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MAIL-LOG NUMBER: _____

March 31, 2011

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


Re: Maryland Supplier Diversity (PC16)
The Potomac Edison Company -- 2010 Annual Report

Dear Ms. Romine:

In accordance with Section 6.1 of the Memorandum of Understanding dated February 6, 2009 between the Maryland Public Service Commission and The Potomac Edison Company, enclosed please find the original and seventeen (17) copies of The Potomac Edison Company's 2010 Supplier Diversity Annual Report, as well as the appropriate attachments. As Attachment B and Attachment D contain CONFIDENTIAL information, these attachments will be sent directly to the Commission under separate cover.

Please contact the undersigned should you have any questions or concerns regarding this matter.

Very truly yours,


Jennifer L. Petrisek
Senior Attorney

Enclosure

The Potomac Edison Company
Annual Report for Calendar Year 2010
Minority, Women and Service Disabled Veteran-Owned
Business Enterprises
January 1, 2010 – December 31, 2010

The Potomac Edison Company (“Potomac Edison”) submits this 2010 Annual Report pursuant to the State of Maryland Public Service Commission Memorandum of Understanding (“MOU”), signed on February 6, 2009.

This report for the Maryland business segment of Potomac Edison summarizes the Diverse Supplier program for the period of January 1, 2010 through December 31, 2010.

Allegheny Energy Services Corporation (“AES”), acting on behalf of Potomac Energy, engaged in the activities identified below in 2010. As AES also acts on behalf of Allegheny Energy and its affiliates and subsidiaries (the “Company”), some work conducted, such as outreach and internal activities, are performed on a Company basis. However, all numerical reporting in the Attachments hereto are specific to Potomac Edison’s Maryland operations.

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

INTERNAL EFFORTS

- Increased Spend: Potomac Edison increased Diverse Supplier spend from 7.89% in 2009 to 11.51% in 2010. Potomac Edison is on track to achieve its three-year mid term goal (15% in 2011) and ultimately achieve our five-year long term goal of 25% by 2013.
- Bid Opportunities: The Company achieved 71% average participation from Diverse Suppliers on RFQ purchase order inquiries. This represents an increase from 58% in 2009. Increasing Diverse Supplier bid opportunities has a direct correlation to increasing diversity spend.
- Awareness Training & Communications:
 - Provided guidance and training to strategic sourcing specialists and other personnel involved in the procurement process. Potomac Edison and the Company encourage procurement opportunities for Diverse Suppliers in the procurement of material, equipment, and services. Topics discussed included current year’s performance in regard to current year goals with Diverse Suppliers. Other topics discussed are recognition of special achievements, trade fair participation, identification of Diverse Supplier subcontracting

opportunities, and overall departmental performance in achieving diversity participation goals.

- To encourage advancements in the program by group discussions, the Company provided Supply Chain management and corporate management with monthly updates of the Supplier Diversity Program yearly goals and progress.
 - To increase employee awareness, Supplier Diversity monthly charts identifying yearly goals and progress are provided on the Company's internal web site for viewing by all employees.
- Reporting Accuracy: To ensure accurate reporting, the Company implemented a process for updating vendor information including a vendor's supplier diversity information.
 - A standard form and process was created to maintain and update vendor information, self-certification and request for third party certification.
 - Through this process, the Company has updated supplier diversity information on 90% of all approved suppliers.
 - The Company utilizes the Central Contractor Registration and Dynamic Small Business Search website to further review and verify a vendor's information.

EXTERNAL EFFORTS

- Maryland Utility Forum: Attended all meetings and actively participated in Maryland Utility Forum on Supplier Diversity. Major accomplishments included:
 - Shared supplier lists and developed common list identifying third party certified vendors, description of the services or materials provided, name of certifying agency, certification number, certification date, and expiration date when provided by certifying agency.
 - Collaborated on common pre-qualification and basic requirements utilized among the Maryland utility Forum members.
 - Posted Forum meeting minutes and documents on the Forum's "*shared Google site*".
- External Consortia: Participated in various external consortia. Knowledge gained and supplier relationships developed are applied to the Company program and the MD specific program.

- Western Pennsylvania Minority Supplier Development Council: Active Corporate member of the Western Pennsylvania Minority Supplier Development Council (WPMSDC); attended and participated in various educational sessions attended by minority businesses and WPMSDC members. Also, provided ad sponsorship and attended the Annual Business Opportunity Fair; an event that includes informative seminars and provides networking opportunities.
 - Participated and presented in U.S. Small Business Administration and Corps of Engineers' networking for small business event. The event included presentations by Prime Contractors followed by one-on-one match making sessions.
 - Active member of the Edison Electric Institute's (EEI) Supplier Diversity Committee; attended the GSA/SBA Federal Subcontracting Best Practices Workshop and participated in the annual EEI Supplier Diversity Conference. Attendance at the EEI workshop and conference provided the opportunity to:
 - Stay informed on supplier diversity regulations and initiatives; hearing updates directly from GSA and SBA.
 - Participate in workshops sharing ideas and best practices. Some of the topics discussed at the 2010 workshop included, Implementing Supplier Diversity through the Corporation, US Small Business Administration Utility Federal Subcontracting Plan, Refreshing the Supplier Diversity Initiative Post Merger.
 - Develop relationships with industry peers, sharing challenges and successes.
- Meet potential new suppliers during one-on-one match making sessions.
- Increased Supplier Relationships:
 - Met and spoke with numerous Diverse Suppliers to increase their interaction with the Company's employees involved in the Procurement process to further increase the diversity of our supplier base.
 - Assisted potential Diverse Suppliers in understanding the process for being added to the Company's vendor listing.
 - Assisted Diverse Suppliers in identifying the types of materials and services purchased by the Company, and helped them interpret Company specifications and industry standards, when applicable.

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

As a result of the Company’s outreach activities over 110 new Diverse Suppliers completed the registration process since 2009 and are now included on the Company’s vendor list. In order to meet or exceed our goals, the Company continually strives to increase our Supplier Diversity base. The availability of interested third party certified Service Disabled Veterans is currently difficult to identify and recruit, and as a result has affected our ability to meet our SDVOB goals (MOU §6.2.4).

5. Prime contractors for both material and services utilized Diverse Supplier subcontractors. Diverse Supplier subcontractors participated in the Company’s procurement of vegetation management, line hardware, distribution transformers and electrical equipment (MOU §6.2.5).
6. There were no Diverse Supplier procurement-related complaints reported directly to Potomac Edison during the 2010 reporting year, see Attachment C (MOU §6.2.6).
7. In the event Potomac Edison were to receive a complaint regarding Diverse Supplier procurement-related issue or concern, the General Manager, Supply Chain Support would be notified to follow-up and address the complaint (MOU §6.2.7).

8. See Attachment D, identified as “CONFIDENTIAL,” for list of Diverse Suppliers that received payment for 2010 contract services, the NAICS Code(s) for the services provided, and the dollar amount paid to the vendors (MOU §6.2.8).

9. Further description of efforts made to recruit Diverse Suppliers of products or services in NAICS Code Categories where Diverse Supplier utilization has been low (MOU §6.2.9).
 - Developed new internal reports extracting data from the master listing of registered and qualified vendors listing Diverse Suppliers and type of product or services offered providing means to identify areas where the availability of Diverse Supplier is low.

 - Continued effort to qualify and register SDVOB service and material providers and work with SDVOB to encourage them to register with the Company (MOU §6.2.9).

ATTACHMENT A-1							
UTILITY NAME: The Potomac Edison Company							
FOR THE REPORTING YEAR: 2010 Annual Report							
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
LINE #	DESCRIPTION	DIRECT (\$)	SUB CONTRACT (\$)	DIVERSE SUPPLIER PROCUREMENT (\$)	PERCENTAGE (%) OF DIVERSE SUPPLIER PROCUREMENT	TOTAL UTILITY PROCUREMENT (\$)	PERCENTAGE (%) OF DIVERSE SUPPLIER (\$) TO TOTAL UTILITY PROCUREMENT
				COLS. (C) + (D) \$ / TOTAL COL. (E)			
	MINORITY BUSINESS ENTERPRISE						
1	AFRICAN-AMERICAN	\$326,089		\$326,089	7.91%		0.91%
2	AMERICAN INDIAN/NATIVE AMERICAN	\$41,891		\$41,891	1.02%		0.12%
3	ASIAN	\$498,091		\$498,091	12.08%		1.39%
4	HISPANIC	\$1,113,658		\$1,113,658	27.00%		3.11%
5	TOTAL MINORITY BUSINESS ENTERPRISE	\$1,979,729	\$256,037	\$2,237,766	54.25%		6.25%
6							
7							
8	WOMEN BUSINESS ENTERPRISE	\$678,986	\$1,199,894	\$1,878,880	45.55%		5.24%
9							
10	SERVICE DISABLED VETERAN BE	\$8,089	\$0	\$8,089	0.20%		0.02%
11							
12	NOT FOR PROFIT WORKSHOPS	\$0	\$0	\$0	0.00%		0.00%
13							
14	GRAND TOTAL	\$2,666,804	\$1,457,931	\$4,124,735	100.00%	\$35,824,819	11.51%

ATTACHMENT A-2													
UTILITY NAME: The Potomac Edison Company													
FOR THE REPORTING YEAR: 2010 Annual Report													
RESULTS BY PRODUCT DESCRIPTIONS / NAICS CODES													
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)			
LINE #	NAICS #	PRODUCT/SERVICE DESCRIPTIONS BY NAICS CODE 1,2	MINORITY BUSINESS ENTERPRISE	WOMEN BUSINESS ENTERPRISE	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	NOT FOR PROFIT WORKSHOP \$	TOTAL DIVERSE SUPPLIER (\$) BY NAICS CODE	PERCENTAGE (%) TO TOTAL DIVERSE SUPPLIER (\$) BY NAICS	TOTAL UTILITY PROCUREMENT	PERCENTAGE OF DIVERSE SUPPLIER (\$) TO TOTAL UTILITY PROCUREMENT			
			COLS. (D), (E), (F), and (G)	COLS. (D), (E), (F), and (G)	COLS. (D), (E), (F), and (G)	COLS. (D), (E), (F), and (G)	COLS. (D), (E), (F), and (G)	COLS. (D), (E), (F), and (G)	COLS. (D), (E), (F), and (G)	COLS. (D), (E), (F), and (G)	COLS. (D), (E), (F), and (G)	COLS. (D), (E), (F), and (G)	COLS. (D), (E), (F), and (G)
			\$	\$	\$	\$	\$	%	\$	%	\$	%	\$
1	237	Heavy and Civil Engineering Construction	1,108,660				1,108,660	26.8783%		3.0947%			
2	238	Specialty Trade Contractors	65,541	170,069			235,610	5.7121%		0.6577%			
3	323	Printing and Related Support Activities		15,172			15,172	0.3678%		0.0424%			
4	332	Fabricated Metal Product Manufacturing			158		158	0.0038%		0.0004%			
5	334	Computer and Electronic Product Manufacturing		1,309			1,309	0.0317%		0.0037%			
6	335	Electrical Equipment, Appliance, and Component Manufacturing*	506,163	1,099,565	736		1,606,464	38.9471%		4.4842%			
7	423	Merchant Wholesalers, Durable Goods*	88,327	60,590			148,917	3.6103%		0.4157%			
8	424	Merchant Wholesalers, Nondurable Goods		5,077			5,077	0.1231%		0.0142%			
9	454	Nonstore Retailers	10,706	211			10,916	0.2646%		0.0305%			
10	532	Rental and Leasing Services*	22,362	407,308			429,670	10.4169%		1.1994%			
11	541	Professional, Scientific, and Technical Services	187,476	53,026	7,195		247,697	6.0052%		0.6914%			
12	561	Administrative and Support Services*	175,421	128,230			303,651	7.3617%		0.8476%			
13	562	Waste Management and Remediation Services	4,998	1,277			6,275	0.1521%		0.0175%			
14	722	Food Services and Drinking Places	15	5,144			5,159	0.1251%		0.0144%			
Totals			2,169,668	1,946,977	8,089	0	4,124,735	100.00%	35,824,819	11.5136%			

ATTACHMENT A-2										
UTILITY NAME: The Potomac Edison Company										
FOR THE REPORTING YEAR: 2010 Annual Report										
RESULTS BY PRODUCT DESCRIPTIONS / NAICS CODES										
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)
LINE #	NAICS #	PRODUCT/SERVICE DESCRIPTIONS BY NAICS CODE ^{1,2}	MINORITY BUSINESS ENTERPRISE	WOMEN BUSINESS ENTERPRISE	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	NOT FOR PROFIT WORKSHOP \$	TOTAL DIVERSE SUPPLIER (\$) BY NAICS CODE	PERCENTAGE (%) TO TOTAL DIVERSE SUPPLIER (\$) BY NAICS	TOTAL UTILITY PROCUREMENT	PERCENTAGE OF DIVERSE SUPPLIER (\$) TO TOTAL UTILITY PROCUREMENT
			COLS. (D), (E), (F), and (G)	COL. (H)	COL. (I)	COL. (J)	COL. (H) \$ / TOTAL COL. (H) %	COL. (J) \$	COL. (K) %	
			\$	\$	\$	\$	\$	%	\$	%

Footnotes:

- 1 NAICS Codes listed are subject to change
- 2 To the extent that disclosure of the contract amount dollars applies to only one vendor, the Utility may confidentially report data for columns (D) through (K).
- 3 * Include Subcontracting

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

ATTACHMENT A-3			
UTILITY NAME: The Potomac Edison Company			
FOR THE REPORTING YEAR: 2010 Annual Report			
(A)	(B)	(C)	(D)
LINE #	DESCRIPTION	CURRENT YEAR RESULTS (%)	CURRENT YEAR GOALS (%)
1	MINORITY BUSINESS ENTERPRISE	6.34%	5.50%
2			
3	WOMEN OWNED BUSINESS ENTERPRISE	5.15%	2.50%
4			
5	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	0.02%	0.02%
6			
7	NOT FOR PROFIT WORKSHOPS	0.00%	0.00%
8			
9	TOTAL	11.51%	8.02%

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

ATTACHMENT C					
UTILITY NAME: The Potomac Edison Company					
FOR THE REPORTING YEAR: 2010 Annual Reports					
(A)	(B)	(C)	(D)	(E)	(F)
LINE #	NAME OF COMPANY	FILING DATE OF COMPLAINT	NATURE OF COMPLAINT	RESOLVED YES OR NO	IF NO, PLEASE PROVIDE CURRENT STATUS
1	The Potomac Edison Company received no Diverse-Supplier procurement-related complaints during the 2010 calendar year.				
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					