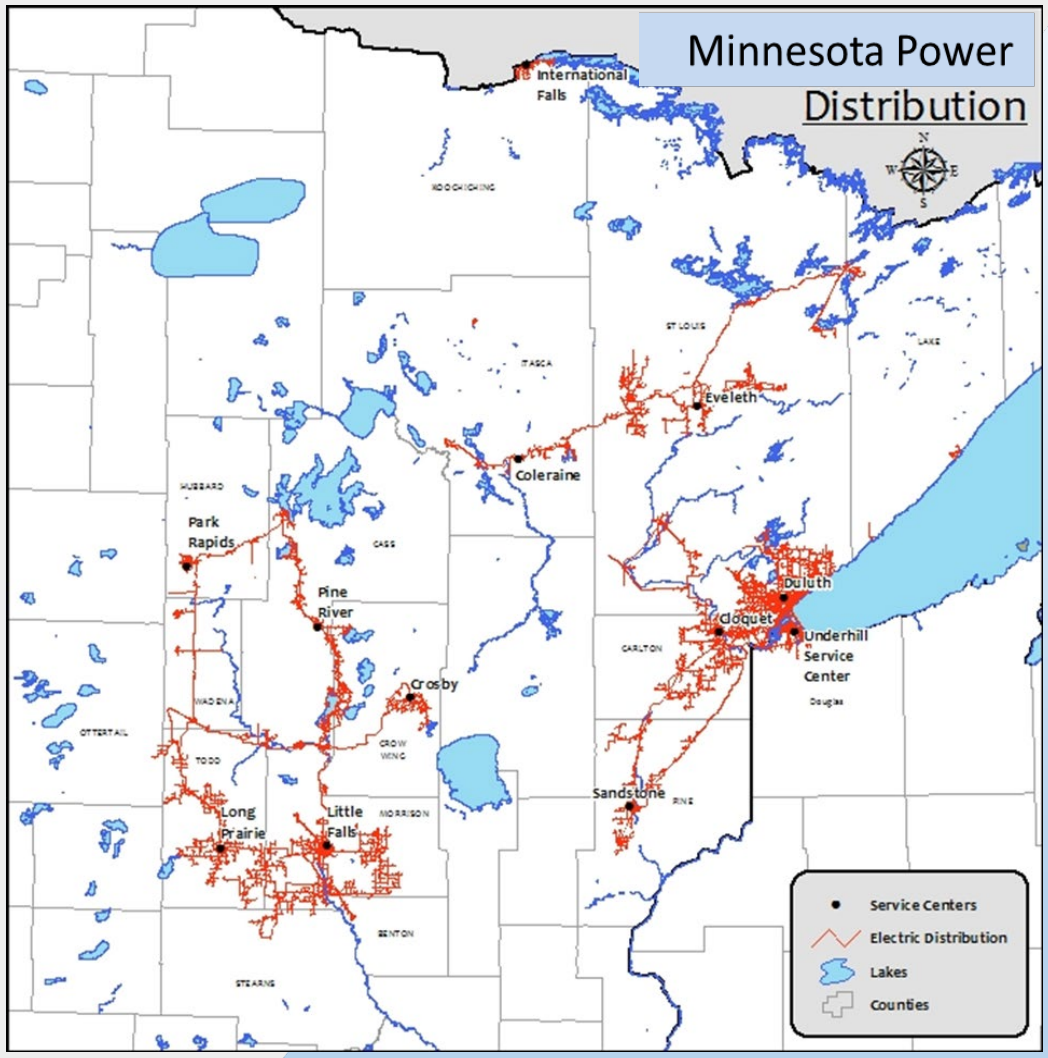
minnesota power

AN ALLETE COMPANY

Broadband Task Force Utility Panel Discussion February 13th, 2025

Eric Clement
Manager – T&D Grid Modernization



Overview

- 26,000 square mile electric service territory
- 6,216 miles of primary, 3657 miles of secondary (74% overhead, 26% underground)
- 201 distribution substations
- 150,000 customers
- 14 municipal systems
- 151,911 poles (83% MP owned, 17% owned by others)

Overview Continued

- 44 different attachers currently
- 2 Joint Use attachers
- 75,000 total attachments on MP owned poles

FCC & State Governance

- We strive to be a partner with attaching companies.
- Three items need to be in place to start the attachment review process with the utility.
    - Certificate of Convenience and Necessity - State
    - Tariff - State
    - Attachment agreements including rates – Utility & attacher

FCC Rates

- Rates
  - Rental Rates
    - Telecom Rate
    - Cable Rate
    - Joint Use Rate
    - Non-FCC Rate
  - Attachment process
    - Costs associated with Make Ready up to and including pole replacements

FCC-Cable Formula

Section 224(d) Cable Formula for Determining Maximum Rate For Use of LEC Utility Poles Using FCC ARMIS Accounts

$$\text{Maximum Rate per Pole} = \frac{\text{Space Occupied}}{\text{Usable Space}} \times \frac{\text{Net Pole Investment}}{\text{Total Number of Poles}} \times 0.95 \times \text{Carrying Charge Rate}$$

Where:
Space Occupied = 1 foot (presumed, but rebuttable)
Usable Space = 13.5 feet (presumed, but rebuttable)

And:

$$\textbf{Net Pole Investment} = \text{Gross Pole Investment (Account 2411)} - \text{Accumulated Depreciation (Account 3100)(Poles)} - \text{Accumulated Deferred Income Taxes (Account 4100+4340)(Poles)}$$

$$\textbf{Carrying Charge Rate} = \text{Administrative} + \text{Maintenance} + \text{Depreciation} + \text{Taxes} + \text{Return}$$

$$\text{Administrative Element} = \frac{\text{Total General and Administrative (Accounts 6710 \& 6720)}}{\text{Gross Plant Investment (Account 2001)} - \text{Accumulated Depreciation (Account 3100)} - \text{Accumulated Deferred Taxes (Plant) (Accounts 4100 + 4340)}}$$

$$\text{Maintenance Element} = \frac{\text{Account 6411} - \text{Rental Expense (Poles)}}{\text{Net Pole Investment}}$$

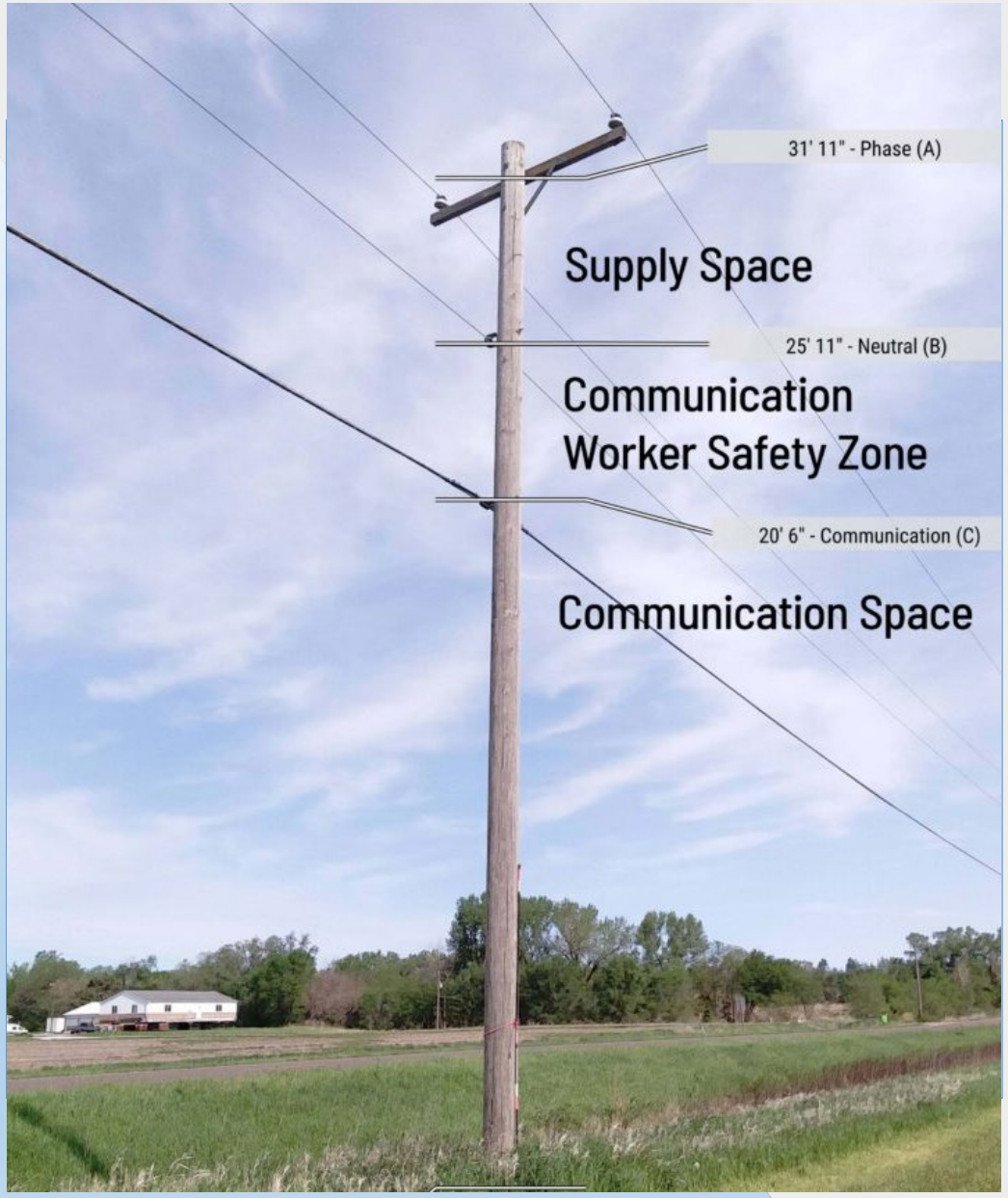
$$\text{Depreciation Element} = \frac{\text{Gross Pole Investment (Account 2411)}}{\text{Net Pole Investment}} \times \text{Depreciation Rate for Gross Pole Investment}$$

$$\text{Taxes Element} = \frac{\text{Operating Taxes (Account 7200)}}{\text{Gross Plant Investment (Account 2001)} - \text{Accumulated Depreciation (Account 3100)} - \text{Accumulated Deferred Taxes (Plant) (Accounts 4100 + 4340)}}$$

$$\text{Return Element} = \text{Applicable Rate of Return (default} = 11.25\%)$$

Safety

- Our #1 priority is to keep the public and our employees safe
- We must follow the National Electrical Safety Code (NESC) Heavy loading district requirements
- We must follow clearance requirements: MNDOT, County, Railroad, others
- We must follow the Professional Engineering requirements for the State of Minnesota – Utilities are not exempt
- We must maintain our systems (including attachments) and follow our standards.



Risks

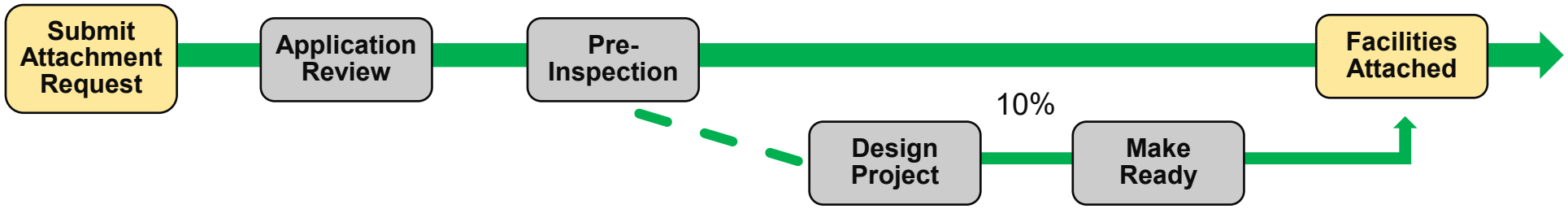
- Some poles are saturated with attachments and equipment.
- More equipment being added to poles
- Aging infrastructure
- Wildfire concerns
- Reduction of poles – Strategic Undergrounding initiatives
- Rate pressure
- Unauthorized attachments

Mary Jo Woolf
Sr Dir. Distribution Business Operations

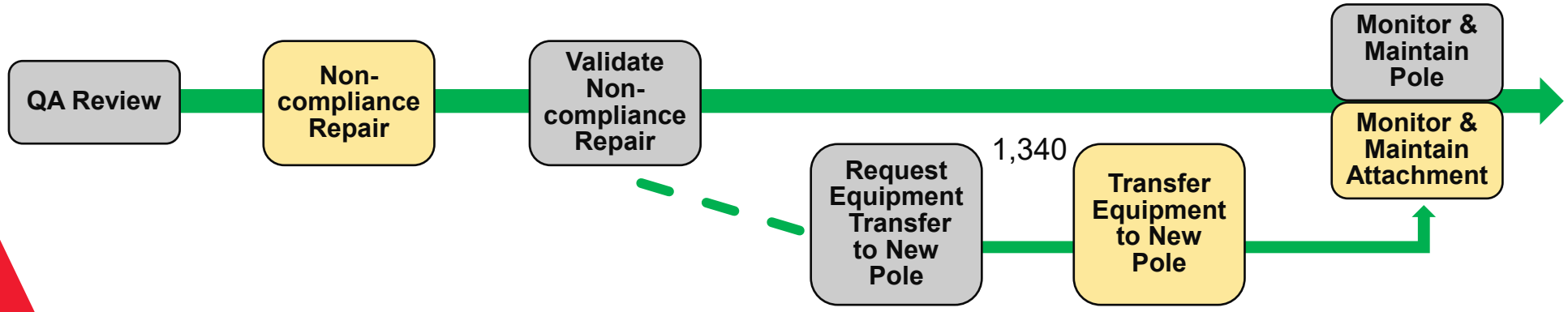
February 13, 2025

- **540,000** attachments to Xcel Energy facilities in MN
- Annual applications have increased by **175%** from 2019 to 2024 (6,500 to 18,000)
- **85%** of poles have multiple attachers
- **2%** of attachment requests denied

Pre-Attachment Phase:



Post-Attachment Phase:



Xcel | Carrier

Xcel Energy®

East Central Energy

RELIABLE ENERGY & FIBER INTERNET

Ty Houglum
Vice President / CIO

OUR MISSION:
Improve the quality of life by safely providing reliable energy and related services, while embracing our cooperative principles.

About ECE

Member owned cooperative – 89 years
Employees: 197

Territory

- 4,500 square miles

Miles of line:

- Electric: 8,536
- Fiber: 1,929

Members

- Electric: 67,642
- Fiber: 3,890

East Central Energy

Your Touchstone Energy® Cooperative

ECE - Pole Attachments

- 110,000 poles
- 6,032 poles have attachments
- 342 added in 2024
- Protecting our members $

Does a Cooperative treat pole attachments differently than an investor-owned utility?

- Safety / Risks are the same
- Average pole cost x Total carrying charge (expense) x percent of pole utilized = joint attachment fee
- Not regulated
- NRECA / FCC formula
    - Followed - not required

Fact Sheet

August 2024

NRECA America's Electric Cooperatives

Myth vs. Fact: Broadband Pole Attachments

Electric cooperatives own and maintain utility poles and rights-of-way to deliver safe and reliable electricity to their members. When feasible from a safety and capacity perspective, co-ops allow communications companies to use their electric infrastructure to support the delivery of broadband, cable television and other communications services. This relationship provides communications companies with valuable access to an existing network of poles for a small fraction of the significant costs that co-ops have incurred to build and maintain reliable electricity across 56% of the nation.

Pole attachment fees charged to communications companies by electric co-ops reflect the unique geographic and demographic characteristics of each co-op's service territory, but in every case, they provide enormous cost savings to communications attachers. Despite this tremendous benefit, some for-profit communications companies contend that pole attachment rental rates and pole replacement fees are preventing them from providing broadband services to rural communities. These are false claims.

MYTH: Electric cooperative pole attachment fees are a barrier to rural broadband deployment.

FACT: Even when offered discounted or free pole attachment rates, the vast majority of for-profit providers have still refused to serve sparsely populated, rough-terrain areas served by co-ops. Executives at some large for-profit providers have conceded that pole attachment rates are not the primary barrier and that eliminating the charge altogether would not necessarily encourage them to deploy broadband to rural areas.[1] Other factors, primarily low population density, have been cited as more significant and prohibitive. Independent analyses by federal and state entities[2] demonstrate that cost-based pole attachment rental rates have little, if any, influence on decisions by for-profit communications companies to invest in broadband infrastructure in rural America. The same economic factors that dissuaded for-profit electric utilities from extending service to rural areas in the 1930s exist today to dissuade for-profit communications companies to provide broadband.

MYTH: Pole attachment fees are a profit center for utility pole owners.

FACT: Electric co-ops charge cost-based rates to help recover a small portion of the network's ongoing basic costs, such as those related to infrastructure maintenance, vegetation management and administration costs. Pole attachment rental rates are a small fraction of the overall cost to build broadband systems in rural areas and represent a significant cost savings for entities deploying broadband. By renting space on existing electric cooperative poles, communications companies avoid the far greater cost and responsibility of building and maintaining their own distribution pole network.

MYTH: Utility pole owners let their infrastructure deteriorate until there is a request for attachments, so the third-party provider bears the cost of pole replacements.

FACT: Cooperatives and other utilities are obligated through electric service agreements to conduct ongoing maintenance of their infrastructure to ensure electric grid resilience and reliability. Routine pole inspections are performed to meet these obligations. Pole replacements paid for by new attachers are not usually due to the age or condition of the pole, but occur instead because a stronger or taller pole is necessary to accommodate the proposed communications attachments. There is no electric system purpose for a taller pole. When replacements are required to accommodate proposed attachments, the co-op charges the replacement costs to the company whose attachment request necessitated the new pole. No profit is made by the co-op, which must divert limited resources to complete the onerous process of replacing poles that would otherwise not need to be replaced. A non-profit co-op must not be required to subsidize the broadband deployment of large for-profit providers.

MYTH: Utilities entering the broadband business undertake anti-competitive measures to disadvantage broadband providers that want to use their poles.

FACT: Electric co-ops recognize the need for high-speed internet connections in their communities and partner with a variety of organizations to provide that service. To that end, co-ops engage in good-faith negotiations with communications providers regarding pole attachment fees, with the shared goal of accelerating broadband expansion while ensuring the safety and reliability of the infrastructure. Cooperatives offering broadband service treat their own broadband affiliate or subsidiary the same way they do any third party requesting an attachment. In many states, this is the law. Claims of anti-competitive behavior are false and made without any evidence.

MYTH: Pole rental fees place a disproportionate cost burden on the third-party provider's rural broadband customers.

FACT: Reaching rural customers is a capital-intensive process, but the pole rental rates charged by cooperatives considerably reduce that cost by providing enormous savings to companies that would otherwise have to build and maintain their own pole infrastrucutre. One electric utility calculated that in 2024 dollars it would cost more than $79,535 per mile to duplicate its pole infrastructure in rural areas. By comparison, the cost to attach to a co-op's pole at an annual rate of $15.39[3] at 18 poles per mile would cost an attacher $277 per mile per year. At this rate, it would take a cable attacher more than 287 years in attachment fees simply to match the initial cost of building one mile of pole infrastructure. That rate would not even contribute to the hundreds of dollars per pole, per year to cover ongoing maintenance, vegetation management, and other costs associated with managing this infrastructure. The data clearly show that the savings to communications attachers are substantial.

MYTH: Regulating pole rental rates will increase investment in rural broadband.

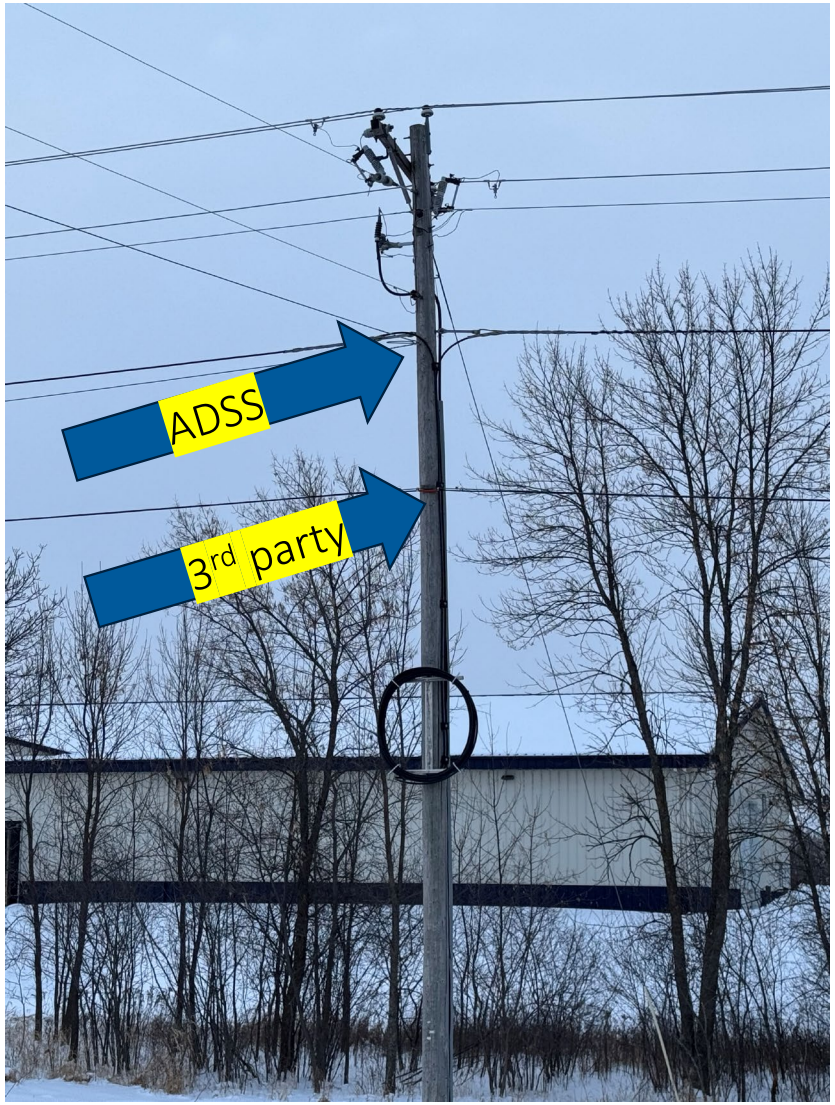
FACT: One-size-fits-all rates do not accurately reflect the cost of attachments and maintenance to co-ops and would only benefit the communications attacher by shifting their deployment costs to the co-op (and ultimately its members). A discount from equitable, cost-based rental rates will not create an economic incentive for communications companies to invest in unserved rural areas. If co-ops were forced into a one-size-fits-all, below-cost attachment rate, there is nothing to stop these for-profit entities from simply pocketing the savings or spending it on urban and suburban systems instead of investing in rural deployment.

MYTH: Utility pole owners don't respond quickly to requests for new attachments.

FACT: Electric cooperatives serving rural America are eager to see all their members receive broadband services and work with many partners to make that happen. Every distribution co-op is classified as a small business entity by the U.S. Small Business Administration. As small, not-for-profit entities, co-ops often initially lack resources to immediately address large, unanticipated pole attachment applications. At the same time, for-profit broadband providers initially lack an understanding of the local conditions and resources. Because of the keen interest on both sides to deploy broadband to unserved areas, these initial hurdles are overcome by both sides working together. Given their shared interest, both sides regularly find a way to work together in good faith to reach a mutually agreeable resolution.

Pole Attachments as an ISP

- Fiber and Electric Divisions
- Clearance requirements
  - ADSS Fiber = 12” below
    - Supply space – treated like electric conductor
  - Third party attachment = 40” below lowest power (ADSS considered lowest power)



East Central Energy

Your Touchstone Energy® Cooperative

Questions?

East Central Energy

Your Touchstone Energy® Cooperative