

Municipal Ownership of BIPCo:

Advantages to New Shoreham's Proposed Broadband Network

Block Island is faced with an historic opportunity in being able to take control of BIPCo, its local power company, and use BIPCo's assets in support of the proposed municipal broadband network. Many successful municipal broadband networks around the United States are operated by the local, publicly-owned electric utility. The reason for this is that there are significant operational synergies with joint provision of electric and broadband services. Electrical utilities own the poles that broadband wires hang on, and they can effectively use their maintenance and customer service infrastructure in broadband service. Chattanooga, TN, Cedar Falls, IA, and Lafayette, LA are all good examples.

Following is a list of key synergies:

Operational Savings: In its analysis of the BIPCo acquisition, Tilson determined that the Town of New Shoreham would realize operating savings of approximately \$100,000 per year in the broadband network if it also owned BIPCo. This is comprised of avoided labor and equipment costs as follows:

Broadband Synergy		Assumptions
One Time		
Bucket truck purchase (one time)	100,000	Broadband would not have to buy a bucket truck. Could pay for use of BIPCO truck. Shared truck likely adequate.
Recurring		
Shared bucket rental payments to BIPCO	(9,600)	\$800/month for shared use of a bucket truck.
Savings on bucket truck maintenance, insurance, taxes	4,200	Spare bucket truck capacity. BIPCO charges out 1/2 truck. Truck would have been parked on town land, though.
Field Technicians	100,000	Two contracted field technicians @\$200k vs payment of \$100k for sharing two technicians.
Pole attachment revenue	10,122	Town/BIPCO would receive 1/2 of forecasted \$20,244 pole attachment rent. Other 1/2 of pole attachment costs paid to Verizon.
Recurring sub-total	104,722	

Operational savings include:

- The Town anticipates providing a full-time field technician for maintaining the fiber network on Block Island. By owning BIPCo, the Town would not need to pay a contractor (and the contractor's markup) to staff this role. Instead, the existing BIPCo line workers can maintain the fiber cable. They will likely require additional training on splicing fiber, but this is a relatively small cost in comparison to hiring a dedicated resource.
- Similarly, the Town could use BIPCo assets (trucks, tools, land, and other facilities) to maintain the fiber network rather than having to either buy or rent these.
- BIPCo already has a physical office on the Island, which the Town could easily use as a joint office for the broadband network. Since the community would likely want a local presence for the broadband network, using the BIPCo offices would obviate the need for the Town to provide another office space.



- BIPCo already has systems in place for billing and customer service. Depending on the operations model the Town chooses for the network and whether its contracted Internet Service Provider would provide those services, the Town could use existing BIPCo facilities to provide billing and customer support. Of course, whether the Town would *want* to do so is a discussion that has not yet taken place – but if it later decides to provide billing or customer service itself, in BIPCo it would already have at least part of the requirements in place.

Pole Attachment: Any entity that wants to attach its cables to utility poles needs to get permission from the pole owner or owners. Poles on Block Island are jointly owned by BIPCo and Verizon. If the Town owned BIPCo, it would be in a much stronger position when it applied for permission from Verizon to lease space on the poles. The Town will also not need to pay a licensing fee to BIPCo, but may need to pay Verizon its share, depending on how BIPCo’s Joint Use agreement with Verizon is structured. There are some details that remain to be worked out as to the specific legal and corporate structures involved.

Make Ready: Tilson has estimated \$360,000 for make ready work – that is, rearranging existing cables on the poles to make enough space to hang the fiber cables. While some poles have existing space from the defunct Block Island Cable Company and will require minimal make ready work, others will require moving secondary power cables. These are the cables that carry power to houses from a nearby pole-mounted transformer. Secondary cables on Block Island are often hung separately, an outdated method that takes up a lot of space on the poles. Since BIPCo would need to do the work of moving these secondary power cables, the Town’s ownership of BIPCo would result in large savings on make ready costs.

Cellular Backhaul & Revenue Opportunities: Cellular carriers are often willing to pay higher rental fees to tower owners if backhaul connections are available via fiber instead of microwave (the current method used on Block Island). If the Town owned BIPCo and provided dark fiber at BIPCo’s tower, it could command higher rents from the cellular carriers for their tower space. Cellular services on the Island could also improve with fiber backhaul instead of microwave.

Furthermore, if the Town owned BIPCo, it could institute an expedited process for cellular providers to attach their own fiber to poles for potential small cell deployment. This would make it easier for them to expand their networks on Block Island. They may also be willing to lease dark fiber from the Town’s network for this – another revenue opportunity.

Use of BIPCo Property: The fiber network will require a small amount of land to house the network electronics and the connection to National Grid’s subsea cable to the mainland. If the Town were to own BIPCo, it could use extra BIPCo land for this equipment. Also, National Grid’s subsea cable terminates on BIPCo property, so it makes sense to locate the network electronics there. Were the Town not to own BIPCo, it would need to use land near the police station and would also need to build extra cabling there to make the connection with National Grid.