

1                   **TOBACCO REGION REVITALIZATION COMMISSION**

2                                   701 East Franklin Street, Suite 501

3                                   Richmond, Virginia 23219

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7                   **Research and Development Committee Meeting**

8                                   Monday, January 7, 2019

9                                   2:00 o'clock p.m.

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                                  Homewood Suites

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                                  Richmond, Virginia 23219

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1     APPEARANCES:

2     The Honorable Kathy J. Byron, Chairman

3     The Honorable James W. "Will" Morefield, Vice Chairman

4     Mr. Ed Blevins

5     The Honorable Charles W. Carrico, Sr.

6     Ms. Gretchen Clark

7     Ms. Rebecca Coleman

8     The Honorable Daniel W. Marshall, III

9     The Honorable Edward Owens

10    Ms. Rasnick

11    Ms. Sandy Ratliff

12    The Honorable Frank M. Ruff

13

14    COMMISSION STAFF:

15    Mr. Evan Feinman, Executive Director

16    Mr. Andrew V. "Andy" Sorrell, Deputy Director

17    Mr. Timothy S. Pfohl, Grants Program Director

18    Ms. Stephanie S. Kim, Director of Finance

19    Ms. Sarah K. Capps, Grants Program Administrator

20        Southside Virginia

21    Ms. Michele Faircloth, Grants Assistant

22        Southside Virginia

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COUNSEL FOR THE COMMISSION:  
Ms. Elizabeth B. Myers, Assistant Attorney General  
Richmond, Virginia 23219

1 January 7, 2019

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DELEGATE BYRON: Good afternoon, I'm going to call  
4 the Research and Development Committee Meeting to order.

5

Evan, will you call the roll.

6

MR. FEINMAN: Mr. Blevins.

7

MR. BLEVINS: Here.

8

MR. FEINMAN: Delegate Byron.

9

DELEGATE BYRON: Here.

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MR. FEINMAN: Senator Carrico.

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SENATOR CARRICO: Here.

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MR. FEINMAN: Ms. Clark.

13

MS. CLARK: Here.

14

MR. FEINMAN: Ms. Coleman.

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MS. COLEMAN: Here.

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MR. FEINMAN: Delegate Marshall.

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DELEGATE MARSHALL: Here.

18

MR. FEINMAN: Delegate Morefield.

19

DELEGATE MOREFIELD: Here.

20

MR. FEINMAN: Mr. Owens.

21

MR. OWENS: Here.

22

MR. FEINMAN: Ms. Ratliff.

23

MS. RATLIFF: Here.

24

MR. FEINMAN: Senator Ruff.

25

SENATOR RUFF: Here.

1 MR. FEINMAN: You have a quorum, Madam  
2 Chairman.

3 DELEGATE BYRON: Could I get a motion to approve  
4 the minutes of September 19<sup>th</sup>, 2018?

5 MR. OWENS: So moved.

6 DELEGATE BYRON: We've got a motion and a second  
7 to approve the minutes. All those in favor, say aye. (Ayes).  
8 Opposed? (No response). The minutes are approved.

9 Now, we're going to get an update on some of the  
10 applications, and my understanding is we're not really going to  
11 approve anything today, but we were going to go over these  
12 three applications and the difference in the summaries.

13 MR. PFOHL: As members of the Committee will recall,  
14 we did the first round of the Last Mile Broadband and approvals  
15 back in March of 2018, and that was \$11 million of approvals and  
16 more than \$16 million of matching funds serving portions of 13  
17 Tobacco Region counties, and that involves over 31,000  
18 households and other premises. The last time your Committee  
19 met, we discussed second round funding, and the Committee  
20 tasked the Staff with having pre-applications submitted, and we  
21 usually do that as an optional way to have some or it's an  
22 optional way to have some dialogue with applicants before they  
23 apply for any Commission programs. This is the first time we  
24 actually required a pre-application under the direction of the  
25 Committee.

1           Late last week, we sent out listing 19 projects and we found  
2 out this morning that there was another one, and due to a  
3 technical glitch didn't get submitted, and that's the first one  
4 listed on this updated chart, the Appomattox Project CEC. Now,  
5 we're up to 23 applications. In doing some rough rounding of the  
6 figures and can serve 22 or portions of 22 counties with 37,000  
7 premises, with total request in the amount or ballpark of \$8  
8 million. We also realize that early this afternoon there was  
9 another one from Russell County that did not get through the  
10 system and we'll try to figure out how to make that work and try  
11 to deal with those technical issues.

12           For purposes of this, it's nonbinding information and  
13 it's not like we're going to hold you to what you put in for the full  
14 application when it's due March 1<sup>st</sup>. This is to get your  
15 Committee or give your Committee an idea of what the potential  
16 projects may be, what the cost may be, and who the private  
17 partners are likely to be and what kind of impact in terms of  
18 leveraging of the Commission's funding and the number of  
19 premises served.

20           About 20 minutes ago, we were comparing numbers  
21 with the Department of Housing and Community Development,  
22 and they received applications for their Virginia Telecom Initiative  
23 Program and were comparing numbers and trying to coordinate  
24 with them as much as possible. We put all of these in a drop box  
25 for you, probably well over 50 or 60 pages. I don't know if

1 anyone really dove into those very much and some of them came  
2 in the last business day before Christmas. Any questions on  
3 these, I'll be happy to try to answer.

4 MR. FEINMAN: The one thing I would add is while this  
5 Committee has not set a firm percentage, we have been or it's  
6 pretty clear given the strong performance of Southside projects  
7 relative to Southwest projects from the last round that there  
8 would be a preference for Southwest projects in this round. A  
9 number of applicants reached out to us with large potential  
10 Southside projects asking for three or four million dollars, and we  
11 did express at the Staff level that it's unlikely to find a favorable  
12 home in a \$5 million round focused on Southwest and given the  
13 budgetary realities. The demand is probably someone larger  
14 than what you're seeing here, but this is a pretty good snapshot  
15 of what the demand is for projects ready to move in the next  
16 year or so in Southwest Virginia and some smaller projects in  
17 Southside.

18 DELEGATE BYRON: It'll be interesting to see some of  
19 these applications you're talking about and now opening up  
20 opportunity to look at those and see what can be accomplished  
21 and if there's some worthwhile in the future. It's interesting to  
22 know how we're working with this on a state level, which isn't  
23 affecting our application, but at the same time, but the ones in  
24 the Tobacco Region are certainly available to apply for State  
25 funds, correct?

1 MR. FEINMAN: They are, Madam Chairwoman. The  
2 way in which both the -- program and the Tobacco Commission's  
3 Last Mile Broadband Program have developed is very much in  
4 tandem. The body program existed prior to the Commission's  
5 Last Mile Program, so we based our program in part on their  
6 program guidelines informed by DHCD's staff's impressions of  
7 which part of the guidelines are better or worse. Then we did our  
8 round and then DHCD used our data, as well as state voter input  
9 to develop their newest program guidelines for the body program  
10 which application closed last month. We plan to learn more from  
11 that round and program improvement on a program-by-program  
12 basis.

13 I'd also say we anticipate doing combined staff  
14 reviews of grants between the two programs to insure or if  
15 there's, quote, unquote, double-dipping, informed by staff  
16 knowledge, and that we have a good understanding of that and,  
17 two, making sure that in trying to be as consistent as we can  
18 with the State Funding Programs to be fair and clear on how each  
19 one works.

20 DELEGATE BYRON: I would say as chair this can be a  
21 very exciting time and in opening the door to actually a lot of  
22 progress on this Last Mile. The Concept of that along with state  
23 funding should be very good for both programs, and then the  
24 question of how much of a role we play in this funding role and  
25 how we can assist and how we can start a conversation and



1 connect, and certainly we'll have enough time to work these  
2 applications and Staff recommendations, and have a discussion  
3 on where we go from there, too, all working together.

4 Delegate Marshall.

5 DELEGATE MARSHALL: A couple of questions. What  
6 is our budget?

7 MR. PFOHL: Right now, the Committee's balance is  
8 just under \$12 million. And in your last meeting, you discussed  
9 setting aside \$5 million for this second round. I'm sure by the  
10 end of the application deadline you'll have more than twice the  
11 \$5 million that's being requested.

12 DELEGATE MARSHALL: So how will Staff evaluate to  
13 see as far as who rises to the top as far as Staff  
14 recommendation? We've got a lot of different parameters here.

15 MR. PFHOL: The principal metric that we used in the  
16 last cycle was the cost to the Commission per premise past. We  
17 can try to fund the most efficient project and budgets. I think  
18 almost everyone is anticipating not only meeting but also passing  
19 ten over one megabit per second minimum qualifying level.  
20 We're using some standard metrics that are used by DHCD and  
21 others, including the take rate percentage of premises that are  
22 expected to sign on, the levels of service provided. Do they have  
23 really robust packages and, if so, what do they cost on a monthly  
24 basis per subscriber? It's kind of hard to just use that one  
25 measuring stick.

1 DELEGATE BYRON: Isn't there a way to measure if  
2 you're trying to put something out there based on different  
3 measurements in Southside and Southwest and with other  
4 providers?

5 MR. PFHOI: We're certainly open to any thoughts on  
6 that.

7 MR. FEINMAN: What we found in the last round was  
8 that working purely in a mechanistic fashion from that cost per  
9 premises path metric led to a really strong showing in the  
10 Southside projects and a weaker showing in the Southwest  
11 projects, and that tracks our understanding of the way these  
12 things work, it's just more expensive to do these things in the  
13 mountains.

14 So, one of the things we wanted to talk about today  
15 was that recognizing there was going to be a, quote, preference  
16 to Southwest projects in this next funding round, how and to  
17 what extent you wanted that to be reflected in Staff  
18 recommendations and in budget allocation. We can certainly say  
19 a fixed or near-fixed amount of the budgeted pot could go to  
20 Southside projects and a different amount to Southwest projects.  
21 You could simply say to the Staff look more favorably on  
22 Southside projects in a general sense and give us your  
23 recommendations for that or you can simply lay it out in the  
24 mechanistic mathematical fashion and let the Committee make  
25 the decision about where you want to go to further or if you want

1 to go further down on that efficiency list in recognition of the fact  
2 that a very efficient project in Southwest might be more costly  
3 than a less efficient project in Southside. We were seeking  
4 guidance from you all on how you'd like us to do that.

5 SENATOR CARRICO: More favorable.

6 DELEGATE MARSHALL: Less favorable.

7 DELEGATE BYRON: They're sort of joking. All those  
8 in favor --

9 MS. COLEMAN: The \$5 million we're talking about for  
10 this round, does that reflect any of the funding recovered from  
11 BVU or any of the discretion that we're going to have to direct  
12 funding from that project? Any of the money recovered from  
13 BVU?

14 MR. FEINMAN: That money has gone into our  
15 balance, but we have not specifically directed it to Southwest  
16 projects.

17 MS. COLEMAN: The \$12 million remaining in R&D or  
18 the \$5 million?

19 MR. FEINMAN: Twelve million is remaining. I'd also  
20 add that much of our payment from the BVU deal came in the  
21 form of a note. We realize a little of that cash upfront  
22 recognizing that the payments we get from the treasury on a  
23 percentage basis on our earning is lower than the interest  
24 earning we get on that note. When I negotiated that deal, I  
25 determined that it was a way for us to increase our total returns

1 on the deal and our earnings by accepting the promissory note  
2 rather than cash up front. So, five years hence we'll be better  
3 off, but we don't have the cash today.

4 MS. COLEMAN: What is the amount of the promissory  
5 note?

6 MR. FEINMAN: Three point, I can't remember exactly,  
7 three point seven something, right in that vicinity, and then that  
8 can be brought down to a certain extent by connections.

9 DELEGATE BYRON: Is the balance specifically for  
10 broadband, and we talked about R&D projects that were --

11 MR. FEINMAN: The approximate \$12 million is the  
12 balance for the Committee, and that can be used for whatever  
13 the Committee says or deems worthwhile. We have not for a  
14 while been accepting new R&D applications, and I think that's  
15 been a good change. There can't be more than two or three  
16 companies that remain eligible for a second round.

17 MR. PFOHL: I think Micronics has aspirations for some  
18 additional funding.

19 DELEGATE BYRON: Do we know if we're going to  
20 allocate money for somewhere else and we have an interest in  
21 making sure that we set aside some funds for something  
22 unusual?

23 SENATOR CARRICO: Just kind of addressing the 3.7,  
24 that was money that was spent in Southwest that we were able  
25 to recoup, so why would that money not be re-invested, the 3.7,

1 in Southwest, or why would it come back into the budget and not  
2 be re-invested in the broadband in Southwest?

3 MR. FEINMAN: From time to time, we have directed  
4 clawbacks and other earnings to specific programs and other  
5 times have brought them back into the general fund and other  
6 times we've brought them back into a specific committee and not  
7 necessarily earmarked for a specific item. The thing that I would  
8 say is that it always goes back into the pot that it came out of.  
9 R&D is a committee that has a footprint-wide purview and then  
10 make the decision as you all budget to programs to say we'll  
11 direct this amount of money to Southside and this amount of  
12 money to Southwest or we'll look across the entire Footprint.  
13 That's a little different than, say, a TROF. Similar to a TROF in  
14 that we do a TROF clawback from, say, a business that is in  
15 Halifax and we don't then say we're going to earmark this  
16 clawback for a future TROF, we just say it goes back into the  
17 TROF program and when we make another disbursement.

18 SENATOR CARRICO: What I'm getting at, Madam  
19 Chair, if we had \$3.7 million that was taken back through the  
20 BVU project, that was already appropriated by the Commission to  
21 address broadband issues. If we're saying \$5 million is going to  
22 be utilized for Southwest in this next round, technically, we're  
23 only utilizing \$1.3 million, because we already had \$3.7 that was  
24 invested there.

25 MR. FEINMAN: We don't have that, and that'll come

1 in as promissory note payments are made and my suspicion is  
2 that that will fully avail itself and an opportunity to buy down the  
3 cost of that via connections. We received seven hundred and  
4 some thousand dollars cash, and I anticipate probably not more  
5 than \$1.5 being the total payout from that promissory note, plus  
6 five percent interest.

7 MS. KIM: Just to clarify, that money went into the  
8 general account, not R&D, because when it originally went out,  
9 went out of the technology fund, which does not exist anymore.

10 SENATOR CARRICO: Is there a way, Madam Chair,  
11 that these dollars, or maybe I should ask the attorney so we  
12 don't get put in jail, that these dollars can be redirected to  
13 Southwest Virginia without a problem?

14 MR. FEINMAN: What we can do is the Staff, I think  
15 pretty easily in the main budget, we can make a note that as  
16 those payments come in, they'll go into R&D and we'll earmark a  
17 set of them for Southwest expenditures.

18 SENATOR CARRICO: Do we need a vote on that, or  
19 can we just do it?

20 MR. FEINMAN: That would be a vote that the  
21 Executive Committee would make when we adopt a new budget  
22 in May.

23 DELEGATE BYRON: All right, that's what we can do.  
24 Delegate Marshall.

25 DELEGATE MARSHALL: The buy-down from Sunset,

1 so if they make, how do we compile that with the applications  
2 that we're already getting, also, is that double-dipping?

3 MR. FEINMAN: No, that's separate. They are obliged  
4 as a condition to the BVU agreement to make a certain number  
5 of connections within the Cumberland Plateau Region and a  
6 certain number of connections outside the Cumberland Plateau  
7 Region, totaling 10,000 total connections. What we have allowed  
8 is CPC to take the lead on developing and attracting programs for  
9 those connections, and they are underway in collaboration with  
10 the Sunset Digital on that. As soon as they're ready to roll on  
11 that, what we anticipate doing is creating a subcommittee of this  
12 body to make recommendations for the connections that we are  
13 permitted to do, and that will be separate and we don't need to  
14 allocate any funds for that, that will be separate from this kind of  
15 grant application round, wherein we have to make a financial  
16 decision, and that's purely an exercise in designation.

17 DELEGATE MARSHALL: We've got to track Sunset to  
18 make sure when that's done and at a certain price.

19 MR. FEINMAN: Any fees offered by that company  
20 regarding any fiber or wire, that kind of threshold, we did not  
21 contract for and would not have contracted for any specific price  
22 threshold with them. We can certainly express that to them and  
23 we anticipate them being applicants in the future. I'll also add  
24 that they are a company with an exclusively rural customer base,  
25 and I do not anticipate them pushing in a price-gouging direction

1 if they're interested in getting as many customer as they can on  
2 a per-mile basis. They're going to reach whatever price point  
3 that maximizes their revenue, which is all we can ask of them.

4 DELEGATE BYRON: Thank you. Mr. Owens.

5 MR OWENS: Going down this list of Sunset, is this the  
6 same Sunset for \$675,000?

7 MR. FEINMAN: Yes.

8 MR. OWENS: Based on their payment back?

9 MR. FEINMAN: This conversation has gotten complex  
10 because we brought up the question about the old BVU deal, and  
11 they're not paying us back for anything. We were part owners in  
12 the OptiNet network, and if you recall, that was a deeply fraught  
13 three years seven-party negotiation that at various times has  
14 implicated the fiscal solvency of the City of Bristol and their utility  
15 department, as well as carrying serious risks of, there were 28  
16 million Commonwealth-backed bonds as part of that deal, and as  
17 we went all the way through that, ultimately Sunset acquired  
18 that network from us, the Cumberland Plateau, Federal NCIA,  
19 Federal EDA, Bristol, Virginia Utilities, and in the process of that  
20 acquisition, paid \$28 million in Virginia Resource Authority bonds  
21 that were tied to revenues generated by that.

22 As we negotiated that sale, we had multiple  
23 competing roles. One was simply to get the network out of BVU  
24 and, secondly, insure that the Commonwealth's credit rating was  
25 protected in making sure the bonds were good. And the third on



1 my list of priorities was exercising our revenue. While that's  
2 always good, worst would be a stranded or dark network there.  
3 That is sort of a separate transaction. One of the things we were  
4 able to do is to contract for a set of connections at no cost to us.  
5 These connections at Sunset would be applying for our four areas  
6 that would otherwise be economically infeasible. So when we get  
7 a grant application here, that is a statement by the applicant that  
8 absent some grant dollars to buy down the costs of the structure,  
9 they would simply never serve that entity. That is distinct from  
10 the connections we contracted for with Sunset and the ability to  
11 designate connections that they would make along their network  
12 billings that they were planning to do.

13 MR. OWENS: Madam Chair, I think I understand what  
14 you just said, that at the end of the day when they got the  
15 assets, that would go in the general, right?

16 MR. FEINMAN: They paid the debt. We have a  
17 promissory note with them, which was part of the, or it was part  
18 of our renouncing our security interest in that network. That  
19 sales contract was closed and they're going to meet their  
20 obligations, but we have a note from them. That has a net  
21 present value and then a value when it's paid off. In the same  
22 way that we might, for example, have a TROF clawback with the  
23 county and then get a different grant from them, they're just  
24 separate transactions.

25 MR. OWENS: Maybe I went to a different finance

1 school, a promissory note is a debt, so we have a debt. They  
2 have a promissory note to the Tobacco Commission, which is a  
3 debt to us. But what you're saying is that --

4 MR. FEINMAN: A better example would be, let's say  
5 Halifax County has a TROF and the company fails to meet its  
6 obligations under that TROF agreement, and so Halifax owes us  
7 \$300,000, and that's under the TROF program. In Southwest  
8 Economic Development, Halifax wants to build a Shell building,  
9 and they come forward and say we request from Southside  
10 Economic Development \$250,000 to build the Shell building. As  
11 long as Halifax had acknowledged the TROF obligation and was  
12 on a payment plan with us for that, that would not change the  
13 way we view their Southside application for a Shell building.

14 In the same sense we have negotiated a promissory  
15 note with Sunset as a result of the BVU sale. They're an  
16 applicant for the Last Mile Broadband grant, and they're in good  
17 standing with us. As regard to that note, we don't have any  
18 expectation that they will fail to make their payment. So, they're  
19 not by virtue of having that note ineligible, in fact, we're happy  
20 with them and a pretty good corporate citizen in Southwest.

21 DELEGATE MOREFIELD: Well, if Sunset was not  
22 awarded this funding what you're saying is that they probably  
23 would not make those payments.

24 MR. FEINMAN: Probably not. The specific set of  
25 connections for which they applied, the grant fund. They

1 anticipate making a fairly fixed amount of investment in their  
2 infrastructure in the region. The reason we offer grant funds, it  
3 is to take areas purely within the four corners of a private  
4 company's capital expansion plans might not make fiscal sense to  
5 try to make those areas make fiscal sense.

6 So, again, we have after three years closed the page  
7 on the OptiNet deal. I think Senator Carrico expressed a desire  
8 in this Committee to make a recommendation for the Executive  
9 Committee that we earmark all earnings from that deal for this  
10 Committee of Southwest.

11 As with the Halifax thing, I don't think we should  
12 complicate our Last Mile Program with reopening the negotiated  
13 settlement for the purchase of a broadband network.

14 DELEGATE MOREFIELD: I completely understand, but  
15 the point I'm trying to make is, and like with Senator Carrico  
16 made, re-investing those funds back into an area that even with  
17 Sunset now making these connections, I would say that the  
18 majority of that area is challenged and not economical to provide  
19 the connection and run broadband and that's the intent and  
20 purpose of these funds. I hope we don't see a situation where  
21 four or five years from now Sunset has not fulfilled their  
22 obligation and they continue to come back to the Commission  
23 asking for funds to provide connections in an area that we all  
24 know is challenging. There was a lot of excitement at one time  
25 from localities, and now Sunset is going to go in and connect

1 everyone and develop all this infrastructure.

2 I know all this takes time, but what I'm concerned  
3 about is in Southwest Virginia you don't have a handful of players  
4 that are in this business and there are companies applying for  
5 grants to make the Last Mile connections, and I just want to  
6 make sure those companies are treated equally with Sunset.

7 MR. FEINMAN: Applicants for the Last Mile Broadband  
8 Program and each project will be evaluated purely on the merits  
9 of a given project. As regard the connections at Sunset is  
10 obliged to make as part of their purchase agreement, we're going  
11 to hold them to that agreement just like we hold everyone to  
12 every agreement they have with us. So, I anticipate doing that  
13 outside of this agreement. We get our first payment on the  
14 promissory note in August of 2024, but we get interest on it at  
15 prime rate the entire time. That'll be a sizeable payment up to  
16 one-fifth. Five years after that August 2024 date, they have to  
17 pay off the balance whatever it is. We anticipate 20 percent  
18 payment each year starting in 2024.

19 DELEGATE BYRON: The first payment is 2024 and  
20 looking for an award in 2020, and this fund cannot be  
21 commingled. If they can make those payments in 2024 and with  
22 the matching funds, they have to meet another commitment.

23 MR. FEINMAN: They are currently matching a  
24 Southwest Economic Development grant, they negotiated as  
25 good a bargain as they could negotiate within the four corners of

1 a particular position that they made last year. I really think that  
2 in the same way we can have transactions with other grantees, I  
3 think it's somewhat needlessly complicating the question of how  
4 we deal with this question, to try to mix their obligations under  
5 one agreement.

6 DELEGATE BYRON: I'll go back to my own point of  
7 order here and go back to the discussion with Staff as to how we  
8 want to have them evaluate or what priority. If I might add, the  
9 grant cycle for this Southwest applications that were awarded, is  
10 that correct? Was that Monday?

11 MR. PFOHL: There was one, the Wire Grove  
12 Authority, Carroll, Grayson, Galax, for a wireless project, and  
13 that was \$300,000.

14 There were two \$3 million requests from Scott County  
15 Telephone and Russell County.

16 DELEGATE BYRON: I believe we made a commitment  
17 that we were going to make sure we had a priority in Southwest  
18 projects.

19 MR. PFOHL: Yes, I think the issues with the two \$3  
20 million requests were that their matching funds came from grants  
21 that were serving completely different projects or project areas  
22 and did not require a match. So, we were effectively paying a  
23 hundred percent of the project area costs. Three million dollars  
24 to connect something in the ballpark of six or seven hundred  
25 homes. It was an extraordinarily high cost per premise past.

1 DELEGATE BYRON: The applications you have from  
2 Southwest now, do they look improved?

3 MR. PFOHL: Yes, they seem to be. For instance, the  
4 Cumberland Plateau project would serve almost 700 households  
5 and the request to us would be 675,000.

6 The Dickenson County request only serves 82  
7 premises and 400,000 from us. You have some apples and  
8 oranges in there, but some of them are more cost effective than  
9 others and some are further along in their planning and  
10 engineering and got more reliable numbers to show.

11 DELEGATE BYRON: The Russell County one, will that  
12 be resubmitted?

13 MR. PFOHL: I suspect that one will come back again,  
14 that's a \$3 million project, which would bump us up over almost  
15 11 million potential requests. I've asked them to confirm today  
16 that email.

17 MR. OWENS: In an effort to help quantify a way to do  
18 it, the cost residents per mile Southside and the per mile cost in  
19 Southwest, can you use that as a multiplier?

20 MR. FEINMAN: The question across a broad region,  
21 how many people exist in rather sort of settlement pattern?  
22 What you find in Southwest, you may go a long way, and then  
23 there's actually relative density once you get into a particular  
24 valley. So, you could have a project where eight, nine, or ten  
25 miles, there's nobody, and then you come down a hill and

1 suddenly there's 75 or 80 people. I don't know that we want to  
2 be that mechanistic in every project area difference.

3 I can tell you at the Staff level we would be very  
4 comfortable if you guys would set a general percentage target of  
5 award you'd like to see on each side of the divide. Maybe five or  
6 six percent either way, it doesn't have to be in round dollar  
7 figures and we could come back to you with that sort of a  
8 recommendation.

9 In the alternative, we could rate them all by efficiency  
10 and this Committee could simply express its preference by you  
11 selecting the projects and being informed by that information.  
12 Either of those I think would be sensible ways to express the  
13 preference that we've heard you say you wanted to in this case  
14 or in this round. We're capable at the Staff level of saying this is  
15 a good use, this is not, and then leaving it to the Committee to  
16 decide which among the good uses of funds you wanted to fund  
17 in Southside and Southwest.

18 SENATOR CARRICO: I don't think that the per mile,  
19 I've lived both in Southside and Southwest, and you can't get  
20 through the rocks in the mountains to really have a feasible  
21 amount of money that would do the projects. That's why we use  
22 the four G networks in some of those places.

23 MR. FEINMAN: What body has done, the body  
24 evaluation metric is essentially the same as ours, what we have  
25 said over on the body side, there'll be a recognition among that

1 projects are harder to do in certain geographies, both mountains  
2 and watery, and there's a challenge in wire line service to places  
3 like the Northern Neck and the Peninsular and Eastern Shore.  
4 So, what body is considering, the Virginia Telecommunications.  
5 What they have said is that they will simply recognize that a  
6 more challenging geography exists and not purely apply the cost  
7 per premise past metric as they make awards.

8 DELEGATE BYRON: So, it would be very hard to come  
9 up with a, and would it be --

10 MR. FEINMAN: I would advise against that. Every  
11 project and every region is different. If we create a situation  
12 where we have a formula that's publicly disclosed from which we  
13 cannot deviate, what will happen is that applicants will gain the  
14 formula, just like the TROF formula secret, but applicants will  
15 gain the formula and they'll select the areas they can do the best  
16 in and stranding some areas that will never get service.

17 DELEGATE BYRON: I think maybe we can do it based  
18 on that. If we do those and compare them with separate from  
19 other ones, and I don't think there's any formula you can use  
20 across the board, or perhaps you can evaluate them as part of  
21 the projects in general. And then further discussion, maybe we  
22 can get one or two, maybe do more people separately from the  
23 Southside one.

24 DELEGATE MOREFIELD: I heard the comment made  
25 and some of the projects aren't economical, but something we



1 need to take into consideration, but that's what the Commission  
2 is established for, to provide access and service. But if you  
3 simply have a conversation with some of these providers,  
4 especially the company making application for \$3 million. The  
5 terrain in Russell County and Buchanan County, the terrain in  
6 Buchanan is different from the terrain a few miles over in  
7 Tazewell. Those figures are probably more accurate than we  
8 think they are and it is that expensive to provide this. That's a  
9 decision we need to make as a Committee, are we going to use  
10 these resources to provide Last Mile services in these high cost  
11 areas, or are we not going to do that?

12 SENATOR CARRICO: Madam Chairman, I don't want  
13 to beat a dead horse but I think the discussion we had in Special  
14 Projects, and that motion was made that we or suggestion was  
15 made that we use it in Southwest, I'm getting old and I forget  
16 how these conversations go.

17 MR. FEINMAN: If I could make a suggestion, we will  
18 make Staff recommendations at your next meeting, and I  
19 anticipate being in advance of the May meeting. We can make  
20 our Staff recommendation with an eye towards the most efficient  
21 disbursement of funds within perhaps 80 percent expenditures  
22 for this particular round and going to Southwest and 20 percent  
23 to Southside with whatever variance is necessary, the specific  
24 dollar values of the project and make those recommendations to  
25 you, and then we'll put our evaluation of all the projects before

1 you and you can move projects in and out as you see fit. I think  
2 that's a sensible way to move forward.

3 There is one project from the last round that this  
4 Committee needs to take action on, because it's material change  
5 and scope.

6 DELEGATE BYRON: Tim, do you want to comment?

7 MR. PFOHL: I think a good combination of those and  
8 to Delegate Morefield's point, I think what we may end up seeing  
9 in the Russell one that didn't get submitted is a combination of  
10 fiber and wireless as a way to address some of those issues.  
11 While they're intending to do fiber to the premise, the solution  
12 might be get the fiber in, in center of the community and shoot  
13 wireless from there, and use the fiber, also, as backhaul. I think  
14 folks going into the first round maybe were unclear if we had a  
15 preference, wire versus wireless. I think they heard we want to  
16 reach as many people as possible and as quickly as possible, but  
17 right now, wireless is the most cost efficient way to do this, so I  
18 think they've gone back and taken a look at some of their  
19 projects and using both of those technologies. And, hopefully,  
20 we can have some more cost efficient proposals in Southwest in  
21 the second round, but certainly that's the message we will  
22 encourage as Staff when we have conversations.

23 DELEGATE BYRON: Any further discussion?

24 MR. FEINMAN: I would only say that we had a very  
25 efficient funding round in our last round, application round.

1 While there are projects here that are less efficient, the efficiency  
2 we're seeing here is still well ahead of what we see in national  
3 figures, making it clear to applicants that we're going to go for  
4 the most efficient use of public dollars and has driven  
5 applications in that direction and we're getting very cheap  
6 connections relative to what you see around the country being  
7 asked for here.

8 So, I think the Committee can feel good about that  
9 and about the direction we're going.

10 Again, Madam Chair, I would bring your attention to  
11 the next line on the agenda, Grant Number 3387.

12 MR. PFOHL: Madam Chair, in the March approvals,  
13 Appomattox County and their private partner, Shentel, were  
14 approved for a \$45,000 grant, Number 3387. That would have  
15 served the communities of Vera and Appomattox, about 100  
16 homes. Shentel, to their credit, found out that another grantee  
17 in that cycle, Central Virginia Electric Co-op, was intending to put  
18 fiber through Vera, and Shentel didn't want to use Commission  
19 funds to build at that point in time. And I think that was like ten  
20 homes, and they were projecting serving 40 percent of ten, and  
21 we said keep looking. Came back to us with the Susie Alice  
22 neighborhood, which has 36 homes, and projecting a 30 percent,  
23 45,000 to connect, or something in that ballpark. That's  
24 Shentel's request to us, to allow the use of the \$45,000 in the  
25 Susie Alice neighborhood in Appomattox.

1                   SENATOR RUFF: I think we should give them some  
2 latitude since they were so kind not to waste money. I move we  
3 accept that.

4                   DELEGATE BYRON: Any further discussion? All those  
5 in favor of that request, say aye. (Ayes). Opposed? No  
6 response. That passes.

7                   Any further discussion on anything? Any public  
8 comment? Hearing none, thank you all. And we're adjourned.

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**PROCEEDINGS CONCLUDED.**

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**CERTIFICATE OF THE COURT REPORTER**

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at Large, do hereby certify that I was the Court Reporter who took down and transcribed the proceedings of the **Tobacco Region Revitalization Commission, Research and Development Committee Meeting**, when held on Monday, January 7, 2019, at 2:00 o'clock p.m., at the Homestead Suites, Richmond, Virginia 23219.

I further certify this is a true and accurate transcript, to the best of my ability to hear and understand the proceedings.

Given under my hand this the 25<sup>th</sup> day of January, 2019.

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Medford W. Howard

CCR