

## **YOUR ELECTRIC COOPERATIVE.....WHAT YOU DON'T KNOW**

**My name is Georgia Cockerham.** Although I serve on the board of directors (the Board) for both Coos Curry Electric Cooperative (CCEC) and Beacon Broadband (BB), the following are my comments as a citizen, CCEC member, and retired financial advisor. Any opinions expressed are not meant to represent those by CCEC, BB, its boards or employees.

I am writing to CCEC members with information relevant to the BB project. I am writing to provide awareness of key details that have not been released to the public, and to correct misconceptions based upon what's been publicized thus far.

To be clear, I believe broadband is a great telecommunications asset. I voted not to proceed with the broadband project for several reasons, including my belief that it will not generate enough revenue to pay for its costs both during construction and following completion. My opinion has not changed. On multiple occasions over the past eighteen months the CEO and Board discussed the need to inform the public about the risks of the project. This has not been done. Following additional decisions with which I disagreed, I decided that if the members were to learn of the same risks that the Board has known all along, it will require my speaking up. The members should also know that the Board was informed to expect, before the project was started, that BB's internet service would come from Charter Spectrum and LS Networks.

My intent is to provide education and understanding in the spirit of transparency. I will support the direction voiced by CCEC's members after they are made aware of both the financial risks to themselves and our electric cooperative.

Coos-Curry Electric Cooperative is owned by those who purchase their electricity from the cooperative. Because it is a cooperative, the owners are called members rather than customers. CCEC is a nonprofit entity that must return to its members any revenue in excess of what is necessary to maintain the overall health and integrity of the electric company.

### **KEY INFORMATION:**

**1) MEMBER VOTE:** Two years ago, the membership was asked to vote on several suggested changes to CCEC's Bylaws. One of these changes gave authority to CCEC to "assist its members to provide to their premises and install therein, .... broadband...." The bylaw changes were voted on by

membership and passed. Upon receipt of the results of this vote, CCEC management, at the direction of a majority board vote, moved forward with its plan to deploy broadband. Was it the members' intent for their "yes" votes to allow CCEC to build a for profit broadband network regardless of whether it was or was not financially feasible? Did it give CCEC the authorization to unilaterally enter a business that puts the electric cooperative at risk and creates financial hardship to its members?

**2) SURVEY:** Before starting the project, CCEC paid for a survey to be distributed to a random sample of CCEC members. The purpose of the survey was to gauge both interest and need for a new broadband company. The survey results did not provide evidence that a broadband project and ongoing business by CCEC would be able to financially support itself. On the contrary, the results indicated that the great majority of the CCEC

membership population already had access to high-speed internet. Most of these members were customers of Charter Spectrum. Were you part of the survey? I believe that CCEC should have disclosed the results of this survey and the Board's analysis of the results before applying for a \$60 million loan and starting the project. The following is information that CCEC did not disclose to its members before applying for the loan.

3. **3) ZIPLY FIBER:** Before starting the project, CCEC learned that Ziplly Fiber, an experienced northwest telecommunications company, was deploying broadband across the northwest and planned to be in the southern Oregon coast area within eighteen months. Ziplly is here.
4. **4) COMPETITORS:** A business plan for the BB project was written reflecting take- rates (number of new customers) that were not consistent with the survey results. The south coast already had a successful telecommunications company (Charter Spectrum) with a second (Ziplly Fiber) promising to build in the area. Starlink, the XSpace satellite was also becoming available. Furthermore, the plan recommendations and projections were not consistent with information we'd received from other entities (Douglas Electric Cooperative) and (Delta-Montrose Electric Association) that had deployed broadband projects (Douglas Fast Net and Elevate Fiber, respectively).
5. **5) DEBT:** CCEC hired a consultant to write a broadband business plan. The BB business plan projected a cost of \$60 million for the project. The lender that agreed to provide this loan to CCEC now holds our electric cooperative as security for the loan. The loan is taken out in increments as needed, similar to a line of credit. (Think of the lender who loans you funds to purchase a home. Your home is security for that loan. If you cannot make the payments, the lender forecloses,

sells the house and takes back whatever amount you borrowed.) CCEC members will be responsible for any unpaid balance on the loan, as well as the ongoing costs of running a broadband company. Any such payment will be in addition to whatever you pay for personal internet service and, as a CCEC member, it will be owed regardless of whether your personal internet provider is Beacon Broadband, Spectrum, Ziply, or some other source.

6. **6) BUSINESS PLAN:** The consultant who wrote the business plan was subsequently hired on as a CCEC employee to be general manager for the broadband project. The business plan presented to the Board bears little resemblance to the current state of, and realistic projections for the project.
7. **7) MEMBER EDUCATION:** I began this letter by letting you know that I voted against the majority Board vote to authorize CCEC management to move forward with the broadband project. I expressed the need to delay the project until sharing with the members the risks about which we were informed. The Board and management had learned from successful broadband projects we'd studied that before moving forward, it was necessary to educate our members on the risks, as well as the benefits, and to obtain their support before proceeding. Members should be allowed to ask questions and to have their questions answered. We also learned that successful broadband projects were the

result of forged partnerships so that no single company was burdened with all the risk and financial responsibility. This has not been the case with CCEC.

**8) RISKS:** Why am I now sharing this information? As a Board member who read the business plan and studied the risks to our cooperative and members, I voted against proceeding. When the Board majority voted to proceed, I accepted the majority vote to move forward with the understanding that management would first educate the members about the risks of the venture. The CEO agreed that the members should be involved in the decision. These risks include the probability, based upon our survey and a lack of potential growth outside of CCEC territory, that the project may not be self-sustaining for decades, if ever. The estimated time frame to pay off the loan is in the twenty-year range. And there's more burden on the cooperative members than the initial loan expense to build the project. There is the high expense to maintain the company. The risks suggest that the project is far too costly for CCEC's relatively small membership. The financial burden will fall on CCEC members.

**9) FEDERAL FUNDS/GRANTS:** There has been notification to CCEC members of federal funds granted to CCEC for the purpose of constructing broadband. What hasn't been publicized is that a large majority of these funds are required to be used to provide broadband for persons in areas outside of the CCEC territory. In other words, a large portion of the federal funds will be used to construct broadband for individuals who are not CCEC members. Customers of BB in these areas will not be held responsible for the loan to build nor the cost to maintain the business following construction. This burden will fall on CCEC members. Furthermore, the amount of federal funds CCEC was granted for this purpose is far less than what was both requested and determined to be necessary for the intended construction. The federal funds received will not fully cover the costs to build. From where will the additional funding come? It will come from the cooperative and its members.

**10) EXCESS FUNDS/CASH:** As a cooperative, CCEC should require from members only enough income to maintain the electric cooperative and offer electricity to its members at the lowest possible rates. When CCEC experiences an increase in its cost to operate, a rate increase to the members may be put into effect. When CCEC has excess cash, they return it to the members. The last rate increase to members was in 2020. This past February, the Board learned that at the end of 2021 CCEC had far more cash than what is necessary to cover its expenses. The Board also learned that CCEC management loaned more than a million dollars of the excess cash to BB for expenses. When, if ever, will this money be paid back to CCEC? These monies were in addition to the draws CCEC has made and continues to make against the \$60 million approved loan with the outside lender. Why do I write about this? You received a rate increase because CCEC anticipated its net costs to increase. The anticipated increase did not occur, and it was subsequently determined that CCEC had more cash than was necessary to meet expense obligations. What happened to this excess cash? The Board learned that the excess funds that were, in part, due to the members' rate increase, were used, not to cover the cost of

providing electricity, but to cover costs incurred by the BB project. You continue to pay the increase.

**11. LACK OF TRANSPARENCY:** In closing, I want to clarify again that I am not against the deployment of broadband if desired by the CCEC membership, provided the members have been educated about the financial risks to the cooperative and its members. I am against CCEC crossing the line and using excess CCEC revenue, revenue that rightly belongs to the members, to subsidize a project that realistic financial calculations determine will not be able to pay back the loan. I understand that a broadband system would provide some benefits to the electric company, segments of the

community, and a small percentage of CCEC members who do not have adequate internet, but at what price to our electric cooperative and the overall membership? There has been a lack of transparency about the project that has put the electric cooperative at risk and has the potential to be very costly to CCEC members for years, if not decades. Writing this has been difficult. I did not expect the many actions taken relating to CCEC's decision to compete with large, experienced telecommunications companies, and enter a new business with expenses far greater than projected income. Serving on the boards of both Coos-Curry Electric Cooperative and Beacon Broadband has been a privilege. I've taken and will continue to take most seriously my fiduciary responsibility to CCEC and its members. Thank You.

**YOUR RIGHTS:** You have a right to the survey. You have a right to know what the CEO and Board knew and haven't told you about the high risks of the project. You have a right to be heard on whether you want to continue the broadband project. If this is important to you, and you want to let the CEO and Board know your thoughts, the contact information you need is below.

Contact information for Coos-Curry Electric CEO and Board members. CEO:  
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