Direct Local Government Expenses Impacting Rural Broadband Expansion HB5096/HB5097/HB5098

Frontier Communications

Communications and Technology Committee

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Frontier Fast Facts

- Operate in 29 states including our neighbors in Indiana, Ohio, Wisconsin, Illinois, Iowa, Minnesota, Pennsylvania
- 100% U.S. based-workforce
- Michigan is the 11th largest of 29 states which Frontier serves
- Approximately 400 Michigan employees. (90 military experienced)
- 1.2M possible service connections (addresses) served

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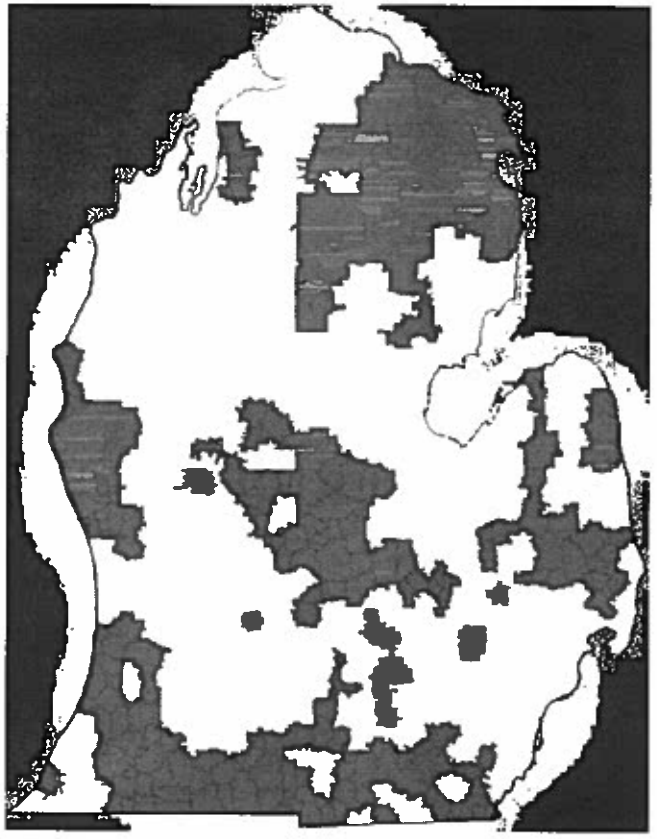
Frontier's Service Footprint
42% of the land mass of the LP

- Over 25,000 route miles occupied in local ROW
- 350 miles occupied in Federal ROW
- 1,500 miles occupied in State ROW
- 5,200 miles occupied in private or railroad easement



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Local Government Expenses of ROW for Service Providers

- The cost of locating telecommunication infrastructure in the local public right of way
  - PA48 of 2002 – aka METRO ACT - $4.8M in 2016
  - County Fees - $368,000 in 2016
  - Facility Relocation - $2.6M in 2016
  - Other (Bonds/Insurance)
  - Cash Bonds - $540,000 requested in 2016
  - Participation in Underground Plant Protection - $1.2M in 2016

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Analysis of County Road Commission Fees HB5097

- Annual Maintenance Fees may include:

ROW Maintenance	Services Connections
Tree Trimming	Repairs
Road Moves waived	

  Average is $205 for 58 counties evaluated

- Permit Fees

No Fees	Footage/Mileage
Flat Fees	Per Service Connection
Hourly Fees	Per Type

- Costs for Bonds/Insurance
- Examples Genesee, Ingham, Antrim, Kalkaska

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Analysis of County Drain Commission Fees
HB5096

- Relatively new problem (drains in the ROW)
- Permit Fees
    - Footage based fees
    - Flat Fees
    - No fees
- Costs for Cash Bond – The BIG one
- Costs of Bonds/Insurance
- Examples Lapeer, Calhoun counties

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HB 5097

- Stabilizes the problem of Road Commission fees for managing city, village, and township road right of way
- Does not cure the "double" fee issue with the METRO Act but limits $$$ exposure
- Frontier supports

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HB 5096

- Stabilizes the problem of Drain Commission costs for managing drains in the road right of way
- Frontier supports with amendment to eliminate cash bonds and insert reasonable bond and insurance language from HB 5097

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What if HB5096/HB5097 are not implemented

- Abandon and/or delay broadband build out projects
- Less broadband build out based on fixed capital budgets

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Facility Relocation Costs for Telecommunications Providers
HB5098

- $2.5M to $4.5M annually
- Rebuild a new factory
- Produce same product at new factory
- Destroy a productive factory
- Opportunity cost of limited capital and labor
- Service interruptions
- Contractor Delay Costs/Project Delay
- 25,000+ miles of exposure

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Relocation of Telecommunications Infrastructure - Costs

- Goal is to minimize everyone's cost
- The real key is avoidance of facility relocation through best practices transportation project planning and accommodative engineering design
- Today there is no financial or procedural incentives for changes in transportation infrastructure to consider impacts to private investment

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HB 5098

- Attempts to address the procedural issues of notice of facility relocation to providers from road authorities
- Does not address costs of road authorities or providers
- Significantly increases costs of providers
- Page 3; lines 20 – 21 expands relocation obligations for providers "for any reason".
- Facility relocation should only be required for changes in the transportation systems and public safety.
- "Beautification"; because "I said so"; are not legitimate government interests.
- Frontier estimates costs will increase by 50% to 100% over current levels

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HB 5098

- New thoughts
- "Bad Engineering" clause
  - Moving early with no authority construction
  - Change plans; relocate again
- "Extraordinary" costs
  - Protect universal service
  - Protect a going concern
- If the authority receives emergency funding, they should request funding to assist post-restoral relocation costs of providers.

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What if HB5098 is not implemented (without changes)

- Less broadband in Rural Areas
- Less total addresses served
- Abandon service areas

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Thank you

Questions and Answers

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