

Thank you for reaching out to the Telephone Association of Vermont for testimony.

Background: The Telecommunication Association of Vermont (TAV) comprises eight (8) rural Vermont telephone companies:

- Franklin Telephone Company, Inc.
- Ludlow Telephone Company (d/b/a) TDS Telecom
- Northfield Telephone Company (d/b/a) TDS Telecom
- Perkinsville Telephone Company (d/b/a) TDS Telecom
- Shoreham Telephone LLC (d/b/a) GoNetspeed
- Topsham Telephone Company, Inc.
- Vermont Telephone Company, Inc. (d/b/a) VTel
- Waitsfield-Fayston Telephone Co., Inc., (d/b/a) Waitsfield and Champlain Valley Telecom

For over a century, the Telephone Association of Vermont member companies have been connecting rural Vermont. Technology continues to evolve. We have gone from landline copper to now building and delivering robust fiber-optic networks while still maintaining the infrastructure for traditional telephone service. We are ILECs (incumbent local exchange carriers).

Carriers of Last Resort Obligations

The ILECs are carriers of last resort (COLR). We are required to ensure connectivity where others won't. As carriers of last resort, we deliver essential telephone and broadband services to high-cost areas. We are actively deploying fiber-optic networks in our communities, and in certain instances working closely with the Communication Union Districts. You've likely heard about Waitsfield and Champlain Valley Telecom's work with Maple Broadband, Central Vermont, and NEK Broadband while continuing to serve their local, mostly rural communities. We are also the primary carriers of E911 traffic to local and state first responders in Vermont.

Rural High-Cost Areas

We are primarily serving rural high-cost areas, and cost matters to our customers. It is expensive to build fiber in rural areas with limited customers. We work extremely hard to balance building our networks while keeping costs down. Since 2020, the cost of materials and labor has increased. The recent changes in the telecom property taxes are an additional factor in costs due to the uncertainty. Last year's legislature repealed the personal property tax, changed the tax basis from netbook value to fair market value and changed the rate from a standard state rate to a fluctuating town tax rate. Even the tax department recognized the complication and asked for an extension. Even after completing a fiber build and deployment, there are ongoing costs for maintenance and equipment upgrades. We are committed to delivering cost-effective solutions that keep Vermonters connected.

Fiber Deployment

All the TAV member companies have been building fiber networks and continually improving our networks. In Franklin Telephone's area, we began Fiber to the Home (FTTH) in the fall of 2014. By the end of 2024, there was fiber coverage across our entire service area except three small roads. One of those remaining roads was completed this February when the beaver pond froze enough to get out to the poles. There are two customers on that road.

Turning to H.121 – unfortunately, we do have some concerns with the legislation. From our reading, the bill looks to replicate New York's \$15 broadband mandate, requiring internet service providers (ISP) to offer below-cost broadband plans to qualifying households. The intent of this is commendable; making broadband more affordable is commendable. However, we fear that by mandating a fixed price cap there would be unintended consequences for Vermont's small rural ISPs serving mostly rural, high-cost areas.

Exemption – The bill speaks to a 20,000 customer cap. However, this is contingent on the commission determining compliance with the requirement around an unreasonable or unsustainable financial impact on the provider. In New York, even if you are below the 20,000 customer cap, ILECs still need to file additional exemption requests and then wait and see if the net income reduction is enough to remain exempt, which requires resources.

And in certain instances, some of our members may eventually go beyond that customer cap through their involvement with the CUDs as their systems mature.

Financial Strain on Small Providers - Unlike large national ISPs, our members are small community-based providers with limited resources and much smaller customer bases. A forced price cap would require us to offer below-cost broadband plans, making it difficult to cover operational costs, infrastructure investments (building more fiber, faster) and ongoing network maintenance. Basically, if we offer a \$15 plan it doesn't cover our cost and has to come at the expense of something else.

Undermines Additional Fiber Builds – Similarly, we are actively expanding fiber broadband access to unserved and underserved areas, which are by nature rural, high-cost areas. This mandate will divert capital resources away from these rural fiber expansion projects, slowing broadband deployment to the very communities and customers that need it most.

One-Size-Fits-All Pricing Ignores Cost Realities – Vermont's small providers operate in the most rural, high-cost areas, where broadband deployment is significantly more expensive due to low population density and challenging terrain. Mandating a universal low-cost plan fails to account for these realities, making it financially unsustainable for local ISPs.

Unintended Consequences – Artificial price caps mandating below-cost broadband plans distort the market, potentially leading to higher costs for other customers or a reduction in service quality.

Larger ISPs may absorb the costs more easily by spreading these costs across their customer base, but smaller providers have a much smaller customer base which means this could shift costs and drive prices higher for everyone else.

We have already seen the unintended consequences in New York: Elon Musk's Starlink has filed for a hardship waiver, and AT&T Wireless announced that it will withdraw its 5G home internet product in the state rather than comply with the \$15 broadband mandate.

Affordability Should Be Subsidized, Not Mandated – Affordable broadband is critical, but it should be funded through state and federal programs, not by your local Vermont service providers who cannot afford to absorb the costs. We do not believe other businesses are mandated to offer low-cost programs without provided funding, and broadband should not be treated differently.

In 2012, through 30 V.S.A. § 7515, the Vermont legislature authorized a study on high-cost telecommunications services, including proposals for mechanisms to support universal service and methods for distributing funds to service providers.

Federal and State Support Are Necessary – The federal Affordable Connectivity Program (ACP) provided essential benefits to many Vermonters. Senator Peter Welch has sponsored a bill to continue ACP funding, but securing federal support is unlikely under the current administration. Additionally, there is growing uncertainty regarding Broadband Equity, Access, and Deployment (BEAD) funding and the future of universal service support, which could significantly impact rural broadband providers and continued fiber buildout.

If Vermont prioritizes broadband affordability, the state must allocate adequate funding and establish a fair qualification process for low-income households. The ILECs should not be in a position to certify customers' eligibility. It exposes us to privacy issues we have no business in.

Our Commitment to Rural Connectivity – While we recognize that our work is not yet done, our members remain committed to filling the gaps and building fiber to customers and communities in the most rural, high-cost areas. Sustainable policies and funding mechanisms are essential to ensuring that broadband expansion continues without jeopardizing the viability of the very providers making it happen.