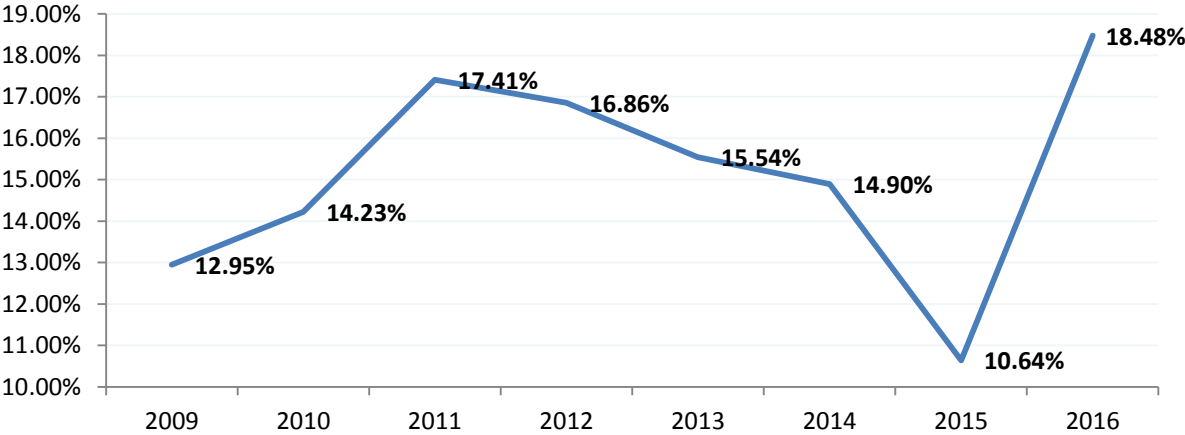
The Company did not provide a breakdown of its Diverse Spends by NAICS codes or by vendors in their 2016 reports.

**Delmarva Power & Light Company:**

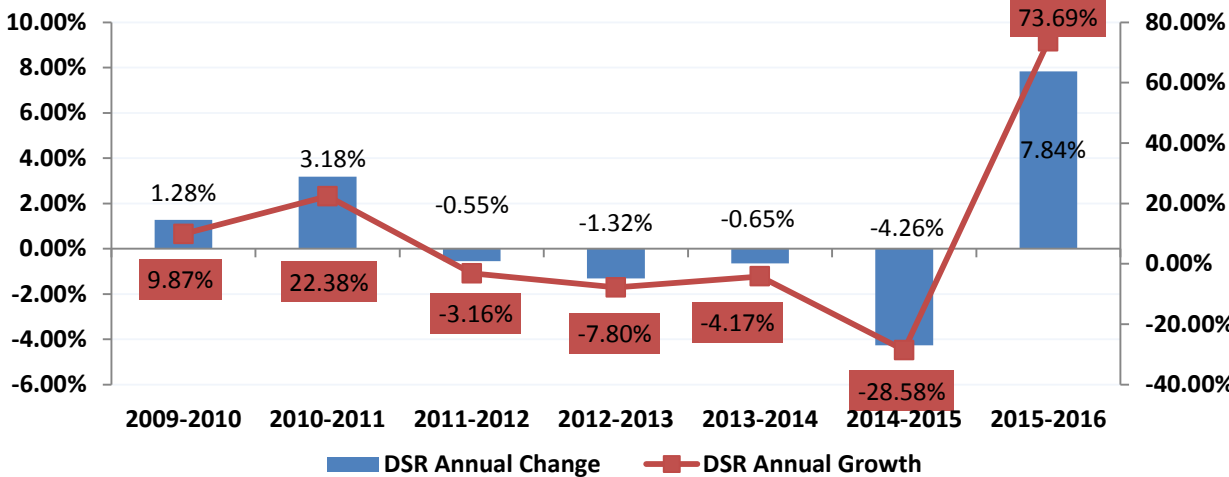
Since 2009 Delmarva Power & Light Company (“Delmarva” or “Company”) has filed annual reports each year. Graph 16 demonstrates how the Delmarva’ DSR has evolved over this period of time, while Graph 17 illustrates the changes in annual DSR over the past eight years. Graph 17 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, the Company spent \$49.60 million on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, Delmarva ranks 8<sup>th</sup> in DSR. The Company’s DSR grew at an annual rate of 8.89 percent per year over the past eight years. This average growth rate is due to a 73.69 percent increase in DSR when compared to the previous year.



**Graph 16: Delmarva Historical Spend Ratio**



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

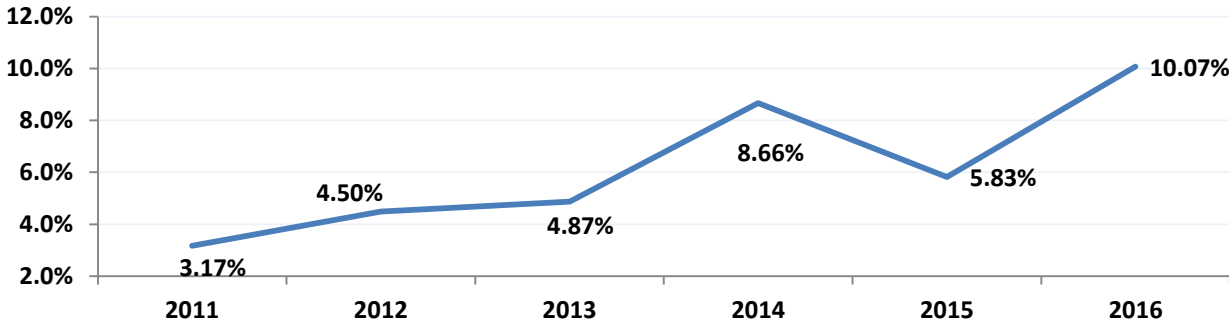


Delmarva contracted with 160 different contractors (Tier 1 and Tier 2 combined); none of these companies is self-certified. The largest category of Spend is “Heavy and Civil Engineering Construction” with 36.03 percent.

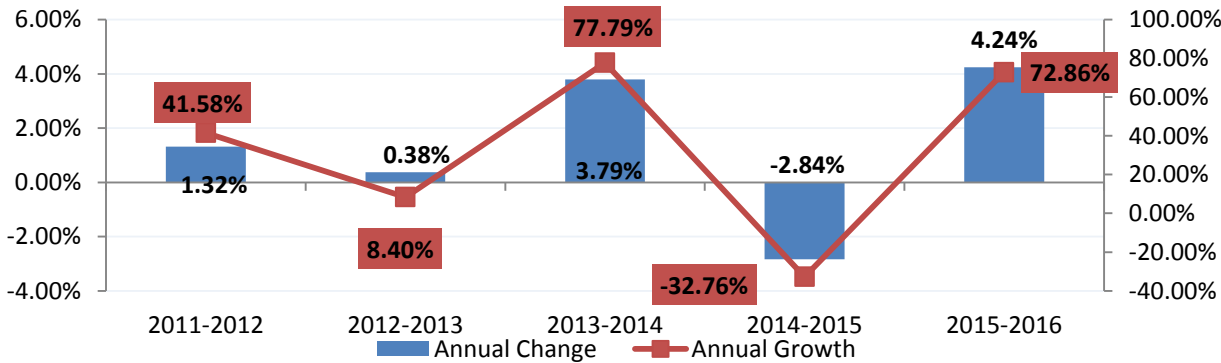
**Easton Utilities:**

Since 2011 Easton Utilities (“Easton” or “Municipal”) has filed annual reports each year. Graph 18 demonstrates how the Easton’s DSR has evolved over this period of time, while Graph 19 illustrates the changes in annual DSR over the past eight years. Graph 19 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, the Municipal spent \$587,000 on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, Easton ranks 13th in DSR. The Municipal’s DSR grew at an annual rate of 33.58 percent per year over the past eight years. This average growth rate is due to a 72.86 percent increase in DSR when compared to the previous year.

**Graph 18: Easton Utilities Historical Spend Ratio**



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

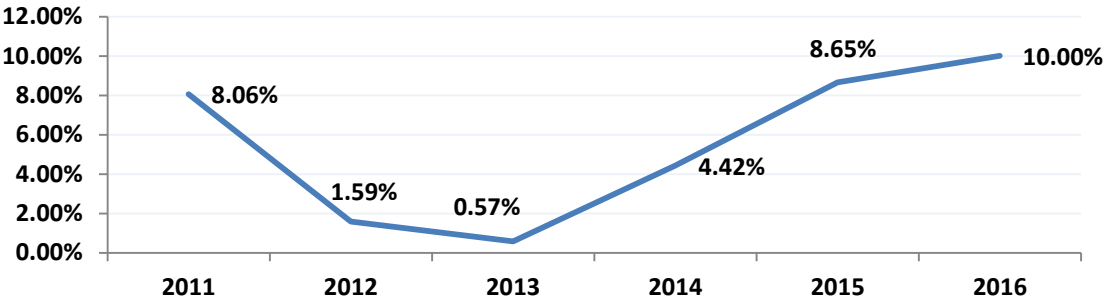


The Company transacted with a total of 23 Diverse Suppliers. Diverse Suppliers providing “Electrical Equipment, Appliance, and Component Manufacturing” received 76.59 percent of Easton’s total DSP.

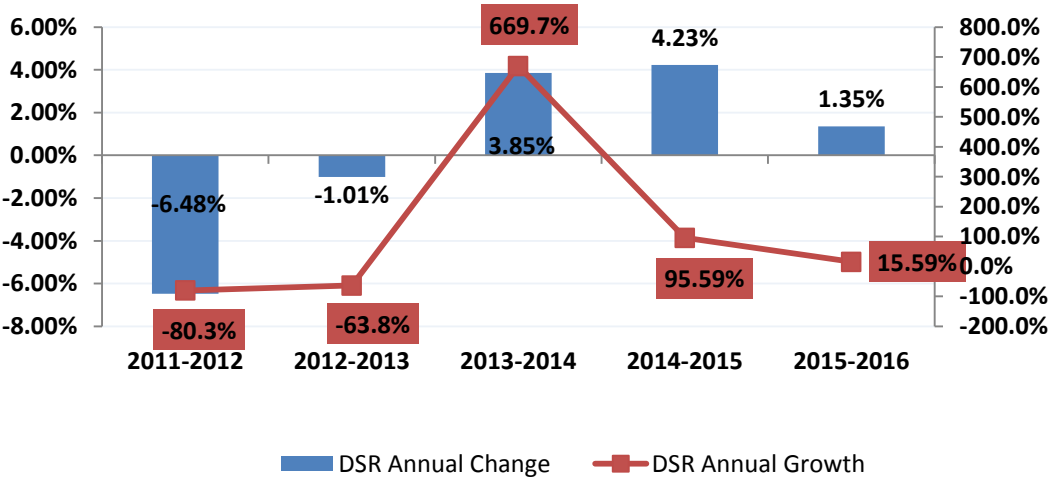
**Pivotal Utility Holdings, Inc. d/b/a Elkton Gas:**

Since 2011 Pivotal Utility Holdings, Inc. d/b/a Elkton Gas (“Elkton” or “Company”) has filed annual reports each year. Graph 20 demonstrates how Elkton’s DSR has evolved over this period of time, while Graph 21 illustrates the changes in annual DSR over the past five years. Graph 21 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, Elkton spent \$133,000 on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, Elkton ranks 14th in DSR. Elkton’s DSR grew at an annual rate of 127.36 percent per year over the past five years. This average growth rate is due to large changes in DSR over the past three years.

**Graph 20: Pivotal Utility Holdings Historical Spend Ratio**



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

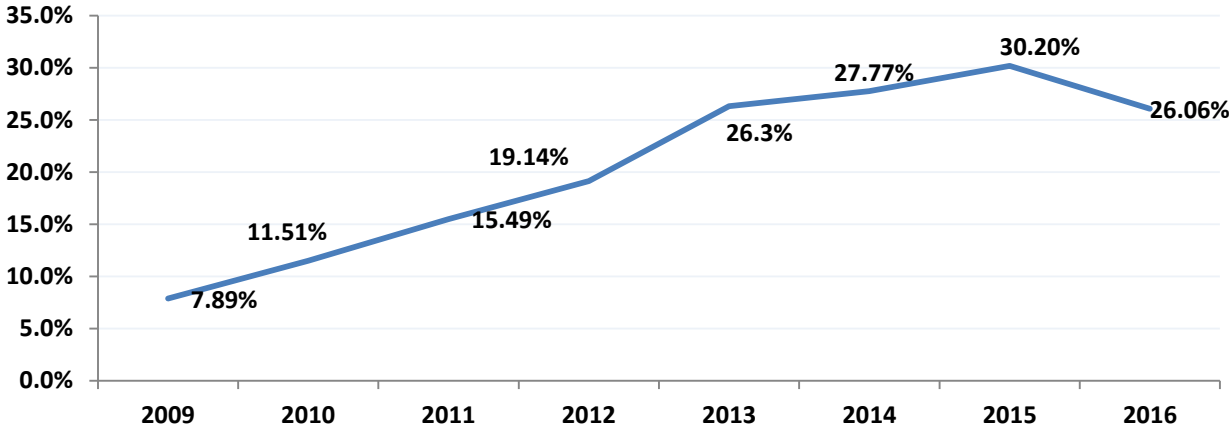


Elkton contracted with over 40 different contractors. They are all third-party certified. The largest category of Spend is “Commercial and Institutional Building Construction” with 75.44 percent.

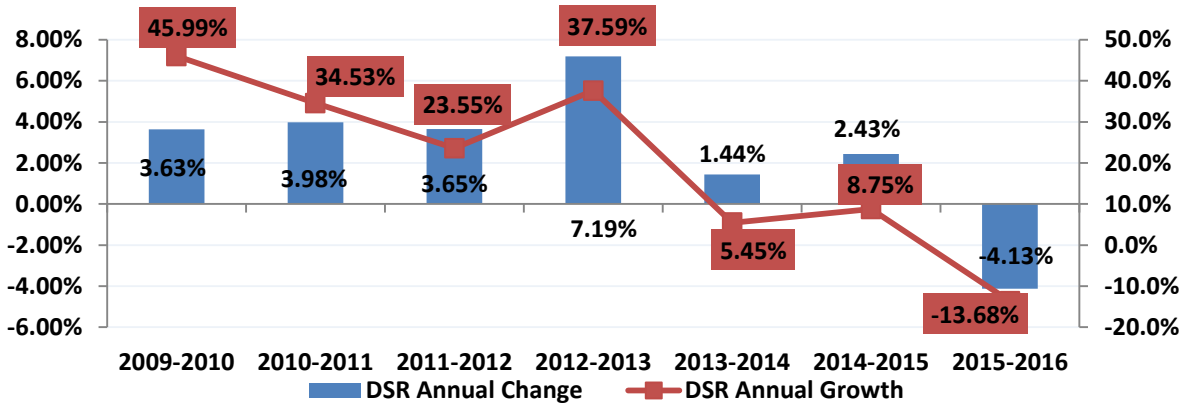
**The Potomac Edison Company:**

Since 2009 the Potomac Edison Company (“PE” or the “Company”) has filed annual reports each year. Graph 22 demonstrates how PE’s DSR has evolved over this period of time, while Graph 23 illustrates the changes in annual DSR over the past eight years. Graph 23 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, PE spent \$12.50 million on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, PE ranks [4th<sup>3rd</sup>](#) in DSR. PE’s DSR grew at an annual rate of 20.31 percent per year over the past eight years. This average growth rate is despite a 13.68 percent decrease from the previous reporting period.

**Graph 22: The Potomac Edison Company Historical Spend Ratio**



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

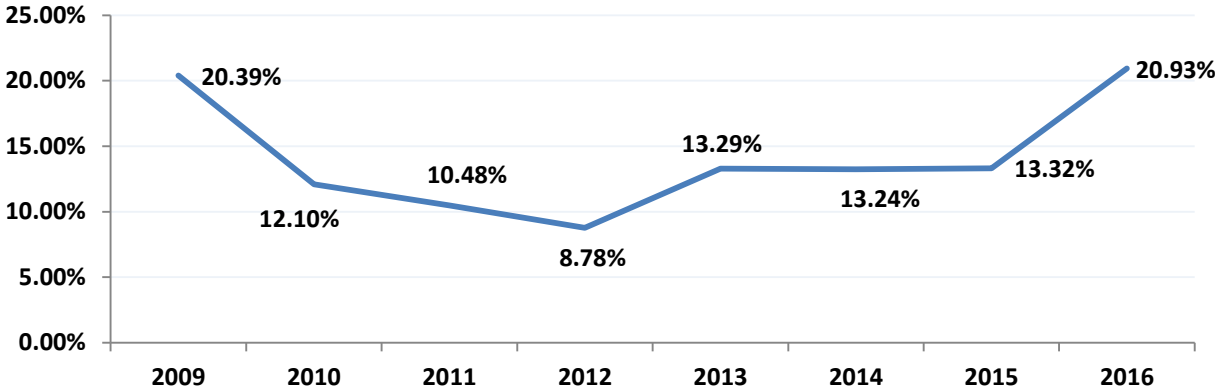


PE contracted with 39 different contractors; twelve of these companies are self-certified. The largest category of Spend is “Administrative and Support Services” with 36.53 percent.

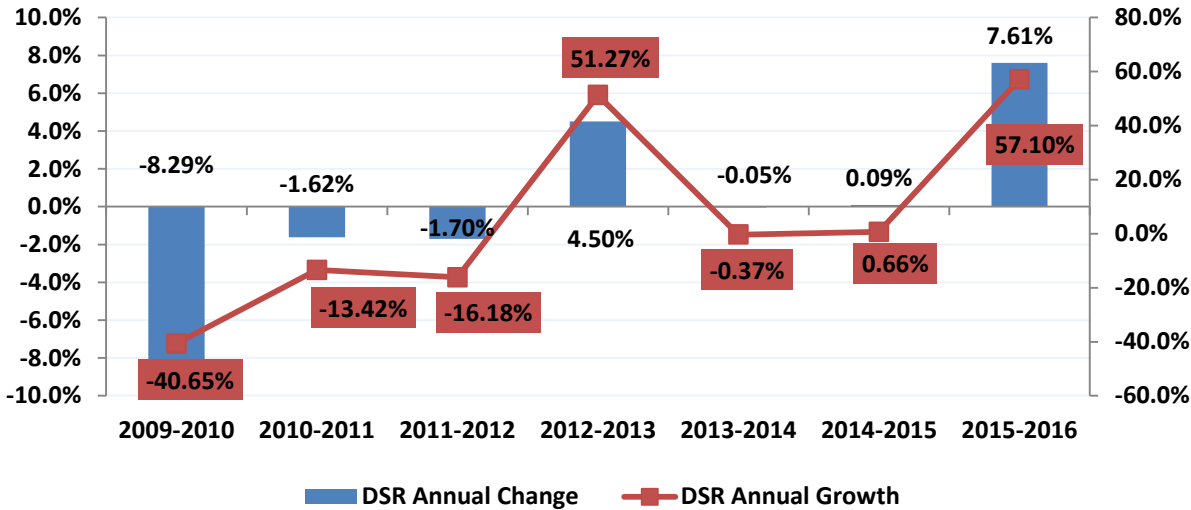
**Potomac Electric Power Company:**

Since 2009 the Potomac Electric Power Company (“Pepco” or “Company”) has filed annual reports each year. Graph 23 demonstrates how Pepco’s DSR has evolved over this period of time, while Graph 24 illustrates the changes in annual DSR over the past eight years. Graph 24 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, Pepco spent \$93.40 million on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, Pepco ranks 6<sup>th</sup> in DSR. Pepco’s DSR grew at an annual rate of 14.07 percent per year over the past eight years.

**Graph 23: The Potomac Electric Power Company Historical Spend Ratio**



**Graph 24: Pepco’s Annual Change in DSR and Annual Growth Rate of DSR**



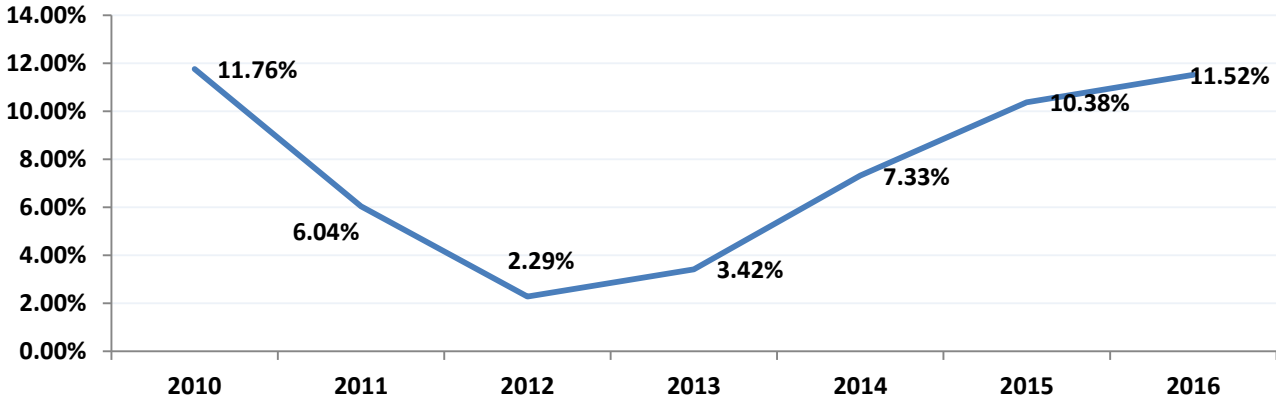
Pepco contracted with 182 contractors (both Tier I and Tier II companies); none of these companies is self-certified. The largest category of Spend is “Heavy and Civil Engineering Construction” with 38.50 percent.

**Southern Maryland Electric Cooperative, Inc.:**

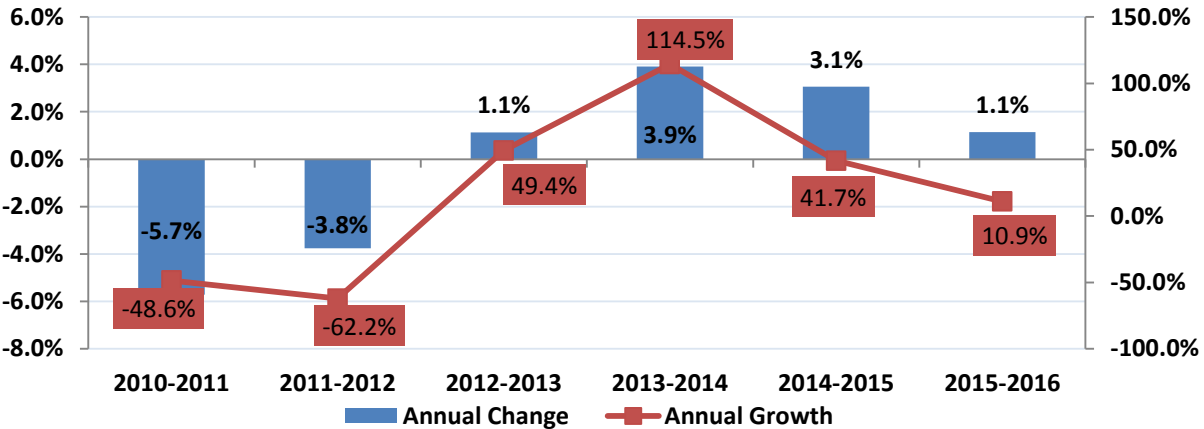
Since 2010 Southern Maryland Electric Cooperative, Inc. (“SMECO” or “Cooperative”) has filed annual reports each year. Graph 25 demonstrates how SME’s DSR has evolved over this period of time, while Graph 26 illustrates the changes in annual DSR over the past six years. Graph 26 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, SMECO spent \$9.28 million

on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, Smeco ranks 11<sup>th</sup> in DSR. SMECO’s DSR grew at an annual rate of 17.62 percent per year over the past six years.

**Graph 25: Southern Maryland Electric Cooperative Historical Spend Ratio**



**Graph 26: SMECO’s Annual Change in DSR and Annual Growth Rate of DSR**



SMECO contracted with 101 contractors (both Tier I and Tier II companies). The largest share of the Cooperative’s DSP was transacted with Tier II contractors.

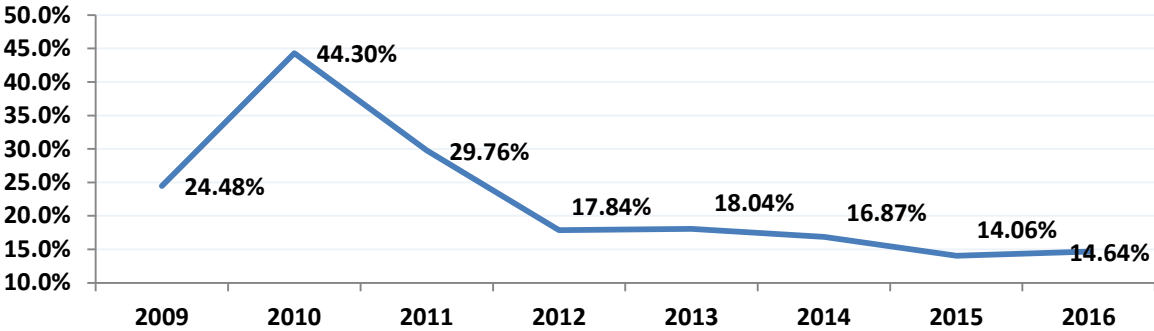
**Verizon Maryland, LLC<sup>14</sup>:**

Since 2009 Verizon Maryland, LLC (“Verizon” or “Company”) has filed annual reports each year. Graph 27 demonstrates how Verizon’s DSR has evolved over this period of time, while Graph 28 illustrates the changes in annual DSR over the past eight years. Graph 28 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, Verizon spent \$53.70 million on procurement of goods

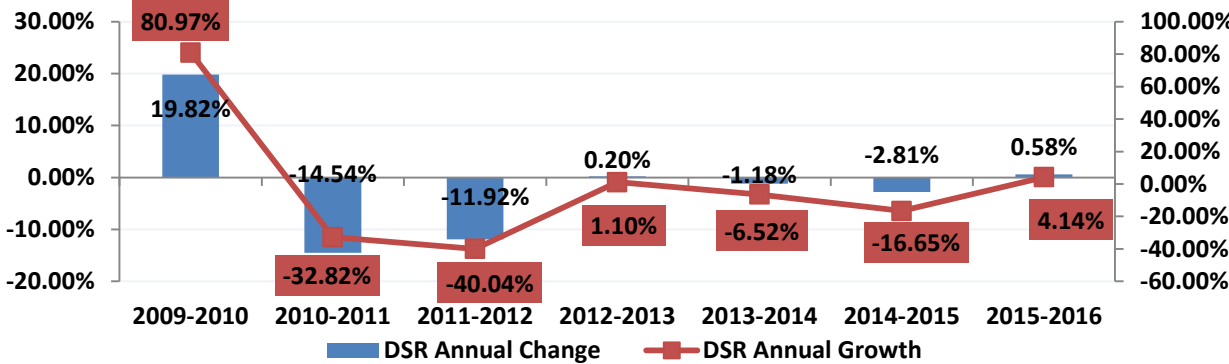
<sup>14</sup> The Company did not provide a breakdown of its Diverse Spend by NAICS.

and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, Verizon ranks 9<sup>th</sup> in DSR. Verizon’s DSR contracted at an average annual rate of 1.40 percent per year over the past six years.

**Graph 27: Verizon Maryland, LLC Historical Spend Ratio**



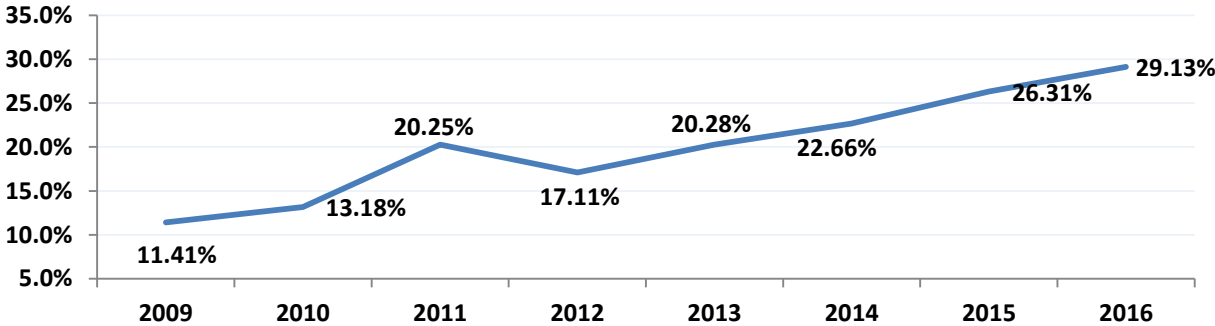
**Graph 28: Verizon’s Annual Change in DSR and Annual Growth Rate of DSR**



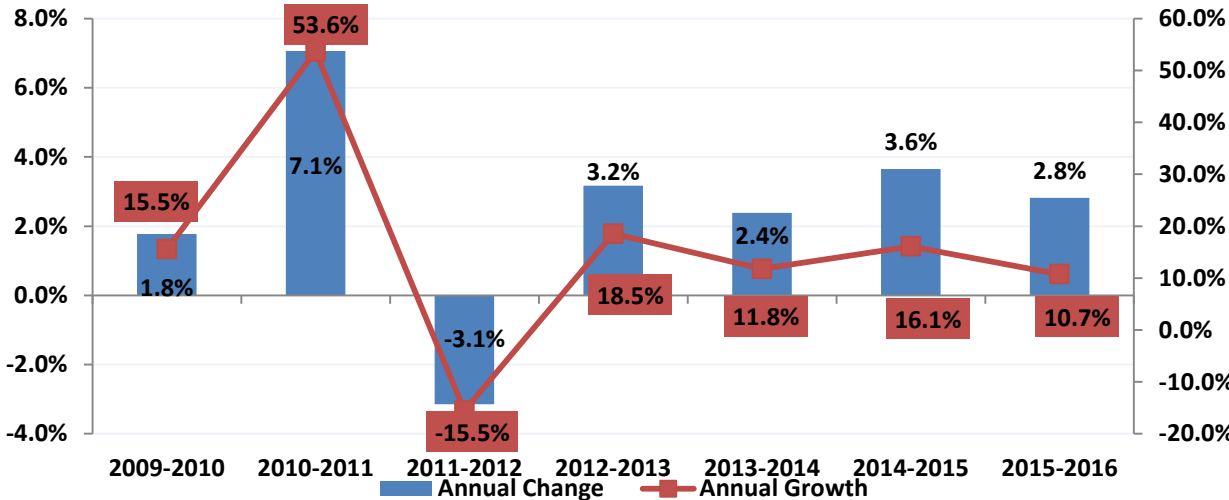
**Washington Gas Light Company:**

Since 2009 Washington Gas Light (“WGL” or “Company”) has filed annual reports each year. Graph 29 demonstrates how WGL’s DSR has evolved over this period of time, while Graph 30 illustrates the changes in annual DSR over the past eight years. Graph 30 shows a set of two measurement markers; the blue bars indicate changes in DSR from the previous year, while the red line compares the change illustrated by the blue bars in comparison to the change in DSR from the previous year. In 2016, WGL spent \$156.66 million on procurement of goods and services with Diverse Suppliers. Among all of the Signatories that filed their annual report for 2016, WGL ranks 1<sup>st</sup> in DSR. WGL’s DSR has increased steadily since 2012 and has been the most consistent of all the companies in its efforts to meet and exceed the aspirational goal of 25 percent.

**Graph 29: Washington Gas and Light Company Historical Spend Ratio**



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



WGL contracted with 45 contractors; none of these companies is self-certified. The largest category of Spend is “Specialty Trade Contractors” with 61.06 percent.



## V. Conclusions:

Fifteen of nineteen Signatories filed their 2016 Supplier Diversity Report with the Commission. This year the Signatories have made great strides towards reaching the 25 percent aspirational goal. Total Diverse Spend increased by \$131.3 million compared to the previous reporting year, 2015. The program's DSR increased by ~~4.56~~<sup>3.88</sup> points above the DSR for 2015; this represents a ~~25.24~~<sup>1.46</sup> percent increase from the previous year. Overall DSR averaged 16.8~~90~~ percent per year over the period 2009-2016 and grew at an average annual rate of 6.~~75~~<sup>21</sup> percent over the same period of time. The Signatories continue to improve on reporting more detailed data which will continue to facilitate better understanding of the program through more detailed analysis. Most of the Signatories that provided their annual reports for 2016 reported growing DSRs and rising Diverse Procurement Spend.

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 provide more in depth analysis of the performance of the Program and its progression towards the aspirational goal set in the MOU. Staff believes that more complete reporting will help discover the areas where performance can be improved as the program moves closer to the aspirational goal.

Finally, in Case No. 9431 the Commission, in Order No. 88192 (May 11, 2017), approved two offshore wind energy project applications filed by U.S. Wind, Inc., and Skipjack Offshore Energy, LLC. Conditions to the approval require the applicants to develop, after consulting with the Governor's Office of Minority Affairs and Office of the Attorney General, a plan for setting reasonable and appropriate goals for MBE participation goals in each phase of the project with appropriate reports filed with the Commission.

## 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 DSP 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** = 
$$\frac{\textit{Sum of annual growth over the period}}{\textit{Number of years in the period}}$$