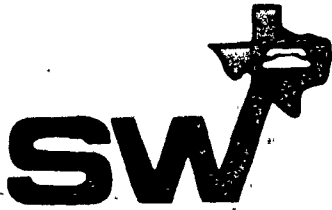


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Item Number: 2609

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SOUTHWEST TEXAS TELEPHONE COMPANY
Founded 1898

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PUBLIC UTILITY COMMISSION
FILING CLERK

SOUTHWEST TEXAS
TELEPHONE COMPANY

P.O. BOX 128

ROCKSPRINGS, TEXAS 78880

Telephone (830) 683-2111 FAX (830) 683-4190

November 22, 2016

Public Utility Commission of Texas
Filing Clerk
1700 N. Congress Avenue
Austin, TX 78701

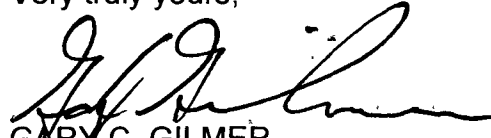
Re: Project No. 30240: Annual Progress Report of
Workforce and Supplier Contracting Diversity
for Southwest Texas Telephone Company

Dear Sir/Madam:

Pursuant to Substantive Rule 26.85(e), enclosed for filing are four (4)) copies of the Annual Progress Report of Workforce and Supplier Contracting Diversity.

We are also sending copies to: (1) the Governor; (2) the Lieutenant Governor; (3) the Speaker of the House; (4) the Chair of the Texas Senate Hispanic Caucus; (5) the Chair of the Mexican-American Legislative Caucus; and, (6) the Chair of the Legislative Black Caucus.

Very truly yours,



GARY C. GILMER
President

XC: To Above Listed Officials

2609

WORKFORCE AND SUPPLIER DIVERSITY FORM **WORKFORCE DIVERSITY**

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	9	7	2	6				1	2				
Professionals	0	0	0										
Technicians	9	8	1	3	1			5					
Sales Workers	0	0	0										
Office and Clerical	5	1	4					1	4				
Craft Workers (Skilled)	5	5	0	3				2					
Operatives (Semi-skilled)	0	0	0										
Laborers (Unskilled)	0	0	0										
Service Workers	0	0	0										
Previous Year Totals	27	20	7	11	1			9	6				
This Year Totals	28	21	7	12	1	0	0	9	6	0	0	0	0

NOTE: Double-click on embedded Excel chart to open. Click on a cell or use arrow keys to select an occupational category and ethnic group to update workforce diversity numbers. Do not enter information in Combined Total and Company Totals columns or the This Year Totals row as these will update automatically. Cells left blank will be counted as zero. Click anywhere outside of chart to exit.

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)				98.7800%	13.3100%	-86.53%
Commodities Contracts (4)				37.5300%	33.2900%	-11.30%
Other Services (5)				86.6100%	64.1500%	-25.93%
Professional Services Contracts (6)				97.5800%	98.1200%	0.55%
Major Equipment (7)						%
Other (8)				45.8200%	38.9100%	-15.08%

(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, substation equipment, 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:

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 where feasible. 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.

The above policies have contributed to a workforce that is qualified, motivated, productive, and diverse. The employees of STTC were hired based on their individual qualifications at the time of hiring, and have been promoted based on their skills, initiative, work ethic, and productivity. 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.

STTC tracks the level of contracting with HUBs and small businesses for the purpose of this report. In the event of a significant drop in the number or percentage of procurements from HUBs or small businesses, STTC management will evaluate the cause of the drop and will determine if further efforts to include more vendors would result in more procurement from HUBs and small businesses.

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:

The company's policies and the individual efforts and qualifications of its employees have resulted in a workforce that is 54% Hispanic in an area in which Hispanics make up 17% of the population and there is no other significant minority population.

Currently there are nine managers, three of whom (33%) are Hispanic, again out of a general population that is about 17% Hispanic. STTC concludes that minority applicants and employees are not at any disadvantage regarding opportunities for hiring and advancement within the company.

The HUBs and small businesses from whom STTC has procured products and services have competed fairly and openly in the marketplace, and in most cases have demonstrated an ability to deliver goods and services on-time and of the promised quality.

(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:

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.

WORKFORCE AND SUPPLIER DIVERSITY FORM COMPANY INITIATIVES

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

STTC is a very small company with a stable, long-term workforce. From year to year there is normally very little turnover in the workforce, but a review of the reported information shows that fair consideration is given to minority applicants and employees, and also to historically underutilized businesses and small businesses. The company continues to benefit from a very motivated and dedicated workforce and a group of qualified vendors that competes for its business.