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June 29, 2017

David Foster
Director, Utilities Division
Tennessee Public Utility Commission
502 Deaderick Street, 4th Floor
Nashville, TN 37243

RE: Docket Number 17-0053

Dear Mr. Foster:

Thank you for the opportunity to address the questions you have regarding Tri-County Fiber Communications, LLC's CLEC application currently before the Tennessee Public Utility Commission. Business Models for both Tri-County Electric and Tri-County Fiber Communications, LLC are proprietary and confidential. Attachments containing information secured in the Business Models, in addition to TVA's proprietary information, have been marked confidential.

On the advice of our Board Attorney, Ken Witcher, I also need to state that we reserve the right to modify any response determined not to be confidential and request that I be contacted to make this decision prior to any information being released.

1. Tri-County Fiber Communications, LLC (TCFC) will lease fiber from Tri-County Electric. The TCEMC fiber is being constructed to support a Smart Grid/Demand Response Program. Please see **Attachment A** for the three year estimations as requested. Tri-County Electric currently leases fiber to other entities at a lower cost than the cooperative will be leasing to TCFC.
2. Tri-County Electric is implementing a Demand Response Pilot Program to reduce demand costs the cooperative pays TVA each month. The DR Program's Business Model, approved by TVA and USDA's Rural Utility Service (RUS), will provide fiber to the homes. TCFC's percentage of the cost of distribution cable for the proposed project has been factored into the fiber lease agreement. At this time, it has not been determined whether the project will be bid out or built in-house and pro-rated between Tri-County Electric and TCFC.

3. Tri-County Electric is implementing a Demand Response Pilot Program to reduce demand costs the cooperative pays TVA each month. The DR Program's Business Model, approved by TVA and USDA's Rural Utility Service (RUS), will provide fiber to the homes. TCFC's percentage of the cost of drops for the proposed project has been factored into the fiber lease agreement and is detailed in **Attachment B**.
4. Tri-County Electric does not charge pole attachments for any entities leasing fiber from the cooperative and will treat TCFC the same. Existing Pole Attachment contracts remain in effect for those entities who do not want to lease fiber from Tri-County Electric. Tri-County Electric is regulated by the Tennessee Valley Authority. TVA has established a cost recovery formula that local power companies must follow relative to the establishment of pole attachment fees as shown in **Attachment C**. However, local power companies are allowed to lease their fiber to entities at an established rate. The lease rate for fiber does not include a pole attachment fee due to the fact that no fiber/cable/wires are attached to the cooperatives facilities. The fiber being leased is a portion of the existing fiber constructed for the electric cooperatives' own use and requires no additional material be added to the pole.
5. Tri-County Electric and TCFC will comply with Public Chapter 228 including Section 12(3)(B). Please see **Attachment D** for additional information.
6. TCFC is a wholly owned subsidiary of Tri-County Electric. Tri-County Electric's accounting department has already set-up a specific AR account for any costs that are fiber related. All expenses, services, material and labor must be allocated to the subsidiary. The Tennessee Valley Authority (TVA) is Tri-County Electric's regulator. Prior to the passage of Governor Haslam's Broadband legislation (Public Chapter 228), TVA had already prohibited electric funds subsidizing other operations by cooperatives or municipal electric plant boards. Tri-County Electric is audited annually by TVA and by an independent auditor contracted by the Board of Directors. As previously stated, TVA has seen and approved Business Models for both Tri-County Electric's Demand Response Pilot Program and TCFC's Broadband Project.

Please contact me at (615) 688-2100 or pthompson@tcemc.org if you have any questions or need additional information.

Sincerely,



Paul Thompson

Executive V.P. & General Manager