

TESTIMONY OF TEXAS RURAL COOPERATIVE CLECs

This testimony is presented on behalf of the following competitive local exchange companies (CLECs): Cumby Telephone Cooperative, Inc., Panhandle Telecommunications Systems, Inc. d/b/a PTCI, Santa Rosa Telephone Cooperative, Inc., WT Services, Inc., and XIT Telecommunications & Telephone Ltd. d/b/a XT&T (collectively referenced here as the Texas Rural Cooperative CLECs). Each of these companies have been certified as eligible telecommunications providers (ETPs) for certain rural exchanges in Texas, assuming the obligation to serve customers in each of those exchanges. As such, these rural CLECs receive support from the Texas High Cost Universal Service Plan (THCUSP). These Rural CLECs have been active in proceedings related to the THCUSP at the Public Utility Commission of Texas (PUC or Commission). They appreciate the continuing efforts of this Committee and the PUC and its Staff to preserve the longstanding policy of universal telecommunications service at reasonable rates in Texas.

The Texas Rural Cooperative CLECs provide high-quality facilities-based services to the rural communities in which they are located. The universal service fund is essential to ensure the ability to provision that service at reasonable rates to these rural Texas communities. This testimony is offered to ensure that the implementation of the Universal Service Fund remains competitively neutral and allows the communities served by these Rural CLECs to continue to receive high-quality telecommunications service.

The concern that rural Texas could be harmed by the lack of reasonable telecommunications service has long been a public policy issue of the Texas Legislature. The Companies that are the members of the Texas Rural CLECs have answered those concerns by providing high-quality service to communities in rural Texas through their own facilities. The Texas Rural CLECs serve as ETPs in thirty exchanges located in rural areas of the state, as shown on Attachment A included with this testimony. The Texas Rural CLECs invested millions of dollars in new facilities to serve rural exchange areas that were previously underserved with much improved service.

Prior to the Texas Rural CLECs investing in their communities, the quality of service available from the ILEC was not reliable and was in some instances seriously substandard; for

example, in some cases, party lines were still in use, there were limited class or custom calling features available, and there were very limited broadband offerings, if any. The customers served by the Texas Rural CLECs work in industries vital to the economy of Texas, particularly agriculture. These customers live in areas that are costly to serve in order to operate businesses that cannot operate elsewhere. Committed to serving these communities, which neighbor the cooperatives' ILEC service areas, the Rural Cooperative CLECs deliver high quality local and broadband service options to these customers. The Texas Rural CLECs provide quality exchange and broadband services to rural residential customers, large and small businesses, local government institutions, schools, and hospitals. Further, the infrastructure that has been built with the investments of CLEC ETPs in many areas provides service to the rural cell sites that facilitate wireless service in these areas. These companies have made substantial capital investments in facilities and infrastructure in these rural communities. These investments were made on the basis that the universal service fund would continue to provide support to the CLEC adequate for it to continue as an ETP. In most cases, these investments would not have been possible without support from the THCUSP.

The Texas Rural Cooperative CLECs have local business offices in the areas served and have become part of the fabric of these communities. This is evidenced by the fact that, in most instances, in addition to providing service to a substantial majority of the residential customers in these communities, the Texas Rural CLECs serve most of the anchor customers in their communities like local school districts, county and city government facilities, hospitals, and other local businesses. The facilities and infrastructure making these high-quality services possible is supported by the Texas High Cost Universal Service Plan.

The need for continued ongoing THCUSP support is compounded by the November 2011 Federal Communications Commission (FCC) order that eliminated the identical support rule, completely phases out Federal USF and essentially reduces access rates to zero. Access revenues were a main component in the Rural CLEC business plan when they made their business decisions to invest in the rural communities they serve. Without access revenues and Federal USF support, additional reduction in THCUSP support will likely result in the Texas Rural CLECs having to exit these exchanges and leaving customers without the quality service on which they rely.

Were THCUSP support to the Texas Rural CLECs to be unduly curtailed, their customers would likely lose access to affordable exchange, broadband, and wireless services for which no comparable alternative is available in their areas. These services are not optional luxuries – they are essential to live and work by the technological standards of communication in 2012. The leaders of the communities served by CLEC ETPs recognize the need for their services and support continuation of Texas USF support. Amendments to the THCUSP should allow CLEC ETPs to continue to provide the services upon which their rural customers rely.

One aspect of SB 980 and the Commission's recent rule changes create a problem in these areas where the majority of customers are served by a CLEC rather than the original ILEC. Under SB 980 and the Commission's rules the discretion regarding whether or not USF support may continue in an area appears to lie solely within the discretion of the ILEC. For example, if an ILEC chooses to forgo its POLR obligation and seek to deregulate an exchange serving less than 30,000, it would be detrimental to the community that is served by a facilities-based CLEC for support to be discontinued.

The Texas Rural Cooperative CLECs appreciate the opportunity to provide testimony on the continuation of the Texas USF support that is vital to continuing the provision of high quality telecommunications service to many rural areas of Texas.

