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E-FILE AND HAND DELIVERY

Mr. David J. Collins
Executive Secretary
Public Service Commission of Maryland
William Donald Schaefer Tower
6 St. Paul Street, 16th Floor
Baltimore, Maryland 21202-6806

Re: PC16 and Verizon Maryland LLC's Annual Report [**PROPRIETARY**]

Dear Mr. Collins:

For filing with the Commission in docket PC16, please find enclosed seventeen (17) copies of the Public version of the Annual Report of Verizon Maryland LLC ("Verizon," successor to Verizon Maryland Inc.), as well as ten (10) copies of the Proprietary (confidential) version of the Annual Report.

Verizon submits this Annual Report under the Memorandum of Understanding ("MOU") into which it entered with the Commission in February 2009. As permitted by the MOU, portions of Att. B and Att. D to the report are redacted in the Public version to protect their confidentiality. If you have any questions or concerns, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jeff A. Rackow".

Jeffrey A. Rackow

Encl.

cc: Odogwu Obi Linton

Verizon Maryland LLC

2013 Annual Report

Submitted to the Maryland Public Service Commission

In Accordance With the February 6, 2009 Memorandum of Understanding On Supplier Diversity

Submitted March 29, 2013

Verizon Maryland LLC (“Verizon,” successor to Verizon Maryland Inc.) is pleased to submit this Annual Report pursuant to Part 6 of the Memorandum of Understanding (“MOU”) executed on February 6, 2009 with the Public Service Commission (“PSC”) of Maryland.¹

At Verizon, diversity is not just a vague concept. It is an integral part of our business. Our overall message is that diversity is a fundamental part of Verizon’s culture and it is included in everything we do. We have a long history of promoting Supplier Diversity, having established a formal Supplier Diversity Program as early as 1984.

Verizon's Supplier Diversity team encourages and supports the use of diverse suppliers in our procurement process. The team partners with supplier diversity advocacy groups, chambers of commerce, and other organizations to identify suppliers whose capabilities match the needs of the business.

The Verizon Supplier Diversity program works to create mutually beneficial business relationships with diverse suppliers that strengthen the communities we serve and create value for our shareholders. We strive to provide maximum opportunity for diverse suppliers to compete on an equal basis with all other suppliers who meet our product,

¹ Accompanying this Annual Report, and incorporated herein by reference, are Attachments A-1, A-2, A-3, B, C, and D. Certain portions of those attachments are confidential and are being filed on a proprietary basis with the PSC consistent with the terms of the MOU.

service, procurement, and contractual requirements.

2012 Awards & Recognition

2012 Awards and Recognition

- The **Women's Business Enterprise National Council (WBENC)** named Verizon as a "Top Corporation" for the eighth consecutive year in **support of business with women entrepreneurs**.
- **DiversityBusiness.com** This is the 12th consecutive year Verizon has been named to **DiversityBusiness.com's** list of top 50 companies for multicultural business opportunities.
- **DiversityInc magazine** - For 12 consecutive years Verizon was named to the list of Top 50 Companies for Diversity. The list is derived from corporate survey submissions, which evaluate corporations' CEO Commitment, Human Capital, Corporate and Organizational Communications, and Supplier Diversity efforts.
- Verizon's accomplishments in Supplier Diversity were recognized by the **Dallas/Fort Worth Minority Supplier Development Council**, an affiliate of the National Minority Supplier Development Council (NMSDC), with the "**Buy Those That Buy UsTM**" Recognition Award. The award acknowledges buying entities that excel in minority business inclusion. Winners were selected based on scorecards that outlined their Supplier Diversity results and innovative Supply Chain solutions.

2012 Diverse Supplier Program Activities

Over the past year, Verizon supported the following external events, among others, aimed at promoting diversity in business:

- Association of Service Disabled Veterans Annual Conference
- MD/DC Minority Supplier Development Council Annual Conference
- National MED Week Annual Conference
- NY/NJ Minority Supplier Development Council Annual Business Expo
- Minority Supplier Development Council of PA/NJ/DE Annual Conference
- Nat'l Minority Supplier Development Council Conference & Business Expo

- Telecommunications Industry Group (TIG)
- US Hispanic Chamber of Commerce Annual Conference
- US Pan Asian American Chamber of Commerce Annual Conference
- VA Minority Supplier Development Council Annual Conference
- Women's Business Enterprise Council PA/NJ/DE Annual Conference
- Women President's Education Organization of DC
- Women President's Education Organization of NY

Verizon personnel served on the following National Organizations, among others:

- Billion Dollar Roundtable
- Dallas Ft. Worth Minority Supplier Development Council (board member)
- National Minority Supplier Development Council (board member)
- MD/DC Minority Supplier Development Council (board member)
- USPAAC (board member)
- USPAAC-SW (board member)
- Women's Business Enterprise National Council (WBENC)
- The Federal Communications Commission's Federal Advocacy Committee on Diversity for Communications in the Digital Age, announced April 22, 2009

Verizon used various advocacy organizations to provide the necessary third-party certification of minority, women, and service disabled veteran-owned business enterprises (MWSDVBE). Examples of these organizations are:

- Association for Service Disabled Veterans
- National Minority Supplier Development Council (NMSDC)
- California Public Utilities Commission MWBE Clearing House
- U.S. Pan Asian American Chamber of Commerce (USPAACC)
- Women's Business Enterprise National Council (WBENC)
- Women's Presidents Education Organization (WPEO)

Verizon has actively participated in the Maryland Utility Forum which consists of a subset of the companies that signed MOUs as part of Commission's Public Conference No. 16 on Supplier Diversity. Some of the Forum's past and ongoing achievements are summarized below:

- Through a series of meetings, the Forum was able to create an open environment for collaborative efforts among the participating companies to share best practices, support supply chain and supplier diversity professionals and generally expand sourcing opportunities in the State of Maryland.
- The Forum developed a good working partnership with MD PSC Commission Staff to further our common goals to promote supplier diversity.
- The Forum provided assistance to utilities that are launching, or have only recently launched, new supplier diversity and reporting processes.

2012 Goals and Diverse Supplier Recruitment

Our commitment to diversity begins at the top of our company. We take Supplier Diversity seriously, and we continuously and consistently measure our progress in this

area. Nationwide, Verizon companies purchased just under \$5.3 billion in goods and services from diverse businesses in 2012. Our goal is to increase our percentage of spend with certified diverse suppliers year-over-year.

Diverse vendors interested in becoming Verizon suppliers must be certified by, for example, one of the following organizations: the National Minority Supplier Development Council, the United States Hispanic Chamber of Commerce, the Association for Service Disabled Veterans, the Native American Business Alliance, U.S. PAN Asian American Chamber of Commerce, the Women's Business Enterprise National Council, or the federal or state government.

Our sourcing and procurement process enables qualified suppliers to compete for business opportunities. We use the following as guidelines to position a company for favorable consideration.

Financial Stability – It is Verizon's policy that all suppliers must be financially sound and credit-worthy.

Continuous Improvement – Suppliers may be required to fully demonstrate their processes as well as continuous improvement of those processes and/or performance of their products and services.

Established Business – Suppliers must be able to provide a legal company name and should be in business for a minimum of three years. Suppliers must be able to demonstrate revenue for this period.

Federal Taxpayer ID – Suppliers must be able to provide a Federal Taxpayer ID.

Proven Track Record and References – Suppliers may be required to provide references of satisfied past and current customers.

Electronic Data Interchange (EDI) and E-commerce – Suppliers must have EDI and/or E-commerce capabilities for receiving, confirming and invoicing orders. Suppliers should also have bar code technology for inventory and tracking purposes.

Insurance & Bonding Requirements – Suppliers must provide Commercial General Liability Insurance, Commercial Automobile Liability, Workers' Compensation, Employer's Liability and Professional Liability. Additional Umbrella/Excess Liability insurance may also be required. Suppliers must be able to obtain bonding when required.

Background Checks - Supplier must certify to Verizon that it has conducted (or used an agency to conduct) criminal history checking, drug testing, and verification of education, employment history, Social Security number and legal right to work for all employees and contract personnel.

Quality Processes - (TL9000/ISO 9001) Suppliers may need to establish and implement an effective Quality Management System (QMS) with defined processes and operating procedures that measure continuous improvements.

Third-party MWDVBE Certification - If registering as a Minority, Woman or Service Disabled Veteran Business Enterprise (MWSDVBE) you must provide certification documentation through a third-party certification organization recognized by Verizon.

Prime Contractor Utilization of Diverse Supplier Subcontractors

Verizon prime suppliers are asked to honor their commitment to diversity by:

- Actively including qualified diverse suppliers or MWSDVBEs as subcontractors/2nd Tier vendors in Verizon procurements
- Requiring that those MWSDVBEs are certified
- Giving consideration to mentoring MWSDVBEs
- Partnering with Verizon to host MWSDVBE information and opportunity seminars
- Submitting to Verizon Prime Supplier relevant data

Progress in Meeting Goals and Efforts to Recruit Diverse Suppliers for Underserved Areas

Verizon has achieved a great deal of success in meeting or exceeding many of its goals for supplier diversity. However, Verizon does not rest on its past achievements.

Historically suppliers in some industries have been reluctant to become certified as diverse suppliers. Verizon has aggressively encouraged MWSDVBE suppliers to achieve and maintain current certification.

Verizon has worked with local advocacy groups to develop more effective “trade fair” and “match making” type events that target the non-traditional supplier. For example, Verizon has encouraged meetings between highly qualified MWSDVBEs and Verizon Sourcing Process Leaders to discuss both current opportunities and general Verizon requirements for the applicable product or service.

Verizon, through its working relationship with the Utility Forum, MD Department of Minority Business, and the Maryland/District of Columbia Supplier Development Council, has provided for the identification and the inclusion of non-traditional suppliers in Verizon’s supply chain.

Complaint Process

Verizon attempts to resolve supplier diversity issues prior to the filing of a formal complaint. When resolution is not successful, complaints should be in writing and fully documented.

To complete the complaint process, the following information should be provided:

- Complainant's representative's name and the name of company.
- Mailing address and phone number.
- Name of the company or person or organization that is the subject of the complaint.
- Address and telephone number of the subject company or person, if known.
- The name of the company's representative who was contacted (if applicable).
- A brief description of the complaint.

The completed complaints should be forwarded to the contact person responsible for the vendor selection within the responsible business unit for the project(s) or Request For Proposal.

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Socially Disadvantaged Groups
 (MOU Sec. 6.2.2)

ATTACHMENT A-1		UTILITY NAME: Verizon		FOR THE REPORTING YEAR: 2012					
(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	Col. (E) / Col. G	
				COLS. (C) + (D)					
				\$ / TOTAL COL. (E)					
	MINORITY BUSINESS ENTERPRISE								
1	AFRICAN-AMERICAN	\$16,423,316	\$962,007	\$17,385,323	32.09%		5.73%		
2	AMERICAN INDIAN/NATIVE AMERICAN	\$3,027,810		\$3,027,810	5.59%		1.00%		
3	ASIAN	\$511,364	\$17,101	\$528,465	0.98%		0.17%		
4	HISPANIC	\$526,045	\$201,637	\$727,682	1.34%		0.24%		
5	TOTAL MINORITY BUSINESS ENTERPRISE	\$20,488,535	\$1,180,745	\$21,669,280	39.99%		7.14%		
6									
7									
8	WOMEN BUSINESS ENTERPRISE	\$5,275,572	\$2,679,960	\$7,955,532	14.68%		2.62%		
9									
10	SERVICE DISABLED VETERAN BE	\$24,558,982	\$0	\$24,558,982	45.33%		8.09%		
11									
12	NOT FOR PROFIT WORKSHOPS	\$0	\$0	\$0	0.00%		0.00%		
13									
14	GRAND TOTAL	\$50,323,089	\$3,860,705	\$54,183,794	100.00%	\$303,641,601	17.84%		

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

ATTACHMENT A-3			
		UTILITY NAME: Verizon	
		FOR THE REPORTING YEAR: 2012	
(A)	(B)	(C)	(D)
LINE #	DESCRIPTION	CURRENT YEAR RESULTS (%)	CURRENT YEAR GOALS (%)
1	MINORITY BUSINESS ENTERPRISE	7.14%	11%
2			
3	WOMEN OWNED BUSINESS ENTERPRISE	2.62%	11%
4			
5	SERVICE DISABLED VETERAN BUSINESS ENTERPRISE	8.09%	5%
6			
7	NOT FOR PROFIT WORKSHOPS	0.00%	0%
8			
9	TOTAL	17.84%	27.00%

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Program Expenses
 (MOU Sec. 6.2.3)

ATTACHMENT B		UTILITY NAME:			
FOR THE REPORTING YEAR:		2012			
(A)	(B)	(C)	(D)	(E)	(F)
LINE #	EXPENSE CATEGORY	EXPENSE AMOUNT (\$) ¹	PERCENTAGE TO TOTAL PROGRAM EXPENSES	TOTAL UTILITY SPEND ON GENERAL AND ADMINISTRATIVE EXPENSES	PERCENTAGE (\$) OF PROGRAM EXPENSES TO TOTAL UTILITY G&A EXPENSES
			Col. (C) / Total Col. (C)		Col. (C) / Total Col. (E)
1	Employee Salary Expenses				
2	Other Employee Expenses				
3	Program Expenses				
4	Reporting Expenses				
5	Training				
6	Consultants				
7	Other Program Expenses (List)				
8					
9					
10					
11					
12					
13					
14					
15	TOTAL EXPENSES	\$45,000	0.00%	\$323,500,000	0.00%

¹ Except where actual budget proportions could reasonably be estimated, Column "C" data were calculated by applying a fixed % to the respective categories of expenses of the Supplier Diversity program nationally to represent a proxy for the Maryland portion of the program. The fixed % (after rounding) was derived from the % of the expenses that Column "E" shows for Verizon Maryland compared to such comparable expenses nationally.

NOTE: The internal Budget and Expenses data shown on this chart are Proprietary and Confidential Commercial Information of Verizon.

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

ATTACHMENT C					
	UTILITY NAME:				
	FOR THE REPORTING YEAR: 2012				
(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					
2					
3			No Complaints were received for 2012		
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					

Public Service Commission of Maryland
 Supplier Diversity Annual Report of
 Vendor Contracts
 (MOU Sec. 6.2.8)

ATTACHMENT D ^{1,2}				
	UTILITY NAME: Verizon			
	FOR THE REPORTING YEAR: 2012			
(A)	(B)	(C)	(D)	(E)
LINE #	VENDOR NAME	AMOUNT (\$)	NAICS CODE	SELF-CERTIFIED: YES (Y) or NO (N)
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				
14				
15				
16				
17				
18				
19				
20				
21				
22				
23				
24				
25				
Footnotes:				
1 To the extent that disclosure of the contract amount dollars applies to only one vendor, the Utility may confidentially report data for columns (B) through (E).				
2 Vendors listed are Tier 1 Diverse vendors only				
3				