

Senate Business and Commerce Committee
Interim Hearing, October 9, 2012
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Texas Universal Service Fund for Large Companies

The Texas Public Utilities Commission has approved a settlement between PUC staff, the Public Utility Counsel and carriers that will reduce the size of the large-company fund, which is currently the largest component of the Texas universal service fund.

I will discuss the two charts provided that explain the settlement and its impact on the Texas USF.

The first chart shows the large company USF settlement reductions by company and the components of the settlement.

The settlement provides that reductions in USF support for each of the four large carriers will be phased in over four years and that the large carriers will be allowed to make corresponding increases to their residential basic local rates. In addition, Verizon and AT&T have elected to eliminate their high-cost USF support after 2016, which is why the chart reflects that they have the lion's share of the decreases. Note that competitive carriers receive about \$25 million in support, which is not shown on either chart. The amount of their reductions will vary depending on where they do business.

The second chart shows the change in overall USF support that will result from the large company USF settlement, assuming everything else remains constant. As you can see, the \$96.5 million reduction in the large-company fund decreases the total USF by about 27%. The PUC is considering additional reforms in other proceedings that are now pending.

Verizon is in agreement with the policy goals of the large company settlement, which provides managed reductions in USF support while allowing price offsets to balance these reductions. These reductions may in time allow for decreases in the surcharge that all wireline and wireless customers in the state of Texas pay to fund the USF.

Provider Of Last Resort (POLR)

The reforms in SB980, including elimination of the POLR requirement in exchanges that are deemed competitive, continue the significant progress the legislature has made towards modernizing the Texas Telecommunications Statute.