MMG Budget Narrative Template

Applicant Name: Concho Valley Electric Cooperative, Inc. (CVEC, Inc.)

Applicant Type: Single Entity

Proposed Period of Performance: Two Years

Total Project Costs: $6,688,442.75

Total Federal Grant Request: $3,276,667.98

Total Matching Funds (Cash): $3,137,581.77

Total Matching Funds (In-Kind): [redacted]

Total Matching Funds (Cash + In-Kind): $3,411,774.77

Total Matching Funds (Cash + In-Kind) as Percentage of Total Project Costs: 51.01%.

Fiscally Sustainable Middle Mile Strategies

Concho Valley Electric Cooperative, Inc. will adopt fiscally sustainable middle mile strategies and as a means of substantiating as much provides a full 20-year detailed financial analysis project model as additional support following the NTIA Financial pro-forma document. Furthermore, the detailed financial analysis provided shows that the middle mile project revenues are sufficient to support long-term provision and operation of the proposed middle mile facilities. It is this same detailed financial analysis that was provided by Concho Valley Electric Cooperative, Inc. to the financial institution for evaluation and inclusion in the underwriting process to secure the commitment letter of credit supplied with the application.

1. Administrative and Legal Expenses - [redacted]

The budget category includes [redacted] for external consultant assistance associated with application preparation; per NOFO requirements, this amount does not exceed the [redacted] limit and is considered reasonable by Concho Valley as it amounts to less than [redacted] of the total project cost. The entire project cost through time of submission was [redacted] and took approximately [redacted] hours at an average hourly rate of [redacted] per hour. The [redacted] includes [redacted] hours for project management, grant research, narrative writing, application preparation and submission of the grant application totaling [redacted] (all subtotals are rounded to the nearest dollar); [redacted] hours for pro forma generation and financial aspects of the grant application totaling [redacted] hour for mapping for competitive analysis purposes totaling [redacted] and [redacted] hours of high-level engineering work totaling [redacted]

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2. Land, structures, rights-of-way, appraisals, etc. - [redacted]

The budget category includes a total of [redacted] for the acquisition of rights-of-way and easements. The proposed rights-of-way acquisition and easement costs budget totaling [redacted] includes per-mile cost of [redacted]/mile for obtaining rights-of-way along the [redacted] miles of proposed new buried plant builds. This amount is based on recent projects completed near the proposed build areas by Concho Valley.

3. Relocation expenses and payments - [redacted]

Concho Valley is not requesting any costs associated with this category within our grant proposal.

4. Architectural and engineering fees - [redacted]

The proposed engineering fees of [redacted] are provided to include the post award professional engineering services required to complete the project. The post award engineering services of [redacted] are projected based on traditional engineering services provided in the USDA/RUS program which include project design, equipment engineering, outside plant staking, contracts, and outside plant construction. Each of these areas have specific details performed by the engineer to assist Concho Valley in procuring vendors and contractors as needed to complete the proposed project.

The project design involves taking the initial design and finalizes the design to prepare it for construction. These services will include coordination with agencies and 3rd party entities for completion of tasks directly associated to the engineering design and construction of the proposed project.

Equipment engineering services include identifying the various vendors and manufacturers capable of providing the necessary equipment needed to complete the project. The proposed project has two main types of equipment to procure: 1) Transport touting equipment and 2) Equipment cabinets to house the equipment. Engineering of these two equipment types will identify the technical requirements of each, establishing a request for information or request for proposal from vendors/manufacturers to respond how their product(s) can meet the technical requirements of the network. The engineer assists Concho Valley in selecting the appropriate solutions proposed and provides contract administration to procure the selected equipment. Equipment engineering fees totaling [redacted] are broken down as shown in the table below:

Equipment	Total Cost	[redacted]
[redacted]		

Equipment Engineering Costs

Outside plant engineering services total [redacted] and are broken down into 4 separate categories for this application: OSP High Level Design [redacted]/mile), OSP Field Staking ([redacted]/mile), Contract Management ([redacted]/contract with 1 contract assumed), and OSP Construction Inspection/Management [redacted] hours at [redacted]/hr). Outside plant staking services is an on-site detailed engineering process where the fiber routes to be constructed are surveyed by the engineer and drawn on a set of construction sheets or "staking" sheets to identify the individual units needed to construct the project. This level of detail is utilized in the next engineering phase of contract administration. The staking of the project is a time-consuming element of the engineering process, as it provides the actual drawings, or maps, to be used by a contractor to build the fiber routes, as designed. Outside plant staking services are typically charged on a per mile rate basis.

Contract administration services are provided to prepare outside plant (OSP) plans & specifications in the form of a contract to be executed between Concho Valley and a proposed contractor. The engineer accumulates the individual units identified in the engineering staking process, along with the staking sheets themselves, and correlates those to a set of plans & specifications to be included in a contract format. The engineer assists Concho Valley in procuring a contractor through a bid process, or negotiations, and a contract is executed between Concho Valley and the contractor for the construction of the proposed fiber facilities. After construction is completed and all elements of the contract is complete, contract administration services will provide a close-out of the contract, which consists of a final tally of units placed, a final cost to be paid to the contractor, release of liens, a certification by the engineer and a final acceptance by Concho Valley. Contract administration services is typically provided on a fixed fee basis per contract.

Engineering construction services are provided in the form of providing on-site experienced engineering personnel to assist Concho Valley in providing oversight of the project, inspections of the contractor's work in relation to the plans & specifications and track the progress of the project for review of the billing of the contractor's services. Engineering services will include the preparation of as-built maps to provide to Concho Valley for operational purposes after the construction has been completed.

Concho Valley recognizes the value and importance of working as a team to implement the proposed broadband facilities and services for the Concho Valley network. Therefore, Concho Valley will be reinforcing and using existing relationships with state, and local entities to assist in reviewing construction route areas and to assist in permitting construction. Additionally, Concho Valley will be utilizing an existing relationship with John Staurulakis, Inc. (JSI), to assist with engineering design and implementation of the proposed project. JSI has a long history of assisting telecommunications utilities and continues to provide equipment and OSP engineering services for numerous telecommunication utility companies. JSI is able to act as a full-service consulting firm, providing financial, engineering, management, regulatory, operational, and strategic assistance to Concho Valley. For this particular project, JSI will provide the necessary OSP and equipment engineering expertise to design and implement the proposed facility improvements. JSI's staff includes OSP design engineers, equipment engineers, contract administrators, OSP inspectors, and project management specialists necessary to design and manage project implementation for Concho Valley.

5. Other architectural and engineering fees - [redacted]

The proposed environmental study fees of [redacted] are budgeted as an average cost per mile of [redacted] mile build and are based on recent projects completed near the proposed build areas by Concho Valley. These fees include all aspects related to environmental assessment activities.

6. Project Inspection fees - [redacted]

Concho Valley is not requesting any costs associated with this category within our grant proposal.

7. Site work - [redacted]

Concho Valley is not requesting any costs associated with this category within our grant proposal.

8. Demolition and removal - [redacted]

Concho Valley is not requesting any costs associated with this category within our grant proposal.

9. Construction - [redacted]

Outside plant fiber construction costs of [redacted] are necessary to build the proposed fiber routes which will provide access to the unserved/underserved areas in the region, improve

redundancy of Concho Valley's middle-mile transport and reduce latency. Construction of the proposed fiber facilities will be completed in accordance with the plans & specification prepared by the engineer, as described above. The proposed fiber construction will consist of [redacted] miles of buried plant design and [redacted] miles of aerial fiber design for a total of [redacted] miles of fiber routes. The construction of the fiber is planned to be placed primarily along existing, pre-disturbed road rights-of-way. Aerial fiber will be constructed on Concho Valley's existing electrical poles. Therefore, the costs projected are reflective of the methods necessary to complete the construction in this manner. The various buried construction methods will include a plow/trench placement, directional boring, rock excavation, and splicing of the fiber. Within each method, the contractor utilizes multiple different pieces of heavy equipment and operators, which is reflected in the different costs. The projections provided are based on recent experiences of similar projects within the area and the projected state of the industry at the time this project is planned to be implemented.

Cost projections for the OSP construction projects were developed utilizing labor and material pricing from recent projects of similar scope. Labor/material costs of [redacted]/mile were utilized for proposed aerial construction and are broken down to include [redacted]/mile for labor (including placement of new strand and cable on existing utility poles) and [redacted]/mile for materials (including [redacted] fiber cable, strand, splice enclosures). Labor/material costs of [redacted]/mile were utilized for proposed buried construction and are broken down to include [redacted]/mile for labor (including placement of new duct, handholes/pedestals and installing new 288 fiber cable in placed duct) and [redacted]/mile for materials (including [redacted] duct, [redacted] fiber cable, handholes/pedestals, splice enclosures). The major elements/materials needed for the construction of the project includes [redacted] fiber cable, where the number represents the number of fibers in a specific cable sheath. Other major elements/materials include duct, strand, handholes, pedestals, and splice enclosures. All these elements are included in the projected costs.

Concho Valley has not yet determined the contractor that will be performing the outside plant construction work. Concho Valley will utilize contract administration services provided by their Engineer to prepare a contract and will go through a bid process or negotiation with multiple contractors to select and execute a contract for construction services. Based on the size of the proposed project, Concho Valley is anticipating having a single contract for the proposed construction projects.

Concho Valley's procurement policy requires a competitive bidding process utilizing a Request for Proposal (RFP) for all construction projects. The RFP process must identify a minimum of three (3) potential vendors and prepare and send the RFP to those identified potential vendors. RFPs are publicly solicited (advertised) and a firm-fixed-price contract (lump sum or unit price) is usually awarded to the responsible bidder whose bid, confirming with all the material terms and conditions of the RFP, is the lowest in price. RFPs include, at a minimum, the purpose of the contract with a brief description of the requirements, background history and necessity for the proposed contract, proposed starting date, the time period required for total performance, schedule of deliverables, method, and terms of payment, listing of any plans or drawings, vendor

criteria, and reporting requirements. All contracts greater than [redacted] require approval by the Board of Directors prior to Presidential signature.

10. Equipment - [redacted]

Equipment costs of [redacted] are included for Transport routing equipment [redacted] and Equipment Cabinets [redacted]. All POPs, three sites, equipped with transport routing equipment, with two of those in Bronte and Robert E. Lee also being equipped with the cabinet to house the transport equipment. Locations identified as Point or Interconnect are the location where Concho Valley will be able to interconnect with other carriers for IP transit/Dedicated Internet Access (DIA) or last mile by using fiber midspan meet. The services will be provided from the equipment in the POP due to the short distances between the sites in the proposed network.

The transport routing equipment costs are for use in facilitating interconnects between Concho Valley and other service providers as well as for providing Layer 2 and 3 type services such as Ethernet-based transport and IP transit/Dedicated Internet Access (DIA). While specific equipment vendors have not yet been selected, the network design calls for one type of router configuration, the pricing for which is based on proposals received by Concho Valley for similar equipment in the last 6 months. All three router sites, "Transport Router" wherein interconnect with other providers will also be facilitated at the 10G and/or 100G level. These router locations are expected to consist of a pair of unit-based routers deployed in the high-availability configuration. All router locations will be initially connected to each other at the 100G level to facilitate initial demand for services across the network.

While specific cabinet vendors have not yet been selected, the network design calls for one cabinet type, the pricing for which is based on proposals received by Concho Valley for similar equipment in the last 6 months. Two proposed cabinet sites, "New Equipment Cabinet", will house the proposed transport routing equipment. The transport routing equipment in the HQ location will be installed in Concho Valley's existing central office location. The proposed cabinet will be pad mounted in location secured by easements.

11. Miscellaneous - [redacted]

Miscellaneous category costs include Concho Valley's in kind-contributions of [redacted], for fiber contributed to project.

Regarding in-kind contributions, the proposed middle-mile project seeks to enable robust and resilient connectivity throughout Tom Green and Coke counties in Texas as further described in the project narratives. Concho Valley owns and operates a fiberoptic network in the region. Concho Valley has committed to providing two (2) dark fibers along 12 route miles to enable the establishment of this network.

In determining the value for this in-kind contribution of fiber, Concho Valley has taken the approach of utilizing market-based rates for a 20-year dark fiber IRU (Indefeasible Right of Use)

as these fiber assets have an ongoing value that exceeds book value as well as ongoing maintenance requirements associated with ensuring the fiber is available as a service over the committed term. In evaluating market rates, Concho Valley has observed a range of pricing for dark fiber IRUs. These IRUs generally consist of several fees that may be presented as a lump sum: a component based on the number of fiber miles (strands * route miles), scheduled maintenance fees based on route miles and initial connection/splicing fees. Additional fees may be associated with unscheduled maintenance/damage. Utilizing this information, Concho Valley has determined that the value of the two (2) strands of dark fiber over 12 route miles to fall within a range of [redacted] and [redacted]. On the lower end of this range, the pricing was obtained from a proposal provided by an electric company for aerial fiber on a route for which they do not have commercial rights, the responsibility for which to obtain would fall to the lessee. Concho Valley has opted to provide a conservative estimate for the in-kind valuation close to the low end of this range despite having all the appropriate commercial rights in place on the routes.

12. SUBTOTAL (sum of lines 1-11) - $6,688,442.75

13. Contingencies - [redacted]

Concho Valley is not requesting any costs associated with this category within our grant proposal.

14. SUBTOTAL (sum of lines 12-13) - $6,688,442.75

15. Project (program) income - [redacted]

This section is not applicable.

16. TOTAL PROJECT COSTS - $6,688,442.75

The total cost of the project is $6,688,442.75. Of this, $3,276,667.98 consists of federal funds requested. Concho Valley will contribute $3,137,581.77 in cash and [redacted] in in-kind contribution value. This results in a match percentage of 51.01%.