

**From:** Marshall, Karen

**Sent:** Tuesday, August 21, 2012 11:12 AM

**To:** Spaulding, Jeb

**CC:** MacLean, Alex; Lofy, Bill; Trombley, Shana; Miller, Elizabeth; Porter, James

**Subject:** background and talking points for GPS, Loreda Sola meeting WEDS 10A

**Attachments:** Connect VT broadband update August 21 2012.docx

Jeb,

Attached is an update that GPS should read through prior to the ECF meeting, talking points on the last page.

**Karen L. Marshall** , Chief

Connect Vermont, Broadband and Mobile

Agency Of Administration | Pavillion Building

109 State Street | Montpelier, VT 05609

phone: 802.828.6452 mobile: 802.371.9885

karen.marshall@state.vt.us

## Connect VT: Update on Telco Progress

### VTA RFP 128 funding decisions:

The VTA has finalized four funding decisions to build broadband to remaining unserved locations. The final two awards to FairPoint and VTEL have not been announced yet, pending the press conference with GPS on September 4. The FairPoint award was competing against applications from ECF and VTEL in Rochester.

- Comcast- \$247,000 for 57 locations, cable extension.
  - o Braintree, Pownal, Shaftsbury
- Topsham Telephone- \$378,200 for 138 locations, fiber to the premise
  - o Topsham and Bradford
- FairPoint- \$330,200 for 44 locations, fiber/copper ADSL 2
  - o Barnet, Ryegate, Rochester
- VTEL- \$1,347,840 for 306 locations, wireless
  - o 42 different Target Grant Areas
- TOTAL GRANT AMOUNTS: \$2,303,240
- Locations: 545
- Average cost per location: \$4226

ECFiber had a competitive application for the Rochester territories, a total of 31 locations. Their initial bid was for \$536,000 and the competitive bid from FP was for \$225,200. At \$536K their cost per location (31) would have been \$17,290. VTA asked ECF whether they could reduce the bid to \$300,000 (by eliminating a longer section of backhaul and utilizing commercial provider already there). They opted not to rebid the Rochester locations. The FairPoint award for \$225,200 was an average cost of \$7246, still clearly an expensive area to complete.

There are 80 remaining locations to be funded in sections of Braintree, Guilford, Vernon, Wilmington, Johnson, St Johnsbury and Rupert. Original estimates from the VTA were \$410K, received applications for funding totaled \$1.38M (FairPoint) for these same locations. The VTA has closed the RFP and is approaching providers who may have the most cost efficient solution but did not apply for these areas directly (Comcast, Charter and Duncan Cable). We believe that these locations will be achievable with the \$410K.

The FairPoint docket commitment of \$6.6M covered 19 of 40 Target Communities, and 651 unserved locations. Because of their 100% coverage commitment in these areas, total locations reached with high speed connections will be 3081, an average cost of \$2142 per location.

Additionally, FairPoint has accepted a CAF (Connect America Fund/ FCC) commitment will reach multiple neighborhoods in 53 towns will see this new high-speed access.

- These towns include: Albany, Barnard, Barnet, Belvidere, Bethel, Bloomfield, Bradford, Braintree, Brookfield, Burke, Chelsea, Glastenbury, Granby, Groton, Guildhall, Halifax, Hancock, Hardwick, Irasburg, Lemington, Lowell,

Maidstone, Montgomery, Newark, Newfane, Newport Town, Pomfret, Pownal, Putney, Randolph, Reading, Rochester, Royalton, Rupert, Sandgate, Shaftsbury, Sharon, Sheffield, Stockbridge, Strafford, Stratton, Townshend, Troy, Tunbridge, Victory, Walden, Wardsboro, West Windsor, Westfield, Westminster, Whitingham, Wolcott and Woodbury.

EC Fiber and the VTA have been engaged in engineering and design discussions for the Orange County Fiber Connector, which reportedly are positive. ECF has been represented by Tim Nulty (Valley Net, operating company for ECF) in these discussions (not Loreda Sola, John Roy or Kathy Hooke). Confidentially, the VTA is completing a review of construction bids for the project which will most likely go to Matrix, Valley Net's preferred construction company.

#### On construction collaboration with ECF:

- There are multiple structural and somewhat more expensive fiber access points that have been requested by ECF. VTA is accommodating these in the design which essentially allows for more fiber to the premise connections along the route.
- ECF already held pole attachment licenses for this route (on FairPoint and CVPS poles). VTA board approved a motion that recognized these licenses as valuable and timely to the build of the project and granted a full discount of pro rata share of construction costs to ECF. Essentially, they will only pay pro rata share of maintenance from here forward and receive 36 strands of dark fiber.

Rochester funding has not been announced, although it is public information on the VTA website. This MAY or MAY NOT be news to Loreda. They will assuredly be disappointed however, the cost differential was >2x and too difficult to overcome. (As a confidential comparison, in Kansas City Google is connecting with FTTP at \$900 per location).

The very best and most productive actions we can continue to take on their behalf are:

1. Speedy build out of the Orange County Fiber Connector, accommodating their needs.
2. Look for additional opportunities like this strategic investment in fiber that leverage and allow for providers to build the last connections.
3. Working with the VTA, we may be approaching enough critical mass and significant miles of state sponsored dark fiber that could begin to leverage a repayment source for bonding, and develop a cooperative model of state owned/ provider leased/ VTA bonded capital routes that give providers the ability to build lateral spurs and premise solutions.

Overall, the Administration and VTA relationships with ECF have not been contentious of late.

We should anticipate that we will continue to hear rumblings from various communities driven by ECF delegates within them that want fiber to the premise solutions. To this end see the three points above.

### Talk Points:

- We appreciate that it has been a long road for ECF to access funding and emerge as a provider.
- The Orange County Fiber Connector investment of \$800K of state capital to build the 36 miles in their core territory, incorporating their engineering specs, appears to be a good model for how the state can work with providers to foster high speed connections. Their dollar and our dollar synergize to build a better solution.
- As an Administration, we have to access ALL solutions:
  - o Fiber to the premise
  - o Copper and fiber
  - o Coax cable
  - o Wireless
  - o Mobile wireless

in order to complete connections now, and build a platform for future speed improvements.

There is no one single solution, we are committed to building connections by the end of 2013 AND building speed into the future.

No one community will be left behind.

- The solutions aren't always easy, as evidenced by the tough decisions that the VTA board is making. There are far flung places that need a first connection and we have to spend our limited capital as best we can in this phase.
- Ask what the OCFC will mean to the ECF business plan:
  - o Potential for new customers
  - o Potential to deliver to investors
  - o How a success in this area might drive operating margin for them that they can leverage into future investment
- Thank him for working cooperatively with us.

### Additional Developments:

VTA is applying for an EDA 2012 Disaster Relief Grant; \$2.1M project is to build cellular solutions in three flood ravaged areas of the state, and requires a \$500K match from VTA/state capital. This leveraged solution would install an additional 100 miles of the Coverage Co/ VANU solution in these areas.