

February 12, 2013

**Virginia:**

AT A CONTINUED MEETING of the Nelson County Broadband Authority Board at 1:00 p.m. in the Board of Supervisors Room located on the second floor of the Nelson County Courthouse.

Present: Constance Brennan, Central District  
Larry D. Saunders, South District – Vice Chair  
Allen M. Hale, East District  
Thomas D. Harvey, North District – Chair  
Thomas H. Bruguere, Jr. West District  
Stephen A. Carter, County Administrator  
Candice W. McGarry, Secretary  
Debra K. McCann, Treasurer  
Phillip D. Payne, IV County Attorney  
Andrew Crane, Information Systems Technician  
Susan Rorrer, Director of Information Systems  
Broadband Subcommittee Members  
Baylor Fooks, Blue Ridge Internetworks (Network Operator)

Absent: None

**I. Call to Order**

Mr. Harvey called the meeting to order at 1:07 pm, with all Members present to establish a quorum.

**II. Public Comments**

1. Janet Lychock, Afton

Ms. Lychock noted that she came to hear about the rate schedule and wanted to voice her opposition to the request for a fiber swap made by Wintergreen Community Cable. She added that she had read over the comments included in the packet and opposed this. She further noted that the Broadband grant was for the unserved and the underserved and she did not think this described Wintergreen and she hoped that the Authority would agree.

**III. New/Unfinished Business**

**A. Broadband Authority Rates, Fees, and Charges**

Mr. Carter introduced the work done on a new rate structure and noted that staff would overview this work, would take comments, and would proceed from there. He added that staff would like another week to fine tune these and either have a continued meeting or wait until the next regular meeting to discuss further.

He then distributed some handouts and noted that Ms. Rorrer and Mr. Fooks would provide an overview.

Ms. Rorrer began by noting that they had provided a collection of pro forma operating statements that analyzed three different scenarios with respect to rates and capital contributions. She added that the second page listed the transport rates that would be changed, the next handout showed an analysis of the three scenarios on a monthly basis for one year, and the next one showed a list of customers along or in close proximity to the fiber route. She added that these were primarily business customers and this was meant to give them a sense of how many businesses were in close proximity. She noted that this showed that the Authority was limited in the future to attracting new business customers. Finally she noted that the last documents showed the rate modifications to the original rate resolution.

Mr. Fooks then went through the pro formas and noted that these were done on a fiscal year basis beginning in July.

*Scenario 1 – Original Rates and No Capital Contribution for Construction*

The first set used the original rates and showed no capital contribution made for construction, which showed the Authority operating in the black on a monthly basis of \$1,327 toward the end of the year; however a net loss of \$30,714 occurred for the whole year. He added that in this scenario, they had estimated the number of fiber customers to be six (6) and DSL customers to be seventy-two (72). He noted that this was primarily due to business customers being mid-term with their T1 contracts and taking into account the subscription rate. He added that DSL subscription was hindered by the minimum rate to serve that device.

*Scenario 2 – Lowered Rates and No Capital Contribution for Construction*

Mr. Fooks then noted that the second scenario used the lowered rates and no capital contribution by the Authority for Construction. He noted that at the end of the year, the Authority had a larger operating deficit of \$36,600 and was operating in the black on a monthly basis of \$988 toward the end of the year, which was slightly less than in Scenario 1. He added that in this scenario, they had estimated the number of fiber customers to be thirty-six (36) and DSL customers to be two hundred eighty-eight (288). He noted that this scenario used the lowest DSL rate of \$200 per month for 100 MB and the lowest fiber rate of \$25 per month for 25/5 MB service.

In response to questions from the Authority members, Mr. Stewart noted that his speeds and related costs for his service and the Excede satellite service were comparable.

*Scenario 3 – Lowered Rates and a Capital Contribution for Construction of \$19,500 per month or \$234,000 for the year.*

Mr. Fooks noted that the third scenario used the lower rates and included a capital contribution by the Authority to cover 75% of the cost (\$1,500) of providing fiber to the premise for the first 156 customers.

He noted that by the end of the year, the Authority showed a loss of \$15,600 but was operating at \$5,488 in the black on a monthly basis. He noted that due to the investment of \$234,000 in capital, fiber to the premise customers was estimated at one hundred fifty-six (156) and the DSL customers were estimated

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at two hundred and eighty-eight (288). He added that there was no increase in DSL numbers because this was not affected by making the fiber more affordable.

Mr. Carter then noted that the cost to build out was a potential bottleneck for the County. He added it was like water and sewer and the total estimated installation cost of a fiber lateral was \$2,000; and the proposal was that the Authority would cover 75% of this cost up to \$1,500. Ms. Rorrer then noted that there was some potential to get the installation costs down if it were done aurally vs. underground. Mr. Fooks added that if they went underground, the fiber would be vibrated in and the ONT device was around \$250 of the \$2,000 cost. He noted that most of the cost was labor.

It was then noted that staff had estimated the total potential customers within 200 feet of the fiber to be two hundred and fifty-eight (258) and that if they went much beyond 200 ft, installation would be cost prohibitive even with the 75% cost coverage by the Authority.

Mr. Hale then asked for confirmation that the connections had to be made at the vaults not just right off of the line and Mr. Fooks noted that ring cuts could be done but this would have to use twelve (12) fibers because they were bundled this way and it would cost more to do. Mr. Fooks then confirmed that with passive technology, more customers could be served from one strand of fiber. He added that these types of engineering decisions on the use of the fiber would be based on what was most cost effective for the Authority. He added that they would recommend using passive technology when it was applicable and made the most sense. He further explained that the equipment the Authority had would do both. He noted that sensors would detect what technology it was and would switch it. He added that the equipment on the customer end was the same with passive or active technology; however the equipment in between was different and had different costs. Mr. Fooks then explained that it would be too complicated to have a rate card that distinguished this. He noted that passive technology was capable of 2.5 GB.

Mr. Fooks clarified that if the installation was over 200 ft from the fiber, it would be cost prohibitive. He added that BRI might be able to pick up these costs by installing a DSL solution; which would be a brand new installation by them that would tap into existing Verizon copper wires. He noted that Verizon could do this, but they did not focus on smaller areas like this. Ms. Rorrer noted that the examples provided did not address wireless customers.

Ms. Brennan asked how long it would be before the Authority saw a return on its investment of \$234,000 and Mr. Carter noted that it looked like it would be five (5) years and Mr. Fooks added that since it did not all flow out at once, they would have to do a present value calculation to determine this.

Ms. McCann noted that the \$234,000 only took care of 156 customers so the capital contribution could continue if more customers came on board.

In response to questions, Mr. Fooks noted that the last mile circuits FTTP rates were to the service providers who would double this; however it was not an aggressive increase. Mr. Fooks noted that he pays \$39 for 6MB of triple play services from Comcast in Charlottesville. Mr. Fooks then noted that with DSL, it would not be co-resident and would be a new pair to the house, so if the customer had Verizon phone lines, this would not change and the charge would be just for internet. Mr. Fooks then explained that there was usually two pair of phone lines run to a home; however they have been doing

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three to six pairs now. He added that the number of voice lines was decreasing. He noted that Verizon owned the phone cable to the demarcation point and still owned it even when their service was discontinued. Mr. Fooks then noted that it would cost them \$10 per pair per month to use Verizon's lines.

Ms. Rorrer then cautioned the Members to keep in mind that service providers had other expenses related to getting to the customer beyond just these rates. Mr. Carter added that they were only looking at revising the transport rates and that these were the only rates that the Authority had control over. Ms. Rorrer noted that they could only give projected customer numbers utilizing the proposed rates.

Mr. Fooks noted that they had a pretty good picture of BRI's cost using these rates for fiber to the premise. He added that \$50 per month was an exceptional rate and was comparable to the FIOS product offered by Verizon.

Mr. Carter then noted that they would quickly step through the proposed rates next.

Mr. Fooks noted that for Last Mile Circuits (Fiber to the Premise), they had developed pricing for two Tiers. He noted that Tier 1 was for asymmetrical services and was usually associated with service to residences. He noted that the Tier 2 was for symmetrical services and was usually applicable to businesses customers. He then noted that the High End services were market value and he did not think these needed a rate reduction; but rather they needed to create a lower end product.

The proposed Tiers and rates were as follows:

**Last Mile Circuits (Fiber to the Premise)**

*Tier 1 (Best Effort Class of Service) Monthly Charges:*

25/5 MB:	\$25
50/10 MB	\$50
100/20 MB	X
250/50 MB`	X

*Tier 2 (Priority Class of Service) Monthly Chargers:*

25/25 MB	\$75
50/50 MB	\$200
100/100 MB	\$400
1000/1000 MB	\$1,000

Mr. Fooks noted that Middle Mile Circuits (Fiber to Service Provider Device) applied to wireless or DSL deployment. He noted that the service provider used the network to be able to provide their services and these were revised to allow service providers to serve multiple customers.

**Middle Mile Circuits (Fiber to Service Provider Device)**

Monthly Charges:

100 MB	\$200
250 MB	\$500
500 MB	\$750
1000 MB	\$1,000

Mr. Fooks then noted that the pricing for Point to Point and Point to Multipoint Circuits (Symmetrical) was for the schools for example. He added that this was a different type of circuit sold to service providers.

**Point to Point and Point to Multipoint Circuits (Symmetrical)**

Monthly Charges:

25 MB	\$200
100 MB	\$500
250 MB	\$650
500 MB	\$800
1000 MB	\$1,000

In response to questions, Mr. Fooks explained that the Middle Mile Circuit rates were rates for wireless and DSL providers. He noted that these were based on there being an oversubscription factor and this may be 5 to 1; so on a 100 MB connection, you could sell up to 500 MB. He added that oversubscription factors did not jump up until there were a large number of subscribers. He then noted that BRI tries to get to a 20% gross margin in costing and that in Danville, retail pricing was 5x the cost.

Mr. Carter then suggested that he would write a narrative on these rates and that the current rates did not enable smaller subscribers to cost effectively use the network. He added that the Authority Board had said to try to serve more people; so staff revised the transport costs to make it more affordable to the end user. He noted that the proposed rates did provide for this but that staff needed more time to fully explain it.

It was then noted that both SCS and BRI could explain their pricing; however it was unknown what other providers would do. Mr. Carter added that if the new rates were used, the subscription level ramped up. Mr. Bruguire noted that if they could not serve residential customers for \$75/month and under, the Authority would not get many customers.

Mr. Stewart noted that SCS was focused on reducing costs to service providers and that it was a negative that fees were high today in rural areas but he thought this would change in the next year. He added that he had numbers showing that it would be a tenth of what it was now. He then noted that in terms of customer charges, the fiber connection and the transport costs were the highest component of the costs; equipment and labor were added on but were not as big as the first two.

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Mr. Stewart noted that SCS was talking to Cogent and MBC to act as transport for him and those numbers were looking good.

Mr. Hale suggested that staff continue to work on the rates; however he did not think it was worth any more time to contemplate subsidizing fiber installations and Ms. Brennan agreed. Mr. Harvey disagreed and noted they should look at the whole plan.

Mr. Hale then moved that the Authority not pursue providing a County subsidy of capital required for construction and Ms. Brennan seconded the motion.

Mr. Harvey then asked if they were going to eliminate the subsidy to the Service Authority and Ms. Brennan noted it to be different as that related to health and safety. Mr. Harvey argued that this would be for economic development

Mr. Hale noted that this would be for internet broadband and Mr. Bruguere noted he was on the fence on the capital contribution and was not sure it was fair; suggesting that maybe the customer should cover the installation cost over five years. He added that the County had already spent almost a million dollars in tax payers' money on this and the schools etc. Mr. Harvey then noted that it did not cost anything to study it more and Mr. Saunders noted that he was not in favor of spending taxpayers' money on it but was in favor of staff laying it out more.

Mr. Carter noted that Staffs' primary objective was the rate structure and it enabling them to be able to serve more people. He added that the capital investment was a consideration to show that if the Authority was able to do it, it would ramp up the subscription level and boost cash flow.

Ms. Brennan noted she would rather spend this money on more towers to serve other parts of the county and Mr. Carter reiterated that the rates were the key consideration.

There being no further discussion, Members voted (4-1) by roll call vote to approve the motion with Mr. Harvey voting No.

#### **B. Correspondence – Wintergreen Community Cablevision**

Mr. Harvey inquired as to whether or not they should discuss this item in closed session and Mr. Payne and Mr. Carter both thought not.

Mr. Carter then overviewed the request made by Wintergreen Community Cablevision (WCC) to swap dark fiber and then noted the background on the fiber swap. He noted that this swap would benefit WCC and would enable them to provide enhanced services to the Wintergreen community and the Authority would only be able to serve the Gatehouse and would be restricted in its use of the fiber.

He noted that NTIA staff had directed County staff to a Fact Sheet noting the obligation of the County to submit fiber swaps for their approval. He added that the Fact Sheet noted that the swap had to be a fair exchange and that from the staff's perspective the proposed swap was not a fair and equal exchange and that staff was not fully informed to be able to assess this. Mr. Carter then explained that Mr. McClellan had provided his costs in the letter but not other information. He added that the Broadband Subcommittee had looked at this and did not endorse the request.

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Mr. Joe Lee McClellan of WCC then addressed the Authority and read some prepared talking points. He noted that his bandwidth requirements were not contingent on using the County's fiber however this cost was less in Lovingston than in Nellysford. He noted that in order to use the County's fiber he needed an extension from Rodes Farm Drive to Route 6 and it would still take seven to ten years to pay for this even with this swap. He noted that he proposed to swap dark fiber with the County for their exclusive use. He added that the County could provide services to the Wintergreen Gatehouse and to the Service Authority. He noted that he would connect Wintergreen to Lovingston and to the Shipman cable system; which would need to be upgraded to provide these services. He then indicated he wanted to obtain dark fiber costs from the Authority to provide services to Arrington and Afton.

Mr. McClellan then noted that it was defeating the purpose of the grant if the County did not utilize the system to its fullest potential. He added that even though it seemed like the County was not getting as much as it was giving; the County needed to consider the community. He added that WCC was the only provider at Wintergreen in some areas and they served areas on Adial Rd and Nellysford beyond Verizon's reach.

Ms. Rorrer asked how many Wintergreen customers there were and Mr. McClellan indicated he did not know.

Mr. John Holman of WCC noted that they provide enhanced services for Wintergreen resort and have run out of bandwidth that they can get from Verizon. He added that the dark fiber would be bandwidth to supply them for conferences that they cannot provide now and that WCC cannot currently provide a dedicated circuit to them.

Mr. Harvey advised WCC to provide the Authority with their customer numbers

Mr. Robert Kochanowicz, Director of IT for Wintergreen addressed the Authority and noted that they were the definition of underserved. He noted that they currently pay \$2,000 per month for a shared connection and they were maxed out and out of options. He added that groups were demanding the bandwidth and they could not provide it and their best option was through Nelson County Cable or WCC. He added that they needed this for visitors and conferences and it would benefit the County and the community.

Mr. Carter noted that staff did not understand what the increased benefit was. He noted that someone's revenues were going to grow and he did not understand why or how there was an inability to pay the transport fees. He noted that they could give the fiber away to the detriment of the Authority and they had not been told how much income would be made by WCC from this investment. Mr. Kochanowicz then noted that Wintergreen was looking for service providers.

Mr. Carter noted that staff was not necessarily opposed but that they were told that the fiber swapped could only be used by the County. He added that they proposed that other providers could use it to provide services; however WCC wanted to create a monopoly and wanted the Authority to possibly subsidize this.

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Mr. Kochanowicz noted that Wintergreen just wanted the bandwidth for the benefit of the County and for bringing new people up there.

Ms. Brennan noted that the Authority needed to have the figures in front of them to be able to consider this proposal. Mr. Kochanowicz noted that they wanted 25-50 MB to start with.

Ms. Lychock then reiterated her opposition to the proposed dark fiber swap and Ms. Brennan noted that a lot more information was needed before they could consider such a thing according to the grant parameters.

#### **IV. Other Business (As May Be Presented)**

There was no other business considered by the Authority.

#### **V. Adjournment**

Members discussed the possibility of continuing the meeting and Ms. Rorrer recommended giving staff one more week to work on the rates. Mr. Harvey noted he would be out of town the following week and Mr. Hale suggested meeting on February 26, 2013.

Mr. Hale then moved to continue the meeting until February 26th at 7:00 pm and Ms. Brennan seconded the motion. There being no further discussion, Members voted unanimously by voice vote to approve the motion and at 2:30 pm, the meeting adjourned.