

RURAL BROADBAND INSIGHTS FOR CLOSING THE DIGITAL DIVIDE



WITH PARTNER JONATHAN CHAMBERS

Co-ops Connect FYI

By Jonathan Chambers • May 19, 2023

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This Is What Leadership Looks Like



Tri-County Electric Cooperative CEO Julius Hackett at an annual meeting of the co-op.

Earlier this week, Randy and I traveled to north central Florida to a board meeting at Tri-County Electric Cooperative (TCEC).

Conexon and TCEC began construction on a fiber project last year.

- Make-ready began nine months ago and mainline construction eight months ago.

- **Why it matters:** This timeline is ideal to review actual progress with the projections of the budget and business plan.

We always tell co-op boards during our feasibility study presentation that in a multi-year, multi-phase construction project, the board should review and make an intentional decision about proceeding to the next phase as construction nears the end of each phase.

- At that point, there is sufficient data on the pace of deployment, cost, take rate, and revenues for the board to make an informed decision whether to pause, proceed to the next phase, make any adjustments, keep the same pace, or accelerate.
- If a project is on time and the costs and revenues are consistent with the projections, then the board can have confidence to proceed to the next phase.

We work with electric co-ops using three different business models:

1. The co-op owns the fiber network and its ISP subsidiary operates the business.
2. The co-op owns the fiber network and Conexon's ISP operates the business.
3. Conexon's ISP owns the fiber network and operates the business.

In TCEC's case, the co-op owns the fiber network, uses the connectivity for smart grid, and leases the excess capacity to Conexon Connect, our ISP.

Go Deeper



TCEC CEO Julius Hackett at the fiber network announcement in 2022.

TCEC's fiber broadband project began during the pandemic, during a period of time when many complained of supply chain problems, and as the Fed was raising interest rates like there was no tomorrow.

I won't disclose TCEC's numbers or anything said in the boardroom.

But I will say:

- **TCEC's construction is exactly on pace with our original presentation.**
- **TCEC's project is under budget.**
- **TCEC's take rates and revenues are higher than projected.**

During feasibility study presentations, I always emphasize that actual cost should not vary materially from projected cost.

Each week, Conexon manages over 1,000 miles of fiber network construction. I believe that is more than AT&T or Charter or any of the other big guys.

Each week:

- Over 1,000 miles of materials purchased.
- Over 1,000 miles of fiber network design.

- Over 1,000 miles of make-ready engineering and construction.
- Over 1,000 miles of fiber-optic cable.
- Over 1,000 miles of strand and/or duct.
- Over 1,000 miles of connectivity equipment.
- Over 1,000 miles of splicing.

Plus:

- All the attendant drops and installs.
- All of the labor required to bring it all together.
- All across rural America.

The big picture:

If we don't know the cost of construction, we aren't very good at our jobs.

While we are by no measure perfect, we are good at what we do. **We model cost accurately** with a small buffer for the unexpected.

Take rates are more difficult to project, but after a decade of building in rural America and competing against every type of telephone company, cable company, fixed and mobile wireless company, satellite company, carrier pigeon company, tin-can-and-string company — ***we have a pretty good idea that co-op fiber networks beat all competitors.***

The bottom line:

We model take rates and revenues conservatively and expect to beat the revenue projections.

The Final Word



TCEC leadership congratulating the co-op's first customer connected to Connect, powered by Tri-County Electric Cooperative, fiber internet.

The leadership team and the board of Tri-County Electric Cooperative in Florida are exceptional.

Randy and I are privileged to have met with hundreds of co-op CEOs and boards. I am reluctant to single out any one co-op, since I am grateful for the many that have welcomed us into their communities.

Still, I will single out TCEC.

- Julius Hackett is one of the most diligent, thoughtful, and dedicated CEOs I have ever known, in any industry.
- When no other co-op in Florida was ready to take a chance on broadband and a chance on Conexon, Julius and his board chose to partner with us.
- This week, I was reminded yet again of the warmth and hospitality of the men and women in the electric co-op community. *I am blessed to be part of it.*

If you want to feel the warmth of Florida sunshine, visit Julius, his team, and the TCEC board.

Want to hear more?

TCEC was featured on the most recent episode of Conexon's Co-ops Connect podcast! [Listen to the podcast here](#) as Julius discusses more about the co-op's historic broadband journey and how it's sparking a movement among other co-ops in Florida.



Tri-County Electric Cooperative's leadership meeting with Conexon leadership.

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