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- How much does it cost you to serve your average customer?

This question depends on how you define average cost. Thru July 2011, we have almost \$56M in installed plant of which \$21.8M is related to the head end facilities, \$14.4M is related to wiring and work to install services at the customer premise, \$13.4M is equipment (set tops, DVRs, access equipment etc.) with the balance of \$6.4M related to computers, trucks, etc. This capital investment currently serves 30,000 customers who average 2.24 services. With minimal head end investment, we could serve 50k customers with this infrastructure. We would incur approximately \$720 per customer in premise and equipment costs to install these additional customers. The payback for a customer install is about 10 months.

The GM on an average customer is about 65% on revenue of \$116.

- What are your main costs (equipment, backhaul, customer support...)?

See above for the capital costs. After COGS, the main costs our allocations from our Electric System where the overhead functions reside. These are 60-75% of the total operating costs each month. Half of these costs are rent payments to the Electric System to gain access to the fiber optics infrastructure. The other half is an allocation of overheads such as HR, Legal, Accounting, etc. as those functions serve the entire company, Electric and the Fiber Optics System. Next, network operation is the largest dedicated Fiber Optics System expense which includes all the network engineers. Sales and Marketing and Administration are the only other areas of significant operational expense.

- What is your main source of funding (payments from customers, grants, etc)?

The EPB Fiber Optics division is currently funded by interdivision loans from the Electric System.

- What kind of entity are you (a sole proprietorship, a nonprofit, a corporation, etc)?



EPB is a government owned nonprofit provider of electric and fiber optic voice, video and data services. Our mission is to enhance the quality of life in our community by providing energy, communications, and related services reliably, efficiently, and courteously at the lowest reasonable cost. As a community-owned company, our goal is not to build stock value or amass wealth. It is to help as many people in our community as possible, improving our community through reliable products and services at the lowest reasonable cost. To achieve this goal, we prioritize technology-based innovation, unequivocal excellence in all aspects of the company, reliability, honesty and integrity, exceptional customer service, and corporate social responsibility.

- How many people do you employ? Are they based in your local community or elsewhere?

EPB has 492 full-time employees and has an additional 52 temporary employees. We were able to add 100 new employees between July 2010 and June 2011 as a result of the fiber to the home deployment. In addition, we also contract with 200 people for fiber optic installations and construction. All are based in our local community.

- Is it cheaper for you to serve your average customer, than it would be for an outside carrier to serve that same customer?

No, we know from speaking to vendors that our competitors get discounted pricing on equipment due to volume purchases. Also, they are still using existing copper infrastructure while we built out a modern fiber optic infrastructure to bring state of the art technology to our service territory.

- What are the characteristics of your area that make you well-suited to serve it?

EPB's service territory is 600 square miles located in parts of Hamilton, Bledsoe, Bradley, Marion, Rhea, and Sequatchie counties in Tennessee and portions of Catoosa, Dade, and Walker counties in North Georgia. EPB provides electric service to all residents within this service territory and having existing infrastructure and relationships with residents allowed us to quickly build out fiber services to all residents regardless of their physical location within the service territory. Since we are a public entity, our mission is to offer the same level of service to all residents regardless of their physical location or income level.

- Are there features of the geography or population distribution that call for custom solutions?

The EPB service territory is an area of mountains and valleys with many rural locations located in Eastern Tennessee and Northern Georgia. Access to robust broadband speeds was previously limited to customers in these rural locations, usually with access only to DSL or satellite services. However, since we have completed our fiber to the home



network and offer communication services, each resident within the EPB service territory has the choice to access a 1,000 megabits per second internet connection, voice and video services regardless of his or her physical location within our service territory.

- Does your service require customer support of a level that larger carriers might be unsuited to provide?

Since EPB is owned by the city of Chattanooga, it was important that all customer support be provided locally. This allows us to increase jobs, support the local economy, and ensure that our customers speak with a local representative. Our customers are able to receive technical support 24 hours a day, 7 days a week from a customer service representative working in their own community.

- If you were to make use of a small fund that enabled you to purchase extra equipment, what would you buy first? How many extra customers would this help you to serve?

We would be interested in purchasing low cost PCs to help bridge the digital divide within our community. Additionally, these funds could be used to connect low income residents to the fiber network thus allowing us to offer discounted pricing to these customers. This could help us to serve another 5,000 customers who might otherwise be unable to afford fiber optic internet services.

- Do other providers serve your area? If so, how does your service compare with theirs?

Comcast, AT&T, Dish Network, and DirecTV all have a presence in our service territory, offering internet, video and/or phone services. Since EPB utilizes a fiber to the home network, we are able to provide faster internet speeds than all these providers as well as more reliable signals. Currently, we offer all residential customers, regardless of location or income, access to internet speeds of 30, 50, 100, and 1,000 megabits per second. We are also able to offer a higher quality video and video signal due to the fiber to the home architecture. Our customers also receive customer and technical support from representatives working within our service territory.

When we first entered the market in September 2009, we offered 15, 20, 50 and 150 megabits per second internet speeds. Less than a year after entering the market, we doubled or more than doubled everyone's connection speed to 30, 50, 100, and 1,000 megabits per seconds while keeping their prices constant.

We also were able to gain entrance into the National Cable Television Cooperative (NCTC) allowing us to achieve significant savings on video content cost. Rather than simply reducing our operating costs, we chose to invest those savings in acquiring additional video content for our customers. In addition, we surveyed our customers to find out what content they wanted and have been able to add forty-seven channels in Standard and High Definition based on their feedback.



- Please provide whatever other information you think would be relevant to the FCC in deciding whether to direct funds to organizations like yours.