



NTIA and Grant Update - 4/4/11

Communications with NTIA over the last couple of weeks have focused on variety of issues:

1. Getting approval for the change in our FTTP technology.
2. Getting approval for our budget revisions.
3. Seeking clarity on IRU issues previously raised by NTIA.
4. Responding to a recent query about possible project overlap with the ICN's project.
5. Preparing our revised Environmental Assessment.
6. A two-day on-site inspection later this year.

FTTP Technology – The official paperwork has been filed and we are waiting for official approval. The informal feedback was that this will be approved.

Budget Revisions – This paperwork has been filed, but part of that process also requires that the University's Grants and Contracts Office approve the request. They asked a series of questions late on Friday that will be addressed this week. Once Grants and Contracts is satisfied with the answers, they will move the request forward in NTIA's approval process. As long as this is approved by the end of April, the 1st Quarter Performance Progress Report can be based on the revised budget.

IRU Issues – NTIA now has an internal document that addresses what they consider to be potential issues with IRU's, but it is for internal use only, not for use by grantees. Needless to say this is disappointing, but it reflects an overall philosophy that is guiding NTIA staff in administering these grants.

Grant awardees are expected to "self certify" that they are following the rules and the terms of the grants. NTIA is allowed to provide guidance, but they cannot say if we do X, that it will be OK. There are no attorneys assigned to the BTOP program within NTIA, and they simply lack the resources to "certify" an answer to every question we ask. If they think we are moving way off-course, they will guide us back in the right direction, but it does not appear that they will ever tell us exactly what to do.

Specifically on IRU's they seem to be the most concerned that we are not leasing more than 50% of our fiber strands. We are nowhere close to that, so we are not on their IRU radar. On the issue of who "owns the fiber" at the end of an IRU, which they previously had cared about during Due Diligence, they no longer seem to care. As long as NTIA's ownership interest in our assets for the expected life of those assets is specifically stated in all IRU agreements, NTIA does not seem to have any

other concerns with our IRUs. Once we have an entity that can sign IRU's on behalf of UC2B, we can get those agreements in place.

Overlap – Later today, we will file a response to an NTIA query about overlap. There are apparently some areas where a project that would serve X, Y and Z Anchor Institutions was awarded in Round One by NTIA, and then in Round 2, RUS (the Rural Utilities Service of the Department of Agriculture) awarded a project that sought to serve those same X, Y and Z Anchor Institutions. There was a joint mapping system that NTIA and RUS shared, but apparently it did not catch these problems and this has apparently happened more than once. Therefore, all funded projects have been asked to “self certify” that we were not overlapping any other ARRA broadband projects.

In the case of UC2B, only the Central Management Services (ICN) middle-mile fiber project comes anywhere close to us. Rather than overlapping with them, we are coordinating with them, so we have no issues here. NTIA wanted some mapping to prove no overlap, which required CMS and UC2B to trade some GIS files late on Friday. The composite map for NTIA should be done by late on Monday.

Revised EA – Now that both cities and the University have reviewed the 95% infrastructure design drawings, we are just about ready to start the revised Environmental Assessment process. What is needed is a combination infrastructure map that shows the differences in what was approved before and what we are proposing now. This new map will also include all of the “Original” and “Additional” Community Anchor Institutions and the lateral fiber builds that connect them to the rings.

From an environmental perspective, our changes should not be considered bad, but the whole process of consulting the affected groups has to start over again. Columbia Telecommunications Corporation, which did our first EA work, will be submitting the revised EA on our behalf. We cannot start physical construction until the revised EA has been approved and we have received a new “Finding of No Significant Impact” (FONZI).

Site Visit – Late in July or early in August we can expect a two-day on-site inspection from NTIA. This will involve our program officer and one or more consultants from Booz Allen Hamilton. We will get a list of what they want to see and what they hope to learn before the visit.

I think we will get enough notice of the timing of the visit that we will be able to schedule a Policy Board meeting during that time and the Policy Board will be able to meet with the inspection team. By late July or early August we should have construction underway on multiple fronts, and while they will want to see that, they will also be spending a lot of time with the accounting people at Grants and Contracts to make sure all the reporting processes are in order.

While we will have celebrations to mark the beginning of construction and the lighting of the first group of customers, NTIA does not want the site visits to coincide with those “publicity events”. The weeks they are looking at should be between those two events.

Construction Update – Shive-Hattery will submit their 95% drawings for the University construction area to the University this week. The 95% drawings for Urbana and Champaign will follow. The plan is to still release the three bid packages at the same time with the same due date, but it is likely that the release date will be latter than April 11 – which was the original target date. Some of the IDOT permits and some of the railroad permits have been received, but some are still outstanding. The receipt of those outstanding permits could also affect the release date of the construction bids.

Fred Coleman has scheduled a special MAFBE training and registration session on the afternoon of April 15th, with the goal of getting more local minority and female contractors registered with CMS. There is apparently a way of fast tracking the applications if they are for a pending project, and the session on the 15th is the first step of that process. A slight delay in letting the bids will give local contactors that want to get registered a little more time to do so.

FTTP Electronics RFP – As you know, the Board of Trustees approved the purchase. However in the new world of state purchasing, the BOT’s approval is no longer the final step in the process. The State Procurement Office in Springfield must also approve the proposed contract before it is final. That can apparently take up to 30 days, so we are waiting patiently for that approval. The Marketing sub-committee would like to have some live demonstrations of this technology, and we can do so once the contract has been approved.

I have received a couple of questions about the “up to \$2 million” total cost approved by the Board of Trustees. If we were to buy exactly the items and the quantities in the bid, the total would be less than \$2 million. However we expect to purchase this equipment over an 18-month period, and it is highly likely that the vendor will come out with changes to this product line during that period.

Some of the changes we may not care about, but some we might desire even if they cost a little more. We also want some flexibility to perhaps exceed 2,700 customers if the demand is there and our overall budget permits. We can always spend less than what the BOT approves, but it is cumbersome and time consuming to spend any more than what they have approved. Therefore, we rounded up on our request, to give us some flexibility down the line.

See you on Wednesday,

Mike