

Q08 – Executive Summary – Federated Telephone BIP Application

Federated Telephone Cooperative, Inc. (herein referred to as FTC) is an existing rural ILEC and CLEC (HomeTown Solutions that has been in operation for numerous years. They own and operate 8 exchanges and 1 CLEC exchange. These exchanges are contiguous (except for the CLEC, but will be if approved for application) and are located in west-central, Minnesota. The headquarters is located in Chokio, MN and is located approximately 44 miles southwest of Alexandria, MN. They are as follows: Chokio (Headquarters Exchange), Big Bend, Correll, Danvers, Hancock, Holloway, Milan, Morris (CLEC), and Odessa. Their entire ILEC service area encompasses 2170 establishments and the CLEC service area encompasses total establishments of 2300. All are served by an entire FTTP system which was completed last year.

For purposes of this BIP application, FTC proposes on providing services to three service areas which are adjacent to and/or surrounded by their (and there partner company Farmers Mutual Telephone Company - FMTC) existing service areas. Since their initial deployment of FTTP in their service areas, subscribers from the proposed service areas have continually inquired about FTC to provide service to them. It is common knowledge that the advertised rates and coverage maps of the wireless providers are overstated and the ILEC's serving these areas advertise DSL, but it does not actually reliably work in the rural areas of the exchange. FTC feels that this BIP stimulus funding provides a great opportunity to provide these subscribers a true broadband solution with quality and reasonable rates.

As stated above, the proposed service area is in the immediate vicinity of their existing service areas. The service area consists of a total of 2,504 households, 258 businesses passed (inclusive of anchor institutions) and 35 anchor institutions. Based upon field survey and the Census Block Coverage Waiver Request, the area consists of 2,067 subscriber locations to be constructed to. Below is a general description of each service area:

Community of Appleton, MN and rural surrounding areas

- Primarily located in Swift County, MN with small portions in Big Stone and Chippewa Counties
- 913 households, 107 businesses (inclusive of anchor institutions), 15 anchor institutions
- 933 actual subscriber locations to be built to

Community of Madison, MN and rural surrounding areas

- Entirely located in Lac Qui Parle County, MN
- 1,057 households, 136 businesses (inclusive of anchor institutions), 20 anchor institutions
- 839 actual subscriber locations to be built to

Rural areas surrounding the Community of Morris, MN

-Primarily located in Stevens County, MN with very limited portions in Grant County

-534 households, 15 businesses (inclusive of anchor institutions), 0 anchor institutions

-295 actual subscriber locations to be built to

Please note that the data submitted for population, households, and census block list in the service area details are based upon 2000 Census data downloaded from census.gov. When entering the service area map, it was noticed that the exported census block list did not match FTC's exported census block list even though it was mapped correctly and verified several times via square mile calculations and visual verification. Therefore, it was decided to take their list and pull the data from the census.gov as they were unsure whether the data from the website for the other items (population and households) was also accurate. Another note is that the proposed households to be built to under the construction budget do not match the households listed on the online service area map. This is due to FTC's Coverage Area Waiver request and an actual field survey.

FTC currently offers traditional voice services, data services over FTTP, and video services also over their existing FTTP system. These services will be the same services provided to the proposed service areas above.

FTC proposes on utilizing Calix DSLAMs, which are standards based, to deploy GPON FTTP service (capable of 1 Gig). This service will be provided for over a home-run based OSP architecture. This provides for the most flexible, future proof OSP network. These DSLAMs will be connected to their existing 10Gig Ring via 1 Gig Ethernet connections and to their existing OC-48 ring via GR-303 interfaces for voice. Calix E5-400 10 Gig Ring equipment is already present in two of the service areas and will be added for the other (Appleton) which currently has fiber backbone deployed to. Cisco 15454 Sonet ring equipment is already present in one of the service areas (Morris) and will be added for the other two in which the fiber backbone is already located.

FTC, if awarded BIP funding, will adhere to the following guidelines set forth by Congress and the FCC. FTC will encourage broadband deployment and maintain network openness and interconnection with respect to the public Internet. FTC recognizes that all consumers are entitled to access the lawful Internet content of their choice without unfair or discriminatory bandwidth restrictions. Accordingly, FTC offers all broadband subscribers open access to the internet. FTC has no traffic shaping equipment in place and does not discriminate against nor preclude any legal use of services. FTC will ensure that all projects funded through BIP will provide open access to the public internet making no use of the funding toward any entirely private closed network. Any parties requesting access through BIP funded projects will be offered interconnection, when technically feasible, on reasonably negotiated rates and terms.

In accordance with the directives of this NOFA, FTC will display all network management policies prominently through links at its website www.fedtel.net, if any changes are made to said policies, FTC will notify its broadband internet subscribers in writing via e-mail notification. General network management practices include multiple netscreen analyzers and packet sniffers. All network interfaces are monitored for traffic anomalies, errors, and bandwidth usage. All inbound e-mail to FTC addresses are filtered for virus and spam detection (customer has the ability to opt out of these services). All interconnection, non-discrimination, network management and openness practices and policies already in place meet or exceed FCC guidelines, as well as the directives set forth in this NOFA as conditions for receiving BIP funding.

As the Executive Management biographies will indicate, the management team has worked together for many years demonstrated by their tenure with the company. Each department head meets together weekly and with the General Manager monthly. Project implementation is coordinated through these 4 individuals, each contributing their expertise during the planning and implementation stages. Their success can be documented by the implementation of a CLEC triple play FTTP project in Morris, MN.

-Morris CLEC has approximately 2300 potential subs

-Started in 1999.

-HomeTown Solutions currently serves [REDACTED] business access lines, [REDACTED] residential access lines, and [REDACTED] individual services (no phone). App. [REDACTED] % of potential subs are taking some form of service.

[REDACTED] video customers or app. [REDACTED] % of potential subs

[REDACTED] data customers or app. [REDACTED] % of potential subs

- These are current take rates and fluctuate as Morris is a college town. Projections for proposed service areas are based upon yearly average for Morris.

In addition, FTC has deployed FTTP to their entire service area (8 exchanges). Deployment commenced with one of the 2 initial RUS FTTH field trials in 1995 and was completed in 2008. The deployment consists of approximately 1334 miles of plant and 2170 subscribers. They are experiencing a [REDACTED] % take rate for video services and a [REDACTED] % take rate for data services.

As an organization, FTC is well prepared to implement the proposed broadband services network. As a company, it has been demonstrated with 14 years of successful and profitable FTTP deployments. All of the necessary sales, operational, and billing support systems are in place for their existing operations. All of these systems are adequate to implement the proposed system.

Each department head has their own focus of skills and duties. For an order to go from the front office all the way through the installation process, FTC management has developed a process to effectively hand off the tasks from department to department through the whole installation

process. The management team has realized that they must stay current with each other's responsibilities and duties to make this flow as smooth as possible. In summary, FTC's continued success has been largely due to the management team's ability to effectively communicate between departments, their people skills, their organization skills, and their planning skills.

The overall infrastructure cost for the proposed service areas is \$13,566,222.

Overall subscriber projections for the proposed service area are:

████ voice subscribers, an overall take rate of █████%

████ video subscribers, an overall take rate of █████%

████ data subscribers, an overall take rate of █████%

Based upon the reported calculation of 1 job per every \$92,000, it is estimated that approximately 147 jobs will be saved or created. FTC estimates that this will actually employ 30 seasonal contractors during each of the 3 years of construction. They also estimate that this will create 6 full-time jobs (over the long term, 2 initially) and retain 2 full-time jobs within their organization.