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

2017 VERMONT TELECOMMUNICATIONS PLAN

November 1, 2017
6:30 p.m.
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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.

PRESENT

Vermont Department of Public Service:

Clay Purvis, Director of Telecommunications & Connectivity

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

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

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

MR. SEBASTIAN: Who wants to go first, right?

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

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

MR. PURVIS: Well, we don't typically comment during these kinds of hearings, but I'm happy to
address that. So, yes, those, those places that are outside CAF, outside of, you know, the cable footprint and there are basically no service providers, those are areas of high concern for us. So we are cognizant of those gaps, and we have mapped those gaps, and we will look for ways to address them, and that will be part of the plan for us.

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

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

MR. PURVIS: Okay. Do we have anyone else
who would like to speak? And I should have mentioned before. Please state your name for the record. Thank you.

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

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

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

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

MR. DUNCAN: I'm Cliff Duncan from Duncan Cable. Thank you for coming, Clay. Appreciate you being here. As an independent cable provider in
Vermont for 45 years, I've been and seen many aspects of the evolution of television into broadband, and, as an internet service provider for 17 years in the valley here, we've learned a lot. I just would like to bring to the discussion here a little bit of statistical information that might be helpful in the report.

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

But it was, our experience there, we probably have succeeded with a penetration in the neighborhood of 70 to 75 percent of the homes that we passed, which is really great. We've been very fortunate about that. It was kind of ironic. We no more than did that, and
FairPoint came in -- they've done this before -- right behind us and started upgrading their plant so that they could offer faster DSL, and a few people jumped on that because that's what they do, and they tend to price, come in at a low-ball price that you can't compete with if you're a provider.

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

Some of this was borne out of Chairman Wheeler's, the most recently retired chairman of the FCC. He was bent on giving people a la carte service. He had it in for the cable companies from the beginning that he really wanted everybody in the cable industry to have a la carte, and this was basically a way to get there, to require more and more bandwidth, keep upping the ante.
on what's considered acceptable download speeds, or you would be considered serving, to be in an area where it was underserved or not even served at all.

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

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

But, you know, it's my take on this that I, I don't know where the, where the economic fit here is as it was originally thought to be. Not that it isn't important, not that it isn't needed for customers to be able to work from home, small offices, home offices. I get that. The bandwidth needs for those applications
pales in comparison to streaming, and almost 90-plus percent of the time I'd be willing to bet that that streaming has nothing to do with business, just simply entertainment.

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

We did a survey that kind of gave us a little bearing as to where, as we look out the windows, the flames are the highest and where we've got to send our trucks next and our efforts next to engineering and design, and out of that we're building right now this year about six miles of plant, fiber-to-home plant, and it's going to be a great product. It's a full DD service, no modem. You simply connect your router to our OMT, which is where the optical signal terminates. It provides both our core video services as well as our
I guess I'm sounding a bit like a commercial here, and I don't mean to do that, but to give you a little understanding, as a provider, we do have that experience. There's some things about the plan, though, specifically that I would like to, that I would like to share with you some feedback on.

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

So that's been eased back a little bit. We finally won the case, and it's back to a more reasonable level. What remains a little bit high is tax fee applications. So, so this is where, if I'm a subordinate and I apply to the pole-owning utilities of...
Green Mountain Power or FairPoint for access to poles, and, typically, if it's under six poles, it costs close to $800 just for the application. Now, that's borne by the customer and, in some cases, an impediment to subscribe to our service because the customer says, Gosh, 800 bucks just to -- you know, and FairPoint is sitting there with their service available too. Most of the time, they come to us anyway.

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

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

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

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

Let's see. The final comment I'd like to make has
to do with taxes, and it's been, it's been noticed and
talked about specifically in former plans, former
telecom plans from the Department, and that is property
taxes. So the equipment that we place on the poles is
subject to personal property tax in the towns in which
we serve, and we pay a real estate, basically a real
estate tax on that property.

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

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

But then it can harken back. Careful what you
wish for, Cliff, because you might just get it. So the
last thing I'd want to see is to be put in a position
where we're suddenly somehow penalized -- I'm not quite sure how that would be, but it can happen. I've seen it before -- where the situation as it is -- let sleeping dogs lay -- it may be bad, but it could be worse, and I don't know, I don't know what --

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

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

The other significant piece of that is the

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

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

MS. MONROE: Sure. So I'm Carole Monroe from, actually, ECFiber, but there were two things that I think that need to be addressed more strongly in the next coming years, and one is the pole attachment process. I think the timelines between request and actually being able to be licensed to be on the pole are way too long. I don't think they're good for economic development. If you have a customer who, a business customer, who needs to have service and you tell them that it's going to be six months before you can get a license to be on that pole, they're going to take their business elsewhere, and so I think that needs to be shortened up.
I think the State ought to consider One Touch Make Ready in a very serious way, and my definition of One Touch Make Ready, by the way, is in the telecommunications space. I think it's very difficult to do One Touch Make Ready that includes the electrical utility space, but it's easy to do it in the telecommunications space.

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

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

And that could be done with partnerships, perhaps
public and private partnerships and/or, in some cases, but those start-up dollars are the ones that are hard to get to.

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

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

(Whereupon at 7:06 p.m. the hearing was adjourned.)
CERTIFICATE

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

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

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

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

// Sunnie Donath

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