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December 26, 2006

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

RE: Project No. 30240 – Annual Progress Reports on Five-Year Plan to Enhance Supplier and Workforce Diversity – 2006 Report

Dear Filing Clerk:

On behalf of La Ward Telephone Exchange, Inc. and pursuant to P.U.C. SUBST. R. 26.85(e), enclosed for filing in the above-referenced project is an original and three (3) copies of the Annual Progress Report on the Five-Year Plan to Enhance Supplier and Workforce Diversity.

Consistent with §26.85(e), copies of this report are also being provided to: (1) Governor; (2) Lieutenant Governor; (3) Speaker of the House; (4) Texas Legislative Black Caucus; (5) Mexican-American Legislative Caucus; and (6) the Texas Senate Hispanic Caucus.

Any questions may be directed to me at (830) 895-7233.

Sincerely,

James A. Miller  
Authorized Representative for  
La Ward Telephone Exchange, Inc.

cc: w/ attachment    The Honorable Rick Perry    The Honorable David Dewhurst  
                                 The Honorable Tom Craddick    Texas Legislative Black Caucus  
                                 Mexican-American Legislative Caucus  
                                 The Texas Senate Hispanic Caucus  
                                 La Ward Telephone Exchange, Inc.

**WORKFORCE AND SUPPLIER DIVERSITY FORM**  
**WORKFORCE DIVERSITY**  
 La Ward Telephone Exchange, Inc.  
 Project No. 30240 for 2006

Occupational Categories	NUMBER OF TEXAS FULL-TIME EMPLOYEES FOR REPORTING YEAR													
	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	5	3	2	3	2									
Professionals														
Technicians	4	4		3				1						
Sales Workers														
Office and Clerical	2		2		2									
Craft Workers (Skilled)														
Operatives (Semi-skilled)														
Laborers (Unskilled)														
Service Workers														
Previous Year Totals	11	7	4	6	4	0	0	1	0	0	0	0	0	0
Year Totals	11	7	4	6	4	0	0	1	0	0	0	0	0	0

**WORKFORCE AND SUPPLIER DIVERSITY FORM**  
**HUB/SMALL BUSINESS PROCUREMENT AS A PERCENTAGE OF TOTAL COMPANY PROCUREMENT**  
**La Ward Telephone Exchange, Inc.**  
**Project No. 30240 for 2006**

<b>Actual = [Total HUB(1) procurement + Total Small Business(2) procurement]/Total Company procurement</b>	<b>Actual for Previous FY</b>	<b>Actual for Current FY</b>	<b>Percentage change</b>
Construction Contracts (3)	0%	0%	0%
Commodities Contracts (4)	15%	3.5%	(11.5)%
Other Services (5)	.4%	14.2%	13.8%
Professional Services Contracts (6)	0%	0%	0%
Major Equipment (7)	0%	0%	0%
Other (8)	.4%	.2%	(.2)%

(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.

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

La Ward Telephone Exchange, Inc. ("La Ward" or "Company") maintains a commitment to employ a diverse workforce with focused emphasis placed on recruiting, training, and employing individuals with the education and skill-sets needed from within the local community.

La Ward strives to utilize historically underutilized businesses ("HUBs") for the procurement of goods and services, especially when the HUB is affiliated or located within its local or surrounding communities. The Company strives to stay abreast of the availability of certain products, services and businesses that qualify under the HUB definition through community resource participation and involvement and through use of the state's HUB directory. The Company also strives to communicate to the HUB community the opportunities for doing business with La Ward. This initiative will continue to be promoted by local participation and communication with organizations that HUBs belong to, as well as posting of applicable information for HUBs that are independently investigating products or contract opportunities.

La Ward also intends to utilize small businesses other than those defined as HUBs in the procurement of goods and services. With the Company's emphasis on utilizing and promoting local or surrounding area business economic growth, La Ward plans to continue its involvement in local, county, and state organizations that promote the use of small businesses.

Listed below are La Ward's specific programs and activities to achieve the initiatives stated above, and the progress of each during 2006.

1. Identify local organizations with minority membership emphasis and communicate through these organizations employment opportunities with the Company.
  - a. La Ward was unable to identify any local organization with minority emphasis during 2006, but will continue with its effort to do so in the future.
2. Identify local organizations with female membership emphasis and communicate through these organizations employment opportunities with the Company.
  - a. La Ward was unable to identify any local organizations with female membership emphasis during 2006, but will continue with its effort to do so in the future.
3. Identify local educational institutions, and communicate through the educational employment outreach programs for employment opportunities available for minority and female students. Attempt to work with educational institutions to establish a work-for-credit intern program. These types of programs may be established through the local high school and community or surrounding area colleges.

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- a. La Ward was unable to identify any local educational institution with outreach programs during 2006, but plans to continue this effort in 2006.
- 4. Offer available work-related training to employees.
  - a. La Ward utilized industry provided technical and commercial training for employees during 2006.
- 5. Offer available advancement opportunities to employees.
  - a. The number of employees in La Ward's workforce did not change during 2006.

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

La Ward, whenever possible, contracts with local businesses to provide the goods and services that are available in La Ward's serving area and surrounding communities. At this time, La Ward is not engaged in any business partnerships or joint ventures. Initiatives in this area will be taken under consideration by the management and Board of Directors. If no conflict with current Company policy exists, La Ward may seek to incorporate this issue into its future business plans.

**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 management and employees of La Ward will continue to seek opportunities to make progress in the areas of diversifying the workforce and utilizing the products and services of small and historically underutilized businesses. However, our commitment to employing and purchasing within the small communities we serve, when and where possible, far outweighs attempting to achieve an improved statistical number. As a small, rural telephone company, we have and must recognize a fiduciary duty and responsibility to our Board of Directors, subscribers and community neighbors to make good, sound economic policy decisions as well as our community responsibility to purchase goods and services within our own communities when possible. By the very nature of the rural area we serve, we are sometimes limited in the local availability of certain telecommunications equipment and products and must go outside our communities for these mandatory purchases. La Ward, whenever possible, contracts with local businesses to provide the goods and services that are available in the Company's serving area and surrounding communities.

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**State the specific progress made under the plan filed by the utility:**

La Ward's management and employees continue to seek opportunities to make progress in the areas of diversifying the workforce and utilizing the products and services of small and historically underutilized businesses. However, La Ward maintains its strong commitment to employing and purchasing within the rural and remote communities we serve, when and where possible. Because of the Company's rural service areas, we are sometimes limited in the local availability of certain telecommunications equipment and products and must go outside our communities for these mandatory purchases. La Ward, when possible, contracts with local businesses to provide the goods and services that are available in the Company's rural serving area and neighboring communities.

The Company believes its workforce will remain relatively stable or with the possibility for moderate growth within the foreseeable future.