

# Act71 Construction Grant Additional Guidance for Phased Applicants

## Act 71 Compliant Business Plan

Cover:

- Who produced the plan?
- Date of initial Plan
- Date of latest update
- Financial institution that reviewed feasibility study

Executive Summary – to include

- What's the plan?
  - Is your plan for all underserved or all on grid E911 premises. How many exist of each?
  - Who are your partners that will ensure a build-out to all underserved addresses in ALL Member Towns District?
  - Brief overview of the operating model
  - Total Project cost – Divided by partners if necessary.
- Planned Construction Phases (By year)
  - Mileage by phase
  - Passings by phase
- Total mileage
  - Backbone (point to point)
  - Aerial mileage
  - Underground mileage (assumptions if not known)
- Total passings
- Year 5 take rate
- Any other key points

Universal Project Plan Scope<sup>1</sup>

- Key assumptions
  - Who is served
  - Overbuild policy
  - Any address not being served and why (ideally zero)
- Electric utilities
  - Key issues
  - Make ready capacity commitments (if available)
- Existing provider commitments (if applicable)
- Table showing town by town analysis
  - Town name
  - Planned fiber miles
  - Passings (addresses potentially served)
  - Total town addresses
  - Number of addresses committed to be served by others (and who)
- Map (s) of proposed network
- Any additional information regarding phases of construction
- Statement of commitment
- Letters of commitment from other providers (if necessary)

Technology plan

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<sup>1</sup> This is any overview of your plan detailed in the application's Universal Service Plan section

- Network design choice (Gpon, Xpon, CWDM, etc) and why
- Key considerations (splitter loading, fiber counts, etc)
- Hub location considerations
- Risks and contingencies
- Key connection points and dependencies
- Breakdown of costs (technology budget)
- Drops and end-run considerations

#### Capital budget

- Overall budget
  - Engineering costs
  - Project management
  - Overhead
  - Material costs
  - Contingency
- Costs by phase (all-in)
  - Point to point
    - Aerial
    - Underground
  - Retail fiber (providing service)
    - Aerial
    - Underground
    - Drops
  - Any other relevant capital costs

#### Financial pro-forma

- Facilities costs (all-in)
- Administration costs
- Marketing expenses
- Technical support (call center, field tech support – onsite) costs
- Debt service cost
- Property taxes
- Operations and maintenance costs
- All other costs
- Revenue plan
  - include take-rate details
- Funding assumptions and strategy
  - Loan and/or bond rates
  - IRR
- Cash-flow positive date
- Loan payoff date

#### Market analysis

#### Risk and Contingency plan

- Financial
- Labor
- Materials (supply chain management)
- Contractor management plan

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## Universal Service Plan

*Multi-Phase Plan to bring service to all underserved in your District*

- Introduction/Narrative to the District
  - Current coverage (25/3, 100/100, 4/1, no service)
  - Demographics
  - Density
  - Qualified Census Blocks or Difficult Development Areas
  - Overview of Community Engagement
- Describe the plan
  - Goal of the plan (all addresses or all underserved?)
  - Overall timeline – When will universal service be achieved in all Member towns?
  - Overall cost
    - Please split between partners if necessary
    - How was the estimate arrived upon?
  - Funding – grants, bonds, gifts from towns, etc
  - Who will be serving all the served/underserved? Will it be the CUD, partner(s), combination?
  - Who will own the infrastructure
  - Any unique obstacles or addresses that will not be served and potential solutions - For example *a) several addresses served by another carrier entering from another state. We have attempted to contact the provider, but the provider has not responded; or b) these addresses are within a federal jurisdiction (on a national guard base) or in a national forest; or c) The data is likely incorrect. We are working to verify whether this is a residential or business address.*
  - Map showing who will serve what areas (if applicable)
  - Narrative and Map showing the expected phases of construction
  - Chart showing the served/underserved by town, who is responsible, and total
- Letter of Commitment from any partners that confirm their intent and provide as much detail as possible to timeline, cost, and private investment, and grant funding necessary to provide universal service in those areas

## Project Description

*What can be built in the next two years? This is what you should be asking for in terms of funding at the moment.*

- *Intro*
  - *Narrative describing the phase – miles, passings, served/underserved addresses*
  - *Map showing the phase*
  - *Expected total cost of the project that will be built in 24 months (not the entire universal service plan)*
  - *Expected timeline*
- Additional Services to be offered
- Pricing if available, if not how it will be determined
- Project budget – Line Item of categories (we don't want to know your expected cost per bolt)
- Network Performance and Monitoring - Applicants shall describe a plan for monitoring, identifying, and responding to issues related to the management of the links between network head-ends, devices, and users. The purpose of such a plan is to identify congestion, maximize throughput, and improve network performance.
- Attached spreadsheet listing the following for all locations to be served in the next 24 months  
*Note: Information in this spreadsheet will be used throughout your application, including the overbuild section.*
  - E911 addresses, E-Site ID
  - Current level of service
  - Phase they will be served, and by whom (if applicable).

- Expected source of funding for build out and for drops (ARPA, No Drops, Bonds, Town Contribution, Other)
- A summary sheet should list the total number of addresses, the total number of addresses currently service at 100/100, 25/3, 4/1, underserved, the total number of addresses to be served by this plan that are “underserved”, the total number of addresses passed served or unserved and the total number of “incidental overbuild” locations.
- Other Information: Any information the Applicant deems relevant to demonstrate the technical, financial, and economic feasibility of the project and the qualifications and capabilities of the project team

## Overbuild

- In this section of the application, please summarize why the overbuild listed in the spreadsheet should be considered incidental to the goal of serving all unserved and underserved addresses. You are encouraged to use both narrative and sketches.
- According to Act 71, overbuild funding by the Act 71 Construction must be incidental to the project. Please include an explanation for ALL overbuild in the phase of the project for which funding is requested. A map should also be included show the routes of your proposed build. To be considered incidental, any overbuild should pass both tests 1 and 2 and Test 3 as necessary.
- Test 1: Necessary Route – “Straight Face Test”
  - *“Point to Point Fiber between hubs without drops and crossing areas with access to wireline connection of at least 25/3 does not count as overbuild. This includes mainline access, trunk routing, and network hub integration enroute to or supporting delivery of service to unserved and underserved locations.”*
  - The addresses are along a necessary route or within reach of a splitter designed to serve underserved addresses. Any drops that are not serving an underserved address is considered overbuild. A fiber line that does not have any underserved addresses and has drops is considered overbuild.
  - Drops along these lines will count as a overbuild if they are funding with Act 71 Construction Grant Dollars.
  - We recommend you include visuals that demonstrate why the overbuild is necessary.
- Test 2: Percent of address currently served passed
  - To build a network that reaches the underserved an applicant may (will likely) pass by addresses that are already served. Given the state’s goal of 100/100 for all Vermonters, prohibiting drops would be against the interest of the state.
  - *“In general, any overbuild of served addresses that is less than 20% of the total number of addresses passed will be considered incidental since the project is “designed to “provide service to unserved and underserved households.”*
  - The total # of addresses where drops are funded by Act 71 construction funds are less than 20% of the total expected addresses necessary to be served for the business plan to be successful.
  - Locations that are incidental overbuild to be funded by the Construction Grant must equal less than 20% of the total addresses expected to be served consistent with your expected take rate for served areas. Funding should be in place or a firm statement that no drops will be performed more than the 20 % allowed and noted in the project description. Funding from private sources or from Local Fiscal Recovery Funds can be used for drops to already served addresses. Usages of these types of funds should be noted in the spreadsheet. Those addresses will not count toward the 20%.
- Test 3: Required for the success of the business plan
  - If the amount of addresses exceeds 20%, the Applicant must provide a detailed explanation for why the overbuild is necessary to ensure that underserved addresses are built out. An example of a legitimate reason is that for the business plans designed to reach

all underserved addresses to be sustainable, income from X number of addresses is required and this exceeds 20%. The applicant should clearly present how the income from other addresses will not cover the cost of building and maintain the network. The application must also explain why other funds cannot be used for drops in these areas and contrast of fiber to streets entirely served. Expect a lot of scrutiny before this rationale is accepted.

**Presenting the Incidental Overbuild for Each Address (or range of addresses passed)**

*Note: You will not be held to specific addresses since there is a level of uncertainty regarding who will sign up for service thus requiring a drop. The # of addresses without a plan is what matters and consistency with your business plan is what is important. In other words, if your business plans calls for a 20% take-rate in overbuild areas, 20% of the addresses should have a plan, for who is funding the drop.*

E911 Address	ESITE ID	Current Level of Service	Project Phase	Source of Funding	Act 71 Funded Overbuild?	Funding for Drops if overbuild
1 Main		25/3	1	Act 71	YES	Act 71
2 Main		25/3	1	Bond	NO	Bond
3 Main		25/3	1	Act 71	NO	Town ARPA
4 Main		25/3	1	Act 71	NO	Owner Pledge
5-15 Main		25/3	1	Act 71	NO	No Drops

Please note: The VCBB and Stone Environmental are working on a clearer definition of the specific GIS data that we will expect to be submitted to assist in reviews and we will follow up with CUDs by next week.