



Technology Committee Meeting

Thursday, November 10, 2005

8:00 a.m.

Latham Ballroom E
The Inn at Virginia Tech
Blacksburg, Virginia

APPEARANCES:

The Honorable Clarke N. Hogan, Chairman
The Honorable Kathy J. Byron, Vice Chairman - Southside
Mr. James C. Thompson, Vice Chairman - Southwest
Mr. Thomas W. Arthur
Mr. L. Jackson Hite
Mr. H. Ronnie Montgomery
The Honorable Edward Owens
The Honorable Thomas C. Wright, Jr.

COMMISSION STAFF:

Mr. Ned Stephenson, Acting Executive Director
Mr. Timothy Pfohl, Grants Program Administration Manager
Ms. Britt Nelson - Grants Coordinator, Southside Virginia
Ms. Sarah Griffith - Grants Coordinator, Southwest Virginia
Ms. Stephanie Wass, Director of Finance

OFFICE OF THE ATTORNEY GENERAL

Mr. Francis N. Ferguson, Deputy Attorney General, Counsel for the
Commission
Ms. Stephanie Hamlett, Office of the Attorney General, Bond Counsel

1 **APPEARANCES: (cont'd)**

2

3 **OTHERS PRESENT:**

4 Mr. Ron Flannery, LENOWISCO, PDC

5 Mr. Jim Kelly, Bristol Virginia Utilities

6 Mr. Neil Noyes, U. S. Department of Commerce

7 Mr. Tad Deriso, General Manager, Mid-Atlantic Broadband Cooperative

8 Mr. John Miller, VECTEC

9

10

11

12

13

DELEGATE HOGAN: Good morning, I thank everyone
for coming.

14

Ned, do you want to call the roll?

15

MR. STEPHENSON: Mr. Arthur?

16

MR. ARTHUR: Here.

17

MR. STEPHENSON: Mr. Hite?

18

MR. HITE: Here.

19

MR. STEPHENSON: Mr. Montgomery?

20

MR. MONTGOMERY: Here.

21

MR. STEPHENSON: Mr. Owen?

22

MR. OWEN: (No response.)

23

MR. STEPHENSON: Mr. Owens?

24

MR. OWENS: Here.

25

MR. STEPHENSON: Senator Wampler?

26

SENATOR WAMPLER: (No response.)

27

MR. STEPHENSON: Delegate Wright?

28

DELEGATE WRIGHT: Here.

29

MR. STEPHENSON: Vice Chairman Byron?

30

DELEGATE BYRON: Here.

31

MR. STEPHENSON: Vice Chairman Thompson?

32

MR. THOMPSON: Here.

33

MR. STEPHENSON: Chairman Hogan?

34

DELEGATE HOGAN: Here.

35

MR. STEPHENSON: You have a quorum, Mr. Chairman.

36

DELEGATE HOGAN: All right. Do we have a

37

motion to approve the Minutes from the last meeting? It's been moved and seconded, all
in favor? (Ayes.) Opposed? (No response.)

39

Let's start out with the Citizens piece. Tad, do you want to come up here?

40

Probably the best place to start is the Citizens Telephone Cooperative piece. I think
there were two divisions based on that memorandum of understanding about that fiber
use is one of them, and I asked you all to work that out, and tell us about it if you would.

42

43

MR. DERISO: Correct. Thank you, Mr. Chairman. I'm

1 pleased to announce that our Network Partnering Agreement with Southwest and
2 Southside, and we've come to an agreement on that particular position, and we have an
3 agreement, and I'll give you a copy of that. We are ready to sign the agreement this
4 morning, and we'll just have to collect everyone's signatures.

5 As far as interconnectivity between the Southwest and Southside part of
6 this agreement, we're all going to play nice together. It also provides for the telecom
7 service providers to play nice with both regions as far as accessing the networks that are
8 funded with Tobacco Commission funds. We simply used the template of Tobacco
9 Commission funds to have equal and open access. Those are pretty well stated in here.

10 We had the ISP's at the last Technology Committee meeting in Floyd,
11 GCR, Kelly Shaw with Pure Internet, and they've had a chance to review the agreement,
12 and they approved it and said they agree with it and happy to see that work and are ready
13 to go with the Network Partnering Agreement.

14 I'll be glad to answer any questions.

15 DELEGATE WRIGHT: You used the words "be nice with
16 each other." What does that translate into? I heard at the last meeting some concerns
17 from the Internet providers and some telecom providers and Halifax, Prince Edward, and
18 they had some concerns about how this was going to affect them as far as competing in
19 other regions. How does that work out?

20 MR. DERISO: What that basically means is that any
21 provider, any ISP, can utilize the networks and the access of Tobacco Commission
22 funding backbone projects. For instance, if that company in Farmville wanted to connect
23 to Bristol, we as a regional network, tobacco regional network, would work with them to
24 provide that type of transport services to get them to, or from one side of our region to
25 the other. So, it provides for that.

26 I also think the big concern he had was that if he connects to this network
27 he's opening up all of his customers. What we basically said in this agreement was if you
28 built out a network with your own money and your own stuff to the last mile customers
29 you do not have to give people access to that, but it's simply you have to follow the State
30 Corporation Commission rules, the FCC rules, as far as how to get access to those end-
31 user customers. So it actually protects that guy that does that project.

32 DELEGATE WRIGHT: He's in agreement with it?

33 MR. DERISO: Yes.

34 DELEGATE WRIGHT: Out of this project, what part of it
35 is Southside's project and Southwest? I know it's connectivity, and that's important, but
36 as far as the routes and so forth, looking at this project, how do we analyze it as far as
37 that's concerned?

38 MR. DERISO: It's probably, and I've never looked at the
39 mileage calculations, probably an equal split, but more Southside network than
40 Southwest network, because we have a larger geographical base. Does that answer your
41 question?

42 DELEGATE WRIGHT: I was under the impression that it
43 was more Southwest than Southside, I've heard that expressed.

1 MR. DERISO: Once you connect the networks, the
2 Citizens piece to the Bristol and LENOWISCO, to the Cumberland Plateau and Citizens
3 to the MBC project, it's just in essence what we look at as customers, one giant network.
4 If a customer approaches us and wants interconnectivity with Southwest we deal with
5 that so they only see one customer, even though we're working with three or four
6 different companies to get the circuits and to get broadband activity to those particular
7 areas.

8 DELEGATE HOGAN: Anyone have any other questions
9 for Tad? Mr. Hite.

10 MR. HITE: The 3.7 million, do you know, where does that
11 stand?

12 MR. DERISO: I believe Mr. Gallimore can speak to that
13 number, but in essence that project is leveraging six or seven million.

14 MR. GALLIMORE: A little over eight million.

15 MR. DERISO: Citizens is spending eight million dollars of
16 their own money deploying fiber and assets in their particular service territory. What
17 they saw as a big benefit was as far as helping to connect the regions to provide fiber that
18 would be funded by the Tobacco Commission, in order to do that expansion. It's not in
19 Citizens' business plan to do that, the money that this project would help fund to get the
20 connectivity and the expansion so we're all interconnected. And that's because the
21 Tobacco Commission then doesn't have to spend millions and millions of dollars to get
22 fiber that connects Southside and Southwest. You're probably looking at ten to twelve
23 million dollars to make those kinds of connections.

24 DELEGATE WRIGHT: Ned, what is your analysis of this
25 project, the Staff analysis?

26 MR. STEPHENSON: The Staff recommends approval of
27 the Citizens project.

28 DELEGATE WRIGHT: Do you think the 3.7 million
29 dollars requested could fairly be termed as an equal Southside and Southwest project?

30 MR. STEPHENSON: On that point, Delegate Wright, I
31 have not attempted to determine how many of the route miles lay in the Southside region
32 and how many miles lay in the Southwest region, and Floyd County is a Southwest
33 county. Some of those routes are interlaced across the border, if you will, and I don't
34 know whether you can say that a certain route belongs in Southwest or belongs in
35 Southside. It's a bridge or a link between the two, can't really say which one it belongs
36 in, it's very difficult to do that.

37 DELEGATE BYRON: Ned, it's not so much how much
38 fiber in each territory, but it's the fact that the interconnect basically has the same abilities
39 on both sides, so it then becomes equal.

40 MR. STEPHENSON: Like a bridge between two places,
41 which side pays for it, that's hard to do. It's a bridge to connect.

42 DELEGATE HOGAN: Any further questions? Tad, could
43 you maybe describe how a particular business anywhere in Southwest or anywhere in

1 Southside would use or would get this network and how this piece in Floyd plus the
2 pieces in Southwest would serve that client or customer in Southside? And that may
3 address some of the issues that Delegate Wright is talking about.

4 MR. DERISO: Let's say there's a business in Bristol,
5 Virginia, and they're doing some expansion and they've built a new facility in Danville
6 and they would like to interconnect those two networks. There's two ways to do that, they
7 can work through the existing telephone companies and try to get a circuit, which is cost
8 prohibitive today, or they can approach Bristol Utilities, who can serve them. They can
9 say, Bristol, I need a direct connection to Danville for a new business, and how do we do
10 that.

11 By the Agreement, Bristol comes to the parties involved, which would be
12 that connection, that would be Bristol, Cumberland Plateau, Citizens Telephone, MBC,
13 and deliver those four routes or three. Bristol says I need to get from point A to point B,
14 and we will have an agreement in place that says we will transport traffic from Bristol to
15 Danville, that's going to be networks A, B and C, and we agree that the customer will be
16 billed by Bristol, and Bristol by using Cumberland Plateau, Citizens, and using the MBC
17 network, we will all in essence wholesale a circuit to Bristol. Bristol Utilities sends the
18 customer a bill, the customer sends a check to BVU, and then that check is split up
19 between Bristol, Cumberland Plateau, Citizens and MBC on an agreement that we're
20 working on.

21 MR. THOMPSON: Does that translate into a significant
22 cost savings?

23 MR. DERISO: Yes, absolutely. That's significant. In fact,
24 it's very significant. The biggest part of the benefit of this network, as far as connecting
25 with the Citizens piece, is being able to most cost effectively connect the Southside to the
26 Southwest network. It's the same standards and same protocols, and everything is going
27 to connect and work very well together.

28 DELEGATE WRIGHT: Mr. Chairman, I realize the
29 importance of the project and what it means to both regions, and I voted in favor in
30 principle of the project last time, my concerns were about the funding. At this point my
31 questions have been answered.

32 DELEGATE HOGAN: Any other questions of Tad at this
33 point on that issue? All right, do I hear a motion?

34 MR. THOMPSON: So moved.

35 DELEGATE HOGAN: It's been moved and seconded, all
36 in favor? (Ayes.) Opposed? (No response.) The motion passes.

37 All right, item number two.

38 DELEGATE WRIGHT: I would ask Ned if he would
39 circulate the proposal that's been presented to the Committee.

40 MR. STEPHENSON: I had it at the last meeting, and I
41 didn't bring those with me today.

42 DELEGATE WRIGHT: I'll give you my copy, and you can
43 present this better than I can.

1 MR. STEPHENSON: Essentially, as I understand it,
2 Amelia County is seeking to provide a workforce training center, and they have an
3 opportunity to apply for funds from several sources. They're seeking funding from the
4 Tobacco Commission to the extent of \$216,000, which is to bring the broadband service
5 from the nearest point on the network to this building and to wire the inside of the
6 building for this workforce training center. That's the purpose for which money is being
7 requested for Amelia County, simply to bring the last mile wiring inside the building.

8 DELEGATE WRIGHT: Ned, would you explain the other
9 sources of funding that's going to be available, contingent upon the Tobacco Commission
10 funding?

11 MR. STEPHENSON: Yes, indeed. I'm not aware of the
12 status of these applications, but the applicant has indicated that DHCD, they are applying
13 for a \$700,000 grant and the Virginia Department of Transportation for access, \$200,000;
14 Amelia County itself for \$300,000 and a private donation, \$25,000; plus the Tobacco
15 Commission for 216, if it's your pleasure. That's the group of sources.

16 DELEGATE WRIGHT: It's my understanding after talking
17 to the County Administrator that they have received approval from DHCD, contingent
18 upon the Tobacco Commission funding part of the proposal. They're working at John
19 Tyler Community College and partnering with them to do this workforce training center.
20 They're only asking for 216,000 out of 1.4 million, I think.

21 It seems to me this is the type of project that would meet with approval.
22 It's a training of people to get back into the workforce. So I would move that we approve
23 full funding for this project.

24 DELEGATE HOGAN: We've got a motion and a second.
25 This money is for wiring the inside of the building. To my knowledge, if we approve it it
26 will be the first time we have approved wiring the inside of a building. I would suggest
27 to you that if we do that, we can expect proposals from every locality all over Southside
28 and Southwest to wire a building. So far as I know, we've tried to keep money in the
29 Technology Committee to deal with the laying of broadband and providing the last mile
30 up to the building.

31 I talked to the County Administrator a week or so ago and explained my
32 concern about it along those lines. He seemed to think there were other things that were
33 possible. Getting the money from this Committee for this project at this point was not
34 going to make a lot of hurt.

35 Those are my concerns about it. I don't know how you fund this project
36 and then tell the other five thousand or however many I don't know, the other hundreds of
37 people, we're going to do this but not do it again.

38 MR. ARTHUR: We've done that in Economic
39 Development, not in Technology. I was going to ask Delegate Wright, I would imagine
40 the Economic Development money in Amelia could do the interior wiring.

41 DELEGATE WRIGHT: As you know, Amelia County is a
42 small county, their appropriation is very small. They've made a lot of progress, and this
43 Commission, as a matter of fact, they didn't have an industrial park when we first started

1 the technology part. Now they have one, and they're progressing.

2 As you know, Mr. Arthur, with the reduction of Economic Development
3 appropriations that are going to come in the future because of this securitization it's going
4 to be something that they will not be able to do. This is a Technology project.

5 As far as something new, I think it's a project that we can do because, if
6 that was the case, we'd never do anything, because it's new.

7 MR. OWENS: Is it my understanding you're not going to
8 get any funds if you don't get this?

9 DELEGATE WRIGHT: The DHCD grant is contingent,
10 and I talked to them, and they're excited about the project. They've been waiting since
11 August for this, but --

12 MR. OWENS: -- How much is the other grant for DHCD?

13 DELEGATE HOGAN: Seven hundred thousand.

14 DELEGATE WRIGHT: That's contingent upon the
15 Tobacco Commission.

16 DELEGATE HOGAN: I understand from talking to them
17 last week it's not contingent. He came down and met, and we talked about it, and that
18 was not an issue that was raised. We were talking about Economic Development, talked
19 about getting something there and a couple of other places. I don't think he's here, so we
20 can't argue about what one said or the other one didn't, at least that was my recollection.

21 MR. ARTHUR: There is precedence for doing it, because
22 we did it, but it was Economic Development as opposed to this particular Committee, it
23 was in Economic Development. I say, again, as opposed to, this particular Committee's
24 function is to get the backbone. For what it's worth, there is precedence.

25 MR. OWENS: If it's going to be that they'll lose \$750,000,
26 and it's a Technology-based project.

27 DELEGATE HOGAN: Secretary Schewel.

28 SECRETARY SCHEWEL: I don't know exactly what
29 DHCD did. I suspect they really don't care what the source of funding is. They're
30 making a grant, and it's contingent. We probably want to be sure if there is enough
31 money to get the project done, whether it comes from Technology or Economic
32 Development or it comes from another source altogether, unrelated to the Tobacco
33 Commission. That normally would be what their concern is. I doubt if their grant is
34 contingent upon 200,000 or whatever the number is from the Technology Committee or
35 from the Tobacco Commission. I suspect they'd be willing to wait, so to speak, to see if
36 there's another source of funding available from another committee or another source
37 altogether. I certainly would urge them to do that.

38 MR. STEPHENSON: Mr. Chairman, I am advised, and I
39 don't have this directly and maybe someone in the room can clarify this, but I'm advised
40 that DHCD does not have to have this answer until July of '06. There's no time pressure
41 on DHCD.

42 DELEGATE WRIGHT: Mr. Chairman, I might add that
43 Amelia put money in the project as well.

1 DELEGATE HOGAN: Any other discussion? We've got a
2 motion, and we've got a second. All in favor, aye? (Ayes.) Opposed, like sign? (No, no
3 --)

4 Call the roll, Ned.

5 MR. STEPHENSON: Mr. Arthur?

6 MR. ARTHUR: No.

7 MR. STEPHENSON: Mr. Hite?

8 MR. HITE: Yes.

9 MR. STEPHENSON: Mr. Montgomery?

10 MR. MONTGOMERY: No.

11 MR. STEPHENSON: Mr. Owen?

12 MR. OWEN: (No response.)

13 MR. STEPHENSON: Mr. Owens?

14 MR. OWENS: No.

15 MR. STEPHENSON: Senator Wampler is not here.

16 Delegate Wright?

17 DELEGATE WRIGHT: Yes.

18 MR. STEPHENSON: Vice Chairman Byron?

19 DELEGATE BYRON: No.

20 MR. STEPHENSON: Vice Chairman Thompson?

21 MR. THOMPSON: No.

22 MR. STEPHENSON: Chairman Hogan?

23 DELEGATE HOGAN: No.

24 MR. STEPHENSON: The no's have it.

25 DELEGATE HOGAN: Item number three is Patrick
26 County. We talked about this last time. Mid-Atlantic Broadband is going to do that,
27 they're going to do it anyway, and we talked about that last time. Does anyone have any
28 comments or questions about that item?

29 MR. BURNETTE: Mr. Chairman, I'm Mike Burnette, and
30 I'm the Assistant County Administrator for Patrick County. I talked to Tad, and I think
31 maybe there is some confusion, and hopefully we're on the same page. This actually is
32 not related to or in competition with what Mid-Atlantic Broadband is looking to do.
33 Patrick County is looking to create a wireless broadband system that will actually be a
34 service provider to residents. I think what Mid Atlantic will be talking about here,
35 providing the back hall from the wireless, and we'd like to create, I'm not sure how
36 familiar --

37 DELEGATE HOGAN: -- Chairman Arthur, we sent this
38 from your Committee to here, and I hate to say this, but maybe we should send it back to
39 your committee.

40 MR. ARTHUR: Whatever your pleasure is.

41 DELEGATE HOGAN: I thought we were doing a favor by
42 sending it here. I think we decided that Mr. Arthur's committee last time, that really it
43 would be appropriate, that it ought to be dealt with Economic Development. Based on

1 what you're saying, I'm not -- Tad, do you have any comments?

2 MR. DERISO: ---- from the Patrick County project to do a
3 study to deploy wireless where no service is available currently. They've got a lot of
4 places in Patrick County that have a need for it, and they have an interest in it, looking to
5 do a combination, not just building towers, but purchasing wireless equipment or actual
6 stuff that goes on towers to serve the last mile type application for residents and small
7 businesses in the Patrick County area. I think there was a projection about ninety percent
8 of the county could be served.

9 MR. BURNETTE: We're trying to target something that
10 would allow ninety percent of the population to have broadband service, and many of
11 them do not have it now.

12 DELEGATE BYRON: I would make a motion that we
13 send this back to Economic Development, Southside Economic Development.

14 MR. OWENS: Second.

15 DELEGATE HOGAN: Any more discussion on it? All in
16 favor, aye? (Ayes.) Opposed, like sign? (No response.) Back to Mr. Arthur's
17 committee.

18 Next is five or six, do you want to take it up in a block? All
19 right. Tad.

20 MR. DERISO: I'll update you on some of the changes we
21 made from the past applications. A month or so ago we met in Floyd, and we had a
22 request for seventeen point something million for our application. Part of that was
23 talking about all the different things we wanted to do in Southside.

24 This application today represents 9.7 million dollars. What we've done is
25 taken out the stuff that, or we add some stuff that is a must-need priority for us to get
26 funded and get approval for before the start of next year in order to get our Southside
27 projects to be successful.

28 I'm going to go through the bullet points that we had on this new
29 application, the bullet points we had on this previous application and the new bullet
30 points we have on the present application. We had building the shelters on our previous
31 application was 1.9 some million dollars, and we reduced it to 1.853, thanks to VFP.
32 They were able to get us a discount on the shelters that we have contracted for so we
33 could start on that piece of it.

34 Part of this is also additional network, which I mentioned at the last
35 Technology Committee meeting. We are adding more node facilities, so therefore we
36 need additional electronics. We have priority new fiber built, which is about 1.3 million
37 dollars, and that includes connectivity from Farmville to Burkeville, and then our Amelia
38 extension, we're still in negotiations as far as a contracting commitment to bring that fiber
39 to Amelia.

40 DELEGATE HOGAN: Tell us where you are in that
41 negotiation.

42 MR. DERISO: We've had several conversations with the
43 headquarters in Madison, Wisconsin, and they've expressed a great deal of interest in the

1 project, and we've had one conversation with their regional network planner in Knoxville,
2 Tennessee, working on those issues. As of today we do not have a contract from TDS,
3 and I'm pretty confident that we will obtain one in the next probably month or so.

4 DELEGATE HOGAN: If we don't get that contract, where
5 is that going to leave us?

6 MR. DERISO: If we don't get that contract we will
7 continue to keep this in the application and leave it up to the Committee's consideration
8 to fund that piece to Amelia which will connect the industrial park and the courthouse
9 area.

10 DELEGATE HOGAN: This proposal will connect the
11 industrial park and other things like that, regardless of the TDS proposal?

12 MR. DERISO: Yes. Most important to our project, in
13 talking about the wireless towers we had previously, and I believe that was six point six
14 million dollars. What we've done is, since our last meeting we have had multiple
15 conversations, tower owners, cellular companies and wireless broadband providers. I felt
16 and our Board felt that at this time we do not want to acquire Tobacco funding today to
17 build out a hundred and fifty existing wireless towers, because there are a lot of issues
18 and a lot of contractual things that we want to make sure that we've got commitments and
19 we've got the right towers selected in each community to allow us to do that. I felt that
20 asking for money today for wireless towers would be a little premature, based on the
21 geography of Southside. There are a lot of communities, such as Patrick County, that are
22 already doing some planning for wireless.

23 One of the critical parts of Southside and the Southwest network is
24 connectivity outside the region, and that includes our connectivity to Northern Virginia
25 and elsewhere. We have three to four Pops, points of presence, for other carriers in the
26 region that we need to get to. Downtown Lynchburg is a major carrier, and we can bring
27 connectivity and get those people into the region, Emporia, Dinwiddie County,
28 Appomattox and Chatham are also those critical connectors. This application provides
29 the funding to get from the existing backbone facilities into these locations which are
30 owned by various carriers. That would give us the physical connection into the on-ramps
31 into large pipes outside the region.

32 The last part of this is the purchase of dark fiber and the electronics to
33 light that fiber. We have a very small window of opportunity. Level Three, the big global
34 network carrier, issued a press release where they were buying virtually all of the assets
35 of Wiltell Communications, which is a facility in Appomattox. We have a very small
36 window of opportunity that we need to do before the end of the year. Because of that
37 purchase of assets, we now have access in Appomattox and Dinwiddie County to get that
38 connectivity and purchase and not lease fiber, dark fiber assets in our region to Northern
39 Virginia, there's two legs there, and to Richmond and to Norfolk. Through that type of
40 connectivity we will purchase electronics, and we will light those networks, and in
41 essence we will have multiple highways on these paths that will allow us access to these
42 major points of presence to Northern Virginia that are unseen of today, and we can't
43 simply do that. So it's a huge benefit to Southside and Southwest because of the inner

1 connection with Citizens, the same type of services that BVU and LENOWISCO would
2 have available.

3 At the end of the day what we would request consideration from the
4 Committee for is funding our 9.7 million dollar request today, and once we do that there
5 is a pool of money left over, I don't know what the numbers end up being, but there's a
6 substantial amount of money that's still in the Southside Technology budget. What we've
7 done in working with our communities is to basically say when this project started we're
8 going to build a backbone, and it's up to the local communities to figure out that last mile
9 piece. What we'd like to do is work with the local communities with this pot of money
10 that's available and for those local communities to help address the last mile issue. That
11 could be equipment, or it could be, there's a lot of things we can talk about.

12 As far as MBC's involvement, we would encourage any funding that is
13 used for last mile or backbone or wireless, whatever it is in the Southside region that
14 we're involved with that, and we have an opportunity to work with those local
15 communities as far as accessing those funds and saying that it makes sense for that
16 community to utilize the MBC backbone and leveraging past Tobacco Commission
17 projects and funding projects into those communities.

18 DELEGATE HOGAN: I'm going to ask Frank a question.
19 Frank, can we in terms of that pool of money and how we approach these last mile
20 projects, with MBC working with these localities, are we restricted as a Commission to
21 have any involvement in those negotiations, or could we put together a work group of
22 some of these CLEC's, ISP's, MBC, together with local government, can we participate in
23 those conversations without getting in trouble?

24 MR. FERGUSON: Everyone will recall, I'm sure, that the
25 whole driving force behind the creation of this entity that would be the overseer of
26 projects, MBC was because of prohibitions both practical and legal of the Commission
27 trying to operate it themselves. Hearing Tad's report, there is no way in the world that the
28 Commission could do that on a day-to-day basis.

29 There are also legal prohibitions. I don't think there is probably any
30 particular problem that if the Commission wants to get together as a group as advisors or
31 help facilitate some of this, but to the extent that you try to operate or dictate specifics,
32 participate as a partner in some way other than some advisory or facilitating role, I
33 suspect you'd run into a problem, and that may be all you're asking about. Certainly
34 MBC and the Board of MBC would be sensitive to what the concerns of the Commission
35 are. They are a creature of the Commission, for all intents and purposes.

36 I would say as a general matter it's best to work through MBC, but if the
37 Commission thinks that in order to help generate the necessary coming together of the
38 localities, local officials and local providers of services, or if there is some facilitation
39 role or influence role that would be helpful, we'd have to be very careful and take it slow
40 and watch it as we go along and move along. That's not a very satisfactory answer, but
41 it's kind of using common sense.

42 DELEGATE WRIGHT: Mr. Chairman, money left over in
43 this pool you're talking about, don't we still have to approve the expenditure of it?

1 DELEGATE HOGAN: Yes. If we ask a couple of
2 localities that I'm aware of, and I'm sure there are many others, but there are two that I'm
3 aware of who say we don't have adequate broadband services, and they need wireless and
4 they want to put it together. There are a lot of ways to do it and some are expensive and
5 some are more economical. Perhaps in some of the conversation between some of the
6 ISP's and MBC and some other folks like Motorola we probably could put together some
7 pretty good last mile proposals and sort of fill in the holes so people have service.

8 For example, in South Boston you get DSL and that wouldn't be a place
9 you'd start looking probably to put a last mile, because they've already got an option, and
10 they've got two or three options. It's sort of trying to sort that through and trying to
11 maximize usage of this network and at the same time provide access to people that don't
12 have any access. I guess that's more what I'm trying to figure out, where the line is that
13 we can cross.

14 DELEGATE WRIGHT: Mr. Chairman, one thing that
15 concerns me is what happens to the areas that, or what reason, or to say providers are not
16 interested in because of the small population, how are they going to be taken care of?

17 DELEGATE HOGAN: That's exactly my point. If you go
18 to a place like Brookneal who doesn't have any broadband service that I'm aware of, and
19 that would be a place to start. What I want to do is, or what I'm trying to ask is how
20 much of a role can we play in pushing the last mile projects to places like that that have
21 no access at all, versus if somebody wants to do it in Farmville or South Boston where
22 there's two or three options in almost every case. I was hoping we could use this
23 Commission to focus on some areas that have no options presently.

24 DELEGATE WRIGHT: Mr. Chairman, couldn't the
25 Commission or this Committee give directions to MBC on how we want it done, and they
26 could take care of the details?

27 MR. FERGUSON: It's within the authority of the
28 Commission to probably when you're handing out funds to give specifics and appropriate
29 directions as you wish regarding how the funds are spent. On the other hand, once it gets
30 to MBC with those instructions they have to be given flexibility to actually work the
31 details, making business decisions on a day-to-day basis on how to operate, with that
32 caveat.

33 DELEGATE WRIGHT: Couldn't we have MBC give us a
34 plan of how they plan on doing it?

35 DELEGATE HOGAN: Yes.

36 DELEGATE BYRON: What is the time frame you're
37 talking about on doing this project?

38 MR. DERISO: As far as working with the localities,
39 immediately, we work with them, including all the cities.

40 DELEGATE HOGAN: Do you have a proposal before us?

41 DELEGATE BYRON: This proposal is for the last mile
42 situation?

43 MR. DERISO: Yes, let me clarify something as far as how

1 we see broadband. There are two buckets of broadband that we're talking about here.
2 What we're talking about here is residential and small business community, which is the
3 T1 services and lower, which includes DSL, cable modems, wireless broadband, and
4 those types of issues.

5 MBC is an entity, and we're not focused on the residential market but
6 that's a very important part. Like Brookneal, they have no option for broadband. That's
7 the one bucket we're trying to solve by this additional pool of money to address that.
8 What MBC is focused on is the T1 and higher service, very, very large pipes that are
9 connected to our industrial parks and our communities that are going to drive economic
10 development. We don't see that having wireless broadband is going to drive that, and it's
11 more of a case of fiber and the assets that you have all funded and those types of
12 technology infrastructures that are going to help drive that economic development. This
13 pool is basically set up to serve the T1 and lower, the residential and small business, get
14 them access to broadband.

15 DELEGATE WRIGHT: We have enough money in this
16 pool to provide enough money to do the job for the entire region. If not, we need a
17 commitment from the Committee that we can pursue that.

18 DELEGATE BYRON: I would think we'd have to identify
19 that. I think the first step is to have this meeting, Tad, and pull that together and then the
20 workshop discussing all these aspects.

21 DELEGATE HOGAN: Would you be willing to, if you're
22 interested in this, to maybe work with Tad on developing that proposal? Tad, would you
23 work with a sub-committee of two for this Committee to do that?

24 DELEGATE BYRON: I don't know if we're going to have
25 a meeting sometime before we, do we have another one?

26 MR. STEPHENSON: Not yet on the calendar for
27 Technology.

28 DELEGATE HOGAN: I would hope that this proposal to
29 deal with the last mile and some other people working on, Tad, would you work with
30 Delegate Byron, a sub-committee on that?

31 MR. DERISO: Yes.

32 MR. FERGUSON: Mr. Chairman, just to sort of reiterate
33 the bottom line point, that's fine for the Commission to work with Tad to give him some
34 help understanding what the Commission thinks the priorities are. Again, it's important
35 that the Commission not operate MBC. That's an essential thing, you just don't want to
36 cross that line between the funding function that this Commission is serving and the
37 corporate operational function that MBC carries out.

38 MR. DERISO: MBC will not operate the last mile
39 network. We are an enabler, and we will do everything we can, working with the private
40 sector and the local communities to do that, but we will not have residential service.

41 DELEGATE HOGAN: One of the things that we need to
42 get worked out is, who then will make the grant applications? Will the localities make
43 them, or private business make them, or will MBC make them?

1 MR. DERISO: It's a combination.
2 DELEGATE HOGAN: That's something we need to work
3 out as we start to roll through this project. That's going to become an issue.
4 Does anyone else have any questions up to this point?
5 MR. HUDGINS: Would you add CIT to that working
6 group, since they're doing the last mile stuff?
7 DELEGATE BYRON: That's fine, we appreciate all the
8 help we can get.
9 DELEGATE HOGAN: What happened to the extension to
10 get Hampton Roads?
11 MR. DERISO: That was a 2.-something million dollar
12 project. We've included a fiber link from Richmond to Norfolk to Chesapeake, which is
13 part of that project. We talked to a company that wants to use the network, and they can
14 interconnect with us, using that link. It's a temporary short fix, and I'd rather not spend
15 millions of dollars to build a fiber, if we can purchase the rights to use the fiber.
16 DELEGATE HOGAN: Any more questions about the
17 proposal?
18 MR. OWENS: This is a short-term fix?
19 MR. DERISO: There is other funding we're acquiring from
20 the State and other sources, federal dollars, that we're looking to leverage for building
21 fiber cable from Emporia east towards Hampton Roads. At this time we can solve what
22 we need to do, doing this solution today, and that will give us the necessary redundancy
23 and additional dollars to do that.
24 DELEGATE BYRON: When does that 20 years start?
25 MR. DERISO: It will start January 15th. We're working to
26 negotiate an agreement.
27 DELEGATE HOGAN: Any other questions? Do we have
28 a motion on items four through nine?
29 DELEGATE WRIGHT: I move we approve them.
30 DELEGATE BYRON: Second.
31 DELEGATE HOGAN: All in favor? (Ayes.) Opposed,
32 like sign? (No response.)
33 We have a couple of other items here. You remember last time I asked
34 that we needed to figure out a way to take restricted funds we've already given MBC,
35 excuse me, unrestricted funds that we'd already given to MBC and replace it with the
36 restricted money we have, which would give us unrestricted money in a pot. To
37 accomplish that we need a motion to award MBC restricted funds simultaneously so an
38 amount of unrestricted grants previously awarded MBC, collectively known as Adeste,
39 and that will accomplish using restricted money for hard capital infrastructure and leave
40 us unrestricted money in our Technology fund, and we'll have more flexibility. Counsel
41 says it's legal. We need a motion to do it. The motion will sound like this, I move to
42 award 4.5 million to Mid-Atlantic Broadband Cooperative from restricted funds and
43 simultaneously cancel a like amount of unrestricted grants previously awarded MBC, all

1 for the regional backbone initiative.

2 DELEGATE BYRON: So move.

3 MR. OWENS: Second.

4 DELEGATE HOGAN: All in favor? (Ayes.) Opposed?

5 (No response.)

6 MR. STEPHENSON: Just as a point of clarification so that
7 the Staff will understand. It's my understanding that the Technology Committee is
8 working from two pots of money, 20 million each, that the MBC approval this morning
9 will be charged against the Southside pot, and that the Citizens approval will be charged
10 against the Southwest pot as long as the money will last, which is 340,000, but the bulk
11 of it will be charged against the Southside pot.

12 DELEGATE HOGAN: Yes, but with this addendum.
13 Delegate Dudley is going to make a motion, and we discussed it last time, but the bulk of
14 the money from Citizens is coming from a transfer from Special Projects, and so to the
15 extent that that is possible as we keep track of these pots of money, the portion of the
16 Citizens project will come out of this 3.7 million that's coming over from Special
17 Projects.

18 MR. STEPHENSON: That is correct.

19 DELEGATE HOGAN: That will handle that deal. Does
20 that make sense to everybody?

21 MR. OWENS: There's a difference in the amount of
22 money that we're transferring, 3.7, from Special Projects, and you already have from
23 Southwest?

24 MR. STEPHENSON: Southwest has 340,000 remaining in
25 their pot, and that'll be used and brought to zero.

26 MR. OWENS: 3.7 minus that?

27 MR. STEPHENSON: No, the motion this morning we
28 anticipate is that 3.7 will be transferred from Special Projects to Technology.

29 DELEGATE HOGAN: That should pay for the Citizens
30 project.

31 MR. OWENS: The Citizens project is 3.7 plus 300?

32 MR. STEPHENSON: No, it's not. This is trying to clean
33 up the books a little bit. Southwest has 340 left, and they're willing to let that go just to
34 clean this up, and that brings them to zero.

35 DELEGATE WRIGHT: That's the reason I was asking the
36 question previously. Which part of the funds are Southside and which are Southwest?
37 The answer I've got was approximately 50/50, that's why I raised no further objection at
38 that time, because the majority of the funds will come out of Southside.

39 DELEGATE HOGAN: Actually they won't, but they'll be
40 split, and that will make you even happier, Delegate Wright.

41 DELEGATE WRIGHT: Not exactly. As long as the
42 funding is equal for both sides.

43 DELEGATE HOGAN: We have one more item of

1 business. You'll remember that recently, or two meetings ago, we approved a grant for
2 VECTEC, which is part of Christopher Newport University, and they have some
3 comments about that grant proposal that they asked to speak about. We have a gentleman
4 here from VECTEC this morning.

5 MR. MILLER: Thank you, Mr. Chairman. You all were
6 gracious enough to approve a \$400,000 grant to establish e-commerce activity in
7 Southside and expanding our e-commerce activities in Southwest Virginia. Our
8 application said the Southside headquarters will be South Boston or Chase City. We have
9 investigated, and we believe South Boston would be the better location to serve the entire
10 region, for the following reasons. One, it would be more centrally located and secondly,
11 we have had very preliminary discussions with the Halifax County IDA, Chamber of
12 Commerce, and the Longwood Small Business Development Center; all have been very
13 enthusiastic. I expressed a willingness to help and also indicated three places where our
14 operations may be housed. South Boston and the immediate area has four times the
15 potential that Chase City does. There are 154 businesses in South Boston that have 75
16 employees or less and only 36 in Chase City.

17 Recently we've been contacted by Virginia Mainstreet, who have asked us
18 to work with businesses in three localities across Virginia to help them with their e-
19 commerce activity. One of those cities is South Boston. So we would ask that we be
20 allowed to establish our initial operations in Southside to serve the region in Southside at
21 South Boston.

22 MR. OWENS: I move that we allow them to move their
23 grant application to the South Boston location.

24 DELEGATE WRIGHT: Mr. Chairman, when this proposal
25 was made the Committee voted on this, and it would be in Chase City, that was the
26 motion. Since then, Chase City has been very glad to hear of this replacing the Estes
27 Community Center, and the Commission has been very generous in helping to get that
28 operational. It's been in the newspapers and so forth, plans have been made, and I know
29 that's a minor point. I don't think we should change the location. It was voted to have
30 Chase City, and plans have been made to have it there. I'd request that we leave it where
31 we originally planned to put it.

32 MR. OWENS: I understand your dilemma; we want to put
33 it in a place where it's most viable so it will be the most successful.

34 DELEGATE WRIGHT: I was called before the vote was
35 ever taken by the then Executive Director. That was the time the investigation was done
36 and a decision was made, and that was the proposal. It looks like to me this is after the
37 fact, and the decision has already been made.

38 DELEGATE HOGAN: Mr. Miller, do you have any, and I
39 think we had a letter at one point that somebody talked about some technical issues or
40 how this broadband project or what's going on would matter to you in terms of those
41 issues.

42 MR. MILLER: It's my understanding that there will be the
43 infrastructure in South Boston which will help us would not exist to that degree in Chase

1 City.
2
3 made the proposal?
4
5
6 regard to the change?
7
8
9 Estes Center about the building?
10
11 MR. MILLER: Originally when we were first contacted by
12 the Commission we were asked to consider South Boston. We preliminarily talked to
13 folks that I mentioned in South Boston, and then we were told it should be in Chase City.
14 Having talked to the folks in South Boston, then moved to Chase City, they were upset.
15 We didn't want to upset anybody else by encouraging that. So we thought we'd sit back
16 and wait until a decision was made.
17
18 MR. HITE: Who told you it should be moved?
19 MR. MILLER: Mr. Kern.
20 MR. HITE: Was it in the paper and quoted as saying it?
21 DELEGATE WRIGHT: I've had no further contact, no
22 initial contact. I was called, informing me. I'm from the locality, I was called informing
23 me when it was passed, and I informed the locality as to what was going on.
24 DELEGATE HOGAN: When Carthan brought this project
25 up we were trying to look at where it could go. I think they had one in Southwest. But I
26 talked to Carthan about it, and he said we could push this out and put it in Chase City,
27 and we'll spread things out a little bit. Now, they've come back and said it's going to
28 make it harder for us to do our job. So Mr. Miller has come here and expressed his
29 feeling that VECTEC wants to put it in South Boston. I guess the question is, do we
30 want to make them go somewhere where it's harder to do their job, and I guess that's the
31 issue. That's the way I understand it, Mr. Miller, and that's where we are.
32 MR. ARTHUR: I'd call the question; a motion has been
33 made and seconded.
34 DELEGATE HOGAN: Any further discussion? All in
35 favor say aye? (Ayes.) Opposed, like sign? (No's.)
36 Would you call the roll, Ned?
37 MR. STEPHENSON: Mr. Arthur?
38 MR. ARTHUR: Aye.
39 MR. STEPHENSON: Mr. Hite?
40 MR. HITE: No.
41 MR. STEPHENSON: Mr. Montgomery?
42 MR. MONTGOMERY: Abstain.
43 MR. STEPHENSON: Mr. Owen?
44 MR. OWEN: (No response.)
45 MR. STEPHENSON: Mr. Owens?

1 MR. OWENS: Aye.
2 MR. STEPHENSON: Delegate Wright?
3 DELEGATE WRIGHT: No.
4 MR. STEPHENSON: Vice Chairman Byron?
5 DELEGATE BYRON: Aye.
6 MR. STEPHENSON: Vice Chairman Thompson?
7 MR. THOMPSON: Abstain.
8 MR. STEPHENSON: Chairman Hogan?
9 DELEGATE HOGAN: Aye.
10 MR. STEPHENSON: The aye's have it, Mr. Chairman.
11 DELEGATE HOGAN: Are there any other issues before
12 the Committee?

13 DELEGATE BYRON: I just want to comment that it
14 wouldn't be a bad idea to have future discussion unless we're just totally or the
15 Committee is only going to look at fiber, the projects that come before us or in the future
16 when projects are presented to us that kind of cross the line and Economic Development
17 may run into a problem where there's no money left. I think at some point we should
18 discuss whether or not Technology should look at those or set aside a pot that is a certain
19 amount for a period of time, and we might be able to look at some of those things. If
20 people start using the network, probably start hearing more about it as it affects their
21 localities.

22 DELEGATE HOGAN: Point well taken. We want to be
23 fair across the board to all of them.

24 Anyone have any comments about that or what you want to do? I guess
25 from my point you're right, because we're going to be dealing with some points here.

26 DELEGATE BYRON: We may have more to talk about,
27 once we start.

28 DELEGATE HOGAN: Do you want to talk about that in
29 connection with dealing with the last mile? We could call it efforts of the sub-committee
30 to look at customer access, how about that? Would that cover what you're talking about?
31 Does anyone else want to participate in that sub-committee process?

32 All right. Any more business before the Committee?

33 Public comment?

34 All right, do we have a motion to adjourn? All right, it's been moved we
35 adjourn. All those in favor say aye? (Ayes.)

36
37 PROCEEDINGS CONCLUDED.

38
39
40
41
42 CERTIFICATE OF THE COURT REPORTER

43

CRANE-SNEAD & ASSOCIATES, INC.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

I, Medford W. Howard, Registered Professional Reporter and 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 **Virginia Tobacco Indemnification and Community Revitalization Commission Technology Committee Meeting when held on Thursday, November 10, 2005 at 8:00 a.m. in the Latham Ballroom E, The Inn at Virginia Tech, Blacksburg, 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 ____ day of November, 2005.

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

My Commission Expires: October 31, 2006.