

# Cherry Capital Connection, LLC

Northern Michigan's Telecommunication Provider

www.cherrycapitalconnection.com

P.O. Box 866

Elk Rapids, MI 49629

855-674-4159

March 7, 2014

## Letter – Expression of Interest VIA ECFS

Chairman Thomas Wheeler  
Commissioner Mignon Clyburn  
Commissioner Jessica Rosenworcel  
Commissioner Ajit Pai  
Commissioner Michael O’Rielly  
Jonathan Chambers  
Federal Communications Commission  
445 12th Street, SW 20024  
Washington, DC

### Re: Expression of Interest – Rural Broadband Experiments Connect America Fund, WC Docket No. 10-90

Dear Chairman Wheeler, Commissioners, and Mr. Chambers,

This letter is to express Cherry Capital Connections interest in receiving funding from the Rural Broadband Experiment.

#### **Background:**

Cherry Capital Connection provides High Speed Internet Access, telephone (VoIP) and other Internet Protocol based services. Our delivery to the consumer is commonly referred to as the “Last Mile”. We began servicing customers in rural northern Michigan in August 2001 by offering a unique leased fiber to the community and high capacity wireless to the home. Our mission is to “build the last mile first” and “the first mile last.”

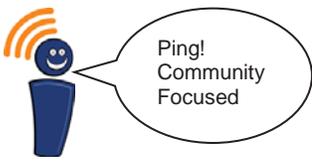
Cherry Capital Connection believes every home deserves High Speed Internet. Where you live or work should not be a barrier to access. It is our mission to make this a reality “one customer “at a time.

The Cherry Capital Connection model is a community-focused model known as “Network Neighborhoods”. These network neighborhoods or points of access quickly establish “last mile” coverage area. The funding required has been through two sources: Consumers through prepayment of installation and one year service fees \$1,100 per household have contributed to date \$1,100,000. Cherry Capital Connection business partners have invested an additional \$1,900,000 in middle mile deployments.

Cherry Capital Connection, partners with consumers in a neighborhood to ensure a pinpoint delivery that maximizes service levels. Providing targeted, reliability and robustness minimizes the long term cost per household. Our business model is financially sustainable; the technology utilized is readily available and is managed in a proven and cost effective manner. The network is regularly expanded and updated to meet the long-term goals of accessing the Internet throughout all areas of the region. Current deployment includes over 150 points of access, 1,500 fixed point service locations and over 5,000 on demand consumers.

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We continue to stay on the leading edge of useful technology as we expand our network in Rural Northern Michigan. Cherry Capital Connection consistently delivers the freedom, choice and opportunity to bridge the digital divide. We are confident that establishing network neighborhoods with Cherry Capital Connection will create new possibilities, generate jobs and drive economic development.

The following barriers exist:

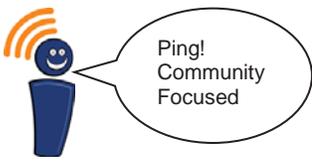
- Inadequate access to multiple vendors for “DIA” fiber access. DIA costs have dropped considerably over the past 14 years from a high of \$1,200 per Meg to an aggregate low of \$19.00 per Meg.
- Consumer costs of entry averages \$570 per installation. Over 80% of all inquiries express hesitation in adopting based on the cost of entry. Connected Nation (Connect-MI) in three separate county level reports identified cost as the number one consumer issue.
- Zoning, Building permits and electrical permits create significant delays and increase cost for establishing middle mile solutions.
- Low medium income, high unemployment and a seasonal economy. Cherry Capital Connection offers free “On Demand Access” in our service region. 2013 there were over 120,000 free login accesses. One community had over 11,000 free logins.
  - The residents that make use of the networks free on demand access tend to be in the most vulnerable of categories:
    - Unemployed and Under insured,
    - Low income (many living below the poverty level) many are single parent households,
    - Native American households, migrant workers.
  - These vulnerable categories of citizens have no other affordable High Speed Internet access options available. Based on the vision of some elected officials, the efforts of some residents with financial resources and Cherry Capital Connection these Hotspot locations provide essential telecommunications services at no cost to these vulnerable end users.

With proper funding Cherry Capital Connection proposes extending our 14 year experiment to all eligible census blocks our service region. These are the high level goals associated with adequate funding:

1. Building 12 miles of Fiber to interconnect with the NTIA funded “MERIT” project. Working with Merit and another NTIA recipient we are confident we can reduce the cost of “DIA” to \$7.00 per Meg.
2. Providing subsidies for consumer installations
3. Dedicating resources to educate counties and townships on the need to stream line the zoning, building permit and electrical permit process. Recently Cherry Capital Connection invested over \$20,000 in labor and legal fees challenging the current process in one of our counties. After almost two years of discussion the process is being changed. The solution agreed upon enables the enforcement of required building, electrical and zoning codes but stream lines the process to 24 hours and established a set rules making the process more predictable.
4. With increased access to High Speed Internet access Cherry Capital Connection will consistently deliver the freedom, choice and opportunity to bridge the digital divide. We are confident that establishing network neighborhoods in these eligible blocks will create new possibilities, generate jobs and drive economic development.
5. Cherry Capital Connection working with, multiple townships are in the early stages of developing a sustainable “fiber to the home” delivery. The goal is to establish a fiber distribution network that could be integrated into a middle mile or first mile network that were funded through other NTIA and USDA

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efforts. It is encouraging that the rural communities are looking into their own investment to make fiber-to-the-home work. Based on the positive feedback we have received there is a strong indication that residents would embrace a fiber-to-the-home delivery. A "Competitive Access application" with the MPSC commission is being worked on to enable right of way access for these projects. Our current cost estimate of establishing fiber from the tower to the home is \$11-\$13 per household per month for 20 years. A capital investment of \$2,532-\$3,200 per household.

## Geographic Territory:

Cherry Capital Connection provides services to consumers in 14 counties throughout northern lower-peninsula of Michigan and is committed to providing a broadband solution that is affordable, reliable, and has sufficient bandwidth and speed to meet our customer's growing need for high speed internet. This project will target the eligible blocks in the following identified tracts in the following counties, Antrim, Benzie, Charlevoix, Cheboygan, Crawford, Emmet, Grand Traverse, Kalkaska, Leelanau, Mackinac, Otsego and Roscommon.

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64 Tracts in 12 Michigan counties

## List of Anchor Institutions:

Cherry Capital Connection service area and service includes 4 tribal communities, townships, counties, municipal government entities, schools, libraries and hospitals. We ask that as part of this experiment you consider the students as anchor institutions. Many students are provided laptops and iPads for home use with No available access at their home. Please consider the unemployed as anchor institutions. By delivering to their needs cost effective internet access we may spark new innovation and employment opportunities.

## ETC status

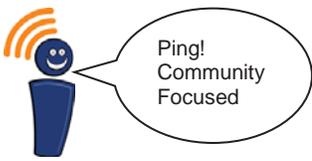
Cherry Capital Connection is currently working to acquire a local LEC. Once this transaction is complete we will proceed with acquiring ETC status.

## Proposed Technology:

Cherry Capital Connection uses license-free wireless, WI-Max (3.65) technology and low profile "personal Use" towers for their last mile and middle mile infrastructure. Additionally we lease middle mile fiber between our communities. Average current revenue per subscriber is about \$45 per month per user for High Speed Internet access and \$29.00 for telephone services. The project continues to build on the successful network neighborhood model providing coverage in all eligible blocks. This defined demand (customers) will establish the foundation for private or public financing of FTTH.

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## **State and/or Local or Tribal Government Participation in Support of Project:**

The Michigan Economic Development Corporation and the local governmental entities listed above are all in support of Cherry Capital's quest to bring better broadband service to rural Michigan. This is defined in the many studies conducted by the Connect-MI effort.

## **Existing Providers:**

There are other providers who supply service to various areas overlapping parts of the Cherry Capital Connection service area. In many service regions we are the only provider offering 4M x 2M speeds or greater.

## **Project Timeline:**

Cherry Capital Connection is currently providing service to underserved rural residents, has the community backbone in place to serve the area, and is committed to completing this service to all rural areas as soon as funding is available.

## **Scalability:**

Cherry Capital Connection's project will be completed within 36 months of start date.

## **Investment:**

Cherry Capital Connection is currently reviewing the cost to complete this project. Our current estimate is:

- |  |             |
|--|-------------|
| 1. Interconnect with "Merit"   | \$ 375,000  |
| a. Includes connecting with Cherry Capital Connection datacenter in Elk Rapids, Elk Rapids schools and the Elk Rapids Village and township center. |             |
| 2. Consumer (CPE) and network neighborhood distribution points   | \$2,200,000 |
| 3. Efforts to improve/ streamline zoning, building and electrical  | \$ 305,000  |
| 4. Conduct FTTH reviews and collect engineering data   | \$ 960,000  |
| a. Includes two small FTTH project based on existing tower (proof)   |             |
| i. 1 in each of two townships under 1.5 miles each and up to 20-25 homes.  |             |
| b. Acquiring ETC status  |             |

<b>Total estimated experiment</b>	<b>\$3,840,000</b>
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- A \$ 60,000 per census tract investment
- A \$ 320,000 per county investment

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