

**QUESTIONS FIELDDED DECEMBER 22, 2014 AT THE REGULAR CITY
COMMISSION MEETING**

1. **“How much was it going to cost to build out two blocks?”** The incremental cost to build two blocks of aerial fiber is approximately \$5-\$6/foot of construction; underground construction is typically \$17-\$23/foot or more depending on terrain and geology. Aerial construction is largely constrained by the existing path of the utility poles. Without the specific information about the two blocks, that is, length, number of utility poles, number of customers, location of nearest junction box, etc. it is extremely difficult to determine that specific cost.

Chanute’s business case indicates that the cost per premise (residents and businesses) connected to the network will vary from \$1,600-\$2,900 per location.

2. **“What’s a successful deployment look like to an elder person that lives on South 3rd?”** A successful deployment would allow them to:
 - a. Stay in their home longer
 - b. Remain in contact with their children and grandkids
 - c. Allow them to utilize telemedicine in their home and to minimize travel to doctors & specialists
 - d. Enhanced security
 - e. Provide affordable high-speed Internet connectivity for secure online banking and bill payments
 - f. Reduced utility bills while remaining comfortable.
3. **“Are we looking at true numbers?”** The true numbers for the planned AMI and Fiber to the Premise network projects are a total of approximately \$15.3 million for construction and equipment. The size of the bond issue required to fund this investment in the community, including the debt service reserve account and debt service payments during construction is approximately \$18.9 million dollars.
4. **“Why did we take out money from the Electric fund and transfer to the Equip Reserve Fund?”** Chanute’s accounting system draws funds from each of the utilities and departments to make planned investments in equipment. The Equipment Reserve Fund is the fund that provides the cash reserves through which the City’s major equipment assets are purchased. The use of this fund helps manage fluctuations in year to year purchases and reduces the City’s potential debt obligations for planned investments in city assets.

5. **“Can you tell me why the Electric Utility isn’t making any money as the debt service has only gone up \$100,000 a year?”** The Chanute Electric Department is making money and has consistently made money over the years. The claim that debt service has only gone up \$100,000 a year is simply not accurate.

Annual debt service varies each year and has varied from \$1.6 million in 2000 to \$3.3 million in 2013. The City’s utilities departments all have periods of higher and lower retained earnings that impact their fund balances. This can happen because of variations in fuel costs, weather, changes in consumption patterns, and a variety of other factors. Major projects and activities can also significantly impact the reported fund balances. Transfers to the City’s General Fund, sometimes referred to as contributions in lieu of taxes, can also have a significant impact on the individual utility fund account balances. In 2013, the electric department alone has contributed in excess of \$1 million dollars to the Chanute General Fund, which supports City Police, Fire, public works, and other governmental purposes. Since 2000, all of Chanute’s municipal utilities have contributed over \$17.5 million to the Chanute General Fund. That is a direct offset to taxes that would have been assessed to property owners in Chanute.

6. **“At one point, are we going to start having to add more people to that line to reduce the amount of speed?”** By design, the Chanute GPON network is expected to provide a minimum of 156 Mbps up to 1,000 Mbps (1 Gbps) per customer.

The City of Chattanooga serves 169,000 customers with only 22 Gbps bandwidth. That is approximately 7500 customers per 1 Gbps of bandwidth and is still able to deliver 1 Gbps to each customer. This is possible because of the diversity in usage patterns among the customer base (not every customer is on line at the same time and those online don’t hit the enter key on their computers at the same time) and the dynamic bandwidth allocations possible with modern technology. Chanute’s business case uses the current 2 Gbps capacity to serve a minimum 1500 customers providing substantially more overall capacity than many network providers. Chanute plans on a 16:1 GPON split ratio which is half the number of people per splitter than Google or Chattanooga.

7. **“How do you sell \$9500 per line at \$40 per month?”** For reliability reasons, Chanute currently has Internet connections to two different service providers. The older of the two is the fiber connection with Level 3 Communications, through its reseller Reallinx that has a recurring cost of \$9,820/month. The newer agreement is with Cox Communications for \$1,200/month. The total monthly recurring costs for these connections is \$10,020, for an average cost of \$5,010/1 Gbps connection/month. We expect the average cost of bandwidth available in Chanute to continue to decline when the initial agreement with Level 3 is replaced with newer, lower cost wholesale bandwidth purchases in the future.
8. **“How many 35GB lines per 35% of the people?”** We think the question should have been: How many 1 Gbps connections are required to serve Chanute? Currently Chanute has two 1 Gbps connections which will support more customers than the 35% take rate included in the business case.

The second connection serves primarily as a backup in the event of a loss of one of the lines. Chanute will add additional bandwidth capacity as bandwidth demand increases over time. The average costs for that additional bandwidth are expected to decline over time. Part of those timing decisions will be based on lower-cost purchase opportunities for supplemental bandwidth that may become available from time to time as various providers move into and out-of existing contracts with others.

9. **“How many workers are we going to need?”** Chanute expects to require three additional full time technical employees and retrain existing employees for the skill sets required to offer this additional utility service. The additional labor costs are included in the business case.
10. **“How much is the maintenance service going to cost?”** There are several areas where maintenance costs will be incurred and are included in the business case. The first year maintenance costs included in the business case is approximately \$216,000 and increases to over \$430,000/year after 20 years. There are also funds for equipment renewal and refresh included in the business model.
11. **“Is 4500 really an accurate count of how many homes there are in the community?”** The Chanute community includes 4296 industrial, business and residential premises. This number varies month by month as people and businesses move into and out of the community.

12. **“What about the construction itself?”** Chanute’s business case includes approximately \$7,100,000 for fiber, materials and construction labor. Based on current engineering estimates, it may be possible to construct the network for less than \$6,000,000. Chanute currently expects a 15-18 month heavy construction cycle during this major expansion of its existing network.
13. **“Is there going to be a \$5 fee to both electric and water on everyone?”** To offset the costs of the metering upgrades, the City’s business plan includes a \$5/month meter charge for electric meters, a \$5/month charge for water meters, and no change in the existing \$6/month charge for gas meters.
14. **“If you take out that meter charge, what’s the difference than we’re waiving the 3 or 4 people that are out reading meters right now?”** There will be a significant investment in new and upgraded utility meters to support automated meter reading, which utility customers will be asked to help pay for with this monthly charge. It did not seem fair to place the costs of the metering portion of this project on just those who choose to subscribe to the Internet. Internet customers will pay the costs associated with the fiber network build out.

However, the investment will provide energy and water consumption information to customers to allow them to make more informed purchasing decisions and empower them to potentially lower their utility bills. The automated system will minimize billing errors, provide information on loss detection, shorter duration service outages and improve utility service efficiency. The enhanced system will also allow Chanute to offer a prepaid service option as an alternative to required deposits for utility services.

15. **“The cost to hire 6 people for the labor cost alone is at a tune of \$700-\$800,000. You’re saying this is a better deal than the 3-4 part-time meter readers?”** At this time, the City does not plan on hiring 6 additional staff. Chanute plans to hire 3 additional technical staff at a projected annual cost of approximately \$200,000 and retrain existing staff to provide the additional skill sets required to support this additional utility service.