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BEACONBROADBAND
12/31/22/stoddard

IF YOU LIVE IN CURRY COUNTY AND YOU USE ELECTRICITY ... YOU'RE PROBABLY A MEMBER OF THE COOS CURRY ELECTRIC COOPERATIVE. CCEC. CCEC HAS BEEN PROVIDING ELECTRICITY TO ITS MEMBER CUSTOMERS SINCE THE 1930'S ... BACK WHEN THE NEW DEAL'S RURAL ELECTRIFICATION ACT WAS CREATED TO ... AS ITS NAME IMPLIES ... BRING ELECTRICITY TO RURAL AND ISOLATED PARTS OF THE COUNTRY. THE PLAN WAS TO MAKE GOVERNMENT MONEY AVAILABLE TO PRIVATE COMPANIES WHO BUILT THOSE POWER LINES. AND IT WORKED. ACCORDING TO WIKIPEDIA ... *The Rural Electrification Act was enacted on May 20, 1936 and provided federal loans for the installation of electrical distribution systems to serve isolated rural areas of the United States. The funding was channeled through cooperative electric power companies, and hundreds of them still exist today.* COOS CURRY COOP IS ONE OF THEM. AND THE RURAL ELECTRIFICATION ACT IS A GREAT EXAMPLE OF HOW A SUCCESSFUL PUBLIC PRIVATE PARTNERSHIP CAN HAVE AN IMPACT FOR A LONG ... LONG TIME.

NOW OF COURSE TODAY ... MORE THAN EIGHT DECADES AFTER THE NEW DEAL PROGRAM WAS CREATED ... THE LIGHTS ARE ON EVERYWHERE IN AMERICA. BUT HISTORY OFTEN REPEATS ITSELF ... AND GUESS WHAT? RURAL AMERICA IS RIGHT BACK WHERE IT WAS DURING THE 1930'S ... WAITING FOR POWER. ONLY THIS TIME ... IT'S NOT ELECTRICITY RURAL AMERICA IS WAITING FOR ... IT'S ACCESS TO THE INTERNET. AND THAT'S WHY UNCLE SAM HAS CREATED A NEW PUBLIC PARTNERSHIP FUND. THIS TIME THE FEDERAL GOVERNMENT HAS ALLOCATED MORE THAN 20 BILLION DOLLARS TO SPEND OVER THE NEXT TEN YEARS TO CONNECT RURAL AMERICA THROUGH ITS RURAL DIGITAL OPPORUTNITY FUND ... ALSO KNOWN AS RDOF. IT'S A HUGE INVESTMENT ... AND LIKE THE NEW DEAL PROJECT ... IT'S A PUBLIC PRIVATE PARTNERSHIP. THE GOVERNMENT GOT THINGS STARTED ON Nov. 25, 2020 ... WHEN MORE THAN NINE BILLION DOLLARS WERE PROMISED TO DOZENS OF TELEPHONE COMPANIES, CABLE OPERATORS, FIXED WIRELESS PROVIDERS, SATELLITE OPERATORS AND ... ELECTRIC COOPERATIVES ALL OF WHOM HAVE COMMITTED TO BRINGING BROADBAND TO NEARLY SIX MILLION HARD TO REACH HOMES.

NOW YOU MIGHT THINK OF COOS CURRY ELECTRIC COOP AS SIMPLY YOUR ELECTRIC COMPANY ... BUT THE TRUTH IS ... CCEC AND ELECTRIC

COOPERATIVES IN GENERAL ARE DIFFERENT THAN OTHER UTILITY COMPANIES. HOW? WELL ... AN ELECTRIC COMPANY IS A REGULAR, FOR PROFIT BUSINESS ... YOU'RE JUST A CUSTOMER ... THEY SELL THE ELECTRICITY ... YOU BUY THE ELECTRICITY. BUT IN AN ELECTRIC COOP ... YOU'RE NOT JUST A CUSTOMER ... YOU'RE ALSO A MEMBER ... AND THAT MEANS YOU HAVE A SAY IN HOW THAT BUSINESS IS RUN ... BECAUSE ELECTRIC COOPERATIVES ARE OWNED BY THEIR MEMBERS. AND THERE ARE CCEC MEMBERS WHO BELIEVE THEIR ELECTRIC COOPERATIVE SHOULD STICK WITH WHAT IT KNOWS BEST ... WHICH IS OBVIOUSLY ... DELIVERING ELECTRICITY TO ITS MEMBER CUSTOMERS. AND THAT MAY BE BECAUSE SOME OLD TIMERS REMEMBER THAT AT ONE TIME ... COOS CURRY ELECTRIC COOP ALSO TRIED TO BECOME A SATELLITE COMPANY. BACK IN 1987 CCEC ATTEMPTED TO EXPAND BEYOND PROVIDING ELECTRICITY AND SPUN OFF THE NOW DEFUNCT SOUTH COAST SATELLITE COOPERATIVE ... WELL NOW CCEC HAS STRETCHED OUTSIDE ITS CORE ELECTRICAL BUSINESS AGAIN ... THIS TIME BY OFFERING BROADBAND SERVICES. BUT THIS TIME THE NEW COMPANY ... BEACON BROADBAND ... IS NOT ANOTHER COOPERATIVE LIKE SOUTH COAST SATELLITE WAS ... INSTEAD IT'S A FOR PROFIT BUSINESS THAT WAS CREATED USING CCEC'S GOOD NAME AND ITS GOOD CREDIT. AND THAT HAS SOME CCEC MEMBERS QUESTIONING THE BEACON BROADBAND PROJECT ... IN FACT ... THERE IS A GROUP OF MEMBERS WHO ARE ASKING FOR A PUBLIC MEETING OF THE COOPERATIVE ... BECAUSE THEY BELIEVE THE MEMBERSHIP WAS MISLED ... AND THEY WANT TRANSPARENCY AND ANSWERS FROM THE CCEC BOARD OF DIRECTORS. SO WHAT'S GOING ON WITH BEACON BROADBAND? ... I'M LORI GALLO STODDARD IN THE KCIW NEWSROOM WITH A SPECIAL INVESTIGATIVE REPORT ...

Music bridge

THE INTERNET ... AND CONNECTIVITY ... HAS BECOME AN IMPORTANT PART OF DAILY LIFE IN THE 21ST CENTURY. EVEN BEFORE THE COVID PANDEMIC HIT ... A LOT OF PEOPLE WERE WORKING REMOTELY ... USING THE INTERNET. AND DURING COVID ... WELL WE ALSO RELIED ON THE INTERNET TO LEARN, TO EXERCISE, TO CONNECT AND RECONNECT, TO LEARN HOW TO MAKE SOURDOUGH BREAD AND OF COURSE FOR ENTERTAINMENT. AND AS A RESULT OF COVID ... OR EVEN BEFORE THE PANDEMIC ... THERE WERE CITIES AND COUNTIES THAT RECOGNIZED HOW IMPORTANT RELIABLE INTERNET CONNECTIVITY WAS TO BUSINESS. BUSINESSES ... OF COURSE ... FUEL THE ECONOMY ... KEEP FOLKS EMPLOYED AND HELP TO CREATE OPPORTUNITIES FOR GROWTH.

city-owned city-owned broadband facility, you know, putting conduit in a in fiber optics.

THAT'S CHARLES CHING. HE'S THE CITY OF SAN PABLO'S ASSISTANT CITY MANAGER. IN 2016 SAN PABLO BEGAN A PROJECT TO BRING BROADBAND TO ITS CITIZENS.

Q did you expect to make money on this? I mean, it it seems to me that if the city was putting in Broadband and there's already going, I mean, I'm assuming there's already cable companies, providing that same service. Aren't you in competition with with the other folks?

We were not planning on becoming an internet service. Provider all we wanted was ownership of our infrastructure. Well we we see it as an asset that we own and we don't see this uh, As a business venture for us, this is this is an asset for the city that we feel will enable us to deliver Services better and give a better quality of life for the residents. And again, attract more businesses who are Economic Development efforts. So what I'm hearing from you is that you are looking at this project much like you would look at developing streets, keeping streets going, making sure that people have a place to, to walk from to drive to say, you're looking. Okay? All right. That makes sense to me.

KCIW IS TOLD ... BUT CANNOT CONFIRM ... THAT THE FIRST BUSINESS PLAN FOR CCEC'S BEACON BROADBAND PROJECT WAS VERY SIMILAR TO THE ONE FOR THE CITY OF SAN PABLO ... AND THAT WOULD MAKE SENSE ... BECAUSE THE SAME PERSON CREATED BOTH OF THOSE PLANS. PAUL RECANZONE IS NOW THE GENERAL MANAGER FOR BEACON BROADBAND ... BUT HE STARTED AS A CONSULTANT ... PRESIDENT OF A COMPANY CALLED OHIVEY ... WHICH WAS IN BUSINESS FOR MORE THAN A DOZEN YEARS ... AND DID WORK IN MULTIPLE STATES ... INCLUDING OF COURSE ... SAN PABLO CALIFORNIA AND HERE IN CURRY COUNTY OREGON. NOW AGAIN ... KCIW UNDERSTANDS THAT CCEC'S INITIAL BROADBAND PLAN MAY HAVE SIMPLY CALLED FOR THE BUILDING OF THE BROADBAND INFRASTRUCTURE ... WITH THE UNDERSTANDING THAT ANOTHER ... ESTABLISHED INTERNET PROVIDER WOULD PROVIDE THE ACTUAL SERVICE. JUST LIKE THE CITY OF SAN PABLO. BUT THAT DIDN'T HAPPEN. INSTEAD ... COOS CURRY ELECTRIC COOP DECIDED TO CREATE A NEW COMPANY ... BEACON BROADBAND. NOW ACCORDING TO THE OREGON SECRETARY OF STATE'S WEBSITE ... BEACON BROADBAND IS A FOR PROFIT COMPANY THAT WAS CREATED IN JULY OF 2020. BEACON BROADBAND GENERAL MANAGER PAUL RECANZONE.

I can, if I if I can explain uh the um the for profit, wholly owned subsidiary of Coos Curry Electric Cooperative, uh That's an incredibly important question that gets asked quite frequently. And if you could help us to share the answer to that question, that would be fantastic because we looked at three different models, there were a bunch of different models we looked at, but we looked seriously at three different models. We looked at doing Beacon broadband as a cooperative. We looked at doing Beacon broadband as a division of Curry Electric Cooperative. And we looked at doing Beacon

broadband as a for profit subsidiary. We rejected doing Beacon broadband as a division of Coos Curry Electric Cooperative because the larger our footprint, the better we have the better chance we have to succeed. and doing a larger footprint though, Paul, aren't you serving folks that are outside of the C C E C territory we are. And so if we were nonprofit or if we were a cooperative rather than the revenues generated by the project would return to all of the subscribers of the project, not just to Coos Curry electric cooperative. So that's why we rejected doing this as a cooperative. Don't understand what you're saying.

I'm not trying to be difficult, genuinely. No, that's fine. So so the first, the first model we looked at, should we do it as a division of Coos Curry Electric Cooperative, we said no, we shouldn't because we do want to serve outside of the Coos Curry Electric cooperative territory. We recognize then that Coos Curry Electric Cooperative was going to be taking on the risk to build outside of its geographic territory. If we built it as a cooperative, the cooperative members, which would be the subscribers to become broadband, not just the Coos Curry Electric members, but also all the people outside would receive their capital credits to use the language of why would why would that be a bad thing? Why wouldn't I mean it just, it seems to me that

CCC runs pretty well and we get the capital credit back. So the reason that we didn't want to do that was because Coos Curry Electric Cooperative is taking on the financial risk. And the financial reward would have enured to non members, not not members of Coos Curry Electric Cooperative, they would entered to all of the benefits. The beneficiaries would have been all of the members of Beacon broadband, many of whom had no stake in the financial risk. Okay. But you're still going to be bringing broadband to those people who don't have any stake in the financial risk. That's correct. And we're going to be successful and when we are successful because we are a wholly owned subsidiary of Coos Curry Electric cooperative, 100% of our profits. go to our owner, who is who's Coos Curry Electric Cooperative. So those subscribers to Beacon broadband who are outside of the Coos Curry Electric Cooperative footprint do not get capital credits, they do not get a share in the profit from Beacon broadband only Coos Curry Electric Cooperative does

THAT WAS BEACON BROADBAND GENERAL MANAGER PAUL RECANZONE.
HERE'S CCEC PRESIDENT AND CEO BRENT BISCHOFF .

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here's a specific reason that we uh that. Beacon broadband was organized as a wholly owned subsidiary uh and you know, we can we can tag on for profit, it's just part of the business structure. Um That doesn't necessarily mean that um because the Beacon broadband is is designed to. create profit and and provide it because if they do provide it it's provided to electric and it it rolls back to the membership And and yes, there's risk associated with that. But getting back to the reason for organizing as a wholly owned subsidiary, had we kept Coos Curry or Beacon broadband or broadband service as a

division of electric, we would not have been able to legally provide service outside of coosco electric service territory.

THAT'S REALLY IMPORTANT. AND IT'S SOMETHING CCEC MEMBERS MIGHT NOT HAVE KNOWN. THE EXPANSION OF THE CCEC FOOTPRINT IS KEY TO THE SUCCESS OF THE BEACON BROADBAND PROJECT. WHY? REMEMBER UNCLE SAM'S 20 BILLION DOLLAR RURAL DIGITAL OPPORTUNITY FUND ... WELL THOSE DOLLARS ARE AVAILABLE TO BUILD BROADBAND TO HARD TO REACH HOMES ... LIKE THE ONES IN RURAL COOS AND CURRY COUNTIES. BUT IT LOOKS LIKE ... AND WE CANNOT CONFIRM BECAUSE WE HAVEN'T SEEN A BUSINESS PLAN ... THAT THE PROJECT WOULDN'T MAKE FINANCIAL SENSE WITHOUT ADDING CUSTOMERS **OUTSIDE** OF CCEC'S EXISTING SERVICE AREA. WE'RE NOT SURE WHY COOS CURRY ELECTRIC COOPERATIVE CHOSE NOT TO PARTNER WITH AN EXISTING INTERNET PROVIDER LIKE THE CITY OF SAN PABLO AND INSTEAD DECIDED TO CREATE A NEW ... STAND ALONE COMPANY.

I can't find a business plan for Beacon broadband. Can you send me one? We so we have a lot of proprietary information in our business plan. I'm happy to have you black out anything you need to black out I will work with with Brent bishop, who's my boss. Uh and we'll put together something that uh we believe would cover our proprietary information. That'd be great. I'd also really appreciate, I know that there were several surveys done and I would really appreciate a copy of those surveys. I know that they started, I wanna say even 2017 there might have been one done. Um so there are two or three surveys that were done and I would be really interested to see what the questions are on those surveys and what the results were. So I'm perfectly comfortable sharing the questions. Uh the results would be a huge benefit to our competitors. And so we have not uh we have not shared the detail of the results. We have shared many of the uh summaries of the results. Well, thank you and I would really appreciate seeing the the the questions that would be that that would be super helpful because you know, I want to do a complete um a complete story. Um. But some of the things that I've seen some of the information that I've seen basically says that in the survey, what are in one of the surveys um which was um reinforced by subsequent surveys is that that there are about 20% of the folks here in the CCEC footprint who don't have access to um good broadband. And so that's why uh CCC went ahead to um start this project to to basically be altruistic be like your grandpa um bring bring the 21st century to folks who don't have it yet, mind you that's within the parameters of and don't lose money doing it. That's what people are worried about Paul.

NOW YOU SHOULD KNOW ... BEACON BROADBAND IS AN EXPENSIVE PROJECT. WE KNOW THAT CCEC AND BEACON BROADBAND EXECUTIVES HAVE USED COOS CURRY ELECTRIC COOP'S CREDIT TO SECURE AT LEAST ONE 60-MILLION DOLLAR LINE OF CREDIT LOAN ... BUT IT'S NOT CLEAR

WHAT THE FINAL COST OF THE PROJECT WILL BE. CCEC CHIEF BRENT BISCHOFF HAS STATED PUBLICALLY THAT THE PROJECT WON'T COST MEMBERS MORE THAN 60-MILLION DOLLARS ... BUT THAT'S NOT NECESSARILY THE BOTTOM LINE... BECAUSE THAT 60 MILLION DOLLAR NUMBER DOESN'T INCLUDE ANY GRANTS OR FEDERAL FUNDING. IN FACT ... KCIW HAS DISCOVERED AT LEAST ONE GRANT FROM THE STATE OF OREGON'S RURAL FUNDING INITIATIVE TO BEACON BROADBAND FOR 20 MILLION DOLLARS ... AND WE KNOW THAT UNCLE SAM'S RDOF FUNDING WILL ADD ANOTHER 14 MILLION OVER THE NEXT TEN YEARS ... BUT WE DON'T KNOW IF THE GOVERNMENT DOLLARS ARE GOING TO BE SPENT IN ADDITION TO ... OR AGAINST THAT 60-MILLION DOLLAR LINE OF CREDIT. THERE WAS ANOTHER LINE OF CREDIT ... THIS ONE WE'RE TOLD WAS FOR TWELVE MILLION DOLLARS AND WAS RETIRED ... AND WE'RE NOT SURE ABOUT CAPITAL CREDITS ... MONEY FROM COOS CURRY ELECTRIC COOPERATIVE ... WHICH MAY HAVE BEEN PAID TO BEACON BROADBAND. AND ALTHOUGH WE HAVE ASKED FOR ... WE HAVE NOT SEEN A BUSINESS PLAN SO WE HAVE NO IDEA WHAT THE FINAL NUMBERS ARE ... WE SIMPLY DON'T KNOW THE COST OF THE BEACON BROADBAND PROJECT. ITS FINANCIAL RISKS OR ITS BENEFITS. BUT BEACON BROADBAND GENERAL MANAGER PAUL RECANZONE SAYS THE FINAL COST WILL COME TO MORE THAN 60 MILLION DOLLARS.

and we are engaged in finding additional, not just loans but we're finding additional grants and other things that help us to be able to build. But what you're saying is that you believe it's going to cost \$60 million to build out the footprint and um that will service more than just the C C. E folks that will service beyond our our. I guess electrical footprint um and that's gonna be \$60 million. That is the that is uh a correct, just a small correction on the \$60 million it's probably gonna cost us a little bit more than \$60 million. Uh the maximum borrowing capacity that coos curry electric cooperative granted the Beacon broadband when Beacon broad band was formed was \$60 million. So we have no we have no means to borrow more than that

BUT ... AGAIN ... THAT 60 MILLION DOLLAR NUMBER COULD BE LESS THAN THE ACTUAL COST OF THE BEACON BROADBAND PROJECT. WE DO KNOW THE PROJECT WILL MEAN INSTALLING ABOUT 14-HUNDRED MILES OF FIBER OVER SOME PRETTY ROUGH TERRAIN. INITIALLY IT WAS EXPECTED TO TAKE ABOUT TWO AND A HALF YEARS ... BUT REVISED ESTIMATES SHOW WE'RE PROBABLY LOOKING AT MORE LIKE FOUR TO SIX YEARS BEFORE COMPLETION. IT'S HARD TO KNOW EXACTLY WHAT THE EXPECTATIONS OR THE PLAN IS FOR BEACON BROADBAND BECAUSE VERY LITTLE SUBSTANTIVE INFORMATION BEEN RELEASED. AND WHAT WE DO KNOW HAS BEEN COBBLED TOGETHER AFTER MONTHS OF RESEARCH AND MULTIPLE INTERVIEWS. HERE'S WHAT WE'VE FOUND OUT.

CCEC DID TWO FEASABILITY STUDIES AS WELL AS SEVERAL OTHER INFORMAL AND WHAT THEY CALL STATISTICALLY ACURATE SURVEYS BETWEEN 2017 AND 2020 ... AS WELL AS A PRE-REGISTRATION PROGRAM ... AND WE UNDERSTAND THAT ABOUT 15% OF THE CCEC MEMBERSHIP SIGNED UP. WE'RE TOLD THOSE SURVEYS SHOWED 15 TO 20 PERCENT OF CCEC CUSTOMERS DON'T HAVE INTERNET ... AND ANOTHER 20 TO 25 PERCENT WHO DID HAVE INTERNET WOULD BE WILLING TO SWITCH PROVIDERS. KCIW HAS ASKED FOR BUT HAS BEEN REFUSED COPIES OF THOSE SURVEYS ... BUT WE WERE GIVEN A COPY OF THE SURVEY QUESTIONS WHICH WERE ASKED IN 2018 BY DHM RESEARCH. THE PUPOSE OF THAT SURVEY WAS TO FIND OUT IF CCEC MEMBERS WOULD BE INTERESTED IN BROADBAND SERVICE OFFERED BY THE COOPERATIVE. HERE'S AN EXAMPLE QUESTION... *If affordable, fast and reliable internet services might be offered in association with Coos-Curry Electric Cooperative via a new "fiber to the home" network ... How likely would you be to switch to one of these services if it became available at your home?*

NOTICE THAT THE QUESTION WAS ABOUT BROADBAND SERVICES OFFERED IN ASSOCIATION WITH CCEC. THAT'S AN IMPORTANT POINT TO REMEMBER. BECAUSE ALTHOUGH FOLKS RESPONDING TO THE SURVEY MAY HAVE BELIEVED THAT CCEC WAS GOING TO BE PROVIDING BROADBAND THROUGH ITS COOPERATIVE. THAT DIDN'T HAPPEN. INSTEAD ... AS YOU KNOW ... CCEC DEVELOPED A BUSINESS PLAN AND ORGANIZED BEACON BROADBAND INCORPORATED AS A WHOLLY OWNED SUBSIDIARY WITH PAUL RECANZONE AT ITS HEAD. REMEMBER RECANZONE IS THE FORMER CONSULTANT WITH MORE THAN A DOZEN YEARS OF EXPERIENCE WORKING WITH GOVERNMENT AGENCIES. HE KNEW ALL ABOUT THE BROADBAND AND GOVERNMENT FUNDING OPPORTUNITIES ... INCLUDING THE HUGE 20 BILLION DOLLAR NEW INFRASTRUCURE INVESTMENT PACKAGE ... WHICH INCLUDES THE RURAL DIGITAL OPPORTUNITY FUND. IN FACT ... IN ITS APPLICATION TO RDOF THE COMPANY SAYS ... QUOTING IN PART HERE ... "BEACON BROADBAND'S BUSINESS WAS CONDITIONED ON THE RECEIPT OF SUFFICIENT FUNDING FROM THE RDOF AUCTION." SO FROM THE BEGINNING ... IT WAS UNDERSTOOD BY CCEC AND BEACON BROADBAND EXECUTIVES THAT RDOF DOLLARS ... FEDERAL GRANTS ... WERE A CORNERSTONE OF ITS BUSINESS PLAN.

RDOF ... THE RURAL DIGITAL OPPORTUNITY FUND CONTAINS MORE THAN 20 BILLION DOLLARS ... MONEY THAT IS TO BE USED EXPLICITLY FOR BUILDING A BROADBAND NETWORK TO CONNECT RURAL AMERICA. THE MONEY WILL BE RELEASED OVER A TEN-YEAR PERIOD ... AND IT DISTRIBUTES THE MONEY TO THE WINNERS OF A REVERSE AUCTION PROCESS. IT'S A LITTLE BIT LIKE THAT OLD GAME SHOW NAME THAT TUNE. THE GOVERNMENT SAYS HERE'S AN AREA ... A CENSUS BLOCK THAT NEEDS BROADBAND ... AND COMPANIES BID ON THAT AREA ... CITING THE BOTTOM LINE IT WOULD COST TO BUILD

OUT BROADBAND TO CONNECT EACH OF THOSE CENSUS BLOCKS. ALONG THE SOUTHERN OREGON COAST THERE ARE ALREADY SEVERAL CABLE PROVIDERS, SO BEACON BROADBAND COULD BE BIDDING AGAINST ANY OR ALL OF THEM AT RDOF AUCTIONS ... BECAUSE ZIPLY FIBER, SPECTRUM CABLE AND STARLINK AMONG MANY OTHERS ... ARE ALL COMPETING FOR THOSE RDOF DOLLARS. BOTTOM LINE? THE GOVERNMENT CHOOSES THE ORGANIZATION THAT SAYS IT CAN DO THE WORK. AND IN 2020 BEACON BROADBAND WAS AWARDED 14 MILLION DOLLARS TO BUILD CONNECTIONS TO ABOUT TWO DOZEN CENSUS BLOCKS. BUT YOU MAY NOT KNOW THAT A LOT OF THAT WORK WILL HAPPEN OUTSIDE OF THE COOS CURRY ELECTRIC COOP'S FOOTPRINT. THAT'S IN PART BECAUSE KCIW HAS BEEN TOLD BUT CANNOT CONFIRM THAT IN THE ORIGINAL BUSINESS PLAN ... BEACON BROADBAND WASN'T EXPECTED TO BE PROFITABLE UNLESS IT USED RDOF FUNDS ... AND IT WOULDN'T HAVE QUALIFIED FOR WHAT IT CALLS SUFFICIENT RDOF FUNDING ... IF IT DIDN'T ADD IN THOSE ADDITIONAL RURAL AREAS TO BUILD ITS NETWORK. BEACON GM PAUL RECANZONE TOLD KCIW IN AN EMAIL ... QUOTING HERE ... *To clarify, one reason Beacon Broadband serves areas outside of the CCEC service territory is to improve the financial performance of the broadband project. There are fixed costs that must be sustained and the larger the footprint we can spread those fixed costs, the more likely project success is.*

BEACON BROADBAND GENERAL MANAGER PAUL RECANZONE.

I believe that people want broadband service as per the beginning of our conversation uh and whether it's the huge big speeds, uh there is a driving hunger for speeds above 10 megabytes per second. That driving hunger is demonstrated by the fact that more than 2000 people have sent us a \$50 pre registration fee. Initially I hope that we build, I'll tell you I'll tell you why I sent it um I thought that it was going to be part of the co op, I thought that I was going to be getting uh that it was just going to be C C E C. And it was just going to be offering besides my electricity, it would be offering me broadband. And that it would be part of the co op and that's why I that's why I paid the 50 bucks, that was my understanding um and I'm not alone, there are a lot of other people who thought the same thing, so when when it turned into go ahead I'm sorry, well so when it's turned into a for profit business and and it seems um because of the because of the whole Georgia Cockerham thing. that something is being hidden um that's why I'm that's why I'm curious. Yeah, so I mean if we were limited uh even at 20,000 addresses, which which which is what we're scheduled to pass right now? Uh that's a pretty tight market. We want to have as big of a possible market to serve as we can get to. Because the more addresses we can pass, the more subscribers we can have. uh the more opportunity we have to increase our our average revenue per user and the more opportunity we have to uh to build. uh just a uh an overwhelming sense of success, which attracts more customers, all good and all wonderful.

But you're C C E. C delivers electricity. And so this is a new business, it's a whole new part of what you're doing and it's being funded by me, I'm I'm part of that funding. So I and and you know, I'm saying me because I've got people calling me um so that's why there's skepticism, I guess questions and especially because of what Georgia saying, Georgia saying that it's gonna cost a lot more that we weren't given um information.

GEORGIA COCKERHAM IS AN ELECTED MEMBER OF THE COOS CURRY ELECTRIC COOP BOARD ... SHE BELIEVES THAT THE BEACON BROADBAND PROJECT WAS NOT CLEARLY EXPLAINED TO THE MEMBERS OF CCEC ... AND SHE ASKED THE BOARD TO PASS SEVERAL MOTIONS ... TO CREATE MORE TRANSPARENCY TO THE COOPERATIVE'S MEMBERS ABOUT THE BEACON BROADBAND PROJECT AND ITS FUNDING ... AND FOR MEMBER PARTICIPATION IN MEETINGS. BUT THOSE MOTIONS WERE VOTED DOWN. SO COCKERHAM PAID FOR A NEWSPAPER AD... OUTLINING ELEVEN REASONS FOR HER CONCERNS ABOUT THE BEACON BROADBAND PROJECT. AND AS A RESULT ... GEORGIA COCKERHAM WAS CENSURED ... AND STRIPPED OF HER LEADERSHIP ROLES BY THE COOS CURRY ELECTRIC COOP'S BOARD OF DIRECTORS.

Um I'm looking at, I've I've looked at again minutes um from some of the meetings and. you know, she asked for things like can people come in and talk to the board? No, they can't um can we can we let people know that there have been costs um associated with this. No, we can't. So it just. I'm feeling a little bit frustrated and I don't and I don't want to be um but I'm I'm just trying to, I want you to reassure me, I guess so they're obviously costs associated with starting a new business and building a fiber optic network. Unquestionably costs associated with it. Uh Beacon broadband is responsible for those costs, who's Corey Electric Cooperative is only responsible in the event that Beacon broadband cannot pay them. And so only in the event of a failure of this business is who's Corey Electric Cooperative, responsible for Beacon broadband's financial burden. We are not borrowing money from the cooperative. We are borrowing money from an organization called Cobank and Cobank is one of the largest lenders to telecommunications projects in the United States of America. Uh we have a commitment from co bank to lend us up to the \$60 million dollars that were approved to borrow. So we're at no risk of having our capital funding cut off from us. Uh and we have uh what I believe is a fairly conservative business model that shows that in year 13 we pay off our uh we we reach break even. That we have our debt service covered. If we if we dedicate all of our profit, which normally you don't do that with a business, we're not gonna dedicate all of our profit towards debt repayment, but if we were to dedicate all of our profit to debt repayment, we were each repayment in year 13.

COOS CURRY ELECTRIC CEO BRENT BISCHOFF SAYS HE BELIEVES IN CCEC'S COMMITMENT TO BRINGING BROADBAND TO RURAL OREGON. AND THAT

THE BOARD DID ITS HOMEWORK BEFORE PULLING THE TRIGGER ON THE BEACON BROADBAND PROJECT.

you did say that um you went to all of these places, you talk to all of these folks. You learned that electric co ops are really well positioned. You hired paul to do a business plan. Where's the business plan? Can I take a look at the business plan? Can you you talk about, you know, the the good feelings with the the cooperative members. There are some members who are feeling like they're in the dark right now because they haven't seen things and they're and they're watching one of their um board members get censored and silenced.

the questions that I would have for you, that that that I would want to be answered is, you know, what are the risks who was surveyed? Um you know, I know that the bylaws were changed And I know that there's a group that's trying to get a petition so that they can ask those questions and that they were turned down at the at the last meeting. Uh sure we can talk about some of that stuff. I'd be happy to chat with you about that, you know, at our June 2022, uh annual meeting of the coos curry electric membership, uh we gave a comprehensive overview of uh the the electric and beacon broadband, financials, uh audited financials from 2021, which beacon broadband was just getting a start at that point. Uh We provided a thorough overview of of the history of Beacon broadband and coos curry electrics studies and and worked in uh getting us to that point of the board making a decision to move forward with the broadband project. And. Uh and then we provided the status update and we'll provide that uh same status update uh to the membership in 2023 when we have our annual meeting. And in the meantime, the uh the members of the board elected to uh to conduct the the business and the governance of coos curry electric cooperative and beacon broadband, uh have there. their hand on the wheel and are are carefully managing the project from, from that board perspective. Um. and uh you know, as you mentioned, director Cockerham was uh was reelected, uh there were two other directors, reelected at the same time. Uh and eh and so, you know, I I can't speak to um. to, to the feelings or concerns of those members that you mentioned, I certainly don't want to uh extrapolate and though I've spoken to to many of them I've spoken to uh anyone who's reached out to me and expressed concern. Um We've had a number of those members have come into our uh electric board meetings and and spoken with the board and uh and and interacted and so. I I I certainly recognize that there are questions out there and at the same time we have uh we have uh an even a much much larger uh contingent of our membership who is is calling and asking the questions on a regular basis. Uh when is when is Beacon broadband gonna be available to me because I I really need it and I'm really excited about it? Well I'm not I yeah I don't. I don't question that and I like I will repeat to you, I like that you guys are doing this. I think it's wonderful to be doing it but but but. you guys are a co op and there are members and p the p the membership basically owns the co op. So my question to you again is just gonna be about the financials, you said that it's gonna be \$60 million

well \$60 million at \$55 a person. Um That that's a lot of people that you have to get in order to make up that \$60 million. So I think that that's what people. So we we anticipate the Business plan demonstrates that uh that by the end of our build out phase that we anticipate uh between 8 to 10,000 customers and that the the the project will uh in a period of time on a short period of time within a period of a year or two after. um if not before the end of the build out will be cash flow positive. And uh and that will have an a return on investment. um in in the 10 to 12 year time period. And we're building an asset that is a um you know, according to the to the lenders, it's a 30 year asset, but the reality is it's a 50 to 70 year asset. And so uh we are, we are looking at this as a as a long term investment, and it's it's um that's one of the things that I understand and talking with some of our members who express these concern is that they're looking at it from the perspective of. The uh the investor owned utilities that are looking for Roy, you know, on the order of 3-5 years. And that's not our business model. Uh our our intention is to do it in an affordable way. Uh and and from the beginning, the directors have set the, the uh. the the the sideboard or the uh the guidance to staff that we will, we will not use electric rates to subsidize the broadband project that it has to be a self sustaining project. And so that's uh that's the premise that we are in the direction that we're operating under. And that's uh that's how Beacon broadband operates today and will into the future, all of which is positive, all of which is wonderful, all of which I think if you just let people see what you're talking about would make any kind of um challenge to what you're doing, go away. So my question again is can I see your business plan, can I get copies of the survey? I hope you can, I hope you can understand that unlike the electric utility, our our broadband project operates in a competitive environment. and as such, uh we we do need to be mindful of that and so we are careful as to what business information, uh we consider. business confidential and want to keep out of the hands of of our competitors who won't hesitate to use that against us.

Music bridge

YOU SHOULD KNOW THAT AS A COOPERATIVE MEMBER OWNER YOU HAVE RIGHTS. BUT EVEN THOUGH YOU HAVE A SAY IN HOW YOUR COOP IS RUN ... CCEC BOARD OF DIRECTOR MEETINGS ARE CLOSED TO THE PUBLIC. AND INTERESTINGLY ... CCEC BOARD MEETINGS ARE ALSO CLOSED TO THE MEDIA. NOW OREGON HAS EXPLICIT RULES WHEN IT COMES TO ELECTED BOARDS AND SECRET MEETINGS ... THE STATE'S PUBLIC MEETINGS LAW WAS ENACTED 1973 ... AND EVEN THOUGH THE CCEC BOARD OF DIRECTORS IS AN ELECTED BOARD ... THE COOP IS LEGALLY A PRIVATE BODY ... SO LEGALLY IT ISN'T BOUND BY LAW TO OPEN ITS MEETINGS TO THE PUBLIC OR TO THE MEDIA. ACCORDING TO THE CCEC WEBSITE ... *Coos-Curry Electric is governed by a member-elected board of directors. The board, which meets*

monthly, is responsible for setting policy, overseeing our financials, and planning for our future. SO MEMBERS ELECT REPRESENTATIVES TO MAKE IMPORTANT DECISIONS ABOUT HOW THEY WANT THE COMPANY TO BE RUN AND AT CCEC ... THERE ARE SEVEN BOARD MEMBERS WHO ARE ELECTED IN STAGGERED YEARS ... EACH SERVING A MULTI-YEAR TERM. AND EVERY BOARD MEMBER IS PAID A STIPEND FOR THEIR SERVICE ... KCIW HAS BEEN TOLD THAT COMES TO ABOUT TEN THOUSAND DOLLARS A YEAR FOR TRAVEL AND OTHER EXPENSES.

GEORGIA COCKERHAM WAS FIRST ELECTED TO THE CCEC BOARD IN 2013 ... AND SHE WAS RE-ELECTED TO HER POSITION IN JUNE OF 2022. BUT REMEMBER SHE HAD BEEN CENSURED AND SILENCED BY THE CCEC BOARD OF DIRECTORS AFTER SHE WROTE ABOUT WHAT SHE BELIEVED WAS A LACK OF TRANSPARENCY ABOUT BEACON BROADBAND. AND EVEN THOUGH CCEC AND BEACON BROADBAND BOARD MEETINGS HAVE BEEN ... FOR THE MOST PART ... CLOSED TO THE PUBLIC ... CCEC MEMBERS ARE WELCOME ONCE A YEAR TO VOICE THEIR OPINIONS TO THE MEMBERSHIP AND TO THE BOARD. IN FACT ... THE CCEC BYLAWS CALL FOR A YEARLY MEETING OPEN TO THE ENTIRE MEMBERSHIP. AND AT THE ANNUAL MEETING IN JUNE OF 2022 ... MEMBERS MADE SEVERAL MOTIONS ... THEY MOVED AND SECONDED THAT COCKERHAM BE REINSTATED TO HER PREVIOUS BOARD POSITIONS ... FOR AN AUDIT OF BEACON BROADBAND ... AND THEY MOVED THAT CCEC BOARD MEETINGS BE OPEN TO MEMBERS WITHOUT RESTRICTION ... BUT THOSE MOTIONS ... WHICH WERE MADE BY MEMBERS ... NOT BOARD MEMBERS ... WERE TABLED FOR CONSIDERATION ... THEY WERE NOT VOTED ON THAT DAY. INSTEAD ... THOSE MOTIONS WERE VOTED ON AT THE NEXT CCEC BOARD MEETING AND NONE PASSED. THAT PROMPTED A GROUP TO CIRCULATE A PETITION ...

MEMBER LYNN COKER SAYS THEY WANT TO FORCE ANOTHER OPEN MEETING OF CCEC MEMBERS ...

What do you hope to achieve? I suggest to you that you don't know enough. And as good as I may think I am, I'm sure I don't know enough to come up with specific recommendations on how to fix this problem. But I am certain in my head, in my heart that we will be able to do that working cooperatively between the members and the board. If we have transparency, we have board accountability and we have member controls assigned democratic processes of the coop.

So one of the things that um General Manager reckons own and Ceo Bishop has said about Beacon broadband is that it is the altruistic thing to do that uh just like back in the thirties with the rural electrification Act, um this is something that we need to do for the future. Do you have a response to that? We don't see the reality of them being able to protect the members. If the dominant reason for going to market with this massive infrastructure program is all truism. we don't see anything that suggests that this entire

undertaking has been put together with an intent on doing anything but losing money, Now if they were a foundation and they were seeking funding, that's that's a different equation, but this has been pitched to the members as a commercial undertaking and that we would be protected from any risks associated with this downfall. We don't see it as a commercial operation. We don't think that they've got a plan in order to that will actually produce a positive net income out of it once they get operational. And we think they are doing a very poor job of shell sheltering the members from risk.

this thing is absolutely uh hemorrhage of gargantuan proportions of money and the only way I can survive. is not gonna be because they have a lot of clients, it's not gonna succeed because they because Beacon broadband is able to go out there and charge twice or three times what the competition was gonna charge, it's only gonna survive if they are federal and state grants. And uh I'm going to say 100 to 100 and \$50 million. minimum in order for this thing to be deployed correctly. So what do we do? I mean, what's the what's the at this point, the horses are out of the barn? So what do we do then? Well, one of the specific recommendations that we've done is we've said that into advance the cause for enhancing transparency, for creating greater board accountability to the members and for giving greater control to the democratic processes to members. One of the things we've said is that we need to have a special member meeting, and that's the purpose of our petition is that we believe that we need to sit down as a member organization with our boat, our board and put the facts on the table from the board side and the concerns from the member side and hammer out what is a a successful path that will have the milestones that members can. understand and they can uh measure and hold the board accountable to in order to keep the boat moving forward. The other thing that we're asking for uh uh along with the special meeting is what's called a project audit. Now there are lots of kinds of audits, tax audits, uh annual audits, operating audits, we're asking for a project audit. Uh They're they're not inconsequential, but they look from stem to stern relative to infrastructure build out projects such as what Beacon broadband is attempting to do. So a project audit would then be delivered to both the board and to the members and we would then have an opportunity to go back through that based on the recommendations of the consultants in order to help set the ship. Right. If you waved a magic wand What would you want to happen with Beacon broadband? Um. The special member meeting. is something that I think is critical? Uh I think the transparency, the board accountability in the member control, those are essential items. And I think the uh the project audit is absolutely absolutely essential. Those are um pillars to the real success for our C C E C. Whether they bring along Beacon broadband or they sell it off, that's yet to be determined. But at least those five things are really very, very important to the members at this point.

MEANWHILE ... THE PROJECT IS UNDERWAY. BEACON BROADBAND BROKE GROUND IN APRIL OF 2021 ... AND IS NOW ACTIVELY SOLICITING NEW CUSTOMERS. THAT'S VICE PRESIDENT OF MARKETING BILL GERSKI'S JOB

So so talk to me about your metrics, how, how what are, how many customers do you need to become profitable? I know that the, the companies, you know, spent an awful lot of money, but you you're gonna have to have as in advertising and marketing, I'm sure you're gonna have some metrics that you need to meet. So how many folks do you need to sign up by when and, what are you hoping? I that's a great question. I guess the goal now is to build the system out within 4 to 5 years. And that's approximately about, you know, you're looking at 14,000 homes that are within the area and then there's about 6000 homes around, is it langlois? Am I pronouncing it right, langley and outside Bandon and Powers. So there's about 6000 homes that will be built out in those areas and we'll be able that gives us a total about 20,000 homes and we'd like to have that built within the next four to five years So we should add approximately about 2000 homes per year, Based on about 35 to 40% penetration. And what what's the pricing, The the pricing is basically you you're you're getting three different packages which is your 500 MB/s, which is symmetrical, which means it's the same speed up and down, that's only \$55 a month. Then you're getting one gig which is 1000 MB symmetrical up and down for \$85 a month. And you're getting two gig 2000 megabytes per second up and down for 100 and \$20 a month. And our phone service is only \$15 a month, unlimited? Local distance, unlimited, local and long distance in the continental U. S. Is it, is it a landline or is it a cell?

It's a call, it's used to the internet, so it just plugs into our internet and it's a voice over internet protocol type phone. So unless it's it is a landline in essence, but through wifi you're gonna get much better coverage off your cell phone too. So once you use your cell phone you can tie into our wifi and between the 501 gig and two gig you should get much better wifi signal coverage throughout your house. And um talk to me about the differences in between uh 500 and a two gig um, product. Well you're, I mean I'm at home, I'm watching, I'm watching netflix, I'm you know I'm average joe and Betty six pack or join Betty wine cooler and I'm sitting at home and I'm using your product to basically to stream and watch tv or stream. Um What's what's the difference between the 500 the two gig, besides five 100 of course, of course so 500 is 500 MB/s, both up and down now the typical home, out there right now is probably if you're getting like spectrum or something like that you're probably only getting 20 to 100 megabytes per second and it's probably a lot of buffering and such like that, so 500 megabytes if you were to um the way I would best describe it if if Laura was living at home and you worked a lot and you're doing articles and you're doing everything, you come home and you do your email and you upload a couple of different things and you're not too busy but you need your internet that's 500 megabytes per second that's gonna more than suffice you now you have a husband, And he's doing his

business from, you're doing work from home and you've got uh the average home in America right now has 25 working devices, that's the average that's read that bill and I just find that really hard to believe. I mean I'm looking at wanting to delay Lloyd. Yeah you know, delayed is that's uh Numbers that's their numbers 25 um devices per home. So if you and your husband and you guys are working and you're doing your stuff and he's here you have to upload your stuff, you're probably looking at one gig now let's say you've got three or four kids and they all have their laptops and they all have their X boxes and you have four or five T. V sets around the house and they're all streaming your stuff and then you've got your doorbells and you've got your ring doorbells and you've got, so now you're up to 40 50 devices that are in the house, you possibly might want two gig, you're working from home, you got all the stuff it's a it's it's out there, it's available, you know, I mean it's easy for us to provide it. Well you said you've mentioned a couple of times, you've mentioned video, tell me what you mean by video you're going to be are you gonna start offering? We're gonna be offering a streaming video service, so that has all the channels similar to similar to youtube tv only, it's gonna be a streaming video service that we will offer.

GERSKI SAYS HE HOPES TO TAKE CUSTOMERS FROM BOTH SPECTRUM AND ZIPLEY AND SAYS THAT WITHIN THE NEXT SIX YEARS ... BEACON BROADBAND WILL BE IN ABOUT HALF OF THE HOMES IN THIS AREA ... AND IT'S IMPORTANT TO POINT OUT THAT BEACON BROADBAND WILL SERVE FOLKS BOTH INSIDE AND OUTSIDE OF THE CCEC FOOTPRINT.

SO THE BOTTOM LINE IS THIS. THE COOS CURRY ELECTRIC COOPERATIVE HAS CREATED A NEW ... FOR PROFIT COMPANY CALLED BEACON BROADBAND. BEACON BROADBAND IS PARTIALLY FUNDED BY A 60 MILLION DOLLAR LOAN FROM CCEC ... AS WELL AS AT LEAST 14 MILLION DOLLARS IN RDOF FUNDING ... ANOTHER POSSIBLE 20 MILLION DOLLARS IN STATE FUNDING ... AS WELL AS POSSIBLE CAPITAL FUNDING FROM CCEC. CCEC AND BEACON BROADBAND EXECUTIVES HAVE SAID PUBLICALLY THAT THE PROJECT WON'T BE SUCCESSFUL WITHOUT WHAT IT CALLS SUFFICIENT RDOF FUNDS ... OR WITHOUT EXPANDING ITS GEOGRAPHICAL FOOTPRINT. THAT MEANS UNLESS THERE ARE BEACON BROADBAND CUSTOMERS WHO ARE NOT ALSO CCEC MEMBERS ...THE PROJECT WON'T PENCIL OUT. AND WITH THE CCEC BOARD OF DIRECTORS EFFECTIVELY SILENCING THE ONLY ELECTED OFFICIAL WHO QUESTIONED THE PROJECT ...AND WITH THE BOARD ALSO SEEMING TO CLOSE THE DOOR ON ANY DISCUSSION OR EXPLANATION OF ITS DECISIONS REGARDING THE FINANCIAL IMPLICATIONS OF BEACON BROADBAND TO CCEC AND TO ITS MEMBERSHIP ... THE MEMBERS OF COOS CURRY ELECTRIC COOPERATIVE SIMPLY DON'T KNOW WHAT THE RAMIFICATIONS OF BEACON BROADBAND COULD BE. BOTTOM LINE IS THIS ... IF IT'S SUCCESSFUL ... WILL IT AFFECT YOUR ELECTRIC OR BROADBAND RATES? AND IF IT'S NOT ... WHAT WILL BEACON BROADBAND COST YOU?

FOR KCIW NEWS ... I'M LGS.

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