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July 13, 2018

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 respond to comments submitted to the Commission regarding rural broadband deployment and issues Indiana's rural community stakeholders face in trying to bring reliable and affordable high-speed internet access to all Hoosiers.

Background

In our initial comment, IEC noted the roles electric cooperatives played in bringing electricity to rural Indiana in the 1930s, drawing a comparison between the necessity for electricity to modernize rural communities during the Great Depression and the necessity for high-speed internet access to bridge the digital divide between rural and urban communities today. Electric cooperatives powered rural America through personal investments by rural communities working together with state and federal governments; as we noted in our initial comment, "[s]uch investment was necessary after rural communities were rejected by power providers who could not recognize the value of building infrastructure that would not realize profits for their shareholders."¹

After reviewing the initial comments submitted by other interested parties who may wish to claim a major stake in connecting rural Indiana to high-speed internet, IEC believes it is important to reinforce the position that, as our members were committed to electrify communities other entities deemed unworthy of investment due to lack of profitability, a growing number of Indiana's electric cooperatives approach broadband deployment with the same sense of commitment to provide a vitally important service to their memberships in places other stakeholders do not deem worthy of investment. This is not a matter electric cooperatives have considered lightly; as detailed below, federal funding for broadband deployment is based on data that does not reflect the true scope of the digital divide in rural Indiana, and without access to grant funding opportunities, electric cooperatives must leverage their own capital to support their broadband deployment initiatives. Yet electric cooperatives have a duty to help their memberships and the communities they serve; indeed, one of the "Seven Cooperative Principles" that create the foundation for electric cooperatives to operate is "concern for community," which directs Indiana's electric

¹ See Indiana Electric Cooperatives, Comment Letter on Proposed Indiana Universal Service Fund and Broadband Study (Jun. 15, 2018), <https://www.in.gov/iurc/files/IEC%20Comments.pdf>.

cooperatives to endeavor to maintain and promote the wellbeing of the communities where their members reside.² This obligation has spurred several of Indiana's electric cooperatives to undertake broadband deployment as part of their business, either serving directly as the retail provider or partnering with other stakeholders to utilize existing infrastructure to make high-speed internet access more available across their service territories.³

Even though some of Indiana's electric cooperatives have taken steps to provide retail broadband to their members, the barrier to entry for many co-ops remains untenably high. By relying on inaccurate data reported at the federal level (which impacts access to funding), expanding broadband access remains a financially risky endeavor for many nontraditional stakeholders who could help bridge the digital divide.

How Inaccurate Data Affects Rural Indiana

As discussed in our initial comment, the data reported by the FCC and touted by other stakeholders as a benchmark of Indiana's progress does not represent an accurate understanding of high-speed internet access (or lack thereof) across Indiana, especially in rural communities.

As multiple stakeholders, including IEC, noted in their initial comments, current federal broadband deployment funding mechanisms, including the often-referenced Connect America Fund (CAF), are informed by data collected by FCC Form 477, a mechanism that requires broadband service providers to self-report the services they provide.⁴ The information reported in FCC Form 477 is determined at a census block level;⁵ importantly, if one resident in a census block could access broadband service that meets the required high-speed threshold, the entire census block is considered served.⁶ The FCC has acknowledged the inaccuracy that this data methodology yields,⁷ yet that has not precluded some stakeholders from touting the flawed methodology and inaccurate data to paper over a failure to provide wider access to high-speed internet.

The FCC's reliance on flawed data, and the impact of that reliance on funding opportunities to increase high-speed internet access for rural Americans, is something Indiana's electric cooperatives have emphasized to federal policymakers. In January 2018, Tipmont REMC, a member of IEC serving more than 23,000 members in eight counties, submitted a letter to the Communications and Technology Subcommittee of the House Committee on Energy and Commerce outlining issues it faced in securing funding for its broadband deployment strategy.⁸ (For your reference, we have included that letter with this comment.) In the letter, Tipmont noted that, based on FCC coverage data (derived from census block-based access), approximately 93% of its membership has or should have access to high-speed internet access over fiber, cable and/or DSL technologies. In contrast, when Tipmont surveyed their membership to determine what (if any) broadband access was available in its service territory, only

² See *Understanding the Seven Cooperative Principles*, NRECA (Dec. 1, 2016), <https://www.electric.coop/seven-cooperative-principles%E2%80%8B/>.

³ For additional details about how Indiana's electric cooperatives are deploying high-speed internet access to rural communities, see Comment Letter, *supra* note 1.

⁴ See Fed. Comm'n Comm'n, FCC FORM 477 LOCAL TELEPHONE COMPETITION AND BROADBAND REPORTING INSTRUCTIONS (Dec. 5, 2016), <https://transition.fcc.gov/form477/477inst.pdf>.

⁵ See Fed. Comm'n Comm'n, MORE ABOUT CENSUS BLOCKS (Mar. 26, 2015), https://transition.fcc.gov/form477/Geo/more_about_census_tracts.pdf.

⁶ See Fed. Comm'n Comm'n, FCC RCD. 18-10, 2018 BROADBAND DEPLOYMENT REPORT (Feb. 2, 2018), 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.").

⁷ *Id.* at 18, n.128.

⁸ See Letter from Ron Holcomb, CEO, Tipmont REMC to Rep. Michael Doyle, Ranking Member, U.S. House of Representatives Communications and Technology Subcommittee of the Committee on Energy and Commerce (Jan. 25, 2018) (on file with Indiana Electric Cooperatives).

54% of the co-op's 23,000-plus members reported access to high-speed wireline internet access – a disparity of nearly 40 percent.

The gap between the FCC's determination of high-speed internet access in Tipmont's service territory and the member-reported access (or lack thereof) can also be assessed in reviewing Tipmont's attempts to access federal funds. Tipmont participated in the initial CAF Phase I auction application process; based on the FCC's data, Tipmont would have been eligible to receive \$6.6 million over 10 years to deploy broadband to only 214 locations in its service territory. For the CAF Phase II Auction, the FCC determined that Tipmont would be eligible to bid on the opportunity to provide internet access for only 300 locations in its service territory; in contrast, based on the member-reported broadband access data Tipmont collected, approximately 10,000 to 15,000 locations would meet the qualifications to receive CAF Phase II funding – more than 33 times the number that the FCC deemed eligible.

The FCC's inability to accurately and adequately determine the true scope of the digital divide poses issues for nontraditional stakeholders to help alleviate the detrimental impacts that lack of high-speed internet access bestows on communities. However, IEC believes that federal policy inadequacies create an important opportunity for Indiana state policy to fill the void. The Indiana General Assembly has already taken an important step towards bridging the digital divide by passing House Enrolled Act 1065 in 2018;⁹ as discussed in our previous comment, the act establishes a framework and funding mechanism to prioritize broadband deployment to areas most lacking.¹⁰ This program addresses the same needs that the FCC sought to resolve with the Connect America Fund, but by authorizing the state to make funding decisions based on its own prioritization parameters, the General Assembly has already taken steps to resolve the issue posed to Indiana broadband deployment stakeholders by inaccurate data.

Importantly, although HEA 1065 has been passed by the legislature and signed into law by the Governor, funds have not yet been appropriated to begin addressing rural broadband deployment across the state. IEC believes it is imperative to ensure that adequate funding is made available through the program authorized by HEA 1065. By appropriating sufficient funds to launch a state-based program that utilizes state data to prioritize grant awards for projects serving areas most lacking high-speed internet access, Indiana has a unique opportunity to resolve its high-speed internet access disparities without relying on insufficient federal programs.

Conclusion

Important steps have already been taken to address the digital divide between rural and urban communities across the state, both by state government and by nontraditional stakeholders working to help communities that remain neglected. Access to high-speed internet is a vital requirement for improving education, health and economic opportunities for rural Indiana, and IEC is committed to working with the Indiana General Assembly, the Governor and all other interested stakeholders to ensure that high-speed internet access becomes a reality for all Hoosiers.

Respectfully,



Scott R. Bowers
Vice President of Government Relations

⁹ H.E.A. 1065, 120th Gen. Assem., 2d Reg. Sess. (Ind. 2018).

¹⁰ See Indiana Electric Cooperatives, *supra* note 1, at 5.



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January 25, 2018

The Honorable Michael Doyle
Ranking Member
Communications and Technology Subcommittee
of the Committee on Energy and Commerce
United States House of Representatives
239 Cannon House Office Building
Washington, DC 20515

Dear Congressman Doyle,

Thank you for your efforts to influence policies and legislation to expand broadband access throughout our nation. Tipmont has been leading the effort for its own members and believes that cooperatives are uniquely positioned to help expand broadband into rural America. Though we've found FCC programs to be ineffective, we can demonstrate that benefits from public funding for broadband expansion far exceed the costs of that support.

FCC Programs are Ineffective

Tipmont REMC participated in CAF-I and is currently evaluating participation in CAF-II. Unfortunately, these programs are proving to be an ineffective solution for truly expanding broadband access. The FCC relies on census-block data **self-reported** by voice and broadband service providers on FCC Form 477, however it's an inaccurate representation of service availability. Reporting service availability in a census block simply does not provide the **granularity** required to determine availability. If a service provider could demonstrate that they provided service to even one customer within that census block, they would get credit for serving the census block (Lennett, 2011). Although the FCC is investigating ways to improve data reporting accuracy, this dataset is the basis on which funding is distributed currently and in the near future.

Tipmont REMC performed extensive survey work in its own electric service territory demonstrating that the need for broadband in rural America is much greater than what service providers have been reporting to the FCC. According to the FCC data, **93%** of our nearly 23,000 members should have high-speed, reliable wireline access over fiber, cable and DSL technologies as depicted below in *Figure 1: FCC Reported Internet Availability*. The chart uses FCC data to demonstrate the best technology available to each of our members. As you can see in *Figure 2: Member Reported Internet Availability*, the FCC data stands in stark contrast to what Tipmont members reported directly in 2017 when asked how they received internet access. Tipmont's representative survey indicated that only **54%** of our membership had access to high-speed, reliable wireline internet service. While there is considerable discussion about the FCC's shifting definition of broadband, from 3 Mbps / 768 Kbps

(download/upload), to 25 Mbps / 5 Mbps and then jumping backwards to 10 Mbps / 1 Mbps, let's set aside the question of speed for a moment. Based on the survey data from our membership, wireline service availability in Tipmont's electric service territory is nearly **40%** less than what is represented in the FCC's dataset.

Figure 1: FCC Reported Internet Availability

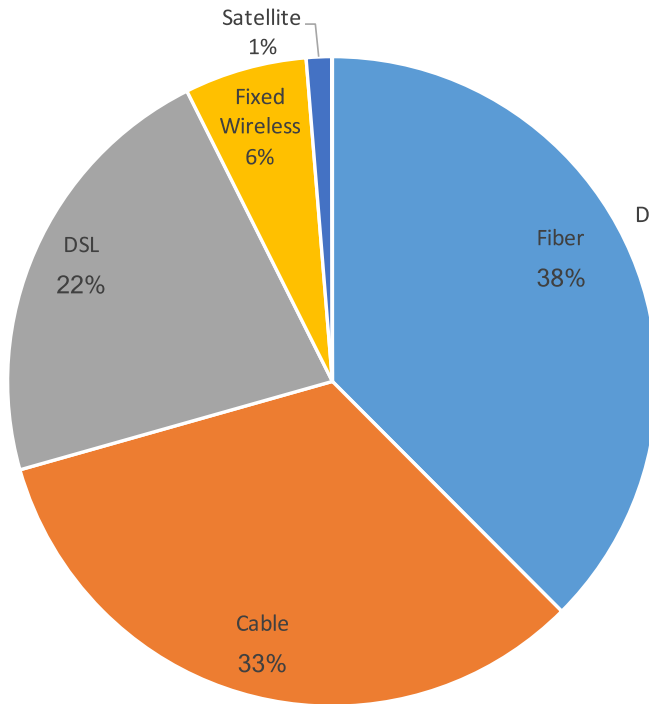
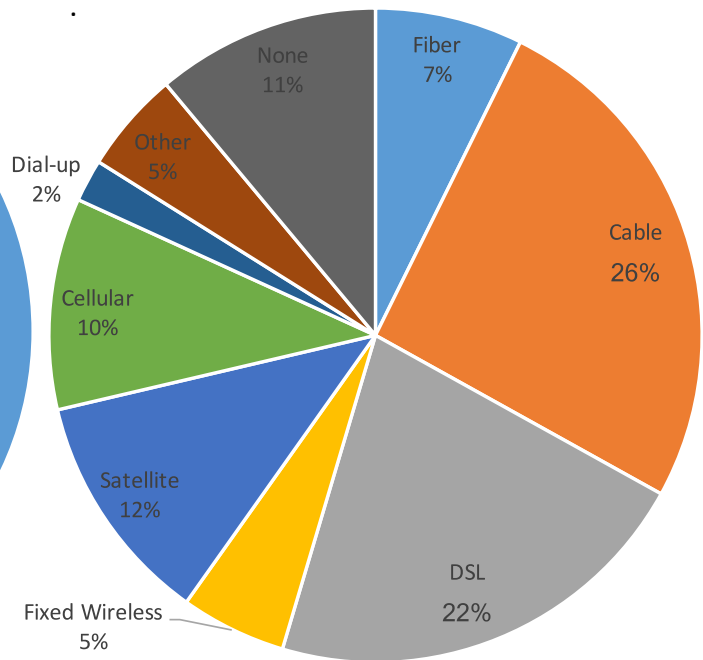


Figure 2: Member Reported Internet Availability



Based on Tipmont's research to pursue funding through CAF-II, the FCC's data indicates that fewer than **300** locations in Tipmont's electric service territory lack access to infrastructure capable of providing 10/1 Mbps fixed broadband. Once again, according to the information we've gathered in Tipmont's service territory, we believe that the number is closer to **10,000 to 15,000** locations. This discrepancy alone signals the need for a better approach using more granular and reliable data to understand the problem.

As stated by the FCC, "Broadband has gone from being a luxury to a necessity for full participation in our economy and society – for all Americans," but the problem cannot be resolved if the information on which decision makers rely understates the true extent of the problem (FCC, 2018). The FCC's programs are the only ones available to fund broadband expansion into rural America. It causes us to question whether data at the census block level self-reported by service providers is really the best approach.

Cooperatives Will Lead the Solution

Electric cooperatives are in a unique position to solve the broadband needs in rural America. They already own the infrastructure connecting homes in these rural areas and their business model is designed to solve these problems. Cooperatives are mission-based, not-for-profit organizations

autonomously governed by the members they were created to serve. For decades, they've constructed capital-intensive infrastructure to serve their members' shared needs in areas where municipals and the private sector have chosen not to serve. Furthermore, cooperatives actively partner with governmental agencies, pursue regional economic development efforts, collaborate with community anchors and are trusted by their membership (Autry & Hall, 2009). Since their creation in the 1930s, cooperatives have proven to be a sound financial investment for the expansion of rural infrastructure to provide electric service. We believe that the same is true today, that cooperatives are a sound financial investment to expand broadband infrastructure to rural America.

Economic Benefits Justify Support

Cooperatives can lead the solution, but they will disproportionately bear the burden for the significant benefits returned to communities surrounding them. Tipmont and Indiana Electric Cooperatives (IEC) have commissioned a study with Purdue University to quantify the economic benefit the community derives from each dollar invested in broadband infrastructure. Preliminary results from the study already indicate that financial support for broadband infrastructure delivers significant economic gains for the community.

We look forward to sharing results with you from this study in the near future and any additional information that will assist your efforts to expand broadband access in rural America.

Sincerely,



Ron Holcomb
Tipmont REMC
403 S Main St, Linden, IN 47955

References

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Lennett, B. (2011, May). Broadband data from the FCC is notoriously inaccurate. Measurement Lab can fix that. Retrieved January 25, 2018, from http://www.slate.com/articles/technology/technology/2011/05/map_to_nowhere.html