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Submitted via E-File System and UPS Delivery

March 2, 2011

Ms. Terry Romine, Executive Secretary
Maryland Public Service Commission
William Donald Schaefer Tower
6 St. Paul St., 16th Floor
Baltimore, MD 21202

RE: Utility Supplier Diversity
Annual Report re Diverse Suppliers Program
Qwest Communications Company, LLC

Dear Ms. Romine:

Enclosed is an original plus 17 copies of Qwest Communications Company, LLC's ("Qwest") Annual Report on our Diverse Supplier Program, pursuant to Section 6 of the Memorandum of Understanding entered into between Qwest and the Maryland Public Service Commission.

Qwest respectfully requests confidential treatment of this annual report as allowed pursuant to the Memorandum of Understanding. Enclosed is an original plus 10 copies of Qwest's confidential Attachment D. Also enclosed is a CD containing an electronic copy of Qwest's confidential Attachment D.

If you have any questions concerning this matter, please do not hesitate to contact me at (303) 383-6680 or at Marjorie.Herlth@qwest.com.

Sincerely,

A handwritten signature in black ink that reads "Marjorie Herlth". The signature is written in a cursive, flowing style.

Marjorie Herlth

Enclosures

**MWDVBE 2010 ANNUAL REPORT
STATE OF MARYLAND PUC**

2010 ANNUAL REPORT

Qwest values all supplier contributions and recognizes their individual importance. Minority, Women and Disabled Veteran Business Enterprises (“MWDVBE”) are a vital part of the Qwest’s supplier base and are integral to customer satisfaction.

Qwest is proud of its 2010 MWDVBE results in the state of Maryland. At the corporate level, Qwest spent over 12% of its total discretionary spending with MWDVBE suppliers. In the state of Maryland, Qwest’s 2010 MWDVBE spend is at 6.62%. The breakdown of this spend is in Attachment A-1 Ethnicity report

Qwest’s Internal MWDVBE Program Activities

1. As part of Qwest’s Procurement Organization, Qwest maintains a dedicated Supplier Diversity Organization to implement and manage Qwest’s MWDVBE procurement program. Qwest’s Supplier Diversity organization focuses specifically on:

- Using MWDVBE firms in direct contracting;
- Encouraging primary contractors to use MWDVBEs as subcontractors;
- Assisting MWDVBEs in the formation of creative alliances that result in their doing business with Qwest.

To achieve these goals, and to assure continued opportunities and growth for MWDVBE suppliers, the Supplier Diversity Organization collaborates with Qwest’s Procurement Organization’s strategic sourcing managers, who oversee the daily management and strategic relationships with prime minority and non-minority suppliers. Qwest’s Supplier Diversity team meets regularly with the strategic sourcing teams to provide assistance with any MWDVBE issues or questions; to assist with the Request for Proposal (“RFP”) bidding processes; and to ensure that the strategic sourcing teams understand and incorporate Qwest’s MWDVBE initiatives in contracts with Qwest. The

Supplier Diversity Organization also works directly with managers in Qwest's business units to ensure personnel involved in procurement decisions are trained in use of MWDVBE suppliers.

Following are highlights of Qwest's 2010 internal MWDVBE program activities that are conducted by Qwest's Supplier Diversity Organization:

- Tracking and reporting direct contracting and subcontracting spending with MWDVBE suppliers to Qwest leadership, Qwest Procurement Organization, and Qwest business units
- Monitoring business unit implementation of Qwest MWDVBE corporate policies and initiatives to ensure opportunities and utilization of MWDVBES at Qwest.
- Maximizing opportunities and participation by MWDVBES by providing information and introducing MWDVBE suppliers to Qwest's Procurement strategic sourcing teams.
- Maintaining an internal website for use by Qwest's strategic sourcing teams and others involved in procurement activities.

Enhanced Capability to Identify and Track MWDVBE Supplier Data

Qwest's Supplier Diversity organization continues to contract with a third party service provider for detailed reporting on all Qwest suppliers with spends greater than \$1,000.

In addition, the Supplier Diversity team works with this provider for on-line reporting capabilities for all Qwest direct or prime suppliers, with whom Qwest spends greater than \$500,000, to report their MWDVBE subcontracting activities. Prime/direct suppliers are required to report their MWDVBE spend on a quarterly basis.¹ Qwest currently has 248 prime/indirect suppliers reporting via the on-line tool.

¹ Qwest has adopted the Telecommunication Industry Group standards for reporting MWDVBE spend by direct or prime suppliers.

Supplier Diversity Training

Qwest's Supplier Diversity Organization made presentations to Qwest business unit managers during the second quarter of 2010. The goals of the meetings were two-fold: first, to present MWDVBE use results, and second, to reiterate the corporate commitment to the supplier diversity initiative. Information was presented about awareness of and compliance with the Public Service Commission of Maryland. Qwest's focus includes increasing use of state certified suppliers at Qwest, and also adding new Maryland -certified suppliers to its supplier base. Qwest also emphasized the need to have Qwest's prime contractors utilize Maryland certified suppliers and report on this utilization in the on-line reporting tool provided.

External MWDVBE Program Activities

In 2010, Qwest maintained a very strong presence in the minority business community by taking part in presentations and actively participating on various boards of directors, at conferences and other minority-focused events, and engaged in the following activities as part of its MWDVBE program.

Qwest's External Practices and Outreach in Support of Procurement from MWDVBES

In 2010, the Supplier Diversity Organization at Qwest did the following:

- Directly provided materials to existing and potential MWDVBE suppliers to encourage and instruct them concerning Qwest's procurement practices and how they can participate as potential suppliers and be selected as suppliers to Qwest.
- Maintained strategic business relationships with minority/women Chambers of Commerce and other minority groups and organizations for the purpose of disseminating information about Qwest's program and to ensure that Qwest is represented, visible and accessible to MWVDBEs. Qwest Directors and managers

have attended the following events for the purpose of outreach and education on Qwest business:

National Minority Supplier Development Council Conference
Small and Disadvantaged Business Opportunity Council tradeshow
Minority Business Regional Economic Summit
Regional Minority Supplier Development Council Access Meetings

- Earned national recognition for our efforts in Supplier Diversity and utilization of MWDVBE suppliers.

Qwest's external outreach program included active participation in the following national and regional organizations:

- Maryland Minority Supplier Development Council
- National Minority Supplier Development Council
- Small Business Administration
- Small and Disadvantaged Business Opportunity Council
- Telecommunications Industry Group
- U.S. Hispanic Chamber of Commerce
- Virginia Minority Supplier Development Council, Arlington, VA

**SUMMARY OF MWDVBE PURCHASES AND/OR CONTRACTS, WITH
BREAKDOWNS BY ETHNICITY, PRODUCT AND SERVICE CATEGORIES**

See Attachments A1– Ethnicity report; A2 – NAICS Product/Service report to be sent March 31, 2011.

DESCRIPTION OF PROGRESS IN MEETING OR EXCEEDING SET GOALS

The following is an outline of Qwest goals and results for 2010:

1. Qwest continues to be able to identify all state-specific spend
2. Qwest continues to work with its' top five prime suppliers with spend in Maryland to ensure they are reporting their MWDVBE subcontracting spend through the on-line tool, and that they are appropriately utilizing Maryland certified MWDVBE subcontractors. Over 25 prime suppliers with spend in MD reported spend with MWDVBE subcontractors.
3. Qwest has trained strategic sourcing managers and business units on State of Maryland requirements.
4. Qwest business unit manager and sales team continue to research and review business requirements to identify areas for MWDBE utilization.

SUMMARY OF UTILIZATION OF MWDVBE SUBCONTRACTORS

As described earlier in this Report, Qwest has contracted with a third party supplier to provide on-line reporting capabilities for all Qwest Procurement suppliers with spend greater than \$500,000 to report their subcontracting efforts. Training is provided quarterly. 38 suppliers have been trained to date in 2010. Suppliers with annual spend of greater than \$500,000 are expected to report their direct spend with MWDVBE subcontractors on a quarterly basis.

LIST OF MWDVBE COMPLAINTS RECEIVED AND CURRENT STATUS

No complaints from MWDVBES have been received by Qwest.

SUMMARY OF PURCHASES AND OR CONTRACTS IN EXCLUDED CATEGORIES

Qwest has no excluded categories.

DESCRIPTION OF EFFORTS TO RECRUIT MWDVBE SUPPLIERS IN LOW UTILIZATION CATEGORIES

Qwest continues to research for MWDBE firms that can provide services in historically low utilization commodities.

Opportunities for utilization of MWDVBEs currently fall in the following commodities:

- Installation and Maintenance services
- Inside and Outside Plant services
- Professional Services
- Call Center Support
- Equipment, software and maintenance services
- Network construction

Short-Term Goals, Mid-Term, and Long-Term Goals

For calendar year 2010, Qwest has been able to continue to report all of its Procurement spending at a state-specific level.

Qwest will continue to leverage third party supplier database and on-line reporting system to evaluate supplier spend by commodity and MWDBE supplier utilization. Qwest plans to continue research to identify Maryland certified suppliers for utilization in future business opportunities. These reports will be analyzed on a quarterly basis and shared with Qwest leadership, Qwest Procurement Organization, and Qwest business units. See attached forms for spend results for 2010 – E1, E2 and E3.

Description of MWDVBE Program Activities for 2010 – Internal and External

- Qwest coordinated with its Prime Suppliers having spend in MD to ensure they are reporting their MWDVBE subcontracting activity.
- Qwest provided training on the Maryland MOU with strategic sourcing managers and business units. Qwest will continue to offer an on-line web site that provides access to detailed information for suppliers doing business with Qwest.

- Qwest attended and exhibited at business trade show during annual conference for the National Minority Supplier Development Council to do outreach and network with minority suppliers that have national business scalability.

2010 Plan for recruiting MWDVBE suppliers in low utilization areas

Qwest's Supplier Diversity organization will continue to work with the Qwest's Procurement organization and other internal business units to formulate strategies to increase MWDVBE participation through Request for Proposal bid opportunities and through special efforts to seek and identify MWDVBE suppliers in low utilization categories.

Specifically, Qwest's Supplier Diversity staff in partnership with its Procurement strategic sourcing teams have made a conscious effort to increase MWDVBE suppliers in low utilization categories as follows:

- Utilizing referrals from public agencies, Telecommunication Industry Group, trade associations and minority supplier councils
- Actively seeking MWDVBE suppliers that meet specific requirements of internal business units
- Facilitating introductory meetings between internal clients, strategic sourcing managers and MWDBEs
- Connecting MWDVBE suppliers with prime non-minority suppliers to explore subcontracting opportunities
- Providing information and education to MWDVBE suppliers on specific requirements and needs of Requests for Proposal to ensure higher rate of success with preparation of responses
- Publicizing upcoming contracting opportunities through Qwest's external network of minority business organizations and chambers of commerce
- Debriefing unsuccessful MWDVBE suppliers and provide guidance to help improve competitiveness in future bidding opportunities

- Listing low utilization area categories in marketing and other materials and information to be disseminated to encourage MWDVBE suppliers in those areas to contact Qwest and participate in bidding opportunities

Plans for Encouraging Prime Contractors to Engage MWDVBE Suppliers in Subcontracts

Qwest plans to continue to encourage prime contractors to subcontract with MWDVBE suppliers and will provide specific goals and targets for prime contractors to reach their subcontracting commitment to Qwest. Qwest's subcontracting plan will be strictly adhered to and monitored through monthly scorecard meetings with the larger prime contractors and through individual strategic sourcing manager monitoring their assigned prime suppliers.

Plans for Complying with MWDVBE Program Guidelines

Qwest plans to continue to improve its outreach efforts, and its identification and use of MWDVBE suppliers in Maryland by all the methods described in this Report and Plan. Qwest also strives to improve its capabilities to identify, track, and report on its actual procurement spending and its use of MWDVBE suppliers in Maryland. Qwest recognizes the vital role that MWDVBE suppliers play in Qwest's local and national economies. On another level, Qwest recognizes the richness that diverse suppliers introduce into Qwest's business mix and that a great portion of these suppliers are also Qwest's customers.