

Electric Co-Op Members will be Supplementing Someone's Cable Bill House Bill 1505

Upshur Rural Electric works daily to bring reliable, diversified, and affordable electricity to its members. Our natural directive as a non-profit organization is to bring you the best service possible at the lowest reasonable cost. URECC is our system, and its assets belong to you, the Member, and any money it saves is your money.

There is proposed legislation, House Bill 1505, recently introduced in the Texas House of Representatives that will unfairly impose costs on URECC's members and members of all electric cooperatives throughout the state. Ironically, these costs are not in any way related to URECC's provision of electric service to you. Rather, the costs are associated with Cable companies' attempt to utilize URECC's facilities to provide cable service without paying for and reimbursing URECC for the real costs that will be borne by you, the Member. The proposed legislation may also jeopardize Member's' property rights.

URECC and other electric co-ops were not given a chance to voice their opinion, negotiate the details of the bill, or negotiate with its sponsor, Charter Communications, before its filing. After reading the proposed bill, it is clear why there was no outreach or attempt at cooperation: the legislation benefits the cable companies at the expense of the electric cooperative's members. URECC and many other Texas cooperatives will be actively participating in the legislative process to oppose this bill. Unfortunately, the costs associated with this needed opposition will be paid out of pocket on the front end by URECC and electric cooperatives across the state.

To understand the risk to the cooperative, it's important for you to understand some facts. URECC negotiates, executes, and files easements between itself and its members any time URECC initially crosses, expands, or substantially alters its power lines that cross the member-owned property. URECC recognizes the value and importance of property rights, and we take great care and effort to ensure that our easement footprints are minimized to the reasonable extent that they can. Equally important, URECC does not assign or give rights to third parties on easements that we hold on your property.

Regarding cable television, telephone, and broadband providers, URECC has negotiated many agreements with each to ensure that any attachments to URECC poles meet National Electric Safety Code (NESC) standards, along with other state and federal requirements. URECC recognizes the importance, particularly from a safety perspective, that all attachments to URECC facilities, facilities that are owned and paid for by you, the Member, are soundly engineered and clear impractical application. We believe that this results in a safer, and higher

quality system, results in fewer outages and provides hardening against storms like those we all recently experienced. With over 135,000 poles in the URECC system, the efforts to maintain safety, reliability, and increase storm hardening takes great time, effort, and, yes, cost, as every one of URECC's 135,000 poles may become a concern at some point over the years and decades during which those poles are in service. Any time an attachment is made to these poles, there is an increased risk to the electric system, and unfortunately, those risks sometimes appear during some of the worst times. The added risk to URECC lineman, and to those workers that install, maintain, or remove pole attachments, is of paramount importance to us.

Many of you by now are wondering why you are just now reading and learning about this. Over the past year or so, the Federal Communications Commission (FCC) provided access to billions of dollars (purportedly some \$20.4 billion last year), taxpayer / rate-payer dollars, to companies interested in delivering much needed high-speed data to rural America. URECC investigated such an option itself, as we have always been interested in enhancing data services in the rural areas of Northeast Texas. In our review of the process in which these billions of dollars were provided through the FCC, it appears that any awards under the Rural Digital Opportunity Fund (RDOF) must be fully delivered to each area awarded within ten years, with a majority of the buildout completed in six years. As you might imagine, this is a monumental task and one that would require substantial investment dollars beyond the award, and frankly, one that seems almost insurmountable in some respects. URECC determined that participation in such an effort was not reasonable or fiscally responsible for itself, and you, the members, and we have therefore been investigating other options to provide a much-needed, more affordable, and timely service to Northeast Texas without the government strings and deadlines.

One company did, however, participate in the process and was able to submit a bid low enough that it succeeded in obtaining a purported \$23.3 Million in taxpayer /rate-payer dollars to meet the challenge just in the URECC territory. That company is Charter Communications. If Charter is successful in building out a system that can provide service to our members, that will be a good thing. But it also appears that much more capital will be needed to make this formidable goal a reality within the six-to-ten-year time period required by the award. URECC's study indicated it would take some \$100 Million for our territory alone.

So, that is where House Bill 1505 comes in. This proposed legislation does many things, but at its core, it allows Charter to attach broadband related fiber and electronics on Cooperative only poles, at a breakneck speed, while at the same time shifting almost all the cost to the Cooperatives for such things as replacement of poles that may require raising or strengthening due to the attachments, using specifications of its own choosing, not the Cooperative's, and using its own crews, when necessary, to install those poles on URECC's lines with limited ability for URECC to complain or intervene. Essentially, it's a cost shift from Charter to the URECC membership.

These are very significant changes to the manner in which we have operated, and will, in our opinion, burden you, the electric cooperative Member, with cost, expenses, and liability that should be borne by Charter. Without reaching out to discuss these drastic changes with cooperatives, Charter chose to ignore us, and you, and Charter instead went directly to Texas legislators to pass a law essentially compelling the Cooperatives to do its bidding. Clearly, Charter is more interested in its bottom line than it is with the costs and liabilities that will be passed on to you.

You now know more about this than you might have wanted. And you are free to download the bill from the Texas Legislature Online website and read it for yourself. If you do, we think you will find the following. HB 1505 would appear to allow the public communications companies (cable companies) to take broadband (internet) into rural areas via the existing and future power lines owned and paid for by electric cooperative members. At first blush, that sounds like a laudable thing to do. But the method to accomplish this is done by reducing the pole replacement cost that might be borne by any public communications company by an amount that ignores the depreciable cost remaining on the pole being replaced or any residual value far into the future. For example, if a pole is paid for, by URECC and you, but still functioning for years to come, URECC will have to bear the full cost of the replacement of the pole because the pole is paid in full. If the pole still has some money owed on its replacement, then the cable company would pay what is owed the bank, but nothing more and not the cost to replace it. (URECC's current contracts require 100% of the cost to be paid unless URECC has a NESC or storm benefit, where it then apportions the cost). In simple terms, it's like this: You worked hard and own a car and it is now paid off. Then a neighbor who needs to use your car so he can get to work grabs your car, drives it anywhere he wants and does not pay you for the use because you just happen to have your car paid off. Oh, and don't forget, even though your neighbor is driving your car, you still need to fill it up with gas and keep the tires in good shape and make sure the insurance is up to date. And if you don't keep fuel in it and the tires become worn, your neighbor can go get that done and then just send you the bill. Crazy? That is precisely the state law would do to this membership's largest asset.

And there is more. A secondary, but very important outflow from this practice that is just as concerning is that there is no provision to require the cable companies to prove or attest that they have obtained permission from landowners to cross their property or to insert a pole to allow for the attachment. Instead, they just show up, do the work, charge the coop for it, and leave. That may work just fine for some in other states, but that's not how we treat one another in East Texas.

Another concern is that it may lead to increased outages and safety issues to URECC members and the general public. HB 1505 allows cable companies to "quick connect" some attachments with a lessened process to confirm safety and strength of the poles and to use specifications and materials that meet minimum standards, not the ones that URECC might typically use which tend to be above those minimums. We believe this will cause more electric outages as existing poles become more stressed. A process referred to as over-lashing is of particular concern. Cable companies would be allowed to over-lash more cable on top of existing cable,

without engineering, and URECC is left with an after-the-fact investigation and complaint process. In essence a small cable could be installed that does not require any upgrades and then the larger wire lashed on later without oversight. It's a loophole designed to avoid cost and make installation fast. The extra weight from the attachments, especially when ice and snow form on them, will cause significant pole strain that should be engineered, if for nothing else, safety reasons, but there is not such a requirement in the bill. And you, the new cable company's neighbor, get to pay for this.

We believe that bringing broadband to the rural areas is a great idea, and goal, when it is done right. If Charter doesn't succeed in this effort, using your facilities paid for by you in your rates, then what happens? It appears all Charter has to do is give some of its award money back, and walk away, leaving in place a new law that is expensive, and most importantly unneeded. And why do we say unneeded? It's because we at URECC have for many years negotiated and entered into contracts with cable providers on pole attachments. We like to work with our neighbors, our partners. But Charter does not appear interested in that type of relationship at all. They want to run over us with this legislation. That's not East Texas. It's not right. And we cannot sit idly by and let it happen.

We strongly encourage you to voice your opinion to protect your cooperative investment. Especially at times like now, after having weathered a severe storm that has affected all of us, we don't need another event that will increase your rates.

Please contact your local state elected officials. If you do not know who currently represents you, you can look them up here: <https://wrm.capitol.texas.gov/home> Let them know how you feel, let them know they are there to work for you and represent you. And you expect them to continue to do this. If the cable industry really wants to provide great service to Texans, let the cable companies do it with their money, not yours.