



Technology Committee

Friday, October 14, 2005

10:00 a.m.

Citizens Telephone Cooperative
Floyd, Virginia

APPEARANCES:

The Honorable Clarke N. Hogan, Chairman
The Honorable Kathy J. Byron, Vice Chairman, Southside
The Honorable William C. Wampler, Jr.
The Honorable Thomas C. Wright, Jr.
Mr. Thomas W. Arthur
The Honorable Edward Owens
The Honorable Allen Dudley

COMMISSION STAFF:

Mr. Ned Stephenson, Executive Director
Ms. Britt Nelson, Grants Coordinator, Southside, Virginia

OFFICE OF THE ATTORNEY GENERAL

Mr. Frank N. Ferguson, Deputy Attorney General, Counsel for
the Commission (by phone)

OTHERS PRESENT:

Mr. Ron Flanary, Lenowisco, PDC
Mr. Nick Pesce, Syntrey, LLC
Mr. Neil Noyes, U. S. Department of Commerce
Mr. Jim Kelly, Bristol Virginia Utilities
Mr. Glen Ratliff, GCR
Mr. James Garrett, Kinex
Mr. Kelly Shaw, Pure Internet
Mr. Tad Deriso, General Manager, Mid-Atlantic Broadband Cooperative

CRANE-SNEAD & ASSOCIATES, INC.

4914 Fitzhugh Avenue, Suite 203

Richmond, Virginia 23230

Tel (804) 355-4335

Fax (804) 355-7922

1 DELEGATE HOGAN: Frank, good morning. We'll see if
2 we can get this thing done in the next couple of hours. It's a pleasure to be in Floyd. Mr.
3 Dudley, who represents this area, has joined us; and I just wondered if you would have a
4 few words of welcome.

5 DELEGATE DUDLEY: Thank you, Mr. Chairman. First,
6 I'd like to, the first people I met in Floyd County Mr. Gallimore at the local radio station.
7 One reason I'm glad to be here today is that people that have perceptions that small rural
8 areas are backward to some extent and you come here and experience some of the things
9 happening to citizens of Floyd County have helped change that perception. Citizens has
10 agreed to host you today and I'd like to thank them for that. Citizens Cooperative has
11 been involved in a recreation field here and have been involved with the county, actually
12 the county administration building is the old Citizens facility before this was built. On
13 behalf of myself and the citizens of Floyd, we'd like to welcome you to the county.

14 DELEGATE HOGAN: Thank you for having us. Would
15 you call the roll, Ned?

16 MR. STEPHENSON: Mr. Arthur?

17 MR. ARTHUR: Here.

18 MR. STEPHENSON: Mr. Hite?

19 MR. HITE: (No response.)

20 MR. STEPHENSON: Mr. Montgomery?

21 MR. MONTGOMERY: (No response.)

22 MR. STEPHENSON: Mr. Owen?

23 MR. OWEN: (No response.)

24 MR. STEPHENSON: Mr. Owens?

25 MR. OWENS: Here.

26 MR. STEPHENSON: Senator Wampler?

27 SENATOR WAMPLER: Here.

28 MR. STEPHENSON: Delegate Wright?

29 DELEGATE WRIGHT: Here.

30 MR. STEPHENSON: Vice Chairman Byron?

31 VICE CHAIRMAN BYRON: Here.

32 MR. STEPHENSON: Vice Chairman Thompson?

33 VICE CHAIRMAN THOMPSON: (No response.)

34 MR. STEPHENSON: Chairman Hogan?

35 CHAIRMAN HOGAN: Here.

36 MR. STEPHENSON: We have a quorum, Mr. Chairman;
37 and we have counsel Frank Ferguson by telephone.

38 DELEGATE HOGAN: Thank you for joining us, Frank.
39 We wish you were here in person; you missed a nice ride. With that said, I think we
40 need a motion to approve the minutes from the last meeting.

1 NOTE: The motion is moved and seconded.

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4 DELEGATE HOGAN: All in favor, aye. (Ayes).
5 Opposed? (No response.) All right. With that said, we've got quite a bit of work to do
6 and we've asked several people to join us. I'll ask them to introduce themselves very
7 quickly. Why don't we start with Kelly and just introduce yourselves and go around the
8 table.

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9 MR. SHAW: I'm Kelly Shaw, owner of Pure Internet, a
10 wireless internet provider in Halifax, Virginia.

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11 MR. RATLIFF: I'm Glen Ratliff, owner of GCR Online, a
12 small internet provider in South Boston, Virginia.

13 MR. KELLY: I'm Jim Kelly, Vice President of Operations
14 for Bristol Virginia Utilities.

15 MR. DERISO: Tad Deriso, General Manager of Mid-
16 Atlantic Broadband Cooperative.

17 MR. NOYES: Neal Noyes, U. S. Department of
18 Commerce.

19 MR. PESCE: Nick Pesce with Syntrax, Senior Consultant.

20 MR. FLANARY: Ron Flanary, Lenowisco Planning
21 District Commission in Duffield, Virginia.

22 DELEGATE HOGAN: Thank you for joining us and we
23 look forward to having a nice discussion with all that we've got going on. If we could
24 start with Ted and start running through where we are with the Mid-Atlantic Broadband
25 project and what's been done, then move through and try to get to the details of this.

26 MR. DERISO: Thank you, Mr. Chairman. We've got a lot
27 of information to cover, I can see from your agendas. And just from a format
28 perspective, if you do have questions as we go through here, feel free to ask them. I want
29 to hit a couple of things that we feel are pretty important on this project. We are
30 currently in our construction process and our budgets. I want to talk a little bit about the
31 master service agreements that we're working on with customers of MBC. I think I
32 talked about this at the last committee meeting. That's one of our key to successes as far
33 as how the last-mile issue will be resolved in our Southside region.

34 I want to talk about the agreement we have with VFP out of Duffield,
35 Virginia, to supply our shelters that will be used in our application. Then I want to talk
36 briefly about telecommunication and broadband. I want to show how broadband works
37 today and why it doesn't work as well in Southside as well as in some other places. Then
38 what it's going to look like after MBC has completed that and how it's going to work.
39 One of the big parts of our presentation is this wireless tower and the concept we have as
40 far as addressing that last-mile issue.

I've got a web conference with our engineers in Fairfax, Virginia. I don't

1 know if it will work because we can't get a phone connection; but we'll do it when we
2 get to it. We're doing an initial fiber build and also our fiber optic connectivity.

3 As of today, we're 34 percent complete. On the map, the yellow indicates
4 where fiber has been placed, either buried or aerial. We're doing about ten to eleven
5 miles of fiber per week on a construction basis; and that's mainly for the northern side;
6 and we're looking anywhere from two to five miles a week on our Southside. So we are
7 moving aggressively building this network. We have all our permit issues solved with
8 VDOT and our issues with the utility companies and moving very, very rapidly to build
9 this network. We have completed a financial audit of MBC with an independent audit
10 firm, Goodman and Company out of Danville, Virginia. We have completed a financial
11 audit over the last two years for MBC. Our finance committee has met and approved
12 that. MBC will have a board meeting on Monday. That entire audit will be approved.
13 We'll be submitting that to the Tobacco Commission as part of our annual reporting
14 format.

15 DELEGATE HOGAN: I don't know if we want to send
16 out copies of that to everybody; but if anyone would like to see it, ask Ned and we'll
17 provide that. Other than that, I just wouldn't send it out.

18 MR. DERISO: Each month, we're doing a fairly
19 aggressive financial reporting; and we worked tirelessly to get all of our invoices that we
20 have paid since 2003, sort of when MBC came about. We're able to track expenses and
21 revenues and we have a real good handle on all those issues. We're also completing the
22 grant management reports.

23 Our first grant is our EDA project and you know that we're made up of a
24 couple of different grants. This is our grant project, six million EDA and six million
25 commission. Right now we've used about 17% of the budget, two million dollars paid to
26 date. My estimation based on some construction savings, we've been able to accrue in
27 some pretty efficient engineering from our engineers at Dewberry, approximately one
28 million dollars under budget right now; and we feel that gives us a little bit of leeway as
29 far as some of the extensions we'd like to make on our project. Our second grant is our
30 Adesta, RBI for our northern section. This is a 15.1 million dollar total project of which
31 at the last commission meeting you approved the remaining funds to get us to that 15.1
32 million. We've paid out four million dollars to date. We have some change orders that
33 we have done that we'll talk about in just a minute. We've also reclaimed about
34 \$250,000 out of some transition services that was in our contract with Adesta. We pulled
35 those out through some agreements and such so we have some access to kind of
36 noncapital funding for that. This will show you the overall budget of what that looks
37 like.

38 SENATOR WAMPLER: Mr. Chairman, what are the
39 source of funds on the \$15.1 million?

40 MR. DERISO: That's 100 percent Tobacco Commission.

1 3.6 of that was securitized.

2 The master service agreements. This is designed for telecom service
3 providers that use our network. We have a couple of different classes of members. Class
4 B are folks like internet service providers, Verizon, which would be Cox Communication
5 and other folks that use our network to get to the last-mile provider. The Class C is
6 government/public sector and VDOT is a member. We're going to take an initiative and
7 reach out to our local communities and local counties. We have twenty some counties in
8 our footprint and four cities. Our objective is to get out counties to participate with us in
9 becoming a member of MBC. There's a contribution they will make to us. We've
10 helped them not only with marketing with what we're doing in their counties and what
11 kind of assets are being placed in those counties is a benefit through the Tobacco
12 Commission.

13 Finally, Class D is the regional network providers, other regional
14 networks that we connect to. Anybody who does business with MBC, being a
15 cooperative is considered a member. So that's another class that we do have.

16 The big things we want to address is the quality of service, retail pricing
17 and what kind of service there is, what kind of areas our customers will be serving. I'll
18 show you a slide in a little bit. We've got different types of providers. We've got a
19 wireless company, competitive exchange carriers, cable companies, and all different
20 types that want to use our network and making sure the quality of service that they will
21 provide to businesses and residential customers are at that level and also what kind of
22 retail pricing that we see from them. We're finalizing the form of this agreement with
23 outside counsel to make sure that we're legally set up for it.

24 DELEGATE HOGAN: Would you describe the
25 relationship you have with VDOT so all these folks will know.

26 MR. DERISO: We have an MOU with VDOT, which
27 means we get free access to their right of way. We provided them with two fibers to do
28 that; and they'll lease six additional fibers from MBC for future use of their smart
29 highway transportation system. In return, they pay us \$50,000 to put or build twelve
30 fibers that they own within our fiber sheet from parts of our network.

31 MR. PESCE: I've got a question about the retail pricing.
32 You really don't have much control over that?

33 MR. DERISO: That's correct.

34 MR. PESCE: Is there any way you can insensitize their
35 behavior or you really can't?

36 MR. DERISO: Although we cannot control that retail
37 pricing out there, we know exactly what our wholesale price is; and what we approach
38 our carriers to say is our wholesale price for T-1 service or wholesale price for the 10
39 meg Ethernet service. If you, Mr. Telecom Service Provider, are going to use it, what do
40 you feel is your retail service price for that. That's confidential information that should

1 be locked up in the file; but we want to make sure that if people are using our network,
2 there's some kind of cost benefit. We think the competitive market will help that.

3 I put together real quick a graphic which is really amazing where we are
4 30 percent complete and these are the companies that can't list them; and I'll be glad to
5 talk to the members outside of the public hearing about these companies. These are the
6 companies that we have contacted and that have contacted us by using our network. I've
7 put together a little chart estimating what kind of annual revenue that we could get from
8 these particular companies based on what their particular needs are. On some of these,
9 we're very, very close to inking an agreement. It's pretty amazing we can ink these
10 agreements and get them on board early with these things. What we're looking at right
11 now without doing a full blown marketing campaign, 370 to 530 thousand a year in
12 potential revenue for MBC.

13 Site shelter buildings. We did a tour of the plant in Scott County and Jim
14 Kelly went out there and we did a little tour. We talked about the twelve by twenty
15 shelter buildings. In essence, this is a building that will have two doors. And one will be
16 for people that use our network as far as collocation providers or people collocated in the
17 building; and we'll have one door for MBC, which is secure from the rest of the
18 collocation site. That's where our main network of electronics will be, a secured place.
19 That will have generators and everything else.

20 We're going to issue an RFP if the committee decides to fund our
21 initiative for generators, service, and supplies throughout all of our fifteen sites. We're
22 working on all our site visits with the localities for correct places to put these within their
23 industrial parks. Real briefly, I'm going to review the telecom/broadband.
24 Our biggest problem in Southside is not just access from the community to the end user.
25 Our biggest problem is getting from the communities some kind of internet for some
26 kind of main hub carrier. I'll use South Boston as an example. Today, Glen can go to
27 any business in South Boston and lease a T-1, get a wholesale T-1 from a local telephone
28 company for \$102 a month and that's his wholesale price. His problem is that every T-1
29 he gets from South Boston, he has to take it to Danville to get connected to the internet
30 POPs and the folks in that area. To get from South Boston to Danville, that's a \$700 a
31 month connection. That's the big cost in all of this. Every community out there to get
32 from the central office in the town to any of the businesses is a fairly cheap way to do it
33 as far as the T-1 level. It's getting out that's the problem.

34 DELEGATE HOGAN: You're saying \$700 per T-1, so his
35 cost is 800 bucks?

36 MR. DERISO: That's correct. So you can see what kind
37 of price you'd have to have and that's why it's such an expensive route.

38 As far as the access in Southside, when we talk about the last-mile, MBC
39 is not looking to build all this infrastructure to the residential and business customers.
40 What we look to is to help that access. We're going to talk a little bit about wireless and

1 why that initiative, we feel, is going to be the best way to address broadband with that
2 last-mile and have all that last-mile facilities connected back to the MBC network.
3 That's a little bit about how all this stuff is going to work together. Our big initiative
4 with this wireless project is we need to address the last-mile connection; but MBC are
5 not really focused on that triple threat. Like I said in the last meeting, we really don't
6 have a phone problem; but we have a broadband problem. The more access we're able to
7 get within our region, that's going to be the real solution to that. We've had some initial
8 discussion with carriers; we've talked to five power companies. One of the companies is
9 out of Emporia, Virginia; and they're jumping over backwards about having their towers
10 connected to the MBC network and being able to offer their tenants who are Sprint,
11 Alltel, Verizon, other folks and wireless broadband providers access to get off of that
12 tower and onto the network. We're doing a very large build review process. We've got
13 a remote presentation that Dewberry is going to set up.

14 DELEGATE HOGAN: Is that what shows where the
15 towers are?

16 MR. DERISO: Yes; I have a hard copy.

17 We located 502 towers that are within all the counties of Southside
18 Virginia, and this information is publicly available. It lists the counties, the proximity of
19 these locations, height of the tower, who owns it, and all the contact information. It also
20 has some latitude and longitude information. I had our engineers take all these towers,
21 put them on a GIS map that we've done for design and say let's find these people and
22 where they're located. That's the process we've gone through. We weeded that list out
23 and we looked at towers that were -- some towers with database that does not exist.
24 There's new towers that came around that we know we've now seen and we've added it
25 to our list. At the end of the day, we've got 463 towers that are under our influence. Out
26 of the 463 towers, there's 220-some odd towers that are within a 10,000 foot radius of
27 our backbone cable. I had our engineers go through with our fiber cable and look at the
28 aerial maps and see how many towers were within 2,500 feet; 5,000 feet; and 10,000 feet
29 of our backbone network. On our application, I had a little spreadsheet that showed the
30 map and how we calculated that. Went back and said out of 220 towers, we feel we can
31 connect 150 towers from the existing towers in Southside through the MBC network. I
32 think the next slide should show you. This tower here is just east of Danville on Route
33 58. It's probably about seven miles east of the airport. These are some photographs that
34 I took. At each tower you have, there's two providers, Cingular and Alltel.

35 This is how it works. You can see in the background the
36 tower; and these are the shelter buildings, one for Alltel and one for Cingular. This is the
37 conduit that connects to the towers. This is a little telecom box where the equipment is
38 located; and this is the telephone pedestal where the existing ILECs come in and serve
39 this particular tower. Our plan is to bring our fiber into this general area and have a
40 demarcation point where our fiber terminates; and we have a box that's capable of

1 providing connectivity into this tower. The thing that's a little different here is that every
2 tower may be a little bit different. There are some tower owners that own the property
3 that I talked to that would like us to come into their facilities and get into the buildings,
4 the collocation facility that you see here. There are other telecom providers that would
5 just like us to put something out here on the edge of the fence line so we don't have to go
6 into the property. Then we go out and we contact the companies that use the towers and
7 expressed an interest in using towers to do wireless broadband and bring them all there.
8 You've seen these towers when you drive down the road. You'll see anywhere from one
9 little box to four or five. That's kind of the process we talked about as far as connecting
10 a wireless tower.

11 This is another view of it. The telephone pedestal would be unlocked so I
12 took it off and took some pictures. You can see some older technology and some copper
13 wiring. After talking with everyone in the wireless industry and a lot of folks that do
14 very well in the business, we felt that new stuff coming out with carrier upgrades. New
15 technology is coming out in the next year or two with the wireless broadband. The T-1s
16 that are currently served by the towers are going to be inadequate to provide the backhaul
17 for all of these new applications coming up. In this next slide, it will show where we
18 have some tower providers that are looking for multi-megabit connectivity to their
19 equipment on the tower. This shows three towers, the things that are connected to the
20 MBC network to provision these in the ring. This is a gigabit ring but we connect to
21 these various towers and offer a lot of different services to the owner of these towers and
22 to the tenant of the towers. Then bringing all these back to a mobile switching center and
23 that's part of our extension of our network to get to these other places.

24 Is everyone clear about what we're talking about here with wireless?

25 On our application, we talked about Phase II Funding Priorities. What we
26 talked about was what are our key things that we need to do as the MBC Board of
27 Directors to make this project successful?

28 Our number one priority is turning up this network for the second quarter
29 of '06. This thing started a long time ago; and people want to start seeing things. People
30 are very anxious. I've got a lot of customers want to start using the network; and we
31 can't do anything until we light that first piece of fiber. Secondly, we want to focus our
32 efforts on the things that create revenue for MBC. Being a non-profit coop, we're trying
33 to find every which way to get revenue coming in that will support our operational costs,
34 our maintenance costs and everything else. We struck a pretty good deal with our
35 existing contractor through the first part of 2007 to help defray a lot of those costs; and
36 that's something we need to look at. I think most of you reviewed our executive
37 summary of our business plan; and that's very important as far as our revenue generation.

38 Thirdly, since we have the network up and running, we have some
39 security as far as revenues go. We want those to be an asset to market Southside. This is
40 an initiative we're going to go through with each one of our counties. Where we have

1 MBC fiber, marketing these county industrial parks and cities and other things as MBC
2 Smart Parks or whatever name comes up. When they work with folks in the regional
3 economic development group and attracting companies, it's another marketing tool that
4 they can use to help their community process. And hopefully, we want to extend this
5 network to other communities. Some of these things go hand in hand with our revenue
6 generation. We have some parts of our application that could be – that are connecting.
7 One of the things that's most important for us that is not in the application is the
8 connectivity right here, a Citizens Telephone Cooperative and the two links from Stuart
9 and Rocky Mount to Citizens on our network to get connected with the Citizens
10 Network, which allows them to provide services on the MBC Network. Not only that,
11 but having the connectivity in Southwest and Southside we feel will be a huge
12 competitive advantage for the Tobacco Commission and for both of our regions. That's
13 a little background on what we want to do funding priorities.

14 Our budget was about \$17.6 million. Of all the things, this
15 site shelters for NODE sites is absolutely imperative for us. This was not included in our
16 original budget and our original award simply because it was depending on the local
17 communities to come up with the money to find a -- to buy shelters for us or the locator
18 give us a facility where we could locate electronics and an environmental control room.
19 We found out that most of our twenty counties can't spend seventy to a hundred
20 thousand dollars to build shelters for all these NODE sites. We also found that these are
21 NODE sites that have to be run 24/7 and the generator backup very critical to the overall
22 operation of MBC and that we need to have control and ownership of these shelters.
23 Then we're responsible for the generators, for the backup tower, environmentally
24 controlled parts of the shelters.

25 Secondly, additional electronics. Our regional project
26 included thirteen NODE sites. We looked at our network and expanded this and said
27 we've got some NODE sites. In order to enhance what we're doing, we'd like to add
28 additional NODE sites for the counties; and that gives a way for our brother carriers to
29 get there. We've increased from thirteen to nineteen NODE sites. These are very big
30 Nortel boxes, and that's where the additional dollars comes into play.

31 DELEGATE WRIGHT: Tad, I spoke to you about the
32 Amelia sites; and the proposal says that Amelia County is home to TBS Telecom and ask
33 you about planning on having that hookup there.

34 MR. DERISO: Yes.

35 DELEGATE WRIGHT: My concern is that we don't have
36 an agreement with them at this time.

37 MR. DERISO: We're working on it but yes, that's correct.

38 DELEGATE WRIGHT: I prefer to have it as Amelia
39 being a site shelter there at Amelia Courthouse, with an understanding that if we reach an
40 agreement with TDS that this NODE site would not be necessary. I'm concerned that

1 maybe taking the wrong option or relying on a possible agreement with TDS may not
2 materialize. That's something I'd ask the committee to consider very strongly because
3 you've got the broad band running there with no site. The goal in the charge of the
4 commission was to have each industrial park with broadband fiber; and that's what I'd
5 ask the committee to consider to be sure there is a site there; and, of course, if you can
6 get an optional hookup, that's fine. I'd like to have some consideration of that.

7 DELEGATE HOGAN: We'll talk about that in a minute.

8 MR. DERISO: I'll explain how we got to this number, 6.6
9 million dollars. This number is not going up and it possibly can go down. If we look at
10 some of our sites, for each site, again, we didn't spend a lot of time and money because
11 this is not something that was funded initially; but just to give us enough information to
12 say this is our universe at 150 towers that we can go to. In Gretna, Virginia, there are
13 two towers adjacent to each other. They're within 75 feet of our backbone cable. Does it
14 make sense for MBC to build to both of those towers or does it depend on what deals
15 MBC can strike with which tower owners to make it better for us? There may be towers
16 or if we end up building to a hundred towers, we're still getting the same amount of
17 coverage and the same resources on the network. This is something we will address
18 within this budget and hopefully see we don't need all of that money to effectively do
19 our wireless.

20 DELEGATE HOGAN: You're saying that from your best
21 educated guess, it's enough money to do all the towers?

22 MR. DERISO: Yes.

23 DELEGATE HOGAN: In fact, we're not going to do all
24 of them?

25 MR. DERISO: That's right. The internet backbone
26 connection is a critical piece of what we do; and there's \$2.2 million here. Believe it or
27 not, AT&T has a major internet backbone that runs from Richmond to Greensboro and
28 the entire East Coast; and it's got a big connection in Blairs, Virginia. Old Route 360
29 from South Boston -- I mean, Danville to Halifax; and if you travel that, you'll see a big
30 thing that looks like a couple of trailers next to the side of the road; and that's where a
31 big AT&T regeneration site is. We propose to build fiber into the site in Blairs, Virginia,
32 and give direct access to our customers and to local telephone companies and other
33 providers to get to this facility and have it redundant, which goes back to Chatham,
34 Virginia, back to Chatham where there are MSAPs that provide some redundancy. We
35 also have additional fiber builds in the MBC backbone network.

36 One of the things, this is a connection from Burkeville to the Prince
37 Edward County Industrial Park. That's about a 17 or 20-mile distance. Our network
38 stopped here in Burkeville; and if we extended it to Prince Edward, we could create
39 another thing which gives us some survivability against redundancy. I have a cable
40 company customer that is looking to connect a gigabit connection to Burkeville or into

1 Crewe to extend broadband services on their cable systems in Nottoway County. This
2 would help businesses here in this are so we'd that a par. We also have this other
3 connection in Halifax to Appomattox to close the ring and give us some additional
4 redundancy on the network.

5 We also have some fiber bills for customers. We kind of looked at on
6 how we addressed this. Part of our project is to build east from Emporia to the Hampton
7 Roads communitis. We investigated it and talked about it many times; and we decided
8 this doesn't make any sense to do unless we have a commitment from a major customer
9 that wants to use this connection getting it on to our network. They have agreed in
10 concept and what we want to do is, they like the idea and they are right now developing a
11 business case and working with two general managers in their region to put the deal
12 together. We will have a commitment for that network and what we would do is ask the
13 committee to fund the build from Emporia out easts to interconnect with this customer.

14 The neat thing about this, thanks to our vice-chairman's
15 efforts, is that the City of Chesapeake is willing to put in five hundred thousand to extend
16 this network into the Virginia Modeling and Simulation Center, which is located on the
17 very top part of Suffolk. The Commonwealth has invested quite a bit of money in
18 Hampton Roads and the Simulation Centers and all these things. We feel strongly that
19 having MBC connected into that facility gives our Southside region an opportunity to
20 take advantage of some of that stuff. You've got the institute, Simulation Center in
21 Lynchburg. You've got our universities and you've got folks in southwest. If we make
22 that connection, they can utilize non-dominant carriers get to these areas and make some
23 innovative things happen in the economic development side.

24 SENATOR WAMPLER: My question is not adversarial,
25 but I didn't understand what you told me. You think you're going to have an agreement
26 with or you know you do?

27 MR. DERISO: We're working on an agreement. I'm 99%
28 confident we will have that agreement.

29 SENATOR WAMPLER: When would you know that?

30 MR. DERISO: I hope within the next month.

31 SENATOR WAMPLER: My point is that I hope we know
32 that before the full commission meets. If this is what you're actually proposing, it's a
33 huge benefit.

34 MR. DERISO: Absolutely.

35 SENATOR WAMPLER: But the revenue side as well. I
36 don't know how you fit that into the total budget. I don't know what we have to allocate.

37 DELEGATE HOGAN: We don't have to; we can wait
38 until we see the agreement and take it up at that point. I assume you've discussed this
39 with Jim and Ron. Is that connection out there in Hampton of some benefit to you,
40 assuming we make this hookup between the two regions; or is it nice but not necessary?

1 MR. FLANARY: We haven't talked about that, Mr.
2 Chairman. We had quite a bit of discussion about the citizen end. That's clearly more
3 important.

4 MR. KELLY: I wouldn't know the impact.

5 MR. FLANARY: Mr. Chairman, we would be eager to
6 investigate that and see if we can use it. It could be another opportunity.

7 MR. DERISO: This is a map of Blairs that we talked
8 about. As our investigation continued on with this connectivity outside of the region,
9 we're in discussions with a company called Level3. There's a regeneration site in our
10 region and we're looking for them to access that facility and have a direct connection
11 from the MBC network to this facility. I can tell you that as far as the timing goes, we'll
12 have the COX deal wrapped up way before we'll be able to get an agreement with
13 Level3. They're a very big company and sometimes difficult to work with but I wanted
14 to show the committee what our plans are as far as that goes. We talked about the fiber
15 built already. This is a visual representation of what we're trying to do there.

16 To show visually our COX interconnect, if we build our fiber down Route
17 58, the City of Chesapeake is here and this is the COX interconnection. If the City of
18 Chesapeake puts in their – or when they put in their \$500,000, we will build in this
19 direction and go directly with the VMASC. Our customer has a very large connection
20 right now with the VMASC. We can connect with a splice point here and connect with
21 this facility. If I had my druthers, I'd much rather be in this facility because of the
22 advantages it would give to Southside.

23 SENATOR WAMPLER: I guess Southwest tried to use its
24 limited dollars to accomplish our plan and we did it to the footprint of a compact region
25 that we call Southwest. Beyond the Cumberland Gap and to the south into Tennessee,
26 there's some pretty important routes that we need to consider. I think we appreciate you
27 all showing that to us. You're investing in Virginia where we may have to employ a
28 facility outside of the Commonwealth, and that could take a legislative requirement. I'm
29 not a lawyer. You'd have to ask them.

30 DELEGATE HOGAN: I talked to Frank about it and he
31 can confirm it; but I can't speak to what would happen in Kentucky. This is within the
32 purview of the commission and we can do this according to Frank because it serves the
33 commission's interest. I think it's something worth looking at.

34 SENATOR WAMPLER: I would think Southside would
35 have less problems. I think Southside would have some applications in North Carolina to
36 find some routes there; and perhaps in the future, that could be interesting.

37 MR. DERISO: That's the basis for our presentation this
38 morning.

39 DELEGATE WRIGHT: I've got a couple of questions and
40 comments; but first, I'd like to deal with the Amelia site shelter. It seems to me we've

1 got some wiggle room on Page 15 with the wireless towers and the connectivity, the 6.6
2 million, even with the last item, the 2.9 million. What is the cost per site of those NODE
3 facilities?

4 MR. DERISO: For the 12 x 20 shelter with a 35 kilowatt
5 generator and the site preparation needed, you're looking at around ninety to \$100,000
6 per site.

7 DELEGATE WRIGHT: I would like to put up for
8 discussion and make a motion that we amend the 6.6 million and reduce that by the
9 amount that it would take for Amelia to have this site shelter, without which we'd be in a
10 pretty precarious position, and with the understanding that the agreement is reached with
11 TDS and then this will not be necessary and money will flow back into this section of the
12 budget. What would be the approximate cost in dealing with that?

13 MR. DERISO: The Amelia question, when we first did
14 this, if I remember correctly, there was not an industrial park when we started the project.
15 And then once we started, they funded the County Industrial Park. From MBC's
16 perspective, we really want the Tobacco Commission as far as funding our project. We
17 feel that, yes, it would be good to have Amelia connected if we could get that customer
18 TDS. That creates another revenue potential for MBC to get that.

19 DELEGATE WRIGHT: In answer to my question, since
20 there is some wiggle room in the 6.6 million, could that assure Amelia of having a site
21 shelter and still continue your negotiations with TDS?

22 MR. DERISO: We'll continue our negotiation with TDS
23 regardless of what is decided. I just don't know how the process works if you budget
24 money, securitize money for a project and you take it out and spend it on another project.
25 I don't know.

26 DELEGATE WRIGHT: That's what I'm asking. To
27 amend or to reduce that figure by that amount. I think you said that was ninety to a
28 hundred thousand.

29 DELEGATE HOGAN: We can come back to that in just a
30 moment. Tommy, we'll be happy to take that up. In terms of what we want to try to get
31 done here today, Tad's talked about the shelters in general as something you have to
32 have. One of the reasons we had the meeting here is that we've got this Floyd County
33 issue with connecting the two networks. I'm wondering if we could – or I think there's a
34 couple of things from just listening to this I hope the committee will agree with this.
35 We've got some shelters; we've got some fiber runs here and there; we've got a wireless
36 strategy; and then we're asking about some specific projects in specific areas that we
37 need to look at; and I'd like to approach it in that way. I wonder if this is a good time to
38 hear from Mr. Gallimore about what Citizens' application looks like and what they want
39 to accomplish, and then maybe we can have a discussion about the terms of connecting
40 these two regions, how we can work together.

1 DELEGATE WRIGHT: I have a couple of more
2 questions.

3 DELEGATE HOGAN: Are they in regards to Amelia?

4 DELEGATE WRIGHT: No. Back on Page 8, that you
5 referred to, you referred to an annual revenue range of roughly 370 to 535 a year, which
6 is very encouraging. How much of that would it take to operate MBC, at what point
7 would it be profit making, and what would become of that profit?

8 MR. DERISO: We've estimated that first year revenue
9 about one and a half million dollars a year is what we see as our total operation costs.
10 That's assuming, we're paying full freight for some maintenance technicians and trucks
11 and all those things that go along with operating a network. We've got maintenance,
12 sales, and administrative costs. We believe we can reach those numbers, but it's just
13 going to take some time to do that. As far as when we do make a profit, as a cooperative,
14 we're required to take those profits and return them to our members. As a cooperative,
15 we issue what you call capital credit. Citizens' Telephone, as a cooperative, when they
16 make money, part of those revenues or parts of the profits go back to the members.
17 They're in dividends, or credits or whatever form or fashion those take. There's lots of
18 different things we can do with that revenue.

19 MBC, we are non-profit so we've got, in essence, every
20 dollar that we make either invested to make sure that the network is up and running,
21 doing the things we need to do as a business, giving those back both to the members and
22 to the communities. We've talked about some things when we see the light of day, big
23 money coming in to MBC, setting up foundations and doing things with local
24 communities and all that kind of stuff. That's just things to do down the road.

25 DELEGATE WRIGHT: Thank you.

26 MR. OWEN: What happens when the -- I mean, you say
27 you save so much money. Well, what happens to that money and how is that shifted
28 around; or what's the priority use of it?

29 MR. DERISO: It's the Board of Directors that makes
30 policy decisions for MBC. Let's say at the end of the day, you have a hundred thousand
31 dollars left over. That is assuming we've paid all of our depreciation expenses and all
32 the costs. To fall within the non-profit guidelines, you have to reallocate all that money
33 back to the members. I'm not real sure how the accounting regulations work; but that's a
34 policy decision we've followed as a cooperative, from a cooperative guideline set up by
35 the Commonwealth.

36 MR. OWEN: I'm talking about the grants.

37 MR. DERISO: I'm sorry.

38 MR. OWEN: You're on a reimbursement basis.

39 MR. DERISO: If you give us a million dollars and we
40 spend eight hundred thousand, it doesn't affect us at all.

1 DELEGATE WRIGHT: Mr. Chairman, I'm going to make
2 a motion that Amelia receive a site shelter in their industrial park area. If you want to
3 consider that motion later on in the meeting, that's fine; but I want to place that motion
4 on the floor.

5 DELEGATE HOGAN: If you want to make a second or --
6 DELEGATE WRIGHT: I didn't ask for a second. I just
7 want to earmark it for discussion.

8 DELEGATE HOGAN: We're going to talk about it,
9 Tommy. Here, let's hear from Mr. Gallimore. Thank you, Tad.

10 MR. GALLIMORE: Thank you, Mr. Chairman, and ladies
11 and gentlemen. We'll do a little technology shift here so we can throw up a different set
12 of maps. As a cooperative, we found ourselves in the unique position of being between
13 both of the main projects that the Tobacco Commission has funded thus far. The
14 Citizens' primary telephone service area is wrapped around Floyd, Patrick, Carroll, and
15 Wythe Counties. We do some in Pulaski County as well. With the MBC project coming
16 into Rocky Mount and into Stuart, the existing fiber network that we have offers an
17 opportunity to connect those facilities and close the ring for MBC or for Citizens and
18 also allows us to have some existing facilities into Wythe County get over to Southwest
19 at their connect point at Rural Retreat and the proposed new route coming in from
20 Bluefield. This would allow basically the Southwest and Southside areas to be tied
21 together, would not complete any redundancy at this point. We're working with Pulaski
22 County and the New River Valley PDC on a project that would complete a link across
23 Pulaski County and back into Blacksburg that would allow us to close the ring there for
24 some protection to seal these fibers and make them redundant. The proposal that we
25 have before the commission is to build the link from Rocky Mount to our facility and
26 connect it back into Floyd. To complete a link from Stuart over to Claudville at the base
27 of the mountain where Citizens has a new fiber facility, to reinforce the link that we have
28 going in the Blacksburg and VPI in order to get the connection for Tech back into MBC
29 facilities. We want to use our existing fiber, which was completed this year into Wythe
30 County. We have a construction project under way right now that will complete that
31 fiber into about this area. Then to complete that fiber over to Rural Retreat to make the
32 connection back to Bristol Utilities in the Southwest side.

33 We also propose a connection to North Carolina. We will meet Surrey Telephone
34 Cooperative in their Wakefield exchange on the state line. Surrey, along with Skyline,
35 who would propose meeting over in Grayson County, are part of the North Carolina
36 Access On Network and would allow us to use connections through that network to close
37 rings and make these self healing as well. We propose building from our connection at
38 Hillsville through Carroll County, the City of Galax and Independence in Grayson
39 County. I think that's eventually scheduled in Phase III or IV. There is a phase that
40 brings the connection from Marion, which would be a ring as well.

1 That pretty much sums up the proposal. We basically have said we would be the
2 link between the two networks. I might mention from Tad's standpoint, we have already
3 connected a fiber to COX; and we have a direct connection with COX that goes from
4 Floyd into this Roanoke connection; and they've been talking to us about getting back
5 through one of these two connections, to get back to Hampton Roads and that area.
6 We've been part of that discussion as well.

7 I'm open to answer any questions or explain anything that I may have
8 overlooked.

9 MR. PESCE: I have a question for you. How are the
10 companies actually going to interconnect? Are we interconnecting the telephone,
11 internet, or what?

12 MR. GALLIMORE: We're interconnecting the fiber
13 facilities.

14 MR. PESCE: How are they going to work together?

15 MR. GALLIMORE: In the case here, we literally will
16 splice two fibers together at the state line and then MBC, we propose to meet in a hub
17 and do a fiber splice at that location. Once the facility is there, the technology that you
18 put over that facility really doesn't matter. It's a matter of selecting the electronics that
19 will put the signals you want on that facility.

20 MR. PESCE: Are you saying then you're going to share or
21 actually give Southside optic fiber repair? Are you going to interconnect your network?
22 Is it a sharing of pairs or is it actually doing it through electronics where you back up
23 each other? I'm not clear on how this is going to work.

24 MR. GALLIMORE: We have promised in building these
25 routes that we would reserve eighteen fibers through our existing facilities and make
26 those fibers available to Southwest and Southside for any type of connection they want.
27 We're also putting up an IP network, a gigabit Ethernet and tossing around the idea now
28 of maybe going to ten gigs; but that network -- or we're saying why don't we make that
29 all over the MBC area and all over the Bristol area and it looks like one big network.

30 Anybody that wants to,
31 it's just capacity. That was the only physical service network that we proposed.
32 Everything else is just fiber. Once you put the electronics on it, that fiber can carry
33 anything that you want. Then we'll put up one big IP network, which is -- or will take
34 care of the broadband needs of those people that hit the network. I may choose to come
35 to all these power sites on the Bristol Utility side or on the MBC side and say I want to
36 get facilities through you so I can provide service, wireless.

37 MR. PESCE: That's great. But if there's an issue and
38 MBC as a major provider they'll be able to get out through your network?

39 MR. GALLIMORE: Right. But if this thing is engineered
40 properly, we have multiple routes out of here today so that we have survivability. Our

1 internet leaves at Blacksburg through an AT&T hub we're leaving through a connection
2 with Sprint in a southerly direction. We can recover from a cut as well. There's no
3 reason for all our networks not to get together and work on that type of protection for the
4 network in general.

5 MR. PESCE: Is there any consideration of alternate routes
6 through each of your coops? I'm not sure how you set up. Is there a small switching
7 device in the areas or if you lose connection with Scott, they can make you a switch?
8 Can they have that trunk to your network?

9 MR. GALLIMORE: With an IP device network, that will
10 be possible. A TBM type network would require that we set up some remote trunk on an
11 emergency basis. That's something we would quickly do for each other; but the
12 Nationwide network would not recognize those networks because they are very specific.

13 MR. PESCE: But they could get out through your switch
14 if there was a trunk from these local units, if they lost connection with Scott, could go to
15 Citizens?

16 MR. GALLIMORE: They could get out. The trouble
17 would be the incoming traffic couldn't find them. That's only through the TDM side.
18 But when you get to looking at the IP side, anything can be possible and we can see
19 enormous opportunity for us to share. We'd look more like a cloud than a bunch of
20 direct connections.

21 MR. KELLY: Which we already have done.

22 DELEGATE HOGAN: There's two issues here. One is
23 helping Citizens' Telephone Cooperative; and the other is what does this do for BVU?
24 Of these options Mr. Gallimore talked about, what is the most useful from yall's
25 perspective?

26 MR. DERISO: From MBC's perspective, our links in
27 Patrick County and Franklin County are absolutely key, especially for our main customer
28 COX. That gives us not only redundancy outside of our network; but we can still use the
29 Roanoke link, which is a major carrier; and that gives us another route outside of our
30 network to another carrier. It's very important for us.

31 MR. KELLY: The activity at Rural Retreat is a must for us
32 to connect it up. It's the only point of connectivity. As he described it, hopeful future
33 build through Grayson County; and that would complete that loop, give some direction
34 that way. Our single location would be in Rural Retreat. We'd have a building there and
35 we could collocate.

36 MR. GALLIMORE: That I did not mention but we will be
37 studying. There's two industrial parks here in Floyd that we serve with fiber today; and
38 we will hit both industrial parks in Carroll County and the two industrial parks in
39 Independence. We actually have a hub here and we intend to set a hub here. There will
40 be a hub here where we can get back across into Galax. We'll set a hub at the furthest

1 industrial park there and in Independence depending upon what Paul needs. I'll met with
2 him at that point. We'll be bringing these counties into the network as well.

3 SENATOR WAMPLER: Without trespassing on the
4 committee's time, I want to thank you for everything, having the patience to come back
5 today and pitch this again. I think this is the critical link for the region and I support
6 your efforts wholeheartedly. My question is, and you'll have to understand my lack of
7 understanding all the technical components, if you just take the town of Independence,
8 some federal monies and Tobacco Commission dollars and some other sources of
9 funding, they're building an island as it exists today. I thought you said you had eighteen
10 fibers that you would dedicate that particular point or any other point on the map.

11 MR. GALLIMORE: We're dedicating 48 fibers our larger
12 build. This fiber, I think, we could guarantee would have up to 48 if need be.

13 SENATOR WAMPLER: Have you communicated with
14 Independence and would that meet their design and their capacity needs to get the
15 information?

16 MR. GALLIMORE: We just had a basic discussion with
17 Paul about what they're doing there and what they need for connectivity back to the
18 internet. We can do that over one. The extra capacity is just there.

19 SENATOR WAMPLER: Mr. Chairman, it wouldn't be up
20 to me to give a technical spin on this; but we need to make sure we reserve sufficient
21 capacity for our localities to get the information out. Otherwise, I wouldn't suggest that
22 Citizens would do anything that anybody else would do; but I think that's going to be
23 one of the bigger challenges that we face five or ten years out. As long as we understand
24 going in we have to reserve capacity to meet legislative intent, I think that's a goal of the
25 commission. I think it's a positive goal and I think you're providing that.

26 DELEGATE HOGAN: From other players' perspective,
27 leasing fiber or buying band through the IP setup?

28 MR. KELLY: Once you lose control of that fiber, it's out
29 of your control. And once you lose that control, that fiber is gone because they're going
30 to set up something for fifty years or forty years. I think you're losing an asset. I think
31 the question was already answered. You've got to conserve that fiber to be able to utilize
32 it. Once you start leasing it out, it's gone.

33 DELEGATE HOGAN: The discussion you're having with
34 Citizens, based on them leasing you fiber, basically buying band with is what it is.

35 MR. KELLY: The capacity of two fibers tied together
36 you're already looking and Tad is looking at 10 gigs. That's like a jumbo jet compared
37 to Hugo. But it's a truckload of capacity. Two fibers you can split up and we did.

38 DELEGATE HOGAN: Do you want the band with or the
39 fiber?

40 MR. KELLY: A little bit of both. Not a lot of fiber but

1 mainly transport capacity is what we're looking at getting from Lenowisco through
2 BVU.

3 DELEGATE HOGAN: You're going to achieve it either
4 way?

5 MR. KELLY: Yes, either way. I'm not looking at fiber
6 coming into Southside. I'm looking at that activity or connectivity straight into Rural
7 Retreat and let Citizens and MBC haul in all the freight from that point on. We'll do an
8 interconnection. We're looking for an interconnection agreement with them. Lenowisco
9 has their interconnection agreement with us.

10 MR. FLANARY: Mr. Chairman, we have cooperation
11 with BVU. Without getting technical, this clearly strengthens the entire network for
12 Southwest and Southside. This strengthens the entire setup. This is critically important
13 to us and we're here to say so.

14 MR. KELLY: There's two issues that came up here. One
15 I wasn't sure of until Tad spoke about it this morning. He mentioned Level3
16 connectivity. Paul, I believe you have a point fairly close to you also through KDL? I
17 believe you can do a Level3 connectivity there. What Nick is looking for is a route out
18 and if we do this connection, you'll get the route out. The one into North Carolina, if
19 you can get into the research triangle, call it Tad City. Once you can do that, it's a great
20 opportunity. I like what we're talking about.

21 DELEGATE HOGAN: Delegate Wright, you had a
22 question?

23 DELEGATE WRIGHT: I want to ask Tad a question; and
24 this goes back to your comment about the connection. Other than those two connections
25 in Southside and Southwest, what does this proposal really do for Southside?

26 MR. DERISO: It gives Southside a huge advantage over
27 doing any kind of marketing with companies. Not just getting in the Carroll and Floyd
28 and up the road area, but our connection to the Southwest is done by building the
29 Wytheville to Rural Retreat. That's the key part from my perspective and MBC's
30 perspective, Southside's perspective. Having a connection to Southwest benefits
31 Southside because we're able to take connectivity and the folks, Lenowisco and BVU,
32 and tons and tons of companies that are using the network facilities and we're right
33 behind them. And having companies in the group and to have someone say they're
34 talking to a company in North Carolina coming into the industrial park, we can connect
35 this kind of connectivity between Southside and Southwest. There's all different ways
36 we can do that. It's a benefit for Southside.

37 MR. KELLY: Another benefit for Southside, this idea of
38 backhaul, I'm sure from Verizon's point of view, like a fiber connection into every cell
39 phone and obviously into some of the areas or the Sprint areas so you don't have fiber
40 into those sites. Tad could benefit greatly by having connectivity to cell towers within

1 the Lenowisco area and the BVU area. You're just offering more connectivity for those
2 companies and that's a sure fire way to do it. There's an article in a magazine called
3 "Mining Gold"; and that's what you're doing.

4 DELEGATE HOGAN: Would you like to comment on
5 this? What does this do for you? And you're the people that these folks are saying it
6 benefits and how this benefits you.

7 MR. SHAW: It doesn't really benefit me at all. And the
8 wireless we'll talk about later; but the current discussion doesn't help me.

9 MR. RATLIFF: Obviously, you're applying for \$3.7
10 million to connect these other points. You touched on the fact that this would enable
11 Citizens to potentially provide service out through the MBC network and reach
12 additional customers. Would you have some reciprocal pricing for a telephone
13 cooperative to reach customers within your area? Would they be able to do that?

14 MR. GALLIMORE: It's an open network.

15 MR. RATLIFF: Would you commit to a pricing structure
16 ahead of time so to speak?

17 MR. GALLIMORE: We'll be developing the pricing
18 structure along with MBC; and until we bring this network up, I'm not going to try to
19 price my little section here without taking into consideration what their pricing is for the
20 big section. We've got to have pricing that runs from one end of the state to the other
21 because we will have people concerned about that price line.

22 MR. PESCE: I think this is a good plan we have. For me
23 the concern would be that the carriers get together and develop an agreement as to how
24 they're going to work at all levels. Pricing, are we going to reserve so many strands of
25 fiber each of our network for each other for the whole region? I think you'd want to do
26 that up front now before you go down the road and get into a lot of issues of who owns
27 what and who's leasing it. That's what I've been trying to bring out several times.
28 Who's backing up who at what prices? What are we reserving for the region and the
29 other carriers? It's my personal opinion up front that some type of agreement needs to be
30 done up front between them and I think that's important.

31 DELEGATE WRIGHT: Mr. Chairman, my concern, kind
32 of echoed by the two gentlemen from the Halifax area, I want to know what it does for
33 Southside. I want to know what's going to benefit Southside. The overall plan sounds
34 wonderful, but I just want to make sure what it does for Southside. All these plans sound
35 wonderful and deals. I think we're headed in that direction, but we need to know all
36 these details up front.

37 MR. GARRETT: Mr. Chairman, I've got a lot of concern
38 and I won't voice them all at one time. You've got a gentleman here from Citizens and
39 the first question is do you have any interconnect with any other CLEC or ILEC present?
40 Is there anyone that you're competing with in your phone area right now?

1 MR. GALLIMORE: We have no one competing here for
2 telephone service. We have internet providers.

3 MR. GARRETT: That was my question. You're probably
4 with all of this, essentially, you're going to be trying to do phone service in my area; and
5 I'm going to try to do phone service in your area. The question is whether or not there
6 will be competitive pricing and whether or not this will benefit in that area. I don't
7 know, if Glen has an interconnect I'm sure with Verizon. I'm negotiating one now. I
8 know what my interconnect price is for Sprint. Is this going to benefit more than just
9 internet when it comes to phone service and everything else. Is it all going to be through
10 cellular service that people are going to benefit? I have questions about pricing and
11 competition and how that plays out. One of the things that comes to mind when I'm
12 watching all this backbone, this latest thing with Level3 and Cogent, that they just
13 dropped off the pier currently. I've got offices in Charlottesville, Richmond, and
14 Norfolk; and one office currently can't get MSN because Cogent and Level3 are in this
15 competitive thing. When Tad was talking about Level3 and the issue of getting in touch
16 with them and negotiating with them, I'm not sure who AT&T is pairing with, whether
17 it's Level3 or Cogent. Are we going to close our network, or are we going to have users
18 that can get to the Level3 customers but not Cogents as well? I think that's something
19 that needs to be in the back of your mind as well. I've got people angry with Cavalier,
20 not doing Cavalier in one area, Adelpia in another one; and they're scrambling trying to
21 figure out how to clean up that mess.

22 MR. DERISO: That's a good point because what we do I
23 can't control Cogent or Level3's activity but the more connectivity we have and the more
24 players, the less there will ever be a problem for MBC. If you can't get a service through
25 Level3 or Interconnect, then go to COX or AT&T Interconnect. All these networks
26 meshed together with all these different spider webs, there should never be a problem
27 having a customer that can't get to a facility. We have all these agreements and not just
28 coops but Southside and Southwest networks.

29 MR. GARRETT: I think it's important that we consider
30 and everybody's going to go to voice over IP. There are questions about franchise
31 agreements for whether or not the telcos are going to go away. All these different things
32 play into this. How it's going to end up as far as being competitive, are you going to end
33 up giving some people more advantage than others as you move into this competitive
34 field?

35 DELEGATE HOGAN: I think the idea in the next several
36 years is that we're going to have to have an open access network if we -- If we build a
37 closed network, we've got another player in the same situation in which case we're
38 wasting our time, I think. Certainly, anything I think the commission is involved with
39 through MBC or in terms of these connections with Citizens, we're going to have to have
40 open access. That's why I was talking about do you lease fiber or do you lease band with

1 to try to understand a little bit about what's the best way to make sure that, if Mr.
2 Gallimore wants to come to Farmville and compete, which is fine, then using this
3 network we helped build and other folks can go to Floyd and compete on an equal
4 footing. We're not going to do anything that doesn't create an equal footing. In terms of
5 arranging agreements, that sounds like we need folks to get together and work on that so
6 we've got a better idea of what we're talking about. MBC has an open access network
7 right now. We haven't had to brooch this issue until right now.

8 MR. GARRETT: I understand it and I'm not trying to be
9 adversarial and I'm really not. Am I going to get access to your local loops? If you think
10 about an internet, you can come into my market now and get access to Sprint because I
11 lease their loops. You can bet that I'm going to start pounding fiber pretty soon. Now,
12 are you going to require me to open my loops? If everybody else is not required to open
13 their loops, you can bank on it; I'm not going to open my loops. That's something that
14 needs to be thought about down the road. If I find fiber in Farmville, and Sprint's not
15 getting it, and if I connect to MBC it's a requirement, I'll have to decide whether or not I
16 want to connect to MBC. I think that's something there needs to be some thought about
17 as we go further down the road.

18 MR. FLANARY: I've listened to this and let me go back
19 to the part of philosophy of why I think all of us are doing this. In talking about some
20 recent experience in our service area because of this broadband project, when Lenowisco
21 got into this program and took up this opportunity, we did so because we saw it as an
22 economic development initiative for our region, all of the tobacco service area. We tried
23 to address our corner of the Commonwealth. We worked diligently on it. It's not about
24 giving up the pie that's out there. It's about making the pie larger. Toward that end, and
25 because of this network, we've had at least -- we've had a couple of important
26 announcements in recent times. We've had a call center located in Lee County on this
27 network and it's served by Verizon and by our network so it's a joint deal; and Verizon is
28 going to -- a winner as well. They're moving toward 250 jobs there. December 26th,
29 Delegate Kilgore joined Congressman Boucher at a center in Duffield. They're going to
30 move up to 200 jobs. The Tobacco Commission has another investment in Southwest
31 funds to do an upbeat on that. That's opening within a couple of weeks.

32 We've also had discussions with a major health care
33 provider that's interested in Duffield because of the enormous band with that is coming
34 through there as a result of this project. They're talking about adding another 50 or 75
35 jobs. This is about adding jobs and private investment, growing our economy. That's
36 why we're doing this. It's not about this intense competition. I know it might seem that
37 way but that's not why we're doing this. That's not why we're talking about this
38 strategic link here. We're talking about meeting demands of the customers and we're
39 talking to companies interested in locating Duffield and Lee County and Bristol or Joyce
40 French's area, I mean, Southside or wherever we want to talk about the customer needs

1 in terms of band with, redundancy and services. We don't want to have any constraints.
2 The economic importance of this is extremely critical and that's why we're doing these
3 projects. I throw that out as a reminder of why we're doing these things. We didn't
4 wake up one day and say I'd like to start a telecommunications system. And that's the
5 last thing I want to do. But this is about growing our economy.

6 SENATOR WAMPLER: I think what Mr. Flanary said is
7 very important and as much of a guarantee that you can obtain prior to the system being
8 and the electronics working is one thing. My point is this, if you listen to your customer,
9 customer being the prospective industry that wants to come to the community, I can
10 guarantee you that this major technology company has this piece at the front and its
11 probably the one piece that is lacking, while you could say the handshake has taken place
12 it's contingent upon redundancy, connectivity these multiple pathways. Before someone
13 says it benefits Southwest rather than Southside, that same technology company could be
14 in Danville or Halifax or Lunenburg saying they need this piece to have another pathway.
15 I don't know how we're going to get into the allocation of costs at this point. I will say
16 that it's going to be market driven and I will say that if you want to address open systems
17 or subscription capacity and let's get into other sections of the code and probably not
18 have the Tobacco Commission to be the one who allocates the costs. I can show you the
19 battle scars that I have and I say this to the friends at the end of the table trying to
20 promote competition. I'm sure my video doll is present on many people's desk. The
21 point is valid and I'm not sure that we have the ability to allocate that with an operating
22 agreement, so to speak, within this Tobacco Commission. Don't forget and lose the
23 scope of what we're here for. That is to set our region apart from any other part of the
24 country in terms of promoting economic opportunity for everyone and --

25 DELEGATE HOGAN: Let's take a five-minute break.

26

27 NOTE: A recess is had; whereupon, the hearing continues
28 as follows:

29

30 DELEGATE HOGAN: Tad, let's go. Give us an
31 overview of where you are with this wireless piece with or without your friend from
32 Dewberry. Let's talk about that.

33 MR. DERISO: We're going to show you the process we
34 went through and some examples of how we do it.

35 DELEGATE HOGAN: Can you do this relatively
36 quickly?

37

38 MR. DERISO: We'll give you the five-minute version.

39

40 NOTE: This presentation is made via telephone.

41

42 MR. FERGUSON: We started with counties within the

1 project area and we mapped the approximate location of the fiber optic network. County
2 boundaries are shown in blue. The network is shown in red. Are you able to see that
3 okay?

4 MR. DERISO: Yes.

5 DELEGATE HOGAN: We recognize them.

6 MR. FERGUSON: The first thing we did was to locate
7 towers in the counties that we were interested in. The towers we located are shown with
8 a green triangle. The next thing we did was to identify which towers are near the fiber
9 optic cable. We looked at three different distances, 2,500 feet; 5,000 feet; and 10,000
10 feet. You should see the buffer that was created around the red fiber optic network, those
11 three incremental distances. We then identified which towers fell within those buffers.
12 We were left with a subset of all the towers. We were then interested in what influence
13 these towers had. We looked at two different radii, a three-mile radius from the tower
14 and a five-mile radius from the tower. Those are the concentric circles you can see.

15 We overlaid that with census data, which you'll see in
16 blue. The darker blue indicates more people living within what the U.S. Census calls a
17 census block. A census block typically follows a political boundary of some type. We
18 then associated the census information within each tower and were able to determine --
19 Well, let me show you the census information first. The sample of what you get from the
20 census data, there's a total population within that census block and some of the
21 demographic information in the census block. We then associated the information of this
22 population with each tower. We're now then able to identify which towers have the
23 greatest potential influence and given that information along with its distance from the
24 network and the owner of the towers, we're able to make a good business decision as to
25 which towers are the cheapest for us to get to in terms of how far are they from the
26 existing network, how many people might be within a range of that tower and compare it
27 with who owns the tower, understanding that some of these towers may be more
28 accessible than others.

29 Overlaying the tower information with aerial photography
30 gives us an increased level of confidence as to the actual existence of the tower and the
31 surrounding features. I'm going to pick this tower in South Hill and come in closely;
32 and, in fact, you can see the tower in the aerial photography. Then we can look at where
33 it is relative to the cable shown in red. If this is a desirable tower to connect to the
34 network, we can then send this information to the design engineers, who can actually go
35 out, verify the data and start to design a connection from the route, from the fiber optic to
36 the tower. That's it.

37 MR. DERISO: Just to indicate Craig's point, when we
38 first started and I think we redid all these routes in 2000, I think the Commonwealth
39 agreed to find the aerial routes in 2001. I think the new ones came out in '06.

40 CRAIG: They're going to re-fly them next year.

1 MR. DERISO: All that data is put back in our system, and
2 this is what we use to manage our fiber network. That'll give you a representation of
3 what we're trying to do.

4 MR. SHAW: I think it would be more beneficial if you
5 went back and got them to look for all the water towers. I think your footprint would
6 represent a lot more the rural area.

7 MR. GARRETT: You also need to look on, Verizon
8 loaded one.

9 MR. DERISO: That's part of this project, because we
10 don't know right now; we've got the public information and we know where the tower is
11 and how high it is. We just don't know who all is on that tower. That's stuff you have to
12 go to each tower, the tower owner, to identify who's on that tower. Sometimes, they
13 give that information and sometimes they don't. Our engineering staff will do that as
14 part of our wireless project.

15 DELEGATE HOGAN: Where do you stand in terms with
16 the power companies?

17 MR. DERISO: We made an initial contact with Old
18 Dominion, American Tower, SBA, Crown, Mid-Atlantic Towers out of Emporia; and
19 everybody liked the concept and there's no problem with MBC building fiber into the
20 tower. Some of the tower owners would like us to bring it into the site. Others would
21 just like us outside of the fence. They're anxious to get this started.

22 DELEGATE HOGAN: How did they respond when you
23 said, we'll bring the fiber in; and now our clients or customers are going to want to use
24 your tower? On what basis and how easily and how expensive -- When you asked those
25 questions, what kind of an answer did you get because if those towers are not available or
26 economical, then the people that provide these services are not going to do it in which
27 case we've wasted our time other than the cell phone people have another goal.

28 MR. DERISO: One of the companies we talked to, Crown
29 Castle, has an office in Roanoke. They looked at it and said, it benefits us because
30 obviously, it brings us into the point. But their main mission is to sell space on that
31 tower. We haven't gotten the details as far as if there would be a discounted price for
32 MBC members to access that tower. That involves discussion with the tower owners.
33 As far as pricing, I understand your point; but I just don't have an answer for that right at
34 this time.

35 MR. GARRETT: The last time I talked about this, the
36 return on investment was so far out for me that it isn't economically feasible at this point.
37 Unless a tower owner tells me, I don't have 2,000 cell phone customers starting from the
38 ground up, space is space.

39 MR. DERISO: Once we get into those negotiations with
40 the carriers, we feel that we will, Crown Castle there's about 49 towers or so; and we're

1 working out a large package deal where we come in. There's all kind of things we can
2 negotiate with the tower owner because it's a real asset to the owner to have the
3 alternative access.

4 DELEGATE HOGAN: If it is or if the tower companies
5 feel that way our piece of it, it helps them but it doesn't help us if our wireless providers
6 cannot economically get on the tower. That exchange to me is whether or not this works
7 or not. Now I've got another question and I'll take South Boston. Within three miles of
8 their switch gear, you get a DSL; and you can get it from anybody within a reasonable
9 setup. I actually have mine through somebody with wireless but that's another issue.
10 The point being that in these town centers there are options other than wireless. To
11 spend a lot of money and effort building a wireless network in town, I'm wondering what
12 added benefit are we doing and should we be focusing in areas where that service is not
13 available? There aren't options that you can't ride in on copper or other places. Should
14 we look at that as well? Should we try to provide as universal a service as we can?

15 MR. DERISO: That's a very good point; and I think part
16 of the existing provider issue is handled in a town like Blackstone. They have DSL there
17 today. Customers of MBC would use our network to get transported to Blackstone and
18 be able to collocate in that switching gear; and they can handle it just like it's handled in
19 South Boston or Danville. They can provide those T-1 level services to two existing
20 facilities. It's kind of like a balancing act. What we're looking out for is not just
21 penetration of broadband but also a revenue stream for MBC to help pay for all the other
22 things we're doing as far as building shelters and other things. We feel the more towers
23 we're connected to that have this capacity, the better. There may be instances where
24 maybe like South Hill or South Boston, they would be the same.

25 DELEGATE HOGAN: For South Boston and South Hill,
26 that would be the same. Why would you want to wire up the towers in South Hill?

27 MR. DERISO: We want to wire up the towers in South
28 Hill because they're our existing cellular companies that would utilize our network for
29 additional backhaul services. I want to be clear about this point, that we're not looking to
30 replace Sprint and Verizon as local backhaul providers. It would be very difficult for a
31 cell company to just de-provision a circuit and put it on MBC. We're giving them an
32 alternative so when they add capacity most of these towers are at capacity the T-1 circuit
33 on the MBC network to get to that connectivity out and that's part of it. That creates a
34 revenue stream for MBC and improves their ability to provide cellular service.

35 We're kind of addressing some of these cellular issues in
36 our region as we go along. With our agreement with the tower company in South Hill,
37 we would have an agreement with AT&T Communications. They have 10 or 11 towers
38 in our footprint. We're bringing fiber to benefit your customers. We might have set
39 price for accessing towers for wireless broadband providers. Those are some of the
40 things we can do. It's a benefit to South Hill because there are other options. In South

1 Hill today, they have Bugg's Island Telephone; and I believe there's a wireless provider
2 there. Sprint does DSL there. And it's still important to be in South Hill; but if we just
3 focus on the areas that don't have anything, then we're in kind of the same boat because
4 if there is no broadband services, how do we get that first customer to come in there? Is
5 there any revenue streams from the towers? And those are the kind of issues. So I would
6 say we want to be where it makes the most sense on the towers regardless of Danville or
7 South Hill. Did I answer that at all?

8 DELEGATE HOGAN: Not the answer I want to hear but
9 that's all right.

10 MR. OWENS: In the area where you don't have any
11 towers, is there any provision in here for new towers?

12 MR. DERISO: That's a possibility because we looked at
13 initially building towers in all of our industrial hub sites and came to the conclusion we
14 have no idea if that's even the best place for a tower. We hadn't gone through this
15 exercise when we looked at that. If there were to be a situation in a town where there's
16 nothing and no existing towers, there's no other way to get our customers wireless
17 broadband, we may entertain a partnership with an existing tower company to build that.
18 There's a company out of Emporia that built towers for Sprint; and they also have a
19 wireless company that they do broadband services with in Brunswick, Mecklenburg, and
20 Greenville County. We would work with somebody like that. I don't ever want to get
21 in the tower business. That's a whole different business.

22 DELEGATE HOGAN: What's the difference in cost in
23 building it and hooking fiber and leasing it?

24 MR. DERISO: Hooking up fiber you're looking at
25 anywhere from 30 to \$40,000 in capital. To build the tower, you're looking at about 180
26 to 200,000 to get it up and running. Not only that but the permits.

27 MR. GARRETT: You're looking at an internet provider
28 somewhere around 1,200 a month rental space if you've got more than one provider to
29 bring competition in there. I can't go into a rural area where I can't charge more than
30 \$40 a month for broadband and the equipment that the end user equipment and that's 425
31 or maybe 400. It may be less if we can get some collective purchasing. Then I've got to
32 eat a certain amount of that cost and wait for the return on investment. There's only so
33 many people in Southside or Southwest going to pay four, five or six hundred a month
34 for installation and then \$40 a month. When you sit down and do the math, it doesn't
35 work to anyone getting rich quick.

36 MR. OWENS: Is there maintenance to these towers?

37 MR. DERISO: Depending on the height of the tower,
38 there is maintenance involved. You don't have to paint them or do a lot of upkeep but
39 there is some stuff you have to do. You've got some site work; and it's not a huge
40 amount of money but it's something that I'd call continuing operational costs. The

1 permitting is my biggest fear.

2 MR. OWENS: An internet provider that's trying to go into
3 what I'd call go into a dead zone to capture those clients, would it be almost impossible
4 for them to financially do it?

5 MR. DERISO: To build their own tower?

6 MR. OWENS: Or for us to give them a capacity.

7 MR. DERISO: Craig, could you come up with the map for
8 that?

9 CRAIG: You want to see the whole thing with a radius of
10 three to five miles?

11 MR. DERISO: Yes. One of the things we addressed and
12 it's a good point about water towers. We identified water towers in our region but we
13 just didn't do them for this exercise. Kenbridge in Lunenburg County, at the Lunenburg
14 Commerce Center, that's where our new facility is site shelter. Next door to that is an
15 enormous water tower. We're interconnected to it and we can easily bring fiber optic
16 cable into that facility and the town is willing to allow access for a wireless provider.
17 The town or the county owns the water tower so it's a little bit easier to do the deal with
18 the county than a tower company but we still have that. Keysville, at the Charlotte
19 County Industrial Park, we're next to a water tower. The one in Franklin County and
20 also in Farmville.

21 DELEGATE WRIGHT: In Amelia, I don't see the tower
22 location or the route going to Amelia.

23 MR. DERISO: For purposes of this map, we did the
24 network that has been funded to date and no new builds; and that's why Amelia is not
25 shown here.

26 DELEGATE WRIGHT: Are you concerned about security
27 for the connections outside the fenced area? It seems to me that leaves a big question as
28 far as security, that connection.

29 MR. DERISO: The actual electronics are in a lockbox.
30 It's a little white box on a pole. It's where the electronics are housed. A lot of tower
31 companies have that outside the fence line because they don't want people getting into
32 the fence where all the other equipment is located. It's not really a concern for us
33 because hundreds of thousands of people do it every day at different towers around the
34 country.

35 DELEGATE HOGAN: When do you think you'll have a
36 better or more complete picture on what tower companies are willing and not willing to
37 do it?

38 MR. DERISO: Two weeks.

39 MR. SHAW: I'm glad to see that this is being done. And I
40 would like to throw out that we serve three counties right now with ten water towers and

1 other towers that we put up; and we're getting calls from people that live in areas where
2 cell phones don't work; and that's kind of a quick way to tell if these towers are going to
3 help out. I have cell providers in these three counties. It would be interesting to find out
4 if you take your density graph and merge that like you've done but only show the dead
5 zones where these radii don't touch. It would be interesting to have a study to see what it
6 would cost to put towers to serve these areas throughout the counties.

7 MR. DERISO: I understand your point completely; but
8 you have to remember that's what feeds the economic development engine focusing on
9 industrial parks and business centers. That's an important thing to want to drive the
10 residential market. That's not our primary focus at this time. It would be wonderful if
11 we could get all the counties a hundred percent connected with digital service. It doesn't
12 have a huge impact on attracting industry, like industrial parks where you have these big
13 new industrial parks. So we're relying on companies like yours to identify those areas
14 and using MBC for some of that.

15 MR. KELLY: The only reason I brought it up is I
16 remember from reading the last minutes and there was some talk about fiber to the
17 homes. A quick and cheaper way to get that gap closer with broadband to the home. I
18 think that's something that very easily could be done in the communities.

19 DELEGATE WRIGHT: What is our backup plan or other
20 options? What's the reasons the wireless part is not working?

21 MR. DERISO: If the wireless part doesn't work, what
22 would be our options?

23 DELEGATE WRIGHT: Yes. Say, towers that work, what
24 are the reasons the point that the Chairman brought up made it so it wouldn't be possible
25 to use that backbone? How would we get access to the homes?

26 MR. DERISO: We look to our local providers to help.
27 MBC is not really focused on getting that last-mile service to the home. That's people
28 like Kelly, Glenn. We just have a different model. We're affecting economic
29 development and we don't feel that getting a hundred percent residential coverage and
30 for us to do that is going to work out. If the towers don't work, there's really no other
31 options as far as getting connectivity. If we just look at the residential market, there's no
32 other option, unless the Tobacco Commission wants to spend several hundred million
33 dollars putting fiber to the home.

34 DELEGATE HOGAN: We would not.

35 MR. DERISO: Correct. If you look here in Floyd County,
36 a very rural part of our state, you have more technology here in this county than I
37 probably do in Chesterfield County. Gerald and his staff are delivering 30 megabits to
38 the homes today on copper infrastructure, voice, video and data. They spent several
39 million dollars of their own money to put up this satellite system with digital cable.

40 DELEGATE HOGAN: They've got a neat remote

1 telephone service.

2 MR. DERISO: That's really our only stretch.

3 MR. GARRETT: That's because they're not an ILEC.

4 MR. DERISO: I wish we had a Citizens Telephone
5 Service in Southwest Virginia. Bugg's Island Telephone in Mecklenburg County, it's a
6 tough spot. We've got a telephone coop here and here and we've got some local
7 providers. It is what it is.

8 SENATOR WAMPLER: We're going to vote, hopefully,
9 on what we think a recommendation should be to the full commission. I understand your
10 6.6 million wireless tower connectivity is a variable in the equation. In other words, the
11 tower solution that you have plotted there may or may not be the preferred one, or from a
12 business arrangement, affordable. So you would look at other venues, whether it's water
13 towers or whatever building has line of site. 6.6 is an estimate on what you think it
14 might cost?

15 MR. DERISO: Yes.

16 SENATOR WAMPLER: Thank you, Mr. Chairman.

17 DELEGATE HOGAN: I was hoping by this meeting we
18 were going to have a more detailed understanding of what these tower companies are
19 willing to do plus a couple of other issues that are not yet resolved. At this point, I would
20 prefer we don't vote because we don't know what we're going to vote on because we
21 don't know what the agreements are. Until we have a better idea of what the agreements
22 are, I would hold. To the extent that the folks from Citizens Telephone are interested, I
23 hope between now and the full commission meeting, we'll know that. Nothing happens
24 until the full commission votes on it anyway. We'll try to resolve a piece that affects
25 Floyd, that offer clearly, and then push Tad to get us the answers for the rest of these
26 questions before we vote.

27 SENATOR WAMPLER: Are you saying, Mr. Chairman,
28 we're going to recommend Citizens today or not?

29 DELEGATE HOGAN: I don't know that we can until we
30 answer some of these questions, some of the agreements that are taken up. From my
31 standpoint, I want to hear a little bit more about who's going to own that fiber and on
32 what basis they're going to use them before I'd want to vote on it. That's my opinion
33 and we operate on motions.

34 SENATOR WAMPLER: My point on the Citizens' piece
35 is that it's different to the extent that you don't get into the wireless applications and how
36 you allocate capacity and what you charge and an internal discussion, business
37 negotiations, if you will. I don't know that we need to get into that and I'm not trying to
38 push Citizens' vote today; but I think they've been very patient to wait for us up to this
39 point.

40 DELEGATE HOGAN: To the extent that they have to

1 wait for the full commission meeting to get an answer, that's really -- nobody does
2 anything until the full commission votes. I would say that I think we're going to try to
3 work that out here right quick.

4 DELEGATE WRIGHT: Mr. Chairman, I think we need
5 those answers before we can vote.

6 DELEGATE HOGAN: I wonder if Mr. Noyes' would
7 comment for a minute on the million dollars that's left over from the original EDA grant
8 and where we might use that and under what restraints that's going to operate because to
9 the extent it's a matching fund, it will affect what we do in terms of the commission.

10 MR. NOYES: Underrun funds may be used for any
11 purpose consistent with the intent of the grant agreement, which will support the
12 availability of broadband at central business locations. Throughout the area identified in
13 the approved grant agreement, that is to say the jurisdiction that is identified in the
14 application that the EDA approved, we can continue to build. In fact, Mr. Carr, from
15 Cumberland Plateau, this issue came up six months ago, Larry, where you had a modest
16 amount of underrun funds and EDA encouraged you to use those underrun funds to build
17 out additional backbone.

18 MR. CARR: As long as you don't go outside the
19 parameters.

20 MR. NOYES: You don't go out of the geographical area,
21 yes, the jurisdictions that were identified. The reason for that is that EDA has an area
22 eligibility requirement that's different than the project eligibility. We cannot add the
23 next jurisdiction over. That changes the scope of the project based on areas but within
24 the areas that were identified by the EDA approved grant we can continue to use those
25 funds and they do not need to be returned to the Federal Government.

26 DELEGATE HOGAN: I assume you know what the
27 jurisdictions are?

28 MR. DERISO: Yes.

29 DELEGATE HOGAN: Do you have a good home for that
30 million dollars that would operate within that region or do we need to reapply to grab
31 those dollars?

32 MR. DERISO: We have a very good home. In Patrick
33 County, there is a large business in Stuart that we would like to extend the fiber to get
34 some open access to this one particular company. We would do that and a new industrial
35 park has begun to come on line in Pittsylvania County. That was not part of our original
36 project when we started. They are now coming on line and we may build fiber into that
37 industrial park.

38 DELEGATE HOGAN: This place in Patrick that ties into
39 this business, will that affect some of Citizens in Floyd County or is that something
40 different?

1 MR. DERISO: No, it's two distinct NODES.
2 MR. NOYES: If I may add, certain of the items mentioned
3 that Tad mentioned earlier, like the shelters at these eight or nine different locations that
4 house the electronics -- and I can't make a legal finding on it here today; but those are
5 certainly consistent with the intent of the grant agreement. I can't imagine there would
6 be any problem with using some of these underrun funds to support that.
7 DELEGATE HOGAN: How long would it take you to get
8 us a definitive answer on that?
9 MR. NOYES: I think you could proceed right now under
10 the assumption that there is no application process per se. It's simply a matter of a
11 change order. There's going to be change orders in any construction project. The only
12 issue that I envision that my colleagues at EDA might raise, we're only at whatever
13 percent of construction completion, are we 35?
14 MR. DERISO: Yes.
15 MR. NOYES: At 35 percent, they may say, these things
16 are fine but we want to see you at 75 or 80 percent to make sure that we really do have
17 that million dollars so we don't wind up not building backbone out consistent with the
18 grant.
19 DELEGATE HOGAN: What's the time frame to get that,
20 Tad, to get to the 70 or 80 percent so we could get the release on the million dollars to
21 build these shelters?
22 MR. DERISO: There's no relief; it's part of our budget.
23 DELEGATE HOGAN: How soon would you be at, say,
24 75 percent?
25 MR. DERISO: January, February, or possibly March,
26 depending on the weather.
27 MR. NOYES: I'd be pleased to raise the issue with my
28 colleagues in the Philadelphia regional office. If we've got the agreements with the
29 people that are actually building this out and the people in Philadelphia say we don't
30 envision any problem and submit the change order, the answer could be next month, or
31 could be next Monday afternoon. We need to get to the people who are making that
32 decision.
33 DELEGATE HOGAN: If you could do that, that would be
34 useful for all of us.
35 MR. FLANARY: Mr. Chairman, at some point I wanted to
36 acknowledge to the committee my appreciation on behalf of Scott County and our area
37 for Mid-Atlantic doing business with one of the tenants in the park in Duffield. Employ
38 about 350 people there. They have high wages and good fringe benefits and it's in
39 Senator Wampler's district. I think they received a couple of small TROFs for a couple
40 of expansions. I'm hoping we can find a supplier in Southside for some future pieces of

1 our business. I think that's a great way that the Tobacco Commission works. I wanted to
2 compliment Mid-Atlantic for that.

3 DELEGATE HOGAN: We expect to get the family
4 discount. All right. I think there's a couple of issues that we need to chat about. Mr.
5 Gallimore, here's the issue we're trying to sort out. You may be able to give us some
6 guidance on this. We've got a bunch of items here, some of which are more or less all
7 useful to you and some are more or less useful to Bristol and MBC. In terms of moving
8 your ball forward and some of this is in Southwest that we need to allocate Southwest
9 funds, and some affects Southside funds and we need to allocate that. In terms of putting
10 all that together, I don't know quite how to do it without thinking through this a little bit
11 more carefully. What sort of motion would you need that would assure you that you
12 could go ahead with your plans?

13 MR. GALLIMORE: At this point, we're pretty much
14 ready to start design work with some of our projects. We will be working over in the
15 Wythe County area and we'll be doing some work in Pulaski County. If funding is going
16 to become available, we'd like to include that in the construction and design project on
17 the Southwest side, go ahead and start on that. Otherwise, if it's just a matter of when we
18 fall into your process, all these projects need to be geared up in order to get them done in
19 the next two years. We're presently working in Patrick County. It's important to get to
20 Stuart.

21 SENATOR WAMPLER: Maybe an option would be to
22 say I don't know that anyone on the panel disagrees with the dollar amount at 8.5
23 million, the 8.5 million dollar project that they're asking 3.7 from the Tobacco
24 Commission to participate. Perhaps, we could let Citizens know that we agree with the
25 dollar amount; and between now and the next full commission meeting, we could try to
26 work out as many of the variables as we could in this equation. I think Citizens needs to
27 now and they're ready to go. I don't know that a delay in the decision to whether we're
28 going to approve the project is in the best interest. From a budgetary standpoint, the
29 discussion is are we going to approve the 3.7. And the question is beyond that.

30 DELEGATE HOGAN: If we approve 3.7, where is it
31 going to come from? That's the issue that I'm trying to figure out.

32 SENATOR WAMPLER: You, as Chairman, would have
33 that answer.

34 DELEGATE HOGAN: I've got some ideas where it will
35 come from, Senator Wampler.

36 SENATOR WAMPLER: Very plainly and as a
37 suggestion, I think Citizens needs to know we are committed to this project and if there's
38 other matters that need to be taken care of, we would address those between now and
39 November 10th meeting, for whatever that's worth, Mr. Chairman.

40 DELEGATE HOGAN: Trying to figure out how to make

1 a motion that would meet the requirements and not lock us into something that we
2 haven't worked out the details of yet. Right now, we have on Southwest balance
3 available 340,000. The Southside balance is about 16 million. Of this \$3.7 million
4 project, I can look and see about 500,000 that is which I think you could consider
5 Southside stuff. The question is, how do we proceed from that point and deal with this
6 other chunk of money? I don't know how to make a motion to accomplish that.

7 MR. STEPHENSON: Mr. Chairman, if I may help the
8 chair, unless the committee wants to contemplate going back to the well for more dollars,
9 we have a fixed sum of money and it seems like there is some inclination to want to
10 approve some of this work for MBC and also for Citizens; and it seems to me it's a
11 balancing act between taking the available money, applying some funds to Citizens and
12 some funds for MBC, and the proper proportion to get the right balance that the
13 committee wants to do. There are some routes that Citizens proposes that seems highly
14 desirable and very essential to everyone. It seems like perhaps it would be worthwhile
15 for MBC to give us some of those dollars to enable Citizens to accomplish those essential
16 routes. How much MBC gives us, I think is something the committee needs to sort out
17 now so we can have a suitable motion for the commission in three weeks or so.

18 DELEGATE HOGAN: We can approve that today, okay.
19 Tad, do you want to take a stab at that?

20 MR. DERISO: From MBC's perspective, our connection
21 with Citizens is critical to our long-range plans. I don't know the other applicants that
22 are part of the Southside moneys. I can't speak to that, but I can speak to the fact that -- I
23 don't know if I should say this personally or there needs to be a board to do it; but I
24 personally don't have any Citizens doing their project.

25 DELEGATE HOGAN: All right. We've got an answer
26 then. I'll offer this at an attempt for a motion. That we move that Citizens Telecom is
27 approved, subject to us moving money around among the commission, among
28 commissioned pots. The Chairman of special projects thinks we may be getting some
29 help from there, to help handle this, assuming we can get that done satisfactorily, your
30 project is approved.

31 MR. OWENS: A part of that is that we work out all the
32 rest of the details.

33 DELEGATE HOGAN: And before that grant or part of
34 that is that there is a satisfactory agreement between MBC, BVU, and Citizens on the use
35 of this fiber and that relationship and bring that back to us and we'll have to approve it.
36 But I was going to get to that in a minute and I'm glad Mr. Owens reminded me to make
37 that part of the motion. That's not much of a motion but you all need to get together and
38 work that out and bring us an agreement as part of this grant.

39 MR. FLANARY: Can you include Lenowisco as part of
40 that?

1 DELEGATE WRIGHT: Mr. Chairman, at the last
2 meeting, if you will recall, we spoke about Amelia County as well; and I think this type
3 of answer is what they're looking for. In other words, approving in principal, then what
4 money changes hands has to be done. This is a Southside project that I think certainly
5 we need to take action on.

6 DELEGATE HOGAN: We'll get to that in just a second
7 and let's get this one straight.

8 DELEGATE WRIGHT: It's part of the same proposal.
9 Why can't that be part of it and --

10 DELEGATE HOGAN: I've got a motion that's so
11 complicated I don't know how to make it.

12 DELEGATE WRIGHT: I just want it to apply to Amelia.
13 DELEGATE HOGAN: Let's take it up in a minute and
14 let's finish with this proposal, with this piece first and we'll take up Amelia on the very
15 next one. We'll take it up in a minute. All right. Can we get a motion that says we will
16 approve this project subject to an agreement being worked out among the people we just
17 enumerated, which would be Citizens Telephone, Lenowisco, MBC, BVU, Cumberland
18 Plateau, and subject to the successful reallocation of funds to meet this proposal.

19 SENATOR WAMPLER: I'd make that motion, Mr.
20 Chairman.

21 MR. OWENS: Second.
22 DELEGATE HOGAN: Discussion.
23 MR. FLANARY: Scott County.
24 DELEGATE HOGAN: Put Scott County in there.
25 SENATOR WAMPLER: I'll accept any friendly
26 amendment.

27 DELEGATE HOGAN: All right. That's included in the
28 motion. Any discussion? All in favor? (Ayes.) Opposed? (No response.) All right.
29 We've got that taken care of. Amelia County.

30 DELEGATE WRIGHT: I believe Amelia County at our
31 last meeting, Mr. Chairman, made a proposal to hook up the work force training center
32 they've got additional grants for. It's 210,000, I think, the total amount of money that
33 they have, 210,000. I think the total amount of money they have is one and a half
34 million. So this is a part that they need to have in their pockets so they can proceed with
35 other grants when they become available. This is very important to Amelia. Mr.
36 Stephenson could explain it better than I can. I'd ask him to go further with it.

37 DELEGATE HOGAN: Tad, how does this relate to the
38 ongoing negotiations you have with telephone cooperative?

39 MR. DERISO: I'm still pursuing getting an agreement in
40 place with TDS Telecom to bring our fiber in Amelia. I'm doing that regardless.

1 DELEGATE HOGAN: Assuming you're successful in
2 doing that, does that affect this proposal?
3 MR. DERISO: You're talking about the \$200,000
4 proposal? What that would allow is the renovated high school and community college to
5 have access to our backbone network and have some customer of MBC be able to serve
6 that facility in Amelia. They'll be served already by TDS Telecom, but gives them
7 another option to get onto the rest of the network.
8 DELEGATE HOGAN: If you're successful with this
9 negotiation with TDS, they will have what they need for this work force.
10 MR. DERISO: Yes, sir.
11 DELEGATE HOGAN: When do you think you'll have an
12 answer to that question?
13 MR. DERISO: I cannot commit to a deadline.
14 DELEGATE HOGAN: How about November 9th?
15 MR. DERISO: We'll try to have a yes or no answer by
16 November 9th.
17 DELEGATE HOGAN: On that basis, I would suggest that
18 we wait until November 9th to get an answer to that question before we do something we
19 probably won't be able to do and get a lot more benefit. So I'd ask you to hold that until
20 that time.
21 DELEGATE WRIGHT: I thought this was an accepted
22 proposal, fiber would be run to another building.
23 MR. DERISO: In our application with the Amelia County
24 extension that included TDS Telecom but it includes the courthouse area and the
25 industrial park.
26 DELEGATE WRIGHT: I'm talking about the new
27 building they want to build with the \$210,000 proposal in the work force training center.
28 Are you familiar with what I'm talking about?
29 MR. DERISO: I haven't seen the application; but I know
30 that's what they want to do with it.
31 DELEGATE WRIGHT: Mr. Chairman, I'm not sure he's
32 responded to the question you were asking.
33 MR. DERISO: That's two different things. I'm talking
34 about MBC money, the six hundred and some thousand to build fiber from Burkeville to
35 Amelia, which includes industrial park, the courthouse area for that facility and TDS
36 Telecom. I was doing that, if we can get TDS Telecom to be a member of MBC.
37 DELEGATE HOGAN: Through that, will this work force
38 center be served?
39 MR. DERISO: Yes, that's correct.
40 MR. STEPHENSON: I think the Amelia application for a

1 good bit of those dollars was to bring service from Tad's backbone to bring it to the
2 building and wire the inside of the building for this service. That was the essence of the
3 request.

4 DELEGATE WRIGHT: I think staff approved the project
5 and it's something very important to Amelia. At the last meeting, the County
6 Administrator agreed to have it put off until this meeting. They need to proceed with
7 other grants. It's the running of the broadband fiber to the facility. That's the question.

8 DELEGATE HOGAN: If we can get an answer from
9 TDS, that will provide another way to do this other than 200,000 for a specific last-mile
10 project inside the building. We ought to wait until we can do that and get that worked
11 out. It'll be a better way to accomplish the same goal. I'd like to have that information
12 in my mind before I vote on it.

13 DELEGATE WRIGHT: Is there some sense this
14 committee could give to Amelia if that agreement is not in place at that time that they
15 will be able to proceed with that?

16 DELEGATE HOGAN: I'd like to see if we can get that
17 agreement worked out I guess would be the answer. Let's let these folks work on that.
18 In no case is any action taken here going to go into effect before the 10th of November so
19 I don't know what we would gain by guessing about it. We hope we will have a good
20 answer by then; and Tad has assured us we'll have everything right there in front of us to
21 be able to take it up at that point. It will not affect what Amelia can or can not do in any
22 real way. Without full commission approval, it doesn't matter. I don't think we're really
23 holding them up.

24 DELEGATE WRIGHT: Mr. Chairman, that will be okay
25 if we can have some sort of firm answer by then so we can proceed with this so that they
26 can have some assurance they'll have some answer by the 10th of November.

27 DELEGATE HOGAN: From my perspective, it would,
28 yes. I can't speak for the whole commission.

29 DELEGATE WRIGHT: There's issues, the site shelter --

30 DELEGATE HOGAN: -- We want Tad to look at that and
31 see what we've got to do on the site shelter at the same time. Is there anyone that has a
32 public comment?

33 MR. KING: I appreciate your time and I'll make it short.
34 I'll make it brief. We visited with the committee a couple of years ago. I'm here to let
35 you know that we're giving you a handout. We have finished construction of a
36 municipal area network in Danville. There's a sketch on the second page of what's being
37 handed out to you. We're going to ask your consideration of a grant application in the
38 future to help build this out and connect to our surrounding areas. The City of Danville
39 is an electric distribution municipality. We have a service area of 500 square miles, ten
40 times the size of the city itself. We've constructed a municipal area network that is in its

1 first stage serving the public entities. We have a hundred connections in all the schools
2 and municipal buildings infrastructure. The schools are making good use of this, as is
3 the city.

4 The second phase of our plan is to employ connectivity to businesses. The third
5 phase is to the homes. Danville like all other communities represented by the
6 commission is very stressed with high unemployment, a high poverty rate. We recognize
7 very much that broadband connectivity is one piece of the puzzle that would help turn
8 that around. So this information is provided to you for a public explanation of what our
9 system is, that it serves the public entities like the city, the county, city and county
10 schools. We have an OC-3 internet connection that is limited to the use of those entities.
11 We have a pilot project that we're undertaking to demonstrate the authority of the system
12 for commercial use. We're working closely with MBC and you can see on the map east
13 west and we share a route so the cable runs through Danville, fiber owned by MBC, fiber
14 owned by Danville. Likewise, we share the e-band north and south. I want to thank you
15 for this brief introduction and promise you that you'll hear from us in the future.

16 DELEGATE HOGAN: We look forward to it. We have
17 one more issue. Ned, could you very briefly describe this.

18 MR. STEPHENSON: Yes, in October of 2002, Lenowisco
19 approached the commission in one of the commission's very earliest fiber grants, if you
20 will. The commission approved that funding in the form of a loan under a promissory
21 note to Lenowisco. Lenowisco wrote a letter to the commission asking that the
22 commission consider converting that loan to a grant. I bring that to you today. There are
23 some historical minds around the table that know about this. Ron can probably give us
24 the history of it.

25 DELEGATE HOGAN: This is money you have that we've
26 given you?

27 MR. FLANARY: Yes.

28 DELEGATE HOGAN: It's not new money. We're saying
29 you don't have to pay us back because you've already got the money?

30 MR. FLANARY: Correct.

31 MR. STEPHENSON: 445,000.

32 MR. FLANARY: It's the first project that the commission
33 approved, pilot project.

34 DELEGATE HOGAN: This was under the E58 Task
35 Force?

36 MR. FLANARY: Yes.

37 DELEGATE HOGAN: It's not new money, money you
38 already have. All we're saying is you don't have to give it back to us.

39 MR. FLANARY: We're carrying it on our books as a
40 payable.

1 SENATOR WAMPLER: I'll take it a step further. Our
2 former executive director was supposed to take it to the full commission inasmuch as the
3 E58 Committee recommended to make it a grant; but he didn't deliver on that one. It
4 showed up with an auditor saying this is a loan and not a grant. It truly was an intent to
5 be a grant and we're not going to make anybody else pay or service any debt from any
6 other grant; but I hope we can recommend that to the full committee.

7 DELEGATE HOGAN: Is that a motion?

8 SENATOR WAMPLER: Yes.

9 DELEGATE HOGAN: All in favor? (Ayes). All
10 opposed? (No response). That passes.

11 MR. OWENS: I have one question for Tad. I've sat here
12 and heard you take on assignments due to marketing or oversight the construction fees
13 and then you're asked to do more and you're just one staff person. Is there something
14 this commission should be doing or considering? You can't be efficient and I was telling
15 Senator Wampler, it's good to be lean and mean; but I couldn't play one on five no
16 matter how good I was. I mean, I couldn't win it one on five. I think there's something
17 we need to do here.

18 MR. DERISO: We've got lots of different irons in the fire.
19 We've got two large contractors that we work with; and no way is this meant as a
20 complaint or anything. We do pretty well with what we have; but with all these new
21 initiatives coming, we are going to have some needs for some additional technical
22 assistance. We have two ways to do that. We can hire additional staff but we need
23 operational dollars. Secondly, we can continue contracting with companies like
24 Dewberry and others. The cost ratio would be obviously higher with hiring an
25 engineering firm to do a project or task from managing. We identified some of that on a
26 business plan, and on our staffing plan, and our board agreed. We're meeting on
27 Monday again; and it's going to be one of the topics of discussion. I'd like to indicate
28 that our board may come up with some ideas for consideration.

29 DELEGATE HOGAN: You would agree that Mr. Owens
30 has identified a real problem?

31 MR. DERISO: Yes.

32 SENATOR WAMPLER: It is a problem; and I can tell
33 you that once you start deploying at greater speed than you are you will find that a
34 tremendous challenge. Maybe we can have Southwest share their pain at that same
35 meeting and report back to us on the operating side. The problem we have is we get into
36 securitized versus non-securitized dollars. I think for the benefit of the regions we need
37 to have the best project management we can.

38 DELEGATE HOGAN: We're scheduled to meet again at
39 eight a.m. on November 10th at Virginia Tech.

40 Are there any further comments or questions?

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MR. FLANARY: I can close on some good news. I can tell you a couple of weeks ago we received a half a million dollar grant from another Federal agency, a rural utility service board, Rose Hill. It was approved on the strength of the last approval the commission made taking your dollars and trying to convert them into other dollars. Thank you.

DELEGATE HOGAN: Thank you all. We're adjourned.

PROCEEDINGS CONCLUDED

CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter, Notary Public, for the State of Virginia at Large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the **Technology Committee meeting when held on Friday, October 14, 2005, at the Citizens Telephone Cooperative in Floyd, Virginia.**

I further certify this is a true and accurate transcript to the best of my ability to hear and understand the proceedings.

Given under my hand this 31st day of October, 2005.

Medford W. Howard
Registered Professional Reporter
Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2006.