MEMORANDUM

To: Governor Snyder
From: Mike Brownfield
Date: August 24, 2016
Subject: Sebewaing Internet service

Governor Snyder,

This memo is in response to your request for additional background on the Internet service provider project undertaken by the Village of Sebewaing, Michigan.

Sebewaing is a village in Huron County with a population of about 1,700 residents (a decline from 1,900 in 2000). It is about 1.5 square miles, resides within Sebewaing Township on the southeast coast of Saginaw Bay, is 28 miles northeast of Bay City, and is known for its beet farming.

Prior to 2014, Sebewaing did not have Internet service faster than dial-up or DSL, except for a T-1 line that served the village's police department and the MERIT network that helped provide service to the village's schools. The cost of purchasing T-1 lines was prohibitive for village businesses ($1,000 to $1,500 per month), and with only 1,000 Internet customers in the village, no Internet provider would provide service to the community.

With the support of local elected officials, the village's publicly-owned electric and water utility (Sebewaing Water & Light) embarked on the public high-speed Internet project. By virtue of having a public utility, Sebewaing had the advantage of owning utility poles, which would speed the process of installing the network. In addition, the village had a municipal fiber loop already in place, which was installed in 2001 and 2002 at a cost of about $50,000.

Under the Michigan Telecommunications Act, local governments wishing to provide Internet service must first issue an RFP and can proceed if they receive fewer than three qualified bids. The village issued an RFP in summer 2013 calling for the creation of a mostly aerial fiber network offering 100 Mbps, upgradeable to 1 Gbps, covering 100% of homes and small businesses in the service area -- necessitating approximately 15 miles of fiber. The village received one qualified bid from Air Advantage, a Frankenmuth-based company that also provides bandwidth and that had nearby fiber. (Note: The federal government sued Air Advantage in March 2016, alleging that the company defaulted on a $13.9 million loan to expand rural service.)

The contract was awarded in October 2014, and Sebewaing borrowed $1.6 million from its electric department to fund the project, so bonding wasn't necessary. The project launched with a 328-person waiting list, and it took about one year to connect customers to the network. Today, 490 customers are on the network, and 48 businesses are connected. (Only four or five have not connected, due in part to existing DSL contracts that have not yet expired.) Service is $35/month for 30Mbps and ranges up to $160/month for 1Gbps down/100Mbps up.

The village plans to keep pushing for more subscribers and hopes to use the increased connectivity as a way to spur economic development. There is anecdotal evidence of former residents moving back to Sebewaing because of the Internet service, but no businesses yet have located there because of it.