

The Electric Cooperative Exemption in §224(a)(1) Remains Sound Public Policy.

Why? In short, there's no problem that needs "fixing."

- **Co-op attachment rates are cost-based and fairly negotiated.**
 - According to an NRECA Survey conducted in 2010, the average annual fee charged was **\$10.38 per pole**.
 - Many co-ops still fall short on full cost recovery, especially costs associated with attachment inventories and inspections (47%); attachment moves to a relocated/replaced pole (37%); and removal of unsafe, unauthorized or abandoned attachments (28%).
 - To maintain their "cooperative" status under state law and exempt status under federal income tax law – cooperatives must operate at cost, that is, neither for profit or below cost. This means cooperatives must charge attachers what it costs them to provide space on their poles and they may not artificially either inflate or deflate those costs (e.g., no cross-subsidization).
 - A handful of such unsupported allegations in the entire record in this proceeding (WC Docket No. 07-245) do not justify a vast expanse of FCC regulation.
- Cooperative board members must still answer to the consumers in their communities that elect them and they do not want to be seen as responsible for their community not getting broadband.
- Cooperatives know that if their rates get too high or their process too cumbersome, attachers will lobby states to regulate. (Such legislation is currently pending in Virginia.)

Economics, Not Cooperative Pole Attachment Rates or Practices, Impede Broadband Deployment.

- Low pole attachment rates do not and will not incentivize deployments to areas with too few potential subscribers.
 - NRECA's survey compared consumer density – the number of consumers per mile of electric distribution line – to the average annual rates charged per pole to test the NPRM's assumption.
 - ***The lowest pole attachment rates charged were for those electric cooperatives that average fewer than 4 consumers per mile of line.*** The average per pole rates for these cooperatives serving in very sparsely populated areas were \$5.50 (median) and \$6.33 (mean), yet communications providers are not flocking there.
- 25% of cooperative poles have at least one attachment. The most frequent reason cited for why the percentage is not higher is not receiving attachment requests for the cooperative's other poles.
 - 51% of cooperatives responding to NRECA's 2010 survey reported that the poles without any attachments were *those located in sparsely populated areas*, and
 - 36% responded that the poles were on *lines that did not serve a residence or business likely to need communications services*.
- As the latest 706 Report notes, "[M]arket forces alone are unlikely to ensure that the unserved minority of Americans will be able to obtain the benefits of broadband anytime in the near future."
- Further, there is no guarantee that communications providers will channel their windfall from more heavily subsidized attachment rates into broadband deployments in underserved areas.

NRECA opposes federal pole attachment regulation of cooperatives, particularly when such regulation would establish rates that do not afford adequate cost recovery and could put our members' legal status as cooperatives under both state and federal law in jeopardy. NRECA believes that Congress got it right when they left decisions related to cooperative and public power poles at the local level.