

Business Plan and Financial Viability

Proposed Project Details:

The project will provide fiber-to-the-premise to 79 unserved locations in rural Dakota County. These locations, currently in the Lumen ILEC service area, are located outside of the Northeast Nebraska Telephone Company's ILEC service area. The project includes 25 miles of last mile fiber with a total project cost is estimated to be \$1,646,402. Fiber placed to each dwelling will be capable of speeds up to 1,000/1,000 Mbps.

The technical components used and the expected useful life of the facilities.

As a way to demonstrate the expected useful life of the facilities, we have attached the depreciation rates that RUS applies to facilities as part of it ReConnect grant program. (See Attachment Letter G_2). Our engineering professional believes the useful life of fiber facilities to be much longer than the depreciable life provided by RUS. The major components of the network and the depreciable and useful life of each component are as follows:

	<u>RUS</u>	<u>Engineer</u>
Buried fiber	20 years	25-50 years
Electronics equipment	10.67 years	10-15 years
ONTS	5-10 years	7-10 years

Components which may require more frequent repair:

The most frequently repaired/replaced items in a FTTH network will be at the customer premise. These items include power supply/battery backup, ONT and premise wiring.

Risk factors or legal challenges

Northeast is in good standing with the County. Northeast is not aware of any legal challenges that must be addressed prior or during the project in question, such as local zoning, right of way, and permitting process.

Financial Viability

Northeast has attached a financial viability analysis for the project (see Attachment Letter G_3). The project will be cash flow positive in year five. Northeast projects it will receive revenue to maintain the network from the end user subscribers over the useful life of the network of approximately \$1,637,799. In addition, Northeast will receive \$1,234,802 in the form of a grant award through this Application C-5368. Incremental expenses are estimated at 149 per year per subscriber. This projected cash inflow is estimated to cover the cost of construction. If any short fall shall materialize, Northeast will internally finance the difference.

The major assumptions for the viability analysis includes an estimated take rate ranging from 75% to 88% with an average revenue per month of \$117 per subscriber per month in year one to \$173 per subscriber per month in year 20.