

# Broadband Rate Design for Public Benefit

The transition from service-based rates to loop rates on  
Chelan PUD's Broadband Network

Jan. 16, 2017

No action required today

# Today's Presentation

- Review Loop Rates
  - Final item from 2012 Fiber Strategic Plan
  - Encourages service providers to offer low-cost packages for light users
  - Allows revenue management as bandwidth growth changes
- Review other rate changes
  - New services
  - Service enhancements
  - Market adjustments
- Review Revenue and Rate calculations

# Philosophy

- Simplify rates and align costs with drivers by charging based on a “measured usage” component
- Provide an incentive to Service Providers to reach more homes and businesses than today
- Support revenue at current levels and grow revenue as usage requires additional investment

# Revenue Requirement

- Total Revenue Forecast \$9,572,000
- Core Services Revenue \$5,187,000
  - Revenue from fixed rates 2,849,687
  - Revenue from bandwidth 2,337,313
- Sample rate calculation
  - $Rev_{BW} / 12 / \text{Bandwidth(GB)}$
  - $\$2,337,313 / 12 / 2,496,375 = \$.0780/\text{GB}$

# When is Board action required?

- Rate increases or decreases
  - A change to increase/decrease a fixed rate
  - A change to produce incremental (new) revenue from the aggregated bandwidth rate
- An increase of more than 5% in the aggregate bandwidth rate year over year
  - May or may not be a rate increase

# Program

- This is a different approach
  - Designed to break the high-cost barrier
  - Requires continued evaluation
  - May require fine tuning
- Requires regular communications with service providers
- Includes updates to the Board on regular intervals

# Resolution

- Rate structure additions and changes to Core Service offerings
- Restructuring of VLAN services
- Increase of 10% to all Dark Fiber Pathway rates
- Addition of Coarse Wave Division Multiplex (CWDM) services
- Does not include any changes to Non-Recurring Charges or Fees

# Summary

- Broadband Rate Design for Public Benefit
- This is a new approach to break the cost barrier on Fiber based broadband services
- Offers service providers flexibility
- Program updates to keep the Board informed
- Continues management of broadband revenues



# Next Steps

- Resolution presented for Board action on Feb. 6, 2017
- If approved, rates, fees and charges will be effective April 1, 2017

## Questions?