

STATE OF VERMONT
DEPARTMENT OF PUBLIC SERVICE
DIVISION OF TELECOMMUNICATIONS & CONNECTIVITY

2017 VERMONT TELECOMMUNICATIONS PLAN

ORIGINAL

November 1, 2017
6:30 p.m.

Dover Town Hall
East Dover, Vermont

Public hearing held before the Department of
Public Service at the Dover Town Hall, 22 Holland Road,
East Dover, Vermont, on November 1, 2017 beginning at
6:30 p.m.

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P R E S E N T

Vermont Department of Public Service:

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1 MR. PURVIS: Hello and welcome. My name is
2 Clay Purvis. I'm Director for Telecommunications &
3 Connectivity with the Department of Public Service.
4 Tonight we are here to take testimony from the public
5 regarding the 10-year Telecommunications Plan. As you
6 know, the Department of Public Service is charged with
7 writing a telecommunications plan for the State of
8 Vermont. Every three years we write a plan that looks
9 ten years into the future and discusses items relevant
10 to the State's telecommunications infrastructure,
11 services, and other important matters relevant to the
12 plan.

13 Today is November 1st, and I would invite you to
14 come up and give testimony. I would like to limit
15 comments to five minutes apiece. At the end of your
16 comment, if you would like to make a second comment, if
17 you would wait until everyone else who would like to
18 speak has spoken, and then you may make a second
19 comment. If you haven't signed in, please do. The
20 sign-up sheet's at the front of this table.

21 And we will now begin taking testimony. So
22 whoever would like to speak first, I'll open up the
23 floor. Peter?

24 MR. SEBASTIAN: Who wants to go first, right?
25 As you know, I've tried to connect with you on more

1 than one occasion regarding what I call a black hole of
2 connectivity in Wardsboro. There is this one area that
3 seems to have slipped between the cracks of CAF I and
4 CAF II, and it's, either people have very, very poor
5 broadband service or no broadband service at all, and
6 we can't seem to get that, those people serviced.
7 As you're aware, there is a tower that's supposed to
8 come online. I think they've worked out the snags in
9 that, but this area has been designated for VTel, and
10 the problem that I see is that VTel is not going to be
11 able to service all of those residences because of the
12 mountainous terrain, and but the problem is, due to the
13 way that things are divided up with CAF II, I guess,
14 FairPoint isn't willing to put, to go the extra mile,
15 so to speak. So I'm here to kind of plead for that
16 extra mile.

17 How do we get the people serviced who have no
18 service or extremely poor service? If you, if you
19 could comment on that, I would greatly appreciate it.
20 I know it's a hearing, but, at the same time, is there
21 anything in your plan that is going to take care of the
22 places that have no service or very little service?
23 It's that last extra mile, as they call it.

24 MR. PURVIS: Well, we don't typically comment
25 during these kinds of hearings, but I'm happy to

1 address that. So, yes, those, those places that are
2 outside CAF, outside of, you know, the cable footprint
3 and there are basically no service providers, those are
4 areas of high concern for us. So we are cognizant of
5 those gaps, and we have mapped those gaps, and we will
6 look for ways to address them, and that will be part of
7 the plan for us.

8 MR. SEBASTIAN: If I could say one other
9 thing about that particular area, and that is it's, it
10 seems to be that that area is not addressed by CAF
11 because I think CAF had to do, had something to do
12 with, if the area was already being served by
13 such-and-such a speed -- I can't remember what that
14 speed was, whether it was above 7 meg or 10 meg or
15 something like that.

16 Well, when this map was made, apparently, they
17 contacted, my guess would be, FairPoint, and FairPoint
18 said, Well, we've already taken care of this area, and
19 it looks like we have plans to take care of this area,
20 but they dropped the plans to take care of this area,
21 and that area never got put on the map to be serviced.
22 So, in other words, it seemed like it didn't get put on
23 there because it didn't qualify, but it never got done
24 by FairPoint.

25 MR. PURVIS: Okay. Do we have anyone else

1 who would like to speak? And I should have mentioned
2 before. Please state your name for the record. Thank
3 you.

4 REPRESENTATIVE SIBILIA: Okay. My name is
5 State Representative Laura Sibilialia from Dover. I have
6 a couple of comments. The first of which is I, I would
7 like to see our plan call for an increase in funding.
8 We are at a place right now in the State of Vermont
9 where we have so many rural communities, piecemeal
10 parts that are not covered, and it's clear to me that,
11 at this point, we will be covering Vermont, you know,
12 little by little by little, town by town, project by
13 project, and we'll be putting -- we'll be asking our
14 municipalities and other groups to be working on
15 putting those projects together and coming up with a
16 plan for building out those projects.

17 I'm concerned that we don't have as much funding
18 as might be available. I'm concerned that we do not
19 have as much human resources as we may need in your
20 department to assist municipalities to make that a
21 priority, to help all of our municipalities in areas of
22 the state come up with a plan that will work for them.
23 I certainly know how hard you work and how often your
24 department is out meeting with towns. I think we need
25 to double down on outreach to empower people with tools

1 around doing this.

2 I think there's a very big concern. I know the
3 Department has removed VTel from the coverage maps in
4 the past because of their failure to really communicate
5 where they're covering, allowing those areas to be
6 eligible for connectivity funds. I would like to see
7 that policy continue until such time as there is a
8 major change in the level of cooperation from VTel
9 regarding communicating with how many, how many
10 individuals they're serving as well as a change in how
11 their company is run in terms of sales, installation,
12 its marketing, etc. I think those are really
13 important.

14 I would like to see us focus, rather than on
15 raising huge amounts of money, really just focusing all
16 the strategic tools that we have in supporting our
17 municipalities and our volunteer groups in getting this
18 done, including through the permitting process as well
19 as, you know, nominal increases in our connectivity
20 fund and additional support at the Department. I think
21 those are three things that are doable, and I think
22 they will make a very big difference. So thank you.

23 MR. DUNCAN: I'm Cliff Duncan from Duncan
24 Cable. Thank you for coming, Clay. Appreciate you
25 being here. As an independent cable provider in

1 Vermont for 45 years, I've been and seen many aspects
2 of the evolution of television into broadband, and, as
3 an internet service provider for 17 years in the valley
4 here, we've learned a lot. I just would like to bring
5 to the discussion here a little bit of statistical
6 information that might be helpful in the report.

7 We hear quite often about the need for
8 connectivity, and, to that end, we are in the process
9 right now of overbuilding our hybrid fiber-coax plant,
10 which is up to 750 megahertz, to fiber to the home. We
11 had a very successful and, I must say, positive
12 experience with the Department and other entities
13 involved, including the Town of Wilmington and the Town
14 of Dover, to build a part of Dover, a part of
15 Wilmington, and a little bit of Marlboro, because it
16 was very convenient, that was not served at all. We
17 basically took them from dial-up to fiber to the home.
18 We were kind of like rock stars with the trucks going
19 down the road and lemonade and brownies coming out the
20 door on a regular basis. It was great.

21 But it was, our experience there, we probably have
22 succeeded with a penetration in the neighborhood of 70
23 to 75 percent of the homes that we passed, which is
24 really great. We've been very fortunate about that.
25 It was kind of ironic. We no more than did that, and

1 FairPoint came in -- they've done this before -- right
2 behind us and started upgrading their plant so that
3 they could offer faster DSL, and a few people jumped on
4 that because that's what they do, and they tend to
5 price, come in at a low-ball price that you can't
6 compete with if you're a provider.

7 But that's neither here nor there. I have no
8 problem with competition. You get a better product,
9 anyway. So I wouldn't comment about that. But the
10 need for connectivity, it's our experience and based on
11 some very recent survey work that we did that it's
12 really not rooted in business as much as one might
13 think. And I know Laura and others have attended
14 meetings and talked about the importance of
15 connectivity to business, and it is important, and I
16 don't mean to downplay that, but our analysis is that
17 it's more about personal use and, in particular,
18 streaming.

19 Some of this was borne out of Chairman Wheeler's,
20 the most recently retired chairman of the FCC. He was
21 bent on giving people a la carte service. He had it in
22 for the cable companies from the beginning that he
23 really wanted everybody in the cable industry to have a
24 la carte, and this was basically a way to get there, to
25 require more and more bandwidth, keep upping the ante

1 on what's considered acceptable download speeds, or you
2 would be considered serving, to be in an area where it
3 was underserved or not even served at all.

4 First, it was 7 meg. Then it was 10 meg. Then it
5 went to 25 meg download speeds, which is all fine, but
6 that was all to keep pace with the thirst for people
7 from standard-definition to eventually high-definition,
8 and now what's coming down the road is 4K in terms of
9 quality of video, and everywhere we turn it's, it's,
10 you know, it's all about that, that end.

11 The cell phone industry, which likes to piggyback
12 on our industry, people get into their homes, and the
13 first thing the cell phone does is connect to their
14 Wi-Fi instead of burning up their data minutes in that
15 plan because they offer a lot less in terms of what
16 they can have for hitting some kind of a surcharge,
17 which, again, is fine, but those kinds of things have
18 been a little bit problematic for us, particularly on
19 the upstream.

20 But, you know, it's my take on this that I, I
21 don't know where the, where the economic fit here is as
22 it was originally thought to be. Not that it isn't
23 important, not that it isn't needed for customers to be
24 able to work from home, small offices, home offices. I
25 get that. The bandwidth needs for those applications

1 pales in comparison to streaming, and almost 90-plus
2 percent of the time I'd be willing to bet that that
3 streaming has nothing to do with business, just simply
4 entertainment.

5 So, for us to keep pace, remain relevant, remain
6 competitive as a provider -- which we are in this for
7 the long haul. We're not interested in selling. We're
8 currently overbuilding our 750-megahertz hybrid
9 fiber-coax plant ought to be good for 20-some-odd
10 years, and already we're overbuilding it with fiber and
11 doing fiber to the home. We have about 80 customers in
12 fiber to the home, and it's working well. And Randy's
13 paper is an example with his needs there. We've had
14 conversations about it, and we're trying to work to get
15 to him as quickly as possible.

16 We did a survey that kind of gave us a little
17 bearing as to where, as we look out the windows, the
18 flames are the highest and where we've got to send our
19 trucks next and our efforts next to engineering and
20 design, and out of that we're building right now this
21 year about six miles of plant, fiber-to-home plant, and
22 it's going to be a great product. It's a full DD
23 service, no modem. You simply connect your router to
24 our OMT, which is where the optical signal terminates.
25 It provides both our core video services as well as our

1 --

2 I guess I'm sounding a bit like a commercial here,
3 and I don't mean to do that, but to give you a little
4 understanding, as a provider, we do have that
5 experience. There's some things about the plan,
6 though, specifically that I would like to, that I would
7 like to share with you some feedback on.

8 One has been a long-standing, goes back as far as
9 Rule 3.700 with the pole attachment fees and the rates
10 at which those are calculated, the formula, if you
11 will. My company and North Country Cable fought for
12 nine years to get that corrected. When Louise McCarren
13 was Chairman of the Board, she ushered through with
14 some good lobbying by the pole-owning utilities rates
15 that were the highest in the nation, and as a
16 consequence of that, cable couldn't afford to build in
17 Vermont, and what happened was the Dish and DirecTV
18 company, they came in here in droves, and Vermont has
19 one of the highest concentrations of that for that very
20 reason, because we couldn't afford the pole rates.

21 So that's been eased back a little bit. We
22 finally won the case, and it's back to a more
23 reasonable level. What remains a little bit high is
24 tax fee applications. So, so this is where, if I'm a
25 subordinate and I apply to the pole-owning utilities of

1 Green Mountain Power or FairPoint for access to poles,
2 and, typically, if it's under six poles, it costs close
3 to \$800 just for the application. Now, that's borne by
4 the customer and, in some cases, an impediment to
5 subscribe to our service because the customer says,
6 Gosh, 800 bucks just to -- you know, and FairPoint is
7 sitting there with their service available too. Most
8 of the time, they come to us anyway.

9 But one piece of that application process that's
10 gone away that I wish would be resurrected was called
11 automatic licensing. So, when the pole-owning utility
12 extends service to a customer that builds a new home
13 600 feet to the existing utility line, they have to pay
14 for that line extension cost, and that's all spelled
15 out quite in detail in almost everyone's tariff as it
16 is in ours.

17 So the phone company, the power company tells the
18 homeowner, You have to, you have to pay, let's say,
19 \$4,000 for this line extension. So they pony up the
20 money, they pay the \$4,000, they set the poles, and
21 then they usually leave adequate space for one attachee
22 above the phone and meet national safety codes, which,
23 95 percent of the time, that's us that's going to
24 attach there.

25 So the automatic licensing meant that, when those

1 newly set poles popped up, they would notify us, and
2 they'd say, You have 30 days, 90 days, whatever, to
3 apply for these poles. We won't charge you for any
4 kind of an application fee. We will just let you
5 attach because there's no need for any engineering. So
6 it was like a no-cost situation, except we just had to
7 start paying rent banking on the fact that that was
8 going to be a customer someday, but that's a gamble I'm
9 willing to take.

10 But that's gone away, and I'm told it went away
11 because there are so many subordinate users on the pole
12 now that FairPoint, who was actually a pretty big
13 advocate for it at one time, pulled back because there
14 were so many people, and some of the applications on
15 poles that they actually had lost who was the, who were
16 the people that are actually on some of the pole in
17 some parts of Vermont, and, as a result of that, they
18 just threw of up their hands and said, We can't be
19 noticing everybody, so we won't notice anyone. So
20 that's gone away. That would be a huge cost savings
21 for us.

22 Let's see. The final comment I'd like to make has
23 to do with taxes, and it's been, it's been noticed and
24 talked about specifically in former plans, former
25 telecom plans from the Department, and that is property

1 taxes. So the equipment that we place on the poles is
2 subject to personal property tax in the towns in which
3 we serve, and we pay a real estate, basically a real
4 estate tax on that property.

5 As soon as we put it on the poles, whether we have
6 any subscribers or not, we start and begin to pay full
7 property tax on that. Since the 1930's, the telephone
8 company has been exempt from that. The power company
9 pays property tax, and they pay a property tax on half
10 of the poles, but the telephone company's half of the
11 jointly owned poles is exempt. So what happens here is
12 this. If I go out and invest \$400,000 in new plant, as
13 soon as that \$400,000 is hanging on the poles, Duncan
14 Cable is paying the property tax.

15 If FairPoint goes out and puts \$400,000 on their
16 poles, they pay a gross revenue share tax, which means
17 that they don't pay a value in property tax. Instead,
18 they pay a tax on the revenue, which is kind of a good
19 thing because, if they don't sell any service, they
20 don't pay any tax. If we don't sell any service, we
21 still have to pay tax. So that's a very significant
22 inequity.

23 But then it can harken back. Careful what you
24 wish for, Cliff, because you might just get it. So the
25 last thing I'd want to see is to be put in a position

1 where we're suddenly somehow penalized -- I'm not quite
2 sure how that would be, but it can happen. I've seen
3 it before -- where the situation as it is -- let
4 sleeping dogs lay -- it may be bad, but it could be
5 worse, and I don't know, I don't know what --

6 The State would have to -- two things would have
7 to happen. The tax-exempt status of the telephone
8 company through the gross revenue share tax brings in
9 over \$10 million a year to the general fund, directly
10 to the general fund. So that's money that would
11 normally be going to the communities in property tax,
12 but it's swept away and taken away because they're not
13 paying property tax. They're paying gross revenue
14 share tax.

15 Whenever I've brought this up in the legislature
16 and anyone I talked to might say, That's a great
17 problem, Cliff, and then they see and then they hear,
18 What are we going to do about the \$10 million that we
19 are going to lose if we suddenly tell FairPoint, You're
20 going to pay property tax, but you're not going to have
21 to pay the gross revenue share tax? The phone calls go
22 dead, silence. So I don't know how we get there. I
23 don't know if we have to adopt the model of the
24 telephone companies or they have to come to us.

25 The other significant piece of that is the

1 reporting. So we have to file with two towns being a
2 small company, but, still, two towns every single year,
3 every dime we invest, every dime we fully depreciate,
4 and, let me tell you, it's a pain in the neck, and it's
5 a very burdensome thing administratively to have to
6 track. Telephone company doesn't care because it's all
7 based on revenue. They don't pay the property tax.
8 Other than that, there's some other things I could go
9 on about, but I've certainly spent more than my five
10 minutes. I thank you.

11 MR. PURVIS: All right. Well, thank you very
12 much. Carole?

13 MS. MONROE: Sure. So I'm Carole Monroe
14 from, actually, ECFiber, but there were two things that
15 I think that need to be addressed more strongly in the
16 next coming years, and one is the pole attachment
17 process. I think the timelines between request and
18 actually being able to be licensed to be on the pole
19 are way too long. I don't think they're good for
20 economic development. If you have a customer who, a
21 business customer, who needs to have service and you
22 tell them that it's going to be six months before you
23 can get a license to be on that pole, they're going to
24 take their business elsewhere, and so I think that
25 needs to be shortened up.

1 I think the State ought to consider One Touch Make
2 Ready in a very serious way, and my definition of One
3 Touch Make Ready, by the way, is in the
4 telecommunications space. I think it's very difficult
5 to do One Touch Make Ready that includes the electrical
6 utility space, but it's easy to do it in the
7 telecommunications space.

8 As a matter of fact, when the incumbent carrier
9 was out on strike, many of the organizations that work
10 with, with other utilities or other telecoms in the
11 state moved to their facilities on the pole so it
12 actually contracted that out to the cable, the cable
13 plant installation companies to do the Make Ready.
14 There's no reason it can't be done, and that would save
15 on time, and it would save on, on the cost of Make
16 Ready services.

17 The second is that we, we know that there are
18 areas in the state that aren't going to be served by
19 existing carriers. They're not attractive from a
20 profit-loss scenario. So I'd like to see some funding
21 that would be allocated to municipal utility districts,
22 particularly in the start-up phase, because I think
23 that would assist them to get to that point of being
24 able then to be self-sustaining over the long run.

25 And that could be done with partnerships, perhaps

1 public and private partnerships and/or, in some cases,
2 but those start-up dollars are the ones that are hard
3 to get to.

4 And, when we talk about Connectivity Initiative
5 funds, I'm hearing a lot of areas that are uncovered,
6 that don't have service, don't have existing carriers
7 who are willing to provide it or even go after the
8 funds that are available. So there should be some way
9 in which the municipalities can look at where those
10 funds are available for those areas in a creative
11 process in making sure that we can cover those areas,
12 even if it's not with an existing carrier.

13 MR. PURVIS: Thank you very much. Tim or
14 either of you two would like to speak? No? Okay.
15 Well, thank you very much, everyone who's come out to
16 give testimony. We greatly appreciate it. We hope we
17 will incorporate your ideas into our plan, at least
18 consider them and address them. I think this concludes
19 our hearing. Have a good night, and thank you.

20
21 (Whereupon at 7:06 p.m. the hearing was adjourned.)
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C E R T I F I C A T E

1
2 I, Sunnie Donath, RPR, do hereby certify that
3 I recorded by stenographic means the Public Hearing Re:
4 The 10-year Telecommunications Plan, held at the Dover
5 Town Hall, 22 Holland Road, East Dover Vermont, on
6 November 1, 2017 beginning at 6:30 p.m.

7 I further certify that the foregoing testimony was
8 taken by me stenographically and thereafter reduced to
9 typewriting and the foregoing 19 pages are a transcript
10 of the stenographic notes taken by me of the evidence
11 and the proceedings to the best of my ability.

12 I further certify that I am not related to any of
13 the parties thereto or their counsel, and I am in no
14 way interested in the outcome of said cause.

15 Dated at Westminster, Vermont, this 3rd day of
16 November, 2017.


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18 // Sunnie Donath
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