

Public Service Commission of Wisconsin

Rebecca Cameron Valcq, Chairperson
Tyler Huebner, Commissioner
Summer Strand, Commissioner

4822 Madison Yards Way
P.O. Box 7854
Madison, WI 53707-7854

**Testimony from Rebecca Cameron Valcq, Chairperson of the Public Service Commission
to the
Joint Legislative Audit Committee
March 15, 2023
Audit Report 22 -11: Certain Broadband Expansion Grant Programs**

Co-chairs and Joint Audit Committee members, thank you for your invitation to testify today. I'm Becky Valcq, Chairperson of the Public Service Commission (PSC or Commission). The PSC is Wisconsin's independent utility regulator. It is our mission to ensure safe, reliable, affordable, and environmentally responsible utility services and equitable access to telecommunications and broadband services. The PSC houses the Wisconsin Broadband Office which, among other things, administers broadband expansion grants for the build out of broadband infrastructure to areas of the state that may not otherwise see investment from internet service providers.

As many of you know, the PSC's administration of the broadband grant programs has been incredibly successful. Our grant program was nationally recognized last August when it was named "Best in Class" by the National Telecommunications and Information Administration for "clear documentation of their application and award processes." Just since 2019, the funding that we've awarded will bring expanded or improved services to over 390,000 Wisconsin homes and businesses. As projects progress and are completed, new access to high-speed broadband internet is improving lives in communities across our state.

For each round of funding that we open, we consistently see enormous interest from broadband providers seeking to expand in areas that are lacking access to infrastructure. The demand for funding continues to outpace what is available. Just a few weeks ago, we received 74 applications seeking \$73 million in funding. We have \$14.1 million available. This makes our jobs as Commissioners that much more difficult in deciding what projects to fund, and what projects to encourage to reapply for funding in the future. At the PSC, we don't take this responsibility lightly and have worked tirelessly to be good stewards of the public dollars entrusted to us.

I'm here today, at your request, to discuss the Legislative Audit Bureau's audit report of broadband funding under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act and the American Rescue Plan Act (ARPA). The results of the audit confirm the PSC administers its grant programming to a high standard of integrity. I appreciate the audit recognizing the robust internal controls our programs have in place in order to assess and prevent any misuse of funds.

It is also important to recognize what is not in the audit report. The audit did not identify any instances of non-compliance with the grant agreements, statutory provisions or federal requirements. Nor did it identify any unallowable costs or projects that were not completed

within the performance period and project scope. I believe that there is always opportunity to improve any program, and, as you saw in my response to the audit report and follow-up letter, we are making adjustments to the administration of the program as appropriate.

I will now provide updates to the changes we have been working on since my November 2022 correspondence:

We opened a State Broadband Expansion Grant round in December 2022 and have been addressing LAB's recommendations throughout the grant process. The grant instructions issued for this round include updated language to provide clear information to applicants on the methods used for application review and the Commission's process for making grant awards. These updated instructions are very clear on the criteria staff use to prepare an advisory merit list for the Commission to consider, and state clearly that the staff merit list is only advisory in nature.

The instructions make it known that the Commissioners are the ultimate finders of fact and decisionmakers responsible for final grant awards. We Commissioners are charged with evaluating all of the information in the record and applying any relevant statutory and federal criteria to reach decisions related to the awarding of broadband grants.

Grant application review is currently ongoing, and the Commission expects to make award decisions at one of our regular open meetings this spring. We will address LAB's recommendations related to adequately explaining award decisions as part of the Commission Final Orders documenting those decisions. Commission review of previously awarded broadband grants is ongoing and is incorporating LAB's recommendations related to project reimbursements and documentation.

Grant agreements and other documentation provided to grant recipients continue to emphasize that actual paid cost is the only acceptable cost to be requested for reimbursement. We have updated our technical assistance documentation to repeatedly reinforce this requirement through language that specifies costs "must reflect expenses incurred," and that invoices must "document the actual purchase price" and "cannot solely be a quote or purchase orders." The reimbursement request attestation language for both the open grant round as well as future grant rounds will further clarify that the reimbursement request is for amounts actually paid.

Robust, ongoing Staff monitoring of the ARPA grants has continued on schedule since the audit report was released. All recipients of ARPA projects must submit required documentation, including quarterly progress reports on project construction and attestation and documentation of compliance with ARPA requirements. PSC staff are closely reviewing all submissions and require recipients to submit all documentation before submissions may be considered complete and eligible for reimbursement. Quarterly reporting documentation is publicly documented on the Commission's Electronic Records filing system- where you can find numerous examples of reports that were resubmitted after staff identified missing or inadequate information in the initial reports.

In addition to our regular reporting and review practices, PSC staff are also conducting desk reviews and site visits for several ARPA broadband projects. This entails federally required risk assessments to identify and prioritize projects and recipients for additional review or technical assistance. Some selected recipients will receive additional oversight and review of documentation and processes related to fiscal management, personnel policies, inventory and invoicing practices, and compliance with state and federal law. The results of these desk reviews are also being clearly and comprehensively documented in staff checklists, to thoroughly document that providers are constructing the broadband infrastructure for which they are being reimbursed.

Finally, the PSC is in the process of completing a comprehensive written policy manual for administering broadband grant expansion programs, addressing the provisions specifically recommended by LAB. We remain on track to meet the previously reported plan to complete comprehensive written policies by summer 2023.

Thank you for the opportunity to provide these comments.

Wisconsin Joint Legislative Audit Committee Hearing

Comments in regard to the Audit of the PSCW's Broadband Program

March 15, 2023

I am Glen Schwalbach, P.E. I live at 1090 Moonriver Dr., De Pere, WI. I have been on the Planning Commission for the Town of Rockland in Brown County for over fourteen years. Over the last two years, I have been involved in the town's efforts to improve internet service to residents. I also have interacted with Brown County's efforts to get broadband to the whole county.

In general, the federal program to expand broadband services in the U.S is a mess and carries over to the states. The problem is many providers of internet service who use underground fiber-optic cables can only afford to go into a region if no other fiber-optic provider has gone there before. Once they install their cables, either with their own capital or government grants, they often do not allow any other provider to lease and use their facilities, often, for technical reasons. So, in effect, they become monopolies except for areas where broadband is available from cellular or satellite providers.

The federal grant programs, administered by the states, dole out lot of money for fiber-optic projects which may become obsolete as much more cost-effective over-the air services expand. Fiber-optic services have some benefits for certain proprietary or critical communications. These should be paid for by the entities that need such service. But, only the market for over-the-air providers will be competitive and result in lower costs in the future for home, school, and commercial entities.

The state audit was not meant to address this national systemic problem. But the legislature could improve the effectiveness of the grant program and, indirectly, offset the above issue. Favoring over-the-air projects over fiber projects should be considered.

Also, the legislature could instruct the PSCW to favor projects that provide access to other providers in a pre-determine program as part of the grant application. Such agreements are already used by wireless communication tower owners. But any government grant program should ensure that the project doesn't stifle competition.

The audit points out the need for more precise, documented policy procedures. The PSCW chair addressed this issue by indicating there have been improvements since the audit and more will be coming. But one of her points was that the commissioners can, in essence, do as they see fit, regardless of the policy. This is a fact but the instances in which this happens should be very carefully audited to be sure politics has not influence the decision.

Also, the chair used the term "customer locations served" as one of the metrics they ask the grant awardees to provide. This could mean only that the fiber or the over-the-air service is available. It may not be indicative of number of customers taking service. The fiber may not get used if over-the-air services are satisfactory or soon improve. The PSCW should carefully assess the existence of over-the-air services that residents may not be aware of or may not have tried.

The chair indicated that the staff makes contact with potential customers to monitor the performance of the grant awardee. She did not say what was the result of these contacts, what percentage of the potential customers are contacted or what documentation is created for these contacts.

The chair also indicated that broadband speeds are requested of the providers. Speeds anticipated and actually realized can be quite different. Even post-construction speeds can be deceiving. As more users use a particular system, speeds often deteriorate significantly unless the system was made robust.

The PSCW's website states that one of their objectives is to distribute grants throughout the state. Per their own map, this has not happened. This could be because of a lack of applications from certain areas or just not purposely spreading the awards more evenly. For instance, it seems east central and northeastern parts of the state have not been awarded grants.

Prepared by Glen R. Schwalbach, P.E.

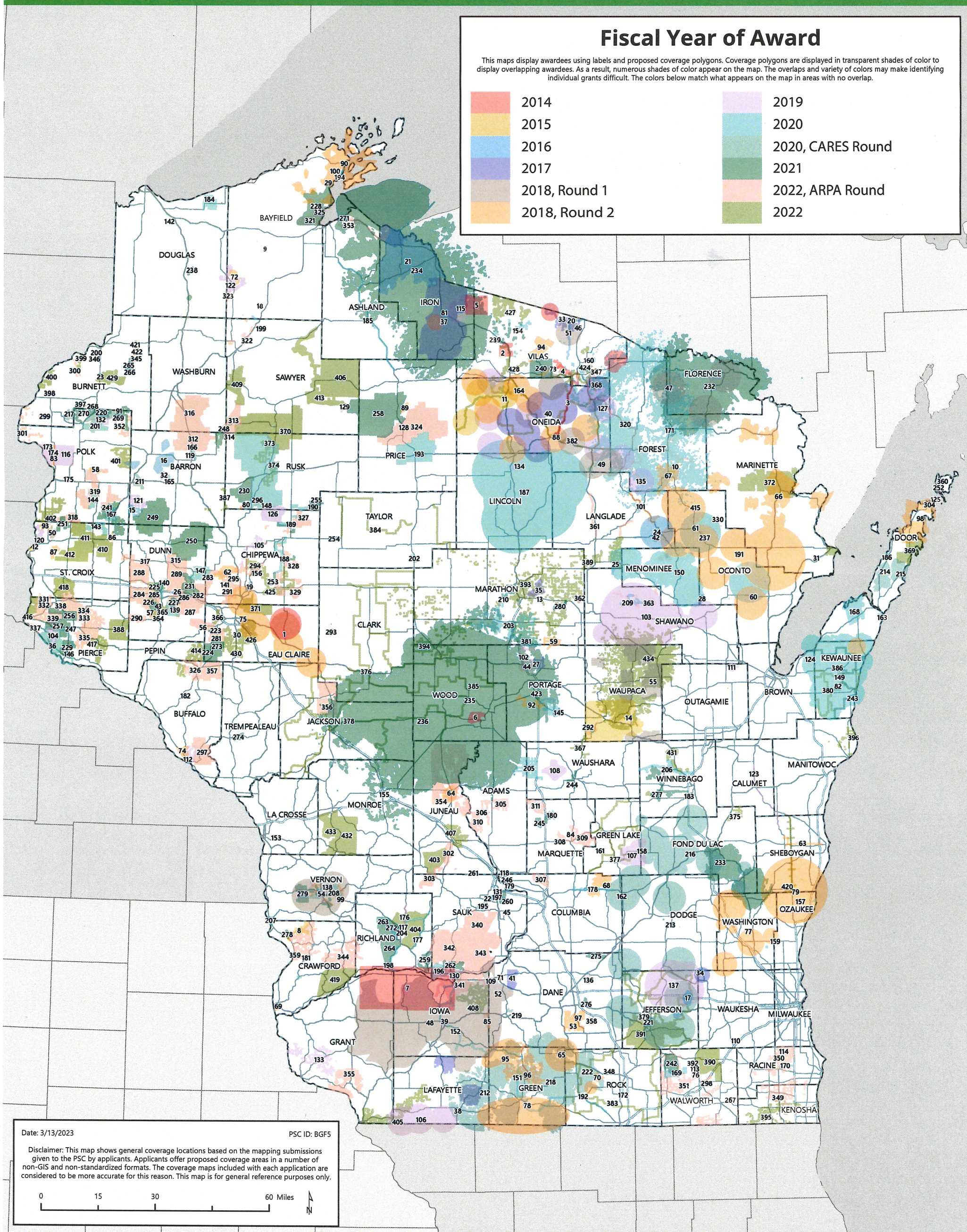
Email: glenschwalbach@netzero.com, Cell: 920-680-2436

BROADBAND EXPANSION GRANT AWARDEES, FISCAL YEARS 2014-2022

Presented by the Wisconsin Broadband Office

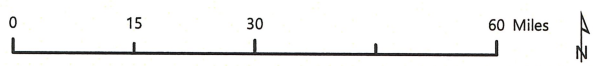
Fiscal Year of Award

This maps display awardees using labels and proposed coverage polygons. Coverage polygons are displayed in transparent shades of color to display overlapping awardees. As a result, numerous shades of color appear on the map. The overlaps and variety of colors may make identifying individual grants difficult. The colors below match what appears on the map in areas with no overlap.



Date: 3/13/2023 PSC ID: BGF5

Disclaimer: This map shows general coverage locations based on the mapping submissions given to the PSC by applicants. Applicants offer proposed coverage areas in a number of non-GIS and non-standardized formats. The coverage maps included with each application are considered to be more accurate for this reason. This map is for general reference purposes only.



Wisconsin Broadband Office, Public Service Commission of Wisconsin
 psc.wi.gov PSCStateBroadbandOffice@wisconsin.gov
 4822 Madison Yards Way, P.O. Box 7854, Madison, WI 53707-7854

