Horizon Telcom, Inc. (Horizon), via its operating subsidiary, The Chillicothe Telephone Company, is an incumbent local exchange carrier (ILEC) which has operated in rural southern Ohio for the past 115 years. Horizon’s track record as both a service provider in the region and as a community anchor is unmatched. Founded in 1895 as the Home Telephone Company, the organization has grown and adapted to address the changing needs of its customers, its employees and its community while still maintaining its competitive position within the telecommunications industry. Within its existing ILEC service territory, covering primarily Ross County, Horizon provides broadband services which exceed the current RUS/NTIA defined standards that are available to about 30,000 homes and businesses. In 2008, Horizon acquired the assets of Fibre Optic One, a Scioto County-based business. The primary assets Horizon acquired were fiber optic networks located primarily in Scioto and Pike Counties which complement Horizon’s own fiber optic network in neighboring counties to the north. However, along with this acquisition came a very rural and outdated analog 400 MHz cable TV network operating in rural northwestern Scioto County and extending into southern Pike County. This network is a one-way system that delivers 40 analog television channels with no broadband capability. None of the 1,945 homes passed by this network are able to receive broadband service from Horizon and, according to its analysis, none are reached by any other wireline broadband provider. The absence of broadband to these residences is more than just a missed opportunity. It represents a disadvantage that grows with each passing day. The lack of broadband service creates unfair disparities in education, in health care and in business. Students suffer because they cannot access myriad research and homework assistance sites from their homes. Entrepreneurs who wish to establish home-based businesses lack access to marketing, business solutions and networking opportunities. Displaced workers are unable to adequately search for jobs or take online classes to enable them to begin a new career. This application for funding seeks to upgrade the company’s existing cable TV network to provide broadband service to the 1,945 unserved homes currently passed by Horizon’s cable TV system. The proposed project will provide data speeds up to 100 Megabits per second day one and will enable service that is virtually “future proof” by using Gigabit Passive Optical Network (GPON) technology over a Fiber-to-the-Home (FTTH) network that distributes fiber optics directly to each of the 1,945 homes that choose to subscribe. This method not only provides the necessary base-level data services, but anticipates the future needs, expectations and expenses of its customers. By using state-of-the-art optronics and fiber optics to each home, the project eliminates the need for additional future subsidized funding to allow these customers access to ever increasing bandwidth equal to or greater than that available to their metropolitan counterparts. By extending fiber all the way to the home, Horizon can continually address
the needs and expectations of its customer base without drastically and expensively overhauling the system that is in place. Horizon can also use the new network to upgrade the quality of the cable TV service by connecting it to the digital video system Horizon uses in its ILEC service area. Based upon Horizon’s century of understanding of the region and vast previous experience with fiber builds and network operation (including a very successful RUS-funded FTTH build in the most rural community in nearby Pickaway County), the company projects that the cost of this project will be $4,470,703 to upgrade Horizon’s existing cable TV network for broadband delivery to 1,945 unserved homes. Horizon is proposing a 49% Grant/51% Match arrangement to fund this project. Consequently, Horizon is seeking $2,190,645 in federal assistance to make this upgrade viable. Since acquiring the assets of Fibre Optic One, Horizon has considered the pros and cons of upgrading the cable TV network versus the pros and cons of discontinuing service entirely. The company has come to the conclusion that without assistance from this unprecedented stimulus funding opportunity or some other means of economic enhancement, it simply cannot upgrade this network in a sustainable manner without resulting in punitive costs to potential subscribers and that it will very likely have to discontinue service altogether. However, with reasonable federal assistance, Horizon is well positioned to build and operate the proposed infrastructure. The fiber build and network deployment will mirror those already established in the region by Horizon. Further, some of the “new subscribers” within the service territory are already Horizon cable TV customers and, therefore, the new broadband services will simply appear as a new line item on their monthly Horizon bills. This project is expected to employ five additional skilled employees for a period of at least one year. Horizon, because of an extensive fiber build to connect medical facilities throughout southern Ohio, already has contracts in place for fiber optic cable, for construction services and for advanced optronics. This project is truly “shovel ready” and construction can begin the day the application is approved. The presence of this advanced network is expected to retain at least two full-time positions by retaining a network that will, otherwise, very likely be discontinued. As the incumbent provider in the region, Horizon has proven its ability and willingness to comply with the obligations of the non-discrimination and interconnection regulations as outlined. Horizon is committed to continuing to provide the most effective and comprehensive level of service to its customers, with the understanding that remaining successful in the industry means cooperating with other service providers on non-proprietary issues. Based upon Horizon’s work in the area, it expects a 50% subscriber take rate over the course of the project. At the end of year one, the company is projecting 559 broadband subscribers on the upgraded network. At the end of year five, the company is projecting 675 broadband subscribers on the upgraded network. The project costs for the network upgrade total out at an average of approximately $4600 per subscriber which effectively illustrates the need for federal assistance to subsidize the project while the 51% match makes it an excellent value for taxpayer dollars. There are an approximately equal number of homes along contiguous roads in Scioto and Pike Counties that have neither broadband nor cable TV service. Horizon has submitted a separate application to provide broadband service to those homes because the company did not want their inclusion to jeopardize the funding of this application, which is essential to keep the existing cable TV system operating. However, the company hopes that the expansion application will be funded as well so all of the unserved homes in the area can have “future proof” broadband service available to them.