

AEC Broadband Update

3/5/201

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.

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 prohibits 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 Kidwells Ridge Road, however they have not chosen to expand any further due to financial constraints.

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. That 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.

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 opens 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).

In 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.

In December 2017, AEC initiated a working relationship with Vantage Point, a broadband consultant who is preparing a formal review of the RFI responses, and a framework overview of what the RFP for a broadband partnership might look like.

In March 2018, AEC will release the RFP. Submitted proposals will be sent to the AEC Board for review at their May meeting.

Upon approval of an RFP, AEC and their partner could potentially begin deploying broadband services by as early as the first quarter of 2019.

Other:

A very important component of the RFP will be how the deployment will work. Many of our members will want to know where we go first. Currently, we are proposing a model called "Crowd Fiber™" for deployment. This process puts the responsibility of determining where we build fiber first on our members. The model divides 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. Helping to bring broadband service to our members is one of the most important added services we are focused on.

For additional questions, contact our Member Services Department at extension 1880.