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From: Scott Bowers <sbowers@indianaec.org>
Sent: Friday, June 15, 2018 1:37 PM
To: Comments, Urc
Cc: Tom VanParis; Bennett Fuson
Subject: Emailing: IURC Comment - Indiana Electric Cooperatives
Attachments: IURC Comment - Indiana Electric Cooperatives.pdf

Importance: High

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To Whom It May Concern,

Attached for your review are the Indiana Electric Cooperatives (IEC) comments regarding the IURC's efforts to study the Indiana Universal Service Fund and broadband deployment in Indiana. IEC appreciates the opportunity to participate in the IURC's process and to share our thoughts on a very important public policy matter facing Indiana.

Should you have any questions or comments in response to our submittal, please do not hesitate to reach out to me directly.

Thank you.

Scott

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General Counsel Beth Heline
Re: IUSF-Broadband Study
Indiana Utility Regulatory Commission
101 West Washington Street, Ste. 1500 E
Indianapolis, IN 46204

Dear Ms. Heline:

On behalf of Indiana's 38 rural electric membership cooperatives and two generation and transmission cooperatives, Indiana Electric Cooperatives appreciates the opportunity to provide comments to the Commission regarding rural broadband deployment and issues rural community stakeholders face in trying to bring reliable and affordable high-speed internet access to all Hoosiers.

Background

Internet access has become as vital and necessary a utility as electricity and water, yet its necessity does not match its availability. According to the 2018 Broadband Deployment Report published by the Federal Communications Commission (FCC), nearly 25 million Americans lack access to high-speed internet (defined as download speeds of at least 25 megabytes per second and upload speeds of at least 3 megabytes per second); of those lacking access, more than 19 million live in rural America.¹ In Indiana, less than 59 percent of rural Hoosiers have access to high-speed internet, compared to nearly 98 percent of Hoosiers living in urban or suburban areas.² Surprisingly, this is perhaps an optimistic view of rural broadband coverage, as the FCC acknowledges that its data methodology does not completely identify the scope of broadband coverage (which will be further discussed in a later section of this comment), which has already negatively impacted access to capital for broadband deployment projects.³ As education, healthcare, and economic development opportunities increasingly rely on internet connectivity, rural communities in Indiana and across America are poised to fall further behind their neighbors and fellow citizens in urban and suburban communities, accelerating rural population flight and threatening those communities' survival.

Co-op Leadership in Rural Broadband Deployment

Indiana's electric cooperatives are familiar with the struggles of providing rural communities a vitally important resource that other entities cannot or will not serve. Rural electric cooperatives were formed more than 80 years ago, during the height of the Great Depression, by rural Americans who, with the support of federal and state governments, banded together to personally invest in the necessary infrastructure to power their homes, farms and communities. Such investment was necessary after rural communities were rejected by power providers who could not recognize the value of building

¹ Fed. Comm'n Comm'n, FCC RCD. 18-10, 2018 BROADBAND DEPLOYMENT REPORT (Feb. 2, 2018), at 22.

² *Id.* at 60.

³ *Id.* at 18 n.128.

infrastructure that would not realize profits for their shareholders. Today, Indiana's electric cooperatives, all of which operate by law as not-for-profit entities, maintain and utilize infrastructure covering 80 percent of the state's geography and provide electricity to over 1.3 million Hoosiers in 89 of Indiana's 92 counties. Although some co-ops serve less than 3,000 members, the combined service of Indiana's electric cooperatives make us the second-largest electricity provider in the state. Little effort is needed to compare the importance of investing in electric infrastructure in the 1930s with the importance of investing in broadband infrastructure today, and as we were able to invest in necessary infrastructure to power rural Indiana then, Indiana's electric cooperatives are uniquely positioned to leverage existing infrastructure investments to bring high-speed internet to rural communities across Indiana today.

The Indiana General Assembly, with the help of Indiana Electric Cooperatives, has already taken steps to remove and reduce barriers to rural broadband deployment. In 2017, the Indiana General Assembly passed Senate Enrolled Act 478, which helped mitigate time and financial costs renegotiating electric-only easement agreements with cooperative members by establishing safeguards and requirements for electric cooperatives seeking to hang new or utilize existing fiber optic cables on their electric poles for broadband deployment projects.⁴ In 2018, the Indiana General Assembly passed House Enrolled Act 1065, which updated the state's definition of high-speed internet and established the framework for a state-based grant program to assist broadband deployment projects targeting areas most lacking high-speed internet access.⁵ These two bills represent important progress and a serious commitment by the state to increase access to high-speed internet, and Indiana Electric Cooperatives appreciates the legislature's willingness to consider the crucial role electric cooperatives can play in rural broadband deployment.

To directly address a pervasive and growing need for broadband service by their members and encouraged by the legislature's actions to reduce barriers to broadband infrastructure deployment, some of Indiana's electric cooperatives have already taken concrete steps to provide high-speed internet access to the communities they serve. Since January 2017, three electric cooperatives – Jackson County REMC,⁶ South Central Indiana REMC,⁷ and Orange County REMC⁸ – have publicly announced their plans to serve their members by becoming a retail broadband provider, delivering “last mile” broadband service directly to the communities in their service territories despite the population density concerns that other prospective providers have cited as untenable for their business. These three projects will offer minimum speeds of 50 mbps download / 50 mbps upload, exceeding the FCC's high-speed internet standard, at affordable price points. These three cooperatives follow in the footsteps of one Indiana electric cooperative, NineStar Connect, who has provided retail broadband service to its own membership and members in neighboring Johnson County REMC as one of two merged electric and telephone cooperatives in the country. No less than three other electric cooperatives are in advanced stages of examining the feasibility of becoming retail broadband providers, while an additional five cooperatives, such as Hendricks Power Cooperative,⁹ are already working with or are actively seeking prospective local telecommunications

⁴ S.E.A. 478, 120th Gen. Assem., 1st Reg. Sess. (Ind. 2017).

⁵ H.E.A. 1065, 120th Gen. Assem., 2d Reg. Sess. (Ind. 2018).

⁶ Couch, Suzanne, *Jackson County REMC also announces plan to deploy broadband*, BROWN COUNTY DEMOCRAT (Apr. 10, 2018), http://www.bcdemocrat.com/2018/04/11/jackson_county_remc_also_announces_plan_to_deploy_broadband/.

⁷ Clifford, Sara, *SCI-REMC bringing fiber internet to Brown County*, BROWN COUNTY DEMOCRAT (Apr. 10, 2018), http://www.bcdemocrat.com/2018/04/11/remc_brown_county_getting_highspeed_internet/.

⁸ Turner, Brock, *Orange County REMC To Begin Broadband Buildout*, INDIANA PUBLIC MEDIA (Apr. 27, 2018), <https://indianapublicmedia.org/news/orange-county-remc-broadband-buildout-146188/>.

⁹ Ray, Shane, *Hendricks Power And Endeavor Communications Are Bringing Fastest Internet In Indiana To Hendricks County*, WYRZ (Mar. 16, 2017), <http://wyrz.org/hendricks-power-endeavor-communications-bringing-fastest-internet-indiana-hendricks-county/>.

partners to utilize their infrastructure and resources to bring high-speed internet service to unserved communities across Indiana.

These steps taken by Indiana's electric cooperatives to bring high-speed internet access to rural Indiana represent a major endeavor to improve education, healthcare and economic development opportunities for many unserved Hoosiers. Unfortunately, electric cooperatives and non-traditional broadband stakeholders still face difficult barriers to deploying high-speed internet service, including a lack of accurate data about existing levels of broadband access in rural communities and a lack of access to capital and funding opportunities to reduce the financial burden and risk to non-traditional broadband deployment stakeholders.

Lack of Accurate Data

As previously referenced, the FCC reports that approximately 25 million Americans lack access to high-speed internet, with over 19 million of those lacking high-speed internet access living in rural communities.¹⁰ The FCC measures access to high-speed internet by aggregating and analyzing data submitted by internet service providers; the service access that providers are required to report is measured by assessing accessibility in a census block, the smallest geographic measurement considered by the U.S. Census Bureau.¹¹

This flawed methodology belies the true scope of inadequate access to high-speed internet. The FCC considers a census block to have access to high-speed internet if one resident in that census block can access internet with speeds of at least 25 mbps / 3 mbps; critically, it considers an entire census block to be served, even if some (or, importantly, many) residents of that census block do not have access to the service that merits its designation as a "served" census block.¹² As a result, many Americans, including many Hoosiers, are locked out of opportunities to address inadequate broadband access, complicating efforts to make high-speed internet accessible for all. Furthermore, absent a concentrated and sustained effort to encourage the FCC to modify its data collection methodology, broadband access will continue to be inaccurately assessed.

Understanding access to high-speed internet across Indiana also yields uncertainty and skepticism, as Indiana's data is largely derived from federal access data. Fortunately, Indiana can utilize its resources to better define criteria and more accurately understand broadband access on a more precise level of measurement. By establishing appropriate, effective data collection methodology and undertaking an initiative to better understand broadband access at a state level, Indiana can encourage other states to adopt more rigorous data collection strategies, ultimately yielding a more accurate understanding of broadband accessibility across America.

Lack of Adequate Funding Opportunities

Despite understanding that current available data does not truly inform the scope of those lacking high-speed internet access, many stakeholders, including both traditional telecommunications companies and non-traditional actors (such as REMCs, rural telephone companies and others),

¹⁰ Fed. Comm'n Comm'n, *supra* note 1, at 22.

¹¹ See Fed. Comm'n Comm'n, MORE ABOUT CENSUS BLOCKS (Mar. 26, 2015), https://transition.fcc.gov/form477/Geo/more_about_census_blocks.pdf.

¹² Fed. Comm'n Comm'n, *supra* note 1, at 18 ("A whole census block is classified as served if the Form 477 or SBI data indicate that service is being provided anywhere in the block. Therefore, it is not necessarily the case that every person will have access to a service in a block that this Report indicates is served.")

intend to or are actively engaging in broadband deployment projects. The three electric cooperatives who have already announced their entry to broadband deployment as retail internet providers have planned to invest nearly \$200 million combined to bring high-speed internet to their members. However, in order to realize these and other proposed deployment projects, interested stakeholders need access to capital, and while there are numerous low-interest loan programs available to rural entities, accessing direct capital investments (such as grants) proves to be a continued challenge for non-traditional service providers.

One of the biggest potential funding opportunities at the federal level has proved to be one of the least-accessible programs for assisting rural communities. The Connect America Fund, created by the FCC in 2011 to increase broadband access for rural communities across America,¹³ is one of the primary programs cited as an opportunity access capital for broadband deployment projects. Unfortunately, by its own design, the Connect America Fund disincentivizes new or non-traditional parties from accessing the necessary capital to address the broadband gap. The Connect America Fund relies on the census block designations by the FCC to determine where capital should be allocated;¹⁴ as such, because the census block data deems an entire block to be served by high-speed internet if one resident of that block has access to high-speed internet, large swaths of communities otherwise lacking in broadband access are shut out of consideration for capital investment (as funding cannot go towards areas already deemed served). This restricts both the scope of deployment projects and amount of funding available.

Recognizing that more avenues to securing capital should exist for non-traditional stakeholders, Congress has begun to expand the scope of funding opportunities available for broadband deployment, both by authorizing new funding programs and maintaining appropriations for existing programs. The Rural Utilities Service (RUS), authorized under the U.S. Department of Agriculture (USDA), maintains a number of important funding programs to help non-traditional stakeholders deploy broadband, such as the Rural Broadband Access Loan and Loan Guarantee Program (which provides low-interest loans to entities seeking to deploy broadband infrastructure in rural communities)¹⁵ and the RUS Electric Program (which finances electrical infrastructure in rural areas to incorporate smart grid technologies, which utilizes fiber lines that can serve as conduits for expanding broadband access).¹⁶ Additionally, Congress appropriated approximately \$600 million in FY 2018 to USDA to increase funding opportunities for broadband deployment;¹⁷ however, the programs to which the appropriations will be directed have yet to be defined, sustaining a level of uncertainty at the federal level for interested parties seeking to launch broadband deployment projects.

While federal funding opportunities pose challenges for non-traditional broadband stakeholders to address the widening internet access gap, Indiana has already begun to address the lack of capital investment opportunities. The Indiana General Assembly has taken steps towards expanding the pool of capital available for broadband deployment projects by establishing the framework for a

¹³ Fed. Comm'n Comm'n, *FCC Creates 'Connect America Fund' To Help Extend High-Speed Internet To 18 Million Unserved Americans; Creating Jobs & Increased Consumer Benefits* (Oct. 27, 2011),

¹⁴ Fed. Comm'n Comm'n, *Wireline Competition Bureau Releases Preliminary List And Map Of Eligible Census Blocks For The Connect America Phase II Auction* (Aug. 10, 2016).

¹⁵ *Rural Broadband Access Loan and Loan Guarantee*, U.S. DEP'T OF AGRIC. RURAL DEV., <https://www.rd.usda.gov/programs-services/rural-broadband-access-loan-and-loan-guarantee> (last visited Jun. 13, 2018).

¹⁶ *Electric Programs*, U.S. DEP'T OF AGRIC. RURAL DEV., <https://www.rd.usda.gov/programs-services/all-programs/electric-programs> (last visited Jun. 13, 2018).

¹⁷ Kahn, Michael W., *How the Federal Spending Bill Helps Electric Co-ops*, COOPERATIVE.COM (Mar. 23, 2018), <https://www.cooperative.com/news/pages/how-the-federal-spending-bill-helps-electric-co-ops.aspx>.

deployment project grant program, as outlined in House Enrolled Act 1065. The bill establishes criteria to guide the Office of Community and Rural Affairs (OCRA) in determining how to distribute funds appropriated to the Rural Economic Development Fund.¹⁸ Importantly, the bill designates tiers of available service that guide funding priorities so that broadband deployment projects in those areas of the state lacking access to the minimum high-speed internet speeds determined by the state (10 mbps / 1 mbps) receive funding ahead of projects designed to increase accessible speeds in those areas already meeting the state's minimum standard.¹⁹ The bill also requires OCRA to assess projects based on the maximum number of unserved people that will receive high-speed internet service per grant dollar awarded, as well as the scalability of the deployment project's technology to allow for higher speeds in the future.²⁰ By establishing criteria that makes funding available for projects targeting the most unserved sections of the state, Indiana will further encourage new prospective broadband providers, including electric cooperatives, to invest substantial capital for high-speed internet service. These are important considerations that, once funds are appropriated for the grant program, will have a considerable impact in narrowing the broadband access gap for rural Indiana.

Conclusion

Lack of high-speed internet access poses one of the greatest risks to the viability of rural communities, both in Indiana and across the country. As referenced above, important logistical hurdles bar stakeholders, otherwise best poised to address rural broadband deployment, from adequately serving rural communities most jeopardized by inaction. By driving forward the issue of rural broadband access through state-based data collection and funding opportunities, Indiana can become a national model for increasing high-speed internet access for all communities, spurring new opportunities for access to education, healthcare and economic development. Indiana's electric cooperatives are committed to assisting those efforts and expanding broadband access, and the opportunities it creates, for all Hoosiers.

Respectfully,



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CEO



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¹⁸ H.E.A. 1065, *supra* note 4, §5.

¹⁹ H.E.A. 1065, *supra* note 4, §5.

²⁰ *Id.*