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engineering & business consulting

March 2, 2020

Delegate Dereck E. Davis
Chairman, Economic Matters Committee
Maryland General Assembly
231 House Office Building
Annapolis, Maryland 21401

Re: Testimony in Support of HB 999, Member-Regulated Cooperatives – Establishment (Rural Broadband for the Eastern Shore Act of 2020)

Dear Del. Davis:

Thank you for your commitment to exploring ways to bridge the digital divide in rural Maryland. My name is Joanne Hovis. I am president of CTC Technology & Energy, a Maryland communications engineering and planning consultancy serving public and non-profit entities throughout the country. My company currently advises many rural Maryland county governments to develop strategic plans and public-private partnerships for expanding broadband availability.

I am also CEO of the Coalition for Local Internet Choice, a non-profit entity that brings together public and private entities that believe solving our nation's broadband challenges requires a full range of options—including locally driven efforts to deploy networks.

As a Maryland resident and business owner who believes in the critical importance of the broadband internet for every business, residence, and institution in the state, I applaud efforts to improve the deployment of broadband infrastructure in the state's unserved rural communities.

I have been observing deployment of the broadband internet in Maryland and nationwide since the advent of the commercial internet in the mid-1990s. My colleagues and I analyze—from a technical, engineering, and business standpoint—the factors that affect broadband deployment decisions and apply that expertise to support the goals of state and local governments as they endeavor to expand broadband infrastructure.

From the standpoint of this expertise and my decades as a rural broadband planner, I offer that empowering public and cooperative utilities is a game-changer in terms of promoting

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rural broadband deployment. Indeed, it's my observation that willing utilities are in many rural areas singular in their ability to build and operate best-in-class fiber-to-the-premises broadband infrastructure in a cost-effective, sustainable way that gives our rural communities the benefits of the same kinds of broadband services found in our cities in Maryland—and competitor cities throughout the country and the world.

Public and cooperative utilities are particularly well-situated to address rural broadband needs where commercial companies have not had business reason to build. This is because the fundamental reason we do not see comprehensive broadband deployment throughout the rural parts of Maryland (like in the United States as a whole) is that areas with high infrastructure costs per user, particularly rural areas, fail to attract private capital. This is not surprising. Nor is it a value judgment. It is simply how private investment works. If return on investment is low or nonexistent, the investment will not be made.

In that regard, public and cooperative utilities generally are well-positioned to solve rural broadband problems because they are driven by a commitment to serving the local community rather than simply a profit incentive that is challenging to meet in rural areas. Public utilities are beholden to ratepayers, taxpayers, and elected officials, and they operate within a framework that focuses their investments and operations on serving the public need.

Cooperative utilities are owned by their customers and thus are member-driven and highly responsive to the needs of their local communities; also, because they are non-profit, they have more flexibility to make investments for the good of the community, even if that investment will not produce profits. And, because they are member-owned, cooperative utilities that choose to deploy broadband in rural areas presumably would not cherry-pick only certain unserved areas, because they are responsible to all members within their service footprints.

In contrast to public and cooperative utilities' local presence and local focus, the larger commercial entities that construct and operate broadband networks typically are headquartered many states away and are making decisions to deploy or not deploy broadband services based on their potential return on investment and shareholder value—two metrics that have almost no consideration for local concerns at all.

This is not to say that public and cooperative utilities will always be in a position to meet their rural communities' broadband needs; the fact that they are not driven solely by a potential return on investment does not mean that a given broadband deployment plan will be financially feasible. However, public and cooperative utilities will more often be willing and able to make those commitments absent a significant profit margin than would companies that are beholden to shareholders.

In addition, it is my experience that local utilities are particularly well-positioned to build and operate broadband networks because of their existing skills, infrastructure, and local workforce—all of which can impact the economics of broadband deployment. Those capabilities make more efficient the enormously complex process of designing, engineering, and constructing a broadband network.

First, public and cooperative utilities generally are well-positioned to solve rural broadband problems because of the expertise and experience of their line-workers, who already build and maintain wires on the poles and can use that expertise to place broadband infrastructure. Second, public and cooperative utilities have experience in many of the aspects of network deployment and operations, with service provision, billing and collections, customer service, and all the other operational tasks that come with operating a customer-facing utility.

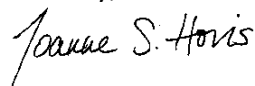
And third, utilities own and manage the poles and conduit assets that are so critical to cost-effectively construct and operate broadband networks. Utility poles and underground conduit represent the core structural asset needed for broadband deployment. Any pole and conduit owner is particularly well-positioned to build broadband networks because of its knowledge of and capabilities to access aerial and underground infrastructure—poles and conduit—that are so critical to broadband deployment. This is especially true for a fiber-to-the-premises network, which is the most optimal form of broadband network—a future-proof infrastructure with a lifetime of decades and capacity to deliver internet speeds to rural Maryland that are comparable to those anywhere in the country and the world.

Across the country, public and cooperative utilities have demonstrated their interest and ability to effectively deliver broadband services in their rural communities. Indeed, it is widely expected that such utilities will receive a significant portion of the funds that the Federal Communications Commission will auction later this year through the Rural Digital Opportunity Fund program.

In summary, public and cooperative utilities have a unique set of capabilities and mission-driven structural advantages that make them well-suited to address rural broadband challenges. They should be considered critical players in any state effort to bridge the digital divide in rural communities.

My thanks for your consideration of my comments and for your commitment to this enormously important issue.

Sincerely,

A handwritten signature in black ink that reads "Joanne S. Hovis". The signature is written in a cursive, flowing style.

Joanne Hovis | President