

**Big Bend Telephone Company Written Testimony in Support of the Texas Universal Services Fund before the Senate Business & Commerce Committee**

**October 9, 2012**

Big Bend Telephone Company (“BBTC,” “Big Bend,” or the “Company”) is a family-owned company based in Alpine, Texas. Its motto is “Pioneering Rural Communications Since 1960,” and it truly does just that. BBTC provides service to approximately 5,400 customers in eight rural counties in and around Big Bend National Park, an area that includes approximately 17,600 square miles, shown in the attached map.<sup>1</sup> Its service area is the quintessential high cost rural area. Not only is the area sparsely populated—Big Bend has just 0.3 customers per square mile—but BBTC also must contend with very rugged terrain, poor roads, and weather extremes. Given its low customer density and high cost service area, BBTC is reliant on the Texas Universal Services Fund (“TUSF”) to maintain reasonable rates to its customers.

TUSF provides support for telecommunications providers in high cost rural areas so that *every* Texan can obtain basic local telecommunications services at reasonable rates. No individual could afford to pay the actual cost of providing telecommunications services to certain remote homes or businesses, so rural telecommunications providers are able to serve such customers only by applying monetary support from TUSF to the costs of this expensive rural service. Thus, TUSF is absolutely necessary to ensure that *all* the homes, businesses, schools, hospitals, and law enforcement and first responders in our state have access to affordable telecommunications services.

Big Bend believes the policy of ensuring all Texans have access to basic telecommunications service is both laudable and necessary. Thus, Big Bend encourages the legislature to remain cognizant of the difficulty—or, indeed, impossibility—of providing

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<sup>1</sup> For a bit of perspective on size: this area is larger than the state of Massachusetts. In fact, if Big Bend’s service area were a state, it would be larger than 9 states.

telecommunications services in certain remote and difficult to access areas without TUSF assistance. BBTC and a myriad of other small and rural ILECs would be unable to meet their Provider of Last Resort (“POLR”) and quality of service obligations without TUSF.

In order to assuage any fear that local exchange companies may be abusing the support funding reimbursements they receive, Big Bend is willing to provide transparency into its operations. Currently, BBTC’s residential customers pay \$10.50 per month for basic local telephone service, before taxes and fees. Due to federal policy changes, these rates will increase to \$14 by 2013 and \$16.50 by 2014.<sup>2</sup> Big Bend receives about \$52/line/month in TUSF support. With the funds received from state and federal USF, BBTC has maintained its network and improved reliability by adding fiber optic line, upgrading all its switches, and adding wireless radio and satellite backhaul systems. Given the challenges of Big Bend’s service area, use of these and other innovative technologies is required for Big Bend to continue to exceed its quality of service and POLR obligations. Unlike many providers, Big Bend has a growing number of POLR requests, and it incurs increasing costs specifically to meet its ongoing POLR obligations. Capital investment requirements to meet the POLR obligations mandated by Texas law have averaged 68% of the TUSF average annual support over the last 6 years not considering the operations expense portion of the POLR obligations.

One might think that policies which could undermine TUSF would only affect a handful of rural individuals who use landlines. That presumption is incorrect. The underlying wireline networks created and maintained by rural telecommunications providers like Big Bend are also used for wireless calls and data traffic. These modern, fiber-based networks are needed for voice, data, *and* wireless communications. If anyone driving on Interstate 10 through West

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<sup>2</sup> In addition to rate increases, recent federal policy changes are expected to reduce BBTC’s federal USF support by \$501,000 for 2012, \$900,000 for 2013, and \$1,330,000 for 2014. BBTC hopes to offset these losses through its measured rate increases and additional TUSF support as allowed by PURA Sec. 56.025.

Texas expects to have cell phone service during the two hours that he drives through Big Bend's territory, then he needs Big Bend to maintain a modern, functioning network. And in order for Big Bend to continue maintaining such a network, it must continue receiving TUSF support.

Among the entities which rely on Big Bend's advanced network and innovative technology are numerous law enforcement agencies that patrol the 485 miles of the Texas/Mexico border in BBTC's service area. This constitutes about one quarter of our *nation's* border with Mexico and one half of our state's border with Mexico including two Homeland Security Ports of Entry to Mexico. All other Texas Ports of Entry are served by Price Cap Carriers. Thus, while all rural local exchanges provide telecommunications services to crucial public institutions like hospitals and libraries, there are unique national security issues tied to the TUSF funding that Big Bend receives in particular.

Big Bend appreciates that the Business and Commerce Committee has sought feedback from market participants on these important TUSF and POLR issues. It is Big Bend's hope that the data provided herein may assist in informing the Committee as to why TUSF is so important to small, rural telephone companies and why the Fund is needed to ensure such companies are able to meet their POLR obligations. Without the TUSF support which allows BBTC and other rural providers to implement the technology and infrastructure needed to route voice and data traffic to all the subscribing homes, businesses, and government entities within their service territories, all Texans would not have access to affordable, basic telecommunications services.

Should the Committee have any further questions of BBTC, the Company is happy to provide additional information.