

ONOWAY TOWN COUNCIL



Presented by Andy Metzger and Phil Roberts

THE WHY FOR EQUUS



- **Vision:** *We enrich the lives of our members.*
- **Mission:** *Together, we connect Rural Alberta.*

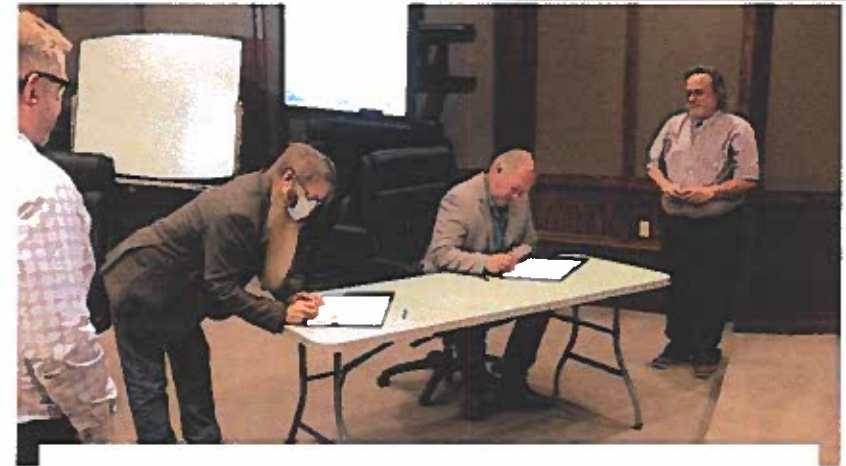
- **Strategic Priorities**
 - **Growth:** *Grow our people, grow our membership.*
 - **Innovation:** *We leverage the ingenuity of our team to find innovative ways to create value for our member-owners.*

RED DEER COUNTY



Red Deer County's Fibre Optic Guiding Principles:

- Build to cover the most population the fastest way possible
- 95% coverage from a Real Estate and 95% coverage for Constituents
- Fiber first mentality
- Eye on the overall strategy – “Red Deer County will be the most connected County in North America”
- Minimum of 200Mbps (Symmetrical) of internet service bandwidth
- Technology agnostic – fiber as future service points
- Future proofing the network – backhaul assurance to the gateway
- Build to or past all to incorporated towns i.e. Sylvan Lake, Bowden, Innisfail and Penhold
- Propagate highspeed internet through Red Deer County and utilizing best technologies to fill in space



Darren Young (right) looks on as Red Deer County Mayor Jim Wood (seated) and Delburne Councillor Tim Wilson sign an agreement to build fibre optic internet infrastructure. At left is Mike Stelk with Valo Networks Ltd. (rdnewsNOW/Troy Gillard)

INTO THE FUTURE

By Troy Gillard

Red Deer County fibre optic internet project gets underway

JUL 10, 2020 | 1:18 PM

An ambitious \$20 million project to make high-speed internet available to all communities in Red Deer County is officially underway.

A contract was signed at the county office on Friday for a fibre optic network that will have the entire county connected by 2024.

“It’s really quite unique,” said Darren Young, the county’s information technology manager.

“It’s very tough for rural communities to even keep people; education-wise, medical-wise, business-wise. So we are hoping that this really supports, long-term, rural communities being able to exist where they want to exist.”

WHAT IS CONNECT?



1. Wholesale

- Connect will not own the commercial relationship with its end-consumers.

2. Open-access

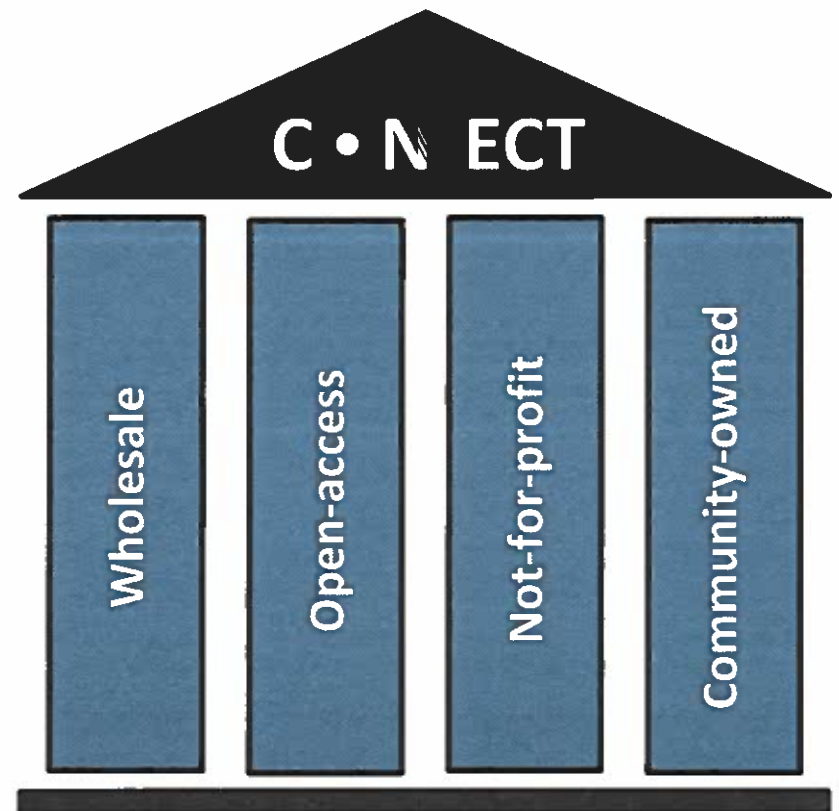
- Connect will offer its wholesale services to all requestors.

3. Not-for-profit

- Connect will operate on a not-for-profit basis in order to enable the offer of broadband services in these rural and regional communities at the lowest possible cost.

4. Community-owned

- Connect will be owned by the communities (i.e. municipalities, counties, etc.) that partner with it to build broadband networks in their communities



CONNECT AT A GLANCE



- **Broadband utility that is governed by a Board of Directors, made up of owners.**
- **Municipal ownership is based on the amount of infrastructure investment.**
- **EQUS is a minority shareholder that is operating the company.**
- **Valo Networks is the Network Operations Partner that is operating the network.**
- **Design and construction of the network are done independently of network operations.**

BENEFITS



- **Competitive, modern broadband infrastructure available to all rural Albertans.**
- **Any funds invested by the municipality goes directly towards infrastructure and operation costs.**
- **Economies of scale reduce costs to make it affordable for all.**
- **Infrastructure deployment decisions are made at the municipal level.**
- **Any excess funds recovered through operating the system are returned to the municipality.**
- **Low-cost infrastructure financing.**

QUESTIONS?





The CONNECT Way

Steps to Explore Broadband in Your Community

Step 1: General awareness – Introduce Municipal Administration to CONNECT

1. Purpose of this step is to gauge interest in CONNECT's model and determine if it fits within the municipality's strategic plans.
2. Establish relationships with municipal administration and educate on the CONNECT model versus other options.
3. Information sharing only, with no commitments at this stage.
4. Outcome of this step is to schedule a meeting with Council if administration feels CONNECT is a fit for their municipality.

Step 2: Initial Council Meeting – Introduce Council to CONNECT

1. Purpose of this step is to introduce Council to the CONNECT model, share information, and answer questions.
2. Outcome of this step is for municipal administration to get a mandate from their Council to enter into discussion with CONNECT for preliminary design and modelling through the Fiber Working Group.

Step 3: Fiber Working Group - \$55,000 (for Fiber Working Group + Modelling)

1. Purpose of this step is for municipal administration and CONNECT to work together on the preliminary design and modelling through the Fiber Working Group process.
2. Information required from the municipality includes the number of premises, priority zones, broadband strategies, and other relevant inputs.
3. A Memorandum of Understanding (MOU) and Non-Disclosure Agreement (NDA) would be required to perform this step.
4. Outcome of this step is:
 - i. Preliminary design and modelling of broadband deployment
 - ii. Preliminary business case outlining a proposal for municipality to join CONNECT
 - iii. Initial review by municipal administration of MCC and USA (seek any legal opinions and due diligence as required by municipality)

Step 4: Second Council Meeting – Business Case Presentation

1. Purpose of this step is to present Council a high-level broadband deployment model, business case, and CONNECT legal structure.
2. Outcome of this step is to get direction from Council to refine the business case, if required, and prepare for a vote to join CONNECT.

Step 5: Third Council Meeting – Present Final Business Case and Vote to Invest in Community Infrastructure

1. Purpose of this step is to return to Council for final approval of the detailed Business Case, MCC and USA.
2. Outcome of this step is for municipal administration to get a mandate from Council to enter into an MCC/USA to join CONNECT.



THE DATA UTILITY FOR RURAL ALBERTA

Rural Albertans Need Broadband Now

Rural Alberta needs high speed broadband access now, and into the future. The **lack of available broadband access has created barriers** for rural Alberta residents and businesses and has hampered economic development. Those living in rural Alberta struggle to connect with family and friends over video conferencing, adults and children can't participate in online training and learning, and seniors cannot access medical consultations that require video. **Businesses face additional challenges to operate in rural settings** because of the lack of infrastructure. High-speed, reliable broadband will drive economic growth and enhance quality of life for rural communities in the same way that other basic utilities such as electricity, gas, and water have.

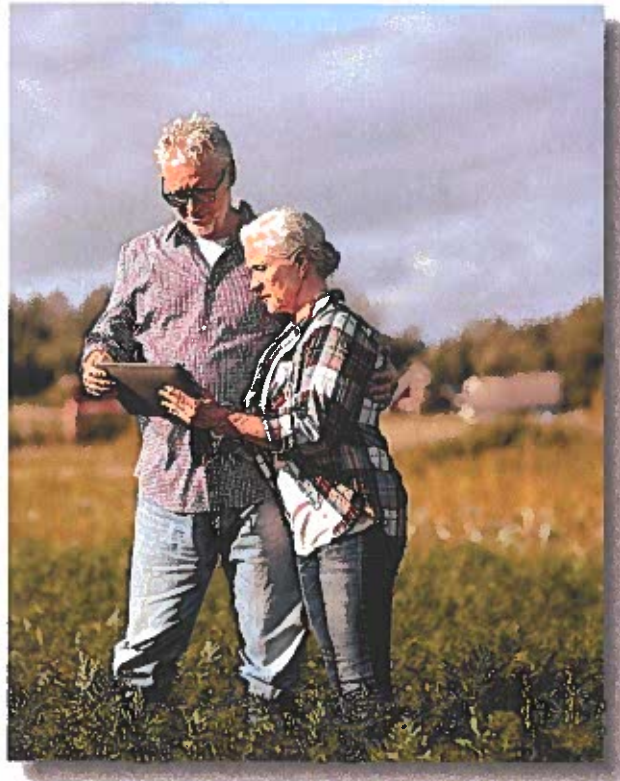
The Challenge

The current federal models of providing grants to establish telecommunications companies to bridge the broadband gap in rural Alberta have done little to increase competition and/or deploy infrastructure, as **many areas remain without access**. These grants lead to an inefficient market compact through decreased competition.

Alberta needs to take a uniquely Alberta approach to developing rural broadband solutions that will **increase competition and innovation, drive economic development, and decrease consumer costs**. This will allow Alberta's rural communities to thrive and provide residents and businesses with the same quality of services they would receive in an urban setting.

Some of the current challenges facing rural county and municipal governments seeking to deploy broadband infrastructure include:

- Insufficient scale for cost-effective individual County or Municipal deployment
- Lack of available expertise and human resources
- Balancing taxpayer investment with private sector capitol returns requirement
- Ensuring competition on taxpayer funded infrastructure



History of EQUUS

EQUUS' history in Alberta began in the late 1940s, when the Alberta government asked the investor-owned utilities (IOUs) to bring power to rural Alberta. The IOUs declined, citing cost as a factor. With this reality, Alberta farmers came together and formed co-operatives which were known as Rural Electrification Associations (REAs), to bring electricity to rural Alberta. Over the years those REAs amalgamated, creating economies of scale which provided greater benefits to the members. EQUUS was formed in 2013 as the result of the merger of Alberta's two largest REAs.

Today, EQUUS is Alberta's electricity expert and Canada's largest member-owned utility. We don't work for investors; we work for our members, delivering high-quality, safe, and reliable electricity distribution services and supporting our rural members in finding innovative power solutions to suit their unique needs.

Moving forward, we see the second chapter in our rural co-operative's story being the delivery of broadband services to rural communities, in partnership with counties and municipalities, through the development of a data utility. Broadband access is as important as access to electricity in today's world and should not be reserved for urban populations. We believe high-speed, reliable rural broadband services should be accessible and affordable for all Albertans.

**DELIVERING
MORE THAN** **POWER**



What Is CONNECT?

CONNECT is a municipal and county member-owned non-profit data utility, that owns and operates an open-access broadband network to serve its members. CONNECT's staff and contractors would plan, design and operate the system. This would include responding to trouble calls, system inspections, and setting up retailers. CONNECT's member counties and municipalities have significant control over the organization. Please see below for some details.

Ownership: The county/municipality owns a share of CONNECT proportional to the value of the CONNECT assets located within their boundaries. This structure is similar to that of a municipally-owned utility such as Enmax or EPCOR, and to that of a co-operative or Rural Electrification Association such as EQUUS, wherein the CONNECT members (the county or municipality) are the owners and maintain governance of the data utility.

Oversight: CONNECT's structure is based on the REA business model under which EQUUS operates. Counties/Municipalities would have representation on the Board of Directors, and through the Board would have oversight of all management activities, rates, and the strategic direction of CONNECT.

Planning: CONNECT members control how much infrastructure is built and the construction schedule. CONNECT members, upon their request, will receive a master system design for their jurisdiction with cost estimates and a proposed staged build-out strategy. Members can design and follow a development plan that aligns with their budget and priorities.

Control to Set Wholesale Rates & Franchise Fee: CONNECT members (counties/municipalities) set the wholesale rates to be charged within their boundaries, as well as the franchise fee they receive from CONNECT for the use of right-of-ways. This allows the county to either gather income from the network or lower rates dependent on their desired outcomes. The franchise fee and wholesale rate are part of the CONNECT membership's contract-for-difference arrangement. Please see 'Membership Contract-for-Differences' section below for details.

Open Access Network: CONNECT will not directly provide retail service to the rural Albertans it serves. Similar to the electricity market construct, new and existing telecommunications providers can purchase wholesale network access and then resell that to provide any type of retail service including internet, tv, phone, security systems, and more. This ensures competition and innovation as no one provider can block another and consumers have choice in their retail service provider.

Financing Available: CONNECT can finance up to 75% of the infrastructure costs through EQUUS. Members have a choice between financing through EQUUS or accessing their own financing.

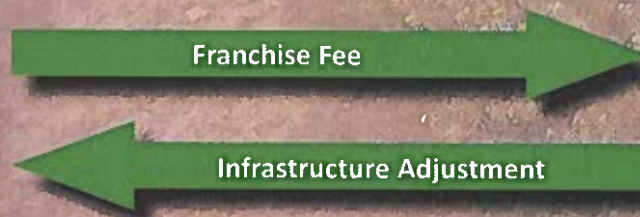
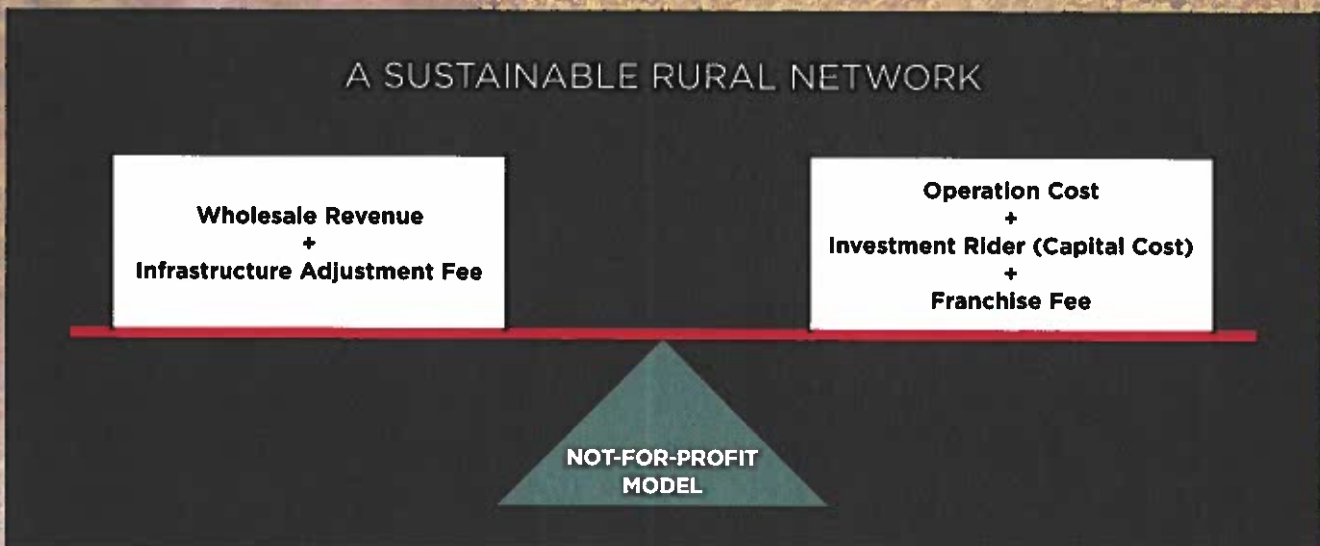


Memberships Contract-for-Differences

CONNECT is operated as a not-for-profit, in which neither EQUUS nor any other member would receive a dividend.

While a new network is in the early stages of its growth, the wholesale revenue will likely not be enough to cover all the costs of the network, in which case the member would need to contribute to an infrastructure adjustment fee. CONNECT will provide forecast for the infrastructure adjustment fee and it will remain constant for the budget year, allowing members to budget accordingly.

As the network matures and users increase, the infrastructure adjustment fee will no longer be needed and the member can choose to either decrease wholesale rates or increase its franchise fee to generate additional revenue for the county/municipality. This arrangement allows members to maximize the economic and social benefits that broadband access brings to a community. Counties/Municipalities can ensure wholesale access rates that will be low enough to ensure maximum community penetration.



How to Become an CONNECT Member

1. **Let's Chat:** Contact Andy Metzger at CONNECT to receive background information, by-laws and presentation. CONNECT is a values-based organization and takes great care to ensure its values align with all potential members. CONNECT looks forward to having an opportunity to answer all of your questions and determine if the co-op data utility model could meet the needs of your communities. Budget estimates can also be provided including roadmap and development costs.
2. **Council Resolution:** Council Resolution that determines the county/municipality is joining CONNECT. Authorization for Roadmap Costs.
3. **Network Roadmap:** CONNECT will prepare a roadmap of network development with timelines, capital costs, with recommendations for wholesale pricing and franchise fees. It will also include projections for infrastructure adjustment fees.
4. **Constructions:** Detailed project budget for construction year. Members single point of contact will review and approve invoices.
5. **Ongoing:** After network is built, long-term oversight is provided through the members.

Contact

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