

## Broadband USA Applications Database

**Applicant Name:** Consolidated Telcom

**Project Title:** Consolidated Telcom Broadband Infrastructure Project

**Project Type:** Last Mile Remote

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### Executive Summary

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Executive Summary Consolidated Telcom (“CT”) provides wireline telecommunications services and Internet access services to 18 exchanges covering a quarter of western North Dakota and one eighth of northwestern South Dakota and provides IPTV services in the towns of its 18 exchanges. In 2001, CT added DSL to its service offering for subscribers within 3 cable miles of its central offices and in the last 4 years, CT has constructed Fiber to the Home (“FTTH”) plant in select, more densely populated areas of its service territory. However, in the most sparsely populated areas, which includes the one proposed funded service area set forth in this application, it has been cost prohibitive to deploy FTTH (and in some cases, even DSL). To address this situation, CT hereby submits this Broadband Initiatives Program (“BIP”) application in which it proposes to deploy FTTH in order to provide tiered broadband services to individuals and businesses in the one proposed funded service area which is underserved. The amount of BIP loan and grant combination funding that is sought is \$53, 215,714. As described in this application, CT proposes to expand on an existing project that was initiated in 2009 under an RUS loan. If awarded BIP funding, CT will be able to advance scheduled projects under its RUS loan more aggressively. CT’s RUS loan is a five year loan and its loan disbursements will be spread over that timeframe. Thus, CT would be required to produce its own funding in the meantime for build out and would still be subject to financing terms and obligations on its RUS loan. If CT is able to obtain a BIP loan/grant combination, it will have more cash flow to put into construction initially and will not be burdened with financial obligations as significant as those under its RUS loan. If CT is able to obtain a BIP loan/grant combination, it will ensure the necessary cash flow to put into construction initially and ensure our ability to complete this project to serve those underserved rural customers. The financial obligations as significant as those under the RUS loan could prevent completion of the build out if the financial conditions of CT should change substantially. Awarding a BIP loan/grant combination to CT will also fulfill the objective of the American Recovery and Reinvestment Act (“ARRA”) to fund shovel-ready projects. If awarded, CT will move immediately to advance a project that has already been planned. CT has already completed the build out of construction in other exchanges and has already done a full assessment of what is required for build out of its expansion project under a BIP loan/grant. Accordingly, CT’s project proposal to build out its FTTH broadband network to rural areas in North Dakota is shovel-ready. 1. Opportunity Proposed System Seeks to Address CT is proposing to address opportunities: a) to raise broadband penetration levels in rural areas by offering bandwidth speeds comparable to those available in more urban communities and towns; b) to spur economic development in existing rural communities such as with farmers and ranchers that have long been virtually locked out of such online commerce opportunities as auctions and video merchandising that require higher bandwidth speeds;

and c) to accommodate economic development in new pioneering industries in North Dakota such as the new oil conglomerates coming to southwest North Dakota that will require access to higher speeds of broadband to conduct business. 2. Description of Proposed Funded Service Areas CT's proposed project will provide infrastructure to support the provision of new high-speed broadband services in these rural counties of North Dakota: Adams, Billings, Bowman, Dunn, Golden Valley, Hettinger, McKenzie, Stark, and Slope counties. The planned broadband expansion project will enable extreme rural portions of North Dakota to access the same broadband services available to residents in more urban areas in North Dakota. Broadband expansion is a key component in the economic development of rural communities, businesses, and farms in North Dakota. The total population of the proposed funded service area is 6,713. As demonstrated in this application, the proposed service areas qualify as underserved areas due to the fact that the rate of broadband subscribership for the census designated community or "other area" is 40 percent of households or less. 3. Number of Households and Businesses Passed Households passed: 2,944 Businesses passed: 4. Number of Community Anchor Institutions, Public Safety Entities, and Critical Community Organizations Passed and/or Involved with Project One entity - Rural Volunteer Firefighters 5. Proposed Services and Applications for Proposed Funded Service Areas and Users CT will provide IP video and DSL services over a FTTH system with Internet browsing speeds of between 4 Mbps & 20 Mbps download and between 1Mbps & 5 Mbps upload. 6. Approach to Addressing the Non-Discrimination and Interconnection Obligations CT is committed to meeting all non-discrimination and interconnection obligations established in the NOFA and pursuant to the FCC's Internet Policy Statement (FCC 05-151), adopted August 5, 2005. CT will promote the openness and interconnection of the public Internet, encourage broadband deployment and will not use BIP funding toward any entirely private closed network. CT will offer interconnection to parties requesting access when technically feasible on reasonably negotiated rates, terms and conditions. CT will not favor any lawful Internet applications or content over others and will take steps to ensure that all of its consumers have access to the lawful Internet content of their choice without unfair or discriminating bandwidth restrictions. In addition, CT is committed to displaying all of its network management policies prominently on its website and will notify its Internet subscribers in writing via email if there are any changes made to these policies. 7. Qualifications of the Applicant Demonstrating Ability to Implement and Operate Broadband Infrastructure or Be a Sustainable Broadband Provider CT, which celebrates its 49th anniversary in 2009, and its wholly-owned subsidiary, Consolidated Enterprises, Inc. ("CEI"), are supported by a strong management team with decades of experience operating data networks. The eight members of the management team and the seven Board of Directors boast of over 200 years of telecommunications experience. The company as a whole employs over 100 dedicated and trained employees and has a long, rich history of providing telecommunications services to the residents of southwestern North Dakota. The company is highly experienced in this type of work and if awarded this grant, will be able to provide broadband to these sparsely populated areas in CT's service territory in North Dakota. CT Telcom has completed construction of FTTH to 18 of its rural communities. The company started construction of these FTTH build-outs in 2006 and will be completed by the end of 2009. Overall, the company has spent over \$20 million to build out its Sonet Network and FTTH to rural communities in its service area. Additionally, in 1998, the Company started a CLEC, CEI, to serve the city of Dickinson which is a Qwest serving area. CEI provides service to residential and business customers using its Hybrid Fiber Coax and FTTH facilities. 8. Overall Infrastructure Cost of Broadband System The

overall infrastructure cost of the broadband system for this project is \$53, 215,714. 9. Overall Expected Subscriber Projections for the Project The subscribership projections for the project are as follows: Households: 1,296 Businesses: 324 Community Anchor Institutions: 1 10. Number of Estimated Job to be Created or Saved as Result of Project CT will encourage the creation of jobs by spurring economic development in areas served by the project. Its broadband expansion will deliver higher bandwidth speeds to rural areas of North Dakota and this will allow businesses and industries to leverage existing Internet resources that require faster network capabilities. In rural areas of North Dakota, CT recognizes that DSL has not previously been maximized because of existing facilities and loops. This has resulted in lower bandwidth and lower Internet penetration in rural areas while cities and towns in North Dakota have already deployed higher bandwidth speeds and are achieving 50-60% penetration. CT expects to raise penetration levels in rural areas with its broadband expansion project. CT also aims to improve commerce for such industries as farming and ranching. Higher bandwidth speeds will allow farm families to take advantage of additional commerce options such as online auctions. In online auctions, farmers can purchase and sell farming equipment and supplies. They can also use video media to sell inventory. But, with lower bandwidth speeds auction participants are often unable to execute bidding online and farmers trying to sell inventory are unable to produce quality video representation and can thus lose opportunities to purchase and sell equipment. In addition, there is a new industry embarking in the CT exchanges in North Dakota. The oil industry is moving in with rapid and expansive growth. This industry will require higher bandwidth speeds to conduct business and contribute to the economic growth in rural areas. If CT is awarded loan and grant funding and is allowed to move forward with its project, it will promote the creation of jobs through the economic development and growth of businesses and industries in the community.