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Since the FCC ruled to reform the Universal Service Fund (USF) in November 2011, Penasco Valley Telecommunications (PVT) CEO Glenn Lovelace has been “ticked off.”

“We had a contract with the federal government. And the expectation for us was that we would provide universal service, which literally means that if anyone wants a phone line, we will get them one,” Lovelace said. “There have been many cases where people have bought, say, five acres 25 miles away from our nearest lines. So, it costs us between \$200,000 and \$300,000 easily to charge \$15 a month for phone service.”

According to Lovelace, the FCC had made agreements with PVT and other small, rural telecommunications carriers to ensure that phone and DSL access was readily available to anyone who wanted it. However, with the Connect America Fund (CAF), the FCC ruled to transfer \$8.8 billion of federal funds needed by the 1,400 rural telephone and internet companies to the mega-carriers (i.e.

AT&T, Sprint and Verizon).

“Thinking that the federal government would reimburse us, we’ve been spending millions putting out digital remotes and fiber for a very long time. It’s what we’re obligated to do,” Lovelace said. “Now, they’re changing the rules retroactively, which means that they’re changing the reimbursement on things we did 20 years ago. They were obligated to give me a return on my expenses, and with this reform they’ve broken their contract with us.”

Without the federal reimbursements from the FCC, Lovelace claims that PVT will lose \$680,000, or roughly the company’s entire annual net margin, this year alone. Over the next eight years, PVT will lose \$1.4 million on average every year, or twice its current net margin. But that’s not what worries Lovelace the most.

“They are threatening the financial underpinnings of all rural telephone companies across the country,” Lovelace said. “And if you take that to its natural conclusion, every customer out there is going to face the inevitability of their phone company closing shop. And as

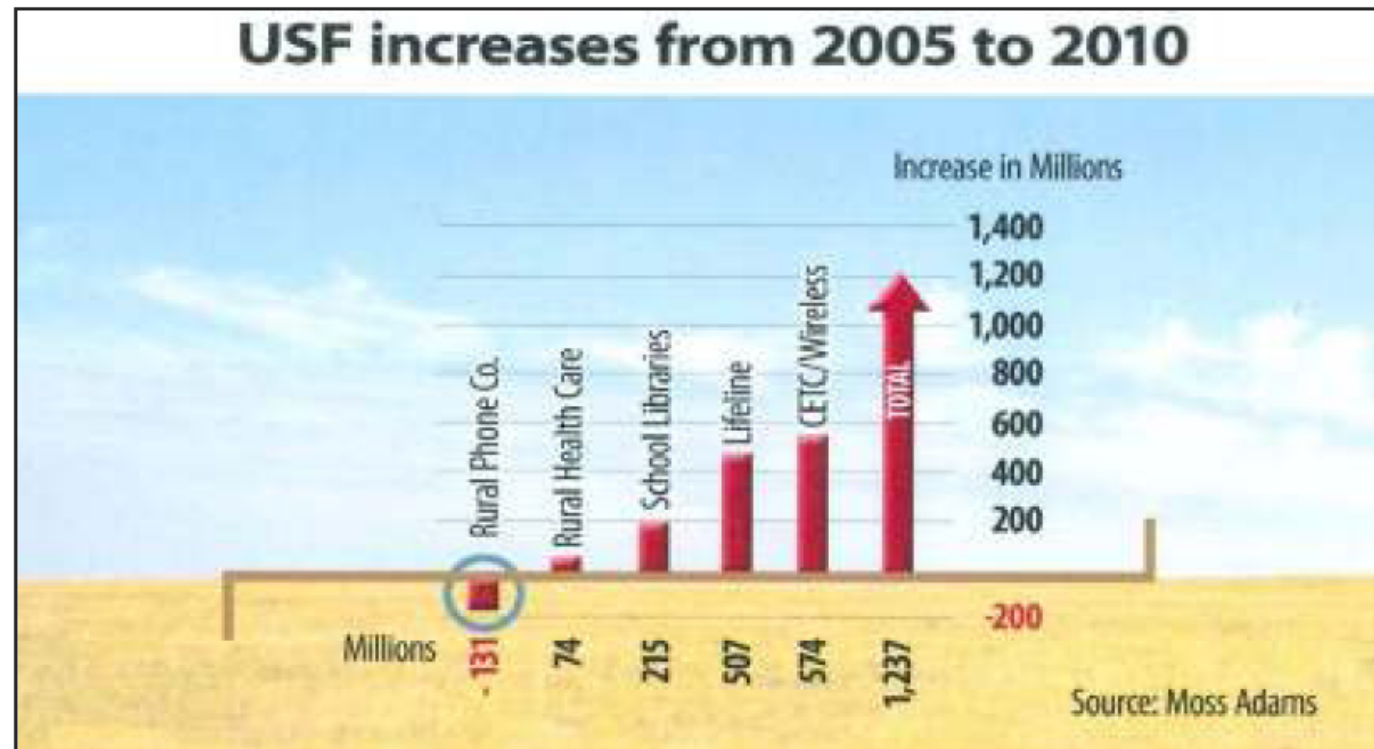
a rural customer, which in New Mexico there are 450,000, or 22 percent of the population, you stand to risk not having dial tone, not having 911, and not having the internet. That’s what I’m mad about.”

Lovelace also said that PVT is being forced to raise its rates between \$10 and \$17 per month for rural customers.

“We don’t want to raise rates on our customers, but the FCC is mandating it,” he said. “Today, we charge \$15.30 a month, and over the next 10 years, we have to raise it to \$30. I guess we don’t have to raise the rates if we don’t want any return from the government, but they’re telling us to raise them and how much to raise them.”

According to Lovelace, the changes made by the FCC will go into effect July 1. He urges everyone “to communicate with their congressional representatives and FCC commissioners and urge them to postpone the enactment of these reforms until they can be thoroughly reviewed and modified to prevent the destruction of Rural American Communications Network.”

PVT speaks out against service fund reform



According to the public accounting firm Moss Adams, the USF has increased funding to telecommunications entities like Lifeline and CETC/Wireless, who received \$507 million and \$574 million, while rural companies across the nation have lost a combined \$131 million from 2005 to 2010.

Courtesy Graphic