

## Local Rate Increase – Want to know why?

Dear Member,

I'm writing today to call HCTC members' attention to some very significant developments that will affect your telephone service – our business. For 80 years, Congress has consistently recognized it's much more difficult and expensive to bring telephone service to rural communities and small towns than it is to connect urban centers such as Dallas or Houston. Since HCTC's very beginning, a national policy known as "universal service" has enabled our cooperative to offer service in accordance with federal law that says all Americans should have access to "comparable telephone service at reasonably affordable rates" no matter where they live.

In 2011, with the stated goal of making broadband technology and services available as fast as possible, the Federal Communications Commission and policymakers are moving away from the commitment to universal service for residential voice service and the public networks that support it. As a result of this shift, they intend to move more of the cost burden on to local companies and their customers, specifically our members.

Universal service fund (USF) support has generally flowed from urban to high-cost rural areas to fund comparable services. While urban rates charged by the large investor-owned utilities have consistently been rising over the last 15 years, this USF support has allowed HCTC's rates to remain the same for decades. The immediate and longer term effects of the reduction of this support will require rural subscribers to shoulder a larger portion of the cost of the network. As you are probably aware, HCTC recently announced a rate increase of \$2.65 per month effective December 1, 2011, for residential service.

Given all that's going on in Washington – and the effects on those of us here in our cooperative – this letter serves as my first communication with you in an educational series to keep you informed of events affecting your service. We hope this campaign helps you understand what may be in store for all of us.

With the upgrades and advancements we've made in our network, HCTC has worked long and hard to bring you a variety of advanced services, such as high-speed broadband access to the Internet. We've designed our website to give you easy online entry to the community, our state and the world. We've sought to keep you informed about the various issues that affect your connection to the network. Why? Because we live here too! We're a member of this community; we have a stake in its future. We don't just provide service to customers in some "territory" and answer to a group of out-of-state stockholders - we serve friends and neighbors.

As such, you should be aware that we have been active in telling our story to national and state officials and reminding them of the challenges in providing service here in rural Texas. I have testified before Congress, visited federal policymakers, and worked with other rural leaders to illustrate the devastating potential impact on rural Americans. Your Board members have called on our congressional delegation to seek their help. Surely, it shouldn't be so hard to find "middle ground" or a more reasonable way to promote broadband service without having to pull the plug on the rural telephone networks on which we rely.

If you have any questions about the issues I've written about today, or would like to discuss anything about the future of your telecom services or rates, please call me or any of our HCTC staff, at 367-5333 or 800-292-5457.

Sincerely,



Delbert Wilson  
General Manager  
November 11, 2011



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