

# Shutesbury Broadband Committee

## Meeting

Monday, February 15th, 2016

5:45 PM- 8:30 PM

Shutesbury Town Hall

posted SM  
2/9/16

12:25pm



POSTED IN ACCORDANCE WITH THE PROVISIONS OF MGL 30A §§18-25

## AGENDA

1. Take Attendance
2. Approval of Meeting Minutes (1/21)
3. WW Update and Discussion
4. Crocker Presentation – 6:30 PM
5. Group Discussion and Q & A
6. Group Edit- February Website Update
7. Adjourn

Attendees: Asha Strazzero-Wild, Gayle Huntress, Craig Martin, Steve Schmidt, Eric Stocker, Frank Citino, Graeme Sephton, Ayres Hall (dialing in) Visitors: Select Board –Becky Torres, Chris Lynch from Matrix, Jim Hemmingway and Tom Williams (community member), Ray Denato, Doug Tanner, and Ben Schwartz from the Wendell Broadband Committee, Bill Stathis and Matt Crocker (Crocker)

### Approval of Minutes:

- Approved Minutes from 1/21/2016- unanimous approval

### WiredWest Update and Discussion:

- MBI Board meeting 12 days ago
  - MBI invited WiredWest to meet
  - Wendell said they were in support of WiredWest
  - Motion to include more people on negotiation team
  - Craig shared the presentation that he shared with Shutesbury Broadband Committee; very well received and Executive Team said it was great. Bill Stathis clarified a few terms and points but the understanding was the same. Leverett has a \$5K deductible not \$10K. Premium is \$19K. So if used 3 times then insurance would certainly go up. Difference in fiberplant depreciation reserve- Leverett has \$90K annual; for Crocker they have \$60K because make-ready costs taken out and Leverett using a very conservative multiplier. Networking operator differed ~\$64K (~\$20K bandwidth) to ~\$40K- Stathis said it's proprietary and if we sign an NDA they will tell us.

### **Update from Steve Schmidt:**

- Two types of critics- dismissive people and people looking at the model
- Need to address challenge- town paying for build even though not built out yet- expect push back from town- need an answer from WiredWest. We need to consider other options if we don't get an answer here.
- Craig- less concerned right now because spending money before we get internet regardless; if we are convinced WiredWest is the most cost effective for our public. It is probably the biggest concern, even before there was state money. There is time for this to play out.
- Gayle- Proposal- put this on our list of important questions to address so that it doesn't get lost. Revisit when we have more information.
- Craig- agree that if there isn't a solution then we need to say something.
- Becky- know it's a priority for WiredWest.
- We need to be looking at all options front and center.
- Committee agreement that we need a plan B here.
- Does every town understand that they need to make payments to WiredWest? If some town doesn't want to make the payment then it impacts those first built towns.
- Craig- once those towns sign on they are committed.
- Concerned about the necessary people in each town understand this; needs to go beyond the delegate to the town selectboard etc.
- Becky- have been getting a lot of responses from Select Board and finance committees- whatever we projected to be the flow without and MOU we cannot be certain- those issues are in limbo until we get resolutions. Lots of communication happening. Attempting to make that very clear; key issue.
- Gayle- Communications Committee- ask that when the time is right that they will do a presentation on the money- Mike had great questions so we want to collectively address that.

### **Crocker Presentation- MLP operating cost presentation (ISP):**

- Family business for 60 years
- 1994 Matt started dial up internet business- first customer online and in the internet game since
- Working with MBI and the big local guy- that's how started working with Leverett
- Go hand in hand with what Leverett is proposing; lots of heavy lifting in design of network
- MBI can do all of that and then hand over to town as town asset- support that the town owns it
- Single town operational or regional town operational model- up to towns to decide- flexible to support whatever the town decides to do
- 25 gigbits of internet bandwidth; could do all 40 towns and not need to do much more
- On 5<sup>th</sup> generation of the network and looking to rebuild this year; bigger, better, faster
- No cost to the town for operation start up, billing etc.
- In the last month we are getting calls from folks who just built in Leverett and they are surprised and we can turn on their internet if the previous owner had service with us; can turn on in 1 hour (have to arrange if wiring not there)
- Take care of number porting and don't charge; phone is more complicated than the internet
- Signed contract in July 2014 with Leverett (pay for first month; get second month free—note MLP cannot give away). About 75% take rate- network not done yet. Lots of UMass folks saying it's faster at home than at UMass!
- Recently had a price decrease; Leverett promised residents that they would support every legacy application on the voice side. Bundled in \$5 / month surcharge until we figured out what that

meant. After we got 70% phones cut over, no problems with legacy applications and everything worked- backed out \$5 and that worked out. Crocker was going to use \$ to recover alarm system costs but not needed.

- Brought on second gigabit- connected to middle mile. Double performance. Cost increased a bit to us- Leverett billed the cost back to them; MLP cost the same.
- Today at over 85% take rate- double the national average.

### **Shutesbury Spreadsheet:**

- Walking through spreadsheet- Almost identical to Leverett- a few more homes
- INPUT: Households, miles, poles
- Shutesbury numbers from MBI
- Make ready about 1/3 of construction costs
  - WALK THROUGH – a few call outs to the spreadsheet
  - 7 year replacement
  - Paid for ONT on every house
- Leverett has joined PURMA ([Public Utilities Risk Management Association](#)) to buy insurance- premium payment of \$19K
  - \$5K deductible (aka tree hits the pole)- maintenance fee helps off set- per incident. Per event.
  - \$3 million annually is the cap
- HG&E is network operator in Leverett—we have used Crocker here – includes two parts: cost of one gigabit connection to us and a 3 dialer per subscriber per month fee and retainer for bucket truck companies (HG&E is twice that). We are lower but would be happy to share and work with HG&E. Don't currently have a bucket truck but may get one. Crocker would manage all the dispatch and bill us – they would have others on retainer if it's a larger job they will get them involved. Retainer built in to the network operator fee. \$1K / month.
- PURMA only allows the network owner to be a member. Not a huge number- \$1200.
- MLP Board in Leverett has 3 people/ meet every other week for about an hour and manage it.
- Legal line- there is little precedent here and so starting with \$10K annually. This is just a recommendation from Crocker and each town makes the decisions and pays the price. Will learn a lot from Leverett.
- Would need to staff up to serve all towns (at 50 employees) so would be able to handle all towns. Can do network operator stuff now. Have all the talent in house to do needed things.
- Allowed return up to 8% capital costs of the network; Leverett chose to do 3%. If it's over 8% it has to be reduced through rate reduction to the rate payer. MLP can do whatever they want; can choose to pay that money to the town and pay down the debt. Leverett chose not to do that.
- Crocker takes on responsibility for no pays/slow pays so small mark up. MLP is supposed to be as neutral as possible; they collect from subscribers and remit to MLP. Flexible payments – check or card and don't shut off for no-pays for 3 months. MLP can ask for a difference.
- 1 gig all in is \$95/month in Leverett. MLP fee is \$49.95 in Leverett. For Shutesbury estimate is \$34.22 (50% take rate is \$49.83). Seems reasonable for Shutesbury to “go it alone.”
- Scaling of ONT costs with the premises (includes inside the house). Craig/Graeme- should be weighted, not on premises. Crocker agrees this is a VALID POINT.
- Crocker thinks Shutesbury's take away: Shutesbury in good shape to go it alone.

### **Regional Spreadsheet:**

- Shutesbury in the best shape- even at 75% take rate the price jumps up to \$45.00—that's just the way it will be for larger towns with denser population. To a certain extent, you will be subsidizing other towns but regional gives share expertise and redundancy.
- Poles, PURMA, depreciation etc—the real expenses you don't get economies from scale. You get it from book keepers etc. Shutesbury subsidizes other towns.
- WiredWest with 32 towns is ~\$32.00.
- TWO DIFFERENT CO-OP DEFINITIONS. NOT the same as WiredWest—WiredWest owns versus each town owning in a cooperative model with Crocker. Would not make sense to share anything across towns like reserves etc.

Leverett gets for \$24.95

- Unlimited internet at gigabit speed
- Residential support
- 5 email account
- For an additional fee (+\$15) phone gets you unlimited local and long distance calling, including PR and Mexico, 3 way and forwarding calling, E911, caller ID
- Trending reports to the town (SLA violations etc.)
- ISP fee is NOT on this spreadsheet

### 3 Major Costs:

- ISP (Crocker)
- Networking Operator (Crocker or HG&E)
- MLP (town- and they are responsible for hiring and managing ISP and Network Operator).
  - MLP has a huge responsibility; if costs are off the MLP pays for it. Small day to day but big long term decisions.
    - SLAs that are put in place between town and Crocker for certain things- eg when a truck rolls. This is a separate contract.

### Crocker competition:

- Leverett had three bids- not good. Leverett can cancel contract- and Leverett still own the fiber. There are no situations where Crocker owns fibers; they are all in fiber management.
- OTT in Maine, Cornerstone in the Berkshires. DSCI. Earthlink can do phones. Some regional players.
- Crocker is the only local people in Western Mass.
- NO OTHER LOCAL COMPETITION (residential). There may be other bids but not locally. Tons of little guys in Eastern Mass- ISP in Boston could be interested in 20K customers.
- Crocker at 10% profit.

### Tiered service:

- Possible but not a huge difference in service. Would see other increases in costs like billing but could do it and help offset costs for folks who want something lower and cannot pay the higher cost.

### Television:

- NON STARTER. Pay per subscriber whether or not you buy (for each channel)- \$1 million plus

- TV is a dying business; bandwidth

**Public Comment:**

Ben from Wendell- RFP for ISP and Network Operator

Ray from Wendell- wants to get design moving – Bill: NOT THE WAY IT WORKS. MBI will do the survey design work and they will do an RFP for construction. MBI will do clusters. You could ask them to see the cluster but you won't necessarily have input.

Steve- follow up call to MBI?

FYI: Nakajima running for Ellen Story's seat and will be supporting Karen on MBI for a little while.

Chris Lynch from Matrix: MBI money in jeopardy – If it doesn't come through you have to have all money to start project. Shutesbury in good shape because of our economics. Count on delays and cost overruns to the town from MBI- may have to go back to town and ask for more money.

**Next Meeting: 3/17**