



Source: Brightspeed

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Brightspeed and Five Other Mid-Size Broadband Providers Say Letter of Credit Requirement in Current BEAD Program Will Reduce Broadband Expansion Investments

Companies Urge Commerce Secretary to Change Requirement to Ensure Program Meets President Biden's Broadband Expansion Goals

CHARLOTTE, N.C., Oct. 18, 2023 (GLOBE NEWSWIRE) -- Today, six of the country's largest regional Internet Service Providers (ISPs), covering 44 states, wrote to Secretary of Commerce Gina Raimondo and Assistant Secretary of Commerce for Communications Alan Davidson requesting alternatives to the current letter of credit requirement for participation in the Broadband Equity Access and Deployment (BEAD) program. The providers' letter highlights industry-wide concerns that the current letter of credit requirement is overly burdensome and will reduce private investments to expand broadband, particularly in rural areas.

Additionally, the broadband companies underscored the ways the current letter of credit requirement would hold them back from important BEAD deployment goals. Specifically, the companies say the letter of credit requirement will force them to *"divert funds from ongoing network deployment or not participate in the BEAD program at all."* Understanding the importance of the BEAD program and the need for guardrails that protect taxpayer funding, the companies propose alternatives that would *"both show financial capability and protect taxpayers in the event an ISP defaults, while at the same time allowing the BEAD program to achieve its goals."*

Led by Brightspeed, signers of this letter include Altafiber, Altice, Consolidated Communications, Windstream, and Ziplly Fiber. Full text of the providers' letter is below.

October 18, 2023

*The Honorable Gina M. Raimondo
Secretary of Commerce*

*The Honorable Alan Davidson
Assistant Secretary of Commerce for Communications*

*U.S. Department of Commerce
1401 Constitution Avenue N.W.
Washington, D.C. 20230*

Re: Alternatives to the irrevocable letter of credit requirement in the BEAD program

Dear Secretary Raimondo and Assistant Secretary Davidson:

The undersigned are mid-sized broadband Internet Service Providers (ISPs) who wish to participate in the Broadband Equity Access and Deployment (BEAD) program established by the bipartisan infrastructure law. We write today to ask NTIA to provide guidance on alternatives to the BEAD program's requirement that all applicants for program funding obtain an irrevocable letter of credit of 25% of the award, in addition to the 25% company match requirement.

Like you, we are committed to deliver broadband to 100% of US households, and we very much want to be part of that solution. But we believe that the letter of credit requirement in its current state will force many ISPs out of the program. And with our companies, the requirement may

reduce our ability to reach –at a minimum -- 20% of the recipients we could deploy to absent the current framework.

Small, rural, municipal, and tribal ISPs have been vocal about the burden this requirement will create for their companies, organizations, and governments. We may be larger companies, but we will face similar burdens. These financial demands will reduce broadband investment by our companies, because we will either have to divert funds from ongoing network deployment or not participate in the BEAD program at all.

We understand and are sympathetic to the goals of ensuring that an ISP is both financially able to build the promised networks and that the government can recoup its investment in the event of a default. However, the NTIA's requirements go far beyond any other federal or state broadband funding program.

Under the current BEAD requirements, award recipients will be required to commit, before the first strand of fiber is placed, capital amounts that exceed 100% of the project cost. Moreover, the rule requires ISPs to obtain the letter of credit at the outset of a project even though the government does not have to disburse funds if the provider fails to complete the build. Therefore, requiring ISPs to submit a letter of credit at the outset of a grant award does not actually protect taxpayer dollars.

According to Commerce and NTIA staff, the letter of credit requirements were modeled after the Federal Communications Commission's Rural Digital Opportunity Fund Program (RDOF). The RDOF and BEAD programs, however, differ in significant ways that should guide NTIA's approach. The RDOF program released funds to ISPs upfront, as opposed to the BEAD program, where the provider is responsible for the upfront costs. RDOF did not require matching contributions from providers. Also, RDOF, a much smaller program than BEAD, required letters of credit for 10% percent of the award for just one year of funding, not 25% for the entirety of the build.

We believe that there are alternatives to the BEAD letter of credit requirement that will both show financial capability and protect taxpayers in the event an ISP defaults, while at the same time allowing the BEAD program to achieve its goals. We suggest that NTIA encourage broader participation by financially capable ISPs of all sizes by modifying the letter of credit requirement as follows:

- 1. Reducing the letter of credit requirement to 5% of the total grant amount;*
- 2. Requiring ISPs to obtain the letter of credit when grant funds are received, not during the application process and the initial construction phase (this will ensure taxpayer dollars are protected); and*
- 3. Retire the Letter of Credit upon certification of grant compliance.*

In addition, many stakeholders have suggested using surety bonds, certification of good standing, or parent guarantees, to protect the government's interests, and NTIA should allow these to be used as alternatives to a letter of credit.

We greatly appreciate the hard work NTIA and the Department of Commerce have undertaken so far to set the rules for, and move forward on, this historic investment in our nation's broadband ecosystem. We stand ready to help and discuss with you our proposed alternative and ask you for guidance that permits winning applicants to ensure broadband for all.

Sincerely,

Bob Mudge, CEO Brightspeed

Bob Udell, President and CEO Consolidated Communications, Inc.

Josh Duckworth, CFO altafiber

Michael Olsen, General Counsel and Chief Corporate Responsibility Officer Altice

Tony Thomas, President and CEO Windstream

Harold Zeitz, CEO Ziplly Fiber

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About Brightspeed

Headquartered in Charlotte, N.C. and with assets and associated operations in 20 states, Brightspeed provides broadband and telecommunications services through a network platform

capable of serving more than 6.5 million homes and businesses. Our more than 4,000 employees are committed to building a future where more communities benefit from a more connected life, deploying a state-of-the-art fiber network and a customer experience that makes being connected as simple as it should be. For more information, please visit www.brightspeed.com.