

Before The Maryland Public Service Commission

Administrative Docket PC16

**The Commission Staff's Summary of the
2017 Maryland Supplier Diversity Program
Annual Reporting**

July 11, 2018



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I. Executive Summary:

This report summarizes the data collected as part of the Supplier Diversity Program instituted by the Maryland Public Service Commission. For 2017, 15 of the 19 signatories of the Model Utility Supplier Diversity Memorandum of Understanding (“MOU”) filed their Supplier Diversity reports. 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 averaged \$694 million over the past three reporting years while total utility procurement averaged \$3.17 billion over the same period. The average annual growth in diverse spend over the period 2015-2017 is 13.32 percent. Total procurement spend by the reporting signatories declined at an annual rate of 0.35 percent over the past three years. This year, diverse spend ratio (“DSR”), the key metric that the program seeks to track, increased to 24.84¹ percent; DSR grew by 9.69 percent from the previous reporting year². The average annual growth in DSR since 2015 is 7.12 percent.

II. Introduction:

The Commission hosts an annual hearing on Public Conference 16 (“PC16”) 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 Section 20.08.01.05B of the Code of Maryland Regulations (“COMAR”) and the MOU between the Public Service Commission and these utilities (including investor-owned utilities, cooperatives, telecommunications, and

¹ This figure excludes gas purchases as reported by Baltimore Gas and Electric Company.

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

transportation companies). MOU requirements include the filing of annual reports and annual plans, with the Commission, by each MOU signatory. The Staff of the Public Service Commission 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 to the MOU³:

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

III. Summary of the 2017 Report:

This year, 15 signatories filed their 2017 Maryland Supplier Diversity Program annual reports.

They spent a combined \$817.21 million in procurement of goods and services from diverse

³ The signatories shown in red, CenturyLink, First Transit BWI Airport, Veolia, and XO Communications, did not provide their reports for 2015-2017.

⁴ As noted in Staff’s 2016 report, XO Communications has withdrawn from the Supplier Diversity Program.

suppliers, while they reported \$3.29 billion in total utility procurement. As a result, the DSR is 24.84 percent, the highest recorded DSR. DSR is derived by dividing total diverse supplier procurement by total utility procurement. Table 1 shows the amounts of total diverse spend for the past two reported years, 2016 and 2017⁵.

Table 1: Total Diverse Spend for 2016 and 2017

Total Spend for 2016 and 2017	
Report Year	Amount (Millions of Dollars)
2016	\$698.76
2017	\$817.21

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 received \$504.55 million, WOE received \$273.23 million, SDVE received \$39.42 million, and NFPW received \$110,000. Table 2 represents the breakdown of the four categories of diverse spend into which diverse spend procurement is subdivided.

Table 2: Total Diverse Spend for 2017

Categories	Share of DSP
Spends With Minorities	61.74%
Spends With Women	33.43%
Spend with SDVOE	4.82%
Spend with NFPW	0.001%

⁵ Total procurement reported by the signatories for 2017 has increased 7.6 percent, from \$3.1 billion to \$3.2 billion.

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 2017 reporting year, six of the 15 companies filing their Maryland Supplier Diversity Program Annual Report with the Commission have met or exceeded the 25 percent ratio. Table 3 lists the six top performing companies along with their DSRs for 2017 in green.

Table 3: Top Six Signatories in DSR for 2017 Reporting Year

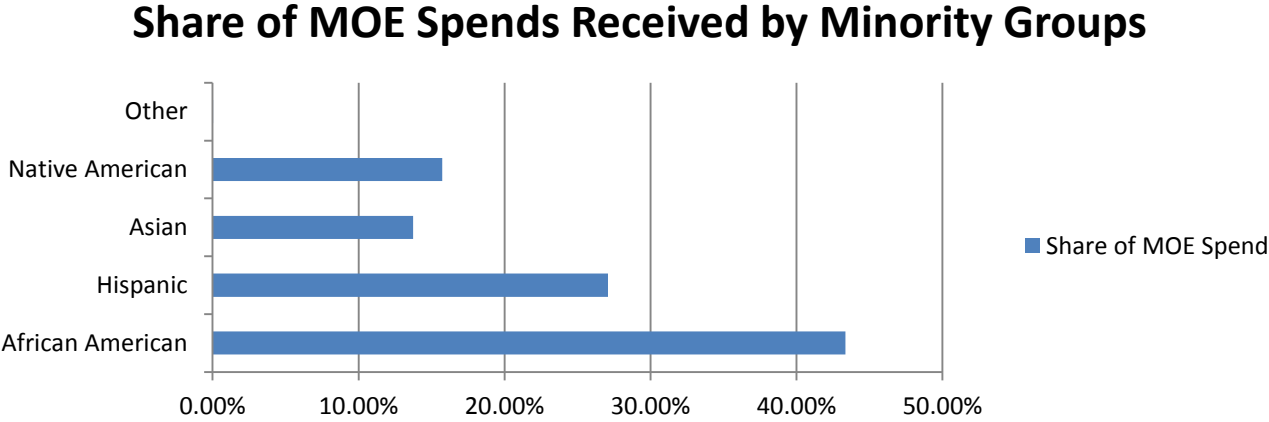
Diverse Spend Ratio for 2017	
Companies	DSR
Association of MD Pilots	39.54%
AT&T	26.75%
BGE	29.70%
Chesapeake Utilities	7.64%
Choptank	8.00%
Columbia Gas	14.83%
Comcast	26.71%
Delmarva	20.29%
Easton Utilities	4.78%
Elkton Gas	19.54%
PE	34.41%
Pepco	25.73%
SMECO	15.95%
Verizon	19.09%
WGL	23.96%
Total DSR for 2017	24.84%

Performance Cutoff	DSR
At or Above MOU Goal	Green
At or Above 9-Year Average, 17.77%, but Below MOU Goal	Yellow
Below 9-Year Average	Red

Minority-Owned Enterprises

The category MOE contains four major subgroups: African-American-owned businesses, American-Indian/Native-American-owned businesses, Asian-owned businesses and Hispanic-owned businesses. Fourteen of the 15 signatories that provided reports for 2017 broke down their MOE spends by ethnicity; African-American-owned businesses account for 43.35 percent of the total MOE spend⁶. Graph 1 breaks down the spend within the MOE category. These 14 companies transacted for \$504.44 million (or 62.55 percent of total diverse spend after excluding \$110,000) 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 2017



⁶ The total amount excludes \$110,000 of MOE spends that could not be readily broken down by ethnicity.

Procurement from Minority-Owned Enterprises

Table 4: Minority Spend by the 15 Reporting Signatories

Table 4 lists the top five companies spending the largest amount in procurement with minority-owned enterprises in 2017. Column 1 reports the company’s share of its own reported Diverse Supplier Procurement (“DSP”), while column 2 reports the company’s share of the total MOE spend. A total of \$504.55 million was spent to procure goods and services from MOEs. While Pepco has the highest ratio in this category, BGE reports the largest share⁷ of the \$530.7 million.

Companies	Share of Own DSP ⁸	Share of Total Reported MOE ⁹
Pepco	84.28%	25.02%
AT&T	68.60%	2.48%
WGL	67.18%	15.58%
Comcast	65.82%	13.33%
Easton	61.89%	0.02%

Table 5: Women-Owned Spend by the 15 Reporting Signatories

A total of \$273.23 million was spent to procure goods and services from women-owned enterprises. While Chesapeake Utilities, Choptank and Association of Maryland Pilots achieved the highest ratio of their own DSP spend within this category, BGE and Delmarva reported the highest spend ratio of the total DSP spend with WOE.

⁷ This figure excludes \$26.2 million in gas purchases.

⁸ This is based on each company’s share of reported diverse spend procurement

⁹ Each company’s share of the total MOE spend reported by all 15 companies or \$530.7 million.

Share of DSP with Women-Owned Enterprises		
Companies	WOE as a Share of Own DSP	Share of Total Reported WOE for 2017
BGE	42.41%	39.09%
Delmarva	52.23%	14.91%
WGL	32.35%	13.85%
Comcast	32.07%	11.99%
Pepco	15.48%	8.48%

Companies	WOE as a Share of Own DSP	Share of Total Reported WOE for 2017
Chesapeake Utilities	88.95%	0.32%
Choptank	86.13%	0.72%
Association of MD Pilots	79.09%	0.13%
Columbia Gas	70.11%	0.65%
PE	65.56%	3.32%
Delmarva	52.23%	14.91%

Table 6: Service Disabled Veteran-Owned Spend by the 15 Reporting Signatories

A total of \$39.42 million was spent to procure goods and services from SDVOEs. Verizon reported both the highest share of own DSP and highest share of total SDVOE amount for 2017.

Companies	SDVOE as a Share of Own DSP	Share of Total Reported SDVOE for 2017
Verizon	45.12%	75.39%
BGE	1.68%	12.07%
Comcast	2.11%	5.48%
SMECO	5.98%	2.10%
AT&T	3.66%	1.70%

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

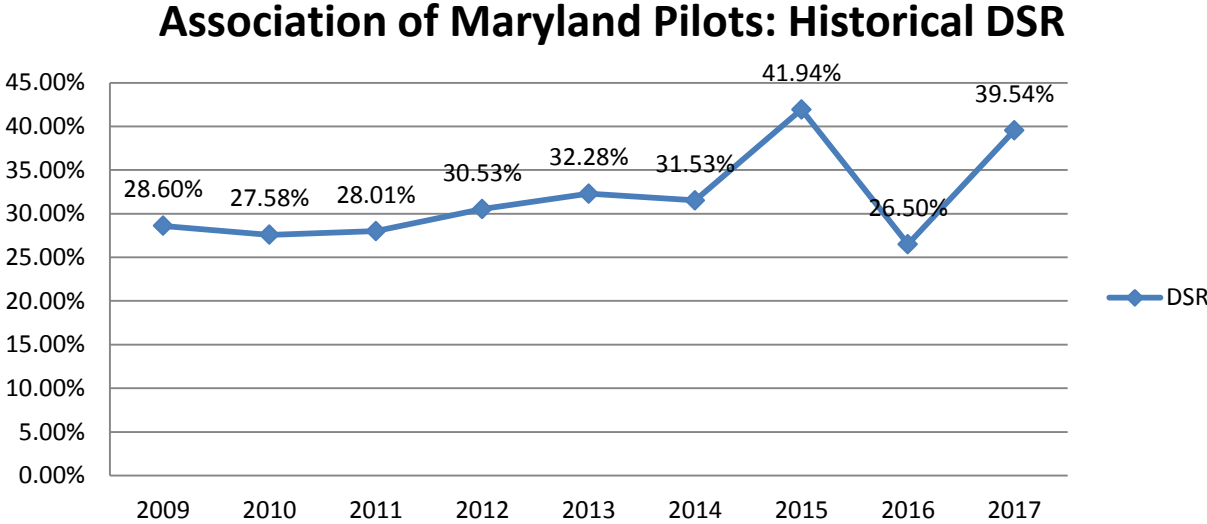
types of businesses and services in order to summarize and analyze statistical data describing the U.S. economy. Various agencies and organizations also use NAICS as a basis for their procurement programs, requiring that an NAICS code be provided for each good or service procured.¹⁰

Association of Maryland Pilots:

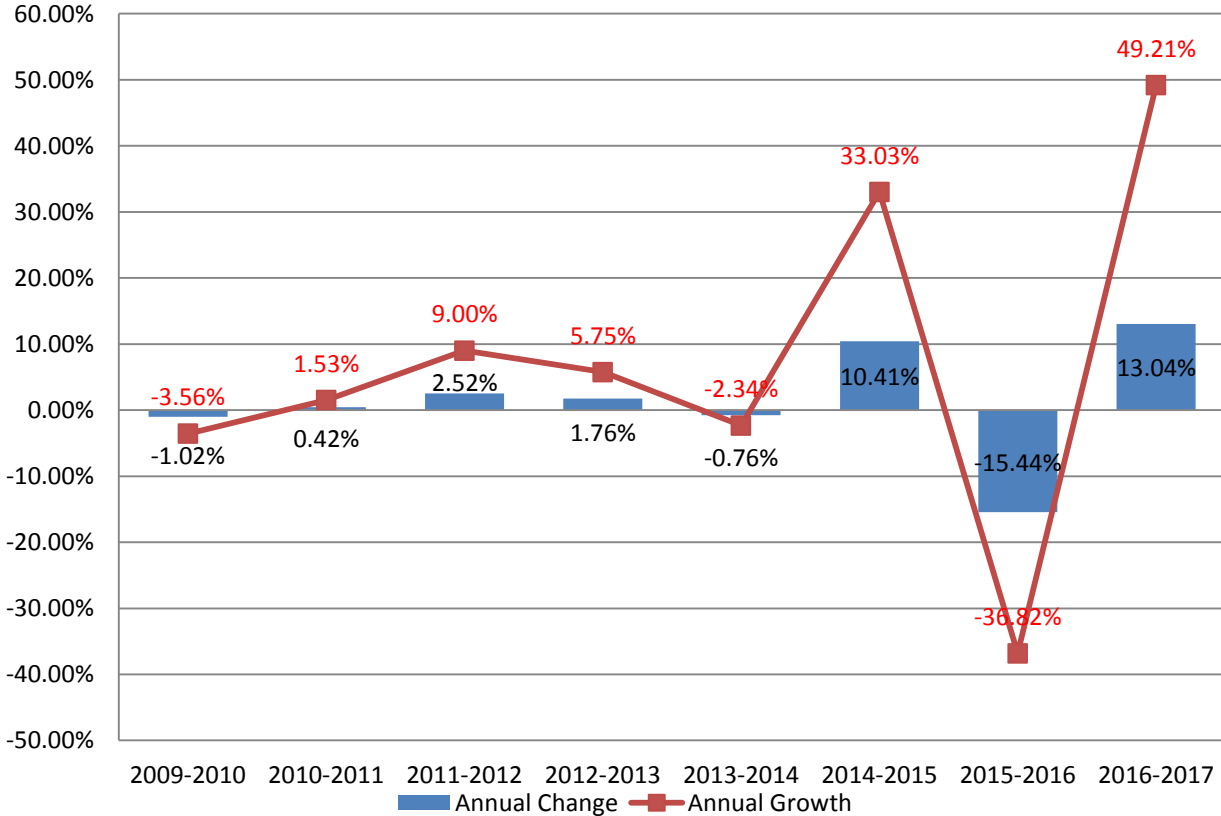
Since 2010, the Association of Maryland Pilots (“Pilots”) has filed annual reports every year. In 2017, the Pilots spent \$448,000 on procurement of goods and services with diverse suppliers. Women-owned businesses received 79.09 percent of the Pilots’ MOE spend. The Pilots’ diverse spend grew by 38.10 percent over the past nine years; this is due to a 57.12 percent increase in DSP from the previous reporting year. Among all of the 2017 signatory reports, the Pilots rank first in DSR and have an average DSR of 31.83. The Pilots’ DSR grew at an annual rate of 6.98 percent per year over the past nine years. Graph 2 demonstrates how the Pilots’ DSR has evolved over that same period while Graph 3 illustrates the changes in annual DSR over the past nine years.

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

Graph 2: Association of Maryland Pilots Historical Spend Ratio



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



In addition to having the highest DSR for 2017, with 39.54%, 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 nine years.

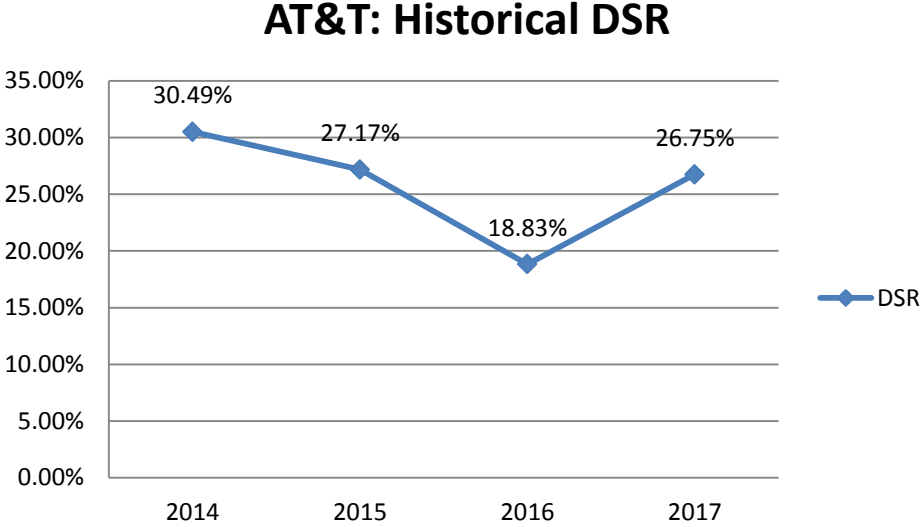
The Pilots contracted with 12 different contractors; five of them are reported to be contractors that are self-certified.¹¹ The largest category of spend is land transportation with 24.5 percent.

AT&T Corp.:

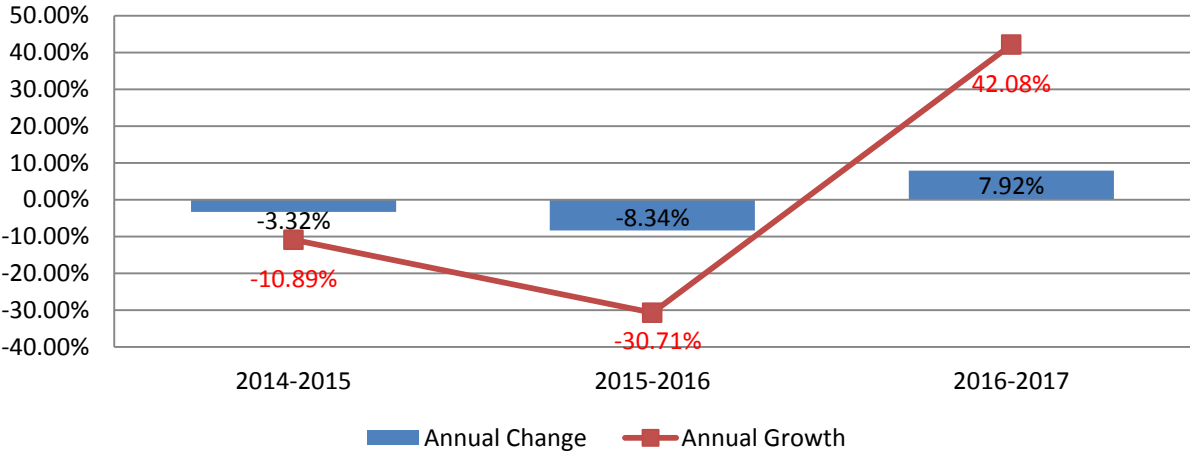
AT&T Corp. ("AT&T") filed its fourth annual report and annual plan since the company's signing of the MOU in 2012. In 2017, AT&T spent \$18.27 million on procurement of goods and services with diverse suppliers. Minority-owned businesses received 68.60 percent of AT&T's diverse spend followed by WOE's with 27.74 percent. AT&T's diverse spend declined by 12.11 percent on average over the past four years while their total procurement declined by 6.32 percent over that same period. Among all the signatories that submitted 2017 reports, AT&T is ranked fourth in DSR with 26.75 percent and has an average DSR of 25.81 over the past two years. The company's DSR declined at an annual rate of -1.25 percent per year over the four past years. Graph 4 below illustrates AT&T's historical DSR and Graph 5 provides a depiction of the changes in the company's DSR.

¹¹ 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 Historical Spend Ratio



Graph 5: AT&T’s Annual Change and Annual Growth Rate in DSR

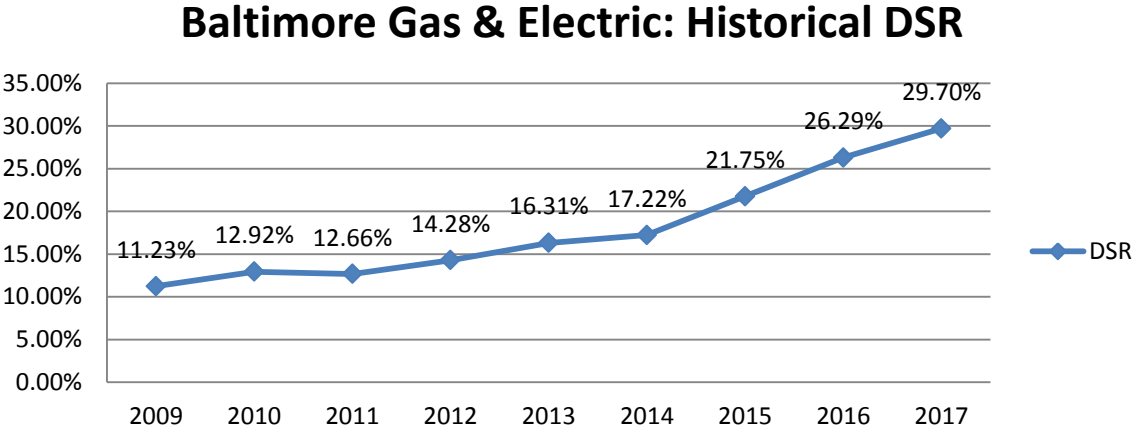


The largest category of goods and services procured by AT&T from diverse suppliers was in the telecommunication equipment sector with 38.5 percent. The second largest category of goods and services procured by AT&T from diverse suppliers is telecommunications equipment and leasing with 21.35 percent.

Baltimore Gas and Electric Company:

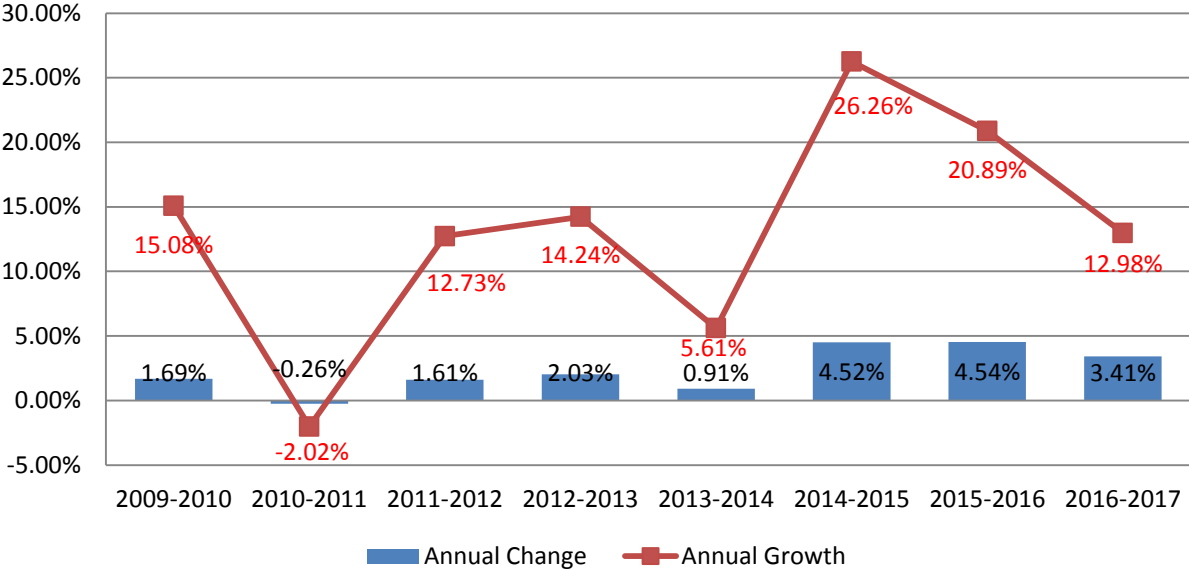
Since 2010, Baltimore Gas and Electric Company (“BGE”) has filed an annual report and an annual plan every year. BGE is one of seven signatories that have filed all their reports since the signing of the MOU in 2009. In 2017, the company spent \$251.84 million¹² on procurement of goods and services with diverse suppliers. The company has a 29.70 DSR for this year. BGE’s diverse spend grew at an annual rate of 20.77 percent over the past nine years while total procurement grew by 7.72 percent per year over that same period. Among all the signatories filing 2017 reports, BGE is ranked third in DSR. Graph 6 below illustrates BGE’s historical DSR and Graph 7 provides a depiction of the changes in the company’s DSR.

Graph 6: Baltimore Gas and Electric Historical Spend Ratio



¹² This amount excludes \$31.14 million in gas purchases.

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



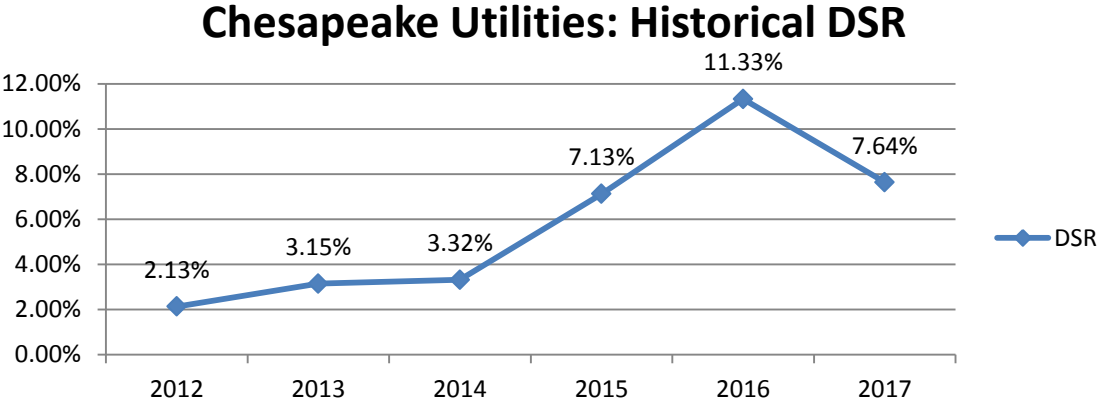
BGE reported transactions with over 466 diverse contractors/subcontractors. The largest category of spend is merchant wholesalers durable goods with 22.4 percent and professional, scientific and technical services follows with 21 percent.

Chesapeake Utilities:

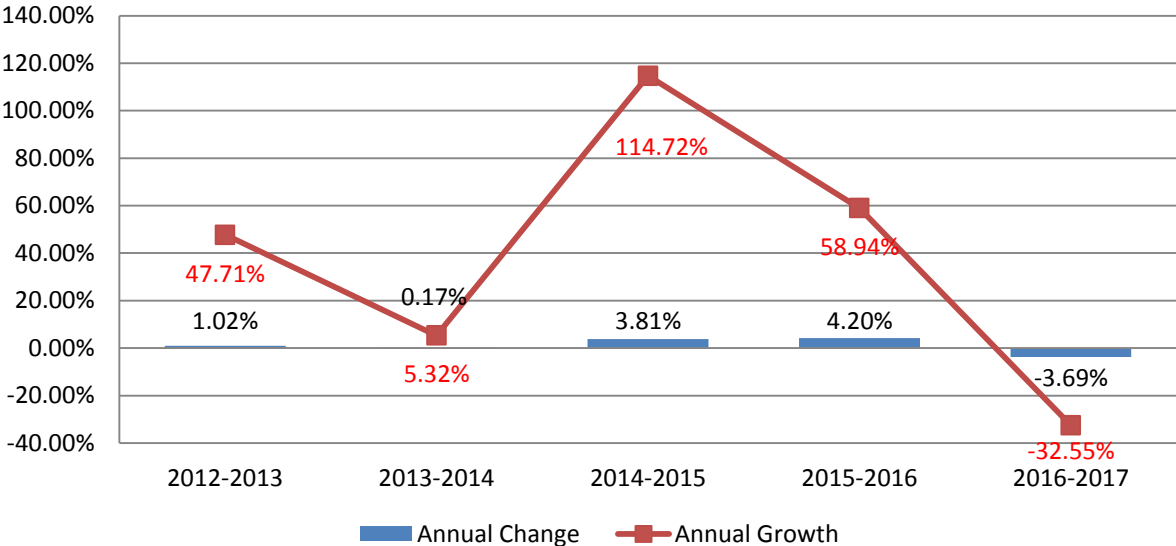
Chesapeake Utilities (“Chesapeake”) has filed annual reports every year for the past six years. In 2017, Chesapeake spent \$982,000 on procurement of goods and services from diverse suppliers. Women-owned businesses received 88.95 percent of Chesapeake’s diverse spend followed by MOEs with 11.05 percent. The company’s diverse spend grew by 124.18 percent on average over the past six years while their total procurement grew by 44.95 percent over that same period. Among all the signatories filing 2017 reports, Chesapeake is ranked 14th in DSR with 7.64 percent and has an average DSR of 5.78 percent over the past six years. The company’s DSR grew at an annual rate of 38.83 percent. Graph 8 depicts the evolution in

Chesapeake’s DSR over the past six years while Graph 9 illustrates the annual changes along with the corresponding annual growth in Chesapeake’s DSR.

Graph 8: Chesapeake Utilities’ Historical Spend Ratio



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

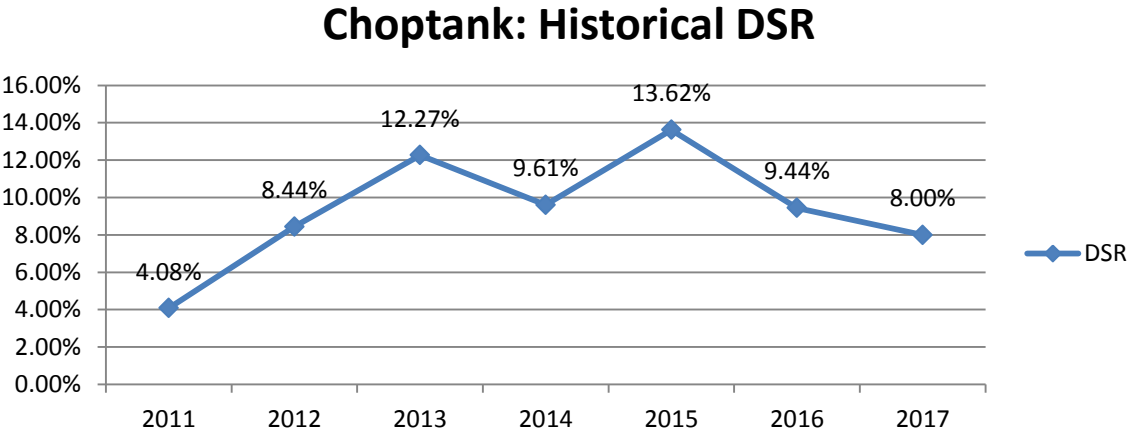


The Company contracted with 11 different contractors/subcontractors. The Company did not provide a breakdown of its diverse spends by NAICS codes.

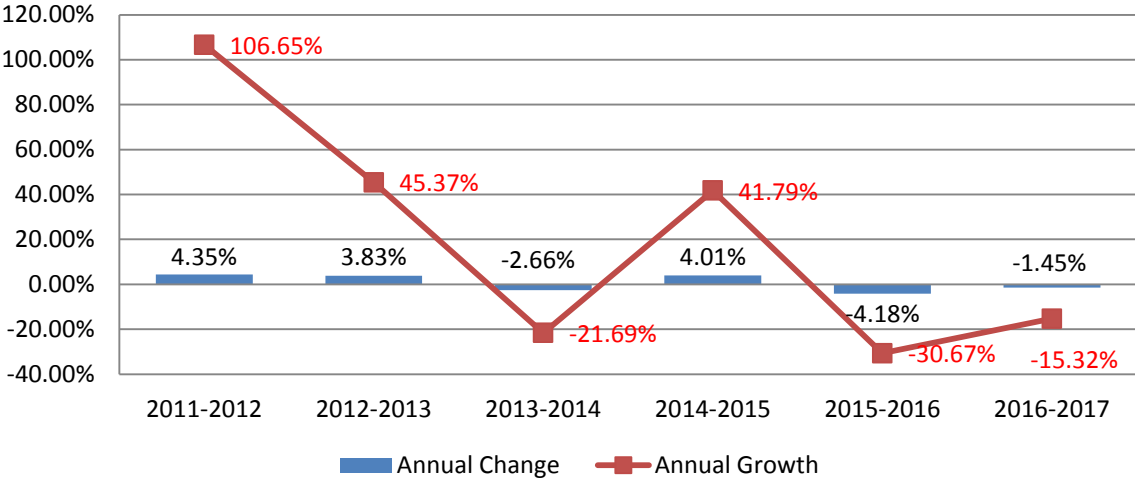
Choptank Electric Cooperative:

Choptank Electric Cooperative (“Choptank”) has filed annual reports every year for the past seven years. In 2017, the cooperative spent \$2.29 million on procurement of goods and services from diverse suppliers. Women-owned businesses received 86.13 percent of Choptank’s diverse spend followed by MOEs with 13.86 percent. More than 70.22 percent of the Choptank’s MOE spend was on procurement of goods and services from Native-American-owned businesses. The company’s diverse spend grew by 32.02 percent on average over the past seven years while their total procurement grew by 10.65 percent over that same period. Among all the signatories filing 2017 reports, Choptank is ranked 13th in DSR with 8.00 percent and has averaged 9.35 percent over the 2010-2017 period. The company’s DSR grew at an annual rate of 21.02 percent. Graph 10 depicts the evolution in Choptank’s DSR over the past seven years while Graph 11 illustrates the annual increase along with the corresponding annual growth in the Cooperative’s DSR.

Graph 10: Choptank Electric Cooperative’s Historical Spend Ratio



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



Choptank reported 31 different contracts with diverse suppliers, 12 of which were self-certified. The merchant wholesalers, durable goods category received 43.91 percent of diverse spends followed by heavy and civil engineering construction with 41.47 percent.

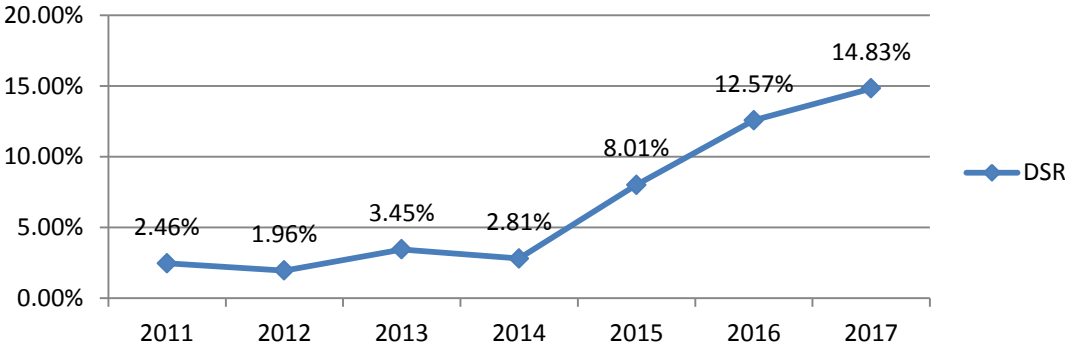
Columbia Gas of Maryland, Inc.:

Columbia Gas of Maryland (“Columbia”) has filed annual reports every year for the past seven years. In 2017, the company spent \$2.52 million on procurement of goods and services from diverse suppliers. Women-owned businesses received 70.11 percent of Columbia’s diverse spend. MOEs received 29.89 percent of all of the company’s diverse spend. Columbia’s MOE spend on procurement of goods and services with African-American-owned businesses were of all its MOE spend. Columbia’s diverse spend grew by 69.46 percent on average over the past seven years while their total procurement grew by 13.15 percent over that same period. Among all the signatories filing 2017 reports, Columbia Gas is ranked 12th in DSR with 14.83 percent. Columbia’s DSR averaged 6.58 percent over the 2011-2017 period and grew at an annual rate

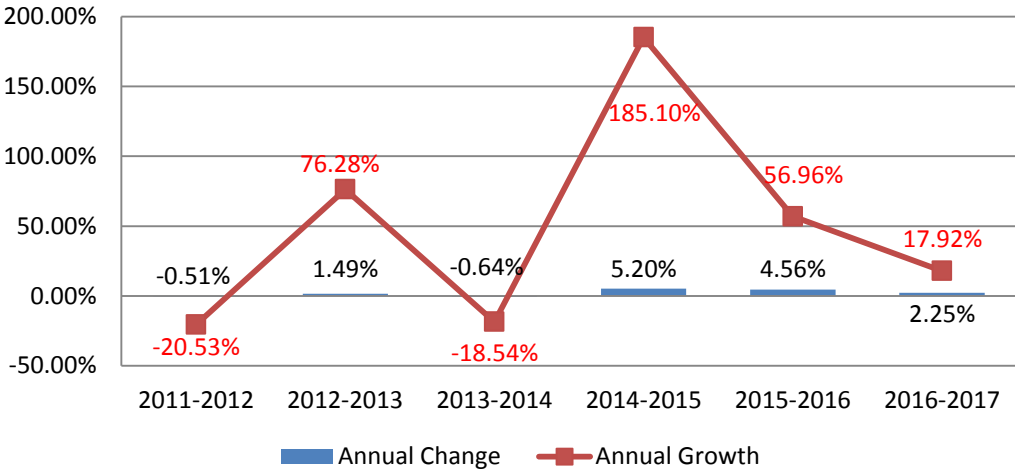
of 49.53 percent. Graph 12 depicts the evolution in Columbia Gas’ DSR over the past seven years while Graph 13 illustrates the annual increase along with the corresponding annual growth in Columbia’s DSR.

Graph 12: Columbia Gas of Maryland Historical Spend Ratio

Columbia Gas: Historical DSR



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

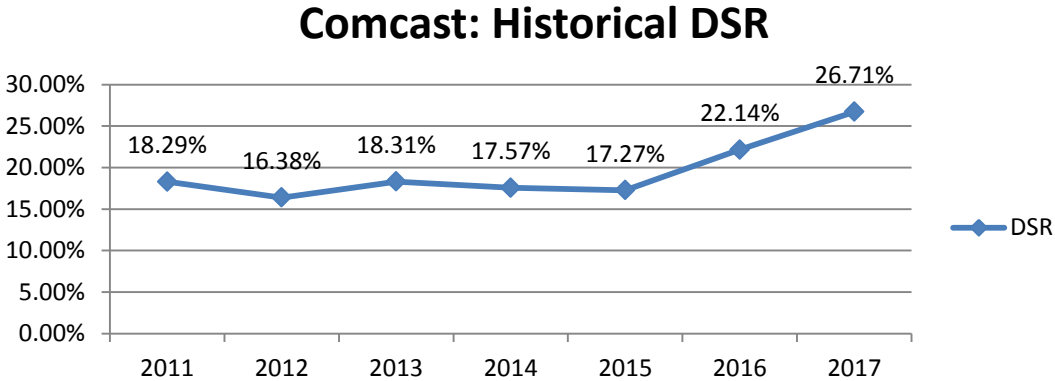


Columbia Gas transacted with a total of seven diverse suppliers, all of which are self-certified. Diverse suppliers providing heavy and civil engineering construction services/goods received 60.97 percent of the company’s total diverse spends.

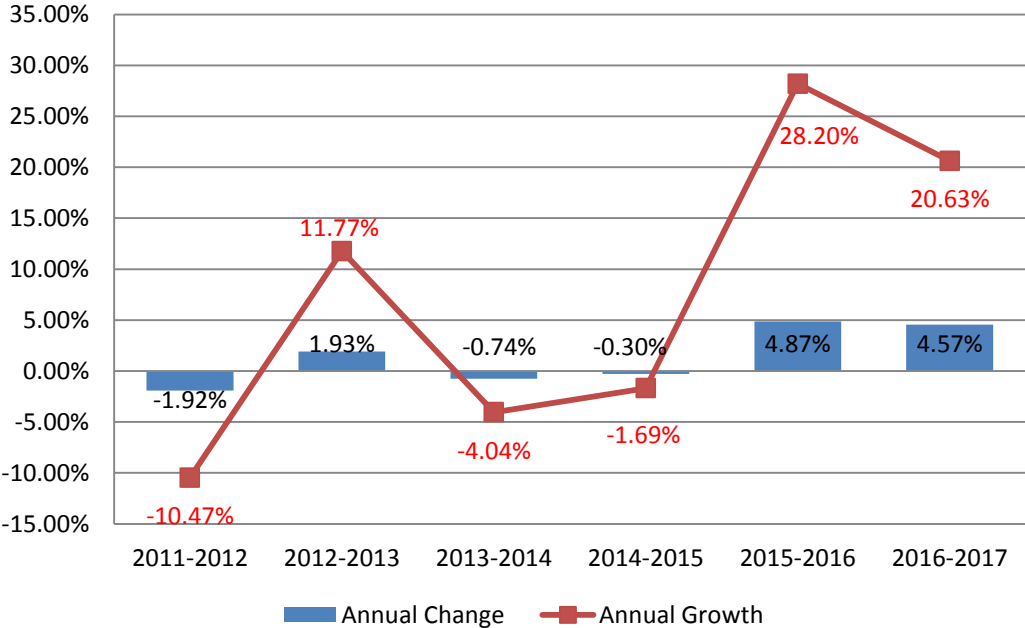
Comcast Phone of Northern Maryland Inc. and Comcast Business Communications, LLC:

Comcast Phone of Northern Maryland Inc. and Comcast Business Communications, LLC (“Comcast”) has filed annual reports every year for the past seven years. In 2017, the company spent \$102.15 million on procurement of goods and services from diverse suppliers. MOE businesses received 65.82 percent of Comcast’s diverse spend followed by women-owned businesses with 32.07 percent of all diverse spends. The company’s MOE spend on procurement of goods and services are spread evenly with African-American-owned businesses at 31.07 percent, Hispanic-owned businesses with 25.32 percent and Asian-American businesses at 43.60 percent of all MOE spend. Comcast’s diverse spend grew by 23.82 percent on average over the past seven years while their total procurement grew by 14.10 percent over that same period. Among all the signatories filing 2017 reports, Comcast is ranked fifth in DSR with 26.71 percent and averages a DSR of 19.52 percent per year over the 2011-2017 period. The company’s DSR increased on average by 7.40 percent per year. Graph 13 depicts the evolution in Comcast’s DSR over the past seven years while Graph 14 illustrates the annual increase along with the corresponding annual growth in the company’s DSR.

Graph 13: Comcast Historical Spend Ratio



Graph 14: Comcast’s Annual Change in DSR and Annual Growth Rate of DSR



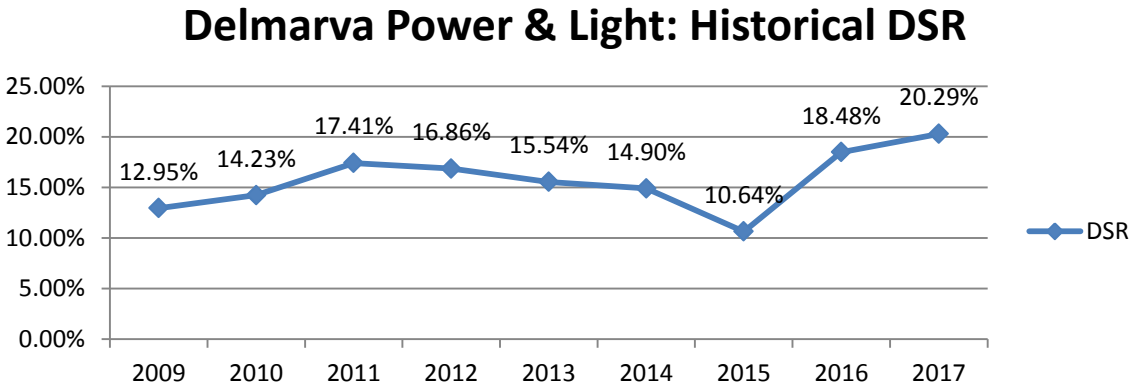
Comcast did not provide a breakdown of its diverse spends by NAICS codes or by vendors in their diverse procurement report for 2017.

Delmarva Power & Light Company:

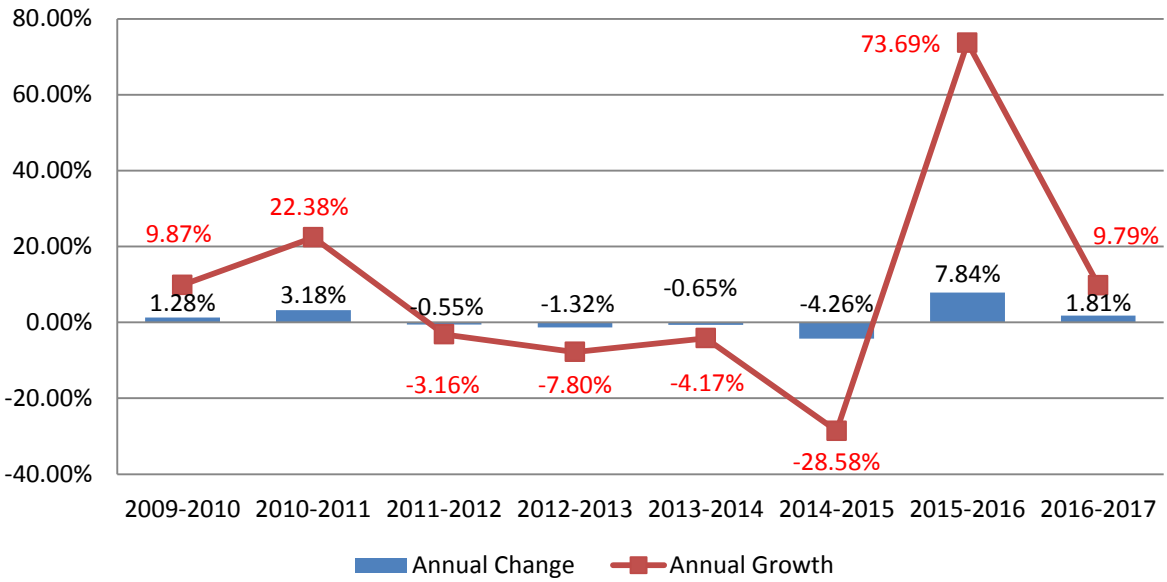
Delmarva Power & Light Company (“Delmarva”) has filed annual reports every year for the past nine years. In 2017, the company spent \$77.99 million on procurement of goods and services from diverse suppliers. Women-owned businesses received 52.23 percent of Delmarva’s diverse spend followed by MOEs with 47.30 percent. The company’s MOE spend on procurement of goods and services are subdivided between Native-American-owned businesses, with 60.55 percent, followed by Hispanic-owned businesses, with 15.20 percent, and then African-American-owned businesses, with 15.12 percent. Delmarva’s diverse spend grew by 24.51 percent on average over the past nine years while their total procurement grew by 17.20 percent over that same period. Among all the signatories filing 2017 reports, Delmarva is ranked eighth in DSR with 20.29 percent and averages a DSR of 15.70 percent per year over the

2009-2017 period. Delmarva’s DSR increased on average by 9.00 percent per year over that same period. Graph 15 depicts the evolution in Delmarva’s DSR over the past seven years while Graph 16 illustrates the annual increase along with the corresponding annual growth in Delmarva’s DSR.

Graph 15: Delmarva Power & Light Company Historical Spend Ratio



Graph 16: Delmarva’s Annual Change in DSR and Annual Growth Rate of DSR

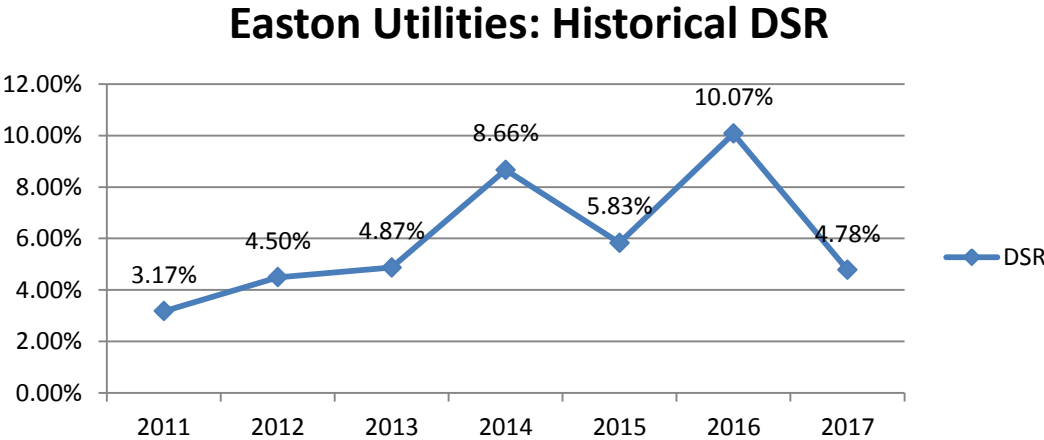


Delmarva transacted with a total of 158 diverse suppliers. Delmarva awarded 37.6 percent of its diverse spend to diverse suppliers providing heavy and civil engineering construction services followed by diverse suppliers providing motor vehicles and parts dealers with 28.9 percent.

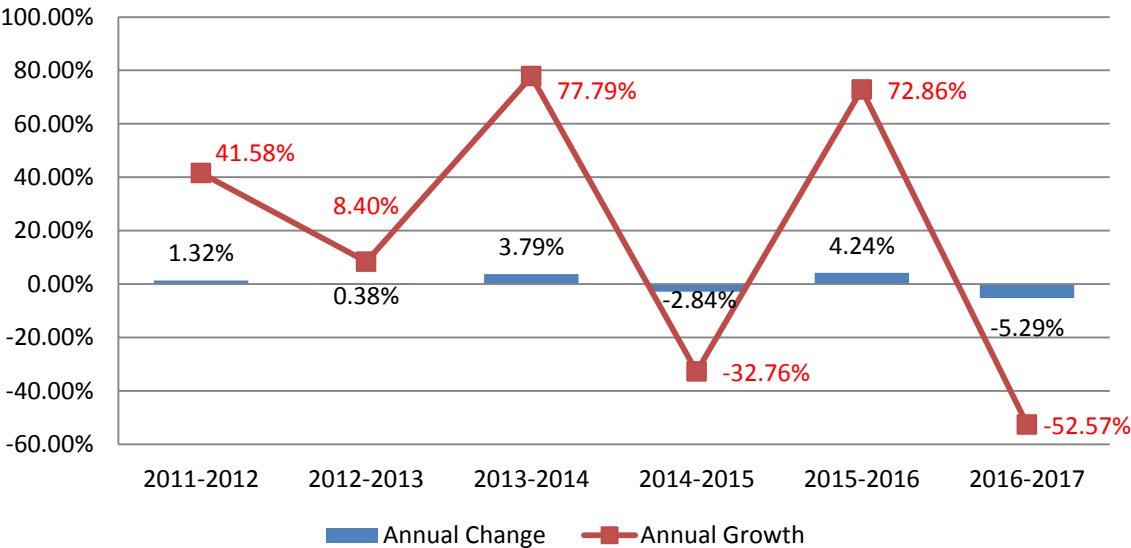
Easton Utilities:

Easton Utilities (“Easton”) has filed an annual report every year for the past seven years. In 2017, the company spent \$181,000 on procurement of goods and services from diverse suppliers. MOEs received 61.89 percent of Easton’s diverse spend followed by women-owned businesses with 38.11 percent. The company’s MOE spends from procurement of goods and services are subdivided between Asian-American-owned businesses, with 95.60 percent, followed by Hispanic-owned businesses, with 3.03 percent. Easton’s diverse spend grew by 52.37 percent over the past seven years while their total procurement grew by 24.88 percent over that same period. Among all the signatories filing 2017 reports, Easton is ranked 15th with a 4.78 DSR and the company’s average DSR is 5.98 over the 2011-2017 period. The company’s DSR grew by an average of 19.22 percent per year. Graph 17 depicts the evolution in Easton’s DSR over the past seven years while Graph 18 illustrates the annual increase along with the corresponding annual growth in the company’s DSR.

Graph 17: Easton Utilities Historical Spend Ratio



Graph 18: Easton’s Annual Change in DSR and Annual Growth Rate of DSR

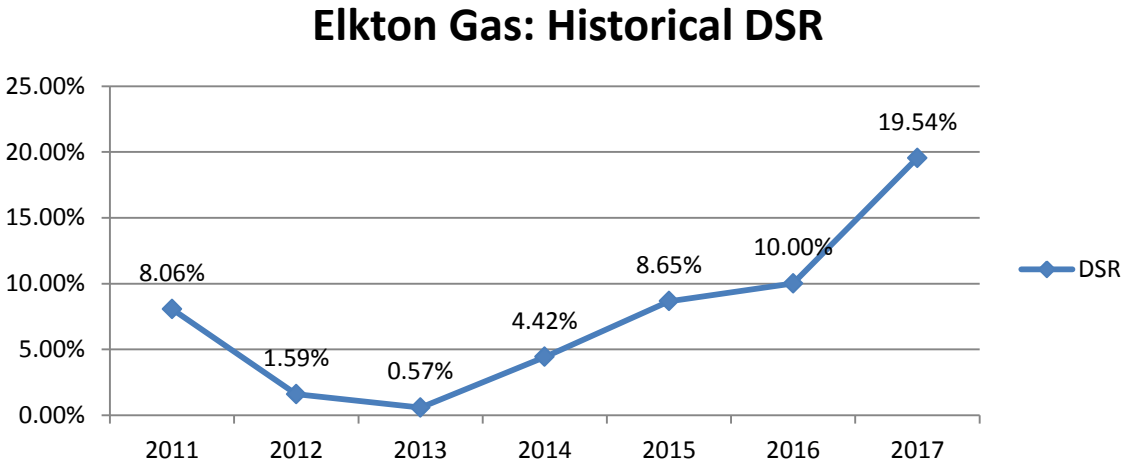


Easton Utilities transacted with a total of 39 diverse suppliers; 31 were self-certified. Electrical equipment, appliance and component manufacturing received 33.8 percent of Easton’s total DSP.

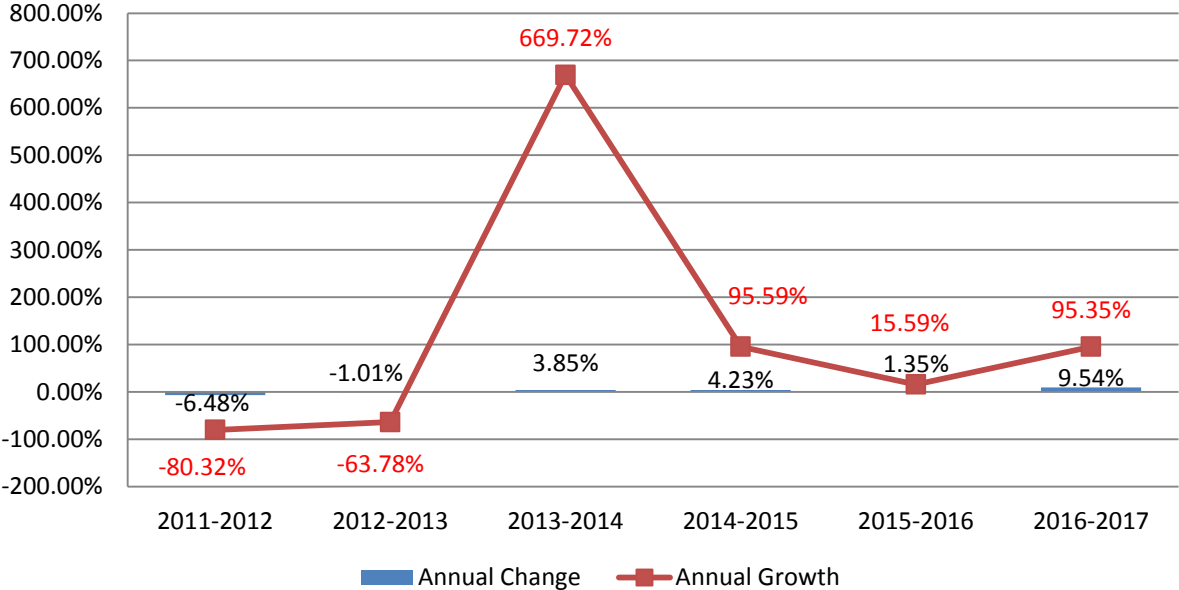
Pivotal Utility Holdings, Inc. d/b/a Elkton Gas:

Pivotal Utility Holdings, Inc. d/b/a Elkton Gas (“Elkton”) has filed annual reports every year for the past seven years. In 2017, the company spent \$200,000 on procurement of goods and services from diverse suppliers. MOEs received 51.91 percent of Elkton’s diverse spend followed by WOE’s with 48.09 percent. The company’s MOE spends from procurement of goods and services are subdivided between African-American-owned businesses, with 90.19 percent, followed by Asian-American-owned businesses, with 4.64 percent. Elkton’s diverse spend grew by 72.91 percent over the past seven years while their total procurement grew by 30.66 percent over that same period. Among the signatories filing 2017 reports, Elkton is ranked ninth with a 19.54 DSR, which currently averages 7.55 over the 2011-2017 period. The company’s DSR grew by an average of 122.02 percent per year. Graph 19 depicts the evolution in Elkton’s DSR over the past seven years while Graph 20 illustrates the annual increase along with the corresponding annual growth in the company’s DSR.

Graph 19: Elkton Gas Historical Spend Ratio



Graph 20: Elkton’s Annual Change in DSR and Annual Growth Rate of DSR



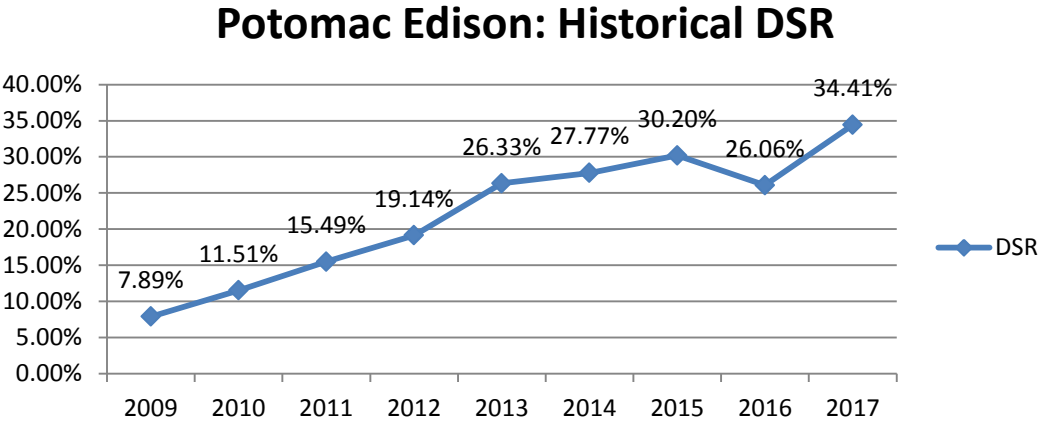
Elkton Gas transacted with a total of 35 diverse suppliers. Motor vehicles and parts dealers received 42.9 percent of Elkton’s total DSP.

The Potomac Edison Company:

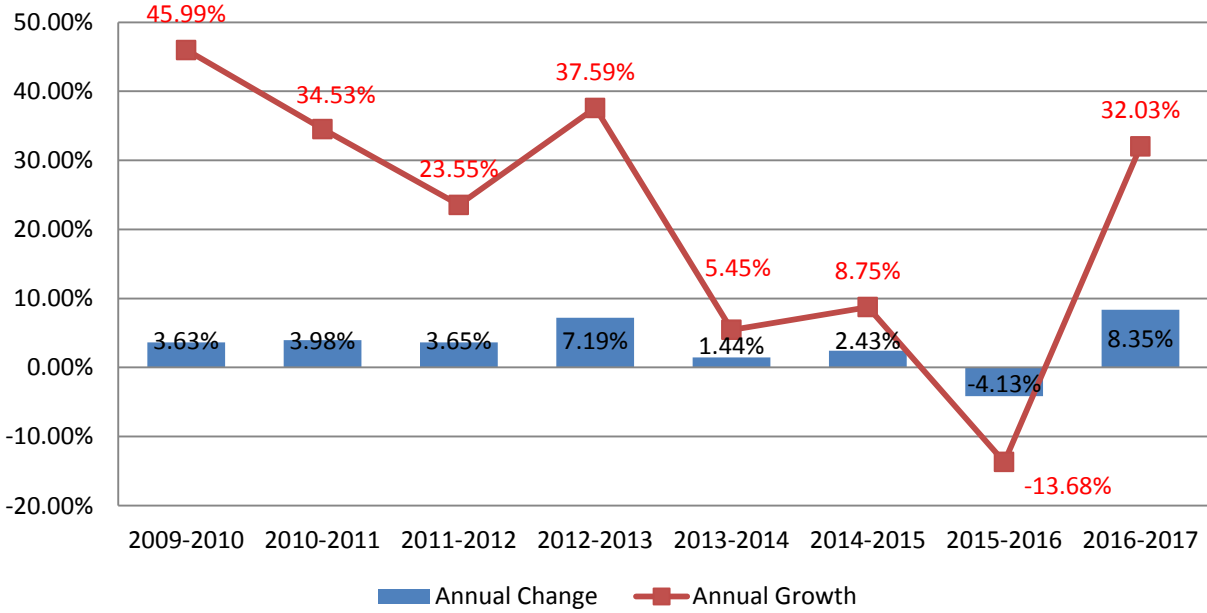
The Potomac Edison Company (“Potomac Edison” or “PE”) has filed annual reports every year for the past nine years. In 2017, the company spent \$13.83 million on procurement of goods and services from diverse suppliers. Women-owned businesses received 65.56 percent of PE’s diverse spend followed by MOEs, with 34.38 percent. The company’s MOE spend on procurement of goods and services are subdivided between African-American-owned businesses, with 81.34 percent, followed by Asian-American-owned businesses, with 10.10 percent. Potomac Edison’s diverse spend grew by 28.13 percent over the past nine years while the company’s total procurement grew by 5.40 percent over that same period. Among all the

signatories filing 2017 reports, Potomac Edison is ranked second with a 34.41 DSR. In addition, the company’s DSR averaged 22.09 over the period stretching from 2009 to 2017. PE’s DSR grew by an average of 21.78 percent per year. Graph 21 depicts the evolution in PE’s DSR over the past nine years while Graph 22 illustrates the annual increase along with the corresponding annual growth in the company’s DSR.

Graph 21: The Potomac Edison Company Historical Spend Ratio



Graph 22: Potomac Edison’s Annual Change in DSR and Annual Growth Rate of DSR

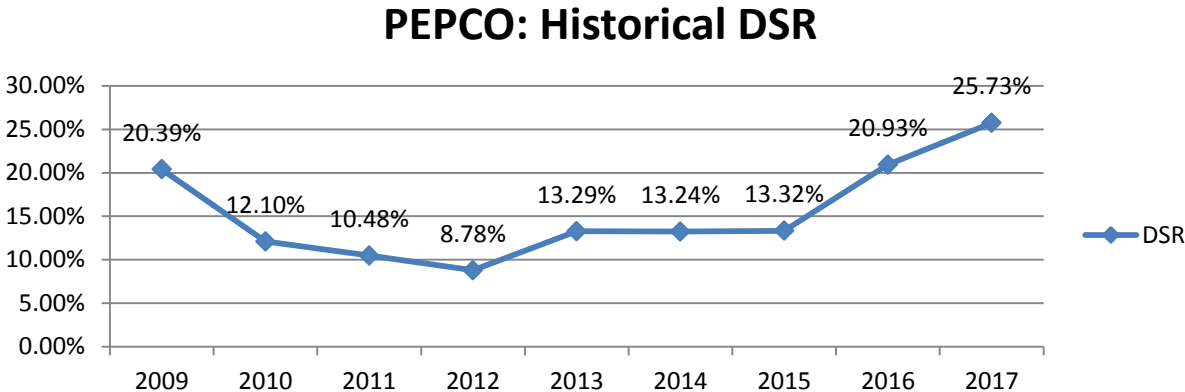


Potomac Edison transacted with a total of 40 diverse suppliers; 15 of these companies were self-certified. PE awarded 49.2% of its diverse spend in contracts to businesses providing heavy and civil engineering construction services while diverse suppliers providing administrative and support services goods/services received 25.9 percent diverse spend.

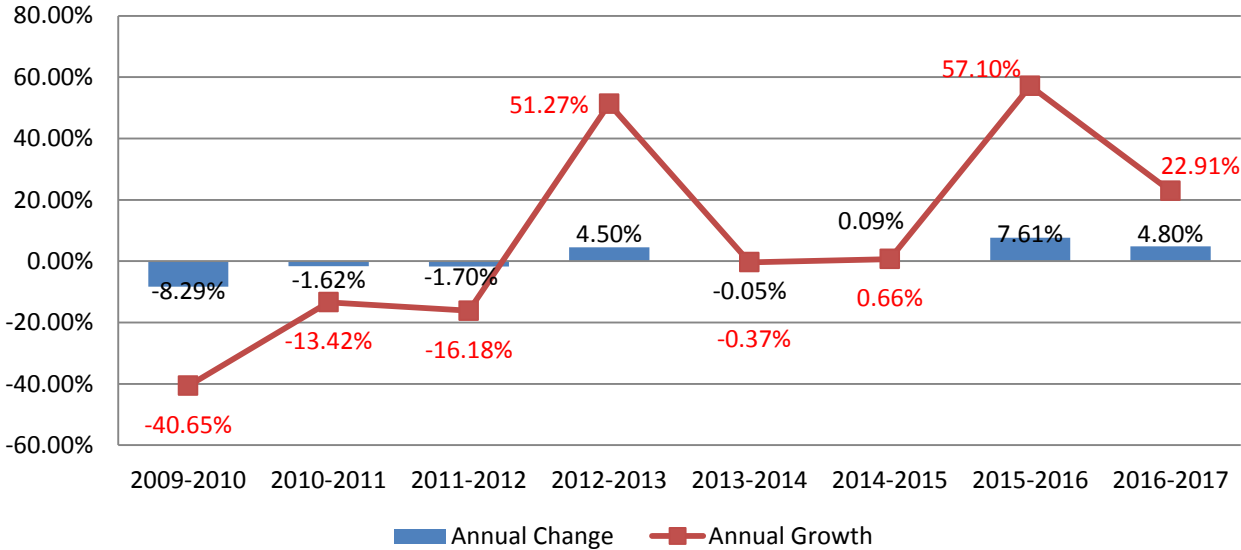
Potomac Electric Power Company:

The Potomac Electric Power Company (“Pepco”) has filed annual reports every year for the past nine years. In 2017, the company spent \$149.76 million on procurement of goods and services from diverse suppliers. Minority-owned businesses received 84.28 percent of Pepco’s diverse spend followed by WOE’s, with 15.48 percent. The company’s MOE spend on procurement of goods and services are subdivided between Hispanic-owned businesses, with 41.57 percent, followed by African-American-owned businesses, with 35.95 percent. Pepco’s diverse spend grew by 18.48 percent over the past nine years while the company’s total procurement grew by 14.98 percent over that same period. Among all the signatories filing 2017 reports, Pepco is ranked sixth with a 25.73 DSR. In addition, the company’s DSR averaged 15.36 over the period 2009 to 2017. Pepco’s DSR increased 7.66 percent per year on average. Graph 23 depicts the evolution in Pepco’s DSR over the past nine years while Graph 24 illustrates the annual increase along with the corresponding annual growth in the company’s DSR.

Graph 23: The Potomac Electric Power Company Historical Spend Ratio



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

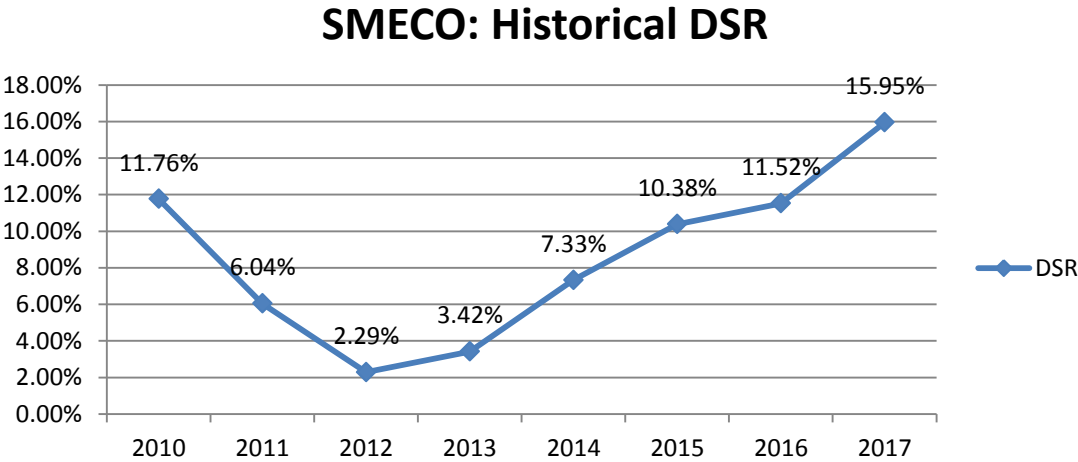


Pepco transacted with a total of 177 diverse suppliers. Pepco awarded 44.9 percent of its diverse spend in contracts to businesses providing heavy and civil engineering construction goods/services while diverse suppliers providing motor vehicles and parts dealers received 17.8 percent diverse spend.

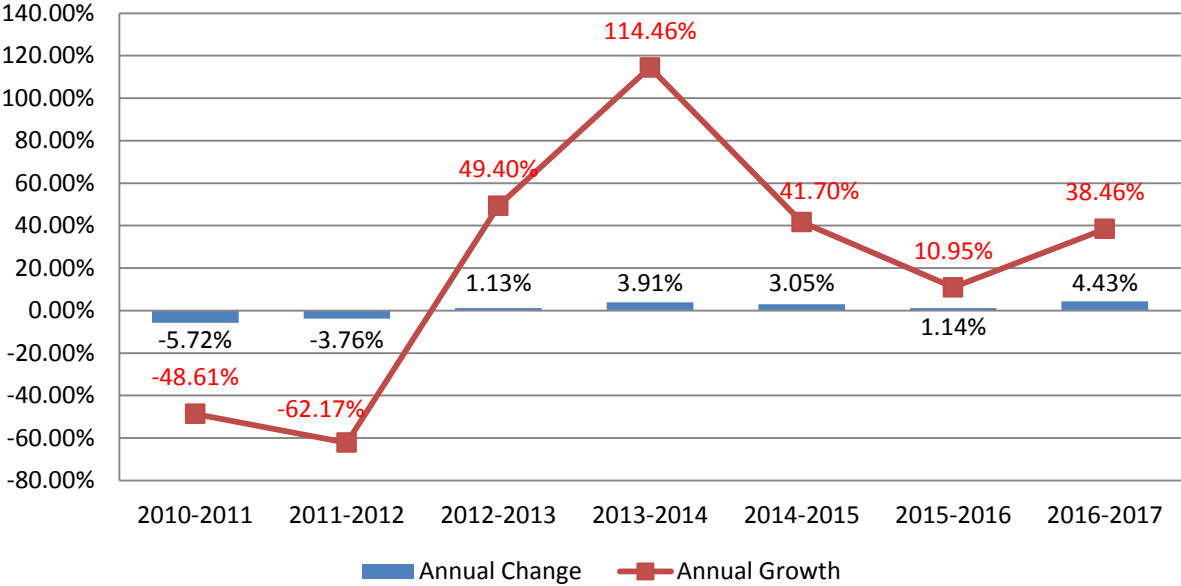
Southern Maryland Electric Cooperative, Inc.:

Southern Maryland Electric Cooperative, Inc. (“SMECO”) has filed annual reports every year for the past eight years. In 2017, the company spent \$13.83 million on procurement of goods and services from diverse suppliers. Women-owned businesses received 49.69 percent of SMECO’s diverse spend followed by MOEs with 44.33 percent. The company’s MOE spend on procurement of goods and services are subdivided between Hispanic-owned businesses, with 37.11 percent, followed by African-American-owned businesses, with 29.53 percent. SMECO’s diverse spend grew by 32.04 percent over the past eight years while the cooperative’s total procurement grew by 36.63 percent over that same period. Among all the signatories filing 2017 reports, SMECO is ranked 11th with a 15.95 DSR. In addition, the cooperative’s DSR currently averages 8.58 over the period stretching from 2010 to 2017. SMECO’s DSR grew by an average of 20.60 percent per year since 2010. Graph 25 depicts the evolution in SMECO’s DSR over the past eight years while Graph 26 illustrates the annual increase along with the corresponding annual growth in the cooperative’s DSR.

Graph 25: Southern Maryland Electric Cooperative Historical Spend Ratio



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



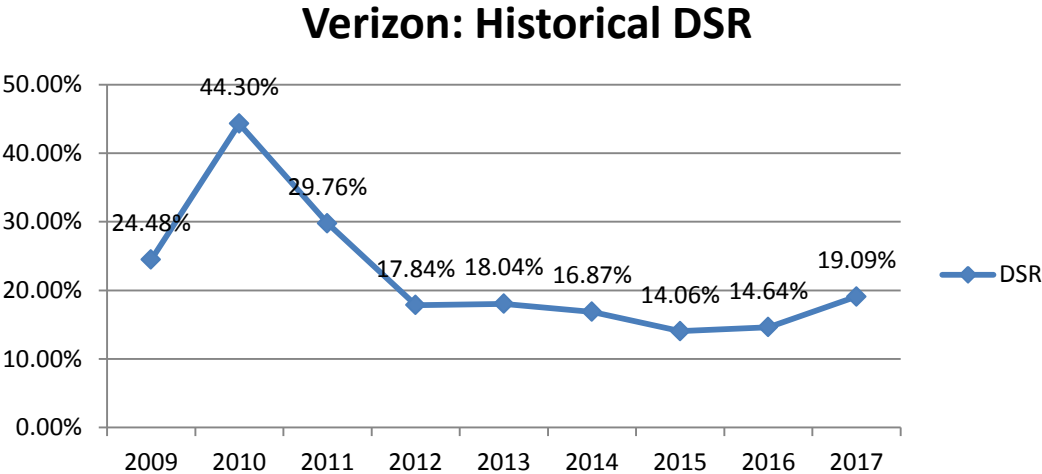
SMECO transacted with a total of 130 diverse suppliers. SMECO awarded 32.7 percent of its diverse spend in contracts to second-tier spend while diverse suppliers providing professional, scientific, and technical services received 20.8 percent of diverse spend.

Verizon Maryland, LLC:

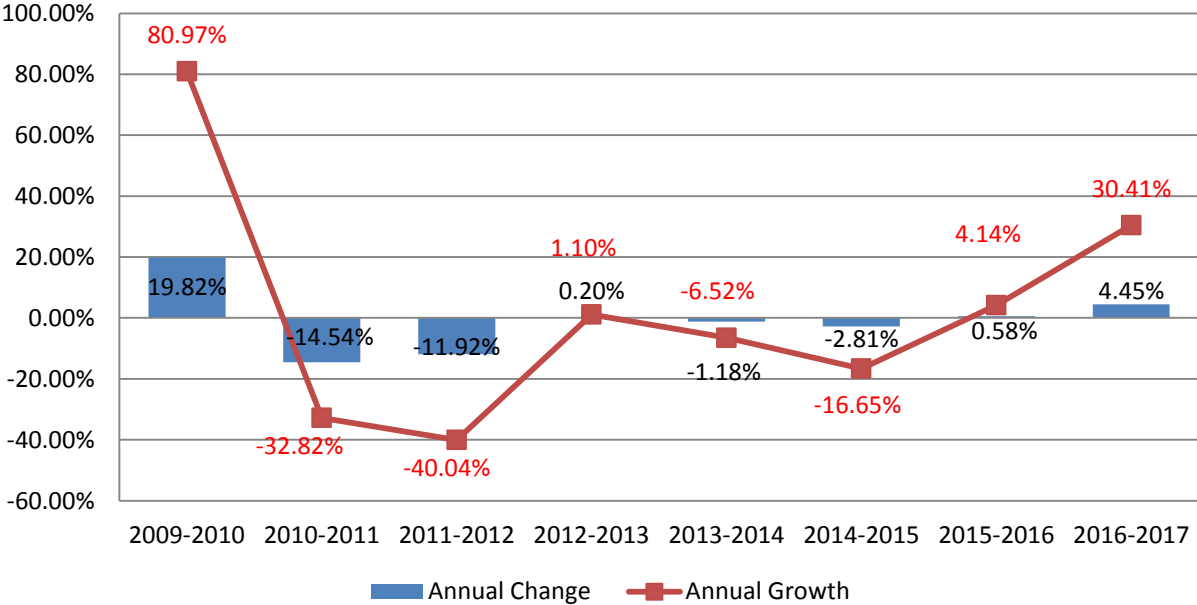
Verizon Maryland, LLC (“Verizon”) has filed annual reports every year for the past nine years. In 2017, the company spent \$65.86 million on procurement of goods and services from diverse suppliers. Minority-owned businesses received 46.16 percent of Verizon’s diverse spend followed by SDVOEs with 45.12 percent. Verizon spent 56.37 percent of its total MOE spend on goods and services with African-American-owned businesses followed by Hispanic-owned businesses with 26.40 percent. Verizon’s diverse spend decreased by 3.75 percent per year over the past nine years while the company’s total procurement grew by 0.38 percent over that same period. Among all the signatories filing 2017 reports, Verizon is ranked 10th with a 19.09 DSR. In addition, the company’s DSR averaged 22.12 over the period stretching from 2009 to 2017.

Verizon’s DSR increased at an annual average of 2.57 percent since 2009. Graph 27 depicts the evolution of Verizon’s DSR over the past nine years while Graph 28 illustrates the annual increase along with the corresponding annual growth in the company’s DSR.

Graph 27: Verizon Historical Spend Ratio



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

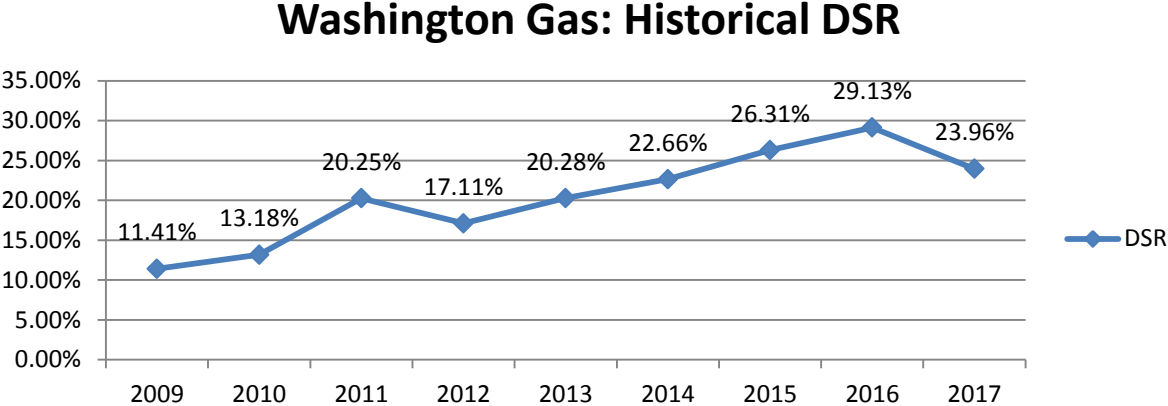


Verizon transacted with a total of 23 diverse suppliers. Verizon awarded 48.9 percent of its diverse spend in contracts to businesses providing professional, scientific, and technical services while diverse specialty trade contractors received 25.6 percent diverse spend.

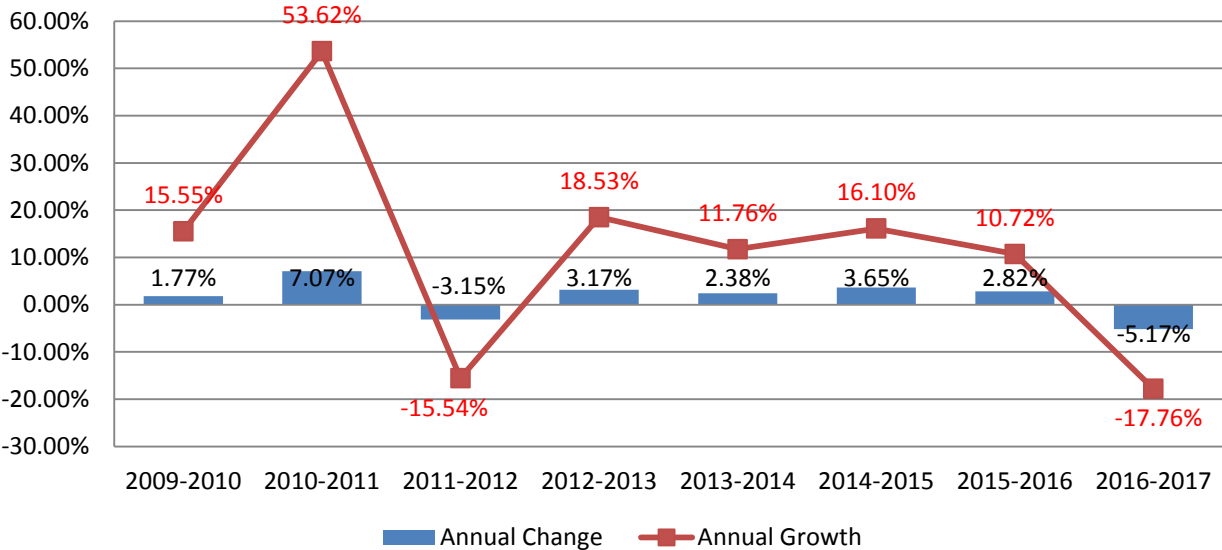
Washington Gas Light Company:

Washington Gas Light Company (“WGL” or “Washington Gas”) has filed annual reports every year for the past nine years. In 2017, the company spent \$117.01 million on procurement of goods and services from diverse suppliers. Minority-owned businesses received 67.18 percent of WGL’s diverse spend followed by women-owned businesses with 32.79 percent. Washington Gas spent 69.38 percent of its MOE spend on goods and services with African-American-owned businesses followed by Hispanic-owned businesses with 23.36 percent. WGL’s diverse spend averaged an increase of 30.95 percent per year over the past nine years while the company’s total procurement grew by 7.51 percent over that same period. Among all the signatories filing 2017 reports, WGL is ranked seventh with a 23.96 DSR. In addition, the company’s DSR averaged 20.48 percent over the period stretching from 2009 to 2017. WGL’s DSR increased at an annual average of 11.62 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 Light Company Historical Spend Ratio



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



WGL transacted with a total of 53 diverse suppliers. WGL awarded 60.09 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 14.25 percent of diverse spend.

V. Conclusions and Recommendations

Fifteen of the nineteen signatories filed their 2017 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. Total diverse spend increased by \$118.45 million from the 2016 figures. The program's DSR increased by 2.20 points, higher than it was in 2016; this represents a 9.69 percent increase from the previous year. Overall DSR averaged 17.77 percent per year over the period 2009-2017 and grew at an average annual rate of 13.72 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 2017 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 to enable Staff to better 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 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 percent 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** =
$$\frac{\textit{Sum of annual growth over the period}}{\textit{Number of years in the period}}$$