Fact Sheet

March 2021

Rural Broadband and Pole Attachment Fees

Key Findings

- Analysis by the Virginia State Corporation Commission, the U.S. General Accounting Office, U.S. Small Business Administration, Congressional Research Service and the Tennessee Broadband Report found that cost-based cooperative pole attachment fees are not a barrier to broadband deployment in rural areas.
- When cooperatives offered free or reduced pole attachment rates in Arkansas, Indiana, Tennessee and Virginia, large for-profit communications companies still declined to serve those rural territories.
- One utility calculated that in rural areas it would cost $60,285 per mile to duplicate utility pole infrastructure in rural areas, not including the cost of ongoing maintenance; the cost to attach lines to an existing cooperative pole is about $564 per mile, per year.
- Artificially low pole attachment fees proposed by for-profit telecom providers could increase electric rates and harm electric and communications reliability in the long term by reducing investment in pole infrastructure.

What's Behind the Digital Divide in Rural America

Rural electric cooperatives and the communities they serve want and need broadband service. High-speed internet is essential for access to education, healthcare and economic growth. Without it, rural communities struggle in America's digital economy.

Using Federal Communications Commission (FCC) data, the National Rural Electric Cooperative Association (NRECA) estimates that more than 6 million households served by electric cooperatives lack broadband access. Over a 20-year period the absence of internet service will lead to $68 billion in lost economic value for these households.

Multiple government reports have concluded that low population density stands in the way of rural broadband deployment. Deploying broadband in vast, remote, territories is expensive and there are far fewer customers to defray those high costs. Electric co-ops are calling for state and federal grants and loans to overcome these cost barriers in areas with low population density.

Concluding that large investor-owned telecom providers will not be investing in their communities to close the digital divide, despite significant subsidies, many consumer-owned electric co-ops are mobilizing to provide solutions. Nearly 200 co-ops are engaged in projects and partnerships to bring high-speed internet access to their communities. Another 100-plus cooperatives are estimated to be exploring options and conducting broadband feasibility studies.

Pole Attachment Rates Not a Factor in Deciding Whether to Deploy Rural Broadband

Electric utilities charge internet service providers an annual rental fee for use of electric utility poles. Not-for-profit electric cooperatives' rates are based on actual costs and allow co-ops to recover a small portion of the cost to build and maintain their 2.6 million mile distribution network. While co-op attachment rates may be higher due to the high cost of building and maintaining poles in rural areas, co-ops' pole rental rates represent a significant savings to telecom companies who would otherwise have to build and maintain their own infrastructure.

Despite the fact that Congress exempted local co-ops from federal pole attachment regulation, telecom service providers habitually cite co-op attachment rates as the reason they will not bring broadband to rural areas. The facts do not support this argument; research shows co-op rates *are not a factor in any company's decision on whether or not to deploy broadband in a rural area.*

- If co-op pole attachment rates were a hindrance to broadband deployment, then high-speed internet access would be more widely available in rural areas served by investor-owned utilities whose rates are set by the FCC. But that is not the case. The percentage of households unserved and underserved correlates instead to population density.

- When electric cooperatives have offered to provide free or discounted pole attachments to communications companies in exchange for expanded rural service, these offers have been declined. Co-ops in Arkansas, Indiana, Tennessee and Virginia offered to waive or discount the rate as an incentive to service providers. In no state did providers take the co-ops' offer.

In a hearing on electric co-op pole attachment rates at the Virginia State Corporation Commission, the hearing examiner said the following:

> "Although Comcast and the [Virginia Telecommunications Industry Association] VTIA have argued that the attachment rates charged by electric cooperatives are a significant factor preventing expanded broadband deployment in rural areas, the greater weight of evidence in this proceeding *simply does not support this contention.* I find that reasonable pole attachment rates have little impact on broadband expansion…. The fact remains that the cost of proving broadband service in rural areas is often prohibitive for for-profit companies such as Comcast because the customer density simply does not support the cost of providing the service."

Pole Attachment Rates Are Insignificant Compared to the Overall Deployment Cost

- One utility calculated that duplicating the pole infrastructure in rural areas would cost $60,285 per mile, a cost that does not include ongoing maintenance, vegetation management and other costs associated with managing infrastructure assets. Nor does it include the cost of fiber deployment on the pole infrastructure. In comparison, the cost to attach to a cooperative's pole at the annual rate of $20.60 (the price deemed fair by the Virginia SCC) would cost a broadband service provider about $564 per mile per year.

- Executives at some large cable and telecom providers conceded on multiple occasions that pole attachment rates are not the major barrier and that eliminating the charge altogether wouldn't necessarily encourage them to deploy to rural areas. Other factors, primarily low population density, are more significant factors.

For more information, see NRECA's white paper *Pole Attachment Policies and Issues* or contact Brian O'Hara, regulatory director at NRECA.