

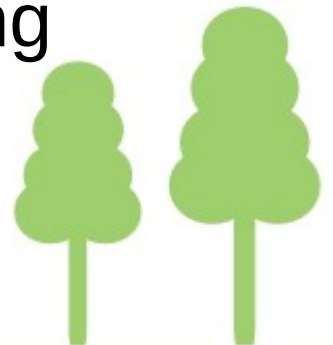
H. 360: Making a Good Bill Better

Comments and recommendations *from*
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ECFiber
(East Central Vt Telecommunications District)
To
Senate Finance Committee
April 13, 2021



Major Goals

- Full-strength, world-class broadband available to all inhabited, on-grid premises: No 2d class service.
- Funding more 25/3 will create another digital divide; money spent on 25/3 is money wasted, whereas 100/100 is upgradable as speed requirements evolve
- Full geographic coverage, not restricted to locations for which “a business case can be made” to corporate stock-holders
- Public accountability for building and operating networks that deliver advertised capabilities



ECFiber's Early History

- Formally organized Spring 2008 as an “Interlocal Contract” ratified by 23 Selectboards
- Late in 2010, 3 individuals lent \$250K each for a “demonstration project”: hub + 25 miles
- Mid 2011: Began offering unsecured 15-yr promissory notes, \$2500 each, 7% interest, no payments first 18 months. Ultimately raised \$6M from about 450 distinct investors, median investment of \$5000.



ECFiber History, Continued

- ECVTD began operation Jan 1 2016, with about 250 miles in service. Based on municipal standing and 3 years of audit results, we issued \$9M of revenue bonds and repaid the ~half of our high-cost debt that required payments in that year. Designed 6 full-town builds for 2017.
- In 2017, \$14.5M of bonds were used to pay off all remaining high-cost debt, build those six towns, and design the next 250 miles for 2018 construction
- HOWEVER, we're still reworking earliest parts of our network originally designed ad-hoc and built “on a shoestring.”
- In 2021 budget, 40% of revenue will go to debt service.



Loans vs Grants: A Red Herring

- ECFiber's early years do show that startup loans can lead to eventual success, but our history also shows that path takes many years
- ECFiber's much more rapid growth (250 to 300+ miles/year) since passage of the legislation enabling CUD's demonstrates their potential strength
- ECFiber's history does NOT prove that grants lead to less responsible or less accountable behavior.
- The most egregious examples of grant money spent without accountability for results have been Federal.



Pre-Construction Grants

- Territory-wide network design and engineering are necessary for robust and reliable networks, and prerequisite for financial planning as well.
- Pole applications and make ready must precede construction, but should not and will not be undertaken across the entire territory.



Why the VCBA is a Good Idea

- Not top-down control, but a shared resource.
- Under a capable Director, the VCBA can be a central clearing house for technical, financial, legal expertise and “best practices” so that each CUD needn’t “reinvent the wheel(s).”
- As ECFiber has learned the hard way, all CUD’s will need thorough, territory-wide high-level network planning, design, and engineering before construction starts.



Who Should Get Funding?

- Key test: commitment to 100% coverage of all inhabited, on-grid premises within an entity's service territory.
- That is each CUD's mission; it is also the mission of independent, Vermont-owned telco's.
- Some large corporations say they want to "help". If they plan to serve less than 100% of a town, will they provide transport fibers that CUD's (etc) can use to serve the outskirts without the expense of overbuilding?



Some Details the House Left for You

- Clarify relationships betw CUD's, independents
- Clarify the law regarding utility-line easements across private property
- The budgets and meetings of CUD's are public. Private providers who furnish trade secrets and proprietary information to the PUC or the PSD are protected from public disclosure. For CUD's, the last sentence of H360's Section 15 says that "Such records shall be available for public inspection after project completion." Can you level that playing field?



Availability and Affordability

- Each is a complex problem. Entangling them will further handicap both.
- Whereas ECFiber's territory includes some pockets of prosperity, that's not true for most CUD's.
- Requiring CUD's to bear the cost of subsidizing rates for which 30 to 50% of customers might qualify will make their economics impossible.



The Reddest Herrings

- “Overbuilding”
- Corporate interests will now do what they haven’t done in a decade or more
- Subsidized rates paid for from CUD revenue
- Corporate “help”: If they plan to serve less than 100% of a town, will they provide transport fibers at cost that CUD’s (etc) can use to serve the outskirts without the expense of overbuilding?

