

March 13, 2018

Virginia:

AT A REGULAR MEETING of the Nelson County Broadband Authority Board at 1:00 p.m. in the General District Courtroom located on the third floor of the Nelson County Courthouse, Lovingston Virginia.

Present: Thomas D. Harvey, North District – Chair
Thomas H. Bruguere, Jr. West District- Vice Chair
Larry D. Saunders, South District
Gary W. Strong – Central District
Jesse N. Rutherford – East District
Stephen A. Carter, County Administrator
Candice W. McGarry, Secretary
Debra K. McCann, Treasurer
Susan Rorrer, Director of Information Systems

Absent: None

I. Call to Order

Mr. Harvey called the meeting to order at 1:05 PM with all Members present to establish a quorum.

II. Public Comments & Presentations

A. Public Comments

1. Bobby Garvey, President of Synchronicity Foundation

Mr. Garvey reported speaking with Mr. Reed who advised they come and plead their case as to why they needed Broadband on Adial Road. He noted they had been a business on Adial since 1983, they were an International Retreat business, and offered high tech meditation. Mr. Garvey reiterated that they did a lot of international business and currently worked with 4 DSL lines. He added that they really needed broadband to come up the road.

Mr. Bruguere asked if Mr. Beam was working on Adial and Mr. Carter noted they had been in discussions with them about it. Ms. Rorrer added that they had prepared a quote for the build to Synchronicity and had an idea of how many customers were needed. She added that approximately 15-17 people had expressed interest, however there was a substantial cost in getting fiber from Monroe Institute to them and it was the same distance from the Nellysford side. It was reiterated that the submitted quote was far too expensive and they were advised to discuss this further with Ms. Rorrer.

B. Presentation -Central Virginia Electric Cooperative Broadband Project

Mr. Gary Wood, President and CEO of Central Virginia Electric Cooperative (CVEC) gave the following PowerPoint presentation:

A thought

"People always find it easier to be a result of the past rather than a cause of the future."

RURAL BROADBAND 
CENTRAL VIRGINIA ELECTRIC COOPERATIVE

Who is CVEC?

- Rural Electric Cooperative
 - Private independent organization
 - As a monopoly, provide a public utility - electricity
 - Cooperative business model
 - Not for profit
- Formed in 1937
 - Farmers and business owners in rural central Virginia
 - Built infrastructure that open market would not build
- Consistently competitive
 - Throughout history near or below average cost in state
 - High reliability – 99.999% service availability annually
 - Traditionally very high member satisfaction ratings

RURAL BROADBAND 
CENTRAL VIRGINIA ELECTRIC COOPERATIVE

Who oversees CVEC?

- Board of Directors
 - 9 Directors chosen from membership
 - Elected by members
 - Meet regularly (9-12 meetings annually)
 - Fiduciary and policy roles
- Virginia State Corporation Commission
 - Approve Rates and Terms & Conditions
 - Review quality of service complaints
- Rural Utilities Service
 - Our banker – has master mortgage document
 - Financial requirements
 - Design and equipment standards



Mr. Wood noted that HT Brown from Massies Mill and Jace Goodling from Afton were the Nelson Board of Directors members. He also noted that the Rural Utilities Service had approved the project and had approved the environmental review. He added that RUS was trying to help fund projects across the US and they would be funded more quickly by them than if they sought an electric system loan.

What size company is CVEC?

- Average electric cooperative in state
 - 36,000 accounts
 - Touch parts of 14 counties
 - 4,600 miles of overhead and underground lines
 - 90% residential accounts
- Midsize company financially
 - \$80 million in revenue
 - \$2 million to \$4 million in margins annually
- Impact on local economy
 - 104 full time employees – average wage \$35/hr
 - Another 100 local contract employees
 - Active in communities we serve



Mr. Wood noted that 80% of the lines were overhead and the businesses they would serve were at Zion Crossroads; however it would be mostly residential. He added that CVEC brought in \$85-\$90 million in revenue now with 2%-5% margins. He noted that was the reason why their business model would work in a rural area. Mr. Wood noted they had 104 full time employees in Lovingston, Palmyra, and Appomattox,

with 55-60 being in Lovington. He noted they had another 100 local contracted employees that worked on ROWs, truck maintenance and building maintenance.

Rural Broadband Project

- CVEC needs high speed communications across its grid
 - Requires all 33 wholesale delivery points be connected
 - Downline equipment connected
 - Eventually all the way to the meter
 - Smart grid applications, higher reliability, lower costs
- Leverage the CVEC fiber to provide members broadband
- Make fiber access available to other businesses and organizations who need high speed communications in the most rural areas

RURAL BROADBAND
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Mr. Wood noted that they used radios now at substations and had copper lease lines. He added that they did not have a lot of physical security in place and they were moving to that. He then noted that the circuit breakers were manually operated now and they could do it remotely with high speed Internet. He added that they got the most savings with live communication.

Rural Broadband Project

- 5 year project
 - First year pilot to prove concept and assumptions
- All 36,000 accounts will have option for service
 - Fiber will be extended to home or business when member signs up
- 3,500 miles of line
 - From 600 to 800 miles per year installed, plus drops
- \$110 million investment
 - About \$20 to \$24 million annually

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Mr. Wood noted that in the first year, they would prove that the business model worked.

Rural Broadband Project

- CVEC will install and own fiber
 - Overhead on poles
 - Underground where other facilities underground
- Subsidiary business will be ISP
 - Required by Virginia code
 - Will lease fiber from CVEC and sell services retail
- Design and construction will be contracted
 - 15 to 20 miles installed per week
 - 100 to 150 new accounts added per week

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Mr. Wood noted that 75% of their fiber project would be overhead and they would follow the power lines. Mr. Wood noted the Subsidiary Company was formed to keep the business from having a subsidy from the electric company. He added that they would take a loss the first seven years; however it insulated the electric rates from paying for it.

Rural Broadband Project

- Business plan indicates financially feasible
 - Uses conservative costs and revenue projections
 - Projections based on actual projects from electric cooperatives and small municipals around US
 - Uses proven construction methods
- Subsidiary reaches breakeven in year 11
 - Cashflow positive in year 7
- Requires over \$100 million in new debt for CVEC

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Mr. Wood noted that the construction technology was used around the country and was proven. He added that large companies were not doing this because of the breakeven point and they were not designed to do this.

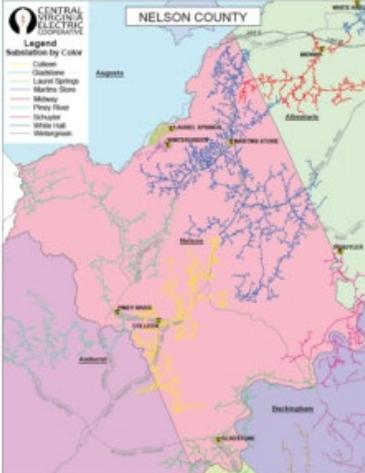
Services and Pricing

- Two options for Broadband
 - 100 mbps service - \$49.99/month
 - 1 gigabit per second - \$79.99
- VOIP Telephone Service
 - Unlimited local and long distance - \$29.99
- Optional router and managed service (\$5/mo)
- Installation fee
 - \$100 for new installation
 - Waived if sign up as we build in the area

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Mr. Wood noted that they had to offer VOIP Telephone Service if they were to get Connect America Funds.

Local Impact



About 8900 accounts

\$25 million investment

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Mr. Wood noted they would start the build in lower cost to serve areas where there were the most margins and would be the fastest in order to adhere to the business model. He added that if they did not do it that way, the break-even point was extended and financing would not allow for it. He added they would build out by circuit from the substations and there were just under 8,000 residences in 8,900 accounts.

Will Seek Support

- Will seek 20% of overall project costs in total support
 - Mix of capital offset and annual revenue
 - Help reduce debt burden
 - Help early years of cashflow when business is most at risk
- Seeking support at all levels – local, state and federal
 - Lacking a single source at state or national level
 - Will reach out to all potential sources for grants, incentives, revenue commitments, in kind services, etc.



Will Seek Support

- Local
 - Economic development incentive equal to new tax revenues
 - Commitment for contracts for government communications and internet services
 - Incentive grants
 - In kind services
- State
 - VEDP
 - CIT
 - Tobacco Commission (south of James River)
- Federal
 - Connect America Fund (FCC CAF-II Auction in 2018)
 - Infrastructure bill grant or incentives

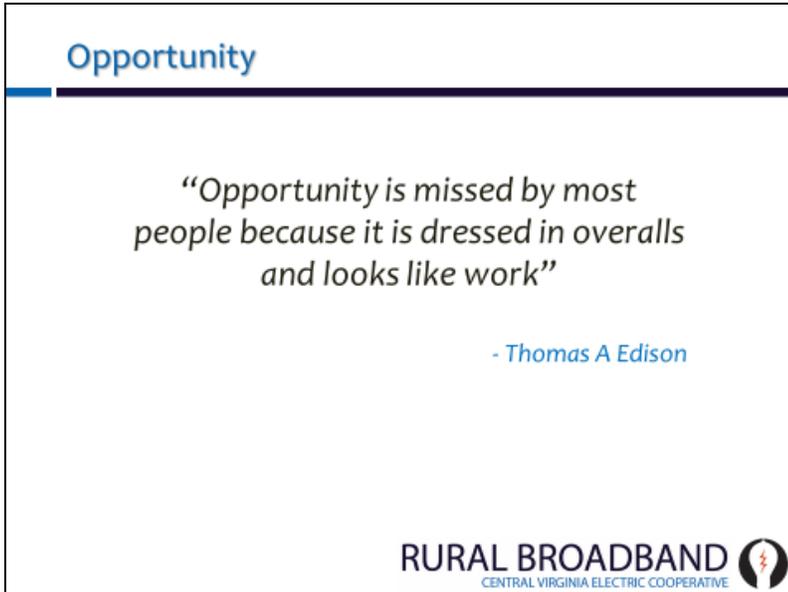


Mr. Wood noted that in terms of local funding, they were looking at it creatively. He noted that some counties provided incentives that returned taxes paid on new infrastructure; which did not impact taxpayers. He noted that Schools, 911, Government, and library contracts were desired and would count toward local support. He added that in kind options were available involving the County fiber.

Mr. Wood advised that they had gotten a \$1 million grant for a \$4 million build in Appomattox and would build there in the first year. He noted those were grants available to the south of the James and they would pursue them in those areas.

March 13, 2018

Mr. Wood then explained that the 20% support was system wide regionally. He added that if more Tobacco Commission funding was realized, it would help the whole project. Mr. Wood then noted that he was not counting on federal level funding



Mr. Wood noted that they had 18 months to use the Tobacco Commission funds and the Connect America funds required that they serve 40% by year 3 and 100% in 6 years.

Mr. Wood then noted a few updates since the presentation was put together:

He advised that the Subsidiary was open and they had taken the first steps in getting the RUS loans. They had pursued and gotten Tobacco Commission grant funding and had signed a contract for a design and project management consultant. He added that they also had another consultant coming on board and they were ready to talk to County staff to look at ways to evaluate the role of the County fiber in their plans.

Mr. Bruguere then asked about the outlook for the five year period in Nelson and Mr. Wood noted that in 5 years, they would have all of their service area covered. He added that they were actively looking at non service areas and would love to serve everybody. He noted that the project was aggressive and he did not see them taking on huge portions outside of their territory in 5 years. He advised that they were willing to serve where it was quick and economical to do so but in other areas, they would look at it after the main piece was done. Mr. Wood noted that if there were adjacent service territories and they were within 500-1000 feet of the house, they may serve them.

Mr. Bruguere asked how soon they would be ready to talk and Mr. Wood noted they were ready whenever the County was ready to discuss it. He reiterated that they had consultants on board now to add depth to their team and they were talking with Appomattox County as soon as possible.

March 13, 2018

Mr. Harvey asked if they had detailed maps of the areas that would not be served so that the County would know what sections of the County would not be covered in the first 5 years for Broadband Authority planning purposes. Mr. Wood advised that he did not have maps of the other providers' areas and Ms. Rorrer noted that she had created that map and the general areas could be seen.

Mr. Strong asked about the population located in the non-CVEC areas and Ms. Rorrer noted she did not recall, however she did compare the customers of each. Mr. Wood noted that the County had 10,300 residences in the county per the last Census and they had 8,900 accounts.

Mr. Strong asked how critical and probable it was that they would get Connect America Funds and Mr. Wood noted he had been advised to not say anything more about Connect America funds – he added there were a lot of anti-collusion rules associated with it. He noted the funds would help and it depended on real costs and take rates; noting that it took the risk away and their break-even point was sooner. He added that those funds were not a make or break and they intended to go forward without it.

Mr. Strong asked how critical was it that they be integrative of the NCBA network and Mr. Wood noted that their feasibility study did not include any of that and was based on an independent build. He added that it was a detailed and conservative study.

Mr. Bruguire then suggested that the two parties set up a meeting and then get back with NCBA for a closed session. Mr. Harvey suggested that they have some smaller meetings first and then meet with NCBA. Mr. Carter noted that had been discussed and then staff could bring back some more meaningful outcomes to the NCBA adding that staff and CVEC would be meeting at the end of next week or the following week.

III. Consent Agenda

A. Resolution – R2018-02 Minutes for Approval

Mr. Saunders moved to approve the consent agenda and Mr. Strong seconded the motion. There being no further discussion Members voted (3-0-2) by roll call vote to approve the motion with Mr. Rutherford and Mr. Harvey abstaining. The following resolution was approved:

**RESOLUTION R2018-02
NELSON COUNTY BROADBAND AUTHORITY
APPROVAL OF MEETING MINUTES
(January 9, 2018)**

RESOLVED, by the Nelson County Broadband Authority that the minutes of said Authority meeting conducted on January 9, 2018 be and hereby are approved and authorized for entry into the official record of the Broadband Authority meetings.

IV. New/Unfinished Business

A. Network Operations Report

March 13, 2018

Ms. Susan Rorrer presented the report as follows, she noted that she had refined the information from working with the Network Operator and the previous month's numbers given were slightly high.

I. Operational

Total Number of Connections on 12/31/2017:	410
Installations for January - February:	47
Total Number of Connections on 2/28/2018:	457
Pending Installations:	106
Total Customers on 2/28/2018:	563

II. Administrative

- Installation is in progress for the following neighborhoods:
 - Tanbark – 78 customers with approximately 50% currently connected.

Mr. Harvey and Ms. Rorrer noted that 75% to 95% were now connected.

- Installation for the following neighborhoods will begin in the March – April timeframe:
 - Sunrise Drive - 6
 - Blundell Hollow - 18
 - Crawford's View – 17

Ms. Rorrer noted that the drawings were in to VDOT and CCTS was waiting on their feedback to finalize permits.

- The following are approximate customer numbers as of February 28, 2018:

o Total Connected Customers:	457
o Total Pending Installations:	106
o Total Customers:	563

- One additional neighborhood with approximately 19 customers has expressed strong interest in connecting to the network.

Ms. Rorrer noted that on the Adial road extension, 25-30 connections were needed to make the costs reasonable. She noted that Monroe paid \$20,000 to get it to them and the neighborhood only had to share in extending it from there to them.

Mr. Strong asked if a five year amortization was being offered and Ms. Rorrer noted it was and the discount from the NCBA and ISP were also offered.

March 13, 2018

Mr. Harvey commented that if they were able to collaborate with CVEC, the rates could be brought down for everyone.

B. Treasurer's Report

Ms. McCann reported the following:

BROADBAND FUND @ 2/28/2018

OPERATIONS

Beginning Balance 7/1/2017	\$103,653.40
July-February 2018 Expenditures	\$ (387,542.30)
July-February 2018 Revenues	<u>\$ 270,701.85</u>
Subtotal	\$ (13,187.05)
General Fund Transfer 7/1/2017	\$200,000.00
Available Bank Balance@ 2/28/2018	\$186,812.95

OUTSTANDING INVOICES AS OF 3/5/2018

<u>ISP</u>	<u>1-30 Days</u>	<u>> 30 days</u>	<u>TOTAL</u>
Stewart Computer Service	\$12,487.88	\$7,901.79	\$20,389.67
Blue Ridge Internet Works	\$7,359.84	\$7,500.75	\$14,860.59
Lumos	\$0.00	\$937.50	\$937.50
Nelson County Cable	\$5,663.76	\$13,507.57	\$19,171.33
<u>Shentel</u>	<u>\$4,368.00</u>	\$4,368.00	\$8,736.00
	\$29,879.48	\$34,215.61	\$64,095.09

Customer Installation (Property only)

William Johnson	\$0.00	\$3,033.36	\$3,033.36
<u>Paul Herman</u>	<u>\$0.00</u>	<u>\$1,516.68</u>	<u>\$1,516.68</u>
	\$0.00	\$4,550.04	\$4,550.04

Mr. Bruguere asked if staff now had a handle on the billing procedures and Ms. McCann noted they did; however there were still outstanding invoices greater than 30 days. She noted that they had considered once transitioned implementing penalty and interest as was in the bylaws in order to enforce timely payments. She added that they had most or all of the accounts correct and there were no issues that staff was aware of.

Mr. Carter noted that Ms. McCann and Wide Open Networks had focused on this in order to get it correct and he was confident the accounts were where they were supposed to be over the last 60 days billing periods.

March 13, 2018

Mr. Rutherford inquired about current due dates and Ms. McCann noted that bills went out on the first of the month and were due in thirty days. She added that the bills were for the month in arrears.

C. County Administrator's Report

Mr. Carter had nothing further to report other than staff would move forward in scheduling meetings with CVEC.

V. Other Business (As May Be Presented)

Introduced: Public Comment

Mr. Clay Stewart arrived to the meeting and asked the Chair if he could provide comment. Mr. Bruguere obliged with the consensus of the Board.

1. Clay Stewart, SCS

Mr. Stewart noted he welcomed CVEC's approach to solving the County's broadband problems; however he thought the current direction would create the isolation of services.

Mr. Stewart advised that he had won two grants in other counties from the Tobacco Commission, he had service in 11 counties, and was working with another 6 counties. He noted he wanted to help Nelson and expand into other areas. Mr. Stewart then advised that he had gotten quiet zone approval in Amherst and now had to make a decision on the Massies Mill tower. He added that there were over 4,000 homes that would not be served by CVEC in his analysis. Mr. Stewart also noted that LTE was \$35,000 per tower and he now had to decide where to serve. He added that he had 1GB wireless service now being deployed.

Mr. Stewart then requested that the Board take in the facts about what could happen to 4,000 homes in the county if he had to go and work other counties that don't have CVEC. He added he was asking the Authority to think of how they could all work together to do all of the homes in the County and not just partially. He added that he hoped they would call on him and Mr. McClellan to assist them with it.

VI. Adjournment

At 2:00 PM, Mr. Rutherford moved to adjourn and Mr. Strong seconded the motion. There being no further discussion, Members voted unanimously by voice vote to approve the motion and the meeting adjourned.