

Scope of Competition in
Telecommunications Markets in Texas
Report to the 86th Legislature



Public Utility Commission of Texas
January 2019

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January 15, 2019

Honorable Members of the 86th Texas Legislature:

We are pleased to submit the 2019 *Scope of Competition in Telecommunications Markets* report as required by Section 52.006 of the Public Utility Regulatory Act. The Report provides an overview of the current status of telephone competition in Texas. Competition in Texas' telecommunications industry has been driven by advances in mobile and broadband technologies, as well as the deployment of Voice over Internet Protocol (VoIP).

If you need additional information about the issues addressed in the Report, please do not hesitate to contact us.

Sincerely,

Handwritten signature of DeAnn T. Walker in black ink.

DeAnn T. Walker
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2019 Scope of Competition in Telecommunications Markets of Texas

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I. INTRODUCTION

This Report examines the status of telecommunications markets in Texas throughout the two years since the last *Scope of Competition Report in Telecommunications Markets in Texas* was submitted to the 85th Legislature in 2017, identifying trends affecting competition in the telecommunications industry. The Report also examines the effects of competition on rates, service availability, universal service, competition in the broadband and cable and video markets, customer protection and complaint issues, and Commission activities of notable interest over the last two years. The Report concludes with legislative recommendations.

Three trends continue to define the competitive telecommunications marketplace in Texas: (1) decreases in the number of traditional analog telephone lines; (2) substitution of wired service by wireless service; and (3) adoption of high speed broadband services and other IP (Internet protocol)-enabled services like Voice over Internet Protocol (VoIP), which requires a broadband connection.

As discussed further in the Report, the two largest incumbent local exchange carriers (ILECs), AT&T Texas and Frontier Communications, are fully deregulated and not required to file reports with the Commission. Consequently, the data used in the Report relies heavily on Federal Communications Commission (FCC) reports. Generally, the FCC reports for a year end are not released until approximately fourteen to eighteen months after the end of the period reported. The data in the Report reflects the most recently released FCC data.

The major driving force in the competitive telecommunications market continues to be the deployment of new technologies. New technologies in telecommunications often provide business opportunities for both existing and new competitors. The most prolific new land-line based technology in the telecommunications marketplace is VoIP, which permits internet technology to be used for voice transmission. This enables much more efficient use of network capacity, as voice and data can share the same communication channel simultaneously. Cable and telephone companies offer VoIP service by using their own broadband data networks, while third-party service providers rely on their customers' existing broadband connections to provide VoIP service.

The FCC has imposed most of the traditional obligations of basic local telephone service upon providers of interconnected VoIP service. VoIP providers are required to provide E911 service, Local Number Portability, customer proprietary network information, Telecommunications Relay Services, and to ensure that their services are usable by individuals with disabilities, if such access is readily available. The FCC also requires interconnected VoIP providers to comply with the Communications Assistance for Law Enforcement Act of 1994 and to contribute to the Federal Universal Service Fund.

II. STATE OF THE COMPETITIVE MARKET

A. Competition for Voice Telecommunications in Texas

Technological innovation in telecommunications service has led to robust competition in the local exchange market. Telecommunications today involves traditional land lines, coaxial cable, fiber optics, and wireless technologies delivering calls, television programming, internet content, and other data. The competitive landscape in Texas has changed from being dominated by competition between ILECs and competitive local exchange companies (CLECs) using traditional wireline infrastructure to competition among diverse companies using various wireline and wireless technologies. There are at least 383 companies providing voice services to customers in Texas.¹

The primary providers of telecommunications services in the local exchange market are wireless providers, ILECs, and non-ILECs (e.g., CLECs and traditional cable television companies). The category of non-ILECs includes CLECs that provide traditional switched access service as well as CLECs that deploy other types of facilities, such as cable and VoIP technology. ILECs and some CLECs historically provided local services using traditional landline service. As a result of competition, ILECs and non-ILECs, such as the cable companies, increased their offerings of retail interconnected VoIP service. VoIP enables voice communications over a broadband connection and allows users to both receive calls from and place calls to the public switched telephone network, like traditional phone service.

As more subscribers use wireless service as a replacement for traditional wireline service, wireless service provider subscribership continues to grow. The FCC reported 28,644,000 mobile telephony voice subscriptions in Texas as of December 2016.² Mobile telephony voice subscribers include mobile phones, iPads, tablets, laptops, or other devices that are assigned a unique mobile phone number. The number of mobile telephony voice subscribers significantly exceeds the number of wireline access lines and interconnected VoIP subscriptions provided by Texas ILECs and CLECs (8,129,000 as of December 2016).³

For the purpose of this Report, a distinction is made between wireless subscribers who use wireless service instead of traditional wireline service and those who use wireless service in addition to wireline service. Only the portion of those mobile wireless subscribers who use wireless service as a replacement of traditional wireline service

¹ Voice Telephone Services Report: “State-Level Provider Counts” as of Dec. 31, 2016 at Supplemental Table 2 (rel. Feb. 2018), available at <https://www.fcc.gov/voice-telephone-services-report>.

² Voice Telephone Services Report: “State-Level Subscriptions” as of Dec. 31, 2016 at Supplemental Table 1 (rel. Feb. 2018), available at <https://www.fcc.gov/voice-telephone-services-report>.

³ *Id.*

(described in this Report as “primary wireless lines”) are considered in the analysis of local competition of telecommunications providers.⁴

Using publicly available data collected from various sources, this section addresses the state of competition in the local telephone market among ILECs, non-ILECs, and wireless providers. This section provides a general overview of the different telecommunication facilities used by ILECs, non-ILECs, and wireless companies in the local and broadband markets. The research methodology used in analyzing data pertaining to the competitive landscape for the voice telecommunications and broadband markets is described in [Appendix A](#).

1. Wireline Market Share

As shown in Figure 1, subscribers that use wireless as their primary voice service (primary-use wireless) increased by 11.3% from 2015 to 2016, while subscribers that use traditional landline voice service (switched access) served by ILECs and non-ILECs decreased by 11.4%. Subscribers that use interconnected VoIP for voice service increased by 7.4% during the same time period. The number of combined interconnected VoIP subscribers and switched access subscribers served by ILECs decreased 9.2%, while the combined interconnected VoIP subscribers and switched access subscribers served by non-ILECs increased by 5.6%. As a result, today there are approximately 8.36 million primary-use wireless subscribers, as compared to 3.9 million ILEC switched access subscribers.

⁴ Primary-use wireless lines are not separately reported by state. The number of lines for this Report were derived by applying the national percentage of households wireless only telephone service from a National Center for Health Statistics report to the number of Texas households. See “Wireless Substitution: Early Release of Estimates from the National Health Interview Survey, Jul.-Dec, 2016” (rel. May 2017) at <https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201705.pdf>.

Figure 1 – ILEC and Non-ILEC Interconnected VoIP and Switched Access Subscribers Compared to Primary-Use Wireless Subscribers⁵

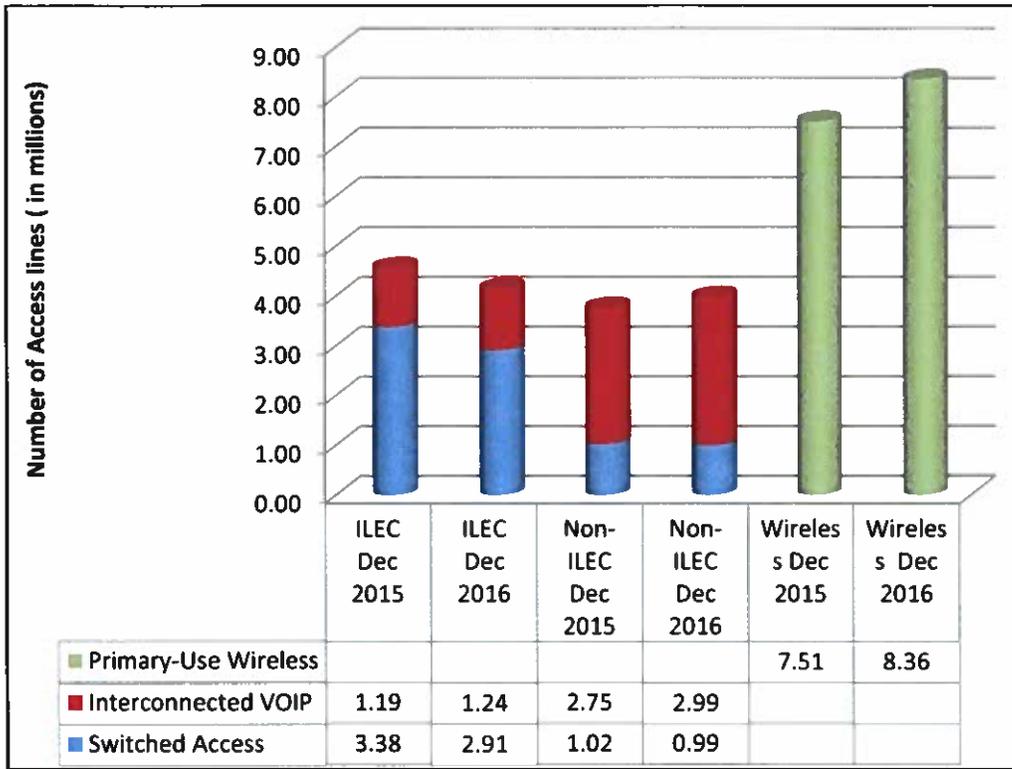
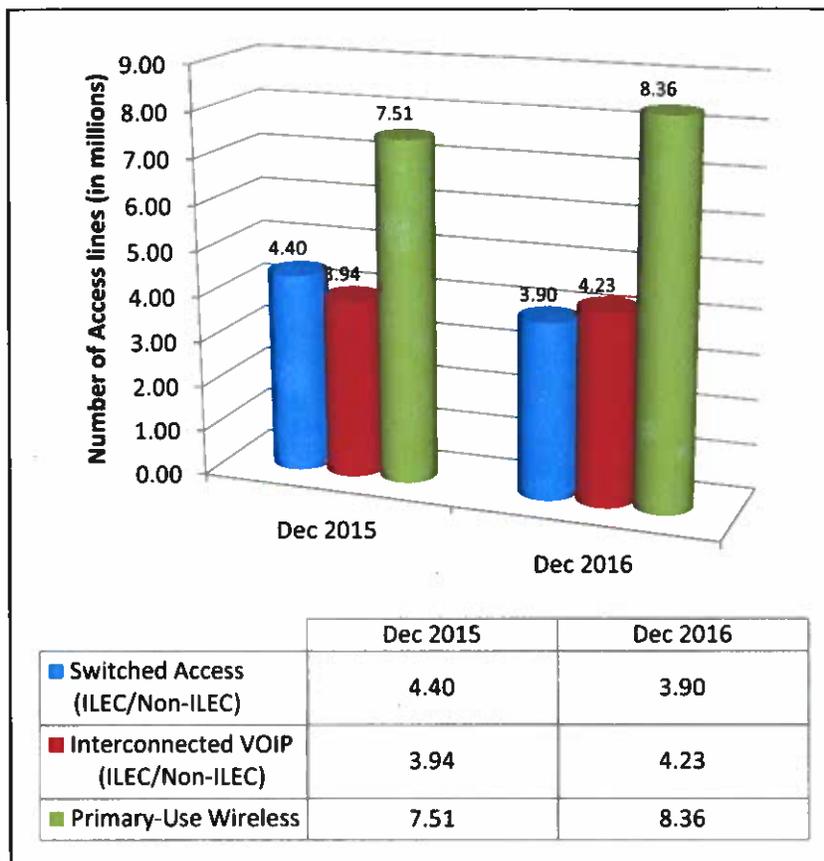


Figure 2 further demonstrates the increased usage of wireless technology in the telecommunications market. In this figure, the number of ILEC and non-ILEC switched access subscribers and the number of ILEC and non-ILEC VoIP subscribers are combined and compared to the number of wireless subscribers. From 2015 to 2016, the ILEC and non-ILEC switched access line subscribers decreased, while the ILEC and non-ILEC VoIP subscribers have shown only a slight increase. During the same time period, the wireless subscribers increased significantly by 850,000 subscribers.

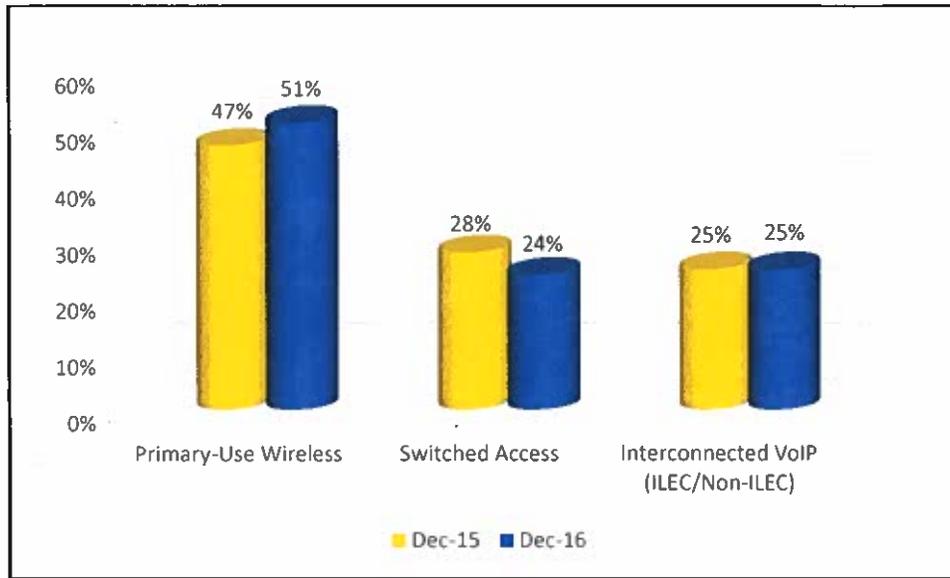
⁵ Voice Telephone Services Report: “State-Level Subscriptions” as of Dec. 31, 2016 at Supplemental Table 1 (rel. Feb. 2018), available at <https://www.fcc.gov/voice-telephone-services-report>.

Figure 2 – Number of Local Telephone Subscribers in Texas by Technology Type⁶

As shown in Figure 3, the share of subscribers served by switched access facilities decreased from 28% in 2015 to 24% in 2016. The share of subscribers served by VoIP facilities was 25% for 2015 and 2016. Primary-use wireless subscribers increased from 47% in 2015 to 51% in 2016. Competition in the telecommunications market continues to utilize new technologies to displace traditional wireline switched access lines.

⁶ *Id.*

Figure 3 - Local Telecommunications Percentage of Market Share in Texas by Technology Type: December 2015 vs December 2016

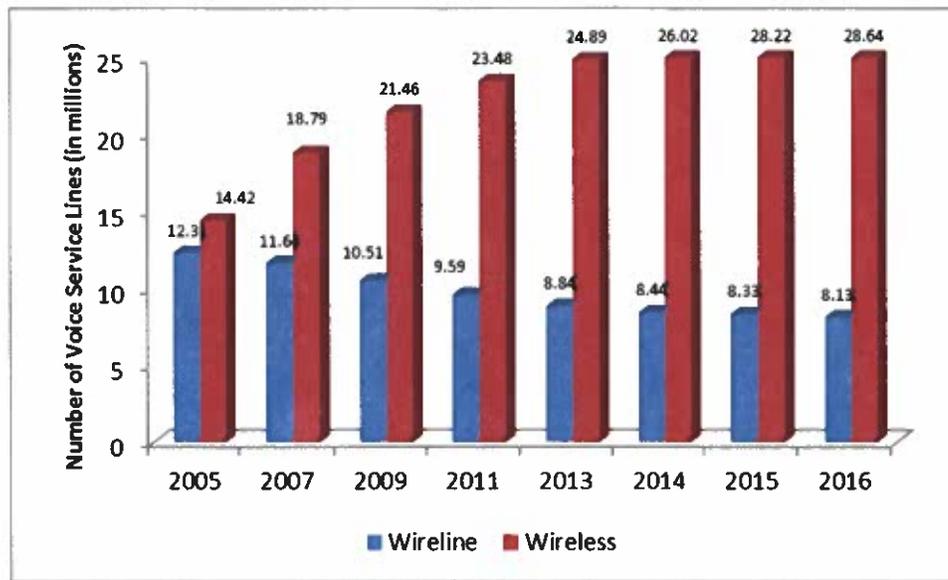


2. Wireless Market Share

Figure 4 shows the change in the number of wireline and wireless voice service lines since 2006. From 2005 to 2016, there was significant growth in the number of lines served by wireless technology, while the number of lines served by wireline technology experienced a significant decline. The percentage of voice lines served by wireless technology increased from 54% in 2005 to 78% in 2016. Voice lines served by wireless technology increased by approximately 14.2 million lines, while voice lines served by wireline technology decreased by approximately 4.2 million lines.

The number of “wireline” voice service lines in Figure 4 include interconnected VoIP and traditional switched access voice lines served by ILECs and CLECs in Texas.

Figure 4 - Number of Wireline and Wireless Voice Telecommunications Lines in Texas⁷



3. Broadband Market Share

Broadband⁸ has transformed communications, commerce, and entertainment. Broadband services provide a platform for communications firms to offer information content, such as entertainment, video and business services involving data transfer. As broadband services expand, they become increasingly important to the competitive environment of telecommunications services in Texas.

As shown in Table 1, the number of broadband subscribers in Texas grew from approximately 7.5 million in June 2008 to more than 30 million as of June 2016. Of this number, 2.7 million were digital subscriber loop (DSL) subscribers, 3.6 million were cable modem subscribers, 1.2 million were fiber subscribers, and 22.5 million were mobile broadband subscribers (see Figure 5). Over the last few years, the market for broadband services continues to be healthy; Texas has ranked second in the nation with respect to number of broadband subscribers (including mobile broadband connections).

Broadband service is typically offered by wireless companies, cable companies, and local exchange companies. Local exchange companies typically use asymmetric DSL (ADSL) technology to provide service to its customers. ADSL allows customers to use their voice telephone lines to also transmit and receive data over the same copper facility.

⁷ 2009 and 2011 *Reports on the Scope of Competition in Telecommunications Markets of Texas; Local Telephone Competition Report* (Status of June 30, 2009) at Tables 8 and 17 (Sept. 2010); *Local Telephone Competition Report* (Status of Jun. 30, 2013) at Tables 9 and 18 (Jun. 2014); *Voice Telephone Services Report* (Status as of December 31, 2015) at Supplemental Table 1 (Nov. 2016).

⁸ For the purpose of this section, the publicly available data collected from various sources do not use the FCC's current post-2015 definition of broadband of 25 Mbps, but instead use the FCC's pre-2008 definition of broadband of 200 kbps.

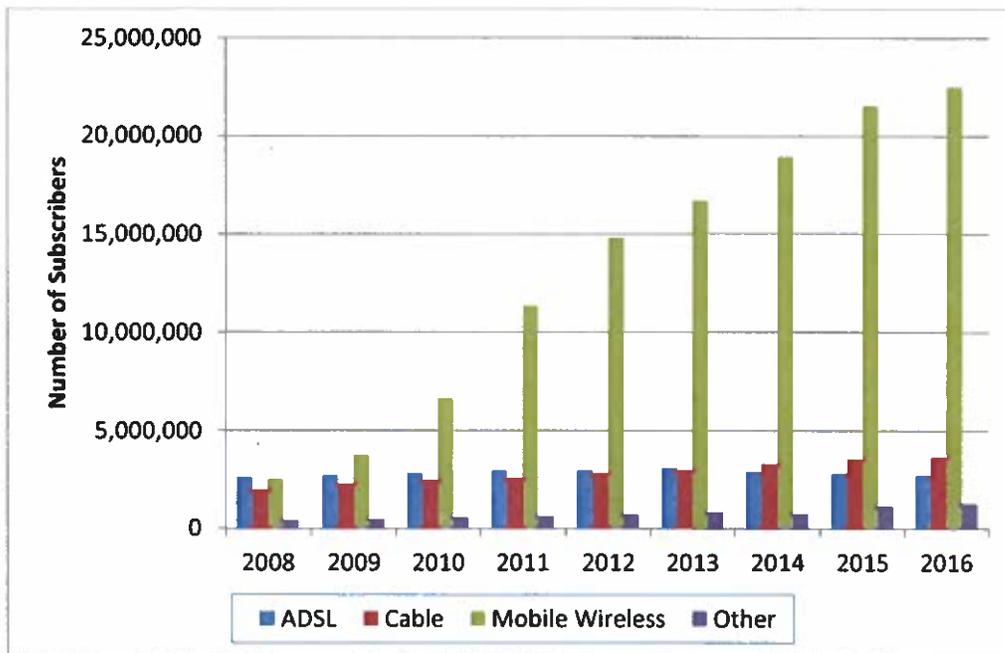
Similarly, cable modem service utilizes the same coaxial facility used to transmit cable television to also transmit broadband service. Other methods of providing broadband service include fixed wireless, satellite, fiber to the home, broadband over power lines, and other wireline technologies.

Figure 5 depicts the level of subscribership to various technologies used in providing broadband service in Texas from 2008 to 2016. Mobile wireless service holds the largest share of broadband subscribership.

Table 1 - Broadband Subscribers in Texas as Compared to Other States (000s)⁹

State	June 2008	June 2009	June 2010	June 2011	June 2012	June 2013	June 2015	June 2016	Percent Change 2009/2016
California	12,649	14,691	18,779	26,029	30,773	34,083	43,487	46,212	215%
Texas	7,484	9,214	12,420	17,487	21,288	23,612	28,120	30,171	227%
New York	7,405	7,986	9,988	13,664	16,182	18,294	21,767	23,570	195%
Florida	6,729	7,571	9,479	12,720	15,851	17,765	20,497	22,234	194%
Illinois	4,265	4,843	6,274	8,645	10,085	11,300	13,996	15,063	211%
New Jersey	3,517	3,983	4,921	6,529	7,623	8,695	10,721	11,493	189%
Pennsylvania	4,225	4,775	6,067	8,212	9,581	10,819	13,290	14,419	202%
National	102,043	116,374	149,531	206,124	243,397	275,608	341,648	369,416	217%

⁹ FCC *Internet Access Services: Status of Jun. 30, 2016* (rel. Apr. 2017) at Figure 34, available at <https://www.fcc.gov/internet-access-services-reports>.

Figure 5 - Broadband Subscribers in Texas¹⁰

B. Effects of Competition and Regulation on Rates

The Public Utility Regulatory Act (PURA)¹¹ allows for five distinct classifications of ILEC regulation. Table 2 provides a summary of the PURA chapters concerning ILEC regulation and a brief summary of how a company can change rates. A list of the ILECs with their current status of regulation can be found at [Appendix B](#).

¹⁰ *Internet Access Services Report*, *id* note 39.

¹¹ Public Utility Regulatory Act Tex. Util. Code Ann. §§ 11.001-66.016 (PURA).

Table 2 – Summary of PURA ILEC Regulation

PURA Chapter	Type of Regulation	How Company Can Change Rates
52	Rate-of-return regulation – fully regulated; must maintain a tariff on file with the Commission.	These ILECs may not increase rates for services that were in effect on Sept. 1, 1999 unless they do so under certain PURA chapters. New services must be priced at or above its long-run incremental cost.
53	Rate-of-return regulation - Cooperatives that have elected to be partially deregulated.	A cooperative that has elected to become partially deregulated may raise the rate for any service by following applicable filing requirements contained in PURA § 53.355. This involves proper notice and description of the proposed rate change.
58	Incentive regulation - ILECs that have elected to be subject to regulation to incent infrastructure investments.	These ILECs have agreed to make extensive infrastructure investments in exchange for the ability to changes prices for non-basic services, such as call waiting, call forwarding, and caller identification. The price changes become effective 10 days after the filing of an informational notice, unless the Commission suspends the filing.
59	Incentive regulation - ILECs that have elected to make an infrastructure commitment under the condition that their company may not be subject to rate-of-return review. These companies may, but are not required to, maintain on file with the Commission tariffs or price lists.	These ILECs may only increase rates for services that were in effect on Sept. 1, 1999 to reflect changes in FCC orders or if access line growth mandates a rate group reclassification. New services must be priced at or above its long-run incremental cost.
65	Deregulated - ILECs are considered transitioning companies once they have deregulated at least one of their markets. ILECs are considered deregulated once all of their markets are deregulated.	These ILECs have full pricing flexibility and are not required to act as a provider of last resort for any customer in their markets.

The expansion of competition in the telecommunications market has not completely staved off the slow, mostly upward, movement of rates. Until now, telecommunication rates in Texas have largely been influenced by regulation rather than competition. Over the last two years, rates for local telephone service have risen. Much of this growth can be attributed to ILECs' rate increases that were intended to reduce their dependence on the Texas High Cost Universal Service Plan. The two largest ILECs, which are now completely deregulated, have also increased rates substantially. The following sections provide detail regarding the levels of these increases and the associated rationale. Most of the competition in telecommunications service is in connection with wireless service and service packages from wireline companies, including cable companies that provide

customers enhanced or bundled services, such as internet or video. It is not as clear that competitive forces are influencing basic local telephone service rates.

1. Fully Regulated ILEC Areas (Chapter 52)

In general, fully-regulated ILEC areas tend to be located in the more rural parts of Texas. In rural areas of the state, basic local telephone service rates are priced below the economic cost of providing the service and are supported through universal service fund mechanisms at both the state and federal levels. In these areas, universal service fund subsidies and subsidies from switched access charges have not been reviewed since 2000.¹² In these largely rural areas over the last two years, the ILECs' rates for basic local telephone service have generally increased through Commission-approved tariff filings. However, because local rates are subsidized in these areas, the rates are still below cost. In 2013, a Commission proceeding was initiated to establish a reasonable rate for basic local telephone service for small and rural ILECs and provide the opportunity for a company to rebalance its high-cost support from the Small and Rural ILEC Universal Service Plan.¹³ Legislation enacted during the 2013 proceeding allowed a majority of the small and rural ILECs to continue receiving support, based on changes in the Consumer Price Index. Subsequent legislation in 2017 required the Commission to initiate rulemakings to development and implement a mechanism to determine the annualized Small and Rural Incumbent Local Exchange Company Universal Service Plan support for certain small incumbent local exchange companies.¹⁴ The Commission adopted a Final Order on October 16, 2018 in accordance with the legislation.

2. Partially and Fully Deregulated ILEC Areas (Chapters 58, 59, and 65)

a. Chapter 58 and 59 Regulation¹⁵

The election of PURA Chapter 58 and 59 regulations by a majority of the medium-sized ILECs restricted increases in residential basic local telephone service rates for the customers of those companies, except under limited or special circumstances. For

¹² *Compliance Proceeding for Implementation of the Small and Rural ILEC Service Plan*, Docket No. 18516 (Jan. 14, 2000).

¹³ *Commission Staff's Petition to Establish a Reasonable Rate for Basic Local Telecommunications Service Pursuant to P.U.C. SUBST. R. 26.404*, Docket No. 41097 (Aug. 30, 2013).

¹⁴ *Rulemaking to Add 16 Tex. Admin. Code 26.407 Small and Rural Incumbent Local Exchange Company Universal Service Plan (SRILEC USP) Support Adjustments Pursuant to S.B. 586*, Project No. 47669.

¹⁵ Chapter 58 provides for incentive regulation of those companies that elect to be subject to its provisions. Chapter 59 provides for an infrastructure commitment by those companies that do not elect to be subject to Chapter 58 regulation.

example, 16 TAC §26.404, adopted in 2012¹⁶ provides that reductions in Texas Universal Service Fund support in rural areas are to be offset by an amount equal to 25% of the increases in rates for basic local telephone service up to the established reasonable rate, over a transitional period. Overall, the effect on customers has been a gradual increase in basic local telephone service rates and a corresponding gradual reduction in Texas Universal Service Fund support.

b. Chapter 65 Regulation

Chapter 65 also allows a transitioning ILEC to increase the rates for basic local telephone service in those exchanges that have been deregulated.¹⁷ The last report to the Legislature indicated that 437 exchanges of three ILECs had been deregulated since 2005. The deregulated exchanges are served by AT&T Texas, Frontier Communications, and CenturyLink. Both AT&T Texas¹⁸ and Frontier Communications¹⁹ are fully deregulated companies. Since the last report, Frontier Communications²⁰ included 107 additional deregulated exchanges to bring the total to 544 deregulated exchanges. CenturyLink is classified as a transitioning company where at least one, but not all, of the company's exchanges have been deregulated.²¹

The only Chapter 65 transitioning company, Central Telephone Company of Texas (d/b/a CenturyLink), increased its rates in the last two years in conjunction with a reduction

¹⁶ *Rulemaking Proceeding to Amend Substantive Rules Relating to the Small and Rural Incumbent Local Exchange Company Universal Service Plan*, Project No. 39938, Final Order (Nov. 21, 2012).

¹⁷ A Chapter 65 transitioning ILEC is an ILEC with one or more, but not all, of its market areas deregulated.

¹⁸ A deregulated company is an ILEC for which all of the company's markets have been deregulated. See *Southwestern Bell Telephone Company d/b/a AT&T Texas' Petition for a Certificate of Operating Authority and to Rescind Its Certificate of Convenience and Necessity*, Docket No. 42741, Finding of Fact No. 17 (Oct. 23, 2014).

¹⁹ A deregulated company is an ILEC for which all of the company's markets have been deregulated. See *Application of Frontier Southwest Incorporated d/b/a Frontier Communications of Texas for a Certificate of Operating Authority and to Rescind a Certificate of Convenience and Necessity*, Docket No. 47681, Finding of Fact No. 7 (Dec. 14, 2017).

²⁰ *Petition of Verizon Southwest to Determine Whether Certain Markets with Population Less Than 100,000 Should Remain Regulated*, Docket No. 41740 (Nov. 4, 2013). On Nov. 4, 2013, an Order was issued by the Commission deregulating 13 additional Verizon markets. *Petition of Verizon Southwest to Deregulate Certain Markets*, Docket No. 42745 (Oct. 23, 2014). On Oct. 23, 2014, a Final Order was issued by the Commission deregulating an additional 15 Verizon markets. *Petition of Verizon Southwest to Deregulate Certain Markets*, Docket No. 45056 (Nov. 6, 2015). On Nov. 6, 2015, a Final Order was issued by the Commission deregulating an additional ten Frontier Communications' markets. *Petition of Frontier Communications to Deregulate Certain Markets*, Docket No. 47194 (Aug. 17, 2017). On Aug. 17, 2017, a Final Order was issued by the Commission deregulating an additional 107 Frontier markets.

²¹ *Staff's Petition to Determine Whether Markets of Incumbent Local Exchange Carriers (ILECs) Should Remain Regulated*, Docket No. 31831 (Dec. 28, 2005). On Dec. 28, 2005, an Order was issued by the Commission classifying SBC Texas, Verizon, and CenturyLink as "transitioning" companies. Effective January 1, 2006, three CenturyLink markets were declared deregulated. On Oct. 17, 2006, an Order was issued by the Commission deregulating one additional CenturyLink market. On April 25, 2008, an Order was issued by the Commission re-regulating CenturyLink's Hutto exchange.

in the amount of Texas Universal Service Fund support received by CenturyLink. Additionally, fully deregulated AT&T Texas increased rates for basic local telephone service within the last two years. Frontier Communications has not increased rates for basic local telephone service within the last two years.

AT&T Texas relinquished its Certificate of Convenience and Necessity in exchange for a Certificate of Operating Authority in 2014.²² Effective August 17, 2017, Frontier Communications deregulated all of its exchanges. Frontier Communications also relinquished its Certificate of Convenience and Necessity in exchange for a Certificate of Operating Authority, effective December 14, 2017.²³ Rates for AT&T Texas' and Frontier Communications' services are now set by a competitive market, rather than by Commission order.

3. Local Telephone Service Rates

a. Basic Rates

Table 3 illustrates basic local telephone service rates applicable to residential service, single-line business service, and multiple-station business trunk service in regulated and deregulated markets in Texas. The illustration shows exchanges served by ILECs regulated under various regulatory regimes.

As shown in Table 3, local telephone rates for business customers are higher than residential rates and, in most cases, rates in urban areas exceed the rates in rural areas. For example, the Dallas Metropolitan Exchange, a deregulated market served by AT&T Texas, offers residential local telecommunications service at a rate of \$28.00 per month. With the exception of certain grandfathered, Lifeline, and tribal rates, rates are the same throughout the deregulated service territory of AT&T Texas.

The rates for single-line business service in the rural exchanges seem to depend on whether the ILEC serving the exchange has the ability to exercise pricing flexibility. As shown in Table 3, the single-line business rates in the rural areas of Huxley (\$25.84) and Port Aransas (\$11.35) are less than the rates for the same service in the rural area of Jarrell (\$31.00). The difference in rates may be attributed to the fact that Jarrell is served by Frontier Communications, a deregulated company that has pricing flexibility. On the other hand, Huxley and Port Aransas are served by Eastex Telephone Cooperative, a Chapter 52 ILEC, and CenturyTel of Port Aransas d/b/a CenturyLink, a Chapter 58 ILEC, respectively, and these companies are constrained in their ability to engage in pricing flexibility for single-line business customers.

²² *Southwestern Bell Telephone Company d/b/a AT&T Texas' Petition for a Certificate of Operating Authority and to Rescind Its Certificate of Convenience and Necessity*, Docket No. 42741 (Oct. 23, 2014).

²³ *Application of Frontier Southwest Incorporated d/b/a Frontier Communications of Texas for a Certificate of Operating Authority and to Rescind a Certificate of Convenience and Necessity*, Docket No. 47681, Finding of Fact No. 7 (Dec. 14, 2017).

FCC decisions on charges that one carrier pays to another carrier to originate, terminate, and transport traffic, or intercarrier compensation, may also have an effect on residential and business local rates in Texas.²⁴ The FCC required telecommunications carriers to reduce, over a period of six to nine years, the rates charged to transport and terminate another carrier's telecommunications traffic. Beginning in July 2012, the FCC permitted ILECs to recover at least part of the lost intercarrier compensation revenues through increases in end-user charges and new federal universal service support. Specifically, ILECs were permitted a limited monthly charge called the Access Recovery Charge on wireline telephone service. As of July 2017, the FCC capped these charges at \$3.00 per month per line for residential and small businesses customers, and \$6.00 per month per line for multi-line business customers. These monthly charges may not be imposed on customers with a total monthly rate for local telephone service of \$30 or more or on multi-line business customers when the Access Recovery Charge and existing subscriber line charge (a federal fee) would exceed \$12.20 per line.

²⁴ *In the Matter of Connect America Fund, et al*, FCC 11-161, Report and Order and Further Notice of Proposed Rulemaking (Released: Nov. 18, 2011), paragraphs 35-37. Available online at: <http://www.fcc.gov/document/fcc-releases-connect-america-fund-order-reforms-usfcc-broadband>

Table 3 - Sample of Basic Local Telephone Service Rates in Texas²⁵

Serving Company	Major City/ Local Access Transport Area (LATA)	Exchange served	Basic Single Line Service Rates		
			Residential	Business	Business Trunk
AT&T Texas – Chapter 65	Dallas/ Dallas LATA	Dallas Metropolitan Exchange - <u>deregulated</u>	\$28.00	\$140.00	\$167.00
Frontier Communications – Chapter 65	Jarrell/Austin LATA	Jarrell Exchange - <u>deregulated</u>	\$31.00	\$37.75	\$45.10
CenturyLink - Chapter 58	Hutto/Austin LATA	Hutto Exchange - <u>regulated</u>	\$21.22	\$29.00	\$34.00
Windstream Comm. SW - Chapter 58	Texarkana/Longview LATA	Texarkana Exchange	\$14.40	\$30.54	\$40.10
Blossom Telephone Company – Chapter 52	Blossom/ Dallas LATA	Blossom Exchange	\$14.00	\$15.50	n/a
Eastex Telephone Coop – Chapter 52	Huxley/Houston LATA	Huxley Exchange	\$18.00	\$25.84	\$28.37
CenturyLink - Chapter 58	Port Aransas/Corpus Christi LATA	Port Aransas Exchange	\$5.85	\$11.35	\$17.95
West Plains Telecommunications – Chapter 52	Muleshoe/Lubbock LATA	Muleshoe Exchange	\$16.28	\$22.18	\$34.34
Valley Telephone Cooperative – Chapter 53	San Isidro/Brownsville LATA	McCook Exchange	\$23.50	\$24.50	\$26.50
Big Bend Telephone Company – Chapter 52	Presidio/Midland LATA	Presidio Exchange	\$22.27	\$30.00	\$40.50
Colorado Valley Telephone Cooperative – Chapter 53	Round Top/Bryan LATA	Warrenton Exchange	\$18.45	\$28.80	\$28.80

²⁵ Source: Commission tariff filings. The exchanges shown were chosen to represent a broad cross-section of all customers in the State of Texas.

b. Vertical Services Rates

Vertical services are those offered in connection with one or more telecommunications services. The most popular vertical services include Caller ID Name and Number, Automatic Call Blocking, Call Forwarding, Speed Calling, Call Return, and Three-Way Calling. Vertical services rates are not capped under Chapters 58, 59, or 65 of PURA. Thus, the rates of many of the most popular vertical services have increased.

c. Packages, Bundles, Term Commitments, and Promotions

As in the past few years, the trend continues for ILECs, CLECs, cable providers, and VoIP providers to market service packages that bundle basic local telephone service, vertical features, and long-distance services with video services and high speed internet access. The most prolific of bundles offered by telephone and cable companies is the “triple play” offering – a package comprising video service, high-speed internet access, and voice telephone service. Triple play offerings have a typical starting price under \$100 per month with a one to two-year term commitment, in most cases.

Cable companies and VoIP providers offer special promotions to lure customers away from the incumbent telecommunications provider, while the incumbent regularly offers special promotions to win back former customers. Both forms of promotions generally provide temporary economic incentives to induce customers to switch providers. The term agreement continues to be a common offering for large and small companies and provides revenue security for competitive telecommunications carriers.

C. Effects of Competition and Regulation on Service Availability and Customer Choice

In areas that remain regulated, the ability of Texas residents to obtain some form of telephone service, known as service availability, is not affected by competition, but is governed by state laws and Subchapter C of the Commission’s Chapter 26 regulations. However, the ability of Texas residents to choose from multiple providers of telephone service has been greatly enhanced with increasing competition.

AT&T Texas and Frontier Communications, deregulated Chapter 65 companies, no longer have a provider of last resort obligation and are no longer required to serve every customer in their service area.²⁶ Subscriberhip in deregulated areas of Chapter 65 companies is driven by competition.

1. Subscriberhip

a. Subscriberhip Regulation

Texas law and regulations ensure that telecommunications service is available to customers residing in areas that remain regulated. PURA and Commission rules require

²⁶ PURA § 65.102(a)(1)

an ILEC, unless it is deregulated, to serve all customers in its service area, thereby guaranteeing at least one provider of telecommunications service.²⁷

For those areas in Texas that are uncertificated, there is a process for a customer to request wireline telecommunications service.²⁸ That process has been exercised four times to date, but no applications to serve uncertificated areas have been received since the 2017 Scope of Competition Report. In addition, wireless and satellite providers operate in many of the uncertificated areas.

b. Programs Supporting Subscriberhip

The Texas High Cost Universal Service Plan and the Small and Rural ILEC Universal Service Plan provide financial support from the Texas Universal Service Fund to eligible carriers in a competitive environment to ensure that customers in high cost areas in Texas and low-income customers throughout the State of Texas have access to basic local telephone service at just, reasonable, and affordable rates.

c. Lifeline Service

Lifeline service provides qualifying low-income customers a discount for local telephone service. A qualifying Lifeline customer may receive a discount of up to \$12.75 per month from the Lifeline provider that is reimbursed from a combination of the Texas Universal Service Fund and the Federal Universal Service Fund. Eligible customers served by Lifeline providers in the service areas of CenturyLink and Windstream Communications Southwest receive a discount equal to 25% of any increases to residential basic network service rates in regulated exchanges of those companies.²⁹ This additional discount is reimbursed from the Texas Universal Service Fund.

A company designated as an Eligible Telecommunications Provider is eligible to receive reimbursement for Lifeline from the Texas Universal Service Fund for the provision of service to eligible customers. A company designated as an Eligible Telecommunications Carrier is eligible to receive reimbursement from the Federal Universal Service Fund when providing Lifeline service to eligible customers.

Senate Bill 1003, 85th Regular Session, removed the statutory mandate for deregulated companies to offer Lifeline service on basic landline telephone service. In 2017, AT&T Texas petitioned the Commission for relinquishment of its designation as an Eligible Telecommunications Provider for the entire state of Texas. AT&T Texas petitioned for relinquishment of its Eligible Telecommunications Carrier designation in its entire CLEC service area and its ILEC Eligible Telecommunications Carrier service area, except for census blocks in which AT&T Texas is eligible to receive federal Connect America Fund II funding. The petition was granted on January 12, 2018 and was effective

²⁷ See PURA §§ 54.301-54.303. See also 16 TAC §§ 26.22(a)(1) and 26.54(c)(1).

²⁸ See PURA Chapter 56, Subchapter F. See also 16 TAC §§ 26.421 and 26.422.

²⁹ *Commission Staff's Petition to Establish a Reasonable Rate for Basic Local Telecommunications Service Pursuant to P.U.C. SUBST. R. 26.403*, Docket No. 40521 (Sep. 28, 2012).

June 26, 2018.³⁰ By relinquishing its Eligible Telecommunications Carrier and Eligible Telecommunications Provider designations, AT&T Texas is no longer required to offer Lifeline service to its customers.

Traditional wireline Lifeline enrollment has decreased since 2009, primarily due to customers selecting wireless Lifeline service. Wireless Lifeline service provides customers with a free handset and a monthly allotment of minutes. Providers of wireless Lifeline service are designated as Eligible Telecommunications Carriers and receive only federal support for this service. Table 4 shows the state support enrollment figures since 2014. From 2014 through 2017, enrollments for Lifeline service have decreased by 149,477, which is a decrease of 68.3%.

Table 4 - Lifeline Enrollments, 2014 - 2017³¹

	Lifeline Enrollments	Percentage change (year over year)
2014	218,999	--
2015	132,244	-39.61%
2016	94,700	-28.39%
2017	69,522	-26.87%

2. Choice of Providers

a. Basic Local Telephone Service

The increased footprint of wireless providers, cable companies, and VoIP providers generally increased the availability of basic local telephone service over what has been traditionally provided by ILECs. Moreover, peripheral services, features, and functionality provided in conjunction with basic local telephone service is more widespread. Rural areas, with higher infrastructure costs and smaller populations, have not attracted robust local exchange competition. However, rural areas do have, in many instances, the options of cable, wireless, or satellite telecommunications service as alternatives. The provision of VoIP service appears to be increasing for business customers that use a variety of data and high-speed transmission services.

As seen in Table 5,³² most municipalities in Texas had only one or two providers of residential telephone service. For business providers, there were 382 municipalities in Texas that had only one or two providers of business telephone service (see Table 6). Not

³⁰ *Petition of AT&T Texas to Relinquish its Eligible Telecommunications Carrier Designation in Specified Areas and Notice of Termination of Eligible Telecommunications Provider*, Docket No. 47687. Notice of Approval (Jan. 12, 2018).

³¹ Solix – Low-Income Discount Administrator (LIDA).

³² Source: http://www.puc.texas.gov/consumer/phone/providers/Search_Phone.aspx

every service provider offers both residential and business telephone service. It should be noted that the data used to create the tables below does not include wireless providers.

Table 5 - Number of Landline Residential Service Providers in Texas Municipalities as of March 2018

Residential Service Providers	Number of Municipalities
1-2	763
3-5	296
6-10	40
11-15	3
16 or more	0

Table 6 - Number of Landline Business Service Providers in Texas Municipalities as of March 2018³³

Business Service Providers	Number of Municipalities
1-2	382
3-5	288
6-10	208
11-15	104
16-20	53
21-25	33
26-30	18
31-40	6
41-50	4
51 or more	0

b. Cable and Video Services

New entrants as well as incumbent cable or video providers seeking to compete in new or existing markets are required to file an application for a state-issued certificate of franchise authority (SICFA) as required by PURA Chapter 66. The Commission issued seven SICFAs from January 1, 2017 through June 30, 2018.

³³ *Id.*

The cable and video market showed little growth in Texas over the last two years. In 2010, there were 138 counties with either none or one cable and video service provider. By 2018, 56 of those counties added one or more providers, leaving 82 counties with either none or one cable and video service provider. A cable or video service provider does not necessarily offer service throughout the entirety of each county in which it does business. These providers may serve only part of the county, and the service territories of the different companies may or may not overlap.

Table 7 - Number of Cable and Video Providers in Texas³⁴

Number of Providers	Number of Counties in 2010	Number of Counties in 2012	Number of Counties in 2014	Number of Counties in 2016	Number of Counties in 2018
0	54	24	15	23	22
1	84	48	51	61	60
2-3	84	114	110	111	113
4-6	26	51	54	44	42
7-11	6	15	19	11	13
12-16	0	2	5	4	4

³⁴ Source: State-issued certificate of franchise authority filed with the Commission. Available online at: <http://www.puc.texas.gov/industry/communications/business/sicfa/sicfa.aspx>

III. SUMMARY OF COMMISSION ACTIONS: 2017-2018

A. Deregulation of Frontier Communications

PURA Chapter 65 provides for the deregulation of certain ILEC markets, beginning in 2005. Senate Bill 980, 82nd Legislative Session, amended the criteria for deregulation of these markets in 2011. Markets with a population of less than 100,000 may be deregulated if the ILEC can demonstrate that there are at least two unaffiliated competitors providing voice communications without regard to the delivery technology including through internet protocol, satellite, or wireless technology. As of publication, a total of 544 markets have been deregulated since 2005 (see Table 8).

AT&T Texas was the first ILEC to deregulate all of its markets. Frontier Communications was the second ILEC in Texas to deregulate all of its markets in accordance with PURA Chapter 65. Because the Legislature required that there be at least two other competitors in an incumbent's exchange before it can be deregulated, the complete deregulation of Frontier Communications can be interpreted as evidence of widespread competition in Texas. Frontier Communication's request for a Certificate of Operating Authority to replace its Certificate of Convenience and Necessity was approved in 2017.³⁵

As a result, neither AT&T Texas nor Frontier Communications is required to fulfill POLR obligations, comply with retail quality of service standards, file an earnings report, or file tariffs. Because AT&T Texas and Frontier Communications are deregulated, the companies are no longer eligible for Texas Universal Service Fund support.

³⁵ *Application of Frontier Southwest Incorporated d/b/a Frontier Communications of Texas for a Certificate of Operating Authority and to Rescind a Certificate of Convenience and Necessity*, Docket No. 47681 (Dec. 14, 2017).

Table 8 - Number of Deregulated Markets in Texas by Provider

Number of Deregulated Markets in Texas by Provider				
Docket No.	AT&T Texas	Frontier Communications	CenturyLink	Docket Totals
31831 ³⁶	40	11	3	54
32977 ³⁷	15		2	17
34723 ³⁸			-1	-1
39962 ³⁹	41			41
40398 ⁴⁰		57		57
40646 ⁴¹		27		27
41731 ⁴²	109			109
41740 ⁴³		13		13
42451 ⁴⁴	95			95
42745 ⁴⁵		15		15
45056 ⁴⁶		10		10
47194 ⁴⁷		107		107
Company Totals	300⁴⁸	240⁴⁹	4	544

³⁶ *Staff's Petition to Determine Whether Markets of Incumbent Local Exchange Carriers (ILECs) Should Remain Regulated*, Docket No. 31831 (Dec. 28, 2005) (effective Jan. 1, 2006). AT&T Texas, Frontier Communications, and CenturyLink were classified as "transitioning" companies.

³⁷ *Petition of AT&T Texas to Determine Whether Markets of Incumbent Local Exchange Carriers (ILECs) with Populations Less Than 30,000 Should Remain Regulated*, Docket No. 32977 (Oct. 17, 2006).

³⁸ *Petition for Review of Monthly Per-Line Support Amounts from the Texas High-Cost Universal Service Plan Pursuant to PURA § 56.031 and P.U.C. Subst. R. 26.403*, Docket No. 34723 (Apr. 25, 2008). The Hutto Exchange served by CenturyLink was re-regulated under PURA Chapter 58 as part of a settlement of the parties.

³⁹ *Petition of AT&T Texas to Determine Whether Certain Markets with Populations Less Than 100,000 Should Remain Regulated*, Docket No. 39962 (Feb. 24, 2012), which was the first docket processed under the provisions of SB 980 (2011).

⁴⁰ *Petition of Verizon Southwest to Deregulate Certain Markets*, Docket No. 40398 (Jul. 30, 2012).

⁴¹ *Petition of Verizon Southwest to Deregulate Certain Markets*, Docket No. 40646 (Oct. 26, 2012).

⁴² *Petition of AT&T Texas to Determine Whether Certain Markets with Populations Less Than 100,000 Should Remain Regulated*, Docket No. 41731 (Nov. 4, 2013).

⁴³ *Petition of Verizon Southwest to Determine Whether Certain Markets With Populations Less Than 100,000 Should Remain Regulated*, Docket No. 41740 (Nov. 4, 2013).

⁴⁴ *Petition of AT&T Texas to Determine Whether Certain Markets With Populations Less Than 100,000 Should Remain Regulated*, Docket No. 42451 (Jul. 11, 2014).

⁴⁵ *Petition of Verizon Southwest to Deregulate Certain Markets*, Docket No. 42745 (Oct. 23, 2014).

⁴⁶ *Petition of Verizon Southwest to Deregulate Certain Markets*, Docket No. 45056 (Nov. 6, 2015).

B. Texas Universal Service Fund Status

The Texas Universal Service Fund is funded by a statewide uniform charge or assessment, payable by each telecommunications provider. The assessment is a percentage of each telecommunications provider's actual intrastate telecommunications services receipts. Telecommunications providers are allowed to recover the amount of the assessment from the retail customers. The current Texas Universal Service Fund assessment rate is 3.3%.⁵⁰ Total disbursements from the Texas Universal Service Fund have steadily declined since 2006. In FY 2006, the Texas Universal Service Fund disbursed a total of \$572 million and in FY 2018, \$203 million was disbursed, representing a decrease of \$369 million.

The purpose of the Texas Universal Service Fund is to implement a competitively neutral mechanism to enable telecommunications providers to provide basic local telephone service at reasonable rates in high-cost rural areas of the state. The Texas Universal Service Fund accomplishes this purpose by providing financial support to Eligible Telecommunications Providers to assist in the provision of basic local telephone service at reasonable rates to customers in high-cost rural areas and to qualifying low-income and disabled customers. Eleven programs are supported through the Texas Universal Service Fund. These programs can generally be categorized as one of two types: assistance for high cost areas or assistance for low-income or disabled individuals. The eleven Texas Universal Service Fund programs and disbursements for each are listed in Table 9.

The two largest programs are the Texas High Cost Universal Service Plan and the Small and Rural ILEC Universal Service Plan. The Texas High Cost Universal Service Plan was established to provide support in markets served by the larger ILECs in Texas. The Small and Rural ILEC Universal Service Plan provides support in the rural markets served by the smaller ILECs.

PURA § 56.023 requires that before January 1, 2020, Chapter 58 or 59 companies that serve more than 31,000 access lines and receive Small and Rural ILEC Universal Service Plan high cost support must file a petition to show financial need for their continued support. In December 2016, the Commission received four petitions to demonstrate financial need for continued Small and Rural ILEC Universal Service Plan high cost support. Final orders approving each of the four petitions were issued in June 2017.

⁴⁷ *Petition of Frontier Communications to Deregulate Certain Markets*, Docket No. 47194 (Aug. 17, 2017).

⁴⁸ As of Sept. 1, 2014, 100% of the exchanges of AT&T Texas have been deregulated.

⁴⁹ As of Aug. 17, 2017, 100% of the exchanges of Frontier Communications have been deregulated.

⁵⁰ *Texas Universal Service Fund Administration*, Project No. 21208, Order Changing the Texas Universal Service Fund Assessment (Dec. 18, 2014).

Table 9 – Texas Universal Service Fund Disbursements, 2015-2018

Texas Universal Service Fund Program Disbursements	FY 2015 (Actual)	FY 2016 (Actual)	FY 2017 (Actual)	FY 2018 (Actual)	Percent of Total USF (FY 2018)
Programs for High Cost Assistance					
Texas High Cost Universal Service Plan	\$132,983,991	\$118,156,517	\$99,854,141	\$85,434,858	41.99%
Small and Rural ILEC Universal Service Plan	95,392,860	92,013,823	88,606,051	83,925,116	41.25%
* Implementation of PURA § 56.025 A	1,949,455	1,947,730	1,947,610	2,128,249	1.05%
* Implementation of PURA § 56.025 C	1,929,033	1,734,311	1,485,247	4,113,491	2.02%
Reimbursement for Certain IntraLATA Services (For Non-58 and 59 companies)	717,552	566,916	443,172	351,085	0.17%
Additional Financial Assistance	-	-	-	-	0.00%
Service to Uncertificated Areas	166,797	165,578	169,998	205,057	0.10%
Programs for Low-Income or Disability Assistance					
Texas Relay Service	3,162,660	2,442,439	2,225,014	2,050,062	1.01%
Lifeline	9,804,461	6,996,099	5,185,293	3,935,310	1.93%
Specialized Telecommunications Assistance Program	6,386,703	11,227,152	11,907,454	9,933,685	4.88%
Tel-Assistance	4,783	4,206	3,779	2,697	0.00%
DARS	941,563	1,244,071	1,147,524	1,104,902	0.54%
PUC	342,361	360,294	456,698	595,813	0.29%
Other	54,000	54,000	54,000	42,000	0.02%
Low Income Discount Administrator (LIDA)	4,947,718	3,785,531	8,264,470	8,188,865	4.02%
Texas Universal Service Fund Administrator	949,858	884,910	949,012	973,542	0.48%
Audio Newspaper Program	476,292	447,954	448,650	477,227	0.23%
TOTAL Universal Service Fund	\$260,210,087	\$242,031,531	\$223,148,113	\$203,461,959	100%

C. Commission Action on Legislation

1. Small and Rural ILEC Universal Service Plan

SB 586, 85th Regular Session, required the Commission to adopt a rule to develop and implement a mechanism related to the Small and Rural ILEC Universal Service Plan that, when combined with regulated revenues, would allow a small ILEC to earn a reasonable rate of return. A reasonable rate of return is an intrastate rate of return within two percentage points above or three percentage points below the FCC's prescribed rate of return of 9.75%. The Commission established Project No. 47669 to define and implement a mechanism that would allow a small ILEC to implement SB 586. The rule also establishes a process for small ILECs to seek an adjustment to the company's Small and Rural ILEC Universal Service Plan high cost support that would allow the company to earn a reasonable rate of return.

2. Continuation of CLEC Texas Universal Service Fund Support Under PURA § 56.023(r)

SB 1476, 85th Regular Session, allows a CLEC that has been designated as an Eligible Telecommunications Provider to continue receiving support in exchanges where the ILEC is otherwise no longer eligible to receive support until the Commission determines that the support should be eliminated. The Commission is required to review the per-line support at least once every three years if the number of access lines in an exchange served by a CLEC receiving support decreases by at least 50% from the access lines served in that exchange on December 31, 2016. The support will expire on December 31, 2023. The Commission initiated Project No. 47668 to establish the review process.

3. Lifeline Service and Deregulated Companies

SB 1003, 85th Regular Session amended prior law relating to the participation of deregulated companies in the state Lifeline requirement by removing the mandate that required deregulated companies to offer Lifeline service on basic landline telephone service. As previously discussed in the [Lifeline Service Section](#), AT&T Texas relinquished its Eligible Telecommunications Carrier and Eligible Telecommunications Provider designations and is no longer required to offer Lifeline service to its customers. The Commission established Project No. 47670 to implement any changes that may be needed to 16 TAC § 26.412.

4. Identification of Low-Income Customers

SB 1976, 85th Regular Session, required the Commission and the Health and Human Services Commission to continue a memorandum of understanding that established the duties of each agency to develop an automatic process for identifying low-income customers to enable telecommunications providers to offer customer service, discounts, bill payment assistance, or other methods of assistance. The bill provided that the memorandum could be amended as necessary. The Commission continues to work with the Health and Human Services Commission as needed.

D. Other Commission Actions Related to Telecommunications

1. Hurricane Harvey

Hurricane Harvey, one of the most costly natural disasters in United States history, made landfall near Rockport, Texas on August 25, 2017 as a Category 4 storm. The storm ultimately affected the Texas coastline from Corpus Christi to the Louisiana border. The Federal Emergency Management Agency (FEMA) ultimately declared 45 counties in Texas and 19 parishes in Louisiana to be part of the Harvey disaster area.⁵¹

The Commission has limited jurisdiction over reporting by telecommunications entities. Consequently, the information in this Report concerning Hurricane Harvey relies on the FCC's Status Reports for Area Impacted by Tropical Storm Harvey, which was requested by FEMA to provide information concerning the impacts of Hurricane Harvey on communications.⁵² The released FCC reports provide information concerning the storm impacts on Public Safety Answering Points for 9-1-1 service, wireless services, and cable system and wireline (combined). The FCC reported that more than 283,000 cable system and wireline subscribers were out of service due to the impact of Hurricane Harvey.

2. Impact of the Tax Cuts and Jobs Act of 2017 on Telecommunications Providers

On December 22, 2017, Congress signed into law the Tax Cuts and Jobs Act. Several provisions of this legislation significantly affected telephone utilities, most conspicuously through the reduction in the maximum corporate income tax rate from 35% to 21%. In February 2018, the Commission exercised its authority under PURA § 14.151 and issued an accounting order in Project No. 47945 that directed regulated utilities and Commission staff (with input from stakeholders) to work together on a case-by-case basis to determine the appropriate mechanism to incorporate the new lower federal income tax amount into the rates paid by customers.

On October 16, 2018, the Commission adopted a rule in Project No. 47669 that, among other things, clarifies requirements for small and rural ILECs to comply with the Commission's order in Project No. 47945 on the rate-making treatment of both the annual federal income tax expense and excess accumulated deferred federal income taxes.

⁵¹ The 45 declared counties in Texas were: Aransas, Atascosa, Bee, Bexar, Brazoria, Brooks, Calhoun, Cameron, Chambers, Colorado, DeWitt, Duval, Fayette, Fort Bend, Galveston, Goliad, Gonzales, Hardin, Harris, Hidalgo, Jackson, Jasper, Jefferson, Jim Wells, Karnes, Kenedy, Kleberg, Lavaca, Liberty, Live Oak, Matagorda, McMullen, Montgomery, Newton, Nueces, Orange, Refugio, Sabine, San Jacinto, San Patricio, Victoria, Waller, Wharton, Willacy, and Wilson.

⁵² Hurricane Harvey, FCC Communications Status Reports (2017) at <https://www.fcc.gov/harvey>.

Appendix A. Research Methodology

This appendix discusses the methodology used by the Commission for compiling data for the 2019 Scope of Competition Report. Rather than collecting data from ILECs and CLECs operating in Texas, the Commission gathered data from reports published by the FCC in the *Voice Telephone Services* report and the *Internet Access Services* report. Data from the *Voice Telephone Services* report was used to develop the market share of the switched access lines and VoIP subscriptions of ILECs and Non-ILEC providers operating in the state of Texas for 2015 and 2016. Data from the *Internet Access Services* report provided the Commission with the number of broadband subscribers nationwide and in various states, including Texas, and the number of broadband lines provided by various technologies (for example, ADSL versus cable modem). Data from the FCC reports enabled the Commission to develop time-series charts on broadband use in Texas.

The Commission relied on the *Wireless Substitution: Early Release of Estimates from the National Health Interview Study Survey, January 2014-June 2017*, National Center for Health Statistics, December 2017⁵³ report to determine an approximate percentage of wireless-only households for 2015 and 2016. The Commission used the national percentage of wireless-only households as a proxy, because specific information regarding percentage of wireless-only households in Texas has not been updated since 2007. The use of the national percentage of wireless-only households is a reasonable proxy for percentage of wireless-only households in Texas, because the selected nationwide percentage appears to underestimate the percentage of wireless-only households in Texas when considered in the context of published data on the percentage of adults in Texas that live in wireless-only households. The national percentage of wireless-only households in 2015 and 2016 was then factored into a calculation with the data from the FCC reports on ILEC and Non-ILEC switched access and interconnected VoIP lines to determine the proportion of mobile wireless service users who have moved from using traditional wireline access to using only wireless service.

⁵³ Stephen J. Blumberg, Ph.D., and Julian V. Luke, U.S. Dep't of Health & Human Services, Ctrs. for Disease Control & Prevention, Nat'l Ctr. for Health Statistics, *Wireless Substitution: Early Release of Estimates from the National Health Interview Study Survey, January-June 2017* (Dec. 2017). Available at: <https://www.cdc.gov/nchs/data/nhis/earlyrelease/wireless201712.pdf>.

Appendix B - Incumbent Local Exchange Companies

ILECs	Chapter 65 Status	Incentive Regulation Election/PURA Chapter
Alenco Communications (d/b/a A.C.I.)	Regulated	Chapter 52
AT&T Texas (formerly Southwestern Bell)	Deregulated ⁵⁴	Chapter 65
Big Bend Telephone Company, Inc.	Regulated	Chapter 52
Blossom Telephone Company, Inc.	Regulated	Chapter 52
Border to Border	Regulated	Chapter 52
Brazoria Telephone Company	Regulated	Chapter 52
Brazos Telephone Cooperative, Inc.	Regulated	Chapter 52
Cameron Telephone Company	Regulated	Chapter 52
Cap Rock Telephone Cooperative, Inc.	Regulated	Chapter 52
Central Texas Telephone Cooperative, Inc.	Regulated	Chapter 52
CenturyLink – Central Telephone Co. of Texas, Inc.	Transitioning	Chapter 65
CenturyLink – United Telephone Co.	Regulated	Chapter 58
CenturyTel of Lake Dallas, Inc.	Regulated	Chapter 58
CenturyTel of Northwest Louisiana, Inc.	Regulated	Chapter 58
CenturyTel of Port Aransas, Inc.	Regulated	Chapter 58
CenturyTel of San Marcos, Inc.	Regulated	Chapter 58
Coleman County Telephone Cooperative, Inc.	Regulated	Chapter 52
Colorado Valley Telephone Cooperative, Inc.	Regulated	Chapter 53 (Partially Deregulated)
Comanche County Telephone Company, Inc.	Regulated	Chapter 52
Community Telephone Company, Inc.	Regulated	Chapter 52
Consolidated Communications of Fort Bend	Regulated	Chapter 58
Consolidated Communications of Texas	Regulated	Chapter 58
Cumby Telephone Cooperative, Inc.	Regulated	Chapter 52
Dell Telephone Cooperative, Inc.	Regulated	Chapter 52
Eastex Telephone Cooperative, Inc.	Regulated	Chapter 52
Electra Telephone Company, Inc.	Regulated	Chapter 52
ENMR Telephone Cooperative, Inc.	Regulated	Chapter 52
Etex Telephone Cooperative, Inc.	Regulated	Chapter 52
Five Area Telephone Cooperative, Inc.	Regulated	Chapter 52
Frontier Communications	Deregulated ⁵⁵	Chapter 65
Ganado Telephone Company, Inc.	Regulated	Chapter 52

⁵⁴ *Southwestern Bell Telephone Company d/b/a AT&T Texas' Petition to Issue a Certificate of Operating Authority and Rescind its Certificate of Convenience and Necessity*, Docket No. 42741, Finding of Fact 17 (Oct. 23, 2014).

⁵⁵ *Application of Frontier Southwest Incorporated d/b/a Frontier Communications of Texas for a Certificate of Operating Authority and to Rescind a Certificate of Convenience and Necessity*, Docket No. 47681, Finding of Fact No. 7 (Dec. 14, 2017).

Guadalupe Valley Telephone Cooperative, Inc.	Regulated	Chapter 53 (Partially Deregulated)
Hill Country Telephone Cooperative, Inc.	Regulated	Chapter 52
Industry Telephone Company	Regulated	Chapter 52
La Ward Telephone Exchange, Inc.	Regulated	Chapter 52
Lake Livingston Telephone Company	Regulated	Chapter 52
Leaco Rural Telephone Cooperative, Inc.	Regulated	Chapter 52
Lipan Telephone Company	Regulated	Chapter 52
Livingston Telephone Company	Regulated	Chapter 52
Mid-Plains Rural Telephone Cooperative, Inc.	Regulated	Chapter 52
Nortex Communications	Regulated	Chapter 52
North Texas Telephone Company	Regulated	Chapter 52
Panhandle Telephone Cooperative, Inc.	Regulated	Chapter 52
Peoples Telephone Cooperative, Inc.	Regulated	Chapter 52
Poka-Lambro Telephone Cooperative, Inc.	Regulated	Chapter 52
Riviera Telephone Company, Inc.	Regulated	Chapter 52
Santa Rosa Telephone Cooperative, Inc.	Regulated	Chapter 52
South Plains Telephone Cooperative, Inc.	Regulated	Chapter 52
Southwest Arkansas Telephone Cooperative, Inc.	Regulated	Chapter 52
Southwest Texas Telephone Company	Regulated	Chapter 52
Tatum Telephone Company	Regulated	Chapter 52
Taylor Telephone Cooperative, Inc.	Regulated	Chapter 52
Texas Windstream (f/k/a Texas Alltel, Inc.)	Regulated	Chapter 58
Valley Telephone Cooperative, Inc.	Regulated	Chapter 53 (Partially Deregulated)
West Plains Telecommunications	Regulated	Chapter 52
West Texas Rural Telephone Cooperative, Inc.	Regulated	Chapter 52
Wes-Tex Telephone Cooperative, Inc.	Regulated	Chapter 52
Windstream Kerrville (f/k/a Kerrville Telephone Co.)	Regulated	Chapter 58
Windstream Communications Southwest (d/b/a Valor Telecommunications of Texas, L.P.)	Regulated	Chapter 58
Windstream Sugarland (f/k/a Sugar Land Telephone Company)	Regulated	Chapter 58
XIT Rural Telephone Cooperative, Inc.	Regulated	Chapter 52