

## Broadband USA Applications Database

**Applicant Name:** The City of Sallisaw, Oklahoma

**Project Title:** FTTP Broadband in Sequoyah County, Oklahoma

**Project Type:** Last Mile Non-Remote

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### Executive Summary

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A. Opportunity to be Addressed The City of Sallisaw, via the Sallisaw Municipal Authority (a public trust of the City), currently operates a fiber to the premises (FTTP) system serving most homes and businesses within the city limits of Sallisaw. This system has been operational since 2006 and provides broadband service of up to 20Mbps. If funded, the City intends to extend the existing system into the most populous areas of Sequoyah County, and increase bandwidth with up to a 50Mbps offering. In doing so, the City would increase the availability, affordability and adoption of broadband services speed in rural Sequoyah County. B. Service Area Description The proposed service area covers several small towns and unincorporated county areas in Sequoyah County, Oklahoma. The service area can be characterized as:

- Rural: Sequoyah County covers 673 square miles in eastern Oklahoma. The proposed service area within the county meets the rural definition in the NOFA.
- Lower Income/Vulnerable Population: 20.0% of persons are living below poverty, compared to the U.S. average of 13.3%. Median household income is \$34,673 compared to the U.S. average of \$50,007. (2007 data).
- Underserved for Broadband Today: A statistically valid mail survey was conducted in July 2009 and determined that just 26.2% of households in the proposed service area subscribe to broadband Internet access (768K downstream or greater).

C. Number of Premises Passed By expanding the Sallisaw FTTP system to the rural and under-served areas of Sequoyah County, an additional 3,381 households would have access to broadband. The census does not provide the number of business establishments in this area, but we estimate that approximately 100 businesses are located in the proposed service area, for a total premises passed of 3,481. D. Community Anchor Institutions The City of Sallisaw, in collaboration with several community anchor institutions, has identified specific community service programs which would be enabled by funding the broadband system expansion into the county. In short, these institutions would be able to leverage the robust bandwidth of the system to further their community service and outreach activities. The anchor institutions and the applications that would be implemented are People Inc., the Sequoyah County Memorial Hospital, and the Indian Capital Technology Center. Via these organizations, the 6 county high schools would be served by the proposed broadband system as well. E. Proposed Services We propose to offer 4 tiers of Internet service at the following speeds and monthly recurring prices (downstream and upstream speeds are symmetrical):

- 5M/5M for \$34.95 monthly
- 10M/10M for \$54.95 monthly
- 20M/20M for \$79.95 monthly
- 50M/50M for \$99.95 monthly

F. Non-Discrimination and Interconnection Obligations The City of Sallisaw, as a BIP/BTOP applicant, commits to the following Nondiscrimination and Interconnection Obligations:

- Adherence to the principles contained in the FCC's Internet Policy Statement (FCC 05-151, adopted August 5, 2005)
- Not showing favoritism to any lawful Internet applications and content over others
- Displaying any network management policies in a

prominent location on its web page and providing notice to customers of changes to these policies (awardees must describe any business practices or technical mechanisms they employ, other than standard best efforts Internet delivery, to allocate capacity; differentiate among applications, providers, or sources; limit usage; and manage illegal or harmful content) • Connecting to the public Internet directly or indirectly, such that the project is not an entirely private closed network • Offering interconnection, where technically feasible without exceeding current or reasonably anticipated capacity limitations, on reasonable rates and terms to be negotiated with requesting parties G. Type of Broadband System The proposed system would be a fiber-to-the-premises GE-PON (Gigabit Ethernet Passive Optical Network) architecture. As a broadband architecture, FTTP has an inherent ability to dramatically improve the Internet access service available within Sequoyah County. The current maximum downstream throughput for HFC and DSL architectures is currently 1-2Mbps in most locations within the proposed service area. With FTTP, the County would have access to 50Mbps (and potentially up to 100Mbps) available for each premise as a realistic and achievable attribute of its Internet product. Furthermore, the bandwidth advantage of FTTP can be extended to the upstream path (data sent from the home to the network) as well by providing Internet tiers (different classes of service each priced differently) with symmetric (same speed for both uplink and downlink data streams) or near symmetric bandwidth. Both DSL and cable modems limit their upstream capacities to between one-fourth and one-tenth of their downstream capacity. H. Applicant Qualifications As an existing FTTP system operator, the Sallisaw City staff is highly qualified to deploy BTOP funds to expand the system and deliver upon the stated project goals. The current FTTP system has been operational for over 4 years, and the City had been planning the system for 2 years prior to that. Since 2003, the City has retained the consulting services of Uptown Services to assist with their FTTP project. The agency completed the feasibility study for the original system in 2003/2004 and then helped staff implement it in 2005. Uptown would participate in the expansion project as well, and has assisted the City in preparing this project proposal and the associated business case. I. Infrastructure Cost The total capital requirement for this project is \$8,267,522. This represents all capital required to design and build the proposed FTTP system and pass 3,481 premises. This equates to a per premises investment of \$2,375 per passing. Without the grant match of 80%, this project would clearly not be feasible. However, with the City funding requirement being only 20%, the amount of debt the City must carry is reduced to \$1,653,504 (20% of \$8,277,522). This investment level represents a per premises investment of \$475 per passing. The system will also need to purchase \$285,549 in set top boxes which cannot be funded via grant monies, and so the total City capital requirement is \$1,939,054, or \$557 per passing. J. Subscriber Projections As an expansion project, the forecasted subscription rates are based upon the actual penetration results of the existing system. The actual penetration results of the Sallisaw FTTP system since its launch over 4 years ago now stands at 52%. Internet subscriber growth has been steady and predictable and we expect the same within the proposed County areas as well. Penetration inputs in the business case are • Year 5 Connections (Any Service) /Penetration: 1,915 / 55% • Year 5 Internet Subscribers/ Penetration: 1,225 / 35% • Year 5 Video Subscribers/ Penetration: 1,608 / 46% • Year 5 Voice Subscribers/ Penetration: 766 / 22% K. Impact to Local Employment The system would involve the permanent creation of 5 incremental jobs involving customer service and field tech operations. The construction of the system, and the initial customer installation activity would bring an additional 10 -12 jobs into the community for the first 2 years of construction and operation. Finally, the indirect impact of the training programs utilized by the

anchor institutions and the educational benefit of providing computer access and no-cost broadband (at the Community Broadband Center) will result in improvement job placement prospects for residents of the community. L. Funding Agency Per the requirements of the NOFA and application guidelines, this application is being submitted to BIP since the proposed service area is greater than 75% rural. Please note that the service area is underserved and would not be eligible for the 80% grant funding that is only available to unserved areas under BIP. Through financial analysis, we have determined that this application is not viable unless it is funded by grant contributions versus loans. Accordingly, we are not requesting loan funding via BIP, but instead request that this application be considered for BTOP grant funding.