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USDA Rural Development  
1400 Independence Avenue, STOP 1522, Room 5159  
Washington, DC 20250-1522

Docket No. RUS-06-Agency-0052

The Vermont Department of Public Service enthusiastically supports the proposed changes to the RUS program. We feel that these changes are in the public good and will collectively make the program more accessible and useful. In addition to the proposed changes, DPS has a list of other recommendations as well, lettered A through L, which we offer in italics below. They are grouped according to the proposed USDA change they are most similar to.

Best Regards,

Corey Chase  
Telecommunications Policy Analyst  
Vermont Department of Public Service



## 1.) Rural Definition:

Rural Development proposes to fund only those communities located outside the boundaries of an Urban Area (as defined by the U.S. Census) and having 20,000 or fewer inhabitants.

*DPS concurs with these changes. We feel that the RUS should incorporate flexibility in defining “Rural”, and offers the following suggestions:*

- A.) Service areas rarely conform to municipal boundaries, so federal funds, whether grants or loans, should be available to “unserved areas” rather than “unserved towns”. Applicants should be able to identify “Rural” coverage areas to qualify.*
- B.) Even though the applicants may not qualify as “Rural”, USDA RD RUS grants and loan guarantees should be available to middle mile providers so that they can build and extend back-bone systems at lower costs to smaller retail service providers, WISPs or other local ‘last mile’ distributors*
- C.) Communities or regional entities (development, investment or planning) should be able to apply for resources to provide broadband access in underserved areas.*

## 2.) Competition:

- The proposed regulation prohibits the use of Rural Development funds to serve areas with 4 or more Existing Broadband Service Providers. (excluding resellers and the applicant)

*DPS concurs.*

- The proposed rule also defines Existing Broadband Service Providers as those broadband providers who can certify that 10 percent of the households passed by their facilities are purchasing their broadband service.

*DPS concurs.*

## 3.) Priority for Unserved

The proposed regulation:

- Institutes minimum service requirements for project eligibility:
  - 40% of households proposed must have no access or access to only 1 existing broadband service provider.
  - *Applies to any entity proposing to provide broadband service in areas beyond their existing service areas.*
  - *Does not apply to applications submitted by Incumbent Service Providers solely for the purpose of upgrading existing facilities in Eligible Rural Communities. However, in these cases, the proposed project must enhance existing service by providing or improving Broadband Service.*

*DPS suggests that the exception be amended to read:*

- *Does not apply to applications submitted by EXISTING Service Providers solely for the purpose of upgrading existing facilities in Eligible Rural Communities. However, in these cases, the proposed project must enhance existing service by providing or improving Broadband Service.*
- Provides credit incentives for applicants proposing to serve areas with little or no service:
  - Reduces minimum equity requirement from 20% to 10% for applicants proposing to serve an area where at least 40% of the households have no access to broadband service or only one existing broadband service provider.
  - Maintains additional cash requirements when necessary to support the feasibility of the loan.
    - For example, a start-up operation or an operation that has not demonstrated positive cash flow for the two previous years prior the application filing date is likely to have an additional cash requirement.
    - The proposed regulation would allow up to 50% of projected revenue to be used as an offset to any cash requirement.
  - Provides a lower, 4% interest rate to applicants proposing to serve eligible rural communities that have no access to broadband service or only one existing broadband service provider.
  - Modifies the review process to ensure that priority is given to applications that propose to serve areas with no broadband access or broadband service from only one provider.

*DPS concurs with these changes, and offers additional suggestions regarding incentives:*

- D.) A criterion based on the level of “rural challenge” should provide for proportionally lower interest rates and increased risk to areas where the business case for broadband access is most challenging.*
- E.) RUS should raise the acceptable level of risk for last mile providers in rural areas and for smaller loans (up to \$500,000)*
- F.) For loans of less than \$1 million, RUS should eliminate current criteria requiring profitable operations in the two previous years or cash on hand equal to one year’s operating revenue.*
- G.) RUS should provide flexibility in funding loans for equipment, start-up, operations and licensing to broadband providers working within rural areas that already have some services in place but lack coverage to the ‘last mile’ of the entire community or region.*

#### **4.) Deployment Schedule:**

Rural Development proposes to establish a three-year build-out time limit.

*DPS concurs.*

#### **5.) Market Survey Requirements:**

- Rural Development proposes to eliminate the marketing survey requirement for projects where subscriber projections are less than 15%.

*DPS concurs.*

#### **6.) Transparency:**

Rural Development proposes to:

- Establish a standard 30-day notice period that begins after an application is filed.
- Post Legal Notices on the Rural Development web site for easy access.
- Require applicants to additional information in the legal notice, including service area maps and all proposed service offerings (voice, video, and data).
- Provide industry participants with a web link from the FCC Rural homepage and the Rural Development Broadband Program homepage.

*DPS concurs with these changes, and offers other suggestions regarding program administration:*

*H.) RUS should become more accessible by administering RUS funds from the field in each state, rather than from Washington DC. This should be done, preferably, through a designated intermediary re-lending facility in each state (potentially Vermont Economic Development Authority or the Northern Community Investment Council in Vermont), or, at the least, through State Offices of USDA Rural Development.*

*I.) RUS should redirect the resources of the ineffectual “Community Connect Broadband Grant Program” (which has never been accessible in Vermont) and/or a portion of the loan/guaranteed loan budget authority to provide a grant to each state government for distribution in sub-grants for broad-based broadband planning efforts and feasibility studies designing broadband solutions at the local, regional or state level. RUS should identify a population threshold so that these grants will serve towns with the greatest needs: those with populations of under 5,000.*

#### **7.) Ensuring that projects keep pace with increasing demand for bandwidth**

- The proposed regulation allows incumbents in areas with 4 or fewer existing broadband providers to apply for a loan for the sole purpose of upgrading their existing facility.
  - Upgrades proposed must enhance the existing level of broadband service in the market.
- Rural Development will continue to consider the bandwidth and service needs of rural communities when making lending decisions.
  - Minimum data transmission rates will be published annually in a NOFA.

*J.) While DPS agrees that rural areas should keep pace with technology changes, the priority for this program should be to ensure that ALL rural areas have at least SOME form of broadband.*

#### **8.) Promoting a better understanding of application requirements:**

- Rural Development is proposing to reorder the rules and make them more user-friendly.
- Rural Development is proposing to add rules sections that clearly define the required content of an application, including business plan, system design, marketing survey, legal notice and competitive analysis.

*DPS concurs.*

*In addition to the comments provided above, DPS has the following recommendations:*

- K.) RUS should allow high-speed telecommunications support structures (such as towers, conduits, etc.) to be eligible for the USDA RD Community Facilities program if publicly owned and “open” to all private providers for use.*
- L.) RUS should allow telecommunications support structures (such as underground conduits) to be included as an eligible ancillary cost in RUS funded water/wastewater projects.*