

AEC Broadband Update 2018

AEC has received numerous calls and emails in support of our Co-op moving forward with broadband opportunities. This report is intended to bring our members up-to-date on where AEC currently stands in this process of evaluating and engaging broadband services.

Why become involved?

- “Concern for Community” – one of our 7 Cooperative Principles
- Recognition that our members are actively requesting this service
- We understand the benefits – economic development, competition, medical and educational opportunities
- Our Board understands that we should have a role to play in helping to improve this technology gap

Why Fiber?

- Fiber is future proof
- One strand of glass to each location can bring video, voice and broadband - only limited by today’s electronics on either end

Background:

The discussion about broadband actually began over two years ago when several of our cities in Jefferson County approached MUS Fibernet about providing service into their respective areas. Current State law prohibited a municipal from extending their broadband service outside their electrical service area; however, MUS is the only municipal in the State that has a rare exception. They have been given the right to extend their broadband services within their own county and into AEC service territory only if we give them permission. That was accomplished several years ago when MUS extended Fibernet along Kidwell Ridge Road, however they have not chosen to expand any further.

As a result of the requests from White Pine, Dandridge, and Jefferson City, MUS directed them to talk with AEC about how we might engage in a broadband project. It was these discussions that led to a

Feasibility Study in 2016 conducted by Magellan Advisors as a jointly funded effort between the cities, AEC, and MUS (*to review the full study, click on the link at the top of this page*). Highlights of this study revealed a significant gap in the availability of broadband service to our members. About 20% do not have broadband available at all, and most everyone else only has one supplier option; therefore, no competition is available. When asked the question, “Do you consider broadband a utility”, over 75% of residential households said “yes” and over 86% of businesses concurred.

TN Broadband Accessibility Act:

The Tennessee General Assembly passed the Broadband Accessibility Act, and Governor Haslam signed it into law on April 24, 2017. This Act lifted the long-time restriction on electric cooperatives from offering broadband internet services. The new bill also opened the door for electric cooperatives to offer video (TV) services (Cooperatives were already able to offer telephone services.) Even though the bill opens the door for TN electric cooperatives to offer these services, there are also several restrictions. The bill prohibits cross-subsidies from the electric business to the telecommunication business. Therefore, an electric cooperative would have to create a new business company to offer these services, separate from the electric business. Additionally, the law is very specific that if an electric cooperative chooses to provide these services, they would be required to offer them to their entire existing electric service area (area coverage requirement). There are also restrictions about the use of existing poles and their attachments.

Action Steps:

June 2017 - AEC continues to build out fiber for the electric system with plans to install over 400 miles of fiber over the next 2-3 years. AEC fiber is designed to support the electric system; however, it also has excess capacity for other uses (such as broadband).

September 2017 - The AEC Board of Directors approved moving forward with a Request for Information (RFI) for a partnership model to deploy broadband to all AEC members. Results from the RFI showed that we had four (4) very capable vendors that were interested in a broadband partnership.

December 2017 - AEC initiated a working relationship with Vantage Point, a broadband consultant who prepared formal reviews of the RFI responses, and developed a framework overview of what the Request For Proposal (RFP) for a broadband partnership might look like.

March 2018 - AEC released the RFP. Submitted proposals were sent to the AEC Board for review at their May meeting. A very important component of the RFP is how the deployment will work. Many of our members will want to know where we go first. Currently, we are reviewing a model called “Crowd Fiber™” for deployment. This process puts the responsibility of determining where we build fiber first, on our members. This model would divide our service area into “zones” which will require a predetermined number of committed members to sign up for service before we build. This process creates a much more stable financial model than to just build fiber and hope that members sign up for services.

June 2018 – AEC Board held a special meeting with our consultant Vantage point. The Board reviewed proposals and looked at both a partnership model and a Do-it-yourself (DYI) option. Additional information was requested for due diligence. The AEC Board approved moving forward with a Marketing Feasibility Study, to be conducted by telephone, over the month of July. This action will be led by the third party firm CRONIN.

August 2018 – an expected called meeting of the AEC Board of Directors is scheduled for August 2018. The Board will review all data related to the broadband options and render a decision on plans to move forward.

September 2018 - The broadband progress was significant over the past month. The management team and key staff of AEC spent two days in discussions and presentations concerning options available to the Co-op.

The AEC Board of Directors spent additional time in discernment at a special board meeting on August 24th. The broadband issue is a huge decision for AEC, but one our board is committed to embrace. The board has identified two good options for moving forward. They will now take a deeper dive into the financial models of each option. In either option, AEC will build and own the fiber infrastructure.

The co-op continues to install fiber optic cable and estimates they will have approximately 150 miles of fiber installed by the end of 2018. AEC's goal is to create a strong fiber backbone by getting fiber to all of its substations, as they will serve as the hub for any broadband deployment. Currently, AEC has fiber installed at all of its substations with the exception of Rutledge, Oak Grove, Copper Ridge and Bean Station. These remaining substations will be the priority moving forward.

September 24, 2018 - AEC continues efforts to secure grant opportunities from state and national resources. AEC General Manager, Greg William will address the membership concerning broadband and many other issues at the 2018 Annual Meeting, to be held at the Walter State Great Smoky Mountain Expo Center on Saturday, September 29, 2018. For more information about the Annual Meeting, please contact our Member Service Department at ext. 1880.

October 2, 2018 - AEC Executive Vice-President and General Manager Greg Williams, addressed the membership of the Co-op during the Annual Meeting with the following statement: *"I can state that AEC will be embarking upon a definitive plan to bring broadband access to our service area." AEC Board of Directors continue to work diligently to hammer out the details for the specific model that the Co-op will pursue. The goal is to keep pricing and services very competitive and to offer broadband access to every AEC member. You can view Williams' entire address to the membership at the link below.*

October 29, 2018 - *Meeting in special sessions during the month of October, AEC's Board of Directors has identified a partner organization to move forward with our broadband project. A group of three telephone Cooperatives, located in the state of TN have formed*

a new company together, whose purpose is to offer services for the delivery and retail sale of broadband services to electric cooperatives like AEC. AEC's Board has entered in to a letter of intent, to partner with this entity to deliver a 100% all fiber optic option to our members. Negotiations are expected to continue over the coming months to finalize a plan of service.