

May 30, 2024

Alan Davidson
Administrator
National Telecommunications and Information Administration
U.S. Department of Commerce
1401 Constitution Ave., NW
Washington, DC 20230

RE: Concern with One-Size-Fits-All Low-Cost Broadband Service Option Requirements

Dear Administrator Davidson:

As NTIA accelerates its approval of the state plans required to implement its Broadband, Equity, Access and Deployment (BEAD) program, I write to express concern with one-size-fits-all implementation of the low-cost broadband service option requirement that will likely deter participation by NRECA members.

Nationally, more than 200 electric cooperatives are working toward meaningful and diverse solutions to provide broadband services to their rural communities. Rural electric cooperatives were formed to bring electricity to the highest-cost, hardest-to-reach communities when no other utilities would. The rural areas they serve average less than eight homes per mile, which means higher deployment costs spread across a small population. In addition, cooperatives serve 92% of the country's persistent poverty counties. As a result, cooperatives understand the importance of a low-income broadband program that addresses affordability while balancing the high deployment costs in low-density areas. Today, cooperatives are again uniquely positioned to bring high-speed broadband to these same communities and, as at-cost providers, in many instances do so at the lowest price possible. However, rules that would deter participation in or complicate the long-term viability of an awarded project through BEAD jeopardize cooperative participation, the success of the BEAD program, and our shared goal of bridging the digital divide.

Subgrantees should not be required to offer low-cost service plans at the \$30 ACP subsidy rate: In the BEAD Notice of Funding Opportunity, NTIA suggests broadband offices define the low-cost option as a service plan at the Affordable Connectivity Program (ACP) level of \$30 per month or less, or \$75 per month on Tribal Lands (inclusive of all taxes, fees and charges).¹ The ACP subsidy level was a one-size-fits-all subsidy rate arbitrarily set by Congress in the Infrastructure Investment and Jobs Act (IIJA) and does not fully reflect the costs to build, operate and maintain a broadband network in high-cost, low-density areas, nor was it meant to be a rate ceiling. While this may appear attractive from Washington, D.C., or a state capitol, setting a rate ceiling at which subgrantees must offer a service plan at the one-size-fits-all ACP subsidy rate does not acknowledge the unique local circumstances and costs of providing service in sparsely populated areas of rural America.

¹ BEAD NOFO, p. 67.

Flexibility is necessary in establishing affordability: In many cases, the monthly \$30 ACP subsidy does not cover the monthly operating cost to serve rural, sparsely populated areas. Even our not-for-profit, consumer-owned cooperatives who charge at-cost rates are often not able to recoup their costs at \$30 a month. The capital investment required to deploy, provision and maintain service to rural and remote areas – where miles of line across rugged terrain is regularly required to reach just a few homes – often well exceeds \$30 per month. Requiring a BEAD subgrantee to charge customers below their cost of provisioning service would deter program participation, as it would undermine the economic feasibility of a project awarded through BEAD and potentially jeopardize the long-term viability of the subgrantee. It is in no one's interest to economically undermine the subgrantees NTIA is entrusting to bring vital broadband service to currently unserved rural communities.

NRECA members have decades of experience providing high-quality, at-cost service to low-income communities. As more cooperatives build out their broadband networks, increasing the adoption rate is key to the long-term success of the business, particularly in rural and low-income areas where affordability is critical to adoption. A permanent, dependable and effective low-income broadband program allows providers to deliver the highest-quality broadband service at an affordable price. While the vast majority of cooperatives offering broadband participate in ACP and support its continuation, rural ISPs serving high-cost areas must not be required to bear the cost of congressional inaction to reauthorize the program. The economics of serving high-cost, low-density areas can make offering a low-cost service option capped at the \$30 subsidy rate infeasible, even when grant funding is awarded.

Remedy: We urge NTIA to reject any state Initial Proposal Volume II (IPV2) plan with a one-size-fits-all rate for the low-cost broadband service option and to specifically urge states to avoid such an approach. Instead, NTIA should work with states to provide subgrantees flexibility on how to define the low-cost broadband service option that can best accommodate the unique characteristics of each ISP and rural, high-cost community. These costs can vary drastically from state to state and provider to provider. Further, any low-cost broadband service option rate formula in a state plan should be indexed to the Consumer Price Index, as outlined by the U.S. Bureau of Labor Statistics. State plan provisions on low-cost broadband service options must not just address affordability but also ensure the long-term economic viability of awarded projects.

NRECA appreciates the hard work of NTIA and state broadband offices across the country to implement the BEAD program. NRECA and its members want the BEAD program to succeed and offer this input with that aim. NTIA and states must provide flexibility for providers to meet the unique needs and cost characteristics of their rural communities. If you have any questions or wish to discuss this or other issues, please contact Brian O'Hara, Senior Director, Regulatory Affairs, at 703-907-5798 or brian.ohara@nreca.coop.

Sincerely,



Jim Matheson
CEO, NRECA

Cc: Evan Feinman