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February 6, 2013

VIA ELECTRONIC & FED EX OVERNIGHT

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

**Re: The Potomac Edison Company 2013 Annual Plan as required by
The Memorandum of Understanding dated February 6, 2009 (PC 16)**

Dear Mr. Collins:

In accordance with Section 7 of the Memorandum of Understanding dated February 6, 2009, between the Commission and The Potomac Edison Company, enclosed please find the original and seventeen (17) copies of Potomac Edison's Annual Plan for Calendar Year 2013 with respect to Minority, Women and Service Disabled Veteran-Owned Business Enterprises.

Should there be questions, please contact me.

Very truly yours,



Jeffrey P. Trout
Senior Corporate Counsel

Enclosures

**The Potomac Edison Company Annual Plan for Calendar Year 2013
Minority, Women and Service Disabled Veteran-Owned Business Enterprises
January 1, 2013 – December 31, 2013**

This Annual Plan prepared pursuant to the State of Maryland Public Service Commission Memorandum of Understanding (MOU), signed on February 6, 2009 is submitted for the consideration of the Maryland Public Service Commission by FirstEnergy Corp. (“FirstEnergy”) on behalf of The Potomac Edison Company (“Potomac Edison” or “Company”).

This plan will be in effect for the period of January 1, 2013 through December 31, 2013 and covers the Maryland business segment of Potomac Edison.

1. Potomac Edison is on track to achieve its long term five year goal of 25% in 2013. To date we have met both the short and mid term goals originally established in the 2009 Annual Plan. Our 2012 accomplishments are included as attachments E-1, E-2 and E-3 Short, Mid and Long Term Goals. Long term contracts have not been excluded and are therefore reported in the total spend (MOU §7.1.1).
2. Procurement activities planned for the 2013 calendar year include (MOU §7.1.2):
 - a. Actively participate with the Maryland Chapter of The Elite Service Disabled Veteran Owned Business Network to identify products and services offered by Service Disabled Veterans to introduce to our team of Buyers.
 - b. Continue to participate in the National Minority Supplier Development Council affiliated MD/DC Minority Supplier Development Council along with the PA-NJ-DE, Northern Ohio and Western PA regional councils.
 - c. Continue our membership and participation with the Baltimore based Maryland Washington Minority Contractors Association (MWMCA) in order to identify diverse suppliers for inclusion on bid opportunities.
 - d. Attend the Maryland Utility Forum meetings and actively work towards achieving the following Forum goals:
 - Continue to enhance the Maryland Utility Forum Website.
 - Review assessment results of the MOU’s Schedule 2 Third-Party Certifying Agencies and provide recommendations to MD PSC.
 - Work to establish common methodology to assess the accuracy of Tier 2 reported spends.
 - Provide updated information to the Forum’s master list of third-party certified companies.
 - Explore additional bid opportunities for diverse owned investment firms.

- Leverage our collective utility experience to determine best practices, common goals, and supplier outreach opportunities.
- e. Our diversity team continues to participate with and currently serve as Chair of the Edison Electric Institute's (EEI) Supplier Diversity Task Force Committee. Our goal is to learn best practices and identify and meet diverse suppliers by attending the annual EEI Supplier Diversity Conference scheduled for May 28-31, 2013.
- f. Continue our active membership in and support of the supplier diversity initiatives and program goals of these additional NARUC sponsored councils located in our service territory:
 - Public Utility Commission of Ohio - OhioGATE Advisory Council
 - New Jersey Board of Public Utilities - Supplier Diversity Development Council, and
 - continue to provide annual reporting to the Pennsylvania Public Utility Commission
- g. Our diversity team participates in the Women's Business Enterprise Council of PA-DE-sNJ, serving as Board Co-Chair, attends meetings, educational sessions and continues to support the Council by reviewing WBE certification applications and conducting site visits for women owned businesses seeking third-party certification.
- h. Continue to provide monthly updates to Supply Chain management and buyers documenting their efforts to identify and utilize diverse supplier's participation on bid opportunities, subcontracting and diverse spend results.
- i. Work with the buyers to 1) identify new bid opportunities for Diverse Suppliers, and 2) help to identify why a supplier may have not responded to a bid offering, or were not the successful bidder and provide feedback to these diverse suppliers and 3) help our buyers identify any barriers that might exist in the bid process.
- j. Provide employee training to heighten awareness of FirstEnergy's Supplier Diversity Program, the Maryland MOU, the Annual Plan and our goals.
- k. Provide training to Supply Chain personnel on our Subcontracting Program emphasizing their role in working with Prime Contractors to increase their utilization of Diverse Suppliers as subcontractors especially when fulfilling our contract requirements.
- l. Complete the reporting requirements outlined in Section 6 of the MOU, including our continued review and verification of the internal material/commodity groups describing the materials and services utilized corporate-wide, and identify a NAICS Code that correlates to each of the defined groups. Continue to map our internal material group codes to an equivalent NAICS code in order to complete the Annual Report - Results by Product (Attachment A-2) as required by the MOU.

- m. Include standard language in Potomac Edison's Request for Proposals notifying suppliers of the Maryland MOU requirement to seek certification from an approved Third- Party Certifying Agent and aggressively encourage our self-certified suppliers to obtain certification through one of the Third-Party Certifying Agents specified in Section 2.1 of the MOU.
3. Plans for recruiting Diverse Suppliers of products or services where utilization has been low, underutilized or currently unavailable include (MOU §7.1.3, 7.1.4):
- a. Work towards creating a process to identify and track bid opportunities in our E-Sourcing and SAP systems to track a buyers success in offering diverse suppliers an opportunity on bid solicitations.
 - b. Work internally with our Supply Chain buying team and Treasury/Finance business unit partners to identify opportunities to increase spend with Diverse Suppliers that can provide services associated with our finance and leasing requirements.
 - c. Continue efforts to identify and engage our buyers with Service Disabled Veteran Owned Businesses (SDVOB) by reaching out to Forum members, Department of Veteran Affairs, The Elite Service Disabled Veteran Owned Business Network – Maryland Chapter and attending SDVOB focused conferences.
 - d. Include Potomac Edison management in the bid evaluation process early to help leverage their influence in the competitive sourcing process.
 - e. Continue to work with the Maryland Energy Efficiency Program Contract Service Providers (CSPs) to ensure they are actively engaged and negotiating with diverse suppliers to provide Potomac Edison with Tier 2 direct spend.
 - f. Evaluate additional opportunities to increase Diverse Supplier spend for other key purchases such as transformer, vegetation control services, engineering, IT, facilities services and security related services.
 - g. In addition to contacts made through various supplier diversity organizations, trade shows, and conferences, FirstEnergy utilizes a variety of resources to identify minority, women and service disabled veteran-owned business enterprises. The following is a partial listing of the referenced sources:
 - U.S. Small Business Administrations System of Award Management (SAM)
 - Edison Electric Institute (EEI) Supplier Diversity Task Force Committee
 - Maryland Department of Transportation (DOT) Directory
 - Maryland Utility Forum on Supplier Diversity
 - National Minority Supplier Development Council Regional Councils and Minority Business Information System (MBISYS)
 - Service Disabled Veteran Owned Business Network (SDVOSB)
 - VetBiz.gov
 - Women's Business Enterprise Council of PA-DE-sNJ (WBENC)
 - Internal FE Supplier Registration Profile database and SAP Vendor Master

4. Plans for encouraging Prime Contractors to engage Diverse Suppliers for subcontracting opportunities include (MOU §7.1.5):

- a. Provide Buyers Tier 2 Subcontracting training.
- b. Track and maintain a Supply Chain buyer file for tracking their vendor's Subcontracting Plans and/or documenting why a Subcontracting Plan is not required for their contracts in excess of \$550,000.
- c. Continue to manage the collection of required Subcontracting Plans and ensure the required Prime Contractor's Tier 2 reports are submitted in a timely fashion.
- d. Work to develop and implement a Tier 2 audit process to ensure the Prime Contractor actually utilized the products or services stated in their Plan and that the listed subcontractors actually received payment as reported on the quarterly reports.
- e. Potomac Edison includes the clause entitled "Utilization of Small Business Concerns" on purchase orders that offer further subcontracting opportunities, and subcontractors (except small business concerns) who receive a subcontract in excess of \$550,000 (\$1,000,000 for construction of any public facility) will be asked to develop a Plan similar to FirstEnergy's Small Business Subcontracting Plan.

5. Plans for complying with the established Diverse Supplier Program Guidelines (MOU §7.1.6):

- a. We will continue to work with our 3rd party certifying agency partners to ensure our self-certifying diverse suppliers are aware of the Maryland MOU requirement to obtain certification from a Third-Party Certifying Agent; and we will encourage those same suppliers to obtain certification through one of the Third-Party Certifying Agents specified in Section 2.1 of the MOU.
- b. Identify and monitor those suppliers receiving \$25K or more in annual gross revenues from Potomac Edison to confirm receipt of third-party certification.
- c. Continue to enhance our vendor management process to ensure accuracy of a vendor's business size and ownership (diversity) status, third-party certification and submittal of vendor re-certifications.
- d. It is our goal to meet regularly with our utility peers and other supplier diversity professionals to discuss our supplier diversity program requirements and seek their expertise to further enhance our Supplier Diversity Program.
- e. We will continue to focus and communicate our need to identify and meet certified minority, women and service disabled veteran-owned businesses through our advocacy partnerships. We plan to accomplish this by attending trade fairs, seminars, meetings, and conferences that promote supplier diverse initiatives.
- f. Potomac Edison plans to submit its 2012 Annual Report by March 31, 2013 as stipulated in Section 6 of the MOU.

MOU Sec. 7.1

Public Service Commission of Maryland - Supplier Diversity Annual Report Goals

Short-Term Goals

ATTACHMENT:		E-1 (Short-Term Goals)						
UTILITY NAME:		The Potomac Edison Company						
REPORT YEAR:		2009						
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
YEAR	MINORITY BUSINESS ENTERPRISE (MBE)	WOMEN BUSINESS ENTERPRISE (WBE)	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE (SDVOB)	NOT FOR PROFIT WORK SHOP	(\$) TOTAL Million	(%) TOTAL BY SPEND	TOTAL UTILITY PROCUREMENT (\$ Million)	PERCENTAGE (%) OF DIVERSE SUPPLIER SPEND TO TOTAL UTILITY PROCUREMENT
2009	5.50%	2.50%	0.02%	0	\$5	8.02%	\$64	8.02%

Mid-Term Goals

ATTACHMENT:		E-2 (Mid-Term Goals)						
UTILITY NAME:		The Potomac Edison Company						
REPORT YEAR:		2011						
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
YEAR	MINORITY BUSINESS ENTERPRISE (MBE)	WOMEN BUSINESS ENTERPRISE (WBE)	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE (SDVOB)	NOT FOR PROFIT WORK SHOP	(\$) TOTAL Million	(%) TOTAL BY SPEND	TOTAL UTILITY PROCUREMENT (\$ Million)	PERCENTAGE (%) OF DIVERSE SUPPLIER SPEND TO TOTAL UTILITY PROCUREMENT
2011	11.00%	4.00%	0.08%	0	\$11	15.08%	\$75	15.08%

Long-Term Goals

ATTACHMENT:		E-3 (Long-Term Goals)						
UTILITY NAME:		The Potomac Edison Company						
REPORT YEAR:		2013						
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
YEAR	MINORITY BUSINESS ENTERPRISE (MBE)	WOMEN BUSINESS ENTERPRISE (WBE)	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE (SDVOB)	NOT FOR PROFIT WORK SHOP	(\$) TOTAL Million	(%) TOTAL BY SPEND	TOTAL UTILITY PROCUREMENT (\$ Million)	PERCENTAGE (%) OF DIVERSE SUPPLIER SPEND TO TOTAL UTILITY PROCUREMENT
2013	15.50%	6.50%	3.00%	0	\$19	25.00%	\$74	25.00%