

Reading Municipal Light Department (RMLD) Board of Commissioners
Fiber Optic Committee Minutes
Wednesday, December 9, 2015
General Manager's Conference Room

Start Time: 6:15 p.m.

End Time: 6:55 p.m.

Attendees:

Committee Members: Messrs. Talbot and Pacino

Board Members: Mr. Dave Hennessy

RMLD Staff: Mses. O'Brien and Foti, Mr. Jaffari

Call Meeting to Order

Mr. Talbot called the meeting to order at 6:15 pm.

Objectives of Fiber Optic Committee:

Study the potential of RMLD's fiber network to aid local economic and business development and provide revenue.

Mr. Pacino asked for clarification on what the committee is designed to do as Mr. Talbot sees it. Mr. Talbot replied that this committee should get a sense of how RMLD could use its fiber optic loop and its potential to provide fiber to generate revenue and, more importantly, as an economic development tool for our towns and to improve RMLD's own load growth and revenue. Mr. Talbot said that in his mind that means how we could serve businesses only. How do we look at what the cost and market opportunities might be? To do that we need to bring in a firm for not much money that does this for other municipalities to help us get answers to those questions.

Mr. Talbot said look across the tracks at the industrial buildings that are underutilized and the town's desire to revitalize. We would all like to see high tech and high end businesses going in. Higher-end businesses need fiber connections and low-cost high-speed Internet access in addition to our cheap power. Mr. Talbot said that it is a powerful marketing tool for the town to be able to say that we can do both for you.

Mr. Talbot said that the first thing is how we are going to be stronger as a business. Mr. Talbot added that anything that we are saying or that we are doing helps the RMLD and thus the towns in the following ways. Mr. Talbot stated that some of these companies have market research data from around the country, are very aware of what similar size businesses, municipalities and demographics get. They are also aware of what the markets are of the incumbents and what the opportunity is there and how a muni by law can only make eight percent profit through the value of the assets.

Mr. Talbot stated that at the first pass there is an opportunity that a muni has to do things because the muni does not have to make as much money as the incumbent does to bother doing so. Mr. Pacino said that they can't. Mr. Talbot responded that we can't, but also we do not need to make double our money in order to do something. We are the municipality and care about the town in a way where the incumbents don't. Mr. Pacino asked if the RMLD has the capacity to do this. If we go to the town and say that we are doing this study, but do not have the capacity because currently there are many changes going on here. Mr. Pacino's big concern is if we do not have the capacity to make those changes and also do this. Mr. Talbot asked Mr. Pacino to define capacity. Mr. Pacino replied the staff and the human resources. It's a lovely, imaginative and wonderful project, but do we have the capacity to make it work and once the genie gets out of the bag capacity could be a problem.

Mr. Hennessy clarified with Mr. Talbot that he heard that we do not need a staff of ten to do this, that we could start with something very small. Mr. Talbot explained that we do not even have to be the service provider, that we could be the dark fiber provider. You would potentially be serving businesses only and even then subject to some further review maybe only a few high priority redevelopment areas or commercial buildings. Taunton started only by serving some industrial parks.

Ms. O'Brien asked where the internet comes from. Mr. Talbot replied that this is where the consultant will walk through the process. Ms. O'Brien clarified the question and asked where Taunton's internet comes from. Mr. Talbot replied that ultimately on an infrastructure level probably comes back to Summer Street in Boston.

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Ms. O'Brien stated that when it was discussed as to who designs and keeps a head-end to compete with a high speed internet you said that we could do that. Mr. Talbot replied that this is the kind of thing that a very preliminary study could address: here is what a municipality could potentially do, here is what would be the most cost effective way to do it, here is the potential market opportunity and here is where you get the bandwidth.

Ms. O'Brien asked if we are trying to offer a customer service product without making any revenue. Mr. Talbot replied that he did not think so. What we would be doing is having somebody come in and say what is your potential market, what is your potential opportunity, what your revenue might be. Mr. Hennessy asked if it was using fiber that we already have. Mr. Talbot replied that we already have fiber running in parts of downtown Reading and elsewhere. And we also have poles and conduit so that is half of the battle. Mr. Talbot said that speaking hypothetically we have fiber running through the industrial areas already, what we are looking at is what it would cost to do drops to these 50 or 100 buildings. Just look at that and have somebody tell you what that would cost and what the market opportunity might be.

Mr. Pacino said that you get the study performed and they provide options of what can be done, but say you do not have the capacity to do it, the genie is out of the bag at that point. Ms. O'Brien stated that the scope has to be either something has got to come out of this, here is the line, that we want to make a certain amount of money, we want to improve the electric base and also be able to provide a service. We are going to meet these three objectives we want municipal workers 24/7 to make sure that the lights are on we can't run anymore business and not make revenue. Mr. Talbot responded to Mr. Pacino's question of not having the capacity and that it would be probably two years or more before anything like this could become real. Ms. O'Brien said that you would lay it out and that would be part of the study. You would have the person doing the study lay out what you would need and how long it would take so that it is a tangible plan. Mr. Talbot said that would answer Mr. Pacino's question.

Ms. O'Brien asked if this was going to be offered to all four towns. Mr. Talbot replied that this is to be determined. Ms. O'Brien said the other part to this study is that you would have to look at the Charters.

Mr. Pacino stated that having lived through Wilmington voting two times to pull out of the system you are going to have to offer it to all four towns you cannot do it any other way. If the outside towns feel that we are discriminating against them there was a time when Wilmington could have pulled out of the system. Mr. Talbot said that we can look ahead at that problem and anticipate, but it seems to be way ahead of where we are right now.

Mr. Pacino said that he understands having the fiber discussion at the committee level. Mr. Talbot stated that as he said on the onset was that we want to be very simple about what they are saying that our committee would like to know what it would cost and what the market opportunity might be to hit businesses in some areas to be determined. Mr. Pacino asked if there was any kind of demand from the outside towns for this and asked Ms. O'Brien if there was anything from the managers about this. Ms. O'Brien said that her take with the Town of Reading is that we should be focusing on our core business. Ms. O'Brien said that you can go from there, but the scope has to look at the project and staffing, it's all great in the end when the report says you are going to make money, but you need vehicles, staff, etcetera you need to know the entire cost and schedule laid out.

Mr. Talbot reported that Concord is doing the whole fiber to the home, they have two guys and one truck. Mr. Pacino said that Concord is only one town and we have four towns here, Reading is unique. Mr. Hennessy said that they are going to the home and there are thousands of customers. Ms. O'Brien stated that you don't know the state of their electric system. Mr. Talbot said that we know the business we are in is softening over time, costs are rising over time, and distributed generation is going to keep chewing away at us and every other utility, and the future is load growth. Load growth does not come from a mega liquor store and a gym it comes from high tech businesses that need servers and employees. We have a very under-developed south Main Street and other parts of our district and Wilmington's industrial areas need revitalization.

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Mr. Talbot stated that businesses these days needs fiber infrastructure that is what they want to see and they will go to places where they have it. It's not like having it means that they are going to come, but they are not going to come if they don't know that they can get that infrastructure at a good price and we can provide it. Mr. Talbot said that this has been shown over and over again that businesses and intensive development will go where they can get a good deal on their fiber in addition to the cheap electricity and whatever other inducements. Ms. O'Brien asked about the legal aspect of using electric funds to be used for fiber, what is permissible for the RMLD. Mr. Talbot responded that he is not an accountant, but there is a half dozen examples in this state where munis are successfully doing this, they are making profits and they are attracting businesses.

Mr. Pacino said that he is worried that there are a lot of other things going on here at the same time. Mr. Talbot responded that we are not talking about doing much right now other than maybe doing a study costing fifteen grand. Mr. Pacino stated that there is a lot of reorganizing going on. Ms. O'Brien said that what we are doing every day here just from the Organizational and Reliability Studies is a significant. Mr. Talbot asked Mr. Pacino if he would even support ten to fifteen grand on a quick and dirty analysis to give us some insight on this. Mr. Pacino asked what we get for ten or twenty thousand. Mr. Talbot replied that again he is not a consultant and his understanding is that you get a rough sense of what the cost and market opportunity would be.

Ms. O'Brien said that there were a couple of proposals in the packet. Mr. Hennessy asked how they could do it for so little money. Mr. Talbot replied because they have the software, the market research, the data sets, they look at the geography and the existing infrastructure. They tell you what it would cost to send a fiber drop to these buildings and based on their market experience what we could expect to get as a return.

Ms. O'Brien asked if these proposals are to write the RFP not to perform the study. Mr. Jaffari replied that's correct, first we will have to define the goals and objectives. Mr. Talbot said that what the committee might want to recommend that we would like to know at a high level what it would cost and what the opportunity might be to provide fiber based internet access to businesses -- full stop. That is information that would be useful to have. Knowing that several other munis like us already do this in this state, it's not speculative, it is being done today. Holyoke, Taunton, Concord, and Norwood all doing it and all succeeding, all helping their local businesses and all helping their load growth. Mr. Hennessy stated that fiber is not a fad, it is the core of mobile technology it is the core of everything.

Mr. Talbot said that all the data increasing demands of every sector, every person, and every business, it all relies on fiber it's not going away and it is fundamental infrastructure. Mr. Hennessy responded that no one else is going to do it here.

Ms. O'Brien asked to look at the bullets on PSC1 proposal under one, defining the goals and objectives. Mr. Talbot replied that we can whittle this down considerably where he wasn't getting ready to nitpick on these two things it was more us articulating what we would like to recommend to the Board, that the Board recommend that the Department do rather than drilling down on these couple of letters.

Mr. Jaffari said that it is very important that we define the scope of the study. Mr. Talbot asked: at this meeting? Mr. Jaffari replied, no it does not have to be this meeting. Ms. O'Brien stated that it has not been decided to do a study yet.

Ms. O'Brien stated her confusion, you hire a consultant to write the RFP, they write what the scope is and then people bid on that, consultants are bidding on writing the scope. Ms. O'Brien asked so presentations from people that want to do the analysis or the ones that are going to write the scope, it is two different things. Mr. Talbot said that you don't have to go through all this and spend fifty, eighty, or one hundred thousand when you can get the answer for nine thousand. Mr. Talbot stated that if we want to do this whole longer thing, with multiple steps, maybe we could do that after doing the initial evaluation.

Mr. Talbot said that we think that you are going to get forty customers out of it. Ms. O'Brien continued and this is how much it is going to cost you. Ms. O'Brien asked, now what are you going to do with that, does it mean that you should or should not do it. Now you do not know what any of the laws are, how you book the money and you do not know who is going to do the work. Ms. O'Brien stated that none of that is being defined so she does not want to take it out of context to make it that it is something that sounds really great and we don't know the edges of it.

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Mr. Talbot stated that the Board should be asking the question that the Department should look at what it would cost to provide this service and what the market opportunity might be. Ms. O'Brien asked, for all four towns. Mr. Pacino replied for all four towns yes, it has got to be all four towns. Mr. Talbot responded in zones that they tell you that they would like to know the numbers for.

Mr. Talbot stated that it does not mean that we are going to do it, it just means do you want to know what it would cost and what the opportunity might be in your town.

Ms. O'Brien said that maybe someone should come in for free that might be a potential for doing a study and give a presentation, sell what they would do so that we would have an opportunity to ask questions such as what about the legal aspect and we could get as much information out of them for free. Ms. O'Brien stated that this study could cost up to a couple of hundred thousand dollars in order to answer all the questions for all four towns. Mr. Talbot said that if there is sincere interest within the Department would that there are a number of people within the state of Massachusetts, Ken Goulart of Taunton and Jim Lavelle of Holyoke who both have been doing this for twenty years. Ms. O'Brien responded that they cannot look at the market for this area. Mr. Talbot replied no, but they can answer some of those other things that you are bringing up like security, legal or accounting. These questions have all been raised and answered for twenty years and they are not necessarily so complicated because Chapter 164 allows munis to do this.

Ms. O'Brien stated that she would not expect that if she hired a consultant for them to charge a lot of money for that section where she would be just paying him money to get information that is already there. Mr. Talbot said that there are some things that you do not need to have a consultant spend a lot of time on and the fact that Chapter 164 allows us to be in this business is one of them, you may need a vote at town meeting. Ms. O'Brien stated that we do not have the time to do this so if the Board wants this done she would have to do a turnkey package, send it out and have the person do the whole thing. We can make sure that they are not over charging us for data that already exists.

Mr. Hennessy said for example we would pick one industrial area. Mr. Talbot responded for example, the Wilmington industrial area just to get a sense of what this would actually cost where you have the fiber running right there already. You do not have to get pole attachment rights you already have those you own the poles, you don't have to put the conduit in you already own it, you don't have to get the right of ways you have those. Mr. Talbot said that you just have to drop the fiber down to the buildings and start charging for service -- and what might be the cost to do that. Mr. Hennessy added what the impact might be on RMLD. Mr. Talbot continued with what the market opportunity might be based on data bases of what they have seen happen elsewhere.

Mr. Talbot stated that it is pretty straight forward and that is where he would like to see the RMLD get to. It does not obligate us to anything, it does not tie down the Department. You would vet it, talk to the towns and say this has economic development value we can do it and have seen that it would cost X amount of dollars to do the drops.

Mr. Pacino stated that he would like to keep it off the Board level and to keep it at the Committee level. Ms. Foti agreed. Ms. O'Brien said that we could always have him come back. Mr. Talbot reiterated that they would invite this person back to a committee meeting with all the Board members in attendance. Ms. Foti said that we would make sure that all five commission members could make it. Mr. Jaffari stated that this would be a great educational opportunity for all of us.

Mr. Talbot said that he may want to know where the loop is so that he can do a first sketch of what you could do on Main Street. Ms. O'Brien stated that he may have to sign a confidentiality agreement. Ms. Foti responded that we would also post for Executive Session if it starts to go down into those levels of dollars. Mr. Pacino said eventually the goal is that he and Mr. Talbot as the subcommittee that makes the recommendation to the whole Board as to what route they should take.

Mr. Talbot asked Mr. Pacino what it is that they are agreeing on. Mr. Pacino replied that they are going to bring this fellow in to make a presentation to us, then continue the committee for another month or two depending on what everyone's schedule looks like. Ms. O'Brien said that he can come in and say what is the minimum that you have to do, there are a lot of other questions, in her head this is a big scope but maybe in reality it is not.

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Mr. Hennessy stated that he could advise us as to what is the right process, what are all the questions to ask and what is it that we are not thinking about.

Mr. Jaffari said that he had asked him some questions such as completing a review of the commercial limitations, this includes a charter review and any right of way limitations, physical and cyber security concerns, maintenance responsibilities and what would be required to cover all of these things. Mr. Pacino said that the consensus is that we should invite this fellow in at another subcommittee meeting and then make a recommendation to the Board. Mr. Talbot asked if they should render that into some type of motion. Mr. Pacino said that just as a report and that he would send an email to Mr. Talbot asking him to recommend this to the Board at the meeting on December 10.

Ms. O'Brien asked who this person was that they were having in. Mr. Jaffari replied, he used to work for AT&T. Ms. O'Brien asked if he had done any studies for other municipalities that he could answer some of these other questions and the legal aspects of it. Mr. Jaffari replied that he is very knowledgeable. Mr. Jaffari said that he was introduced to him. He came over here and showed him the software that he had developed that he can tell you exactly down to the science how much revenue it will bring if you have a fiber node in a specific location.

Ms. O'Brien said that she could not understand why he did not say that he would do this for a named price. Mr. Jaffari stated that he would have, but that was not what we asked him to do. Mr. Hennessy asked if we would pay him to come up since he is from New Jersey. Mr. Jaffari replied that he would come up when he is in the area. Ms. O'Brien also suggested Skype.

Mr. Talbot said that the consultant currently does work in Massachusetts. Ms. O'Brien stated that we could do a teleconference call or Skype especially if we are doing it at the committee level. Mr. Jaffari asked when they wanted to have the presentation, January or February. Mr. Hennessy said that he would rather have him here in person and asked when he would be in Massachusetts.muni.

Schedule Next Meeting

To be determined.

Motion to Adjourn

At 6:55 p.m. Mr. Pacino made a motion seconded by Mr. Talbot to adjourn the meeting.

Motion carried 2:0:0.