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**VIRGINIA TOBACCO INDEMNIFICATION
AND COMMUNITY REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Technology Committee Meeting

Monday, January 12, 2009

3:00 p.m.

Richmond Marriott Hotel Downtown
Richmond, Virginia

1 **APPEARANCES:**

2 The Honorable Clarke N. Hogan, Chairman

3 Mr. James C. Thompson, Vice Chairman - Southwest

4 The Honorable Kathy J. Byron, Vice Chairman - Southside

5 Ms. Linda P. DiYorio

6 Mr. L. Jackson Hite

7 The Honorable Edward Owens

8 The Honorable William C. Wampler, Jr.

9 The Honorable Thomas C. Wright

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11 COMMISSION STAFF:

12 Mr. Neal E. Noyes, Executive Director

13 Mr. Ned Stephenson, Deputy Executive Director

14 Mr. Timothy Pfohl, Grants Program Administration Manager

15 Ms. Britt Nelson - Manager of Program Assessments

16 Ms. Sara Williams - Grants Coordinator, Southwest Virginia

17 Ms. Sarah Capps - Grants Coordinator, Southside Virginia

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20 OFFICE OF THE ATTORNEY GENERAL

21 Mr. Francis N. Ferguson, Deputy Attorney General, Counsel for the

22 Commission

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1 DELEGATE HOGAN: All right. I'll call the
2 Technology Committee meeting to order.
3 I'll ask Neal to call the roll.
4 MR. NOYES: Delegate Byron?
5 DELEGATE BYRON: Here.
6 MR. NOYES: Ms. DiYorio?
7 MS. DIYORIO: Here.
8 MR. NOYES: Mr. Harwood?
9 MR. HARWOOD: (No response.)
10 MR. NOYES: Mr. Hite?
11 MR. HITE: Here.
12 MR. NOYES: Delegate Hogan?
13 DELEGATE HOGAN: Here.
14 MR. NOYES: Mr. Owens?
15 MR. OWENS: Here.
16 MR. NOYES: Mr. Stith?
17 MR. STITH: (No response.)
18 MR. NOYES: Mr. Thompson?
19 MR. THOMPSON: Here.
20 MR. NOYES: Senator Wampler?
21 SENATOR WAMPLER: Here.
22 MR. NOYES: Delegate Wright?
23 DELEGATE WRIGHT: Here.
24 MR. NOYES: You have a quorum, Mr. Chairman.
25 DELEGATE HOGAN: We're going to move

1 through this rather quickly. I know folks have had a lot of conversations
2 about different applications. We're in a posture whereby to do some of the
3 things in Southwest Virginia, and we'd like there to be a transfer, and we can
4 handle that in the Executive Committee meeting, and a lot of that is
5 connected with those applications, and we'll have to go through that
6 contingency, because there is not adequate funding to do everything right
7 now.

8 We've had some conversations in Southside about what we'd
9 like to fund, and most people are aware of that. We think there is going to
10 be a significant amount of money needed to be put into the Broadband, and
11 we'll have to be careful with how we approve the motion so we don't find out
12 two weeks from now we could have gotten \$20 million if we had just been a
13 little more patient and if this stimulus comes down. I'd like to bring that up
14 with the idea in mind that we approve some things but create enough
15 flexibility so that as the rest of that ground becomes apparent we can make
16 those appropriate changes.

17 Is Frank Ferguson here? Frank is going to figure out how to do
18 that.

19 MR. OWENS: I've got a problem with maybe
20 some of these recommendations.

21 MR. NOYES: Members of the Committee, the
22 recommendations that you see on the screen there that are going to be
23 considered today differ from what's in the Board book. I just wanted you to
24 be aware that you do not have the current recommendations, and if you
25 don't, please let me know, and we'll get them for you. There is a change in

1 the book.

2 DELEGATE HOGAN: While we're doing this
3 maybe we could hear from Tad Deriso with Mid-Atlantic Broadband for
4 about six or seven minutes, and that might answer some questions.

5 Assuming that we approve these two proposals and two weeks from now
6 something comes down from the new Administration that makes it more
7 attractive to do some of these things, then we can accommodate that.

8 MR. DERISO: Thank you, Mr. Chairman. The
9 \$6 million that we have requested as part of this application basically comes
10 down with two parts. There is \$4 million on the part of Mid-Atlantic
11 Broadband, and that's for the regular infrastructure program, and that
12 includes some funding for the backbone projects in several of the counties,
13 Floyd County, Amelia County, Charlotte County, and projects in Greenville
14 County. The towers built, we propose to build ten towers, about \$1 million
15 each. We've asked the tower contractor from Martinsville --

16 DELEGATE HOGAN: -- How about \$100,000
17 each?

18 MR. DERISO: That's correct, a hundred thousand
19 each. With the difficult economy we're in we've seen tower prices decrease
20 by about 30 percent, and we can actually buy about 14 or 15 towers instead
21 of 10 with the economy the way it was. We've seen a positive benefit from
22 that.

23 The other part of that \$6 million grant is the \$2 million request
24 which we feel is the most critical for Southside, and that's the Member
25 Matching Fund. This takes into account what we did prior and about last

1 year and the year before this. The Tobacco Commission funded a million
2 dollar Last Mile Pilot Program, and that was successful, and that gives us
3 about 5,000 residential and business customers who now have access to
4 Broadband and had zero access to Broadband before. They had dial-up, and
5 we don't count that. The \$1 million that the Commission provided generated
6 about 1.3 million in private sector investments, so it was a 50/50 match.

7 We feel that before that program is successful with the private
8 sector we really got a lot of benefit out of that, and we got a lot of that
9 program, and we'd like to expand that to do an additional \$2 million program
10 and open it up to our members.

11 The good news on all of that, that's been working. We had a
12 member meeting a couple of months ago and we talked about it, and so far I
13 have a request for about \$15 million on matching funds, which means that
14 \$30 million of projects in Southside that our members would like to go out,
15 and again not asking for \$15 million from the Tobacco Commission, we'd
16 like to take that money and go to Washington and do some, or try to get
17 some federal support to see what we can do that would continue to assist and
18 help our members. That's a real important ingredient of the project.

19 Any questions?

20 DELEGATE BYRON: I want to make sure I
21 understand what you're saying. You're saying that part of that, whether you
22 call it repay or bail-out money, the 1.9 million, you'd be able to reinvest that.
23 Is that what you're saying?

24 MR. DERISO: Separate projects.

25 DELEGATE BYRON: Now you're talking about

1 six million?

2 MR. DERISO: Right.

3 DELEGATE BYRON: How many miles do you
4 have left? Do you have a figure on that?

5 MR. DERISO: I think we put it in here. The
6 actual mileage, and I think it was in our report, and I don't have the numbers
7 handy with me, maybe 15 or 20 miles of backbone.

8 DELEGATE BYRON: Left?

9 MR. DERISO: Not left, these are new projects, the
10 backbone in Charlotte County, down Route 40 to Keysville, and the Town of
11 Brookneal, that's the backbone extension. We've done quite a bit of
12 backbone in the region, and we're not proposing hundreds of miles of new
13 backbone, but these are projects to basically take the network that we have,
14 parts of the backbone that are not connected, we're trying to close that and
15 provide that, and that's what that project entails.

16 DELEGATE WRIGHT: I'm getting a lot of
17 questions from my constituents, really excited about getting wireless
18 Internet, and a lot of them have the backbone, and it runs by their house and
19 they still don't have it, and they've been waiting for some period of time.
20 What are we looking at, or what can I tell them?

21 MR. DERISO: Part of the six million, it's a
22 member match for two million of Buggs Island Telephone Cooperative,
23 they're here today, and they have a very valuable resource in the eastern part
24 of Southside, the 700-megahertz sector that they own and control. They're
25 talking about doing a program where they can roll out wireless Broadband

1 service in a 12-mile radius, up to 300 megs per second. They have a
2 licensed sector, which is much better than an unlicensed sector that some
3 wireless ISPs use. That's a program that would quickly enable the
4 Broadband to be in places where it doesn't exist today, and that includes a
5 good part of Mecklenburg County.

6 DELEGATE WRIGHT: I'd like you to expand on
7 that. What's the time frame, and how much are we talking about? It's been a
8 number of years since you've been working on this project, and people that I
9 talk to in small towns that don't have the DSL, and they don't see any
10 difference. I'd like to have some idea what time frame we're talking about
11 and the amount of money that it would take to get it done. It sounds like this
12 Buggs Island Telephone Company proposal is very promising, and I'd like to
13 hear more about it.

14 MR. DERISO: I can go into any amount of
15 specifics that you'd like to cover. The equipment is available today, and all
16 it takes is for Buggs Island to present their proposal to MBC. There is only
17 two million we're asking the Commission for, for the last mile matching, and
18 that's for the entire Southside, all 20 counties and 4 cities. We have other
19 members who would like to be part of it as well.

20 As far as time frame, once we have the funds and we could
21 entertain a proposal from Buggs Island, and we could do some pilot sites.
22 We shouldn't call them pilot sites, but sites that are in Mecklenburg and
23 working north in their service area. We're working on building additional
24 towers, and with the support of some county administrators we could rapidly
25 increase the time. In Appomattox, we had the tower completed in three

1 months and other towers in certain counties take as much as 18 months. So
2 deployment, I would say probably, once you have all the equipment ordered
3 it's a matter of months to get it hooked up and working and get it into the
4 network. You're probably looking at nine to twelve months.

5 DELEGATE WRIGHT: Mr. Chairman, what is
6 the commitment from this Committee as far as getting that job done? What
7 time frame are we looking for, or are we going to set a goal for this or what?

8 DELEGATE HOGAN: I think your questions are
9 right on. If you remember, back when we started this project this was a
10 number one priority, and we pushed MBC to go ahead and get the operation
11 going and an operational budget so they could operate and so they'd have
12 operating dollars in their budget. Then they were having to pay back
13 operational loans associated with all of this, and they've done that. I think
14 that from an operational cash flow basis they are working towards that.

15 The next thing is to solve all of the problems, and you've got a
16 lot of people calling me and saying have you heard about this project, or
17 we've heard about it, and when are we going to see something out of it.
18 What I asked Tad to do is to talk about it and make an application, and he
19 did that. If you remember, we did these pilot projects, and I think Kathy has
20 indicated they've got one in Brookneal and they're very happy with it. So
21 we've got several models up and running, and Brookneal is one in the
22 wireless project, and especially in a couple of places, and now with this
23 Buggs Island. I think it's pretty appropriate, and that's money that we should
24 see hard results on, on the ground this year. Some are quicker than others,
25 and some are a matter of several months, and we want to get it everywhere,

1 but it's a matter of getting the money and getting it done. I think you'll start
2 getting a lot fewer calls as the year moves on. I don't think we'll cover every
3 hole in 10 months, but I think you'll see substantial improvement and very,
4 very few holes; we'll start filling in these holes pretty quickly.

5 DELEGATE WRIGHT: I think it's a very good
6 possibility with the Buggs Island Telephone Company and with what they've
7 got to offer. So we might have to make a request for more funds. As long as
8 we need that, I think we should go ahead and do it and get this done, because
9 I certainly think it's a priority. It's the priority of the Tobacco Commission
10 to get this done as soon as we can. So, let's get the money going. I think
11 that's a clear goal and we should pursue it. I think we should put more of a
12 commitment into this as far as getting it done and put what money we need
13 to in it and as I said, get it done.

14 DELEGATE BYRON: I agree with what Tommy
15 said. I think it's important that we put more focus on the last mile.

16 Tad, the \$2 million that you have designated for some more of
17 this project, were these towers in the range of about 500 each?

18 MR. DERISO: Probably closer to about 150 or
19 250. Appomattox was about 150, and we also built a tower; that was
20 another 100,000 for that.

21 DELEGATE BYRON: What are you looking at,
22 eight to ten projects, then? How much do you expect to be able to do with
23 the two million?

24 MR. DERISO: It could be, but I would say six to
25 eight projects. But just from the conversations we've had with our members,

1 our members have told us they'd like to do anything from expansions from
2 the DSL footprint in areas that don't have anything. The wireless project
3 was mentioned, and some other things, and I think it would be in the realm
4 of six to eight projects.

5 DELEGATE HOGAN: One of the reasons I was
6 talking about having Frank do it, or it looks like maybe as soon as a few
7 weeks there will be some substantial federal dollars available for this project.
8 In addition to that, we've got this \$2 million loan repayment which in effect
9 gives MBC additional cash flow to move on projects as they see fit and
10 really try to speed up the employment of the last mile. Where you're going
11 is exactly where this \$8 million is proposed to go. There are some human
12 resource restraints and things like that. But, I think from conversations, with
13 this amount of money and the proper flexibility.

14 MR. DERISO: Yes, we're prepared to take these
15 funds and go to Washington and see what we can leverage. Maybe looking
16 for an 80/20 federal match, so to speak, so we can really leverage these
17 dollars. At the end of the day we can't expect the Tobacco Commission to
18 fund a hundred percent of this.

19 MR. HITE: Is Buggs Island, are those people
20 prepared today to tell us what their proposal would be?

21 MR. SIMS: Thank you. I'm the General Manager
22 of Buggs Island Telephone Cooperative. We're opening our 700 megahertz
23 that we acquired in the SEC auction. The primary service we offer is
24 Broadband service. We propose in the 14-county area really to provide
25 service comparable to DSL. We can use the wireless technology for the

1 under-served areas that do not have Broadband service. Engineering studies
2 have been done to get service to those areas.

3 Secondarily, we want to service the rest of this area, and some
4 of these folks are in under-served markets. Depending on how much
5 revenue we could generate, that would be comparable to what you have in
6 the metropolitan areas for the end-users, and that's the question.

7 The service could be available within 12 months, and it will
8 take about nine months to build, but we intend to use the Mid-Atlantic
9 Cooperative backbone network to be able to switch back to our switches.
10 About half the towers we could use for the existing power. We'd have to
11 have some towers custom built. The service is available today. We've just
12 got to get the company that provides that equipment for us, but it is
13 available, and it's ready to be purchased today.

14 MR. HITE: Where do you propose to serve?

15 MR. SIMS: Boydton, Charlotte Courthouse,
16 Buckingham, Prince Edward; that's the first phase, those four markets.
17 Those areas really need Broadband service.

18 MR. HITE: Tad, where are these locations?

19 MR. DERISO: These are projected by the
20 engineering studies as far as location, and then we have three or four towers,
21 and the others are available to be put where the members need them. One
22 thing we found is that when we do have a site it's easier for us to go ahead,
23 we know we're going to build at least 10 towers, for us to go ahead and order
24 the tower itself, and that's usually a two to three month process to get the
25 tower built and shipped. By the time we have the permit completed we

1 could have the tower up and going. But all around it's about a 20-county
2 region.

3 DELEGATE WRIGHT: Mr. Sims, you said nine
4 to twelve months for the first phase?

5 MR. SIMS: Yes.

6 DELEGATE WRIGHT: What area would you
7 cover under your permit? Would it go all the way to Amelia?

8 MR. SIMS: Yes, 98 percent of the geographic area
9 is what we intend to cover. Probably 24 months until we fully cover 98
10 percent of the area.

11 DELEGATE WRIGHT: You say you can do it
12 within 24 months?

13 MR. SIMS: Yes, all we need is the money. The
14 Cooperative, like Mid-Atlantic Cooperative, we don't have the equity, and
15 we don't have the sources of equity in the Cooperative. We've got a good
16 track record for employing technology, but we need the capital.

17 DELEGATE WRIGHT: How much do you think
18 that would cost, totally?

19 MR. SIMS: \$7.9 million.

20 DELEGATE WRIGHT: That would cover,
21 basically, the southern part of our area?

22 MR. SIMS: That's about 80,000 households.

23 MR. OWENS: What percent of the population are
24 you able to serve right now?

25 MR. SIMS: What percentage of the population?

1 MR. OWENS: In your service region?

2 MR. DERISO: That's a good question. We don't
3 serve those residential or business customers. I would venture a guess that
4 about 60 percent of the original, probably, I would venture an educated
5 guess of about 60 percent of the region and probably in some form or
6 fashion of Broadband. You have the Town of South Boston with 95 percent,
7 northern Halifax County with about 5 percent.

8 MR. OWENS: What is your goal? What percent
9 do you want to get to?

10 MR. DERISO: For the short term, probably we'd
11 like to get to 80 percent, which I think is fairly standard in some
12 metropolitan areas. It's hard to put a figure on it, because it depends on
13 where that demand is. The map that would show population density sort of
14 covers something like Mecklenburg County, you may only need to cover 60
15 percent to cover 90 percent of the households. If it's a geographical
16 question, that's one thing; if it's a household question, that's another.

17 MR. OWENS: Households. Do you think you'd
18 be able to cover 90 percent of the people ultimately?

19 MR. DERISO: With this type of project it makes
20 it easy because of a large radius and what allows Broadband signals to get to
21 the residents, regardless of whether it's line of sight, or things like that. I can
22 speak for the eastern half with his project. The western half, where we don't
23 have what the larger companies have, I couldn't give a percentage of what
24 that would look like.

25 DELEGATE HOGAN: Let's see if we can run

1 over this quickly as far as this proposal. If you will remember, about three
2 years ago MBC needed operating capital, and we worked out a deal whereby
3 we would give Virginia Community Capital \$2 million, and they loaned it to
4 MBC, and MBC is paying them back. So instead of MBC paying them
5 back, which would take 20,000 away from dealing with issues that you all
6 are talking about, it made more sense to pay off the loan, and then they'll
7 take that 25,000 a month and put it in this project and that project. I've had
8 people calling me, saying what are we going to do about this guy that lives
9 down here and needs Broadband, and the answer is, it depends. Every little
10 situation, and to solve these problems is a little different. I think if we put
11 this money out there, what you'll find is that when somebody calls you up
12 and with this roughly \$8 million, you'll have the resources to solve some of
13 these problems on a one-for-one basis. I think Tad can take care of a lot of
14 this stuff. I think more or less a hundred percent of this money is focused on
15 that. The question before you on this \$1.9 million to pay off Virginia
16 Community Capital loan, and the question is, do you want to pay off the
17 loan or do you want to do this last mile.

18 DELEGATE BYRON: Either, or pay it off?

19 DELEGATE HOGAN: If it takes 25,000 to pay
20 off this and the 25,000 a month that they don't have to pay off, they could
21 use that to deploy this last mile.

22 DELEGATE BYRON: But we're giving them six
23 million. My thought is, and I'm still not certain that I understand about
24 paying off this loan. However, you keep talking about the flexibility of the
25 funds. It's my understanding you have the money now and you have a

1 regular monthly amount coming in, and you do have the money to pay this
2 off now. Why not invest that 7.9 million, because that will increase the
3 amount of money that you have. You already have money now to pay it off,
4 and another infusion of 7.9 is going to add more money to that, which will
5 be used to create; what you're creating you can continue to pay this loan
6 back. The money helps leverage additional money. Do you follow that train
7 of thought?

8 DELEGATE HOGAN: That's a good question.

9 MR. THOMPSON: Let's talk about the results of
10 the Southwest Virginia proposal. Could we hear from Tim on this?

11 MR. PFOHL: We received 11 proposals, and nine
12 of those came from Southwest Virginia. We should note that Lenowisco
13 gave us two proposals, expecting that your Committee would go to bat for
14 hopefully one of those if not both of them. The one recommendation for
15 Lenowisco is obviously in support of one particular proposal, and the other
16 recommendation was their secondary or less-preferred proposal. The Staff
17 recommendation is in favor of your preferred proposal.

18 So, starting with the Town of Abingdon, they're requesting
19 365,000 to expand the town's wireless network that is offered there, and they
20 want to build 2.6 miles of 12-strand backbone to three tower sites so they
21 can expand the system that was created in 1996. Within one year of
22 completion they're estimating that free Internet access would be available to
23 a 10.7 square mile area, including a number of homes and businesses and
24 institutions, as you see in the Staff report recommendation.

25 Would you like for me to talk about the Staff comments and

1 recommendations, or should we move on?

2 MR. THOMPSON: Just move on.

3 MR. PFOHL: The second Southwest proposal is
4 from Bristol Virginia Utilities. Request Number 1769 for one and a quarter
5 million dollars, 31 miles of distribution fiber and just over a quarter million
6 dollars of last mile installation to provide increased service opportunities in
7 Washington and Smyth Counties. That's roughly in the I-81 Route 11
8 corridor. Some of the potential customers include commercial and industrial
9 and medical, including Smyth County Medical Center and the new Johnston
10 Memorial Hospital that's currently under construction at Exit 19. The
11 project would pass 910 residential customers, and BVU is estimating 46
12 commercial customers with a 50 percent penetration rate.

13 Proposal 1768.

14 DELEGATE WRIGHT: I've got a question. I've
15 got two different Staff recommendations.

16 MR. NOYES: The second one is the one that is
17 operating.

18 DELEGATE WRIGHT: Well, I'd like an
19 explanation.

20 MR. NOYES: The first recommendation failed to
21 recognize the consensus in Southwest Virginia on the part of the leadership
22 in Southwest Virginia on both the amount and what should be eligible, so I
23 withdrew the initial ones after the Board book went out, and the ones we are
24 considering today are the ones that you were provided today. They were
25 also e-mailed last Thursday.

1 DELEGATE WRIGHT: Is it normal for the Staff
2 recommendations to be changed after the recommendation is made?

3 MR. NOYES: When there is an error and I made it
4 and I take responsibility for changing it, yes.

5 DELEGATE WRIGHT: Would you explain again
6 to me the error?

7 MR. NOYES: There was a consensus in
8 Southwest Virginia among the leadership, among the leadership in
9 Southwest Virginia and the applicants in Southwest Virginia as to the
10 amount of money applicants would apply for and what would be eligible
11 within those applications.

12 DELEGATE WRIGHT: How does that affect the
13 original recommendation? Was it on merit to start with?

14 MR. NOYES: The original recommendation failed
15 to recognize certain eligible activities had been funded previously. There
16 was an error on my part.

17 SENATOR WAMPLER: Delegate Wright, where
18 you see the two applications, Bristol Virginia Utilities, and the one that Staff
19 recommendation did not fund the Bristol, Washington or Smyth Counties
20 portion. The idea, or what the Director is trying to describe, is where
21 everyone would receive a small portion and that not one region in Southwest
22 Virginia would be eliminated from consideration. That was the
23 differentiation. Where you see BVU twice, the first one did not recognize
24 the geographic boundaries, just trying to expand it further. It might be
25 difficult to understand, and the precise area where the project description is.

1 This round of funding was designed to help everyone move along a little bit
2 further.

3 DELEGATE WRIGHT: Does this provide for the
4 backbone of the last mile to the houses in any case, or is this strictly for
5 industry?

6 SENATOR WAMPLER: As with our other
7 applications, they include the backbone and last mile application.

8 DELEGATE WRIGHT: As you know, I'm
9 opposed to funding directly to the house when Southside has a larger area.

10 SENATOR WAMPLER: It's just continuing the
11 way we've done it before.

12 MR. HITE: Senator Wampler, would you define
13 last mile as it is stated, the living room in the house or what?

14 SENATOR WAMPLER: Mr. Chairman, I would
15 defer to Staff if I stated it inconsistently from the application. There is
16 always a component of the backbone, and with that there are laterals, and it's
17 different with every application, in some cases directly to the premises, and
18 some do not. Everyone in that application would be different in the way that
19 they apply the last mile. I stand to be corrected if the Staff views it
20 differently, but to the premise, whether it's to the residence.

21 MR. PFOHL: The application states interior
22 installation costs would be covered by them as their matching component on
23 the project. There is a drop, the wire comes off the pole, or from a pedestal
24 if it's buried, and connects to your house, and then the exterior electronics on
25 your house, the box that sits on the outside of your house. That would be

1 covered by us, and then any interior wiring and electronics would be covered
2 by the applicant.

3 DELEGATE WRIGHT: That's the way it's
4 currently done for electricity, from the house to the inside, and nothing
5 unusual about that.

6 MR. OWENS: I know when we talked to Tad he
7 said the 50/50 match with the last mile. What's the match here?

8 MR. PFOHL: It's in the five to seven percent
9 range on the last mile.

10 SENATOR WAMPLER: Mr. Chairman, I would
11 say that if you look at the application, and I would argue that Citizens
12 Telephone Cooperative in Southside, the portion that is directly installed in
13 Southwest, I don't know that that application had much last mile application.
14 You have to look at all the applications and where we are now and long haul
15 and what the needs are, but to get to the premise of such as the BVU
16 application, 1769, Johnston Memorial Hospital, for purposes of telemedicine
17 and digital. So it's really a mix all the way around.

18 MR. THOMPSON: If there are no further
19 questions, go ahead.

20 MR. PFOHL: The second BVU proposal, Number
21 1768, also for a million and a quarter dollars. 38.7 miles of distribution of
22 fiber along with last mile installation, primarily in the Cumberland Plateau
23 Planning District and service area along major routes, Route 19 to 460, 83
24 and 58, in the counties of Dickenson, Buchanan, Tazewell and Russell. A
25 certain number of commercial and industrial and hospital and governmental

1 customers. There are projections of passing 476 commercial and industrial
2 customers, and the applicant expects to achieve 40 percent penetration
3 delivery of services there and pass some 1200 residential customers with a
4 projected 40 percent penetration.

5 Moving on to Number 1764, Citizens Telephone Cooperative
6 requesting 2,132,000. Citizens Telephone Cooperative has been funded by
7 you in the past. This will construct an alternate connection between the
8 applicant's network and the Bristol Virginia Utilities network to allow for
9 diversity and to ensure stability of the overall Tobacco Commission
10 network. The Broadband organization that you've funded in the past, you've
11 expressed an interest in the importance of this route to provide redundant
12 long haul traffic carrying capacity. The 24-mile backbone will connect up
13 with BVU; that's in the BVU plan they propose to submit to you next year.
14 It's built at a cost of 54,000 per mile, a total of \$1.2 million. There is also
15 equipment requested at a number of tobacco region sites, as well as the sites
16 in Christiansburg and Montgomery County. The Staff has a
17 recommendation for you that would distinguish equipment in the tobacco
18 region and the industrial parks in the various counties, versus equipment
19 outside the region. We'll revisit that when the time is right.

20 Cumberland Plateau Company, which is the 501(C) arm of the
21 regional planning district commission, and they've submitted a proposal,
22 1767, requesting \$645,000 to build 40 miles of 72-strand backbone fiber in
23 the counties of Dickenson, Russell and Tazewell. It will provide redundancy
24 and diversity to the Cumberland Plateau BVU network. Those two
25 organizations have been working cooperatively to build that network over a

1 number of years. They'll pass several commercial and industrial customers,
2 and this would be built primarily along State Route 63, and there are 27
3 miles and 14 miles on State Route 67 between Honaker and Raven. The
4 applicant projects a 50-percent penetration rate. This project has a
5 substantial EDA grant, and the proposal has been submitted, and there is a
6 match with that proposal.

7 Page 5, Lenowisco, the first of the two proposals, as I
8 mentioned earlier, and this is the preferred of the two proposals submitted by
9 Lenowisco. This is a limited liability corporation and created by the
10 Lenowisco Planning District Commission, and this is to hold fiber assets.
11 They're requesting money to add 13 miles of backbone fiber to their network
12 and to install 210 last mile user connections. The distance of the last mile is
13 being determined depending on who agrees to purchase services and what
14 length of last mile fiber needs to be done to serve the customers. There is
15 also a request to purchase network electronics in the amount of \$200,000
16 and also a request of 243,000 included in this to lease two to four strands of
17 BVU Cumberland Plateau fiber. That fiber has been built with Tobacco
18 Commission funds in previous grant matters. The Staff has some comments
19 about that as well.

20 On the second proposal, Lenowisco LLC, and this is their
21 second or less-preferred proposal, 1766, also for \$1,250,000. This is
22 actually more backbone fiber, but to remove the last mile piece. This is the
23 alternative proposal. There would be 25.6 miles of backbone fiber,
24 purchasing network electronics for 200,000 and lease the two to four strands
25 of BVU Cumberland Plateau fiber for a sum of 243,000.

1 Page 6 is the two Mid-Atlantic Broadband Cooperative requests
2 that you've heard about already. Assuming there are no questions about that,
3 I'll go over to Page 7. Scott County Telephone Cooperative request Number
4 1761. That request is for a million and a quarter. Scott County is a
5 501(C)(3) non-profit cooperative, and they are a previous grantee as well.
6 They're requesting funds to construct eight miles of backbone, 19 miles of
7 distribution lines and 5 last mile that's fiber to the premise in a portion of
8 their service area, and they are RUS funded, which involves the USDA. The
9 customer premise drops and equipment are also requested. This will help
10 them complete a fiber optic gigabyte ring to serve 930 residents and 70
11 businesses.

12 The Wired Road Authority, which is request Number 1763,
13 that's for 1,024,000. That was last year under the name of the Crossroads
14 Industrial Facilities Authority. It is a public Broadband authority serving
15 Galax, Grayson and Carroll Counties. The proposal last year was tabled,
16 and it's been resubmitted, which is encompassed in the proposal that's in
17 front of you. They're proposing to build 72 to 144 strand fiber connections
18 in eight different project areas, and that includes fiber connections as well as
19 wireless. The Phase I backbone will be extended by 3.4 miles, and there'll
20 be an additional four miles across the distribution fiber, and 3.3 miles of last
21 mile fiber are included in this proposal. That means 663 total new
22 connections, and more than half of that would be to residences and 185 to
23 businesses and industries and 43 to institutions or public facilities.

24 That completes the list for Southwest.

25 MR. OWENS: On this Lenowisco, is there --

1 MR. PFOHL: -- There is less backbone in the
2 proposal; there are 13 miles of backbone in the one that Staff recommended,
3 plus the last mile. The less-preferred option would have been build twice as
4 much backbone with no last mile. The top one on Page 5 is their preferred
5 proposal and includes the last mile. That's 13 miles of backbone, which is a
6 four percent increase in the total backbone.

7 MR. THOMPSON: Let the record show that the
8 Southwest delegation here is in agreement with the Staff recommendation.

9 DELEGATE HOGAN: I would move that we
10 approve these applications in a block.

11 MR. THOMPSON: It's been moved and seconded,
12 any discussion?

13 MR. HITE: Can you tell me about 1739?

14 DELEGATE HOGAN: I think the issue is that we
15 could give MBC 7.9, and it makes more sense to do away with that than it
16 does to give them the money and have them keep that money and use their
17 cash flow to pay off the loan and keep on perpetuating that for the next three
18 to five years. That seems to be a less efficient way so we can accomplish
19 where we're trying to go here.

20 DELEGATE WRIGHT: Mr. Chairman, I know a
21 motion has been made to vote in a block. I have voted against funding of
22 Broadband and cable to the house. I don't wish to vote against all of it,
23 again; those two I will, and I appreciate --

24 DELEGATE HOGAN: -- Mr. Chairman, I guess I
25 would ask, if you don't mind, I'd like to make a motion. That is that we take

1 up items 1770, 1769, 1768, 1764, 1767, 1765, 1766, 1761 and 1763 in a
2 block for approval.

3 MR. OWENS: Second.

4 MR. THOMPSON: A motion is made and
5 seconded, any discussion?

6 DELEGATE HOGAN: That we approve them per
7 the Staff recommendation.

8 MR. THOMPSON: 1739 and 1762, those are not
9 in the block.

10 DELEGATE HOGAN: There are some funding
11 issues that sort of cash, and some of that money I think can be used
12 somewhere else. I'd add to that motion that with the approved contingent
13 upon funds being available, which I don't have any doubt that they won't be;
14 and if not, we can then make another substitute motion in the morning to
15 reflect that.

16 SENATOR WAMPLER: I assume that would be
17 acceptable to fund all the money, otherwise we have to start over again.

18 MR. OWENS: Clarke, does that give you the
19 flexibility that you asked about?

20 DELEGATE HOGAN: I don't think, and you
21 might have been wanting to do me a favor, but I think that through the other
22 motion, that gives us some flexibility to accomplish the goals we're talking
23 about, or we talked about earlier. I think we should go ahead and do this one
24 and then take up that one in a minute.

25 DELEGATE WRIGHT: I'm not sure I should

1 thank you for that comment. Let me just say that I appreciate what you're
2 trying to do. In other words, if we don't have enough money to fund all the
3 projects that are coming before us?

4 DELEGATE HOGAN: Let me try to answer it
5 this way. I don't think there is any doubt that we're going to have the money
6 here in another hour and a half. Instead of spending a lot of time here trying
7 to fix or figure out what we're going to do if we don't have it, let's approve
8 the project contingent upon the funding. If for some strange reason we don't
9 have it, then we'll get up in the morning and make a substitute motion
10 dealing with it, rather than spending a lot of time talking about something
11 that might not happen.

12 DELEGATE WRIGHT: That's clear.

13 MR. THOMPSON: All in favor of the motion
14 signify by saying aye? (Ayes.) Opposed, like sign? (No response.) The
15 motion carries.

16 DELEGATE HOGAN: Mr. Chairman, I move
17 approval of 1739.

18 MR. OWENS: Second.

19 MR. THOMPSON: A motion has been made to
20 approve 1739, and a second. Any discussion? All in favor signify by saying
21 aye? (Ayes.) Opposed, like sign? (No response.)

22 DELEGATE WRIGHT: Mr. Chairman, I was
23 under the impression that the two I asked to be removed are introduced in a
24 block.

25 MR. FERGUSON: I think there might be some

1 confusion on the two that Delegate Wright wanted removed from the block.
2 Is that right, Delegate Wright? I think it could be corrected if Delegate
3 Wright wants to commit his opposition for the record for whichever ones he
4 wanted to vote against and let the record reflect that he voted against
5 whichever ones they are.

6 DELEGATE WRIGHT: 1769 and 1765, voting
7 against the original application.

8 MR. HITE: Mr. Chairman, as far as the last mile
9 and there's no disrespect to my friend, Senator Wampler.

10 DELEGATE HOGAN: Mr. Chairman, can I ask
11 Mr. Ferguson to make a motion for 1762?

12 MR. FERGUSON: I'll read what I've got. If it's
13 wrong, you just tell me. This is a motion that is subject to approval for
14 1762. This motion only applies to 1762, if approved.

15 In the event that Grant Number 1762 is approved by the
16 Committee, implementation and funding of Grant Number 1762 approved
17 this date will be suspended in the event that on or before, and I've got June
18 1st, 2009, and if someone wants a later date that's fine, that equally or more
19 advantageous funding mechanisms become available through matching
20 funds or other economic stimulus programs by the federal government, such
21 suspension be determined by the Executive Director upon consultation with
22 the Commission chairman and the Chair of the Technology Committee.

23 The effect of that, as I understand it, is that should the federal
24 economic stimulus program become available to create a funding mechanism
25 that obviates the needs of the funds granted by this Committee or through

1 the Commission, then the Executive Director, upon advice of the Committee
2 Chairman and the Commission Chairman, can suspend payment of those
3 funds. I think it will take further action of the Commission at a later date to
4 rescind that, or I think a better way to do it, the Commission could then
5 review it and make sure that's what they wanted to do. We don't know what
6 the nature of the program might be right now, and you may want to tweak it
7 somewhat.

8 MR. THOMPSON: Mr. Ferguson, that applies to
9 Southwest as well?

10 MR. FERGUSON: It only applies to this one
11 grant; it only applies to Grant Number 1762, which I understand is the Mid-
12 Atlantic Broadband Cooperative, which only operates in Southside.

13 DELEGATE HOGAN: Mr. Chairman, I'll make a
14 motion on 1762, and then we'll come back to the motion we talked about to
15 approve all these applications, if that's all right. I'd move approval of 1762.

16 MR. OWENS: Second.

17 MR. THOMPSON: A motion has been made and
18 seconded. Any discussion?

19 DELEGATE BYRON: What Frank said, does this
20 mean we're reserving this that if something comes along, or a significant
21 package, we can leverage money?

22 DELEGATE HOGAN: It reserves money, and if
23 something better comes along, and we're going to talk about if projects
24 become available that we're trying to leverage that money, if it comes along.

25 DELEGATE BYRON: My question is, does that

1 mean that the six million comes back to the Chairman? Will that change the
2 project itself, or what does that do?

3 MR. NOYES: It conceivably could change the
4 project, and we don't know with any exactitude what would be available
5 through a stimulus program, or what would be eligible. What this means is
6 that it's leveraged up.

7 DELEGATE BYRON: But holding the programs
8 up, does it apply to, do people have to reapply if it doesn't go to another
9 project?

10 DELEGATE HOGAN: The way that Frank has
11 described it, what would happen is we would not, the Chairman of the
12 Committee under that motion would not have the authority to redirect that
13 money to a different project, and it would have to come back to the
14 Committee.

15 MR. FERGUSON: My interpretation of the
16 motion would be that this would allow the Chairman, the Executive
17 Director, to suspend payment under this grant but would not allow him to do
18 anything else without further action of the Commission.

19 MR. THOMPSON: We have a motion and a
20 second. All in favor of the motion say aye? (Ayes.) Opposed, like sign?
21 (No response.)

22 SENATOR WAMPLER: Mr. Chairman,
23 concerning the Southwest allocation, the better part of me says we ought to
24 go ahead and obligate the dollars today so if the stimulus package does
25 occur, our signature project and what we anticipate and being able to fund

1 more of it. I guess I toss that back to the applicant. My recommendation is
2 that we should; the contrary opinion would be to go ahead and expedite
3 these awards as we have them applied for.

4 MR. THOMPSON: That sounds like a yes to me.

5 DELEGATE HOGAN: Mr. Chairman, that being
6 the case then, if we can apply this motion to, it's my understanding that, and,
7 Neal, you know more about this. If we approve this funding and three
8 weeks from now you get access to 80/20 split money, are we in a posture
9 where we can use this money for that or not?

10 MR. NOYES: Not without further action of the
11 Commission, the way that the motion is presented.

12 DELEGATE HOGAN: But my question is, by
13 approving the six or eight million, does that mean the feds will say you
14 already have it funded, and therefore we're not going to fund it?

15 MR. NOYES: If there is a project within the many
16 projects that are part of this six million dollars where it is fully funded by
17 this \$6 million, the feds are unlikely to come back and replace already
18 approved dollars with federal funds freeing up the already approved dollars.
19 Is that clear?

20 DELEGATE HOGAN: If we approve the
21 \$6 million, if we adopt the motion right now, they're going to give you
22 \$6 million, and right now it's very broad what you can do with the
23 \$6 million; would it be better then to take the \$6 million we approve to
24 create matching funds within MBC for the last mile solutions, and put
25 priorities on accessing federal and/or private dollars to them and then adopt

1 the motion that Frank put in front of us, the combination?

2 MR. NOYES: The motion you just described
3 would get you where you want to go.

4 MR. FERGUSON: Mr. Chairman, I think two
5 things. One, I certainly defer to Neal on this, and I think it probably would.
6 What it does complicate, though, is that if for some reason those funds don't
7 become available, and you can describe it as a matching fund pot, and if
8 there are no funds to match, the money is not able to be spent. The second
9 part, I don't think my motion really gets all the way there under that
10 scenario, and I think we need to tweak that one as well.

11 DELEGATE HOGAN: I think we should ask Tad
12 to get together with Neal between now and tomorrow morning and come up
13 with a substitute motion that would accomplish what we've just laid out here,
14 and then the idea would be to present that motion to the full Commission. Is
15 that a reasonable proposal, and does that suit everyone? With the
16 understanding that it only applies to Southwest and Southside. Is there a
17 consensus? All right.

18 MR. THOMPSON: That concludes the grant
19 proposals. At this time I'll move for any public comment. Does anyone in
20 the public wish to make a comment? Hearing none, then I'll accept a motion
21 that we adjourn.

22

23 Motion to adjourn.

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25 PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

1 I, Medford W. Howard, Registered Professional
2 Reporter and Notary Public for the State of Virginia at large, do hereby
3 certify that I was the court reporter who took down and transcribed the
4 proceedings of the **Virginia Tobacco Indemnification and Community**
5 **Revitalization Commission Technology Committee Meeting when held**
6 **on Monday, January 12, 2009 at 3:00 p.m. at the Richmond Marriott**
7 **Hotel (Downtown), Richmond, Virginia.**

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

10 Given under my hand this ____ day of February,
11 2009.

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21 My Commission Expires: October 31, 2010

22 Notary Registration Number: 224566