Horizon Telecom, 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 However, along with this acquisition came a very rural and outdated analog 400 MHz cable TV network operating in rugged northwestern Scioto County and extending into southern Pike County.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 homes in the system are able to receive broadband service from Horizon and, according to the company’s analysis, none are reached by any other wireline broadband provider. Consequently, Horizon has applied in a separate application to upgrade this network using Gigabit Passive Optical Network (GPON) Fiber-to-the-Home (FTTH) technology. As the company analyzed the service area to determine that broadband service was not available from any provider, it came to realize that most of the areas contiguous to the Horizon cable TV service area did not have access to broadband service of any type, as well. The company then conducted a thorough house-by-house analysis to determine areas that could be easily reached by extending Horizon broadband service into these areas. The company was able to identify 2091 homes on these roads that are unable to receive broadband service from any wireline broadband provider, yet are within reasonable reach of Horizon’s cable TV network. This number is higher than state data seems to indicate, however, Horizon is confident in the accuracy of these numbers based on actual house-by-house determinations. 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 extend the company’s fiber optic network to provide broadband service to the 2091 unserved homes in contiguous areas currently passed by no broadband provider. 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 2091 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. 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 the cost of this project will be $3,999,420 to extend Horizon’s broadband network to 2091 unserved homes. Horizon is proposing a 70% Grant/30% Match arrangement to fund this project. Consequently, Horizon is seeking 2,799,594 in federal assistance to make the extension of the broadband network viable. Since acquiring the assets of Fibre Optic One, Horizon has considered the pros and cons of upgrading and/or extending 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 or expand 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 federal assistance, Horizon is well positioned to build and operate the proposed infrastructure to homes not reached by broadband service today. The fiber build and network deployment will mirror those already established in the region by Horizon. Further, these new subscribers will be using billing and other customer service systems already in place and capable of servicing such customers. This project is expected to employ 5 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 or gain at least two long-term full-time positions by expanding a network the company will, otherwise, very likely discontinue. 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 its work in the area, Horizon expects a 50% subscriber take rate over the course of the project. At the end of year one, the company is projecting 601 broadband subscribers on the expanded network. At the end of year five, the company is projecting 725 broadband subscribers on the expanded network. The project costs for the network expansion total out at an average of approximately $3825 per subscriber which effectively illustrates the
need for federal assistance to subsidize the project while the 30% match makes it an excellent value for taxpayer dollars.