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December 29, 2004

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Public Utility Commission of Texas
Attention: Filing Clerk
1701 North Congress Avenue
Austin, TX 78701

**Re: Consolidated Supplier Diversity Report on behalf of Birch Telecom of Texas
Ltd., L.L.P. and Ionex Communications South, Inc., Docket No. ~~30238~~**

30240

Ladies and Gentlemen:

Enclosed for filing is the Consolidated Supplier Diversity Report on behalf of Birch Telecom of Texas Ltd., L.L.P. and Ionex Communications South, Inc., for the period October 1, 2003, through September 30, 2004, which is being filed pursuant to Substantive Rule §26.80.

If there are any questions or concerns regarding this report, please contact the undersigned.

Thank you.

Yours very truly,

Barbara P. Fillinger
Sr. Manager, Regulatory Compliance

Enclosure

**CONSOLIDATED ANNUAL PROGRESS REPORT ON
FIVE-YEAR PLAN TO ENHANCE SUPPLIER DIVERSITY**

Filed Pursuant to Substantive Rule §26.80

For the Period October 1, 2003, through September 30, 2004

on Behalf of

**BIRCH TELECOM OF TEXAS LTD., L.L.P.
and
IONEX COMMUNICATIONS SOUTH, INC.¹**

¹Please note that this is a consolidated report for Birch and Ionex, as the parent companies of these entities completed a merger in 2003.

WORKFORCE AND SUPPLIER DIVERSITY FORM **HUB & SMALL BUSINESS PROCUREMENT AS A PERCENTAGE OF TOTAL COMPANY PROCUREMENT**

Actual % = [Total HUB(1) procurement + Total Small Business(2) procurement]/Total Company procurement		Actual % for Previous FY	Actual % for Current FY	Percentage Change
Construction Contracts (3)		not applicable	see Note below	not applicable
Commodities Contracts (4)		not applicable	see Note below	not applicable
Other Services (5)		not applicable	see Note below	not applicable
Professional Services Contracts (6)		not applicable	see Note below	not applicable
Major Equipment (7)		not applicable	see Note below	not applicable
Other (8)		not applicable	see Note below	not applicable

Note: Due to a continued lack of resources, Birch Telecom of Texas Ltd., L.L.P. (Birch) and Ionex Communications South, Inc. ("Ionex") (together, the "Companies") have not had the opportunity to develop and implement a formal Diverse Supplier Program designed specifically to source, develop and utilize HUBs or SDBs. However, when purchasing goods and services, the Companies do make an effort to utilize Diverse Suppliers that can provide goods and services of high quality. Please see the attached report which includes both Texas and non-Texas data. The Companies' system is not well enough developed to break down the numbers between Texas and non-Texas expenditures.

(1) **HUB** -- Pursuant to Texas Government Code § 481.191(4), HUB means: (A) a corporation formed for the purpose of making a profit in which at least 51 percent of all classes of the shares of stock or other equitable securities is owned by one or more persons who are members of certain groups, including black Americans, Hispanic Americans, women, Asian Pacific Americans, and American Indians; (B) a sole proprietorship formed for the purpose of making a profit that is 100 percent owned, operated, and controlled by a person described by Paragraph (A) of this subdivision; (C) a partnership formed for the purpose of making a profit in which 51 percent of the assets and interest in the partnership is owned by one or more persons described by Paragraph (A) of this subdivision. Those persons must have proportionate interest and demonstrate active participation in the control, operation, and management of the partnership's affairs; or (D) a joint venture in which each entity in the joint venture is a historically underutilized business under this subdivision.

(2) **Small Business** -- Pursuant to Texas Government Code § 481.191(6), Small Business means a corporation, partnership, sole proprietorship, or other legal entity that: (A) is domiciled in this state; (B) is formed to make a profit; (C) is independently owned and operated; and (D) employs fewer than 100 full-time employees.

(3) **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.

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

(5) **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.

(6) **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.

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

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

**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

- (1) Describe the specific initiatives, programs, and activities undertaken under the plan during the preceding year:**

Due to a continued lack of resources, the Companies have not had the opportunity to develop and implement a formal Diverse Supplier Program designed specifically to source, develop and utilize HUBs or SDBs. However, the Companies' purchasing department, three (3) employees, does make an effort to utilize Diverse Suppliers that can provide goods and services of good quality.

**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

- (2) Make an assessment of the success of each of the specific initiatives, programs, and activities listed above:**

For the reasons stated above, while there have been expenditures, the data cannot be collected and broken down into the categories.

- (3) 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 Companies still hope to modify the accounting software which will assist in tracking small and HUB businesses, enabling the Companies to better track and report the amount of dollars that are paid to small and historically underutilized businesses.

After modifications, the Companies will be better able to track its use of small or HUB businesses as defined in the Texas Government Code § 481.191(4) and (6), respectively, and will be in a better position to make needed adjustments in their procurement activities going forward.

**WORKFORCE AND SUPPLIER DIVERSITY FORM
COMPANY INITIATIVES**

(4) State the specific progress made under the plan filed by the utility:

For the reasons stated above, it is not possible to report any specific progress made.

SMALL UTILITIES HUB USE REPORT (purchases outside Texas)

Utility: Birch Telecom of Texas Ltd., L.L.P.
and Lonex Communications South, Inc.

MBE Procurement	Construction Expenditures	Commodities Expenditures	Other Services Expenditures	Professional Expenditures	Major Equipment Expenditures	Other Expenditures	Total HUB Expenditures
African American Male	0	0	0	0	0	0	0
Female	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0
Asian American Male	0	0	0	0	0	0	0
Female	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0
Hispanic American Male	0	0	0	0	21,435	0	21,435
Female	0	0	0	550,173	0	0	550,173
Total	0	0	0	550,173	21,435	0	571,608
Native American Male	0	0	0	0	0	0	0
Female	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0
MBE Total (Male/Female Minority)	0	0	0	550,173	21,435	0	571,608
WBE Total (Non-Minority Female)	0	0	752,430	0	0	0	752,430
Total MBE & WBE Procurement	0	0	752,430	550,173	21,435	0	1,324,038
Total Unknown Status Procurement (1)	0	0	0	0	0	0	0
Total Non-Fuel Procurement (2)	0	0	0	0	0	0	0
Total Utility Purchases							0
Total Non-Fuel, Fuel, and Purchased Power Procurement							0

Note: Includes both Texas and non-Texas data. Birch's system is not well enough developed to break down the numbers between Texas and non-Texas expenditures.

Total Fuel and Purchased Power Procurement (electric only)

(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-negotiable goods and services such as taxes and postage. Includes MBE/WBE and Unknown Procurement.

Reporting Period: Oct. 1, 2003 through Sep. 30, 2004

Address: 2020 Baltimore Avenue
City: Kansas City

Reporting Date: December 29, 2004

Contact person: Barbara Fillingger
Phone: 816-300-3290 Fax: 816-300-3350

State: MO Zip: 64108

To be filed by a utility which has more than 1,000 customers in a state other than Texas, or which purchases more than 10% of its goods and services from vendors not located in the state of Texas.