

Comments Regarding proposed changes to the VT Universal Service Fund, Bonding (in relation to H.160) and proposed funding through VEDA prepared for the House Energy and Technology Committee.

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From: Carole D Monroe, CEO ValleyNet, LLC, the operating company of ECFiber

I have been the General Manager and CEO of ValleyNet, LLC since June of 2015 and have managed rural broadband initiatives across the river in New Hampshire since 2000. Vermont's realization of the importance of universal broadband, its dedication to moving the state forward historically through the VTA, ARRA Stimulus funding, Connectivity Initiative Grants, and now in 2019, through the many bills put before the House and Senate to address broadband expansion, far surpasses its neighboring state. It has been a great pleasure to work on expanding universal broadband to the ECFiber District towns, to be a part of a community organization that delivers the highest speed connectivity to schools and libraries for the lowest cost, and making robust broadband access available for small businesses and home businesses enabling them to stay and grow in Vermont.

Vermont Universal Service Fund

The establishment of Communication Union Districts to move forward broadband expansion into the rural areas of Vermont is just the beginning. The process is straight forward but often requires funding for legal fees, technical expertise, and feasibility and business planning. The proposed funding of the Connectivity Fund to specifically address these issues will allow towns to seriously explore the Communication Union District option. ValleyNet and ECFiber have willingly and frequently advised towns and regions considering going down this path, and we will continue to do so, but each District and their potential partners is unique and requires dedicated expertise. As an example, some regions, areas, and town groupings may have an electrical cooperative that could partner with the District, others may have an existing small cable company, a wireless Internet Service Provider (ISP) or small rural telecom; each would have different legal needs, design considerations, and operating solutions.

The proposed increase to the VT USF also includes additional funding to the Connectivity Initiative Grants. ECFiber has been the recipient of 3 Connectivity Initiative Grants totaling \$594,304 to serve 510 very rural locations in 15 towns. The Connectivity Initiative program has assisted existing broadband providers in building network to reach those premises off the beaten path, at the end of a gravel road, and at the top of a mountain; areas that, individually, would otherwise not be cost effective to build.

ECFiber offers each and every one of the residents and businesses along its path the ability to receive, at least 25 Mbps internet access and as high as 700 Mbps, all symmetrical service. The FCC has defined broadband to be at least 25 Mbps download and 3 Mbps upload, so why is it that the requirements for connectivity in the Connectivity Initiative are 10 Mbps down and 1 Mbps up? I believe the rural areas of our country need robust broadband access, more than, not less than, the densely populated cities and towns. Medical facilities, university libraries, higher education facilities, and entertainment venues are few in number and often far away. Robust broadband is needed for telehealth services, K-12 education, higher education, retraining programs, continuing education and, of course, entertainment.

As we ask the Vermont residents and businesses to support broadband initiatives, they should be at least at the FCC defined level.

ECFiber and ValleyNet are in favor of this proposed increase to the VT USF for these purposes but would encourage you to consider increasing the requirements to deliver, at least, 25 Mbps service and preferably a service that can scale to deliver more in the future, with rebuilding.

Bonding Proposal Concerns

Although I am a proponent of local decision making, I have some concerns with the utilization of General Obligation Bonds for the purpose of creating local broadband networks.

- Creating Communication Union Districts focuses the community on solving the broadband issue in low density rural areas. Fewer communities might go down this path if there was a possibility of increased taxes to cover the expense.
- There are many issues regarding General Obligation Bonds, such as, bond classification, municipal debt limits, credit rating, etc. that only a municipal attorney can address.

However, once established, allowing revenue bonds to be used to raise capital to expand the network is a proven model.

Although, a new model to watch is emerging in Chesterfield, NH where a public-private partnership between the Town of Chesterfield and Consolidated Communications (CCI) is being proposed. Municipal revenue bonds will be offered by the Town to build the network and they will be guaranteed by CCI. CCI will build and operate a universal FTTP network. The payments on the revenue bonds will be paid with funds collected by an access fee on those accounts taking the FTTP service assessed on the customer's monthly bill. Ultimately the network will be owned by CCI.

VEDA Broadband Expansion Program

ECFiber exists today because 450 dedicated Vermonters were willing to take a risk and invest in their broadband future. This initial crowdfunding raised over 7 million dollars to build out 230 miles of a powerful fiber-to-the-premise (FTTP) network. Within 4 years, with 1200 customers on board, this network was cash flow positive and EBIDTA positive. Revenues covered debt service and operations. With 3 years of audited financials, it was time to test the municipal revenue bond market. With the assistance of Municipal Capital Markets, ECFiber successfully launched its first revenue bond offering in 2016 which allowed ECFiber to expand its construction activities to build 200-250 miles and pay off half of the original investors. Since then, we have had two additional successful bond offerings and all original investors have been repaid. The network now has over 700 miles of lit fiber broadband. We anticipate two additional bond offerings in 2019 and 2020 to complete another 700 miles of network. The 1400 miles of network will provide universal coverage, 25 Mbps to 700 Mbps symmetrical service, to all the unserved and underserved areas of the East Central VT Telecommunications District.

Each new Communication Union District needs access to start-up funding, such as low interest loans with long payback periods, to invest in broadband architecture. The ECFiber model has shown that these loans can be repaid from revenues within 5 years allowing for 12 to 18 months of construction followed by customer acquisition.

The VEDA proposal for a Broadband Expansion Loan program with loans no less than five years and up to 90% of the project costs is an excellent start to move community led broadband forward.

Some ideas to consider:

- 1) The funds should be used to build a network with room for future growth, such as a future proof FTTP network.
- 2) The delivery requirements should be universal access and, at least, the FCC definition of broadband as it changes over time (currently at 25 Mbps download and 3 Mbps upload). Anything less than 25/3 short changes rural Vermont and will be a short term solution. The need for increased broadband capacity and speeds grows exponentially each year and by the time a network is built, 25/3 will be obsolete.
- 3) The unfunded 10% should be raised from private investors. Invested community members help to engage the local community in moving the project forward.

All three initiatives have a place in the expansion of broadband to the unserved areas of rural Vermont. These initiatives, along with the bills set forward to tighten existing pole make-ready work rules, will help to move Vermont forward to reaching the goals outlined in the 2018 Telecommunications Plan.