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Tularosa Basin Telephone Company, Inc.
Tularosa Communications, Inc.

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Changes to Voice Rates, Broadband Plans and Rates, and Discounts

Dear Valued TBTC Customer,

In TBTC's May Newsletter we announced that our Residential Voice Service Rates were increasing from \$16.00 to \$18.00 due to requirements from the Federal Communications Commission ("FCC"). TBTC also announced that the company was revamping its Residential Broadband offerings with new internet packages, speeds, and prices. TBTC would like to explain in more detail the reason that these changes to the Residential Voice Service Rates and Residential Broadband Service offering and Discounts have been made by TBTC.

In recent years, the FCC has annually set a minimum Residential Voice Service Rate that rural telephone company must charge its residential customers or the company will lose much needed universal service support from the federal government. Without this universal service support, the cost for TBTC to provide Residential Voice Services would dramatically increase and this likely would result in equally dramatically increased residential rates for the voice service for TBTC's customers. For this reason TBTC increased its Residential Voice Service Rates by \$2.00 from \$16.00 to \$18.00 per month to meet the FCC residential floor rate requirement. Likewise, the FCC has set requirements relating to the speed and rates for residential broadband service that must be offered to customers for companies to continue to receive federal universal support. As a result, TBTC's efforts to provide faster broadband service to its customers are, in part, driven by requirements mandated by the FCC that TBTC provide faster speeds at rates comparable to rates in urban areas like Albuquerque.

The cost for rural carriers like TBTC to provide broadband service to its customers is set nationally for TBTC and most all other rural local exchange carriers in the country through the National Exchange Carriers Association's ("NECA") tariff filed and approved by the FCC. While the FCC does not mandate a minimum rate that must be charged for broadband service, it does set a broadband comparability benchmark rate that TBTC cannot exceed depending on the particular speed being provided. Over the past year, the cost to carriers like TBTC to provide broadband to customers has increased, while at the same time the amount companies like TBTC can charge to customers for providing broadband service has been limited due to the FCC's annual broadband rate comparability benchmark service rates. Since the margin between TBTC's cost to provide broadband service and the amount

TBTC charges its customers for providing broadband service is shrinking, it was necessary for TBTC to revamp its broadband offerings to meet speed and broadband rates requirements, and to also eliminate the discounts that many customers have been receiving on their internet services.

On a related subject, some customers have asked why they need to have voice service with their broadband service. The simple answer is that until very recently, in order for TBTC to receive federal universal service support for an access line, the FCC required that the line must have voice service on it. Also, the cost for TBTC to provide a data only (without voice) access line is actually higher than a voice and data access line. Consequently, the amount that TBTC needs to charge a customer for this service is higher. So, in effect, a customer with a voice and data access line is actually receiving the service for less.

Fortunately, the FCC very recently has changed its rules and will be allowing universal service support for data only access lines. TBTC anticipates that changes will soon be made in the cost to TBTC to provide data only access lines to its customers while still receiving federal support. Once the cost to provide data only access lines lowers to the point that it is cost effective to offer the data only service to customers, TBTC will likely implement changes to its broadband service offerings for those customers that want data only access line services.

TBTC understands that these changes to the rates, broadband packages, and the elimination of discounts to internet services have caused customers to become upset. However, I want to assure all of our customers that these changes were necessary in order for TBTC to continue to provide quality voice and broadband service, at faster speeds and at rates comparable to urban areas, to the customers and communities that TBTC serves.

If you have any questions or concerns or want to learn more about the voice rates, broadband packages and rates, please call or stop by our offices. I would be more than happy to meet with any of our customers.

Sincerely,

Joshua A. Beug
General Manager
Tularosa Bain Telephone Company