

Broadband USA Applications Database

Applicant Name: Ralls County Electric Cooperative

Project Title: Ralls County Electric Fiber-to-the-Home Project

Project Type: Last Mile Non-Remote

Executive Summary

Ralls County Electric Cooperative (RCEC) a member-owned, non-profit cooperative, proposes to build a last mile, open access, fiber-to-the-home network to serve 4,594 households, 311 businesses, and 58 community anchor institutions, public safety entities, and critical community organizations within one proposed funded service area comprised of 1,223 continuous census blocks in rural northeast Missouri. We intend to build this fiber network along our electric distribution right-of-way to bring advanced broadband services to unserved and underserved residents. Our fiber network will also enable "Smart Grid" technologies, including AMI and AMR, revitalize local economic development and create sustainable jobs for our members and communities. The network will cost \$19.0 million to construct. Initially we intend to offer broadband access only but will eventually offer triple-play broadband bundles from multiple Internet, video and voice providers and innovative distance learning, tele-medicine, government and public safety applications. We are submitting a joint BIP/BTOP application seeking a 50%/50% grant/loan combination with favorable loan rates from BIP or up to an 80% grant from BTOP with a 20% applicant match. Compelling Problem: 1. The area is in steep economic decline. The major county in the area has lost 23% of its non-farm jobs in the last eight years. The population is stagnant, growing less than .3% per year. The area population is older and less educated compared to state and national statistics. The area is largely agricultural, and although it does not technically qualify as remote, the only city of size is 70 driving miles from our service area border and has a population of 52,291. 2. The proposed funded service area is 100% rural, entirely underserved, with the majority unserved. Based on our market survey over 85% of our customers have computers, but only 38% have access to an advertised broadband service that meets the minimum speed defined in the NOFA and less than 3% subscribe to broadband (as defined). However, 96% indicated they are likely to switch to our broadband service at the speeds and prices detailed in our application. 3. The lack of broadband access is a significant reason for the jobs decline as evidenced by the many letters of community support from businesses, farms and local economic development agencies which are included in the application and prior public hearing testimony. Effective Solution: Our application will reinforce several common themes which sets it apart from others and makes it a compelling project to fund to address the problem. 1. Because of the topography of the land and dense forestation, fixed wireless does not work. We have tried fixed wireless for the last five years and found that we are able to serve less than 25% of our customers with a wireless solution. 2. Our proposed wireline, passive optical fiber-to-the-home network is capable of delivering 100Mbps symmetrical broadband service while concurrently delivering a host of other applications including full digital HD video and unlimited telephone services. We forecast to serve 2,000 broadband customers but we believe this is conservative since we will have a full triple play

offering available to all RCEC members when the service is connected at their home. 3. Historically, deploying fiber has not been financially feasible in rural markets. However, the combination of Pulse's less costly FTTH design/build, using our pole-grid and rights-of-way, coupled with our non-profit financial status makes this project work. 4. Our project is sponsored by the state of Missouri as a last mile demonstration project and non-proprietary data will be shared. When successful, the model can be expanded to other co-ops. BIP/BTOP seed capital for our project will encourage others to enter the market using private financing. 5. We're prepared to start the project immediately and will complete it within thirty six months. We will begin offering broadband access to our first customers within 3-6 months of the start of the project. a. We own our rights-of-way. We won't have any political or financial hold-ups negotiating right-of-way issues to delay the start of construction. b. Our partner, Pulse Broadband, has managed the design, engineering and walk-out for the construction of over 50,000 miles of plant. All key construction, equipment and head-end contractors and vendors are lined up to start the project. c. The fiber-to-the-home solution used by Pulse has been successfully deployed for the last three years. d. The design and construction has already been evaluated and approved by the RUS and it uses RUS-approved components. e. Both RCEC and Pulse have had direct prior experience with RUS projects. We know what to expect, how to access and account for the money, and how to comply with government audit and oversight regulations. f. The fiber will follow the existing pole grid, with minimal ecological and environmental disruption. Our design is also green, since it does not require excessive power to amplify or repeat signal delivery. 6. We'll create approximately 35-40 new construction, installation, maintenance, and customer service positions. We also estimate that broadband over fiber will add 1,352 non-farm jobs over the next 10 years. Fiber is the best technology available to create and sustain jobs because it enables advanced applications for business, medicine, and education. 7. Recovery Act and other governmental collaboration: Three specific projects support our position: a. DOE Smart Grid: Our fiber project will simultaneously enable two ARRA priorities, BIP/BTOP broadband and DOE smart grid. b. Missouri Broadband Now Partner: Our project has been selected as a last-mile demonstration project for Governor Jay Nixon's broader state-wide public-private broadband initiative. c. Army Corps of Engineers: As the current electric provider for the Corps' Clarence Cannon Dam/Mark Twain Lake project, we have a long-standing relationship with the Corps. Our fiber project will enable the upgrade of Corps communication infrastructure (an ARRA appropriated project). d. We also cite many other collaborative government sponsored projects that we intend to serve, like ARRA's Title XIII, Health Information Technology section, electronically linking patients with providers and health plans; and Missouri's Department of Education to extend ARRA Title VIII Education programs to students in their homes over broadband. The difference between our application and others is that we have been serving these government constituents for years. We have positive, existing relationships with these and other local community agencies. 8. OPEN, OPEN, OPEN: It is in our financial and fiduciary best interests to offer as many competing providers as we can on this network. Our direct incentive is to open the network as broadly as possible. a. Our partner, Pulse Broadband, has developed a completely open access network entry to permit multiple providers to "plug into" our network to offer competing broadband, video and VoIP products. b. As a not-for-profit cooperative, our mission is to provide value and service to our member-owners. Therefore, we have a direct responsibility to offer them as many providers as the network will allow, to maximize customer choice and hold prices down through competition. We believe that this open network/open access model is a potential "game changer" to

foster customer choice. 9. Feasibility and sustainability: We have been providing electric service to this area for over 72 years and intend to do the same with our fiber network. Over the years we have been instrumental in bringing positive change to our community. We provided startup capital for Ralls County 911 and office space for five years. We funded emergency generators to ensure water in northeast Missouri. We will dedicate 10% of free cash flow from broadband operations for local economic development loans and grants. We will provide discounted broadband service to community anchor, public safety, and critical community organizations, and qualifying SBA 8(a) disadvantaged small businesses. We have positive relations with our members, which will enhance the acceptance and take rates for any service provider offering products over our fiber network. Even though we are not Title II, we are long-term RUS borrowers with an outstanding track record. Conclusion: As they say in these parts, "Sometimes you count the votes, sometimes you weigh them." Our self-score is very deceiving and we hope that the reviewers will seriously consider the compelling positive evidence we offer in support of our application. For example: we are a small cooperative, less than 10,000 members. So even though the majority of our service area is unserved, we get no points. Our service area is remote, but barely misses meeting the definition. No points. As an electric cooperative, we are a long-standing RUS borrower, but we are not a Title II telephone borrower. No points. We are one of the last hardship cooperatives in the state of Missouri. We are not flush with cash, so we are seeking a high grant percentage. This hurts our funding leverage and grant funding ratio scores. However, we hope that the discussion above has shown that we have a superior solution to address a compelling need for the rural citizens in our area; that our cooperative structure with existing rights-of-way, long-standing community and member relations, explicit open network incentive, and solid historical and financial track record demonstrates a superior applicant; and that our fiber network is a superior technology to enable all of the statutory goals of BTOP and ARRA as well as the goals of BIP, the FCC and the administration. So we respectfully ask that the score of this application be weighed rather than simply counted.