

QUARTERLY PERFORMANCE PROGRESS REPORT FOR BROADBAND INFRASTRUCTURE PROJECTS

General Information

1. Federal Agency and Organizational Element to Which Report is Submitted Department of Commerce, National Telecommunications and Information Administration	2. Award Identification Number NT10BIX5570085	3. DUNS Number 878195239
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4. Recipient Organization Vermont Telephone Company, Inc. 354 River Street, Springfield, VT 05156-2242
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5. Current Reporting Period End Date (MM/DD/YYYY) 12-31-2011	6. Is this the last Report of the Award Period? <input type="radio"/> Yes <input checked="" type="radio"/> No
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7. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.

7a. Typed or Printed Name and Title of Certifying Official Frances Stocker Vice President Finance	7c. Telephone (area code, number and extension) 8028857745
	7d. Email Address fstocker@vermontel.com

7b. Signature of Certifying Official Submitted Electronically	7e. Date Report Submitted (MM/DD/YYYY): 02-21-2012
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Project Indicators (This Quarter)

1. Please describe significant project accomplishments completed during this quarter (600 words or less).
 During this quarter our outside engineers continued field engineering. They are very close to completion, and have been preparing the necessary pole applications and state permits that are needed for construction. We have made a final selection for construction vendor based on the results of last quarter's RFP. We have continued to update BTOP staff every two weeks. We are responding to the PIP's identified in our site visit. A concentrated effort has been made to reach all CAI's and numerous discussions and negotiations have taken place this quarter.

2. Please provide the percent complete for the following key milestones in your project. Write "0" in the Percent Complete column and "N/A" in the Narrative column if your project does not include this activity. If you provided additional milestones in your baseline plan, please insert them at the bottom of the table. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the percent complete is different from the target provided in your baseline plan (300 words or less).

	Milestone	Percent Complete	Narrative (describe reasons for any variance from baseline plan or subsequent written updates provided to your program officer)
2a.	Overall Project	30	Fiber construction is scheduled to begin in the 1st quarter of 2012. We have received and installed the majority of the electronic (DWDM) equipment and are in the process of cutting it over. The installation schedule of this equipment has experienced some delays, however those delays are not considered to have an impact on the overall project completion date.
2b.	Environmental Assessment	100	Environmental Assessment has been completed, and the project received a Finding of No Significant Impact in 2Q11.
2c.	Network Design	89	117.34 of 132 miles has been staked in the field by our engineering firm.
2d.	Rights of Way	25	Due to an unexpected absence of the person completing permit applications with our outside engineering company, the process was delayed slightly. Upon her return in the beginning of the 1st quarter 2012, the number of applications has increased to just under 50%.
2e.	Construction Permits and Other Approvals	25	See 2d.
2f.	Site Preparation	19	No variance.
2g.	Equipment Procurement	75	No variance. DWDM equipment has arrived although full payment for the equipment will not be processed until it is lit and tested. We expect to be on schedule with our baseline plan in the 1st quarter of 2012.
2h.	Network Build (all components - owned, leased, IRU, etc)	0	No variance.
2i.	Equipment Deployment	44	Deployment of DWDM equipment started this quarter. Delays due to coordination with other utility companies, land owner's, and the vendor occurred but it is felt that the completion of the overall project will not be affected. We expect to be on schedule with our baseline plan in the 1st quarter of 2012.
2j.	Network Testing	44	See 2i. We expect to be on schedule with our baseline plan in the 1st quarter of 2012.
2k.	Other (please specify):	90	Network testing equipment procurement occurred in this quarter.

3. To the extent not covered above, please describe any challenges or issues faced during this past quarter in achieving planned progress against the project milestones listed above. In particular, please identify any areas or issues where technical assistance from the BTOP program may be useful (600 words or less).

Although construction is not scheduled to begin until the first quarter of 2012, it was necessary to increase the rate in which we were reaching out to community anchors. By doing that, we quickly became aware that there might be changes to the list proposed originally, and determined through the overlap process, based on many different factors including economic conditions, market competition from other providers, changes in location due to tropical storm Irene, etc. We plan to file an Award Action Request to address the community anchors that are being replaced.

VTel also needed to adopt and document procedures to adequately comply with the financial management guidelines for the BTOP

project. Processes are in place to identify allowable costs, however the policies needed to be clearly outlined, to ensure that BTOP guidelines are being followed.

The last performance improvement plan that was identified concerned identifying that all BTOP terms and conditions be included in any contracts entered into during the NTIA grant period. We have made corrections to all existing contracts, and any new contracts are being reviewed by VTel's attorneys to make sure that they include all the necessary terms and conditions required.

4. Please report the following information regarding network build progress. Write "0" in the Total column and "N/A" in the Narrative column if your project does not include this activity. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the total is different from the target provided in your baseline plan (600 words or less).

Indicator	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
New network miles deployed	0	No variance from baseline
New network miles leased	0	No variance from baseline
Existing network miles upgraded	0	The DWDM equipment that will upgrade the existing network was installed in Q4'11 and is in the process of being cut-over. It is expected to be fully operational in Q1'12.
Existing network miles leased	0	The DWDM equipment that will upgrade the existing network was installed in Q4'11 and is in the process of being cut-over. It is expected to be fully operational in Q1'12.
Number of miles of new fiber (aerial or underground)	0	No variance from baseline.
Number of new wireless links	0	N/A
Number of new towers	0	N/A
Number of new and/or upgraded interconnection points	0	The DWDM equipment that will upgrade the existing network was installed in Q4 2011 and is in the process of being cut-over. It is expected to be fully operational in Q1 2012.

For questions 5 and 6 please include information relating to agreements that you are negotiating or have entered into, or that your sub recipient, contractor or subcontractor is negotiating or entered into.

5a. If applicable, please provide the following information with regard to agreements with broadband wholesalers and/or last mile providers as a result of your project.

Indicators	
Number of signed agreements with broadband wholesalers or last mile providers	6
Number of agreements currently being negotiated with broadband wholesalers or last mile providers	1
Average term of signed agreements (in quarters)	20

5b. Please list the names of the wholesale and last mile providers with whom you have signed agreements (100 words or less). Providers:
 We have 6 existing agreements with broadband wholesale and last mile providers whose connection will be upgraded as a result of this project once the core optical network is installed. These customers are shown in the quarterly indicators of the baseline. We expect to be on schedule in Q1 2012.

5c. What wholesale services are being provided by this project? Please describe below. As an attachment to this report, please provide pricing plans (in \$ per month) associated with each wholesale service provided by your product (100 words or less). Wholesale services description:

No new wholesale services have yet been provided by this project.

5d. If you have designated a third party to operate all or a portion of your network, please provide the name and contact information for this third party, indicate if this entity is a sub recipient, contractor, and/or subcontractor, and describe with specificity the portion of your network this this third party operates (600 words or less).

We have not designated a third party to operate all or a portion of our network.

6. Please provide the data according to the type of subscriber. Write "0" in the Total column and "N/A" in the Narrative column if your project does not pass or serve a particular subscriber type. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the most recent reporting quarter. Please provide a narrative description if the total is different from the target provided in your baseline plan (300 words or less).

Subscriber Type	Access Type	Total	Narrative (describe your reasons for any variance from the baseline plan or any other relevant information)
Broadband Wholesalers or Last Mile Providers	Providers with signed agreements receiving new access	0	No variance with baseline.
	Providers with signed agreements receiving improved access	0	Providers receiving improved access has been delayed until the DWDM has been fully installed and operational. This is expected to be completed in Q1 2012.
	Providers with signed agreements receiving access to dark fiber	0	No variance with baseline.
	Please identify the speed tiers that are available and the number of subscribers for each	0	No variance with baseline.
Community Anchor Institutions (including Government institutions)	Total subscribers served	0	VTBell has 47 existing customers that were listed under the proposed CAI's. These customers connections will be upgraded with the network funded by NTIA which is in process. This is expected to happen in Q1 2012.
	Subscribers receiving new access	0	Fiber construction will begin Q1 2012. We have had discussions with multiple schools who have submitted applications through the ERate process. We are prioritizing the routes to be constructed to coincide with the schools' funding years where possible.
	Subscribers receiving improved access	0	Existing subscribers will receive improved once the DWDM is fully installed and operational. This is expected to be completed in Q1 2012.
	Please identify the speed tiers that are available and the number or subscribers for each	0	Community Anchor institutions may also buy capacity on a per-Megabit/second basis; however we expect most of them will take advantage of one of our two tier pricing models. The first is 25Megabit/second of Internet capacity, burstable to 1000Megabit/second, including off site data storage. The second is 100Megabit/second of Internet capacity, burstable to 1000Megabit/second. Both packages include offsite data storage and savings on GigE "spoke" connections to nearby facilities.
Residential / Households	Entities passed	0	N/A
	Total subscribers served	0	N/A
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	0	N/A
	Please identify the speed tiers that are available and the number of subscribers for each	0	N/A
Businesses	Entities passed	0	N/A
	Total subscribers served	0	N/A
	Subscribers receiving new access	0	N/A
	Subscribers receiving improved access	0	N/A
	Please identify the speed tiers that are available and the number of subscribers for each	0	N/A

7. Please describe any special offerings you may provide (600 words or less).

With all \$1,400 and \$2,500 packages we include off site data storage, transport to Internet2 and access to a state wide WAN connection.

8a. Have your network management practices changed over the last quarter? Yes No

8b. If so, please describe the changes (300 words or less).
N/A

9. Community Anchor Institutions:
Using the table below, please provide a list by service area of the community anchor institutions (including Government institutions) connected to your network as a result of BTOP funds. Figures should be reported for the most recent reporting quarter only (NOT cumulatively). Also indicate whether your organization is currently providing broadband service to the anchor institution. Finally, provide a short narrative description with examples of how institutions are using BTOP-funded infrastructure (300 words or less).

Institution Name	Service Area (town or county)	Type of Anchor Institution (as defined in your baseline)	Are you also the broadband service provider for this institution? (Yes / No)	Narrative description of how anchor institutions are using BTOP-funded infrastructure
0	0	0	0	N/A

Project Indicators (Next Quarter)

1. Please describe significant project accomplishments planned for completion during the next quarter (600 words or less).
In the next quarter we expect to have installed 85% of the core electronics. We plan to complete submitting permit requests for pole attachments, make ready, and obtaining easements based on the engineering work already completed. We expect that all remaining engineering will be completed in the following quarter. We plan to contract with an experienced person to apply for all railroad permits. Construction is slated to begin and we intend to complete approximately 15 miles. We expect to be at 67% completion in Q1 2013, Grant Year 3 Q2. We expect to be at 100% completion in Q3 2013, Grant Year 3 Q4.

2. Please provide the percent complete for the following key milestones in your project. Write "0" in the Planned Percent Complete column and "N/A" in the Narrative column if your project does not include this activity. If you provided additional milestones in your baseline plan, please insert them at the bottom of the table. Unless otherwise indicated in the instructions, figures should be reported cumulatively from award inception to the end of the next reporting quarter. Please provide a narrative description if the percent complete is different from the target provided in your baseline plan (300 words or less).

	Milestone	Planned Percent Complete	Narrative (describe reasons for any variance from baseline plan or any other relevant information)
2a.	Overall Project	50	Much of our progress will be dictated by the speed at which we are able to receive permits, and make-ready construction schedules. We plan on having the applications submitted, however, we are unable to control the turnaround time by the pole-owning utilities. We are expecting make ready work to take approximately 90 days after make ready payment has been made.
2b.	Environmental Assessment	100	Our environmental assessment has been completed.
2c.	Network Design	100	Our outside engineer should have all miles staked by the end of Q1 2012
2d.	Rights of Way	60	No variance with baseline.
2e.	Construction Permits and Other Approvals	60	No variance with baseline.
2f.	Site Preparation	29	No variance with baseline.
2g.	Equipment Procurement	95	No variance with baseline.
2h.	Network Build (all components - owned, leased, IRU, etc.)	11	No variance with baseline.
2i.	Equipment Deployment	75	Equipment deployment has had some delays due to coordination efforts between utility companies, landowners, and equipment vendor. It is not felt that this will delay the completion of the project.
2j.	Network Testing	75	Equipment deployment has had some delays due to coordination efforts between utility companies, landowners, and equipment vendor. It is not felt that this will delay the completion of the project.
2k.	Other (please specify):	100	Network testing equipment procurement occurred in Q4 2011.

3. Please describe any challenges or issues anticipated during the next quarter that may impact planned progress against the project milestones listed above. In particular, please identify any areas or issues where technical assistance from the BTOP program may be useful (600 words or less).

Construction is scheduled to begin in the next quarter. One issue that might impact the progress of meeting the goal of 15 miles is the ability of the various utility companies to respond quickly to our pole applications, and the timeliness of make ready work. We have had a fairly mild winter to date, but early spring storms could also affect the construction schedule.

Infrastructure Budget Execution Details

Activity Based Expenditures (Infrastructure)

1. Please provide details below on your total budget, cumulative actual expenditures (for the period ending the current quarter), and cumulative anticipated expenditures (for the period ending next quarter) for each line item, including detailed disbursements of both matching funds and federal funds from project inception through end of this quarter (actual) or next quarter (anticipated). Actual and anticipated figures should be reported cumulatively from award inception to the end of the applicable reporting quarter.

Budget for Entire Project				Actuals from Project Inception through End of Current Reporting Period			Anticipated Actuals from Project Inception through End of Next Reporting Period		
Cost Classification	Total Cost (plan)	Matching Funds (plan)	Federal Funds (plan)	Total Cost	Matching Funds	Federal Funds	Total Costs	Matching Funds	Federal Funds
a. Administrative and legal expenses	\$100,000	\$30,000	\$70,000	\$41,346	\$12,404	\$28,943	\$73,523	\$22,057	\$51,466
b. Land, structures, right-of-ways, appraisals, etc.	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
c. Relocation expenses and payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
d. Architectural and engineering fees	\$105,370	\$31,611	\$73,759	\$99,255	\$29,777	\$69,478	\$848,366	\$254,510	\$593,856
e. Other architectural and engineering fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
f. Project inspection fees	\$80,000	\$24,000	\$56,000	\$0	\$0	\$0	\$9,091	\$2,727	\$6,364
g. Site work	\$2,433,470	\$730,041	\$1,703,429	\$582,603	\$174,781	\$407,822	\$582,085	\$174,625	\$407,460
h. Demolition and removal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
i. Construction	\$3,650,203	\$1,095,061	\$2,555,142	\$560,292	\$168,087	\$392,204	\$340,462	\$102,139	\$238,323
j. Equipment	\$6,400,083	\$1,920,025	\$4,480,058	\$3,185,836	\$955,750	\$2,230,086	\$4,579,990	\$1,373,997	\$3,205,993
k. Miscellaneous	\$92,000	\$27,600	\$64,400	\$32,837	\$9,852	\$22,985	\$43,838	\$13,151	\$30,687
l. SUBTOTAL (add a through k)	\$12,861,126	\$3,858,338	\$9,002,788	\$4,502,169	\$1,350,651	\$3,151,518	\$6,477,355	\$1,943,206	\$4,534,149
m. Contingencies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
n. TOTALS (sum of l and m)	\$12,861,126	\$3,858,338	\$9,002,788	\$4,502,169	\$1,350,651	\$3,151,518	\$6,477,355	\$1,943,206	\$4,534,149

2. Program Income: Please provide the program income you listed in your application budget and actuals to date through the end of the reporting period.

a. Application Budget Program Income: \$0

b. Program Income to Date: \$0