

Electric Co-ops Embrace Fiber

Hundreds of electric co-ops are considering deployment of residential or business broadband – and almost all want to use fiber.

By Steven S. Ross / *Broadband Communities*

Just a year ago, only about 60 of the 834 electric distribution co-ops in the United States offered broadband services to residential or business customers in their footprints, even though many co-ops have long run internal networks, almost all fiber, for control of electricity service. This year alone, at least another 20 deployed or started to deploy fiber. Another 200 or more have commissioned or are negotiating for feasibility studies or requests for information. A few of those advanced to construction or design proposals by Thanksgiving.

To put that into perspective, if all these electric co-ops deploy fiber broadband networks, the total number will exceed the number of municipally owned fiber broadband systems running today.

Most electric co-ops looking at broadband now are interested in deploying networks by themselves, not in partnership with municipalities or in joint ventures with telephone cooperatives or other small local exchange carriers. Cooperation among adjacent or nearby co-ops looks like a better bet, consultants commissioned to study feasibility say.

Several consultants mentioned that co-ops are building cell towers (macro sites) at \$500,000 to \$1 million each to rent to regional or national carriers. In addition to collecting rental fees from the carriers, the co-ops may benefit by using extra fiber strands in the towers' backhaul to connect with the internet. Some consultants note that while it is too early to count on revenue from 5G microcell sites, the likelihood of serving or even owning future 5G sites further reduces co-ops' deployment risk.

Sometimes the barrier to partnerships is culture clash, but legalities are an issue as well. The restrictions on municipal deployments in 20 states do not usually apply to co-ops, but in some states the rules are similar. Co-ops may have other restrictions, such as co-ownership rules that do not allow joint ventures, bans on serving outside their footprints and bans on cross-subsidizing broadband with electricity revenue.

There has sometimes been bad blood between broadband providers (even co-op telephone companies) and electric co-ops over issues such as competitive advantage and access to poles. In addition, electricity is a lot easier to sell and price than is broadband. Almost everyone wants electricity, and it comes in one basic flavor for residential customers.

WHY NOW?

There are plenty of reasons for the sudden co-op interest. Among them are the following:

- Technology advances have lowered risk by allowing experienced third parties to manage and monitor networks remotely; by enabling simpler, more precise network software updates; and by automating network reconfiguration.
- Rules about co-op network deployment and financing have been loosened, including rules that govern cross-subsidies between the electricity and broadband businesses, expansion into new areas and partnership. The Tennessee approach has been especially noteworthy (www.bbcmag.com/2018mags/July/BBC_Jul18_FiberConnect.pdf).
- Money expected from the spring 2018 appropriations bill (\$600 million to be distributed over 10 years by the USDA's Rural Utilities Service (RUS)) has certainly caught the attention of many co-op boards. A grant or low-cost loan covering 10 or 20 percent of a fiber project could make many marginal projects feasible. Co-ops were also impressed when former co-op chief and fiber advocate Kenneth Johnson was tapped to run RUS, although he has since resigned.
- A similar amount of additional funding is in the farm bill, HR 2, and will be distributed over several years. The bill was still in House-Senate conference committee at press time but was expected to pass before the outgoing Congress adjourns.
- Co-ops wish to sidestep entanglements with new FCC pole attachment regulations, especially in locations where a municipality owns the poles and could be forced to open pole access to broadband competitors using 5G. The co-ops want to get there first and may want to supply 5G service themselves to national carriers on an open-access basis rather than supply dark fiber at a much lower price.

Broadband deployment also fits with co-ops' missions of improving their communities and with their need to make the electrical distribution grids smart enough to quickly recover from disasters such as storms and fire and handle variable sources of power such as wind and solar.

Vendors are already lining up. ❖

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