



June 17, 2011

Transtelco, Inc  
500 W. Overland, Suite 310  
El Paso, Texas 79901

Dear Valued Customer:

On behalf of Transtelco we would like to take this opportunity to thank you for your business and continued support.

The purpose of this letter is to inform you of upcoming changes to your monthly bill. In an effort to comply with Federal, State and local regulatory agencies, your monthly bill may be affected by telecommunication taxes, assessments and/or charges.

If you do see any of these charges appear on your invoice, it will be as a result of Transtelco implementing these charges as part of your services.

Attached you will find further explanation regarding these changes. You can obtain additional information by accessing our Web Page at [www.transtelco.net/taxes](http://www.transtelco.net/taxes) or contacting us directly at [billing@transtelco.net](mailto:billing@transtelco.net) or 915-534-8100.

Kind regards,

A handwritten signature in black ink that reads 'Julio Acevedo'.

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Julio Acevedo  
Comptroller  
Transtelco, Inc.



## UNDERSTANDING YOUR TRANSTELCO BILL

*In addition to the itemized charges for products and services ordered from Transtelco, you will see a number of additional taxes, fees and charges itemized on your monthly bill. These additional amounts are either mandated by the government authorities that regulate or tax Transtelco and other telecommunications providers or are allowable reimbursements for costs incurred by the company in complying with applicable laws, rules and regulations. Provided below is a brief explanation of the taxes, fees and charges that may appear on your bill. Not all customers will see all of these amounts.*

### FEDERAL CHARGES

#### Universal Service Fund (USF) Charge

**What is it?** The Federal USF supports telecommunication services to schools, libraries, low-income consumers, rural healthcare providers, and high-cost, rural, and isolated areas. The charge pays for government-mandated subsidies to the poor and pays for affordable Internet hookups for schools, libraries, and rural health care providers in high-cost areas.

**What is it applied to?** Generally, the surcharge will be applied per VoIP line and private line, to the extent that such lines supply interstate telecommunications services.

**What is the current rate?** The rate for the first three-month quarter of 2011 is 14.9%. The exact percentage that telecommunications companies contribute is adjusted every quarter based on projected universal service demands by the Federal Communications Commission.

#### Federal Excise (Communications) Tax

**What is it?** The Federal Excise Tax started out as a temporary luxury tax in 1898 on telephone service to pay for the Spanish-American war. By congressional mandate, all proceeds go to the U.S. Treasury for general revenue purposes.

**What is it applied to?** All traditional local and toll telephone services are subject to this tax, but bundled services are not.

**What is the current rate?** 3% on amounts paid for the above services.

### STATE & LOCAL CHARGES

#### Texas Universal Service Fund (TUSF) Surcharge

**What is it?** The TUSF is the Texas counterpart to the Federal USF. The current rules concerning universal service in place at the Public Utility Commission of Texas (PUCT) complement the federal universal service rules.

**What is it applied to?** The TUSF Surcharge is assessed on all intrastate local, long distance, pager, wireless, and other telecommunications services including private lines. However, it is not currently assessed on VoIP services.

**What is the current rate?** The TUSF Surcharge, as of the end of the first quarter of 2011, is 3.4% of intrastate telecommunication services receipts. The TUSF Surcharge percentage is adjusted periodically.



### **Municipal Right-of-Way (Franchise) Fee**

**What is it?** All certificated telecommunications providers (CTPs) providing telecommunications service within a Texas municipality must compensate the municipality for the use of public rights-of-way. Texas House Bill 1777 authorizes the PUCT to establish the amount of compensation and allows CTPs to recover from its customers (on a pro rata basis) the amount paid to a municipality.

**What is it applied to?** The fee is based on the number of traditional access lines (including private) that a customer has. Each category of access line (i.e., residential, non-residential and point-to-point) will have a rate, and both the origination and termination points of such lines, to the extent that they are in the State of Texas, will be assessed the fee. Currently, VoIP itself is not assessed, but a dedicated Internet access line that is used in combination with VoIP is charged.

**What is the current rate?** The rate for each category is multiplied by the number of lines in that category in the relevant municipality to determine fees. As of the end of the first quarter of 2011, the rate for point-to-point access lines in the City of El Paso is \$5.42 per line end.

### **9-1-1 Service Fee**

**What is it?** The 9-1-1 Service Fee is the primary funding source for 911 Emergency Services.

**What is it applied to?** The fee is applied to each access line.

**What is the current rate?** The monthly charge varies by local jurisdiction. The 9-1-1 Service Fee in El Paso County is \$2.28 per business line and \$2.76 per business trunk.

### **Public Utility Gross Receipts Charge**

**What is it?** Revenues generated from this assessment go to the State of Texas and are used to fund the PUCT and the Office of Public Utility Counsel.

**What is it applied to?** Charge is applied to the billed revenue for all products and services sold.

**What is the current rate?** Equal to one-sixth of 1% (0.1667%) of the company's gross receipts.

### **State, County, and Local/City Sales Tax**

**What are they?** A sales tax is imposed on each sale of a taxable item in the state. Additionally, there are local sales and use taxes imposed by local jurisdictions, including cities, counties, special purpose districts, and transit authorities. Local taxes, however, cannot exceed 2%.

**What are they applied to?** The following telecommunications services are subject to only the state sales tax: (1) interstate long-distance telephone calls; and (2) interstate telegraph service. All other products and services are taxed at the state, county and local levels, depending on the jurisdiction. In general, Transtelco will determine the customer's jurisdiction for tax purposes in the following order of preference: (1) where a telephone number is issued, (2) where the service is delivered, and (3) the customer's billing address.

**What are the current rates?** The current state sales tax is 6.25% of the sales price of the taxable item sold. Generally, the combined local rate cannot exceed 2%, making 8.25% the highest possible total sales tax rate.