CERTIFICATION REGARDING LOBBYING

Applicants should also review the instructions for certification included in the regulations before completing this form. Signature on this form provides for compliance with certification requirements under 15 CFR Part 28, "New Restrictions on Lobbying." The certifications shall be treated as a material representation of fact upon which reliance will be placed when the Department of Commerce determines to award the covered transaction, grant, or cooperative agreement.

LOBBYING

As required by Section 1352, Title 31 of the U.S. Code, and implemented at 15 CFR Part 28, for persons entering into a grant, cooperative agreement or contract over \$100,000 or a loan or loan guarantee over \$150,000 as defined at 15 CFR Part 28, Sections 28.105 and 28.110, the applicant certifies that to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying." in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure occurring on or before October 23, 1996, and of not less than \$11,000 and not more than \$110,000 for each such failure occurring after October 23, 1996.

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

In any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure occurring on or before October 23, 1996, and of not less than \$11,000 and not more than \$110,000 for each such failure occurring after October 23, 1996.

As the duly authorized representative of the applicant, I hereby certify that the applicant will comply with the above applicable certification.

NAME OF APPLICANT

AWARD NUMBER AND/OR PROJECT NAME

Public Utility District of Pend Oreille County

Pend Oreille County Broadband Network

PRINTED NAME AND TITLE OF AUTHORIZED REPRESENTATIVE

Joe Onley - Community Network System Manager

SIGNATURE

DATE

AUGUST 6 2009

Item 16. Coverage Waiver.

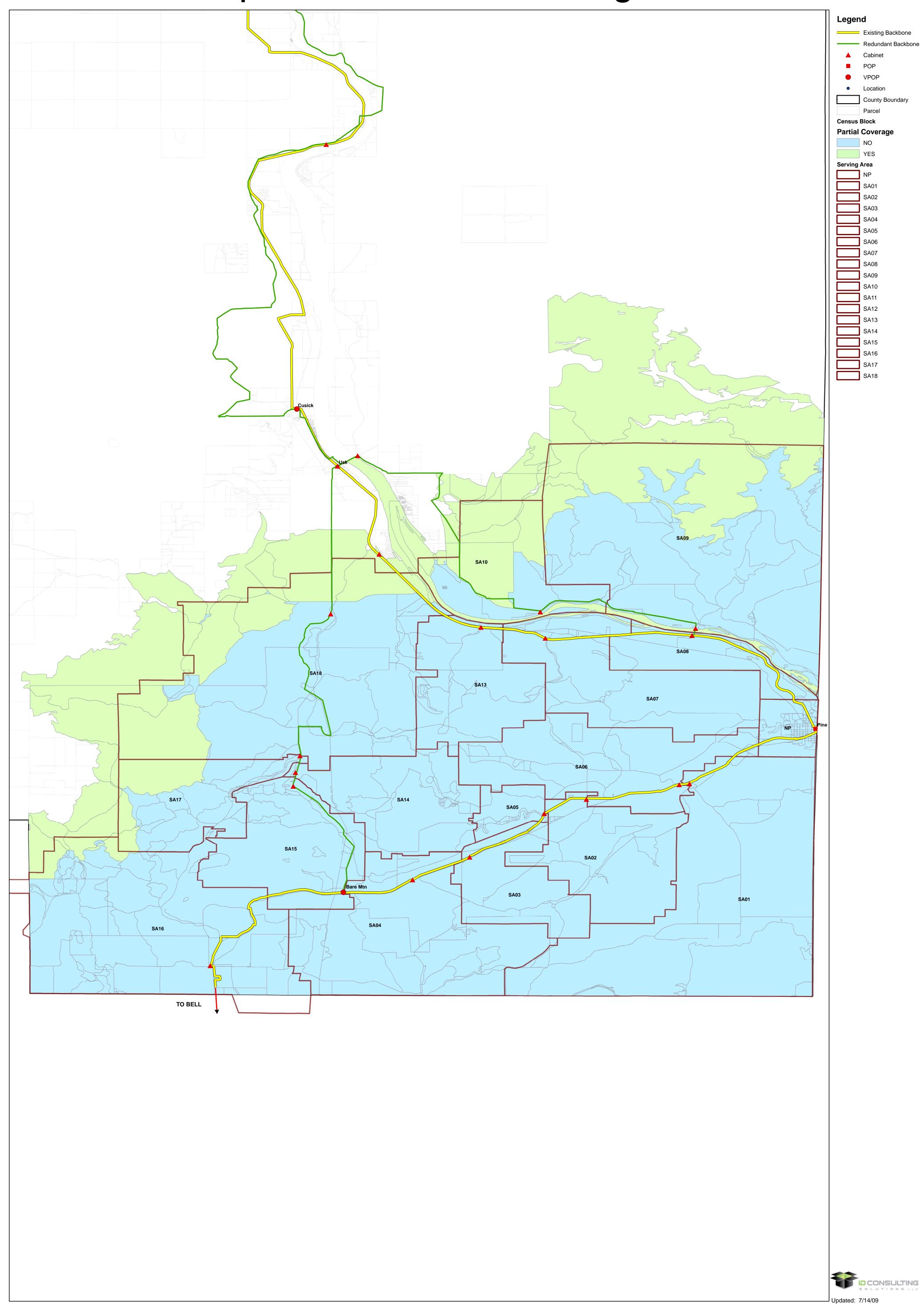
Public Utility District No. 1 of Pend Oreille County, WA (the "District") respectfully requests a coverage waiver for the following 49 census blocks:

530519702003072	530519702003203	530519702003071	530519702003140
530519702003079	530519702003994	530519702003088	530519702003142
530519702003080	530519702003997	530519702003171	530519702003190
530519702003100	530519704001024	530519702003179	530519702003191
530519702003110	530519704001025	530519704001027	530519702003077
530519702003111	530519704001026	530519704001169	530519704002051
530519702003131	530519704001051	530519702003073	530519704001160
530519702003134	530519704001068	530519702003078	530519704001166
530519702003141	530519704001996	530519702003132	530519704001150
530519702003177	530519704001070	530519702003996	530519702003046
530519702003192	530519702002133	530519704001172	
530519702003193	530519702002134	530519704001173	
530519702003194	530519702002160	530519702003139	

Each of these census blocks is partially served by a RUS borrower, Pend Oreille Telephone Company (POTC). POTC's service area boundaries do not coincide with census block boundaries. The District designed its last-mile network to reach as much of the population as possible, meaning that where a census block was served partially, but not entirely, by POTC, the District ensured its last-mile network would cover the portion of the census block not served by POTC. See also the attached map depicting the demarcation between the POTC service area and the District's proposed last-mile network, overlaid on the census block boundaries.

As of the 2000 Census, approximately 208 household units are contained in the above-referenced census blocks. The District reasonably believes that the proposed last-mile network will reach approximately one-half of those 208 household units, with the remainder being covered within the POTC service area.

Pend Oreille County PUD Proposed Network Serving Areas



TOTAL BUDGET \$34,157,257

TOTAL

SYSTEM

BROADBAND

Calculate and Save Save and Continue

0

0

6,831,454

\$

0

Тор

Home | Department of Commerce | National Telecommunications Information Administration | Rural Development | USDA.gov

1 of 2 8/12/2009 11:12 AM

\$

27,325,803

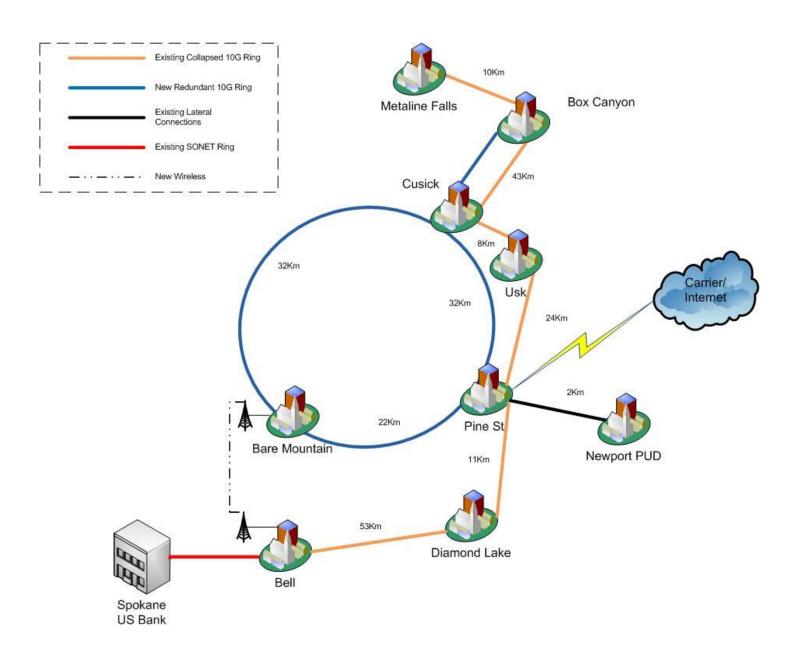
NTIA: Additional Links | Privacy Policy | FOIA | Information Quality Guidelines | Accessibility RD: FOIA | Accessibility Statement | Privacy Policy | Non-Discrimination Statement | Information Quality | USA.gov | White House | Download Adobe Reader

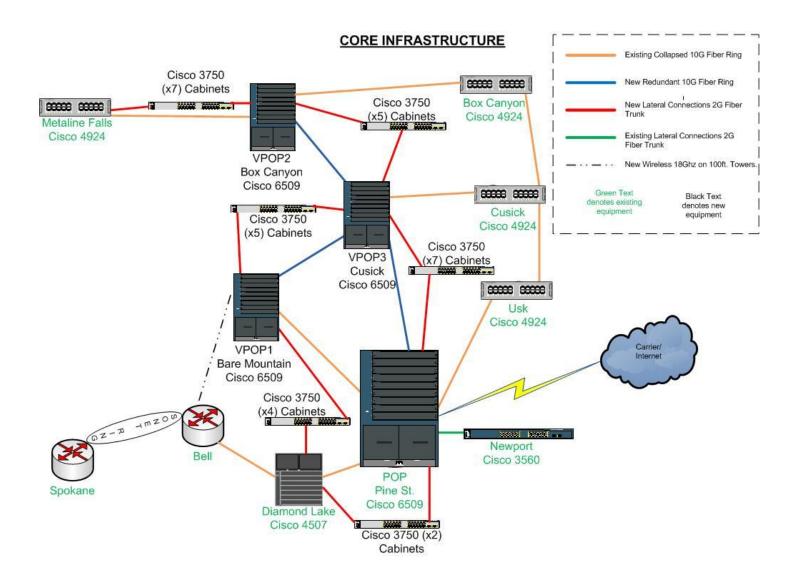
2 of 2

Public Utility District No. 1 of Pend Oreille County, WA

Section F. – Technology Strategy

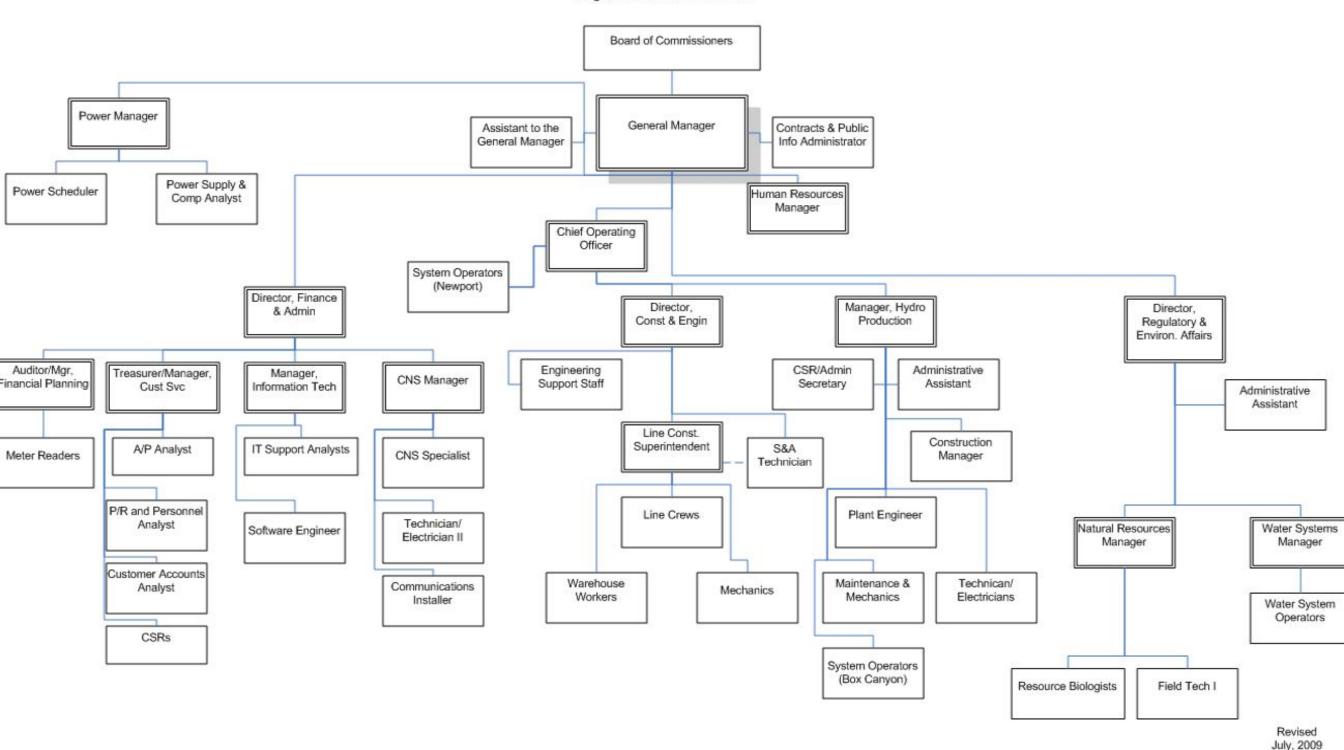
30. Attached are two network diagrams. One is a physical overview of the infrastructure and the interconnectivity between each location. Please note the distances listed between each major location. The second drawing is a more detailed logical view of the interconnection of devices and media types. Note the legend for reference on new equipment versus existing equipment.





Pend Oreille PUD #1

Organizational Overview



ATTACHMENT C - COMPETITOR TABLE - LAST MILE

Existing Last Mile Broadband Service Providers and Services Offered: Please complete a table describing the competing last mile providers' broadband service offerings being advertised in each proposed funded service area (BIP applicants should complete this table for each census designated community within the proposed funded service area). For each competitor, explain the following: a) technology; b) service tiers; c) advertised speeds for residential and business; d) pricing. Include any other comments to explain your findings, if necessary.

	Pend Oreille Co	unty PUD						
	Last Mile	Technology		Advertised Offe		Advertised Offe		
Service Area	Services Provider	Platform	Service Tier	Downstream Speed (Mbps)	Price	Downstream Speed (Mbps)	Price	Other Comments
	Concept Cable	Cable Modem	Entry Level	128 Kbps	\$41.70	3 Mbps	\$83.70	\$19.95 install
Census Community (Newport, WA only)	Concept Cable	Cable Modem	Highest Plan	6 Mbps	\$61.70	3 Mbps	\$106.70	\$50 install
	Concept Cable	Cable Modem	Residential	3 Mbps	\$51.70			\$19.95 install
Canava Cammunitu	Verizon	DSL	Entry Level	768 Kbps	\$47.45	1.5 Mbps	\$62.45	All speeds advertised as "up to"
Census Community (Newport, WA only)	Verizon	DSL	Highest Plan	1.5 Mbps	\$62.45	7.1 Mbps	\$409.94	All speeds advertised as "up to"
	Verizon	DSL	Other Plans			3 Mbps	\$167.45	All speeds advertised as "up to"
	Pend Oreille Valley Networks	DSL	All					POVN is a reseller of Verizon and offers the same price points and speeds as Verizon
Census Community (Newport, WA only)	Pend Oreille Valley Networks	900 Mhz & 2.4 Ghz		256 Kbps	\$30.00			\$250 Install
	Pend Oreille Valley Networks	900 Mhz & 2.4 Ghz		1.5 Mbps	\$ 75			\$250 Install. 900 Mhz radios typically have a maximum base station capacity of 2.7 Mbps

37. Management Team Resumes:

Following the successful implementation of our 4000 plus strand-mile fiber optic network we have learned that it is not the handful of people that plan the deployment, it is the entire District that supports the inception, execution, and operation of the facilities. There are 8 Customer Service Representatives (CSR), there are 15 linemen, 7 technicians, 12 operators/dispatchers working 24/7, and various management members that support the development of the next generation utility, broadband. Specifically assigned to manage the Community Network System broadband facilities are:

Joe Onley

Community Network Systems Manager
23 Years with Pend Oreille Public Utility District
13 Years involving broadband deployments
Bachelor Science Electric Engineering, Gonzaga University 1986

Sandi Snow

CCNA, Network Specialist
4 Years with Pend Oreille Public Utility District
4 Years involving broadband deployment
CCNA, Cisco Certified Network Associate
MCSE, Microsoft Certified Systems Engineer
MED, Masters of Education, Washington State University 1989

Brain Marsengill

Technician
10 Years with Pend Oreille Public Utility District
10 Years involving broadband deployments
IBEW 77 Member



ATTORNEYS

Jerry K. Boyd
Of Counsel
(509) 455-6039
jerry.boyd@painehamblen.com

August 7, 2009

Administrator Rural Utilities Services U.S. Department of Agriculture Washington, D.C. 20250-1500 Assistant Secretary
National Telecommunication
and Information Administration
U.S. Department of Commerce
Washington, D.C. 20230

Re: Public Utility District No. 1 of Pend Oreille County; General & Administrative Broadband Technology Opportunities Program

Dear Sir:

I am general counsel for Public Utility District No. 1 of Pend Oreille County, WA (the Applicant). In such capacity, I acted as counsel to the Applicant in connection with its ability to apply to the Broadband Initiatives Program and the Broadband Technology Opportunities Program as referenced in the Notice of Funds Availability.

I am of the opinion that:

- (a) the Applicant is a duly organized and existing public utility district under the laws of the State of Washington;
- (b) the Applicant has corporate power: (1) to authorize, execute and deliver a grant agreement or a loan agreement; and (2) to perform all acts required to be done by it under such an agreement.
- (c) no legal proceedings have been instituted or are pending against the Applicant, the outcome of which would adversely affect the Applicant's ability to perform the duties under a grant agreement or loan agreement, or adversely affect the security to be pledged under a loan agreement, and there are no judgments against the Applicant and no liens against any of the personal property of the Applicant, which would adversely affect the Applicant's ability to perform the duties under a grant agreement or the security to be pledged under a loan agreement;

Administrator Assistant Secretary August 7, 2009 Page 2

(d) the applicant has the power to own its property and carry out its business as now conducted.

Very truly yours,

ERRY K BOYI

jerry boyd@painehamblen.com

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ASSURANCES - CONSTRUCTION PROGRAMS

Public reporting burden for this collection of information is estimated to average 15 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0042), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

NOTE: Certain of these assurances may not be applicable to your project or program. If you have questions, please contact the Awarding Agency. Further, certain Federal assistance awarding agencies may require applicants to certify to additional assurances. If such is the case, you will be notified.

As the duly authorized representative of the applicant, I certify that the applicant:

- Has the legal authority to apply for Federal assistance, and the institutional, managerial and financial capability (including funds sufficient to pay the non-Federal share of project costs) to ensure proper planning, management and completion of the project described in this application.
- Will give the awarding agency, the Comptroller General of the United States and, if appropriate, the State, the right to examine all records, books, papers, or documents related to the assistance; and will establish a proper accounting system in accordance with generally accepted accounting standards or agency directives.
- Will not dispose of, modify the use of, or change the terms of the real property title, or other interest in the site and facilities without permission and instructions from the awarding agency. Will record the Federal awarding agency directives and will include a covenant in the title of real property acquired in whole or in part with Federal assistance funds to assure non-discrimination during the useful life of the project.
- 4. Will comply with the requirements of the assistance awarding agency with regard to the drafting, review and approval of construction plans and specifications.
- 5. Will provide and maintain competent and adequate engineering supervision at the construction site to ensure that the complete work conforms with the approved plans and specifications and will furnish progress reports and such other information as may be required by the assistance awarding agency or State.
- Will initiate and complete the work within the applicable time frame after receipt of approval of the awarding agency.
- 7. Will establish safeguards to prohibit employees from using their positions for a purpose that constitutes or presents the appearance of personal or organizational conflict of interest, or personal gain.

- Will comply with the Intergovernmental Personnel Act of 1970 (42 U.S.C. §§4728-4763) relating to prescribed standards for merit systems for programs funded under one of the 19 statutes or regulations specified in Appendix A of OPM's Standards for a Merit System of Personnel Administration (5 C.F.R. 900, Subpart F).
- Will comply with the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. §§4801 et seq.) which prohibits the use of lead-based paint in construction or rehabilitation of residence structures.
- 10. Will comply with all Federal statutes relating to nondiscrimination. These include but are not limited to: (a) Title VI of the Civil Rights Act of 1964 (P.L. 88-352) which prohibits discrimination on the basis of race. color or national origin; (b) Title IX of the Education Amendments of 1972, as amended (20 U.S.C. §§1681 1683, and 1685-1686), which prohibits discrimination on the basis of sex; (c) Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. §794), which prohibits discrimination on the basis of handicaps: (d) the Age Discrimination Act of 1975, as amended (42 U.S.C. §§6101-6107), which prohibits discrimination on the basis of age; (e) the Drug Abuse Office and Treatment Act of 1972 (P.L. 92-255), as amended, relating to nondiscrimination on the basis of drug abuse; (f) the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment and Rehabilitation Act of 1970 (P.L. 91-616), as amended, relating to nondiscrimination on the basis of alcohol abuse or alcoholism; (g) §§523 and 527 of the Public Health Service Act of 1912 (42 U.S.C. §§290 dd-3 and 290 ee 3), as amended, relating to confidentiality of alcohol and drug abuse patient records; (h) Title VIII of the Civil Rights Act of 1968 (42 U.S.C. §§3601 et seq.), as amended, relating to nondiscrimination in the sale, rental or financing of housing; (i) any other nondiscrimination provisions in the specific statute(s) underwhich application for Federal assistance is being made; and, (j) the requirements of any other nondiscrimination statute(s) which may apply to the application.

- 11. Will comply, or has already complied, with the requirements of Titles II and III of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) which provide for fair and equitable treatment of persons displaced or whose property is acquired as a result of Federal and federally-assisted programs. These requirements apply to all interests in real property acquired for project purposes regardless of Federal participation in purchases.
- 12. Will comply with the provisions of the Hatch Act (5 U.S.C. §§1501-1508 and 7324-7328) which limit the political activities of employees whose principal employment activities are funded in whole or in part with Federal funds.
- 13. Will comply, as applicable, with the provisions of the Davis-Bacon Act (40 U.S.C. §§276a to 276a-7), the Copeland Act (40 U.S.C. §276c and 18 U.S.C. §874), and the Contract Work Hours and Safety Standards Act (40 U.S.C. §§327-333) regarding labor standards for federally-assisted construction subagreements.
- 14. Will comply with flood insurance purchase requirements of Section 102(a) of the Flood Disaster Protection Act of 1973 (P.L. 93-234) which requires recipients in a special flood hazard area to participate in the program and to purchase flood insurance if the total cost of insurable construction and acquisition is \$10,000 or more.
- 15. Will comply with environmental standards which may be prescribed pursuant to the following: (a) institution of environmental quality control measures under the

- National Environmental Policy Act of 1969 (P.L. 91-190) and Executive Order (EO) 11514; (b) notification of violating facilities pursuant to EO 11738; (c) protection of wetlands pursuant to EO 11990; (d) evaluation of flood hazards in floodplains in accordance with EO 11988; (e) assurance of project consistency with the approved State management program developed under the Coastal Zone Management Act of 1972 (16 U.S.C. §§1451 et seq.); (f) conformity of Federal actions to State (Clean Air) implementation Plans under Section 176(c) of the Clean Air Act of 1955, as amended (42 U.S.C. §§7401 et seq.); (g) protection of underground sources of drinking water under the Safe Drinking Water Act of 1974, as amended (P.L. 93-523); and, (h) protection of endangered species under the Endangered Species Act of 1973, as amended (P.L. 93-205).
- Will comply with the Wild and Scenic Rivers Act of 1968 (16 U.S.C. §§1271 et seq.) related to protecting components or potential components of the national wild and scenic rivers system.
- 17. Will assist the awarding agency in assuring compliance with Section 106 of the National Historic Preservation Act of 1966, as amended (16 U.S.C. §470), EO 11593 (identification and protection of historic properties), and the Archaeological and Historic Preservation Act of 1974 (16 U.S.C. §§469a-1 et seq).
- 18. Will cause to be performed the required financial and compliance audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular No. A-1 33, "Audits of States, Local Governments, and Non-Profit Organizations."
- Will comply with all applicable requirements of all other Federal laws, executive orders, regulations, and policies governing this program.

*SIGNATURE OF AUTHORIZED CERTIFYING OFFICIAL	*TITLE
A. C. O.	Community Network System Manager
*APPLICANT ORGANIZATION	*DATE SUBMITTED
Public Utility District of Pend Oreille	AUGUST 6, 2009

SUBSCRIBER PROJECTION TABLE AND RATE PLANS VOICE SERVICES

COMPLETE THE CHART BELOW FOR EACH PROPOSED FUNDED SERVICE AREA. FOR ALL OTHER SERVICE AREAS, PLEASE PREPARE A CHART THAT AGGREGATES THIS INFORMATION

SERVICE AREA NAME:

	Census	Yea	r 1	Yea	ar 2	Yea	r 3	Yea	r 4	Year 5		
	Community	Res	Bus	Res	Bus	Res	Bus	Res	Bus	Res	Bus	
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												
TOTAL												

Rates:

Residential Service

Business Service

Other (Specify):

Note: Complete a separate table for each service area.

Balance Sheet - Fully Consolidated "Hypothetical RUS Loan"

Attachment L - Balance Sheet BIP

		Histo	oric	al	Forecast Period									
<u>Assets</u>		2007		2008	Υ	ear 1 (2009)	١	rear 2 (2010)		ear 3 (2011)	Υ	ear 4 (2012)	Yea	ar 5 (2013)
Current Assets						(222)		(/		,		()		(/
Cash	\$	13,612,350	\$	13,754,709	\$	11,339,660	\$	37,002,212	\$	13,579,303	\$	18,646,411	\$	23,682,244
Accounts Receivable	\$	1,651,393	l	966,331	\$	966,331	\$	1,318,192	\$	1,326,564		1,326,564	\$	1,353,074
Inventory	\$	1,924,683	\$	1,745,150	\$	1,745,150	\$	1,745,150	\$	1,745,150	\$	1,745,150	\$	1,745,150
Unbilled Revenue	\$	726,537	Li	871,837	\$	871,837	\$	 	\$	871,837	\$	871,837	\$	871,837
Other Current Assets	\$	188,128	\$	168.422	\$	168.422	\$	168,422	\$	168,422	\$	168.422	\$	168,422
Total Current Assets	\$	18,103,091	\$	17,506,449	\$	15,091,400	\$		\$	17,691,277	\$	22,758,384	-	27,820,727
Total Garioti / 1000to	Ψ	10,100,001	Ψ	17,000,110	Ψ	10,001,100	Ψ	11,100,010	Ψ	11,001,211	Ψ	22,700,001	Ψ	21,020,121
Non-Current Assets														
Amortizable Asset (Net of Amortization)	\$	12,555,309	\$	12,544,444	\$	12,533,579	\$	12,522,714	\$	12,511,849	\$	12,500,984	\$	12,490,119
7 and azado 7 toot (1 tot of 7 and azadon)	Ψ.	12,000,000	Ψ.	12,011,111	Ψ_	12,000,010	Ψ.	12,022,711	Ψ_	12,011,010	Ψ_	12,000,001	Ψ	12, 100, 110
Equipment in Service	\$	125,600,433	\$	132,539,956	\$	150,350,682	\$	156,176,494	\$	184,507,937	\$	184,507,937	\$ 1	84,507,937
Less: Accumulated Depreciation	\$	(50,271,484)		(53,654,824)	\$	(58,616,397)	\$		\$					82,036,507)
Net Plant	_	75,328,949	\$	78,885,132	\$	91,734,285	\$	92,406,273		114,648,954		108,560,193		02,471,431
Construction Work in Progress	\$	6,944,487	\$	17,810,726	\$		\$		Ψ	,0 10,004	Ψ	. 55,550,100	Ψ '	, 1, 101
Special Funds	\$	10,924,484	\$	11,807,352	\$	11,807,352	\$	11,807,352	\$	11,807,352	\$	11,807,352	\$	11,807,352
Deferred Licensing Costs	\$	5,790,851	\$	5,067,435	\$	5,067,435	\$	5,067,435	\$	5,067,435		5,067,435	\$	5,067,435
Other Assets	\$	423,637	\$	367,079	\$	367,079	\$		\$	367,079		367,079	\$	367,079
Total Non-Current Assets		111,967,717	\$	126,482,168		121,509,730	\$			144,402,669		138,303,043		32,203,416
Total Non-Current Assets	Ψ	111,907,717	Ψ	120,402,100	Ψ	121,509,750	Ψ	122,170,000	Ψ	144,402,009	Ψ	130,303,043	ψι	32,203,410
Total Assets	\$	130,070,808	\$	143 988 617	\$	136,601,130	\$	163,276,666	\$	162,093,946	\$	161 061 427	\$ 1	60,024,142
101017100010	Ψ	100,010,000	Ψ	1 10,000,011	Ψ	100,001,100	Ψ	100,270,000	Ψ	102,000,010	Ψ	101,001,127	Ψ	00,021,112
Liabilities and Owners' Equity		2007		2008		Year 1		Year 2		Year 3		Year 4		Year 5
Liabilities		2007		2000		i cui i		TCUI Z		i cui o		T Cut 4		rear o
Liabilities														
Current Liabilities														
Accounts Payable	\$	3,929,500	\$	7,607,025	\$	5,982,608	\$	6,002,159	\$	6,039,692	\$	6,046,408	\$	6,051,521
Accrued Expenses	\$	2,567,266	\$	2,615,993	\$	2,615,993	\$	2,615,993	<u>Ψ</u> \$	2.615.993	<u>Ψ</u> \$	2,615,993	\$	2,615,993
Customer Prepayments	\$	839,258		732,896	\$	732,896	\$	732,896	\$	732,896	<u>Ψ</u> \$	732,896	\$	732,896
Current Portion - Long Term Debt	\$	2,019,140		10,762,189	\$	2,926,953	\$	3,795,289	<u>φ</u> \$	3,892,928		4,007,928	\$	3,648,928
Current Portion - Deferred Revenue		53,219		54,547	\$	54,547	\$	54,547	\$	54,547		54,547	\$ \$	54,547
Current License Costs	\$ \$	157,450	Li	141,642	\$		\$	141,642	\$	141,642	<u>\$</u> \$	141,642	<u>φ</u> \$	
	_	,	\$,	\$	141,642	\$,	\$		\$	13.599.414		141,642
Total Current Liabilities	Ф	9,565,833	Э	21,914,292	Ф	12,454,639	Ф	13,342,527	Ф	13,477,698	Ф	13,599,414	Ф	13,245,527
Long-Term Liabilities														
Deferred Revenue - Net of Current Portion	\$	1,078,546	\$	1,028,957	\$	1,028,957	\$	1,028,957	\$	1,028,957	\$	1,028,957	\$	1,028,957
License Costs - Net of Current Portion		7,941,710	Li	7,320,633		7,320,633	\$	 	\$	7,320,633		7,320,633	\$	7,320,633
	\$ \$				\$ \$				\$					
License Surrender Liability	φ.	750,000		750,000		750,000	\$	750,000	Φ	750,000		750,000	\$	750,000
Long Term Debt - Net of Current Portion	\$	24,623,882		22,031,192	\$	19,104,239	\$	42,634,753	\$	38,741,825	\$	34,733,897		31,084,969
Total Long-Term Liabilities	\$	34,394,138	\$	31,130,782	\$	28,203,829	\$	51,734,343	\$	47,841,415	\$	43,833,487	\$	40,184,559
			1		l	10.050.100	_	65,076,869	_	61,319,112	Φ.	57,432,901	\$	53,430,086
Total I (abilitica	d.	42 0E0 074	6	E2 04E 074	Ф				Cr.			57.437.901	.h	JJ,43U,U86
Total Liabilities	\$	43,959,971	\$	53,045,074	\$	40,658,468	\$	65,076,669	\$	01,319,112	\$	0.,.02,00.	Ψ	
	\$	43,959,971	\$	53,045,074	\$	40,658,468	Э	65,076,669	\$	61,319,112	Ъ	0.,.02,00.	Ψ	
Net Assets		, ,	,	, ,	Ť	, ,		, ,	,	, ,	Ť	, ,		76 040 440
Net Assets Invested in Capital Assets, Net of Related Debt	\$	68,596,653	\$	76,813,413	\$	76,813,413	\$	76,813,413	\$	76,813,413	\$	76,813,413	\$	76,813,413
Net Assets Invested in Capital Assets, Net of Related Debt Restricted Net Assets	\$	68,596,653 3,791,504	\$	76,813,413 3,880,902	\$	76,813,413 3,880,902	\$	76,813,413 3,880,902	\$	76,813,413 3,880,902	\$	76,813,413 3,880,902	\$ \$	3,880,902
Net Assets Invested in Capital Assets, Net of Related Debt Restricted Net Assets Unrestricted Net Assets	\$ \$	68,596,653 3,791,504 13,722,680	\$ \$	76,813,413 3,880,902 10,249,228	\$ \$ \$	76,813,413 3,880,902 15,248,347	\$	76,813,413 3,880,902 17,505,482	\$ \$ \$	76,813,413 3,880,902 20,080,518	\$ \$ \$	76,813,413 3,880,902 22,934,211	\$ \$	3,880,902 25,899,742
Net Assets Invested in Capital Assets, Net of Related Debt Restricted Net Assets	\$ \$	68,596,653 3,791,504	\$	76,813,413 3,880,902	\$	76,813,413 3,880,902	\$	76,813,413 3,880,902	\$ \$ \$	76,813,413 3,880,902	\$ \$ \$	76,813,413 3,880,902	\$ \$	3,880,902
Net Assets Invested in Capital Assets, Net of Related Debt Restricted Net Assets Unrestricted Net Assets	\$ \$ \$	68,596,653 3,791,504 13,722,680 86,110,837	\$ \$ \$ \$	76,813,413 3,880,902 10,249,228 90,943,543	\$ \$ \$	76,813,413 3,880,902 15,248,347 95,942,662	\$ \$ \$	76,813,413 3,880,902 17,505,482	\$ \$ \$	76,813,413 3,880,902 20,080,518 100,774,833	\$ \$ \$ \$ \$ \$	76,813,413 3,880,902 22,934,211 103,628,526	\$ \$ \$ \$ 1	3,880,902 25,899,742

Balance Sheet - Fully Consolidated - Assumes BTOP Grant

Attachment L - Balance Sheet - BTOP

		Histo	oric	al					Fo	recast Period				
<u>Assets</u>		2007		2008	Υ	ear 1 (2009)	Υ	(ear 2 (2010)	Υ	ear 3 (2011)	Υ	ear 4 (2012)	Υe	ar 5 (2013)
Current Assets														
Cash	\$	13,612,350	\$	13,754,709	\$	11,339,660	\$	38,177,222	\$	17,238,838	\$	24,733,490	\$	32,139,685
Accounts Receivable	\$	1,651,393	\$	966,331	\$	966,331	\$	1,318,192	\$	1,326,564	\$	1,326,564	\$	1,353,074
Inventory	\$	1,924,683	\$	1,745,150	\$	1,745,150	\$	1,745,150	\$	1,745,150	\$	1,745,150	\$	1,745,150
Unbilled Revenue	\$	726,537	\$	871,837	\$	871,837	\$	871,837	\$	871,837	\$	871,837	\$	871,837
Other Current Assets	\$	188,128	\$	168,422	\$	168,422	\$	168,422	\$	168,422	\$	168,422	\$	168,422
Total Current Assets	\$	18,103,091	\$	17,506,449	\$	15,091,400	\$	42,280,823	\$	21,350,811	\$	28,845,464	\$	36,278,168
Non-Current Assets	<u> </u>		L				١.							
Amortizable Asset (Net of Amortization)	\$	12,555,309	\$	12,544,444	\$	12,533,579	\$	12,522,714	\$	12,511,849	\$	12,500,984	\$	12,490,119
Equipment in Service	\$	125,600,433	\$	132,539,956	\$	150,350,682	\$	156,176,494	\$	184,507,937	\$	184,507,937	\$	184,507,937
Less: Accumulated Depreciation	\$		 -	(53,654,824)	\$	(58,616,397)	\$	(63,770,221)	\$	(69,858,983)		(75,947,745)		(82,036,507)
Net Plant		75,328,949	\$	78,885,132	\$	91.734.285	\$	92,406,273		114,648,954		108,560,193		102,471,431
Construction Work in Progress	\$	6,944,487	\$	17,810,726	\$		\$	-	Ψ	117,070,007	Ψ	100,000,100	Ψ	
Special Funds	\$	10,924,484	\$	11,807,352	\$	11,807,352	\$	11,807,352	\$	11,807,352	\$	11,807,352	\$	11,807,352
Deferred Licensing Costs	\$	5,790,851	\$	5,067,435	\$	5,067,435	\$	5,067,435	\$	5,067,435		5,067,435	\$	5,067,435
Other Assets	\$	423.637	\$	367,079	\$	367.079	\$	367,079	\$	367.079	\$	367.079	\$	367,079
Total Non-Current Assets	,	- ,	\$	126,482,168		121,509,730	\$,	•	138,303,043		132,203,416
Total Non Galloni Accord	Ψ	111,007,717	Ψ	120, 102, 100	Ψ	121,000,700	Ψ	122,170,000	Ψ	111,102,000	Ψ	100,000,010	Ψ	102,200,110
Total Assets	\$	130,070,808	\$	143,988,617	\$	136,601,130	\$	164,451,676	\$	165,753,480	\$	167,148,506	\$	168,481,584
<u>Liabilities and Owners' Equity</u>		2007		2008		Year 1		Year 2		Year 3		Year 4		Year 5
Liabilities														
0														
Current Liabilities	_				_		_		_		_		_	
Accounts Payable	\$	3,929,500	\$	7,607,025	\$	5,982,608	\$	6,002,159	\$	6,039,692	\$	6,046,408	\$	6,051,521
Accrued Expenses	\$	2,567,266	+	2,615,993	\$	2,615,993	\$	2,615,993	\$	2,615,993		2,615,993	\$	2,615,993
Customer Prepayments	\$	839,258	\$	732,896	\$	732,896	\$	732,896	\$	732,896		732,896	\$	732,896
Current Portion - Long Term Debt	\$	2,019,140		10,762,189	\$	2,926,953	\$	2,428,999	\$	2,526,638	\$	2,641,638	\$	2,282,638
Current Portion - Deferred Revenue	\$	53,219	+	54,547	\$	54,547	\$	54,547	\$	54,547		54,547	\$	54,547
Current License Costs	\$	157,450	\$	141,642	\$	141,642	\$	141,642	\$	141,642	\$	141,642	\$	141,642
Total Current Liabilities	\$	9,565,833	\$	21,914,292	\$	12,454,639	\$	11,976,236	\$	12,111,408	\$	12,233,124	\$	11,879,237
Long-Term Liabilities														
Deferred Revenue - Net of Current Portion	\$	1,078,546	\$	1,028,957	\$	1,028,957	\$	1,028,957	\$	1,028,957	\$	1,028,957	\$	1,028,957
License Costs - Net of Current Portion	\$	7,941,710		7,320,633	\$	7,320,633	\$	7,320,633	\$	7,320,633		7,320,633	\$	7,320,633
License Surrender Liability	\$	750,000	\$	750,000	\$	750,000	\$	750,000	\$	750,000	\$	750,000	\$	750,000
Long Term Debt - Net of Current Portion	\$	24,623,882	\$	22,031,192	\$	19,104,239	\$	16,675,240	\$	14,148,602	\$	11,506,964	\$	9,224,326
Total Long-Term Liabilities		34,394,138	\$	31,130,782	\$	28,203,829	\$	25,774,830	\$	23,248,192	\$	20,606,554	\$	18,323,916
				· · ·		<i>'</i>		, ,				<i>.</i>		, ,
Total Liabilities	\$	43,959,971	\$	53,045,074	\$	40,658,468	\$	37,751,066	\$	35,359,600	\$	32,839,678	\$	30,203,153
Not Appete														
Net Assets	Φ	60 500 050	ф	76 040 440	۴	76 040 440	φ.	76 040 440	t.	76 040 440	t.	76 040 440	φ	76 040 440
Invested in Capital Assets, Net of Related Debt	\$	68,596,653	\$	76,813,413	\$	76,813,413	\$ \$	76,813,413	\$	76,813,413	\$	76,813,413	\$	76,813,413
Restricted Net Assets	\$	3,791,504	\$	3,880,902	\$	3,880,902		3,880,902	\$	3,880,902	\$	3,880,902	\$	3,880,902
Unrestricted Net Assets	\$	13,722,680	\$	10,249,228 90,943,543	\$	15,248,347 95,942,662	\$	46,006,295 126,700,610	\$ \$	49,699,565 130,393,880	\$	53,614,513 134,308,828	\$	57,584,116 138,278,431
Total Net Assets	Ъ	86,110,837	Ф	90,943,543	Ф	95,942,662	Ф	120,700,610	Ф	130,393,880	Ф	134,308,828	Ф	138,218,437
Total Liabilities and Owner's Equity	\$	130,070,808	\$	143,988,617	\$	136,601,130	\$	164,451,676	\$	165,753,480	\$	167,148,506	\$	168,481,584
					_		•				•		-	

Balance Sheet Assumptions

- 1. Accounts Receivable was calculated at approximately 3% of total revenues for the year based on historical trends.
- 2. Inventory, Unbilled Revenue, and Other Current Assets remained at the same levels as 2008.
- 3. Net intangibles continued to increase as the historical trend.
- 4. In year one, the only addition to the Equipment in Service account was the Construction in Progress from the prior year. In subsequent years, the only additions were the three phases of the project. It was assumed that there would be no retirements over the five-year period.
- 5. Depreciation continued to be accounted for according to historical trends.
- 6. Special Funds, Deferred Licensing Costs, and Other Assets remained at the same levels as 2008.
- 7. Accounts Payable was calculated at approximately 19% of total expenses for the year based on historical trends.
- 8. Accrued Expenses, Customer Prepayments, Deferred Revenue, License Costs, and License Surrender Liability remained at the same levels as 2008.
- 9. Long Term Debt, both current and non-current, was obtained from the 2008 audited financial statements. No additional debt was incurred in future periods. See also Note 4 to the 2008 audited financial statements, providing a table of scheduled maturities and interest on long-term debt, by system. Note that Year 5 Long Term Debt-Current Portion was presented as a cumulative amount for years 2014 2018 in Note 4 of the 2008 audited financials; for ease of calculation, this cumulative amount was divided by five to determine estimated Long Term Debt-Current Portion for Year 5.
- 10. All changes in Net Assets ran through the Unrestricted Net Assets account for ease of calculations.

Cash Management Practices:

For a comprehensive discussion of the District's cash management policies, please refer to Note 2 to the District's audited financial statement for fiscal year 2008 (provided in response to Question 47). The most relevant portions of that discussion are as follows:

Interest Rate Risk. The District's investment policy limits investment maturities to less than five years from the date of purchase unless authorized by the General Manager and Director of

Finance for a specific purpose. During 2008 and 2007, excepting the 2005 bond reserve account, all investments were in the State Treasurer's Local Government Investment Pool (LGIP), which has a weighted average portfolio maturity of less than 90 days.

Credit Risk. In accordance with the Revised Code of Washington, District bond resolutions, and District internal investment policies, all investments are direct obligations of the U.S. Government, deposits in the LGIP, or deposits with financial institutions recognized as qualified public depositories of the State of Washington. U.S. Government securities are held by banks or trust companies as the District's agent and in the District's name. The District's cash deposits are covered by federal depository insurance or protected against loss by deposit with financial institutions recognized as qualified public depositories of the State of Washington. The District intends to hold time deposits and securities until maturity.

Concentration of Credit Risk. District policies allow the entire portfolio to be invested in direct United States Government guaranteed obligations or in the LGIP. No other investment may exceed half of portfolio market value. The LGIP, a 2a7-like pool as defined by GASB Statement No. 31 and the Securities and Exchange Commission, invests in high quality, short-term investments; all LGIP money market securities must be rated A-1 by Standard & Poors Corporation or P1 by Moody's Investor Services, Inc. The LGIP weighted average maturity must not exceed 90 days and no single investment may exceed 762 days in maturity. Withdrawals in excess of \$10 million are available on a one day notice. The LGIP Annual Report is available on the State Treasurer's website at http://tre.wa.gov/LGIP/lgip.htm.

ATTACHMENT E - PROJECT PLAN (KEY PHASES AND MILESTONES TO DEMONSTRATE DEGREE OF COMPLETION)

- Use the following table to list the major network build-out phases and milestones that can demonstrate that your entire project will be substantially complete by the end of Year 2 and fully complete by the end of Year 3. This is to be done at the aggregate level (combining all proposed funded service areas.)
- Indicate how the milestones listed below will demonstrate these completion objectives. The applicant should consider such project areas as: a) network design; b) securing all relevant licenses and agreements; c) site preparation; d) equipment procurement; e) inside plant deployment; f) outside plant deployment; g) equipment deployment; h) network testing; i) network complete and operational. The applicant may provide any other milestones that it believes showcase progress.
- Project inception (Year 0) starts at the date when the applicant receives notice that the project has been approved for funding.
- In the table, provide any information (e.g., facts, analysis) to: a) demonstrate the reasonableness of these milestones; b) substantiate the ability to reach the milestones by the quarters indicated.
- On a separate sheet, describe the key challenges, if any, to a timely completion of the project, including any applicable mitigation plans.

Time Period	Quarter	List All Relevant Milestones	Support for Reasonableness/Data Points
Year 0	-	•	•
	Qtr. 1	•	•
Year 1	Qtr. 2	•	•
	Qtr. 3	•	•
	Qtr. 4	•	•
Year 2	Qtr. 1	•	•

ATTACHMENT E

	Qtr. 2	•	•
	Qtr. 3	•	•
	Qtr. 4	•	•
Year 3	Qtr. 1	•	•
	Qtr. 2	•	•
	Qtr. 3	•	•
	Qtr. 4	•	
	\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \		•

ATTACHMENT E (CONTINUED) - BUILD-OUT TIMELINE

Complete the following schedule for each proposed funded service area (or, if a middle mile project, for each last mile service area) to indicate the planned build-out in terms of: 1) the requested infrastructure funds; and 2) the entities passed. Entities passed include households, businesses, and "strategic institutions" comprised of critical community facilities, community anchor institutions, and public safety entities. In addition, please complete a separate schedule that aggregates all projected broadband subscribers within the proposed funded service area (or if a middle mile project, for each last mile service area). For BIP only, please include this information for the non-funded service areas as well.

	Name:																				
			YI	EAR 1	,		YE	EAR 2			YI	EAR 3			YE	EAR 4			Y	EAR 5	
	YEAR 0	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr. 4	Qtr.	Qtr.	Qtr.	Qtr.	Qtr. 1	Qtr.	Qtr.	Qtr. 4	Qtr.	Qtr.	Qtr.	Qtr.
Infrastructure Funds																					
Infrastructure Funds Advanced (estimate)																					
Percentage of Total Funds																					
Entities Passed & %																					
Households																					
Percentage of Total Households																					
Businesses																					
Percentage of Total Businesses																					
Strategic Institutions (Comm. Anchor, Public Safety, etc)																					
Percentage of Total Institutions																					

ATTACHMENT E – Infrastructure Build-Out Timeline and Project Plan

Pend Oreille County Public Utility District No. 1

The milestones identified in the Build-Out Timeline and Project Plan are reasonable, and the District has high confidence in the milestones being met, for the following reasons:

The District is a Well-Established Public Utility District With Over 60 Years of Operating Experience

As a public utility district operating an existing middle-mile fiber optic backbone, the District has extensive network construction experience and process familiarity with the local permitting agencies, and can provide supervisory guidance and assistance to its selected project contractors where needed. The District's ownership and control of rights-of-way and core pole and conduit infrastructure will provide an expedited path to placing the fiber.

The District Has Retained Highly-Qualified Engineering and Project Management Resources, and Has Already Devoted Extensive Time to the Project.

As a critical part of its preparation for submitting this application, the District has engaged ID Consulting Solutions, LLC (IDCS) to perform preliminary engineering, design and outline project management for the proposed Project. IDCS has already expended considerable resources on data collection, field survey, cost estimates, identifying possible construction partners, mapping critical paths, identifying permitting requirements, and refining the optical network design. IDCS has taken steps to discuss possible field support with other engineering firms, and has been assured that support would be readily available at rates inside the proposed budget if selected to manage the project. For equipment procurement contracts, IDCS has consulted with a fiber supplier (OFS) to determine requirements for ensuring preferences on fiber delivery, priority in the queue, and favorable pricing. IDCS has taken similar actions with critical material suppliers. To ensure the competent and timely installation of facilities, IDCS has confirmed that Quanta Services could be available to perform the outside plant (OSP) construction, if selected. Quanta has well-documented capabilities and experience on major projects in this region, as well as throughout the rest of the United States.

The District's OSS and BSS Requirements are Streamlined, Owing to its Fixed-Price Wholesale Services.

Installation of the operational support systems (OSS) and business support systems (BSS) will provide more than adequate time for training and education. The critical billing and corresponding network inventory assignments will be substantially easier to track and manage because the District only offers fixed-price wholesale services. Also, the Windows-based network support systems of most vendors are relatively easy to navigate. The District has elected to initiate these systems and the training early in the project, so that the operating team will be trained adequately and any special circumstances can be resolved prior to implementation. Most vendors offer training courses using simulators that will be used to train the operating staff.

The District Has Identified and Addressed Key Material and Equipment Procurement Issues.

See discussion of material procurement under "Key Challenges," below. In addition, the District has preference for Cisco equipment as its preferred routing and transport network layers, because of (a) it is currently standardized on its existing middle mile network, (b) the Cisco gear's ability to converge these two functions into one system, and (c) its wide availability and support in the

ATTACHMENT E – Infrastructure Build-Out Timeline and Project Plan

Pend Oreille County Public Utility District No. 1

marketplace. Cisco is also available on Washington State Contract pricing at pre-negotiated discounts. IDCS has consulted with Cisco-Certified Gold Partner (Mountain States Networking) on state pricing and timeline assumptions for the Cisco electronics. As a Gold Partner, Mountain States Networking has priority in the ordering queue, which would help to ensure timely availability, certified technical support. IDCS has confirmed that Mountain States Networking would be available to provide installation and testing of all the transport, switching and routing equipment, as well as the interconnections of the network interfaces to the support systems, if selected for installation and support.

The District's Construction Plans Optimize Financial and Human Resources.

Phase 1 and Phase 2 of the project will be constructed in stages that allow the District to activate portions of the network while the remainder of the system is under construction. The construction plan incorporates the completion of Phase 1 and the immediate commencement of Phase 3. This transition produces the most efficient and cost effective use of financial, construction and human resources. The full physical construction of Phases 1 and 2 will take approximately 110 days and cover over 400 miles of fiber installation. Once the pole lines are prepared, aerial fiber installation can progress at a rate of four miles per day. Based upon the collective experience of the District and IDCS (and, in consultation with Quanta), the installation interval is very much attainable. The rural county doesn't have to contend with issues such as heavy traffic, prolonged moratoriums, or congested rights of way, which, overall, will allow for faster deployment times compared to more urbanized areas. The District will monitor the progress of Phases 1 and 2 closely to ensure that Phase 3 construction can commence immediately after the conclusion of Phase 1.

Key Challenges:

<u>Material Procurement</u> - Due to the current economy, many suppliers have allowed inventories to dwindle and thus the District has identified material procurement as a critical path to a successful and timely execution of its plan. The effect of the broadband stimulus funds (i.e., a potential surge in demand) could cause delays in obtaining critical materials such as fiber, splicing supplies and conduit. To avoid delays, IDCS has consulted with various vendors to understand the nature and extent of potential queue preferences, and, in turn, to provide vendors with a general forecast of potential orders. These efforts were intended to assist the vendors with their planning and inventory management, which we believe is prudent.

<u>Permitting</u> – Securing necessary permits is a variable and cause for potential delay in any network construction project. From the outset of the Project's development, IDCS has identified the necessary permits and the anticipated timeframes to secure such permits based on the District's historical experience with the applicable permitting agencies.

<u>Weather</u> - While weather could potentially cause some delays in deployment if heavy rains or heavy snow occur during the construction phase, the projected construction schedule provides more than adequate time to complete the project in the historically best weather of the year. The District will ensure that any contractors working on outside plant construction are experienced with local weather conditions and patterns.

ATTACHMENT E - PROJECT PLAN (KEY PHASES AND MILESTONES TO DEMONSTRATE DEGREE OF COMPLETION)

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	Qtr. 1	•	•
Year 1	Qtr. 2	•	•
	Qtr. 3	•	•
	Qtr. 4	•	•
Year 2	Qtr. 1	•	•

ATTACHMENT E

	Qtr. 2	•	•
	Qtr. 3	•	•
	Qtr. 4	•	•
Year 3	Qtr. 1	•	•
	Qtr. 2	•	•
	Qtr. 3	•	•
	Qtr. 4	•	
	\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \		•

ATTACHMENT E (CONTINUED) - BUILD-OUT TIMELINE

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	Name:																				
			YI	EAR 1	,		YE	EAR 2			YI	EAR 3			YE	EAR 4			Y	EAR 5	
	YEAR 0	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.	Qtr. 4	Qtr.	Qtr.	Qtr.	Qtr.	Qtr. 1	Qtr.	Qtr.	Qtr. 4	Qtr.	Qtr.	Qtr.	Qtr.
Infrastructure Funds																					
Infrastructure Funds Advanced (estimate)																					
Percentage of Total Funds																					
Entities Passed & %																					
Households																					
Percentage of Total Households																					
Businesses																					
Percentage of Total Businesses																					
Strategic Institutions (Comm. Anchor, Public Safety, etc)																					
Percentage of Total Institutions																					

ATTACHMENT E – Infrastructure Build-Out Timeline and Project Plan

Pend Oreille County Public Utility District No. 1

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ATTACHMENT E – Infrastructure Build-Out Timeline and Project Plan

Pend Oreille County Public Utility District No. 1

marketplace. Cisco is also available on Washington State Contract pricing at pre-negotiated discounts. IDCS has consulted with Cisco-Certified Gold Partner (Mountain States Networking) on state pricing and timeline assumptions for the Cisco electronics. As a Gold Partner, Mountain States Networking has priority in the ordering queue, which would help to ensure timely availability, certified technical support. IDCS has confirmed that Mountain States Networking would be available to provide installation and testing of all the transport, switching and routing equipment, as well as the interconnections of the network interfaces to the support systems, if selected for installation and support.

The District's Construction Plans Optimize Financial and Human Resources.

Phase 1 and Phase 2 of the project will be constructed in stages that allow the District to activate portions of the network while the remainder of the system is under construction. The construction plan incorporates the completion of Phase 1 and the immediate commencement of Phase 3. This transition produces the most efficient and cost effective use of financial, construction and human resources. The full physical construction of Phases 1 and 2 will take approximately 110 days and cover over 400 miles of fiber installation. Once the pole lines are prepared, aerial fiber installation can progress at a rate of four miles per day. Based upon the collective experience of the District and IDCS (and, in consultation with Quanta), the installation interval is very much attainable. The rural county doesn't have to contend with issues such as heavy traffic, prolonged moratoriums, or congested rights of way, which, overall, will allow for faster deployment times compared to more urbanized areas. The District will monitor the progress of Phases 1 and 2 closely to ensure that Phase 3 construction can commence immediately after the conclusion of Phase 1.

Key Challenges:

<u>Material Procurement</u> - Due to the current economy, many suppliers have allowed inventories to dwindle and thus the District has identified material procurement as a critical path to a successful and timely execution of its plan. The effect of the broadband stimulus funds (i.e., a potential surge in demand) could cause delays in obtaining critical materials such as fiber, splicing supplies and conduit. To avoid delays, IDCS has consulted with various vendors to understand the nature and extent of potential queue preferences, and, in turn, to provide vendors with a general forecast of potential orders. These efforts were intended to assist the vendors with their planning and inventory management, which we believe is prudent.

<u>Permitting</u> – Securing necessary permits is a variable and cause for potential delay in any network construction project. From the outset of the Project's development, IDCS has identified the necessary permits and the anticipated timeframes to secure such permits based on the District's historical experience with the applicable permitting agencies.

<u>Weather</u> - While weather could potentially cause some delays in deployment if heavy rains or heavy snow occur during the construction phase, the projected construction schedule provides more than adequate time to complete the project in the historically best weather of the year. The District will ensure that any contractors working on outside plant construction are experienced with local weather conditions and patterns.

Statement of Cash Flows - Fully Consolidated - "Hypothetical RUS Loan"

Attachment M - Statement of Cash Flows - BIP

	Hist	orica	al	Forecast Period											
	2007		2008		Year 1		Year 2		Year 3		Year 4		Year 5		
Beginning Cash	\$ 22,250,117	\$	24,536,834	\$	23.558.061	\$	20.657.332	\$	19,085,674	\$	25,591,103	\$	32,324,444		
	Ψ 22,200,111	+	24,000,004	Ψ	20,000,001	Ψ	20,001,002	Ť	10,000,014	Ψ	20,001,100	Ψ	02,024,444		
CASH FLOWS FROM OPERATING ACTIVITIES:															
Net Income	8,223,932		5,373,790		4,999,119		2,257,135		2,575,036		2,853,693		2,965,531		
Adjustments to Reconcile Net Income to Net						Ī									
Cash Provided by Operating Activities															
Add: Depreciation & Amortization	4,082,405	-†	4,420,451		4,486,758	t	6,261,922		6,330,233		6,399,569		6,469,944		
Changes in Current Assets and Liabilities:		-†				t									
Accounts Receivable	(162,361))	510,388			<u></u> -	(351,861)		(8,373)		-		(26,510)		
Inventory	(237,142))	179,533			t					-				
Unbilled Revenue	74,572	' †	(145,300)			 					-				
Other Current Assets	(21,103)	,t	19,706			t					-				
Deferred Licensing Costs	120,399	' -	86,531								-				
Accounts Payable	1,217,663	-†	3,390,336		(1,624,417)		19,552		37,532		6,717	l	5,113		
Accrued Expenses	70,332		259,371		(1,024,417)	 	10,002	 -	07,002				0,110		
Accided Expenses	70,002		200,071			 									
Net Cash Provided (Used) by Operations	\$ 13,368,697	\$	14,094,806	\$	7,861,460	\$	8,186,748	\$	8,934,428	\$	9,259,979	\$	9,414,078		
CASH FLOWS FROM FINANCING ACTIVITIES:															
Acquisition and Construction of Capital Assets	(11,345,208)		(18,647,711)				(34,157,255)								
		<u>'</u>				 	(34, 137,233)	 -							
Proceeds from Grants	88,158		239,028			 									
Change of Deferred Revenue	(88,078)	<u>'</u>	(48,261)			 						 -			
Proceeds from issuance of revenue bonds	2,346,829		1,305,600	L	-	ļ		 							
Payment on revenue bonds	(3,079,951))	(3,172,100)		(10,762,189)	ļ	(2,926,954)	 	(2,428,999)		(2,526,638)		(2,641,638)		
Proceeds from issuance of borrowings	-		6,817,410		-	ļ	27,325,803		-		-				
Scheduled payments on notes payable	(47,910)	<u> </u>	(162,009)								-				
Net Cash Provided by Financing Activities	\$ (12,126,160)	\$	(13,668,043)	\$	(10,762,189)	\$	(9,758,406)	\$	(2,428,999)	\$	(2,526,638)	\$	(2,641,638)		
CASH FLOWS FROM INVESTING ACTIVITIES:															
Purchases of Special Funds	(9,736,882))	(17,678,724)		-		-		-		-		-		
Sales of Special Funds	9,729,475		15,753,000					<u> </u>			-	Ľ.			
Interest on Special Funds	1,051,587	1	520,188		-	T	-		-		-		-		
		T				T		<u> </u>							
Net Cash Used by Investing Activities	\$ 1,044,180	\$	(1,405,536)	\$	-	\$	-	\$	-	\$	-	\$	-		
Net Increase (Decrease) in Cash	\$ 2,286,717	\$	(978,773)	\$	(2,900,729)	\$	(1,571,658)	\$	6,505,429	\$	6,733,341	\$	6,772,440		
Ending Cash	\$ 24,536,834	\$	23,558,061	\$	20,657,332	\$	19,085,674	\$	25,591,103	\$	32,324,444	\$	39,096,884		

Statement of Cash Flows - Fully Consolidated - Assumes BTOP Grant

Attachment M - Statement of Cash Flows - BTOP

ſ	Histo	ric	al	Forecast Period										
	2007		2008		Year 1		Year 2		Year 3		Year 4		Year 5	
Beginning Cash	\$ 22,250,117	\$	24,536,834	\$	23,558,061	\$	20,657,332	\$	20,260,684	\$	27,884,347	\$	35,678,943	
CASH FLOWS FROM OPERATING ACTIVITIES:														
Net Income	8,223,932		5,373,790		4,999,119		30,757,948		3,693,270		3,914,948		3,969,603	
Adjustments to Reconcile Net Income to Net	 													
Cash Provided by Operating Activities														
Add: Depreciation & Amortization	 4,082,405		4,420,451		4,486,758		6,261,922	<u></u>	6,330,233		6,399,569		6,469,944	
Changes in Current Assets and Liabilities:	 .,002,.00		.,,		., .00,.00		0,20.,022		0,000,200		0,000,000		0,.00,0	
Accounts Receivable	 (162,361)		510,388				(351,861)		(8,373)				(26,510)	
Inventory	 (237,142)		179,533				- (001,001)	<u></u>	- (3,3:3)				(==5,5 : 5)	
Unbilled Revenue	 74,572		(145,300)				-	<u> </u> -	-	 -				
Other Current Assets	 (21,103)		19,706				-		-	 -				
Deferred Licensing Costs	 120,399		86,531					<u></u>						
Accounts Payable	 1,217,663		3,390,336		(1,624,417)		19,552		37,532		6,717		5,113	
Accrued Expenses	 70,332		259,371		(1,02 1,117)		10,002		07,002				0,110	
7.001404 EXPONOGO	 7 0,002		200,07											
Net Cash Provided (Used) by Operations	\$ 13,368,697	\$	14,094,806	\$	7,861,460	\$	36,687,561	\$	10,052,662	\$	10,321,234	\$	10,418,150	
CASH FLOWS FROM FINANCING ACTIVITIES:														
Acquisition and Construction of Capital Assets	 (11,345,208)		(18,647,711)				(34,157,255)	<u></u> -						
Proceeds from Grants	 88,158		239,028				(04,107,200)	<u></u>						
Change of Deferred Revenue	 (88,078)		(48,261)					<u></u>						
Proceeds from issuance of revenue bonds	 2,346,829		1,305,600											
Payment on revenue bonds	 (3,079,951)		(3,172,100)		(10,762,189)		(2,926,954)		(2,428,999)		(2,526,638)		(2,641,638)	
Proceeds from issuance of borrowings	 (0,070,001)		6,817,410		(10,702,103)	 -	(2,320,334)		(2,420,555)		(2,320,030)		(2,041,000)	
Scheduled payments on notes payable	 (47,910)		(162,009)											
Scrieduled payments of flores payable	 (47,910)		(102,009)											
Net Cash Provided by Financing Activities	\$ (12,126,160)	\$	(13,668,043)	\$	(10,762,189)	\$	(37,084,209)	\$	(2,428,999)	\$	(2,526,638)	\$	(2,641,638)	
CACH ELONIC EDOM INIVECTINO ACTIVITIES														
CASH FLOWS FROM INVESTING ACTIVITIES:	(0.700.000)		(47,070,704)											
Purchases of Special Funds	 (9,736,882)		(17,678,724)											
Sales of Special Funds	 9,729,475		15,753,000	 _				ļ		 -				
Interest on Special Funds	 1,051,587		520,188		-	 -	-	ļ	-	 -	-			
Net Cash Used by Investing Activities	\$ 1,044,180	\$	(1,405,536)	\$	-	\$	-	\$	-	\$	-	\$	-	
Net Increase (Decrease) in Cash	\$ 2,286,717	\$	(978,773)	\$	(2,900,729)	\$	(396,648)	\$	7,623,663	\$	7,794,596	\$	7,776,512	
Ending Cash		\$	23,558,061	\$	20,657,332		20,260,684		27,884,347	\$	35,678,943	\$	43,455,455	

Statement of Cash Flows Assumptions

- 1. In the BTOP version, the grant proceeds are already reflected in net income, so there is no additional entry in "Proceeds from Grants Cash Flows From Financing Activities."
- 2. Historical (2007 and 2008) net income is presented consistent with the audited "Combined Statements of Cash Flows Operating and Financing Activities."
- 3. Accounts receivable on the balance sheet was determined to be approximately 3% of total revenues for the year based on historical trends. The statement of cash flows reflects the change in accounts receivable year to year. Where there was no change in projected revenue year to year, there was no associated entry on the statement of cash flows.
- 4. Accounts payable on the balance sheet was determined to be approximately 19% of the total expenses based on historical trends. The statement of cash flows reflects the change in accounts payable year to year.

Income Statement - Fully Consolidated "Hypothetical RUS Loan"

Attachment K - Income Statement BIP

		Histo	orica	al	Forecast Period										
		2007		2008	Y	ear 1 (2009)	Ye	Year 2 (2010)		ear 3 (2011)	Ye	ear 4 (2012)	Ye	ear 5 (2013)	
Revenues															
			<u> </u>				ļ								
IP Services & Transport	\$	28,800	\$	28,800	\$	28,800	\$	28,800	\$		\$	28,800		57,600	
Residential Revenue	\$	-	\$	-	\$	-			\$	351,436	\$	624,776	\$	694,431	
Commercial Revenue	\$	189,720	\$	189,720	\$	189,720	\$	189,720	\$	365,078	\$	373,846	\$	475,013	
Wholesale Fiber Optic	\$	239,106	\$	259,061	\$	272,400	\$	272,400	\$	272,400	\$	272,400	\$	277,848	
Consolidated Operation Develope	φ.	40,000,400	φ.	40 440 464	Φ.	40 440 464	φ	40 4 40 404	φ.	40 440 464	ı.	40 440 464	Φ.	40 4 40 404	
Consolidated Operating Revenues	\$	42,093,422	\$	42,148,164	\$	42,148,164	\$	42,148,164	φ •	42,148,164	\$	42,148,164	\$	42,148,164	
Interest Income	\$	1,194,076	\$ \$	605,765	\$ \$	605,765		605,765	\$	605,765	\$ \$	605,765	\$ \$	605,765	
Grant Revenues		283,077	l	43,168		43,168		43,168		43,168	L-i	43,168		43,168	
Other Revenues	\$	126,022	\$	185,399	\$	185,399	Ф	185,399	\$	185,399	\$	185,399	\$	185,399	
Total Revenues	\$	44,154,223	\$	43,460,077	\$	43,473,416	\$	43,473,416	\$	44,000,210	\$	44,282,318	\$	44,487,388	
Total Nevellues	Ψ	44,134,223	Ψ	43,400,077	Ψ	43,473,410	Ψ	43,473,410	Ψ	44,000,210	Ψ	44,202,310	Ψ	44,407,300	
<u>Expenses</u>															
Power Costs	\$	16,357,190	\$	16,426,572	\$	16,426,572	\$	16,426,572	\$	16,426,572	\$	16,426,572	\$	16,426,572	
Operations and Maintenance	\$	8,365,303	\$	10,057,661	\$	10,057,661	\$	10,056,468	\$	10,380,270	\$	10,483,174	\$	10,680,711	
Corporate G&A	\$	3,912,486	\$	4,680,567	\$	4,680,567	\$	4,680,567	\$	4,680,567	\$	4,680,567	\$	4,680,567	
			<u> </u>												
Total	\$	28,634,979	\$	31,164,800	\$	31,164,800	\$	31,163,607	\$	31,487,409	\$	31,590,313	\$	31,787,850	
FRITRA	÷	45 540 044	φ	40 005 077	Φ.	40 000 040	Φ.	40 000 000	Φ.	40.540.004	r.	40.000.005	Φ.	40,000,500	
EBITDA	Ъ	15,519,244	\$	12,295,277	\$	12,308,616	\$	12,309,809	\$	12,512,801	\$	12,692,005	\$	12,699,538	
Depreciation & Amortization - Existing	\$	4,082,405	\$	4,420,451	\$	4,486,758	\$	4,554,059	\$	4,622,370	\$	4,691,706	\$	4,762,081	
Depreciation & Amortization - Project	Ψ	1,002,100	<u>- *</u>	1, 120, 101	Ψ.	1, 100,100	\$	1,707,863	\$	1,707,863	\$	1,707,863	\$	1,707,863	
.,								, - ,	,	, - ,	Ť	, - ,	,	, - ,	
Earnings Before Interest and Taxes	\$	11,436,839	\$	7,874,826	\$	7,821,858	\$	6,047,887	\$	6,182,568	\$	6,292,437	\$	6,229,594	
Interest Expense - Existing	\$	1,397,096	\$	1,375,416	\$	1,156,035	\$	949,039	\$	822,594	\$	710,785	\$	593,287	
Interest Expense - RUS loan							\$′	1,175,009.42	\$	1,118,233.88	\$′	1,061,254.89	\$1	,004,071.72	
	<u> </u>		<u> </u>				<u> </u>		 		 - <u>-</u>				
Income Before Taxes	\$	10,039,743	\$	6,499,410	\$	6,665,823	\$	3,923,839	\$	4,241,740	\$	4,520,397	\$	4,632,235	
Taxes	\$	1,609,732	\$	1,666,704	\$	1,666,704	\$	1,666,704	\$	1,666,704	\$	1,666,704	\$	1,666,704	
Net Income	\$	8,430,011	\$	4,832,706	\$	4,999,119	\$	2,257,135	\$	2,575,036	\$	2,853,693	\$	2,965,531	

Income Statement - Fully Consolidated Assumes BTOP Grant

Attachment K - Income Statement BTOP

		Histo	orica	al	Forecast Period										
		2007	7 2008		Υ	ear 1 (2009)	Year 2 (2010)		Year 3 (2011)		Year 4 (2012)			ear 5 (2013)	
Revenues															
IP Services & Transport	\$	28,800	\$	28,800	\$	28,800	\$	28,800	\$	28,800	\$	28,800	\$	57,600	
Residential Revenue	\$	-	\$	-	\$	-			\$	351,436	\$	624,776	\$	694,431	
Commercial Revenue	\$	189,720	\$	189,720	\$	189,720	\$	189,720	\$	365,078	\$	373,846	\$	475,013	
Wholesale Fiber Optic	\$	239,106	\$	259,061	\$	272,400	\$	272,400	\$	272,400	\$	272,400	\$	277,848	
	<u> </u>						<u> </u>								
Consolidated Operating Revenues	\$	42,093,422	\$	42,148,164	\$	42,148,164	\$	42,148,164	\$	42,148,164	\$	42,148,164	\$	42,148,164	
Interest Income	\$	1,194,076	\$	605,765	\$	605,765	\$	605,765	\$	605,765	\$	605,765	\$	605,765	
Grant Revenues	\$	283,077	\$	43,168	\$	43,168	\$	27,368,972	\$	43,168	\$	43,168	\$	43,168	
Other Revenues	\$	126,022	\$	185,399	\$	185,399	\$	185,399	\$	185,399	\$	185,399	\$	185,399	
Total Revenues	\$	44,154,223	\$	43,460,077	\$	43,473,416	\$	70,799,220	\$	44,000,210	\$	44,282,318	\$	44,487,388	
Expenses															
	<u> </u>						<u> </u>								
Power Costs	\$	16,357,190	\$	16,426,572	\$	16,426,572	\$	16,426,572	\$	16,426,572	\$	16,426,572	\$	16,426,572	
Operations and Maintenance	\$	8,365,303	\$	10,057,661	\$	10,057,661	\$	10,056,468	\$	10,380,270	\$	10,483,174	\$	10,680,711	
Corporate G&A	\$	3,912,486	\$	4,680,567	\$	4,680,567	\$	4,680,567	\$	4,680,567	\$	4,680,567	\$	4,680,567	
	<u> </u>						- <u>-</u>								
Total	\$	28,634,979	\$	31,164,800	\$	31,164,800	\$	31,163,607	\$	31,487,409	\$	31,590,313	\$	31,787,850	
- FDITD A	<u></u>	45 540 044	Φ.	40 005 077	Φ.	40.000.040	<u></u>	00 005 040	Φ.	40.540.004	Φ.	40.000.005		40,000,500	
EBITDA	\$	15,519,244	\$	12,295,277	\$	12,308,616	\$	39,635,613	\$	12,512,801	\$	12,692,005	\$	12,699,538	
Depreciation & Amertization Existing	\$	4,082,405	\$	4.420.451	\$	4,486,758	\$	4,554,059	\$	4,622,370	\$	4,691,706	\$	4 762 091	
Depreciation & Amortization - Existing Depreciation & Amortization - Project	Φ	4,062,405	φ	4,420,431	Φ	4,400,730	\$	1,707,863	\$	1,707,863	\$	1,707,863	<u>φ</u> \$	4,762,081 1,707,863	
Depreciation & Amortization - Project							Ψ	1,707,003	φ	1,707,003	Φ	1,707,003	φ	1,707,003	
Earnings Before Interest and Taxes	¢	11,436,839	\$	7,874,826	\$	7,821,858	\$	33,373,691	\$	6,182,568	\$	6,292,437	\$	6,229,594	
Lamings before interest and Taxes	Ψ.	11,430,033	Ψ	7,074,020	Ψ	7,021,030	Ψ	33,373,091	Ψ	0,102,300	Ψ	0,232,437	Ψ	0,229,394	
Interest Expense	\$ \$	1,397,096	\$	1,375,416	\$	1,156,035	Φ.	949,039	\$	822,594	\$	710,785	φ.	593,287	
Interest Expense	Γ <u>Ψ</u> -	1,537,636	Ψ	1,575,410	Ψ	1,100,000	Ψ	343,033	Ψ	022,004	Ψ	7 10,703	Ψ	333,207	
Income Before Taxes	\$	10,039,743	\$	6,499,410	\$	6,665,823	\$	32,424,652	\$	5,359,974	\$	5,581,652	\$	5,636,307	
Taxes	\$	1,609,732	\$	1,666,704	\$	1,666,704	\$	1,666,704	\$	1,666,704	\$	1,666,704	\$	1,666,704	
Net Income	\$	8,430,011	\$	4,832,706	\$	4,999,119	\$	30,757,948	\$	3,693,270	\$	3,914,948	\$	3,969,603	

Income Statement Assumptions

- 1. All revenues remained the same as 2008 with the exception of the additional revenues added from the Project. Projected revenues from the business case, Appendix 50-2, were used.
- 2. Descriptions and assumptions relating to the revenue categories are as follows:
 - i. "IP Services & Transport" refers to existing services provided to Internet Service Providers on a transport basis.
 - ii. "Residential Revenue" refers to wholesale services provided to retail providers who deliver the end-user service on a residential basis. Residential services are provided on a port-fee basis and include phone, internet, video and security.
 - iii. "Commercial Revenue" refers to wholesale services provided to retail providers who deliver the end-user service on a commercial basis.Commercial services are provided on a port-fee basis, with charges increasing by Mbps for each Mbps greater than 1.
 - iv. "Wholesale Fiber Optic" refers to the existing "Diamond" level services provided on a port-fee basis, and internal services. This account is primarily static, but does allow for a modest increase in internal services.

In sum, the District has historically used the "IP Services & Transport" and "Wholesale Fiber Optic" categories to define its wholesale broadband revenues, but, with the planned last-mile network deployment, intends to establish the general residential and commercial revenue categories identified here.

- 3. Appendix 50-2 contains an input error in the cell relating to Commercial 1 Meg Port (Best Efforts): the price shown is \$21. The correct price is \$121. The revenue impact is insignificant, and results in the following increases: 2009 \$0; 2010 \$0; 2011 \$10,080; 2012 \$10,584; 2013 \$13,824.
- 4. The District's market penetration assumptions (see Appendix 50-2, business case) are based on the District's research, which includes consultation with existing retail providers using the District's network and a 2008 survey of Pend Oreille County residents.
- 5. The "Yearly Units Passed" (see Appendix 50-2, business case) is based on 2008 residential and commercial units data received by Pend Oreille County on May 14, 2009, and cross-checked against the District's meter data.
- 6. The Category "Energy Operating Revenues" and "Consolidated Operating Revenues" equals the values presented in the 2007 and 2008 audited Combined Statements of Revenues, Expenses and Changes in Net Assets, less the wholesale broadband revenues presented in Assumption 2 above, since the wholesale broadband revenues were rolled into the values presented in the 2007 and 2008 audited financial statements.

- 7. Energy System Only total revenues exceed Consolidated Total Revenues owing to intersystem sales of 1,880,701 and 87,492 in fiscal years 2008 and 2007, respectively. See audited Combined Statements of Revenues, Expenses and Changes in Net Assets.
- 8. The Category "Other Revenues" ties to the "AFUDC interest" and "Other, net" values presented in the Combined Statements of Revenues, Expenses and Changes in Net Assets.
- 9. All expenses remained the same as 2008 with the exception of the additional expenses added from the project. Those expenses were included in the Operations and Maintenance account and are identified in detail on Appendix 50-2, business case.
- 10. The Project-related expenses included in the Operations and Maintenance appear on page 2 of the Business Case (Appendix 50-2) and include (i) staffing expenses (existing Operations Manager and Systems Engineer, adding Network Engineer, OSP Engineer, and Field Services Technician in 2011, followed by Administrative Staff in 2012); (ii) Internet connection expense; (iii) software/hardware maintenance expense; (iv) materials, insurance and travel; (v) equipment reserves (commencing in 2013 to fund replacement of equipment with 7-year economic life); and (vi) NOC management expenses, commencing in 2011.
- 11. Existing Depreciation & Amortization was calculated based on historical trends, showing an estimated increase of 1.5% per year.
- 12. Project-related Depreciation & Amortization was calculated on a straight-line basis at 5.0 per year, assuming a total depreciable expense equal to the Project Budget of \$34,157,255.
- 13. For ease of calculation, it was assumed that all grant/loan funds would be received in 2010 and associated capital expenditures made in 2010, even though funds receipt and expenditure may occur in both 2010 and 2011. This timing assumption does not materially impact the overall presentation of the financials.
- 14. Interest expense was calculated based on information from the 2008 audited financial statements.
- 15. Taxes remained the same as 2008.
- 16. For the "Hypothetical RUS Loan" version, the following assumptions apply:
 - i. Interest expense begins on January 1, 2010.
 - ii. Principal amount of loan equals 80% of the \$34,157,255 Project Budget, or \$27,325,803
 - iii. 20-year loan term at 4.3% interest (compounded annually for ease of calculation)
 - iv. Composite Economic Life of funded network is 20 years.



Pend Oreille County Public Utility District

Administrative Offices - P.O. Box 190 • Newport, WA 99156 • (509) 447-3137 • FAX (509) 447-5824 Box Canyon Hydro Project - P.O. Box 547 • Ione, WA 99139 • (509) 446-3137 • FAX (509) 447-6790

August 7, 2009

United States Department of Commerce 1401 Constitution Ave., NW Washington, DC 20230

United States Department of Agriculture STOP 1590 1400 Independence Ave., SW, Rm 5151 Washington, DC 20250-1590

Re: Matching Funds Commitment Letter for Supporting the Public Utility District No. 1 of Pend Oreille County Grant Application

Dear U.S. Department of Commerce and U.S. Department of Agriculture:

This letter shall serve as The Public Utility District No. 1 of Pend Oreille County's ("the District") commitment to provide the 20% matching funds as required in the NTIA and RUS grant guidelines under their respective Broadband Technology Opportunities Program and Broadband Initiatives Program. Based upon the capital requirements of the District's proposed Project, the financial contribution from the District would equate to \$6,831,451.04.

The investment into the network could come from cash reserves or other sources currently held or securable by the District, which would equate to an equity investment into the proposed broadband fiber network project. Upon completion, the proposed network would be 100% owned and operated by the District and thus no financial terms are required.

The funds would be used to support the capital costs of the project. In addition, the District is prepared to integrate the operations of the network into its existing broadband transport network, doing business as the Community Network System, thereby leveraging the District's additional internal resources.

Sincerely,

Robert D. Geddes General Manager

John Jordan, Director of Finance
Joe Onley, Community Network System Manager
Board of Commissioners

August 19, 2009

ID Consulting Solutions, LLC 8312 Northview Street Boise, ID 83704

To Whom It May Concern:

Newport Hospital and Health Services supports Pend Oreille County Public Utility District No. 1's (Pend Oreille PUD or District) effort to apply for American Recovery & Reinvestment Act (ARRA) Broadband stimulus funding. We understand that such funding, if obtained, will address significant public safety concerns by providing an essential level of network redundancy to the District's existing fiber optic system, as well as allow for expansion of this vitally important community network.

Newport Hospital and Health Services has been a customer of the PUD's Broadband fiber optic system since 2001. The system provides reliable, high-speed connectivity, allowing for a secure, broadband communication network among numerous hospital and medical office facilities across our region. It is also the backbone for our own internal provider network that allows our local providers to review electronic clinical records, lab results, radiology images across a secure local network from their home. This fiber network has greatly benefited the provision of medical care to the residents of Pend Oreille and surrounding counties.

We believe the system is now an integral cog in the patient safety network for the community. On emergency or after hours calls providers can review patient records to see if the patient has received medical care at other medical facilities in the region, view pertinent information such as drug allergies, pre-existing radiology or CT exams, which allows our providers to make more informed decisions to effectively meet our patient needs. Doctors are also able to view live heart and fetal monitors and other test results over the network.

While we are fortunate to have a fiber network backbone as robust as the District's system, we also cannot forego the critical need for reliable, uninterrupted communications services—many of which qualify as a lifeline to those of us who live and work in the District's rural service area.

Thus, we commend the Pend Oreille PUD's pursuit of ARRA broadband funding to improve the services that Newport Hospital and Health Services relies on both at home and at work. Thank you for your close consideration of the Pend Oreille PUD's application for stimulus funding to improve and expand its existing fiber optic system.

Sincerely,

Thomas Wilbur

CEO / Superintendent

Newport Hospital & Health Services



Pend Oreille County

OFFICE OF THE SHERIFF

331 South Garden Avenue Newport, Washington 99156-5075 (509) 447-3151 (800) 669-3407 Fax (509) 447-5261 Fax (509) 447-2222

Jerry Weeks
Sheriff

Mike Cress
Undersheriff

Fred Johnson
Chief of Corrections

Steve West
Chief of Communications

Dawn Taylor
Administrative Assistant

August 19, 2009

To whom it may concern:

The Pend Oreille County Sheriff Department (POCSD) supports the Pend Oreille County Public Utility District No. 1's (Pend Oreille PUD or District) willingness and effort to apply for American Recovery & Reinvestment Act (ARRA) Broadband stimulus funding. We understand that such funding, if obtained, will address significant public safety concerns by providing an essential level of network redundancy that's critical to the District's existing fiber optic system, as well as allow for the further expansion of this vitally important community network.

The POCSD has been a customer of the District's Broadband fiber optic system for several years. The system's reliability and high-speed connectivity, coupled with District's skilled IT personnel, has dramatically enhanced the POCSD service, and personal data capabilities—which, we well-appreciate, is not always the case for other rural Americans. That said, the importance of the District's plans for achieving true network redundancy cannot be overstated. The POCSD and surrounding local communities and entities simply cannot afford the kinds of network outages that may compromise our public safety, communication, health, business, and many other data needs. While we are fortunate to have a fiber network backbone as robust as the District's system, we also cannot forego the critical need for reliable, uninterrupted communications services—many of which qualify as a lifeline to those of us who live and work District's rural service area.

Thus, we commend the Pend Oreille PUD's pursuit of ARRA broadband funding to improve the services the Newport Hospital and Health Services relies on both at home and at work.

Thank you for your close consideration of the Pend Oreille PUD's application for stimulus funding to improve and expand its existing fiber optic system.

Sincerely,

Jerry Weeks



August 06, 2009

Mr. Robert D. Geddes, General Manager Pend Oreille County P.U.D. #1 P.O. Box 190 Newport, WA 99156

RE: Support letter for pursuing ARRA Broadband Stimulus Funding

Dear Mr. Geddes:

The Kalispel Tribe supports the Pend Oreille County Public Utility District No. 1's (District) willingness and effort to apply for American Recovery & Reinvestment Act (ARRA) Broadband stimulus funding. We understand that such funding, if obtained, will address significant public safety concerns by providing an essential level of network redundancy that's critical to the District's existing fiber optic system, as well as allow for the further expansion of this vitally important community network.

The Kalispel Tribe has been a customer of the District's Broadband fiber optic system for several years. The system is reliable and provides high-speed connectivity. The Kalispel Tribe's highly skilled IT personnel have utilized the fiber optic system to dramatically enhance the Kalispel Tribe's business, cultural, education, health, and personal data capabilities. The Tribe greatly appreciates the District's efforts to provide our rural community with state-of-the art IT capabilities. That said, the importance of the District's plans for achieving true network redundancy cannot be overstated. The Kalispel Tribe and surrounding local communities simply cannot afford the kinds of network outages that may compromise our public safety, communication, health, business, and many other data needs. While we are fortunate to have a fiber network backbone as robust as the District's system, we also cannot forego the critical need for reliable, uninterrupted communications services—many of which qualify as a lifeline to those of us who live and work in the District's rural service area.

Thus, we commend the Pend Oreille PUD's pursuit of ARRA broadband funding to improve the services the Kalispel Tribe relies on both at home and at work.

Thank you to the ARRA project review team for your close consideration of the Pend Oreille PUD's application for stimulus funding to improve and expand its existing fiber optic system.

Respectfully,

Glen Nenema, Chairman

Elen Menems

Kalispel Tribe

Kalispel Tribe of Indians P.O. Box 39 Usk, WA 99180

(509) 445-1147 (509) 445-1705 fax www.kalispeltribe.com

Committee Connectivity Committee 2008 Recommendation

The Community Connectivity Committee recommendation to the Pend Oreille County leadership is for the deployment of fiber optics along the Public Utility District's three-phase infrastructure, establishing redundancy in the system where possible; to use the District's bonding capacity to pay for the deployment, capitalize on partnership opportunities and to move as quickly as possible to implement this recommendation.

The leadership in Pend Oreille County should plan for broadband services to serve all of Pend Oreille County. Recognize the installation of network infrastructure may need to be phased over time given limited resources. The short-term should be viewed as the next three to five years. Long-term is the timeframe beyond five years.

The major population concentrations are found along the north south highway corridor. The short-term effort should focus on expanding the fiber backbone and establishing redundancy where feasible. It is estimated approximately 80% of the population in Pend Oreille County resides in this corridor and the remaining 20% in the very rural areas of the county. The 20% of the population in rural areas are the focus of the long-term deployment strategy. Recognize the deployment of broadband services to each household may involve a mix of broadband technologies especially for the 'last mile' of the infrastructure.

Capitalize on partnership opportunities. Third party service providers are a critical provider of "last mile" technology. Businesses and individuals could also be partners in the deployment of a community fiber network.

Recognize the opportunity for including fiber along the three phase electrical lines of the Public Utility District. Work with the Public Utility District's bonding capacity for the financial resources needed to build out the system.

Deploy the infrastructure as quickly as possible.

Do it, but do it right!

Community Connectivity Committee

At the request of the Pend Oreille County leadership a citizen's advisory group was created to provide a recommendation regarding broadband deployment. The Public Utility District agreed to provide the leadership and staff support for the Committee's work.

Committee members are:

Laura Merrill – Pend Oreille County Commissioner Nancy Lotze – Education Selkirck School District Superintendent Fred Willenbrock – Business Owner - Newport Miner Bill Fountain – Citizen, Agriculture Dan Reiner – Citizen - Technology Peggy McDaniel – Business – Saddle Mountain Ranch Matt Becvarov - Libraries

Bob Geddes, Executive Director; John Jordan, Finance Manager; and Joe Onley, Community Network System Manager for the Public Utility District provided the Committee with technical and operational support throughout the process. The Committee discussion and process was facilitated by Bob Geddes and Leslie Jones, Executive Director for Tri County Economic Development District.

The Committee met monthly for the last five months to arrive at a recommendation based on the initial questions or purpose for which the Committee was established.

- 1. Is fiber optics the preferred broadband technology for the future of Pend Oreille County?
- 2. Where should the technology be?
- 3. How should the network system be paid for?

Meeting agendas, summaries, interim discussion documentation, financing options, and other documentation considered by the Committee are included for reference.

Broadband Technologies

The Committee involved themselves in understanding the different types of broadband technology, the opportunities and challenges of each, the existing telecommunications infrastructure in Pend Oreille County, the need for broadband technology, and best practices for the deployment and operations of a broadband network.

The regulatory environment surrounding the Public Utility District and the third party service providers led to the Committee to conclude the real need to consider public private partnerships as part of the recommendation. The Utility District is prohibited from providing retail services. The District is a wholesaler of electrical service. Retail services businesses respond to market demands.

Understanding the various broadband technologies and their application established a common language and understanding for Committee members. Technologies discussed included wireless, fiber, cable, DSL and satellite.

Wireless systems use airwaves to deliver the signal. A cable modem system uses two-way coax cable to provide service through a TV system. Digital Subscriber Line (DSL) uses phone lines for signal delivery. Fiber optic cable is a collection of glass strands that carry light to provide a signal. Delivery speeds, data capabilities, and cost are some of the factors the Committee considered.

Delivery speed also known a bandwidth is the measure the capacity of the "pipeline." Bandwidth is measured in bits per second (bps). The bandwidth available is technology dependent and ranges from .04 Mbs for dial-up service to near infinite Mbs for fiber. Cable, wireless and DSL offer speeds generally less than 10 Mbs. In terms of data capabilities fiber optic cable provides the long-term opportunity of all the technologies described.

The Committee discussed the definition of system build out. The group agreed build out means the provision of service to each home in the County. The group would prefer to have broadband service to 80% of the population in a three to five year timeframe. The remaining 20% make take several more years.

The committee considered the appropriate technology for each segment of infrastructure necessary to connect a home. A simplistic understanding of each segment is provided by way of illustration. The "backbone" of the system provides the base on which an entire system can be developed. Nodes or points of presence connect to the backbone and serve as a distribution or concentration point in the system. From these points to a pole which may serve to further distribute and concentrate and finally a "drop" to the outside of a home is made. The home owner then has the opportunity to select the type of technology to use inside the home; however, choices in rural areas are often limited.

The Committee realizes that full build out of a broadband network system may take years to complete but believe this system is the infrastructure of the future and it is not too late to get started. Further, the Committee has recognized that the same technology may not work in all locations or circumstances in Pend Oreille County and therefore support the concept of mixed technologies, especially for the 'last mile" connections.

Deployment

The deployment of the entire broadband network will require a public private partnership(s). The partnership which could involve a number of entities will need to sort out ownership, operational, and leasing arrangements for the network system.

The deployment of a fiber optic network has real operational implications for the Public Utility District. The use of technology in the operations, monitoring and security of the electric system is becoming the standard. The use of technology in this type of application can reduce costs, save energy, enhance customer service capabilities and provide other benefits to the District and the rate payers. Further, the existing assets of the District including right-of-way, lines, poles, equipment should remain the priority.

Since the Public Utility District has an existing fiber backbone it is likely the most effective beginning for the deployment of the entire network. A series of nodes located in each

community expands the network and provides for future possibilities. Several mechanisms for the distribution and concentration of the network beginning with these key elements place the reality of a county-wide fiber network ever closer.

What needs to be considered as the missing links in the backbone, node and pole connections are built is the need to establish redundancy for the system. The Committee recognizes the opportunity to work with Seattle City Light to establish redundant systems for both organizations. There is support from the Committee for the deployment of fiber to complete the logical loops and lines for connectivity.

The next emphasis on deployment is around the existing community nodes and the highly populated areas of the county. As mentioned before this approach could reach 80% of the population in a relatively short timeframe.

The Committee did consider the idea of deploying fiber to a "demonstration" area to show the public the benefits of the fiber connectivity. However, the Committee believes the focus should be on the deployment for the entire county.

Financing

A large portion of the Committee discussion was focused on financing. The PUD staff provided the Committee with some estimated costs, different financing mechanisms and scenarios for discussion purposes only. Thirty-five million dollars is the discussion estimate to build out a fiber system in Pend Oreille County. Differing financing amounts were considered from the \$35 million to "as the financial resources become available." A great deal of discussion was held around the \$10 to \$15 million dollar range for reaching the 80% of the population.

The "Financing Options" white paper prepared by Mr. Jordan discusses the various funding options that might be available for the deployment of the broadband network system. User fees, bonding, private and public investments, and others were discussed by the Committee. Some option would not result in sufficient funding for a rapid deployment of a network The group discussed at length the funding options that would require voter approval. The Committee believes any ballot measure to increase taxes for the deployment of the network will most likely fail, especially given recent experience at the ballot box. The examination bonding for the financial resources shows very little bonding capacity remaining with local governments. The Public Utility District can use bonding as a financing mechanism.

The re-licensing of the Boundary Dam may result in rates increases for the Public Utility District to cover the significant costs of this effort. This may cause the District to take a more conservative approach when considering the financing of a broadband network. The District does believe it would be capable of maintaining and operating the network system.

Combining other existing sources of revenue, such as the .09 funding from Pend Oreille County, would not meet the Committee expectation for rapid deployment or raise sufficient capital to build the system.

The Pend Oreille County Leadership has been approached by a county resident who is willing to provide some resources for the project which may include funding and/or services. This offer is made with contingencies regarding the commitment of the Public Utility District to build out the fiber optic network. Specifics and details of the offer have not yet been negotiated, but indications are that design and engineering for the network will be provided.

Bonding the project seemed to be the most likely approach because large amounts of capital can be obtained and the project could be built relatively quickly using this approach. However, the servicing of the debt over a period of time might be problematic. For example, \$10 million dollars at 5% interest for 20 years will require approximately \$800,000 dollars annually for debt service.

Other

The Community Connectivity Committee notebook contains the background information, meeting summaries, financing options, maps and other information considered by the Committee throughout the process and should be referred to for specific details.

The Committee appreciates the opportunity to provide feedback to the leadership in Pend Oreille County regarding broadband deployment. The support and information provided by the Public Utility District staff was very responsive to the Committee needs throughout the process. The Committee sincerely hopes a commitment to the future of Pend Oreille County will be made through the deployment of a fiber optic network.



WWW.MSTATES.COM

To Whom It May Concern:

Mountain States Networking is actively supporting ID Consulting Solutions on the Pend Oreille County PUD Project. Our involvement includes, but is not limited to, providing network equipment and engineering services that include design, configuration, and implementation. We are very excited to be part of this project and look forward to providing continued support to ID Consulting Services throughout their involvement with Pend Oreille County PUD.

The value that Mountain States Networking brings to the Pend Oreille County PUD Project includes:

- <u>Fulfillment</u>: We have several different distribution options that in most cases will allow us to meet next day shipping requirements. We also have the ability to order direct from the manufacturer allowing us to shorten lead times on large volume purchases or items not stocked by distributors.
- <u>Competitive Pricing</u>: As a Certified Cisco Systems Gold Partner we can extend very competitive pricing on all types of equipment.
- Engineering Support: Our expert engineers have more than 115 years of combined experience in trouble-shooting, routing, switching, security, VOIP, firewalls, wireless, optical. All of our engineers are Cisco certified.
- <u>Award Winning:</u> Mountain States Networking is consistently recognized as one of the leading value added resellers in the Pacific Northwest.

Additional information can be found on our website at www.mstates.com.

Sincerely,

Craig Gunn

Regional Sales Director Mountain States Networking

1226 East 6600 South

Salt Lake City, Utah 84121

801-743-6280

cgunn@mstates.com





July 29, 2009

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OFS is committed to providing the necessary resources to support ID Consulting Solutions in their projects.

Sincerely,

Doug Bookout

Sr. Manager Customer Care

20 Brolox

OFS Fitel, LLC.



July 30, 2009

Ron Ivie President ID Consulting Solutions, LLC. 8312 Northview Street, Ste 100 Boise, Idaho 83704

Re: Grant Application Support for ID Consulting Solutions, LLC

This letter is to confirm that North Sky Communications (NSC), a Quanta Services Company, is committed to perform construction and installation services in support of ID Consulting Solutions on the proposed Pend Oreille County PUD Fiber Optic Network.

NSC has successfully competed on and has been awarded numerous Fiber to the Home and Fiber to the User projects in the Pacific Northwest and our proposed pricing structure is commercially competitive in today's environment.

NSC is committed to provide the supervision, qualified workforce, state of the art equipment, and the support of Quanta Services and its many affiliate companies to assist in the deployment of this project.

To summarize our experience, NSC is a communications construction company with over 25 years of experience. We are based out of Vancouver, Washington; with several satellite offices in the Portland and Seattle areas. North Sky Communications was formed in April of 1990 by the joining together of Sky Antenna Systems, Inc. and North Pacific Utility Contractors, Inc. Sky Antenna, established in 1980, was an installation and aerial construction company for both CATV and telephone, while North Pacific concentrated on CATV and telephone underground development. The merger was a natural joining of two respected and ambitious Northwest companies, offering a full range of communications construction and installation services. In July of 1999, North Sky became a subsidiary of Quanta Services, a national utility construction cooperative that is traded on the New York Stock Exchange (stock symbol PWR).





Given our vast resources and experience we are able to provide the most competitive pricing and pass this on to our clients, as reflected in the pricing commitments contained in Attachment G to Pend Oreille County PUD's Broadband Infrastructure Application. Attached is a Qualification Summary that outlines additional resources, commitment to quality along with our financial strength and stability.

Sincerely,

Rodney R. Kuenzi

President

Related Experience

	Name and Address of Customer	Project Title Location	Class of Work	Contract Amount	% of Work Performed by North Sky (Prime)	Start Date/ Date of Completion	Location of Work	Contact
1	Washington Dept. of Transportation POB 98 Wenatchee, WA 98807	Steven's Pass, WA W. Side of Stevens Pass Electronic Signage	Install conduit, fiber for variable speed sign ITS Project	\$779,000	75%	August - 08/ on going	Steven's Pass, WA	Mike Andreini 509-667-2862
2	Molalla Communications 211 Robbins St. POB 360 Molalla, OR 97038	OR542	60 miles of Underground FTTH Build	\$4.1 million	75%	March - 08/ on going	Molalla, OR	Mac Stevens Martin Group 360-798-9101 1515 N. Sanborn Blvd Mitchell, SD 57301
3	Tyco Telecommunications (US) Inc. 60 Columbia Rd, Bldg. A Morristown, NJ 07960	Nedonna Beach Oregon	60 miles Placing Fiber	\$959,277	70%	Sept-07/ April - 08	Hwy 6, OR	Richard Rogers 973-656-8781
4	North-State Telephone Co. 1 Telephone Dr. Mt. Vernon, OR97865	OR532F-CO West Dufur Valley	43 miles of Underground Rural FTTH Build	\$3.2 million	60%	May-07/ Jan-08	Dufur, OR	Mid-State Consult. Sandy Kennedy 503-682-5911 29781 SW Town Ctr LP W Wilsonville, OR 97070
5	Verizon Services Corp. 8840 SW Burnham Rd. 2nd Fl Tigard, OR 97223	Fiber to the Home	FIOS Build All Aspects	\$3 million/month	60%	Jan-05/ on going	Hillsboro, OR Bothell, WA Texas	Steve Peter 425-261-6630
6	Molalla Communications 211 Robbins St. POB 360 Molalla, OR 97038	Underground Cable	FTTH Build	\$1.2 million	100%	Jan-06/ Mar-07	Molalla, OR	Mac Stevens Martin Group 360-798-9101 1515 N. Sanborn Blvd Mitchell, SD 57301
7	Tri Met 710 NE Holladay St Portland, OR	Fiber Replacement	Placing Fiber Along Railway	\$3/4 million	80%	Mar-07/ May-07	Portland, OR	John Whipple 503-519-5848 whipplej@trimet.org
8	Douglas County PUD 1151 Valley Mall Pkwy East Wenatchee, WA 98802	Ethernet Fiber	Outside Plant Construction	\$1+ million	100%	Jan-06/ May-07	Portland, OR	Darren Wurl 509-884-7191
9	Douglas County PUD 1151 Valley Mall Pkwy East Wenatchee, WA 98802	Ethernet Fiber	Outside Plant Construction	1+ million	0%	Jan-06/ May-07	Portland, OR	Darren Wurl 509-884-7191
10	Bresnan Communications 201 E. Front St. Butte, MT 59701	Fiber Optic Installation Underground/Aerial	Outside Plant Construction	\$425,000	60%	Feb-04/ Jul-04	Butte, MT	
11	Siskiyou Telephone PO Box 157	Fiber Ring	Outside Plant Construction	\$560,000	90%	Jun-04	Etna, CA	

Related Experience

	Name and Address of Customer	Project Title Location	Class of Work	Contract Amount	% of Work Performed by North Sky (Prime)	Start Date/ Date of Completion	Location of Work	Contact
\vdash	Etna, CA 96027				North Sky (Fillie)	Completion	VVOIK	
12	Qwest 8021 Capital Hill Portland, OR	NESC Violations Correction	Telecommunication Pole Vilolation Work	\$630,000	100%	Jan-04	Astoria, OR	Shannon Davis 541-388-5296 740 State St Salem, OR 97301
13	City of Portland 3732 SE 99th Portland, OR	Fiber Construction and Installation	Telecommunication	\$70,000	100%	Nov-03	Portland, OR	
14	Q-Life City of The Dalles The Dalles, OR 97058	Fiber Ring	Telecommunication Boring, Cable Install	\$400,000	90%	Nov-03	The Dalles, OR	
15	Tyco Telecommunications 60 Columbia Tnpk Morrison, N.J.	60Mile Conduit Installation Hillsboro-Tillamook	Outside Plant Telecommunication Boring, Ductbank Constr, Cable Install	\$5,000,000	70%	Sept-02/ 2004	Hwy 6 Hillsboro to Tillamook	
16	Qwest 2111 NE Argyle Portland, OR	Various Underground/Aerial Projects	Outside Plant Telecommunication Boring, Ductbank Constr, Cable Install	\$1,500,000	85%	2000/ Ongoing	Oregon and Washington	Shannon Davis 541-388-5296 740 State St. Salem, OR 97301
17	City of Portland 1120 SW 5th Ave Portland, OR	Fiber Optic Install Underground/Aerial	Outside Plant Telecommunication	\$200,000	100%	2000/ Ongoing	City of Portland	
18	Clark County 110 E 13th Vancouver, WA	Various Underground/Aerial Projects	Outside Plant Telecommunication	\$150,000	100%	2000/ Ongoing	Clark County WA	
19	Charter Communications 521 NE 136th Ave. Vancouver, WA	Upgrade, Rebuild, Splice, Activate Cable Systems	Outside Plant Broadband MDU/residential install	\$5,000,000	70%	2002/ 2005	Wenatchee, WA	
1	Tyco Telecommunications 60 Columbia Tnpk Morrison, N.J.	60Mi Cable Installation Hillsboro-Tillamook	Placing, Splicing Fiber	\$911,050	70%	Oct-06 to Jan-07	Hwy 6 Hillsboro to Nedona Beach	Joe Buechel jbuechel@tycotelecom.com 973-656-8227
1	Molalla Communications 211 Robbins St. POB 360 Molalla, OR 97038	Underground Cable	FTTH Build	\$3.6M	100%	Mar-08 Oct-08	Molalla, OR	Mac Stevens Martin Group 360-798-9101 1515 N. Sanborn Blvd Mitchell, SD 57301

Income Statement - ELECTRIC SYSTEM "Hypothetical RUS Loan"

		Histo	orica	al	Forecast Period									
		2007		2008	Υ	ear 1 (2009)		Year 2 (2010)	Υ	ear 3 (2011)	Υ	ear 4 (2012)	Υ	ear 5 (2013)
Revenues													ļ	
ID Convices & Transport	ď	20 000	ф	20 000	¢	28,800	<u> </u>	20 000	¢	20 000	Φ.	20 000	¢.	E7 600
IP Services & Transport Residential Revenue	\$ \$	28,800	\$ \$	28,800	<u>\$</u> \$	20,000	\$	28,800	\$ \$	28,800 351.436	\$ \$	28,800 624,776	\$	57,600 694,431
Commercial Revenue	\$	189,720	\$	189,720	\$	189,720	\$	189,720	\$	365,078	\$	373,846	\$	475,013
Wholesale Fiber Optic	\$	239,106	\$	259,061	\$	272,400	\$	272,400	\$	272,400		272,400	\$	277,848
THOROGAE FIRST OPIG	Ψ	200,100	. <u> </u>	200,001	Ψ-	272,100	- <u>*</u> -	2,2,100	Ψ	2,2,100	<u> </u>	2,2,.00	<u>-Ψ</u>	277,010
Energy - Operating Revenues	\$	41,780,908	\$	43,780,315	\$	43,780,315	\$	43,780,315	\$	43,780,315	\$	43,780,315	\$	43,780,315
Interest Income	\$	877,618	\$	459,155	\$	459,155	\$	459,155	\$	459,155	\$	459,155	\$	459,155
Grant Revenues	-		-		-		-		Ξ.		<u> </u>		<u> </u>	
Other Revenues	\$	55,058	\$	32,079	\$	32,079	\$	32,079	\$	32,079	\$	32,079	\$	32,079
Total Revenues	\$	43,171,210	\$	44,749,130	\$	44,762,469	\$	44,762,469	\$	45,289,263	\$	45,571,371	\$	45,776,441
F														
<u>Expenses</u>														
Power Costs	\$	27.003.316	\$	29.639.732	\$	29.639.732	\$	29,639,732	\$	29.639.732	\$	29.639.732	\$	29.639.732
Operations and Maintenance	\$	3,809,861	\$	4.630.455	\$	4.630.455	\$	4.629.262	\$	4.953.064	\$	5.055.968	\$	5,253,505
Corporate G&A	\$	2,397,010	\$	2,744,868	\$	2,744,868	\$	2,744,868	\$	2,744,868	\$	2,744,868	\$	2,744,868
			<u>-</u>				- <u>-</u>				†- <u>`</u> -		<u>-</u>	
Total	\$	33,210,187	\$	37,015,055	\$	37,015,055	\$	37,013,862	\$	37,337,664	\$	37,440,568	\$	37,638,105
EBITDA	\$	9,961,023	\$	7,734,075	\$	7,747,414	\$	7,748,607	\$	7,951,599	\$	8,130,803	\$	8,138,336
	_				_		٦		_				١.	
Depreciation & Amortization - Existing	\$	3,299,807	\$	3,348,772	\$	3,399,004	\$	3,449,989	\$	3,501,738	\$	3,554,265	\$	3,607,579
Depreciation & Amortization - Project							\$	1,707,862.75	\$	1,707,862.75	\$	1,707,862.75	\$	1,707,862.75
Earnings Before Interest and Taxes	\$	6,661,216	\$	4,385,303	\$	4,348,410	\$	2,590,756	\$	2,741,998	\$	2,868,676	\$	2,822,895
Earnings Before interest and Taxes	Φ	0,001,210	Φ	4,365,303	Φ	4,340,410	Φ	2,590,756	Φ	2,741,990	Φ	2,000,070	Φ	2,022,095
Interest Expense - Existing	\$	1,381,365	\$	1,239,366	\$	1,001,860	\$	903,349	\$	799,449	\$	689,936	\$	574,586
Interest Expense - RUS loan	Ψ	1,001,000	Ψ	1,200,000	Ψ.	1,001,000	Ψ	\$1,175,009.42	٠	1,118,233.88	-	1,061,254.89		1,004,071.72
								ψ.,σ,σσσ		.,,		.,00.,=000		.,00.,012
Income Before Taxes	\$	5,279,851	\$	3,145,937	\$	3,346,550	\$	512,397	\$	824,315	\$	1,117,485	\$	1,244,237
							[T		Ī	
Taxes	\$	1,483,442	\$	1,542,243	\$	1,542,243	\$	1,542,243	\$	1,542,243	\$	1,542,243	\$	1,542,243
Net Income	\$	3,796,409	\$	1,603,694	\$	1,804,307	\$	(1,029,846)	\$	(717,928)	\$	(424,758)	\$	(298,006)

0.63

Revenue					2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Market Development (Units Passed)					0	2,705	2,291	0	431	246	276	224	453	282	322	421	264
Yearly Units Passed																	
Residential Units Passed Commercial Units Passed					0	2,655 50	2,061 230	0	423 8	233 13	264 12	220 4	444 9	274	315 7	387 34	259 5
Total Units Passed					ľ	00	200	ŭ		10		,		0	<i>'</i>	04	Ü
Residential Units Passed					0	2,655	4,716	4,716	5,139	5,372	5,636	5,856	6,300	6,574	6,889	7,276	7,535
Commercial Units Passed Total	Units Passed				0	50 2,705	280 4,996	280 4,996	288 5,427	301 5,673	313 5,949	317 6,173	326 6,626	334 6,908	341 7,230	375 7,651	380 7,915
	Omio i uoocu				·	2,100	4,000	4,000	0,721	0,010	0,040	0,170	0,020	0,000	1,200	1,001	7,010
Market Penetration Residential Service Options	Mn Rate	Initial	2 -3 Yr	4-5 Yr		Build Year	Initial Year	2-3 Yr	2-3 Yr (+2%)	2-3 Yr (+3%)	4-5 Yr	4-5 Yr (+3%)	4-5 Yr (+5%)				
Phone Basic	\$ 15.00	5%	18%	32%	0	O O	236	849	944	996	1,804	1,930	2,117	2,209	2,315	2,445	2,532
Internet Basic		21%	31%	45%	0	0	990	1,462	1,625	1,715	2,536	2,714	2,977	3,106	3,255	3,438	3,560
Video Basic	\$ 18.00	0%	1%	8%	0	0	0	47	52	55	451	483	529	552	579	611	633
Security	\$ 5.00	0%	2%	3%	0	0	0	94	105	111	169	181	198	207	217	229	237
Residential Service Options		Count	>				990	1,462	1,625	1,715	2,536	2,714	2,977	3,106	3,255	3,438	3,560
	Average	7%	13%	22%													
Commercial Service Options (Diamond)																	
Commercial 1 Meg Port	\$ 421				9	9	9	9	9	9	9	9	9	9	9	9	9
Commercial 2 Meg Port	\$ 440				13	13	13	13	13	13	13	13	13	13	13	13	13
Commercial 4 Meg Port	\$ 476				0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial 5 Meg Port	\$ 493				/	7	0	/	/	7	7	7	7	0	0	/	0
Commercial 6 Meg Port Commercial 10 Meg Port	\$ 508 \$ 570				0	0	0	0	0	5	5	0	0	5	5	0	0
Commercial 25 Meg Port	\$ 800				0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial 50 Meg Port	\$ 1,150				0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial 100 Meg Port	\$ 1,400				0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial Gig Port	\$ 3,400				0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial Service Options					34	34	34	34	34	34	34	34	34	34	34	34	34
Commercial Service Options (Best Effort	:)																
Commercial 1 Meg Port	\$ 21	3%	4%	6%	0	0	8	9	12	12	19	20	22	22	23	25	25
Commercial 2 Meg Port	\$ 140	0%	1%	2%	0	0	0	0	3	3	6	7	7	7	8	8	8
Commercial 4 Meg Port	\$ 176	1%	2%	3%	0	0	3	3	6	6	9	10	11	11	11	12	13
Commercial 5 Meg Port	\$ 193	2%	5%	7%	0	0	6	6	14	15	22	23	25	26	26	29	29
Commercial 6 Meg Port	\$ 208	3%	3%	5%	0	0	8	9	9	9	16	17	18	18	19	21	21
Commercial 10 Meg Port	\$ 270 \$ 500	1%	2%	3%	0	0	3	3	6	6	9 16	10 17	11 18	11 18	11 19	12 21	13 21
Commercial 25 Meg Port Commercial 50 Meg Port	\$ 500 \$ 850	1% 0%	3% 1%	5% 1%	0	0	0	0	9	3	10	3	10	10	19	1	Z I 1
	\$ 1,200	1%	1%	1%	0	0	3	3	3	3	3	3	4	4	4	4	4
Commercial Gig Port	\$ 2.000	1%	1%	2%	0	0	3	3	3	3	3	3	7	7	8	8	8
Commercial Service Options		13%	23%	35%		0	36	38	66	71	106	113	126	129	131	144	146
IP Services & Transport Fees																	
Wholesale Per Meg Rate	\$40	Yr 1-3	Yr 4-6	Yr 7-8													
Provider 1IP Services		10	15	20	\$4,800	\$4,800	\$4,800	\$4,800	\$7,200	\$7,200	\$9,600	\$9,600	\$9,600	\$9,600	\$9,600	\$9,600	\$9,600
Provider 2IP Services		10	25	35	\$4,800	\$4,800	\$4,800	\$4,800	\$12,000	\$12,000	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800	\$16,800
Provider 3IP Services		10	20	30	\$4,800	\$4,800	\$4,800	\$4,800	\$9,600	\$9,600	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400
Provider 4IP Services		10	20	30	\$4,800	\$4,800	\$4,800	\$4,800	\$9,600	\$9,600	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400
Provider 5IP Services		10	20	30	\$4,800	\$4,800	\$4,800	\$4,800	\$9,600	\$9,600	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400
Provider 6IP Services	8	10	20	30	\$4,800	\$4,800	\$4,800	\$4,800	\$9,600	\$9,600	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400	\$14,400
Commercial Service Options		30	60	85	\$28,800	\$28,800	\$28,800	\$28,800	\$57,600	\$57,600	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000
Revenue Projections (Port Fees)																	
Wholesale Fiber Optic					\$272,400	\$272,400	\$272,400	\$272,400	\$277,848	\$283,405	\$289,073	\$294,855	\$300,752	\$306,767	\$312,902	\$319,160	\$325,543
Residential Revenue					\$0	\$0	\$351,436	\$624,776	\$694,431	\$733,033	\$1,223,463	\$1,309,357	\$1,435,984	\$1,498,438	\$1,570,237	\$1,658,448	\$1,717,483
Commercial Revenue					\$189,720	\$189,720	\$365,078	\$373,846	\$475,013	\$493,854	\$591,049	\$616,500	\$735,581	\$748,976	\$760,697	\$817,628	\$826,000
IP Services & Transport	_				\$28,800	\$28,800	\$28,800	\$28,800	\$57,600	\$57,600	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000	\$84,000
Total Yearly	/ Revenue				\$490,920	\$490,920	\$1,017,715	\$1,299,822	\$1,504,892	\$1,567,892	\$2,187,585	\$2,304,712	\$2,556,317	\$2,638,181	\$2,727,837	\$2,879,235	\$2,953,026
					I												

APPENDIX 50-2

Business Case Relating To BIP/BTOP Application of Public Utility District No. 1 of Pend Oreille County, WA

TIER (Times Earned Interest Ratio) - Wholesale Broadband Only

	١,												Ī
Operations Expenses	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
NOC/NMS System Expenses		50 Meg	50 Meg	75 Meg	75 Meg	100 Meg	100 Meg	150 Meg	150 meg	150 meg	150 meg	150 meg	150 meg
Internet Connection Expense	\$1,200	\$1,200	\$18,000	\$24.300	\$24,300	\$30,000	\$30,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000	\$45,000
Software/Hardware Maintenance Expense	\$62,000	\$62,000	\$62,000	\$63,240	\$64,505	\$65,795	\$67,111	\$68,453	\$69,822	\$71,219	\$72,643	\$74,096	\$75,578
Materials & Insurance & Travel	\$100,122	\$98,929	\$98,929	\$103,875	\$106,992	\$110,201	\$113,508	\$116.913	\$120,420	\$124.033	\$127.754	\$131,586	\$135,534
Equipment Reserves (Replacement)	\$0	\$0	\$0	\$0	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60.000	\$60,000
NOC Management Expenses (Starts 2011) (2011 - Core / 2012 Access & Core)	\$0	\$0	\$40,000	\$52,000	\$69,875	\$73,369	\$73,369	\$75,570	\$75,570	\$75,570	\$75,570	\$75,570	\$75,570
Total NOC/NMS System Expenses	\$163,322	\$162,129	\$218,929	\$243,415	\$325,671	\$339,365	\$343,987	\$365,935	\$370,812	\$375,821	\$380,966	\$386,252	\$391,681
Staffing Expenses		20/	6 Increase Cost of Living	I									
Operations Manager (Existing) 1 FTE	\$85.400	\$85,400	\$95,000	\$97,850	\$100,786	\$103,809	\$106,923	\$110,131	\$113,435	\$116,838	\$120,343	\$123,953	\$127,672
Systems Engineer (Existing) 1 FTE	\$35,000	\$35,000	\$80,000	\$82,400	\$84,872	\$87,418	\$90,041	\$92,742	\$95,524	\$98,390	\$120,343	\$104,382	\$107,513
Network Engineer (Existing) 1 FTE	\$35,000	\$35,000	\$80,000	\$82,400	\$84,872	\$87,418	\$90,041	\$92,742	\$95,524	\$98.390	\$101,342	\$104,382	\$107,513
OSP Engineer 1 FTE	\$0 \$0	\$0 \$0	\$75,000	\$62,400 \$77,250	\$79,568	\$81,955	\$84.413	\$92,742 \$86.946	\$89,554	\$90,390 \$92,241	\$95,008	\$104,362 \$97.858	\$107,513
	7.7											* - ,	
Field Service Technician 1 FTE	\$0	\$0	\$65,000	\$66,950	\$68,959	\$71,027	\$73,158	\$75,353	\$77,613	\$79,942	\$82,340	\$84,810	\$87,355
Administrative Staff 1 FTE	\$0	\$0	\$0	\$35,000	\$36,050	\$37,132	\$38,245	\$39,393	\$40,575	\$41,792	\$43,046	\$44,337	\$45,667
Other PUD Operating Expenses	\$27,428	\$27,428	\$27,428	\$28,251	\$29,098	\$29,971	\$30,870	\$31,797	\$32,750	\$33,733	\$34,745	\$35,787	\$36,861
Total Staffing Expense	\$147,828	\$147,828	\$395,000	\$470,101	\$484,204	\$498,730	\$513,692	\$529,103	\$544,976	\$561,325	\$578,165	\$595,510	\$613,375
Contracts													
Drop Contract Per Installation		\$0	\$0	\$0	\$97,795	\$99,751	\$101,746	\$103,781	\$105,857	\$107,974	\$110,133	\$112,336	\$114,583
Marketing		\$0	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
Emergancy/Maintenance Agreement	\$161,000	\$161,000	\$165,830	\$169,147	\$172,530	\$177,705	\$183,037	\$188,528	\$194,184	\$200,009	\$206,009	\$212,190	\$218,555
Total Billing Cost	\$161,000	\$161,000	\$180,830	\$184,147	\$285,325	\$292,456	\$299,783	\$307,309	\$315,040	\$322,983	\$331,142	\$339,525	\$348,138
T (10) (1) (1) (1)	0.50	2		****	A	2	2	A	4		*	A	A
Total Operations Expenditures	\$472,150	\$470,957	\$794,759	\$897,663	\$1,095,200	\$1,130,551	\$1,157,461	\$1,202,347	\$1,230,828	\$1,260,129	\$1,290,273	\$1,321,287	\$1,353,194
Total Revenue	\$490.920	\$490,920	\$1.017.715	\$1,299,822	\$1.504.892	\$1.567.892	\$2.187.585	\$2,304,712	\$2,556,317	\$2.638.181	\$2,727,837	\$2,879,235	\$2,953,026
	+,		+ /- / -		+ 1 1	+ 1 1	+) -)	. , ,	. , ,	+ 11			. , ,
Total Expense	\$472,150	\$470,957	\$794,759	\$897,663	\$1,095,200	\$1,130,551	\$1,157,461	\$1,202,347	\$1,230,828	\$1,260,129	\$1,290,273	\$1,321,287	\$1,353,194
EBITDA	\$18,770	\$19,963	\$222,956	\$402,159	\$409,692	\$437,341	\$1,030,123	\$1,102,365	\$1,325,489	\$1,378,052	\$1,437,563	\$1,557,949	\$1,599,832
EBITUA	\$10,770	\$19,903	\$222,950	\$402,159	\$409,092	\$437,341	\$1,030,123	\$1,102,300	\$1,325,469	\$1,370,052	\$1,437,503	\$1,557,949	\$1,599,632
Depreciation - Project Only		\$ (1.707.862.75) \$	(1.707.862.75)	\$ (1 707 862 75)	\$ (1.707.862.75)	\$ (1 707 862 75)	\$ (1 707 862 75)	\$ (1 707 862 75)	\$ (1,707,862.75)	\$ (1 707 862 75)	\$ (1.707.862.75)	\$ (1 707 862 75)	\$ (1 707 862 75)
Depression 110jest only		ψ (1,707,002.70) ψ	(1,707,002.70)	ψ (1,707,002.70)	ψ (1,707,002.70)	ψ (1,707,002.70)	ψ (1,707,002.70)	ψ (1,707,002.70)	ψ (1,707,002.70)	ψ (1,707,002.70)	ψ (1,707,002.70)	ψ (1,707,002.70)	ψ (1,707,002.70)
Earnings Before Interest and Taxes	\$18,770	(\$1,687,900)	(\$1,484,907)	(\$1,305,704)	(\$1,298,171)	(\$1,270,522)	(\$677,740)	(\$605,498)	(\$382,374)	(\$329,810)	(\$270,300)	(\$149,914)	(\$108,031)
Interest Consess	0	(\$4.47E.000.40)	(\$4.440.000.00)	(\$4,004,0E4,00)	(\$4,004,074,70)	(#0.40 coo cc)	(\$000,000,04)	(f024 200 0C)	(\$770.000.0E)	(\$74E,007.E0)	(\$050,042,02)	(\$500,040,00)	(\$500 407 7 0)
Interest Expense	0	(\$1,175,009.42)	(\$1,118,233.88)	(\$1,061,254.89)	(\$1,004,071.72)	(\$946,683.65)	(\$889,089.94)	(\$831,289.86)	(\$773,282.65)	(\$715,067.59)	(\$656,643.92)	(\$598,010.90)	(\$539,167.78)
Income Before Taxes	\$18.770	(\$2.862.909)	(\$2.603.141)	(\$2.366.959)	(\$2.302.243)	(\$2.217.206)	(\$1,566,830)	(\$1,436,787)	(\$1,155,656)	(\$1.044.878)	(\$926.944)	(\$747.925)	(\$647,199)
	\$10,770	(\$2,002,909)	(\$2,003,141)	(⊅∠,300,959)	(\$2,302,243)	(\$Z,Z11,ZUb)	(\$1,000,030)	(\$1,430,787)	(\$1,100,000)	(\$1,0 44 ,078)	(\$920,944)	(\$141,925)	(\$047,199)

-1.23

-1.29

-1.34

-0.76

-0.73

-0.49

-0.46

-0.41

-0.25

-0.20

-1.44

-1.33

Item 50 – Detailed Financial Narrative Information

1. Overview of the Applicant's Operations

Public Utility District No. 1 of Pend Oreille County, WA (the "District") is a municipal corporation governed by an elected three-person Board of Commissioners. The District's reporting entity is comprised of three primary component units, or operating systems.

The Electric System distributes electricity to residential and other consumers in Pend Oreille County. The Box Canyon Production System produces hydroelectric power from the Box Canyon Hydroelectric Project. The Water System consists of nine individual water distribution subdivisions. The District is required by various financing and contractual arrangements to report separately on each system and maintain each system as a separate entity with separate obligations.

The District authorized usage of the name Community Network System (CN System) for the purpose of facilitating access to, and use of, the District's Electric System broadband communication network for the benefit of the people of Pend Oreille County in accordance with state granted wholesale authority. The CN System, the District's existing middle mile fiber optic backbone, is an endeavor of the Electric System and is not a separate operating system for reporting purposes.

2. Financial Feasibility Determination

Because the District is required to report separately on each system and maintain each system as a separate entity with separate obligations, the Electric System financials are the most relevant and appropriate measure of financial feasibility, and avoid improper cross-subsidy concerns.

The Electric System's income statement, assuming a 20-year loan of \$27M principal at 4.3%, reveals negative net income and a times earned interest ratio (TIER) <u>less</u> than 1.0 throughout the five-year projection. *See* Appendix 50-1.

In sum, the District does not satisfy the financial feasibility criteria established by RUS.

3. Assumptions

The District prepared two versions of Attachments K, L, and M on a fully-consolidated basis: the first set, notated "Hypothetical RUS Loan" considers projections based on the District's receipt of \$27,325,803 in loan funding; the second set, notated "BTOP Grant," considers projections based on the District's receipt of \$27,325,803 in grant funding.

In accordance with the District's requirements to report separately on each system and maintain each system as a separate entity with separate obligations, the District prepared Attachment K, Income Statement, for the Electric System, based the District's audited financial statements.

Finally, to assist with RUS and NTIA's review of the revenue and expenses projections contained within the five-year pro forma portion of the foregoing financial statements, the

District is providing the business case data on which the projections are based. *See* Appendix 50-2.

Detailed assumptions relating to Attachments K, L and M are included with those attachments.

4. Working Capital

On both a fully-consolidated basis, the District's working capital, defined as current assets minus current liabilities, is a positive value throughout the entire forecast period. Indeed, the historical working capital of the Electric System was \$4,596,610 and \$8,929,159, 2008 and 2007, respectively. The District's wholesale broadband operations (referred to as the CN System in the audited financial statements) are projected to generate positive EBITDA throughout the forecast period. *See* Business Case, Appendix 50-2. Moreover, the Electric System's cash and cash equivalents of \$14,482,312, as of December 31, 2008, (subject to reduction based on the proposed 20% matching funds) would be available to address any material difference between the actual and anticipated timing of revenue receipts and required timeframes for payment of expenses. The District's management reviews accounts receivable on a regular basis to determine if any receivables will potentially be uncollectible. The District maintains an allowance for uncollectible accounts, which includes amounts estimated through an evaluation of specific accounts, based on the best available facts and circumstances, of customers that may be unable to meet their financial obligations, and a reserve based on historical experience.

5. Investments

The District's net income generated by its Electric System (of which the wholesale broadband operations are a part), in combination with the District's 20% matching fund capital contribution of \$6,831,451 and federal grant funding in the amount of \$27,325,804, would provide the complete financial needs of the proposed project. With the interest expense associated with a \$27 million loan removed, the Electric System would be able to sustain positive net income throughout the forecast period.

6. Current Operations

The District's currently offers wholesale services to Internet service providers (ISPs) and other retail telecommunications providers, in addition to serving the needs of the District's other systems. The District's current ISPs and retail providers serve a total of 34 customer locations, at speeds ranging from 1 to 10 Mbps. The District's wholesale rates are flat-rate, varying by Mbps-level. All current services are provided at the "Diamond" level, which means that the District commits to certain service level agreements with respect to the service delivered. With the proposed last-mile expansion of its network, the District plans to offer services on a "Best Effort" basis. The District's existing operations will be impacted positively by the services proposed through the funding of the proposed project. For one, establishing path redundancy for the existing network will improve service reliability, thus decreasing operational expenditures relating to service outages. Moreover, expanding the network's last-mile reach will allow the District to more fully utilize existing resources, including staffing, existing plant (poles, conduits, etc.) and back-office support functions.

Attachment A - Proposed Last Mile Service Offerings

Please complete the attached chart for each proposed funded service area modifying the chart as necessary to detail the service offerings. **For BIP applicants only:** for all other service areas where funds are not being requested, complete a chart that aggregates the service offerings.

	Adver Spee		Average	Speeds	Average Latency (BTOP only)	Pricing
Name of Tier	Downstream Mbps	Upstream Mbps	Downstream Mbps	Upstream Mbps	@ End User CPE milli- seconds	Plan \$ per month
Residential						
Entry Level Speed						
Maximum Speed						
Other Residential Tiers						
Business or Institutions						
Entry Level Speed						
Maximum Speed						
Other Business or Institution Tiers						

	A ali va utia a	al Connada	4	Canada	Average	Driging Dlan ¢						
Name of Tier	Advertise	d Speeds	Average	Speeds	Latency	Pricing Plan \$ Per Month*						
	Downstream Mbps	Upstream Mbps	Down Stream Mbps	Upstream Mbps	@ End User CPE milli- seconds	r ei Montii						
Residential												
Entry Level	1	1	1	1	<10ms	\$26						
	3	3	3	3	<10ms	\$26						
	5	5	5	5	<10ms	\$26						
	10	10	10	10	<10ms	\$26						
	100	100	100	100	<10ms	\$26						
Note: Residential	Note: Residential services is \$26 per connection up to 100 Mbps. Proportionate IP rider charge											
will be added to e	each base rate.											
Business												
Best Effort	1	1	1	1	<10ms	\$121						
	2	2	2	2	<10ms	\$140						
	4	4	4	4	<10ms	\$176						
	5	5	5	5	<10ms	\$193						
	6	6	6	6	<10ms	\$208						
	10	10	10	10	<10ms	\$270						
	25	25	25	25	<10ms	\$500						
	50	50	50	50	<10ms	\$850						
	100	100	100	100	<10ms	\$1,200						
	GigE	GigE	GigE	GigE	<10ms	\$2,000						
Diamond	1	1	1	1	<10ms	\$421						
	4	4	4	4	<10ms	\$476						
	5	5	5	5	<10ms	\$493						
	10	10	10	10	<10ms	\$570						
	25	25	25	25	<10ms	\$800						
	50	50	50	50	<10ms	\$1,150						
	100	100	100	100	<10ms	\$1,400						
	GigE	GigE	GigE	GigE	<10ms	\$3,400						

^{*}these rates are wholesale as mandidated by Washington State Law