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PROJECT NO. 30240

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Workforce and Supplier	( )	In The	04 DEC 30 AM 9: 08
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Contracting Diversity	( )		PUBLIC UTILITY COMMISSION
under	( )	Public Utility Commission	FILING CLERK
	( )		
Substantive Rule 26.85	( )	Of Texas	

**ANNUAL PROGRESS REPORT OF WORKFORCE AND SUPPLIER CONTRACTING DIVERSITY**

Southwest Texas Telephone Company hereby submits its Annual Progress Report pursuant to Substantive Rule 26.85. Southwest Texas Telephone Company (STTC) is an incumbent local exchange carrier located in Rocksprings, Texas. STTC employs 30 people and operates in and around the communities of Barksdale, Camp Wood, D'Hanis, Rocksprings, Utopia, and Vanderpool. The Workforce and Supplier Diversity Form is attached to and made a part hereof.

1. Illustration of Workforce Diversity

Pursuant to the requirements formerly imposed by the Rural Utilities Service, STTC tracked the racial and ethnic make-up of residential subscribers for telephone service in STTC's certificated area through the year 2000. The last report, dated January 29, 2001, shows that STTC's residential customer base is 84% white and 16% Hispanic.

The ethnicity of STTC's current employees is 43% white and 57% Hispanic, indicating that the company has a far higher percentage of Hispanic employees than is the case in the area population. This percentage does not result from any concerted effort to increase diversity. STTC hires the most qualified people possible without regard to race or ethnicity, and the minority employees of STTC have their jobs because they were the most qualified applicants available at the time they applied.

2. Description of Specific Progress

(A) Specific Initiatives, Programs, and Activities.

STTC's policy is to hire the best-qualified people for entry level positions and to fill higher positions by promoting from within the company. Most training is done in-house but employees also attend outside seminars and schools.

Management vacancies are normally filled by promotion from within the company. Currently there are seven managers, two of whom (28.6%) are Hispanic, out of a general population that is about 17% Hispanic.

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(B) Assessment of Success of Initiatives, Programs, and Activities

The above policies have contributed to a workforce that is qualified, motivated, productive, and diverse. The managers who happen to belong to an ethnic minority did not become managers because of any special program designed to promote minorities. They have received opportunities and promotions based on their own merit, effort and performance.

3. Explanation of Level of Contracting with HUBs and Small Businesses

The level of contracting with HUBs and small businesses continues to reflect STTC's commitment to providing business opportunities to all qualified vendors of goods and services.

4. Extent Initiatives have been Carried Out

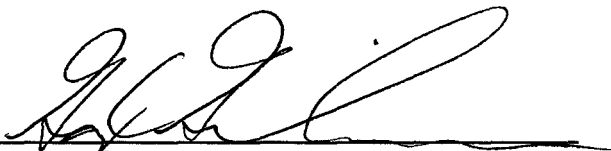
STTC has continually sought to do business with the most qualified vendors, and to seek out those vendors without reference to the race, ethnicity or gender of the owner. This initiative is carried out on a daily ongoing basis.

5. Initiatives, Programs and Activities for Next Year

STTC will continue its program of equal employment opportunity in order to continue hiring and promoting the most qualified applicants. STTC will also continue to make opportunities available for historically underutilized businesses and small businesses to sell goods and services to the company.

The above Annual Report has been prepared and submitted by the undersigned pursuant to Section 52.256 of the Texas Public Utility Regulatory Act and PUC Substantive Rule 26.85.

Respectfully Submitted,



GARY C. GILMER, President  
Southwest Texas Telephone Company

# WORKFORCE AND SUPPLIER DIVERSITY FORM

Occupational Categories

## NUMBER OF TEXAS FULL-TIME EMPLOYEES FOR REPORTING YEAR

Occupational Categories	Combined Total	Company Totals		Caucasian		African American		Hispanic		Asian		American Indian	
		Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Officials and Managers	7	6	1	5				1	1				
Professionals													
Technicians	8	8		4				4					
Sales Workers													
Office and Clerical	6		6		1				5				
Craft Workers (Skilled)	9	9		3				6					
Operatives (Semi-skilled)													
Laborers (Unskilled)													
Service Workers													
<b>Previous Year Totals</b>	29	21	8	12	3			9	5				
<b>Year Totals</b>	30	23	7	12	1			11	6				

**WORKFORCE AND SUPPLIER DIVERSITY FORM**

<b>Actual = [Total HUB(6) procurement + Total Small Business procurement]/Total Company procurement</b>			
	<b>Actual for Previous FY</b>	<b>Actual for Current FY</b>	<b>Percentage change</b>
Construction Contracts (1)	91.75%	100.00%	+ 8.25%
Commodities Contracts (2)	34.70%	26.62%	- 8.08%
Other Services (3)	13.31%	83.77%	+ 70.42%
Professional Services Contracts (4)	25.17%	49.87%	+ 24.70%
Major Equipment (5)	33.52%	43.33%	+ 9.81%
Other	1.22%	28.04%	+ 26.82%

**(1) Construction** -- Construction done by general contractors and special trade contractors which includes new work, additions, alterations, reconstruction, installations, repairs, remodeling, renovating, and repair of office buildings. Heavy construction other than buildings such as pipelines, communication and power lines, sewer and water mains, asphalt and concrete construction of roads, trenching, cable laying, conduit construction, land clearing and leveling.

**(2) Commodities** -- All materials, goods or tangibles purchased to conduct business, not including fuel or purchased power contracts and major equipment purchases and rentals.

**(3) Others Services** -- All specialty work, special circumstances that required contract labor, special consultants or other non-defined services. Examples include audio/visual, staffing services, landscaping, forestry, tree trimming, art and decorative services, janitorial, travel/lodging, automotive repair, and photography.

**(4) Professional Services** -- Contracted professional services which include legal, consulting, health, engineering, accounting, advertising/marketing, architectural, real estate, computer services, research and analysis, education/training, insurance, surveying services, weather services, environmental, financial, etc.

**(5) Major Equipment** -- Includes all major equipment purchases and rentals including but not limited to Transmission and distribution equipment, power plant equipment, substation equipment, heavy construction equipment, fleet requirements, etc.

**(6) HUB** -- Business enterprises that are 51% owned and controlled by U.S. citizens who are socially disadvantaged because of their identification as members of certain groups, including African-American, Hispanic, Native American, or Asian Pacific and Women as defined in the Texas Government Code § 481.101(1).

**(7) Other** -- Any commodity or service not covered by the above categories.

**SMALL UTILITIES HUB USE REPORT (Texas purchases)**  
 Utility: Southwest Texas Telephone Company

	Construction		Commodities		Other Services		Professional		Major Equipment		Other		Total HUB	
	Expenditures		Expenditures		Expenditures		Expenditures		Expenditures		Expenditures		Expenditures	
African American Male	0	0	0	0	0	0	0	0	0	0	0	0	0	0
African American Female	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Asian American Male	0	0	145	0	0	0	0	0	0	0	0	0	0	145
Asian American Female	0	0	40	0	0	0	0	0	0	0	0	0	0	40
<b>Total</b>	0	0	185	0	0	0	0	0	0	0	0	0	0	185
Hispanic American Male	0	0	1,258	0	0	0	0	0	0	0	0	0	0	1,258
Hispanic American Female	0	0	856	0	0	0	0	0	0	0	0	0	0	9,256
<b>Total</b>	0	0	2,114	0	8,400	0	0	0	0	0	0	0	0	10,514
<b>Native American Male</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Native American Female</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>MBE Total (Male/Female Minority)</b>	0	0	<b>2,299</b>	0	<b>8,400</b>	0	0	0	0	0	0	0	0	<b>10,699</b>
<b>WBE Total (Non-Minority Female)</b>	0	0	<b>32,869</b>	0	<b>1,440</b>	0	0	0	0	0	0	0	0	<b>34,309</b>
<b>Total MBE &amp; WBE Procurement</b>	0	0	<b>35,168</b>	0	<b>9,840</b>	0	0	0	0	0	0	0	0	<b>45,008</b>
<b>Total Unknown Status Procurement (1)</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Non-Fuel Procurement (2)</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Fuel and Purchased Power Procurement (electric only)</b>														
<b>Total Non-Fuel, Fuel, and Purchased Power Procurement</b>														
												<b>n/a</b>		
												<b>3,166,138</b>		

(1) Vendors for whom HUB status is not directly known.

(2) Expenditures for goods and services from vendors not including wages, benefits, and other non-reportable goods and services such as taxes and postage. Includes MBE/WBE and

Reporting Period:  
 Address: P. O. Box 128  
 City: Rocksprings, TX

Oct. 1, 2003 through Sep. 30, 2004

Reporting Date: 38,348  
 Contact person: Rachel Gallegos

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