

Broadband USA Applications Database

Applicant Name: Hargray Telephone Company, Inc.

Project Title: Daufuskie Island SC

Project Type: Last Mile Non-Remote

Executive Summary

Hargray Telephone Company (“Hargray”), a subsidiary of Hargray Communications Group, Inc., along with Beaufort County, South Carolina, is pleased to present this application for \$1,448,871—eighty percent of the funding requirements—for the construction and operation of a last mile/middle mile, fiber-based system to expand and enhance broadband services to Daufuskie Island in Beaufort County, South Carolina (“Daufuskie”). The funding sought by this application will (1) improve access to, and use of, broadband service by public safety agencies; (2) provide improved broadband access to consumers that live in an extremely rural and particularly difficult area to serve; and (3) stimulate economic growth and job creation. Overview of Daufuskie and Broadband Needs. Daufuskie is a rural area with approximately 430 permanent residents spread over roughly eleven square miles that are completely surrounded by water. As such, Daufuskie presents a significant challenge for Beaufort County public safety agencies that are responsible for providing basic public services to an area accessible only by boat. As described in the letter accompanying this application from the Beaufort County Emergency Management Division, Beaufort County is endorsing this application because of the urgent public safety need for enhanced broadband communications with Daufuskie. Because of Daufuskie’s inaccessibility, reliable, high-speed broadband communications between Daufuskie and the Beaufort County public safety agencies headquartered on the mainland are vital to ensuring safety needs are met. Broadband services that meet those needs are currently not available on Daufuskie. As the incumbent telephone company, Hargray serves Daufuskie’s residents, businesses, elementary school, fire station and other locations solely through a microwave link that has very limited capacity, inconsistent service quality and extreme susceptibility to interruptions or failures due to weather events. With no fiber, copper, coax or other terrestrial system connecting Daufuskie to the mainland, Beaufort County is currently unable to provide public safety services that are available to the rest of the County, including various hurricane and other disaster recovery and evacuation measures. For example, Beaufort County currently cannot monitor remotely the waterways around Daufuskie for homeland security and other public safety concerns, an issue that will continue to grow in importance as plans for a new port facility jointly operated by South Carolina and Georgia are implemented. In addition, Beaufort County currently cannot connect Daufuskie’s fire station and other public safety facilities to the County’s command and control computer system that serves as the nerve center for the County’s emergency operations for hurricanes and other disasters. In addition, with current infrastructure, many residents and other entities cannot receive broadband services and those that can generally experience service speeds of less than 1 Mbps or less. If a grant is awarded enabling Hargray to construct a fiber-based system to Daufuskie, Hargray will be able to provide broadband download speeds from 3 Mbps to 10 Mbps to Daufuskie’s residents

and businesses at rates at or below those offered by Hargray to residential and business customers in other portions of its service territory. With this coverage, 628 households and 22 businesses and other locations (including the Daufuskie Fire Department and Elementary School), representing the entire potential user base in the area, will be able to receive up to 10 Mbps of service, and we estimate that penetration rates will increase from below 40% to approximately 70% by 2013. Job Creation; Tax Revenue. In addition to the public safety benefits, the Daufuskie project will also stimulate job and economic growth in Beaufort County, an area that reported unemployment of over nine percent in June 2009. The application of two models designed to assess the impact on jobs from this project suggests the project will generate 70-90 jobs over the next four years. With this job creation, we further estimate an estimated \$485,000 to \$570,000 in additional tax revenue will be generated over the same period as a result of this project. Infrastructure Cost. The construction of the necessary facilities to support these services cannot be justified without the funding sought in this application. The remote nature of the area, and the need to bore fiber optic cable for a one mile stretch underneath Calibogue Sound, renders the cost to construct the necessary facilities to provide suitable broadband service to Daufuskie extremely high. Approximately 12 total fiber route miles will be required to complete the construction. The fiber will be run to DSLAM cabinets that are placed in locations that permit the shortening of copper loop lengths extending to service locations to no more than 6,000 linear feet (thereby enhancing considerably the broadband capabilities of the copper plant). The total capital cost of the project is approximately \$1,811,089, and the 80% funding to support the total costs of the project totals \$1,448,871. Hargray's Qualifications. Founded in 1947, Hargray is a telephone and broadband provider that has been bringing advanced communications services to rural portions of southeastern South Carolina for over 60 years. The company and its affiliates currently serve approximately 80,000 phone lines, 30,000 cable television subscribers and 37,000 broadband subscribers. Hargray first brought telephone service to Daufuskie Island in 1973. As the carrier of last resort for the residents and businesses on Daufuskie, Hargray is the only provider willing and able to undertake and execute successfully on this project. The project proposed in this application is a small version of the type of project Hargray has been successfully implementing throughout its history. Hargray and its 380 employees (including 175 in Network and Operations alone) have worked hard and invested millions of dollars to bring the most advanced broadband capabilities to the communities it serves. Hargray and its affiliates have constructed a state-of-the-art network containing 1,329 route miles of fiber, 1,513 route miles of copper and 942 route miles of coaxial plant. In 2009 alone, Hargray constructed over 20 route miles of fiber and three route miles of copper and deployed 21 additional DSLAM cabinets to enhance broadband offerings to 4,548 homes. Hargray serves both residential and business customers, including many large businesses with complex telecommunications needs and stringent reliability and support requirements, including emergency operations centers, county emergency preparedness facilities, hospitals, police stations, fire stations and town and county governments. All of Hargray's customers are serviced from in-house resources, located exclusively in South Carolina, including engineering, installation/repair, billing and customer service support. Hargray also has the financial strength and experience to assume and complete this project on budget and on time. Hargray will need no additional outside funding beyond what is sought in this application to complete the project. Hargray will use cash on hand to support all unfunded amounts of this application. Due to restrictions in Hargray's existing credit agreement, Hargray is unable to accept debt to fulfill the funding request, but will supply 20% of

the funds in lieu of such debt. Discrimination and Interconnection Obligations. As a telephone company regulated by the South Carolina Public Service Commission and Federal Communications Commission, Hargray also brings an extensive history of legal compliance and exceeding minimum service standards. Non-discrimination and interconnection obligations are among the requirements that already apply to Hargray as an incumbent local exchange carrier. As such, Hargray will continue to adhere to such standards and extend such compliance as necessary and appropriate to comply with the requirements of the NOFA. Conclusion. Hargray appreciates the opportunity to present this application for \$1,448,871 in funding to enhance broadband capacity on Daufuskie, an extremely isolated rural area currently served solely by a microwave link and with limited or no access to broadband access. Public safety for Daufuskie Island is provided by Beaufort County, which is currently unable to provide adequate services, including reliable disaster recovery measures, because of the absence of adequate broadband facilities and services. Given the difficulty accessing Daufuskie, broadband communications are of an even greater importance to the public safety providers for the area. The funding sought in this application will permit the construction of these vital facilities to an area that could not otherwise economically support the capital investment. As Daufuskie's locally headquartered provider whose employees live entirely in the region and have been successfully implementing these projects for years, Hargray has a unique expertise and focus on delivering to these areas the services they need. Hargray is therefore ready, willing and able to provide those services, and help ensure the benefits of broadband availability are received by those in these areas who need them.