



'It Pays To Work Together': Indiana Partnership Was a Journey Worth Taking

When he talks about forming a broadband partnership with a rural telephone company, James Tanneberger describes a long journey with several twists in the road. There were missteps, but in the end, South Central Indiana Rural Electric Membership Corp. (SCI REMC) and Smithville Communications announced a plan to introduce fiber to the home (FTTH) in a hard-to-reach portion of the state.

"It's gone from friendly and supportive and 'How can we help you,' to, 'Oh, no, you're getting into the business, and now you're going to be a competitor of ours. . . .We're afraid of you and what you're going to do to us,'" says Tanneberger, president and CEO of SCI REMC, the state's largest electric cooperative. "We're finally at a place where we both realize it pays to work together."

SCI REMC serves 34,000 meters over seven counties and 1,000 square miles between Indianapolis and Bloomington, Indiana. By the end of 2020, it also expects to reach about 5,000 FTTH subscribers. Construction on SCI Fiber to all of SCI REMC's service area began in 2018 and will continue into 2023 under the current plan.

"We already have all the construction crews up and running in the area," Tanneberger says. NRTC's Broadband Solutions team designed and is managing the project.

But there was a hole in the plan. The feasibility studies could not find an economical way to provide FTTH to about 3,400 residents in and around the towns of Ellettsville, Lake Monroe, and Gosport. That area overlapped with Smithville's telephone service area, which offered DSL but also was unable to provide those homes cost-effective fiber service.

The makings of a natural partnership seemed to be forming. But the course of that partnership wasn't smooth.

Smithville was offering advice early on in SCI REMC's investigations into fiber. "In their mind, they were ready for us, and were talking about partnership. Unfortunately,

that didn't line up with our idea of what our obligation was to our members," Tanneberger says.

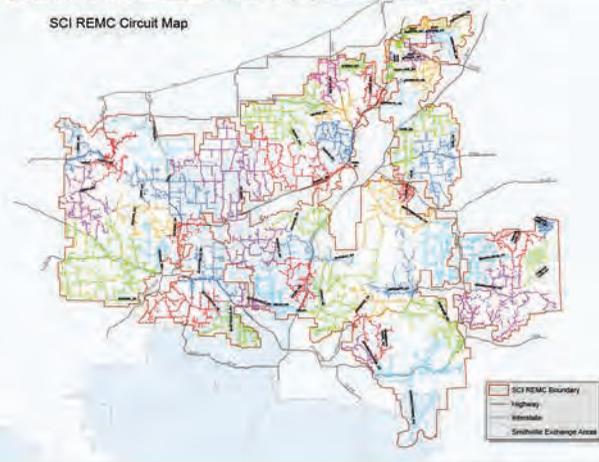
SCI REMC leadership reported during the co-op's August 2017 annual meeting that it had been unable to work out any broadband partnerships with neighboring telcos. Smithville, an SCI REMC commercial customer, had a representative at the meeting. "He stood up and said, 'Wait a minute. We've been trying to work out a partnership with you, and we're still here to talk,'" Tanneberger said. "It made for a very uneasy scene at the annual meeting."

Tanneberger became SCI REMC CEO a few months after that meeting. He sought to continue the Smithville dialogue, but misunderstandings formed and grew.

An unintentional competition in recruitment for technical employees arose between the two companies. Even more seriously, Smithville came to believe SCI REMC's real desire was to build its entire system on its own and compete with them. SCI REMC did not realize that when it announced plans to build fiber into certain areas, that it would affect Smithville's eligibility for federal funding and eliminate needed revenues.



SCI REMC Circuit Map



"Here we were entering into a new world where we did not understand all of the sensitivities," he said. "We didn't know whose toes we were stepping on and how it was going to affect them," he says.

Tanneberger decided to meet with the owner of Smithville, acknowledge the missteps, make it clear that SCI REMC did not want to damage Smithville's business, and renew his commitment to working together. That moved the relationship in a new direction.

Under the agreement the two companies reached, SCI REMC will build the fiber service in the partnership area according to the electric co-op's NRTC-developed specifications that match the network it is building to the rest of its service area. Smithville is paying for 80 percent of the project during construction. "They ultimately will own those facilities. That allows them to get their federal funding," Tanneberger says.

Residents in the partnership area will have the option of ordering service from either SCI REMC or Smithville. However, Smithville likely will take the lead in marketing the area. For SCI REMC, it was important to make fiber available to all of their members, but it doesn't make sense for both companies to spend marketing dollars and compete for the same customers.

Tanneberger estimates that a project that might have cost as much as \$83 million working alone will now be \$67 million thanks to the partnership. He advises having

somebody in the organization who understands the financials. His staff ran the numbers and realized that SCI REMC would never be able to justify the expense of working alone.

"That's a real motivator for coming together and working something out for a win-win," he said. "Come back to the table every time and realize that, ultimately, it pays to work together."

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