

Work session of the Board of Directors of the Eastern Shore Broadband Authority

October 8, 2020

(4174 Lankford Hwy., Exmore, VA)

(call in: 888-861-1255 PIN: 716218)

AGENDA

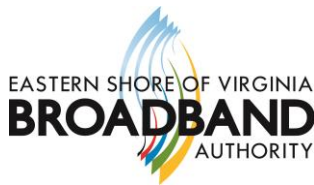
- 1. Call to Order**
- 2. Agenda Adoption**
- 3. Old Business**
 - a. Rate Hearing**
 - b. Discuss New Deployment Contract**
- 4. Work Session**
 - a. Discuss Service Extension Policy**
- 5. Board Comments**
- 6. Adjournment**

Next Board Regular Meeting: December 3, 2020

1 Closed Session: Section 2.2-3711 of the Code of Virginia of 1950, as amended; (A) Paragraph 1. Discussion, consideration, or interviews of prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining, or resignation of specific public officers, appointees, or employees of any public body.

2 Closed Session: Section 2.2-3711 of the Code of Virginia of 1950, as amended; Paragraph 5: Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community.

3 Closed Session: Section 2.2-3711 of the Code of Virginia of 1950, as amended; Paragraph 33: Discussion or consideration by a local authority created in accordance with the Virginia Wireless Service Authorities Act (§ 15.2-5431.1 et seq.) of confidential proprietary records and trade secrets excluded from this chapter pursuant to subdivision 19 of § 2.2-3705.6.



Small Business Internet Service				
Download/Upload Speed *	24 Months ESVBA Proposed Rates		12 Months ESVBA Proposed Rates	
4/2 Mbps	\$	62.49	\$	72.49
8/4 Mbps	\$	69.49	\$	80.49

* up to bandwidth based upon best efforts

Business Rules:

- Current businesses with < 10Mbps of Internet will be permitted to convert their Internet circuits to the small business product.
- The product includes on single dynamic public IP address. A single static IP is available for an additional fee.
- Support is available 8-5 Monday-Friday during regular business hours excluding any ESVBA observed holidays.

1 Closed Session: Section 2.2-3711 of the Code of Virginia of 1950, as amended; (A) Paragraph 1. Discussion, consideration, or interviews of prospective candidates for employment; assignment, appointment, promotion, performance, demotion, salaries, disciplining, or resignation of specific public officers, appointees, or employees of any public body.

2 Closed Session: Section 2.2-3711 of the Code of Virginia of 1950, as amended; Paragraph 5: Discussion concerning a prospective business or industry or the expansion of an existing business or industry where no previous announcement has been made of the business' or industry's interest in locating or expanding its facilities in the community.

3 Closed Session: Section 2.2-3711 of the Code of Virginia of 1950, as amended; Paragraph 33: Discussion or consideration by a local authority created in accordance with the Virginia Wireless Service Authorities Act (§ 15.2-5431.1 et seq.) of confidential proprietary records and trade secrets excluded from this chapter pursuant to subdivision 19 of § 2.2-3705.6.



ESVBA Network Extension Discussion

Summary

The ESVBA network is comprised of many network segments/legs that continue to be built from the existing footprint out to each new customer. Some fibers are simply considered “drop” cables that are connecting a customer on a route that is already constructed and some segments require the construction of new network meaning attaching to new telephone poles or underground where we would potentially use that leg for more than one individual location.

Today, the cost of a new segment would be the burden of the subscriber/microcommunity that is requesting that segment. Upon completion of the segment, any new subsequent subscriber would only bear the cost of their “drop” cable and carry no burden of the segment(s) that lead to the cable being within reach for that subscriber/microcommunity.

Pros/Cons of the current program

Pros:

- The current policy does not impede the ability of new subscribers to get on the network. Upon completion of a segment, that segment is available to all users both along the route or those further away who now have the network closer.
- The current policy aids those of lower income who may not be able to afford services if they were additionally burdened with a rebate that would benefit the initial subscriber who carried the cost for that extension.
- The current policy requires little SG&A to track as each extension immediately becomes part of the ESVBA footprint without tracking any encumbrances.
- Because the early adopter(s) would be carrying the full costs, they are likely to encourage others to join at the onset which helps provide more prolific coverage.

Cons:

- The currently policy puts the burden of the segment on the initial subscriber without any chance to recover some of their initial investment.
- The current policy allows people to wait out others to let an individual or a group to burden the cost that can then be used by those that wait.
- The current policy may deter initial adopters due to concerns of unfairness.

Possible alternative programs

We have reviewed many other programs that were implemented by different power & telecommunication companies as methods of trying to increase fairness within the scope of providing network extensions. Programs typically cover several aspects:

1. Term – The duration of time the original subscriber(s) have vested rights to receive some sort of rebate from subsequent subscribers on the extension. This is typically 1-3 years in duration for telecommunications and 1-5 years for electric distribution.
2. Cost – In addition to the cost they contribute to the drop to their own location, a contribution factor would have to be considered of how much to provide back to the original subscriber(s). This can be considered as a simple percentage (10-20% of the amount the original subscriber(s) contributed) or based upon the incremental usage against the total capacity of that extension. This is typically capped such that the original subscriber(s) can only receive, at max, rebates bringing their initial costs down to the ESVBA minimum installation cost.
3. Scope – This covers how much of the network is eligible for rebate. For example, if a new extension is based off of two other extensions that are still within their initial rebate term, does each of the new subscribers that are on a new extension not only pay for their extension but some component (as described in item 2 above) of each of the upstream components.

Pros/Cons of a Network Extension rebate program

Pros:

- The policy would allow initial subscribers the ability to recover some initial costs as additional subscribers came online.
- Depending on the term, the policy would reduce the ability for people to just wait out an initial adopter. If a subscriber did choose to wait, it would limit their access for up to several years.
- The policy may encourage early adopters because of their knowledge that subsequent subscribers would provide them rebates. Additionally, the early adopters may then solicit additional subscribers to help recover some of their initial investment.

Cons:

- The policy would potentially impede the ability of new subscribers to get on the network. There could likely be subscribers who didn't join the initial program because of costs and would continue to be unable to subscribe until the term of the rebate on that segment expired.
- The policy would add costs to each incremental customer thereby making broadband less available to disadvantaged families.
- The policy requires much more SG&A to track as each extension. The ESVBA would need to track each segment, fractionalize the cost, creating aging schedules for each program and cross-charges/rebates as new subscribers subscribe.

Scenario 1: Current Model

Scenario #1a:

The Smith family is 1.0miles from the nearest ESVBA network segment. Construction cost to build the mile to get it in front of the Smith family: \$15,000. The cost to connect the fiber to their home is \$1,400 and they are electing for the 50/25Mbps 2-year plan

The ESVBA would assess an installation fee that is the lesser higher of either \$150 or the total costs - 22-months of revenues.

Monthly Revenue	\$85.99
Sum of construction costs:	\$ 16,400.00
Assessed installation cost:	<u>\$ 14,508.22</u>

Scenario #1b:

The Doe family is now on the network due to the buildout for the Smith family and wants service 3-months after the Smith family got service. The cost to connect the fiber to their home is \$1,200 and they are electing for the 25/12Mbps 2-year plan

Monthly Revenue	\$59.99
Sum of construction costs:	\$ 1,200.00
Assessed installation cost:	<u>\$ 150.00</u>

Scenario #1c:

The Jones family is now on the network due to the buildout due to the the Smith family and wants to sign-up 18-months after the Smith family got service. The cost to connect the fiber to their home is \$1,200 and they are electing for the 25/12Mbps 2-year plan

Monthly Revenue	\$59.99
Sum of construction costs:	\$ 1,200.00
Assessed installation cost:	<u>\$ 150.00</u>

Scenario #1d:

The Hill family is 1.5miles from where the network segment the Smith family contributed to stopped. Construction cost to build the mile to get it in front of the Smith family: \$22,000. The cost to connect the fiber to their home is \$1,800 and they are electing for the 100/50Mbps 2-year plan

Monthly Revenue	\$149.99
Sum of construction costs:	\$ 23,800.00
Assessed installation cost:	\$ 20,500.22

Scenario 2: Model assumes that each subsequent user within the built segment contributes their fractional usage cost as a rebate to the initial adopter for the first 12-months

Scenario #2a:

The Smith family is 1.0miles from the nearest ESVBA network segment. Construction cost to build the mile to get it in front of the Smith family: \$15,000. The cost to connect the fiber to their home is \$1,400 and they are electing for the 50/25Mbps 2-year plan. The 1.0mile extension would be a 24-fiber cable and we would consider 80% normal max utilization

The ESVBA would assess an installation fee that is the lesser higher of either \$150 or the total costs - 22-months of revenues.

Monthly Revenue	\$85.99
Sum of construction costs:	\$ 16,400.00
Assessed installation cost:	<u>\$ 14,508.22</u>

Scenario #2b:

The Doe family is now on the network due to the buildout for the Smith family and wants service 3-months after the Smith family got service. The cost to connect the fiber to their home is \$1,200 and they are electing for the 25/12Mbps 2-year plan

Monthly Revenue	\$59.99
Sum of construction costs:	\$ 1,200.00
Assessed installation cost:	\$ 150.00
Additional fee to contribute to first adopter as a rebate:	\$ 854.17
Total paid by Doe family for the service. This would continue until the initial adopter has received all expenses up to the ESVBA \$150 minimum or until 1-year has expired	<u>\$ 1,004.17</u>

Scenario #2c:

The Jones family is now on the network due to the buildout due to the the Smith family and wants to sign-up 18-months after the Smith family got service. The cost to connect the fiber to their home is \$1,200 and they are electing for the 25/12Mbps 2-year plan

Monthly Revenue	\$59.99
Sum of construction costs:	\$ 1,200.00
* Assessed installation cost:	<u>\$ 150.00</u>
Additional fee to contribute to first adopter as a rebate:	\$ -

Scenario #2d:

The Hill family is 1.5miles from where the network segment the Smith family contributed to stopped. Construction cost to build the mile to get it in front of the Smith family: \$22,000. The cost to connect the fiber to their home is \$1,800 and they are electing for the 100/50Mbps 2-year plan

Monthly Revenue	\$149.99
Sum of construction costs:	\$ 23,800.00
Assessed installation cost:	<u>\$ 20,500.22</u>

Scenario 3: Model assumes that each subsequent user within the built segment has the ESVBA contribute a rebate to the initial adopter for the first 12-months

Scenario #3a:

The Smith family is 1.0miles from the nearest ESVBA network segment. Construction cost to build the mile to get it in front of the Smith family: \$15,000. The cost to connect the fiber to their home is \$1,400 and they are electing for the 50/25Mbps 2-year plan. The 1.0mile extension would be a 24-fiber cable and we would consider 80% normal max utilization

The ESVBA would assess an installation fee that is the lesser higher of either \$150 or the total costs - 22-months of revenues.

Monthly Revenue	\$85.99
Sum of construction costs:	\$ 16,400.00
Assessed installation cost:	<u>\$ 14,508.22</u>

Scenario #3b:

The Doe family is now on the network due to the buildout for the Smith family and wants service 3-months after the Smith family got service. The cost to connect the fiber to their home is \$1,200 and they are electing for the 25/12Mbps 2-year plan

Monthly Revenue	\$59.99
Sum of construction costs:	\$ 1,200.00
Assessed installation cost:	<u>\$ 150.00</u>

Additional fee ESVBA contributes to first adopter as a rebate for addl subscribers:

\$ 854.17

Scenario #3c:

The Jones family is now on the network due to the buildout due to the the Smith family and wants to sign-up 18-months after the Smith family got service. The cost to connect the fiber to their home is \$1,200 and they are electing for the 25/12Mbps 2-year plan

Monthly Revenue	\$59.99
Sum of construction costs:	\$ 1,200.00
* Assessed installation cost:	<u>\$ 150.00</u>

Additional fee to contribute to first adopter as a rebate:

\$ -

Scenario #3d:

The Hill family is 1.5miles from where the network segment the Smith family contributed to stopped. Construction cost to build the mile to get it in front of the Smith family: \$22,000. The cost to connect the fiber to their home is \$1,800 and they are electing for the 100/50Mbps 2-year plan

Monthly Revenue	\$149.99
Sum of construction costs:	\$ 23,800.00
Assessed installation cost:	<u>\$ 20,500.22</u>