

VTA-COVERAGECO NETWORK OVERVIEW

In 2011 the Vermont Telecommunications Authority (VTA) issued a Request for Proposals (“RFP”) 2011-123 to expand cellular service in unserved Vermont communities. Vanu-CoverageCo, Inc. (“CoverageCo”) responded and proposed the deployment of microcell systems. These microcell Radio Access Network devices (RANs) offer 2G voice and text service¹ and are designed for attachment on utility poles, below the telecom space. The RANs provide service throughout an area with about ½ mile radius. Each site requires electrical power and broadband internet access for backhaul connectivity to the core network. The VTA awarded three sale contracts to CoverageCo to deploy RANs. The first contract included the purchase of 95 RANs. The second contract (EDA MLA) included the purchase 165 RANs, with a requirement for CoverageCo to independently fund and deploy an additional 71 “match” RANs.² The third sale contract included the purchase of 141 RANs. The State of Vermont owns this equipment.

Of the 95 RANs in the original project, all but nine have been commissioned. Of the 165 sites in the second contract, 77 have been commissioned³. None of the 141 Contract 3 sites have been started. In total, 163 of the 401 sites have been commissioned.⁴ Most of the approximately \$5M in funds have been released for payment of the equipment. The VTA also entered lease agreements with CoverageCo. These agreements allowed the company to lease the equipment from the VTA and provided funding for the deployment of the network. Almost \$1M remains to be released, pending completion of the installation of the sites. More detailed information on these projects is laid out in the table below:

Project	Sites	Commissioned	Contract	Remaining
Contract 1	95	86	\$549,000	\$21,000
Contract 2 (EDA)	165	77	\$2,269,751	\$419,251
Contract 3 (Incentive)	141	0	\$2,080,164	\$460,369
Total	401	163	\$4,898,915	\$900,620

¹ The RANs include software-defined CMRS radio systems with a chassis supporting two modules. All systems are equipped with one module supporting GSM and another module supporting CDMA; both modules operate in Cellular and PCS frequency bands. Vanu-CoverageCo has expressed that modules supporting 4G-LTE are in development, so either the GSM or CDMA modules could be replaced with a 4G-LTE module in the future.

² Contract 2 is funded in part by a grant from the US Economic Development Administration (EDA). The EDA grant requires the operation of all 165 sites in their specified locations for 15 years.

³ Of the 88 non-commissioned Contract 2 sites, 19 are installed but awaiting activation before commissioning, 11 have pole attachment licenses but are not installed, 37 have pole attachment applications pending, and 21 have not yet been started.

⁴ Not all of the 163 commissioned sites are in operation.

The Department has not collected any of the rental fees to date, but has not waived its right to fees. The lease agreements also require the company to a.) obtain appropriate CMRS spectrum, b.) deploy the equipment and offer CMRS in the specified unserved areas, and c.) enter roaming agreements with nationwide CMRS providers, such that the provider's customers can access the service supplied by the leased network. CoverageCo operational costs include: pole attachment make-ready and rental fees, electricity and backhaul fees at each site, cellular switching service⁵, and E-911 regulatory compliance⁶. CoverageCo generates revenue through its roaming agreements; it collects per-minute charges from other cellular carriers when the retail customers place calls on the CoverageCo network. While CoverageCo met these operational obligations,⁷ it has not deployed all of the required sites.

⁵ CoverageCo contracts with Globecom for cellular switching service.

⁶ In addition to transmitting all E-911 voice calls to Public Safety Answering Points (PSAPs), Federal Communications Commission (FCC) regulations (47 C.F.R 20) require that all CMRS providers also transmit the coordinates of the caller, subject to "Phase II" accuracy requirements. Vanu-CoverageCo contracts with a company called West for the provision of location information.

⁷ CoverageCo has leased PCS spectrum from Sprint, and has roaming agreements for CDMA service with Sprint and Verizon, and for GSM with T-Mobile.