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Statement of
MIKE MCCARTNEY
Director
Department of Business, Economic Development, and Tourism
before the
SENATE COMMITTEE ON TECHNOLOGY
AND
SENATE COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Thursday, March 21, 2019
2:45 p.m.
State Capitol, Conference Room 414

In consideration of
HB 1062, HD1
RELATING TO BROADBAND.

Chairs Keohokalole and Wakai, Vice Chairs English and Taniguchi and members of the Committees. The Department of Business, Economic Development and Tourism (DBEDT) provides **comments** on HB 1062, HD1 which establishes the broadband service infrastructure grant program to award grants to applicants to extend deployment of facilities used to provide broadband service to unserved and underserved areas of the State. We have the following comments and suggested changes:

1. The current language of the bill severely restricts who can apply to the grant program. To create a level playing field, the restriction on an applicant receiving funds from other federal or state grant or loan programs should be removed. There are many federal rural grant programs that seek matching state funding. This program could help augment those federal programs.
2. Eligible applicants should also include partnerships between government agencies and non-governmental entities to encourage partnerships to implement broadband infrastructure in support of telehealth, agriculture and disaster recovery.
3. We have the following suggested changes:

Page 4

Lines 20-21 - (1) Shall be a non-governmental entity or a non-governmental entity in partnership with a governmental agency, with demonstrated experience in providing broadband service or other

Page 5

Lines 1-5 - communications service to residential and business customers within the State; (2) [~~Shall not apply for or receive funds for a project under any other federal or state government grant or loan program;~~] and

Page 8

Line 3-7 - (1) Disputes an applicant's certification that a proposed project area is an unserved area or underserved area [~~or that no matching funds that the applicant proposes to contribute towards the project are derived from any other federal or state programs;~~] or

Page 9

Lines 8-9 - (3) The length of time that the applicant has provided broadband services and broadband service infrastructure in the State;

Page 11

Lines 14-17 - The rules [~~shall not~~] may include third-party audit requirements, letter of credit, security fund, performance bond obligations, or any other financial commitment to secure performance other than those expressly specified in this chapter. The rules shall

4. DBEDT appreciates the intent of the bill provided that it does not replace priorities included in the Executive Budget.

Thank you for the opportunity to testify on this measure.



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LT. GOVERNOR

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DIRECTOR

JO ANN M. UCHIDA TAKEUCHI
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Testimony of the Department of Commerce and Consumer Affairs

**Before the
Senate Committee on Technology
and
Senate Committee on Energy, Economic Development, and Tourism
Thursday, March 21, 2019
2:45 p.m.
State Capitol, Conference Room 414**

**On the following measure:
H.B. 1062, H.D. 1, RELATING TO BROADBAND**

Chair Keohokalole, Chair Wakai, and Members of the Committees:

My name is Ji Sook "Lisa" Kim, and I am the Cable Administrator of the Department of Commerce and Consumer Affairs' (Department) Cable Television Division. The Department offers comments on this bill.

The purpose of this bill is to establish a broadband funding program for unserved and underserved areas, administered by the Department of Business, Economic Development, and Tourism (DBEDT), to award grants to applicants to extend infrastructure used to provide broadband service to unserved and underserved areas of the State.

In today's world, access to affordable, high-speed broadband services is essential to fully participate in our economy and society. The Department thus strongly supports legislation that can improve access to broadband services for Hawaii residents, particularly in the unserved and underserved rural areas across our state, so

that all of our residents may benefit equally from the services and opportunities afforded by access to high-speed internet. The proposed grant program could help bridge the broadband gap to rural areas where broadband deployment would otherwise be cost prohibitive for providers because of the excessively high cost to install infrastructure to serve only a small number of subscribers in those areas.

Efforts to date, using funding through the Federal Communications Commission's (FCC) Connect America Fund (CAF) program, have been successful in extending infrastructure and access to unserved census blocks. However, given the breadth of the rural broadband gap, many residents remain, and will remain for an indeterminate time, without access to any wired internet service or with service well below any speed threshold currently used to define "broadband-level" service. A grant program that will provide financial incentives to providers to extend their infrastructure into rural, high-cost service areas would assist in extending service to those areas. The proposed program appears to target a need that is not currently being addressed by the FCC's CAF program.

The Department believes that the current bill provides a good starting framework and offers the following comments for the Committee's consideration:

1. The proposed grant scoring system requires that the highest priority be given to specific listed criteria, including "[t]he length of time that the applicant has provided broadband services in the State" under section -6(d)(3) on page 9, lines 8-9. To promote competition in the State, it may be better to remove this criterion given that another criterion on page 9, lines 5-7 reasonably qualifies an applicant by giving substantial weight to "[t]he experience, technical ability, and financial skills of the applicant in successfully deploying and providing broadband service[.]"
2. Section -6(e), page 10, lines 14-18 provides that in awarding grants, DBEDT shall not consider "[a]ny new or additional regulatory obligations beyond those required under applicable law, including open access network requirements or any rate, service, or other obligations beyond the speed requirements set forth under this chapter." The Department suggests that, at a minimum, this

section be amended to allow for consideration of the Governor's net neutrality policy directive set forth in Executive Order No. 18-02, issued in February 2018, which directs the State's executive agencies to contract only with internet service providers adhering to net neutrality principles and which further directs the State Procurement Office to add net neutrality provisions to, and procurement requirements for, telecommunications and internet service contracts.

Thank you for the opportunity to testify on this bill.

**TESTIMONY BEFORE THE SENATE COMMITTEES ON
TECHNOLOGY
&
ENERGY, ECONOMIC DEVELOPMENT AND TOURISM**

H.B. 1062, HD1

Relating to Telecommunications

Thursday, March 21, 2019
2:45 p.m.
State Capitol, Conference Room 414

Testimony in Support with Requested Amendments

Mindy E. Hartstein
Director of Pole Infrastructure Enterprise
Hawaiian Electric Companies

Aloha Chair Keohokalole and Chair Wakai, Vice Chair English and Vice Chair Taniguchi and Members of the Committee,

My name is Mindy E. Hartstein and I am testifying on behalf of the Hawaiian Electric Company, Inc., Maui Electric Company, Limited and Hawai'i Electric Light Company, Inc. ("the Hawaiian Electric Companies") **in support of H.B. 1062, HD1 with requested amendments for your consideration.**

On October 16, 2018, the Public Utilities Commission approved the joint Docket No. 2018-0075, between the Companies and Hawaiian Telcom, Inc. As of October 16, 2018, the Companies are now the sole managing owner of the communication space on approximately 120,000 poles that were once jointly-owned with Hawaiian Telcom. This means that the Companies now serve to facilitate broadband service to all parts of the State with our pole infrastructure. The Companies also use broadband services to



assist with key renewable and resiliency efforts such as our distributed energy resources opportunities and in providing innovative grid modernization solutions.

As a physical infrastructure owner across all islands (except Kauai) and owner of temporary and spare fiber, the Hawaiian Electric Companies believe the it can contribute to the deployment of broadband services in unserved, and underserved areas of Hawaii, which will enhance the economic development, education, health care, and emergency services across the State. As an infrastructure owner, we anticipate being involved in the planning of some of the projects submitted by applicants over the years; however, we would also like the opportunity to submit our own applications and we believe the language of this bill does not provide that opportunity. We also believe broadband infrastructure providers should be allowed to upgrade facilities as part of the project being proposed. We also believe that applicants should be allowed to use additional state and/or federal funds via awarded grants or loan programs to serve unserved and underserved areas, especially when those projects could be rolled into other expansive broadband state-wide deployment efforts, including above ground and/or undersea fiber projects. Please find proposed amendments for your consideration that will ensure that Hawaiian Electric Companies are an eligible applicant for this grant program.

- 1) **Page 3, Line 3:** “Broadband service infrastructure” means ~~the signal transmission facilities and associated network equipment proposed to be deployed in a project area used for the provision of broadband service to residential customers. the medium used to provide broadband access or broadband service, including fiber optic cable, cooper cable, coaxial cable, and wireless media, such as satellite communications, wi-fi, and worldwide interoperability for microwave access, and poles, towers, and other physical structures to which broadband equipment is attached.~~



- 2) **Page 4, Line 12:** § 3 (a) No grants shall be awarded for a project unless the area to be served by the proposed deployment of broadband service infrastructure is an unserved area or underserved area. ~~No grants shall be awarded for any project involving the upgrade of an existing broadband plant to meet the minimum speed thresholds as an unserved area or underserved area.~~

- 3) **Page 4, Line 18:** § 4 (1) Shall be a non-governmental entity with demonstrated experience in providing broadband service, broadband infrastructure, or other communications service to residential customers within the State; (2) ~~Shall not apply for or receive funds for a project under any other federal or state government grant or loan program;~~ and (3) At the time of application, shall agree to pay, a matching funds, a minimum of twenty per cent of the project costs; provided that the matching funds shall not be derived from funds received by the applicant through any other federal or state government grant, loan, or subsidy program; and (3) A non-governmental broadband service infrastructure provider may be considered an eligible applicant or may partner with another eligible applicant in order to qualify to receive funds.

- 4) **Page 6, Line 4:** §5 b (7) The amount of matching funds that the applicant proposes to contribute ~~and a certification that no matching funds are derived from any other federal or state grant, loan, or subsidy program;~~

- 5) **Page 8, Line 5:** §6 b (1) Disputes and applicant's certification that a proposed project area is an unserved area or underserved area ~~or that no matching funds that the applicant proposes to contribute towards the project are derived from any other federal or state programs; or~~

Hawaii's broadband initiative is paramount for robust connectivity, economic viability, and to create renewable, resilient, and sustainable communities for the future. As an infrastructure owner, we would like the opportunity to apply for the grants proposed in this bill. Accordingly, the Companies support H.B. 1062, HD1 and respectfully request your consideration for the abovementioned amendments. Thank you for this opportunity to testify.

Written Statement of
Ani Menon
Director of Government & Community Affairs

**SENATE COMMITTEES ON TECHNOLOGY &
ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM**

March 21, 2019 2:45PM
State Capitol, Conference Room 414

COMMENTS FOR:

H.B. NO. 1062 HD1 RELATING TO BROADBAND

To: Chairs Keohokalole and Wakai, Vice-Chairs English and Taniguchi, and Members of the Committees

Re: **Testimony providing comments for HB 1062 HD1**

Aloha Honorable Chairs, Vice-Chairs, and Committee Members:

Thank you for this opportunity to submit comments on House Bill 1062 HD1. The intent of this bill is to establish a broadband infrastructure grant program. Hawaiian Telcom supports this intent with the following comments.

This bill discusses the establishment of a broadband infrastructure grant program but does not identify where the funds for this grant program will come from. The cost to deploy broadband, especially in rural communities, is substantial.

Furthermore, as this bill is currently written, it would be difficult for Hawaiian Telcom to qualify as an eligible applicant under §4, Eligible applicants. We recommend that the eligibility criteria (2) be widened to include applicants who receive federal funds. This will create a level playing field and promote the deployment of broadband service infrastructure in rural areas.

Hawaiian Telcom is the only service provider who has submitted bids for and won federal Connect America Funds (CAF) to connect rural communities throughout Hawaii. CAF is the Federal Communications Commission's major reform to the Universal Service Fund (USF) to accelerate broadband deployment in unserved areas across the nation. We are committed to enabling Hawaii's rural communities with integrated communications, including high-speed internet, data, video entertainment, and local and long distance voice services.

Just this past summer, we submitted and won a competitive bid for the CAF Phase II Auction (a second allocation of FCC Phase II funds, 2018-2024). Hawaiian Telcom was awarded \$18.2 million in CAF Phase II Auction funds to deploy high-speed internet service of 1 gigabit per second download and 500 megabits per second upload.

As of today, we have enabled more than 6,000 rural locations. We would welcome the opportunity to help enable more unserved and underserved areas statewide.

Additionally, we recommend that the language within HB1062 HD1 be changed to mirror that of SB553 SD2 HD1, with the following suggested clarifying amendments to SB553 SD2 HD1:

1. §1 Definitions, Page 4
 - a. Expand the definition of “underserved area” to include areas where less than 50% of the customers in the census block have access to minimum upload and download speeds.
 - i. “Underserved area” means a project area without access to broadband service with minimum speeds of at least fifty megabits per second downstream and five megabits per second upstream, or where less than 50% of the customers in a census block have access to the minimum upload and download speeds.
2. §4 Eligible applicants, Page 5
 - a. Remove subsection (1) that disallows applicants who receive funds under other federal or state government grants or loan programs from being eligible.
 - b. Narrow eligibility criteria, specifically (3), to include only Eligible Telecommunications Carriers (ETC) as defined by the FCC or some sort of approved communications service provider, not just any non-governmental entity who can potentially have no proven experience in providing and maintaining broadband services and infrastructure in Hawaii.
3. §6 Review of applications, approval, Pages 7-11
 - a. In relation to subsection (b), applicants or broadband service providers concerned about proposed projects within or directly adjacent to existing project areas currently have no way of knowing which area is served, unserved, or underserved.
 - b. In relation to subsection (d)(2), Lines 10-12, insert language referencing the maintenance and operation of broadband infrastructure as this is as important as its initial deployment.
 1. (2) The experience, technical ability, and financial wherewithal of the applicant in both successfully deploying and providing broadband service, and operating and maintaining broadband infrastructure;
 - c. The language of subsection (d)(4) is ambiguous, yet based on the scoring system, is given substantial weight. For example, there is no explanation of how “deploy[ing] broadband service infrastructure in an economically feasible manner” is to be assessed.

Thank you for the opportunity to submit these comments for House Bill 1062 HD1.



Charter Communications
Testimony of Myoung Oh, Director of Government Affairs

COMMITTEE ON TECHNOLOGY

COMMITTEE ON ENERGY, ECONOMIC DEVELOPMENT, AND TOURISM

Hawai'i State Capitol, Conference Room 414
Thursday, March 21, 2019
2:45 PM

Support of H.B. 1062, H.D.1, Relating to Broadband

Chair Keohokalole, Chair Wakai, and Members of the Committees.

Thank you for scheduling a hearing on this measure. House Bill 1062, House Draft 1 (H.B. 1062, H.D.1) establishes the framework for the creation of a broadband infrastructure grant program, through public-private partnerships, to applicants to extend deployment of facilities used to provide broadband to remote areas of the State.

Like many parts across the country, Hawaii is not immune to the challenges of remote access to broadband. Access to broadband in unserved and underserved areas in Hawaii would enhance economic development, education, health care, and emergency services in the State.

In many communities, last-mile technology represents a major remaining challenge of providing high-speed, high-bandwidth services to residents in remote areas. While we understand that H.B. 1062, H.D.1 represents \$0 funding, Charter respectfully requests the continued passage of H.B. 1062, H.D.1 to ensure that a public-private policy framework is built to connect more remote areas of Hawaii with essential broadband connectivity.

Mahalo for the opportunity to submit written testimony.



Hawaii Broadband Strategic Plan



Department of Commerce and
Consumer Affairs

State of Hawaii

December 2012

County Maps - Unserved Areas



Kauai

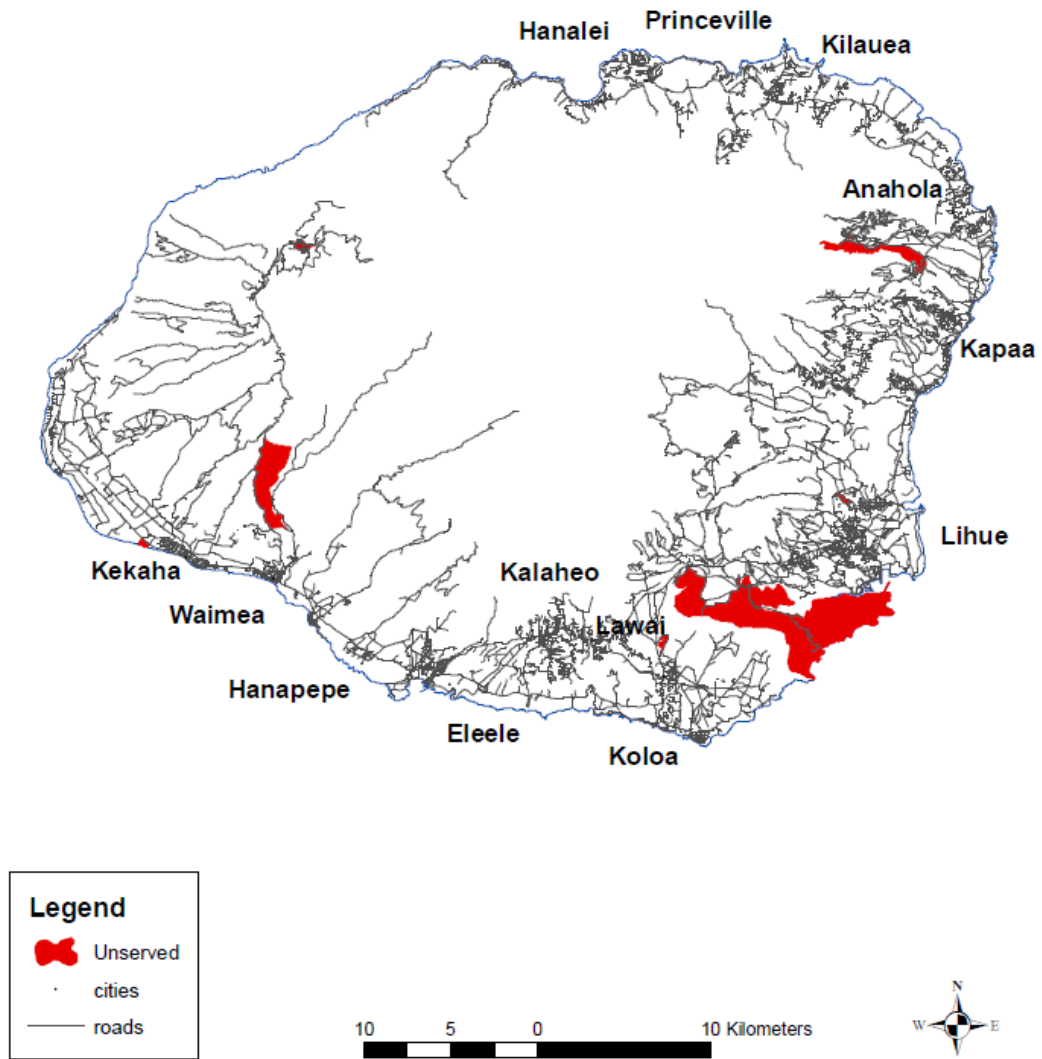


Figure II.4. Kauai Unserved Areas

Hawaii (Big Island)

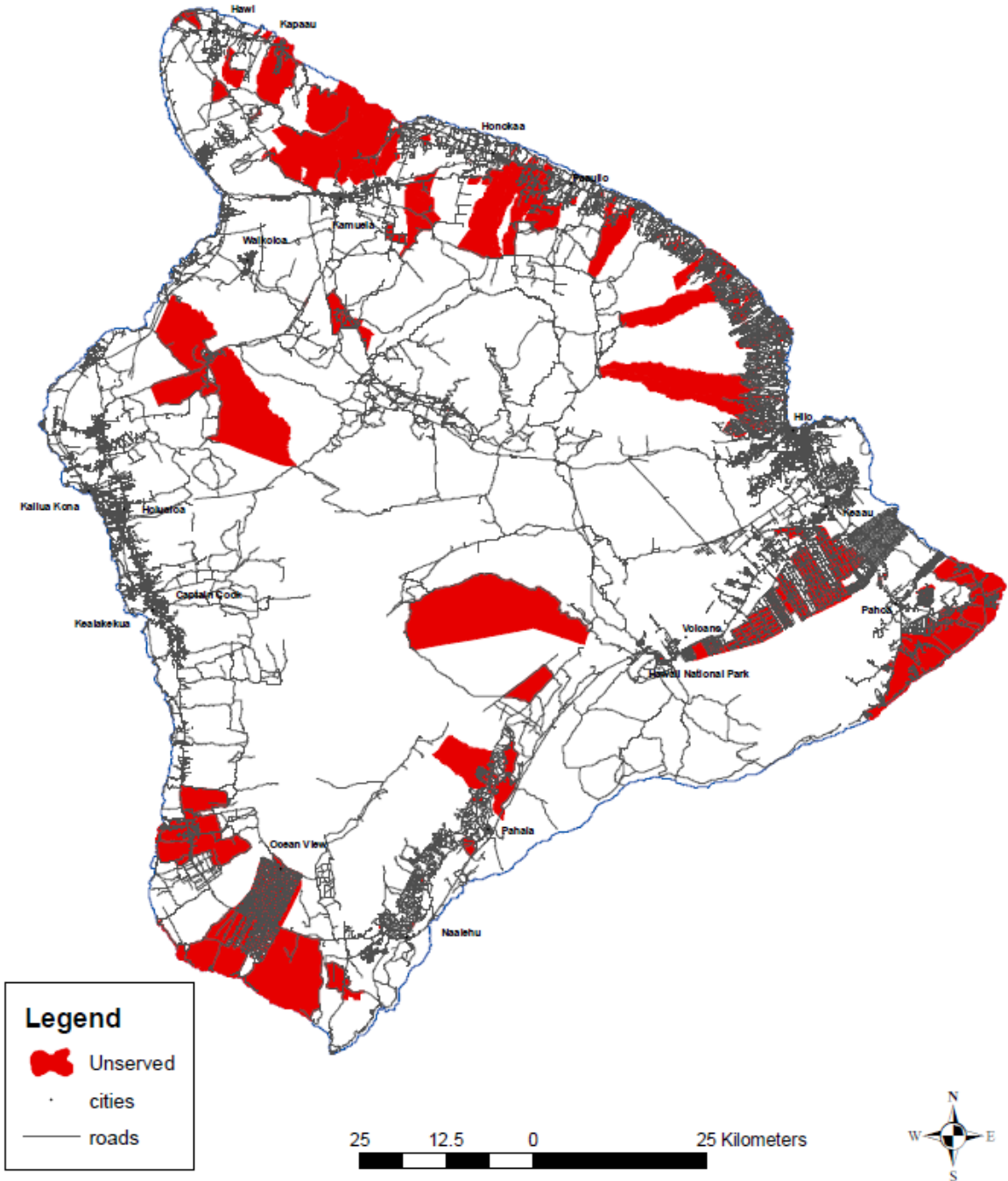


Figure II.5. Hawaii Island Unserved Areas

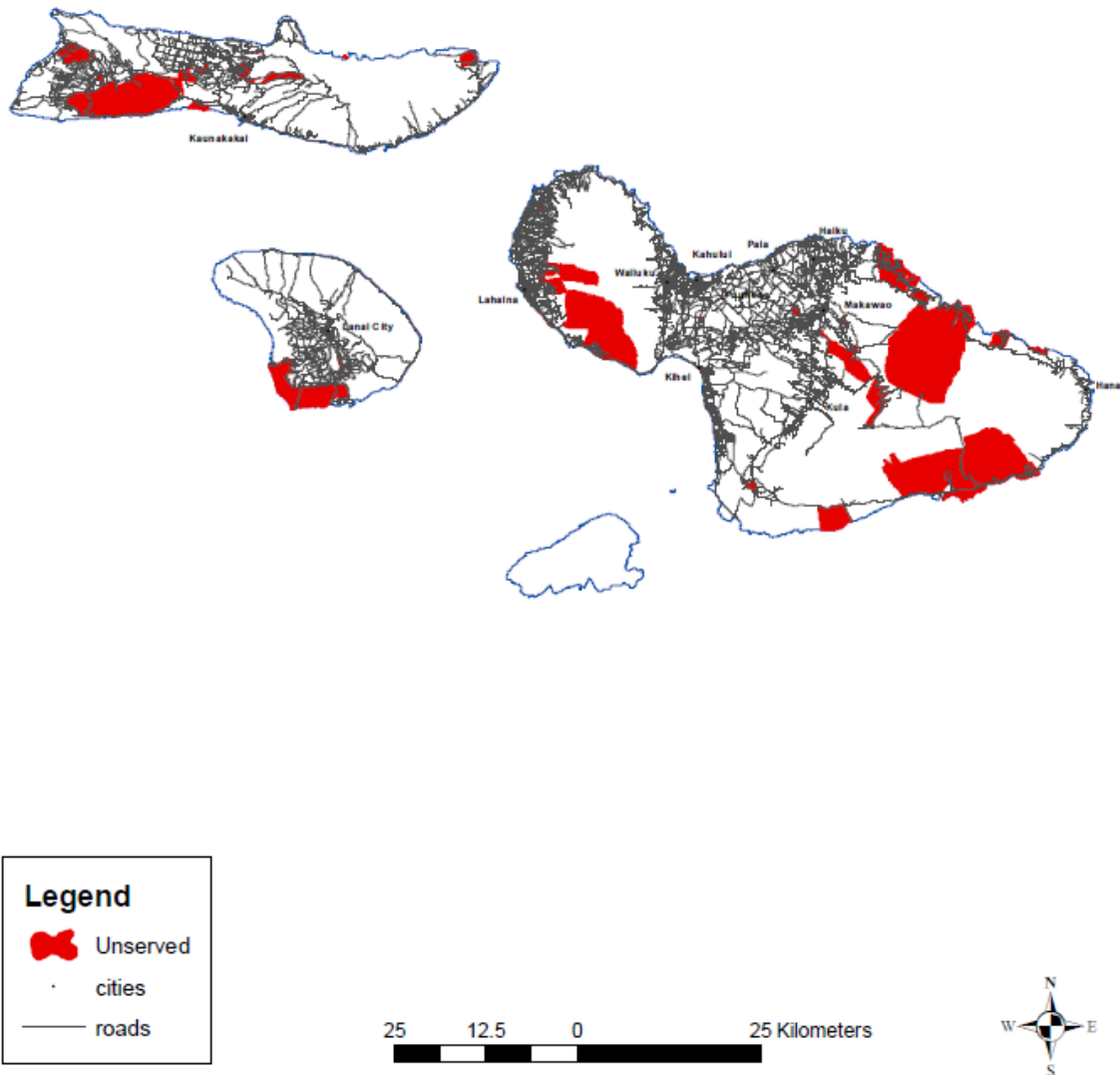


Figure II.6. Maui County Unserved Areas

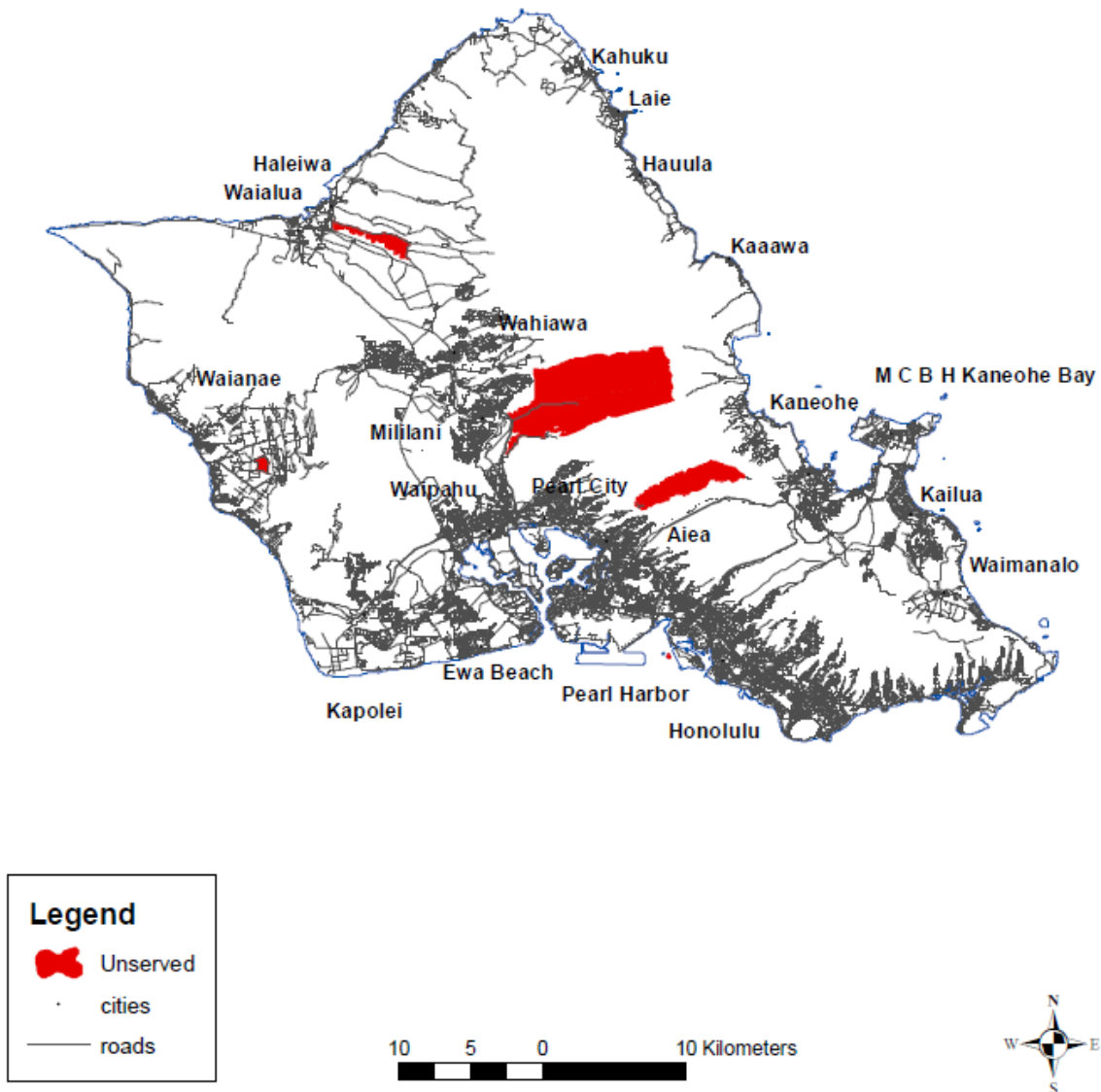


Figure II.7. Oahu Unserved Areas

HB-1062-HD-1

Submitted on: 3/19/2019 8:07:51 AM

Testimony for TEC on 3/21/2019 2:45:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Melissa Estrella	Individual	Support	No

Comments:

I live in Nanawale Estates and currently have broadband through Hawaiian Telcom. The fastest they are able to service me with is 15mbps. I am thankful I have broadband, but this is not sufficient enough when you have a household of 7 (2 adults and 5 children, 4 of which are in school). My job allows me to work from home and with 15 mbps it's sufficient enough, but when my children come home and need to use the internet to do school projects, etc., it is not sufficient enough for all to be on the internet at once. I literally need to have them go on one by one in order to ensure our internet speed is not bogged down.

We live in a technological era. Everything is internet based and without sufficient internet speed, we do not have the same opportunities as those who live in areas highly populated where there is justification for big companies such as Spectrum, Hawaiian Telcom, etc to spend the time, manpower and money to include those services to residence. Before Hawaiian Telcom offered more broadband services in Nanawale Estates, I contacted Spectrum to see if they could run cable to my home including internet services. I was told that it would cost me over \$6000 to do that because I was 800 feet from the nearest installation and they only allow up to 200 feet. Not economically fessible for a family living paycheck to paycheck.

I strongly urge you to support this bill, I support this bill because it will help with my children's education by allowing them access at sufficient internet speed.