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TXU Communications
321 North First Street
P.O. Box 909
Lufkin, TX 75902-0909

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PUBLIC UTILITY COMMISSION
FILING CLERK

December 27, 2002

Filing Clerk
Public Utility Commission of Texas
1701 N. Congress Avenue
Austin, TX 78701

RE: Project No. 26714 - Annual Report on Historically Underutilized Businesses for
TXU Communications.

Dear Filing Clerk:

Pursuant to Section 26.80 of the PUC Substantive Rules, enclosed for filing are (4) copies of the Annual Report on Historically Underutilized Businesses. This filing is being made in Project 26714 as the project designated for this report. This report is composed of information and data previously filed for TXU Communications Telephone Company and Ft. Bend Telephone Company. These companies are both part of, and doing business as, TXU Communications, and all procurement efforts are directed by a common management.

TXU Communications determines which of its vendors is a HUB through a process of vendor survey. The company periodically surveys all vendors for their HUB designation, as well as relying on their self-declaration when bidding or contacting the company.

We have included an extra copy of the transmittal letter and request that you please file-date stamp this copy and return to us for our files. If you have any questions concerning this report, please contact me at 936-837-4420.

Sincerely,


Phillip Campbell
Staff Manager - Regulatory

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**ANNUAL REPORT ON FIVE-YEAR PLAN TO ENHANCE SUPPLIER AND
WORKFORCE DIVERSITY
TXU COMMUNICATIONS**

I. Describe the specific initiatives, programs, and activities undertaken under the plan during the preceding year.

Encourage all associates, minority and women associates to participate in career days, professional development workshops, youth motivation programs and related activities whenever possible.

Encourage associates to serve in leadership positions for community organizations, employment councils, and similar organizations whenever the opportunity arises.

Encourage associates with particular areas of expertise to serve as volunteers on the Company's Speaker Bureau. The Speaker's Bureau is made available to Chambers of Commerce, Business/professional organizations, schools and PTAs, and focuses on providing information that benefits small businesses and the community.

Publicize the achievements of our associates, including minority and female associates, in our internal publications as well as in the local news media, when appropriate.

Support, where possible, programs developed by community groups such as the National Alliance of Business, the Urban Coalition, The Urban League and other organizations concerned with opportunities for minorities and women. Continue to support community organizations, agencies, and activities such as the following: Community and Minority Chambers of Commerce, Area Chambers of Commerce Annual Leadership Programs, Boys & Girls Club, Cinco de Mayo, County Youth Associations, Eastex Bilingual Services, Economic Development Groups, Interaction Training, La Lengua, March of Dimes, Special Olympics, Top Ladies of Distinction, and United Way.

Provide Recruitment representatives clear and concise explanations of current and anticipated future job openings, position descriptions, worker specifications and the Company's selection process.

Encourage minority and female associates to refer qualified applicants.

Make an effort to research additional organizations in the community or the recruitment area that could refer qualified minorities and women for positions. As appropriate; provide notification of job availability and qualifications to organizations such as the Urban League, the National Organization of Women, secondary and vocational schools, junior colleges and colleges with high minority and female enrollment.

Post available job opportunities on the Company web sites.

Post available job opportunities on the industry organization web sites.

Continue to review worker specifications to ensure the academic, experience, and skill requirements are relevant and necessary to job functions and duties.

Inform all associates involved in recruiting, screening, selection, promotion, disciplinary and related processes of the Company's EEO policy.

Study the feasibility of special employment programs such as cooperative programs with schools, work-study jobs, summer internships, etc.

Extend opportunities for additional training to current associates who, with additional training, education or experience may become qualified for advancement.

Provide workforce diversity related employee training.

Recognize the continual entrance into the work force by minorities and women graduates of high schools, colleges and technical schools, as well as the return-to-the-work-force of women.

Utilize historically underutilized businesses (HUBs) in the procurement of goods and services, emphasizing local community service providers. Initiatives related to this objected are listed below.

Identify local organizations with small, minority, and female-owned business membership emphasis and participate in or communicate through these local organizations to promote the business opportunities with the Company.

Publicize the commitment to Supplier Diversity in publications directed to and supportive of economic development for women, minority and small businesses.

II. Make an assessment of the success of the specific initiatives, programs, and activities Listed above:

Company employees actively participate in the following community programs in our serving area: Chamber of Commerce, Jr. Achievement, Lions Club, Boys & Girls club, March of Dimes, Rotary Club, National Denim Day (Breast Cancer Awareness), Cattle Barons Ball (Cancer fundraiser), United Way, Sam Houston Area Boy Scouts, Waller County Women's Shelter, Barbara Jordan Youth Center, Richmond State School, Lamar CISD Texas Scholar Program, Katy ISD Partners in Education, Fort Bend County Literacy Council Volunteers, George Foundation - Juneteenth Celebration, City of Rosenberg & Richmond Czech Festival, American Heart Association " Heart Walk" Sponsorship, Pregnancy Assistance Center, Junior League of Lufkin, and a participant in local school Career Days. These associations bring the company into contact with all groups in the communities we serve and increase knowledge and awareness of business and employment opportunities within the company.

TXU Communication employees serve in the following community positions: Board Member of the Conroe/Lake Conroe Chamber of Commerce, Board member at the Montgomery County Humane Society, Board member of the Angelina County Chamber of Commerce, Board member of the Lufkin Mainstreet Committee, Board member of the Alzheimer Association, Board member of the Coalition for a Better Community, Board member of the Drug-Free business Task Force. These employees provide positive visibility and recognition for the company in the communities we serve, as well as fostering potential professional relationships.

The following Speakers Bureau Programs have been presented: E-commerce to the Nacogdoches Chamber of Commerce, Lufkin Independent School District, and the Conroe Independent School district; Presentations to the Lufkin Chamber of Commerce and the Homebuilders Association about Telecommunications Industry trends; Presentation to the Genealogy Society about "How to Use the Internet"; Presentation to the Lufkin Seniors Kiwanas Club on future trends in Telecommunications in the Lufkin area; Presentation to the Region 5 Center in Beaumont about school communication funding programs; Presentation to the American Business Women Association about Telecommunication Industry Trends. This program enables TXU Communications to maintain a high profile as a "community minded" service business in the communities which we serve. This profile not only enhances our reputation as a reputable business partner and employer of choice within the community but also facilitates our recruiting within the local area, as well as improving over profits to underutilized businesses.

Outstanding employee achievements are publicized extensively through our internal magazine Connection, as well as bulletins, companies e-mail, etc. Highest level achievers are formally recognized each quarter through the Presidents Eagle Award Program. These achievements and awards are also released to all local and surrounding area media. This dissemination provides a very positive image for the TXU Communication employees and promotes interest in employment with the company.

Our community participation, as detailed above, has been critical to achieving success and improving diversity in both employment and procurement. Our employees' interaction within the community is the most effective means of identifying and attracting minority employees, as well as potential business partners.

Both internal Staff and outside agencies that recruit for the company are given position descriptions and the specific qualifications required of a prospective applicant and are very familiar with our goals and initiatives to enhance diversity.

Definition of specific skills and requirements enhances the efficiency of our Recruiting processes and facilitates a successful conclusion to the search for a new employee.

We utilize an internal posting system for all nonexempt positions and many management positions. Employee referrals have been a good source of potential candidates for our hiring needs. However, our Union contract precludes outside hire prior to job posting, and an internal bidding process is required for over 30 percent of the positions within the company.

All employees are informed of the Company's EEO policy through posting of the Affirmative Action Policy throughout the company; through receipt of the policy in the Employee Handbook (available to all employees on the company intranet); through employee orientation where the policy is specifically covered in the orientation program. All employees of the company also attend a course on Diversity in which the Affirmative Action Policy is discussed. All employment advertisements specify that we are an Equal Opportunity Employer.

While we have successfully targeted minorities and females through the search firms that we utilize, most of our recruiting within the communities we serve is done through employee referral and/or Internet advertisement. Because of our low turnover, union job posting/bidding process, and our status as a premier employer within the communities served, we do no recruitment at secondary schools and very

little at colleges.

All positions for which we will be recruiting externally are posted on the company web site. While this method has been only marginally successful in identifying candidates to date, we will continue this practice.

Most of our recruiting within the communities we serve is done through employee referral and/or newspaper advertisement. Because of our low turnover, union job posting/bidding process, and our status as a premier employer within the communities served, we do no recruitment at secondary schools and very little at colleges. Nearly all successful position incumbents have at least 5 or more years of previous work experience. In areas outside of the franchise we have successfully targeted minorities and females through the search firms that we utilize.

We have done extensive technical and product related training with service technicians, customer service and sales staff to both enhance our service levels and their own capabilities. Training availability and the opportunity for advancement within the company have made the company a very desirable employer in the areas we serve.

As part of our standard recruitment efforts, we endeavor to recruit minorities and Women by the following methods: using the proper EEO identification in help-wanted advertisements, job postings and newspapers; utilizing recruitment agencies prioritizing minority candidates; soliciting employment referrals from existing employees. These efforts, and a positive reputation in the local community, have resulted in attracting minority and female applicants.

A total review of our procurement processes has been underway throughout the year. Improved identification and use of HUBs and the impact that it would have on the purchases of goods and services is a major consideration in that review.

As shown above, company employees are members in all local civic and service organizations and are active in discussing and promoting business opportunities available with the company as well as potential employment. Active participation in local Chambers of Commerce has produced good relations with these businesses.

III. Describe the initiatives, programs, and activities the utility will pursue during the next year to increase the diversity of its workforce and contracting opportunities for small and historically underutilized businesses.

The company will continue to emphasize and expand the programs detailed above. The success of these activities, as shown in IV below, demonstrates their validity and the company's commitment to achieving true diversity in both their workforce and procurement practices. Additionally, the company will make a concerted effort to establish closer relationships in organizations with minority and female business membership emphasis, in order to promote and increase business opportunities with these business people and will be more active in using publications to promote business/vendor and employment opportunities.

IV. State the specific progress made under the plan filed by the utility:

In 2002 , TXU Communications hired 120 new employees, of this total, 83, or 69%, were minorities and/or female. The addition of these African-American, Hispanic, and Asian employees continues the companys' progress in improving equality and creating a workplace that velues diversity.