



**PRESENTATION TO:  
SCIENCE TECHNOLOGY & TELECOMMUNICATIONS INTERIM COMMITTEE**

NOVEMBER 5, 2019  
SANTA FE, NM

Madam Chairwoman, members of the Committee, thank you for the opportunity to address you this afternoon regarding telecommunication services in rural New Mexico. My name is Matejka Santillanes, and I am the Executive Director of the New Mexico Exchange Carrier Group (NMECG). With me today are Jay Santillanes, lobbyist for the NMECG, Paul Briesch, General Manager Baca Valley Telephone, Michael Hunsucker, Regional Vice President-State Government Affairs, Windstream, and Bill Templeman, NMECG Attorney.

The NMECG is a Telephone industry association for Incumbent rural companies providing voice and Internet service to customers in the most rural areas of New Mexico. The group was formed to improve communications within the industry as well as with legislators and the regulatory commission. Our main objective is to help small telephone companies in New Mexico provide excellent telecommunications services at affordable rates. This task is a challenge difficult to achieve, considering the vast rural areas that make up our service areas but easily accomplished due to the commitment the small companies have made in serving their customers.

The NMECG's membership is comprised of ten Incumbent Local Exchange Carriers (ILECs). The make-up of the companies includes five member-owned cooperatives and five commercial companies, and they are:

- Baca Valley Telephone Company, Des Moines, NM
- Dell City Telephone Company Cooperative in Dell City, TX
- ENMR/Plateau Telephone Cooperative, Clovis, NM.
- Penasco Valley Telephone Cooperative, Artesia, NM
- Roosevelt County Rural Telephone Cooperative DBA Yucca Telecom, Portales, NM
- Tularosa Basin Telephone Company, Tularosa, NM.
- Valley TeleCom Group Cooperative, Wilcox, AZ
- Western New Mexico Telephone, Silver City, NM
- Windstream Telecommunications, Little Rock, Arkansas
- Navajo Communications DBA Frontier Communications, St. Michaels, Arizona



The NMECG companies provide service covering over 63% percent of the state's geography, equating to over 66,000 square miles. The blend of vast geographic areas combined with low population density means the average rural New Mexico Telephone Company serves fewer than 1.86 access lines per square mile.

The companies continue to upgrade their infrastructure with technologies that will allow them to provide services such as high-speed broadband. Fiber optic cable has become the delivery mechanism of choice versus the copper cable medium. Historically, fiber cable was used to increase capacity on cross-country or inter-state networks. The technology has now expanded to get fiber closer to the rural customer. This trend will continue as rural companies upgrade their networks to accommodate growth and replace obsolete existing networks. Fiber technologies will provide larger broadband capacity and speeds. The increased broadband service will make it easier for consumers to purchase products over the Internet, do their banking, and conduct business transactions from the comfort of their homes. Another advantage is the ability to access the Internet for increased educational options and healthcare.

The NMECG membership is committed to serving its customers. NMECG companies have installed state of the art soft switches to provide advanced communications services. Some companies have refrained from serving the most rural customers because of the high cost to serve very few customers per square mile, but the smaller companies made a commitment to serve the rural areas and keep services affordable. We are customer and commitment driven.

As noted, the biggest challenge in serving rural areas is the extraordinarily high cost of construction because of the remoteness, where we can go a long distance to provide service to a single residence. The lack of density and issues with difficult terrain and rocky soil conditions is why the NMECG members do depend heavily on support from federal and state support funding. The business case for investment in infrastructure is more challenging for rural areas, as not only the deployment costs are higher, but there are generally fewer prospective retail customers. In general, the cost to lay fiber can be \$25,000 to \$30,000 per mile, not including the cost of the electronic equipment. In rocky areas, the cost can multiply exponentially.

Our companies have made progress in providing broadband services because of the Federal Universal Service Fund mechanism and the NM State Universal Service Fund.

The NMECG members are utilizing the support they have received from the Federal USF and the NM SRUSF to make substantial investments in broadband in rural areas of New Mexico.

Despite the progress, there is more to be done. The New Mexico companies who have received support from the Federal Universal Service Fund are now facing some uncertainties about whether they will receive the same support in the future. Based on recent information from the FCC, some carriers will receive less.



That is why the NM Universal Service Fund is so vital to the rural carriers. The fund has done what it was intended to do, keep rural rates at affordable levels, similar to what is provided in urban areas. It has provided the financial stability to continue to make investments in broadband services for its rural customers as well as landline support.

Loss of the fund support for landline services could price the landline cost so high, the landline customer will not be able to afford the service. Again, without both support mechanisms, the companies in high-cost areas cannot continue to make the investments in broadband services.

We've worked very closely with the Legislature as well as the Public Regulation Commission on the development of the State Rural Universal Service Fund Act and subsequent rulemaking. We believe it is actually functioning well at this point in time, but there will always be a need to review it and make changes and improvements in order to meet the needs of rural telecom customers.

The NMECG is participating with the Public Regulation Commission Case No. 19-00046-UT regarding the Commission's report and recommendations to the legislature regarding the State Rural Universal Service Fund (SRUSF) and any recommendations for changes to the SRUSF pursuant to the 2017 amendments to the Rural Telecommunications Act of New Mexico.

In that Order, the Commission encouraged interested parties to submit comments addressing the following topics: (1) the status of the SRUSF, including relevant data relating to implementation of the broadband program and expansion of broadband internet services in rural areas of the State, and (2) recommendations for any changes to the structure, size and purposes of the Fund.

The NM broadband program is a great program, but we have found that some of the smaller companies are having a hard time meeting the match requirement.

We are finding more customers are looking for broadband-only lines, and that has some potential restrictions on access to the State Rural Universal Service Fund, and that's something we're concerned about. Broadband only lines will also reduce the number of access lines that pay into the fund.

The NMECG compliments the process that occurred in 2017 on both the legislative effort and then the follow-up PRC rules that were the collective effort of the Legislature and the Commission that ultimately modified the Rural Telecommunications Act, which established the State Rural Universal Service Fund overseen by the Commission. The fund was originally repurposed in 2005, primarily to reimburse incumbent local exchange carriers (ILEC's) on a revenue-neutral basis for the reduction in intrastate access revenues in exchange for the lowering of intrastate access rates statewide. In 2017 SB308 sponsored by Senator Michael Padilla, allowed a surcharge based on a per-connection fee, required 60% of



the support received to go toward broadband deployment or maintenance, capped the fund at \$30 million and created a broadband program fund of at least \$5 million per year to go toward funding broadband in rural areas, among other things. We want to thank Senator Michael Padilla for sponsoring the 2017 legislation and the PRC to Facilitate Rural Broadband Service.

The fund is much better as far as being solid, particularly the surcharge. Ultimately this all came together because everyone worked together.

We would recommend that the legislature ensure that the State Rural Universal Service Fund continues its transition from supporting basic voice service to more broadband and make sure that the fund stays viable.

We have also been working with NM DoIT Secretary Martinez on his agency's broadband fund. In the 2019 Legislative session, DoIT was awarded \$10 million to start a broadband fund. We will continue to meet with Secretary Martinez as this program gets started. As we continue to stress that broadband in rural areas is expensive, and in order to keep the rates affordable to rural customers, these broadband grant programs are essential.

In closing, the members of the NMECG will continue to do all they can, as they have in the past, to provide affordable and high-quality telecommunications services, including broadband service, to their customers in rural areas of our State.

Again, thank you for the opportunity to talk about what our rural telephone companies have done to provide broadband services in rural New Mexico and what they need in the way of continuing support as they expand the availability of broadband services to their rural customers.

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