

## Hadley, Ryan E

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**From:** Mark McKinney <mmckinney@jacksonremc.com>  
**Sent:** Thursday, June 14, 2018 6:12 PM  
**To:** Comments, Urc  
**Subject:** IUSF - BROADBAND STUDY COMMENTS  
**Attachments:** IUSF - Broadband Study Comments.docx

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Please see attached for comments as outlined in the IUSF Broadband Study.

Sincerely,

Mark McKinney  
General Manager  
PO Box K  
Brownstown, IN 47220  
812-358-4458



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# Jackson County REMC

A Touchstone Energy® Cooperative 

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 Jackson County Rural Electric Membership Corporation (REMC), I appreciate the opportunity to provide comments to the Commission regarding our rural broadband deployment and issues we face in bringing reliable high-speed internet access to ALL of our electric members.

## Background

As you know, Internet access has become as vital and necessary a utility as electricity and water, yet its necessity does not match its availability. In a recent Indiana Utility Review article, 67% of people believe internet access is a human right. According to the Federal Communications Commission's 2018 Broadband Deployment Report, 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. 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. 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.

Jackson County REMC is familiar with the struggles of providing rural communities with a vitally important resource other entities would not provide. Jackson County REMC was formed 80 years ago by rural residents who banded together to personally invest in the necessary infrastructure to power their homes, farms and communities with electricity after being rejected by power providers who could not reconcile the value of building infrastructure that would not realize profits for their shareholders. To me, it is easy to compare the importance of investing in electric infrastructure in the 1930's with the importance of investing in true high-speed broadband infrastructure today. As we were able to invest in necessary infrastructure to power our rural members, Jackson County REMC is uniquely positioned to leverage existing infrastructure investments to bring a true high-speed fiber to the home internet connection to ALL of our electric members.

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 over 2,800 miles of Jackson County REMC’s electric-only easement agreements with our electric members by establishing notice and appraisal requirements for electric cooperatives seeking to hang fiber optic cables on existing electric poles for broadband deployment projects. 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. These two bills represent important progress and a serious commitment by the state of Indiana to increase access to high-speed internet, and Jackson County REMC appreciates the legislature’s willingness to consider the crucial role electric cooperatives can play in rural broadband deployment.

Unfortunately, electric cooperatives still face a number of 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.

### **Member Survey Data**

In May of 2017, Jackson County REMC conducted a statistically valid survey of its member regarding broadband. The level of interest indicated 85% of those surveyed was interested in broadband service. 65% were more likely to take the service if Jackson County REMC provided the service, 29% said it made no difference, we just need it. One interesting statistic, only 28% of those surveyed still had a landline telephone.

### **Lack of Adequate Funding Opportunities**

In order to realize this deployment project, we need access capital, and while there are numerous low-interest loan programs available to rural entities, accessing non-obligated funding (such as grants) proves to be a continued challenge for us.

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 (CAF), created by the FCC in 2011 to increase broadband access for rural communities across America, is one of the primary opportunities cited as an opportunity access capital for broadband deployment projects. However, there is no true indicator the AF funds were used effectively to bring broadband to the rural areas. Unfortunately, by its own design, the CAF 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; 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). As dollars cannot be allocated towards those census blocks already



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“served,” this restricts both the scope of deployment projects and amount of funding available. Jackson County REMC initiated the process for the reverse bidding process for available CAF II funds, but unfortunately, the requirements for access to these funds excluded us from the bidding process.


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, authorized under the U.S. Department of Agriculture, 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) 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). Jackson County REMC was approved for RUS Electric Program funding for our fiber to the home SmartGrid project, but even with approval for a \$74 million low interest loan, we are still looking at a 17 year simple return on investment. How many businesses would take a 17 year ROI risk for its investors?

Additionally, Congress appropriated approximately \$600 million in FY 2018 to RUS to increase funding opportunities for broadband deployment; 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. In my opinion, if these funds are administered by the FCC, rural electric co-ops will be again left out of these funding opportunities.

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 deployment project grant program, as outlined in House Enrolled Act 1065. The bill establishes criteria to guide the Office of Community and Rural Affairs in determining how to distribute funds appropriated to the Rural Economic Development Fund. 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. 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. 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.



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## Conclusion

Lack of high-speed internet access poses one of the greatest risks to the viability and sustainability of rural communities, both in Indiana and across the country. Just like 80 years ago, electric cooperatives such as Jackson County REMC are in a position to provide a true broadband solution to their members. Jackson County REMC is committed as part of Cooperative Principle #7, Concern for Community, to tackle the issue and provide a future-proof high-speed fiber-optic broadband solution to ALL of its members. Unfortunately, the risk of such a venture does put the cooperative at financial risk. But what is the risk to the cooperative, its members, and the rural communities we serve if we do not do it?

Respectfully,

Mark McKinney  
General Manager, Jackson County REMC