

Steve Hamlen
President/CEO

United Utilities, Inc.

Affiliate of United KUC Affiliate of Unicom



March 9, 2004

Regulatory Commission of Alaska
Rural Broadband Grant Program
Attn: Richard Gazaway
701 W. 8th Avenue Suite 300
Anchorage, Alaska 99501-3469

Dear Rich,

We would like to thank the Department of Community and Economic Development and the Regulatory Commission for selecting United Utilities, Inc as a potential participant in the Broadband Grant program.

Below are amendments in response to letters dated January 22, 2004 and March 3, 2004. Should there be any questions, we request that you contact us.

1. United Utilities, Inc. (UUI), has removed the additional monies out of the amended budget for Mekoryuk and Sheldon Jackson College Village Management Institute.
2. United Utilities, Inc. increased the training to provide local training for 25 people in the communities awarded funding through the Broadband grant process. The training schedule is planned to occur right before the broadband access is available to increase onsite training and support of the community center.
3. The January 22, 2004 letter requested us to increase the training and discuss the number of training centers per location and hours it would be operational. United Utilities, Inc. has requested funding to provide part time employment for the students selected to go through the training program. A student who successfully completed the required training program will be selected for employment to man the community center. This will equate to one person being employed per community center for 16 hours per week during the startup phase. We are hoping this will encourage the students to stay in the region and support the community center while acting as a training point of contact, (TPOC), for the community members after receiving training and getting higher education credit at the same time.

4. United Utilities, Inc. created partnerships with the tribal organizations. These agreements provision the tribal organizations to head up the hours of operation and the facilities of the community center; this was setup this way to increase the ability to sustain itself after the start up phase concludes. UUI will work with the tribal and traditional organizations to select the candidates, start the community center and support it during the start up phase.
5. The final budget reflects the original budget, the commission's requests for amendments to that budget, the additional training and multiple access points in the community center and support of the community center. Attached is the comparative financial spreadsheet showing the requested changes to the grant application along with all other budget and financial spreadsheets.

Please let us know should further corrections be necessary, I continue to look forward to working with the Regulatory Commission and finalizing this process.

Sincerely,

A handwritten signature in cursive script, appearing to read "Stu".

United Utilities, Inc.
 Comparison of Grant Request
 Original Request to Current Amended Request
 3/9/04

	<u>Total Costs</u>	<u>Grant</u> <u>Reimbursement</u>	<u>Net Cost</u>
<u>Original Application</u>			
Construction Costs	\$ 4,794,000	\$ 2,024,000	\$ 2,770,000
Start Up Phase	292,400	-	292,400
Total	<u>\$ 5,086,400</u>	<u>\$ 2,024,000</u>	<u>\$ 3,062,400</u>
Percent Grant Funded		<u>39.79%</u>	
 <u>Revised Application</u>			
Construction Costs	\$ 4,644,000	\$ 1,968,000	\$ 2,676,000
Start Up Phase	861,098	568,698	292,400
Total	<u>\$ 5,505,098</u>	<u>\$ 2,536,698</u>	<u>\$ 2,968,400</u>
Percent Grant Funded		<u>46.08%</u>	

United Utilities, Inc.
 Rural Alaska Broadband Internet Access Grant Program
 Construction Phase
 Asset Investment (000)

Site	Note Reference	Building	Foundation	Tower	Site Total
Akiachak	Note 1	-	-	-	100
Akiak	Note 2	-	-	-	100
Bethel	Note 3	\$ 80	\$ 88	\$ 60	\$ 388
Chefornak		-	88	30	288
EEK		100	165	60	585
Kalskag	Note 4	225	200	50	580
Kipnuk		100	132	55	457
Kongiganak		100	165	60	485
Kwigillingok		-	132	55	347
Newtok		-	50	25	150
Nightmute		-	44	20	129
Toksook Bay	Note 5	-	33	20	113
Tuluksak	Note 6	-	-	25	135
Tuntutuliak		-	50	22	147
Tununak	Note 7	250	110	30	640
Grand Total		\$ 855	\$ 1,257	\$ 512	\$ 4,644
Requested to be Under Grant		\$ 855	\$ 1,257	\$ 512	\$ 2,624
Grant Funding at 75.00%		\$ 641	\$ 943	\$ 384	\$ 1,968
Schedule 2, Start Up Grant Funds Requested					
TOTAL GRANT FUNDS REQUESTED					
Life (years)		30.4	50.0	50.0	569
Annual Replacement Reserve		\$ 28.1	\$ 25.1	\$ 10.2	\$ 225.1

Note 1: The wireless radio is necessary to provide service to the grant villages. We are not requesting grant money to offer service to Akiachak
 Note 2: The wireless radio is necessary to provide service to the grant villages. We are not requesting grant money to offer service to Akiak
 Note 3: The building/tower etc. is necessary to provide service to the grant villages, we are not requesting grant money to offer service to Bethel.
 Note 4: The building/tower is on "Kalskag Hill" and requires a \$125,000k power line extension, which is included in the building cost. These facilities will support services to both Lower and Upper Kalskag.
 Note 5: The building/tower etc. is necessary to provide service to the grant villages, we are not requesting grant money to offer service to Toksook Bay
 Note 6: The wireless radio is necessary to provide service to the grant villages. We are not requesting grant money to offer service to Tuluksak.
 Note 7: The building/tower is on "Tununak Hill" and requires a \$150,000 power line extension, which is included in the building cost.

Schedule 2
Revised 03/09/2004

United Utilities, Inc.
Rural Alaska Broadband Internet Access Grant Program
Start Up Phase

Start Up is expected to be completed by December 31, 2005

<u>Cost Category (11 locations budgeted)</u>	<u>Reference</u>	<u>Amount</u>
Training of local residents to operate community centers	Schedule 2a	\$ 194,158
Public Access Personal Computers	Schedule 2b	225,060
Follow Up Travel to locations (2 employees per location, 3 trips)		108,000
Community Center Employees		308,880
Flyers and advertising		25,000
Total Start-up Costs		<u>861,098</u>
Original Start Up Costs Requested		<u>292,400</u>
Additional Funds Required for Training Costs		<u>\$ 568,698</u>
Requesting 100% of the additional funds		<u>\$ 568,698</u>

United Utilities, Inc.
Rural Alaska Broadband Internet Access Grant Program
Start Up Phase
UAF Kuskokwim Campus Training Costs

	Per Student	UAF Costs	UUI Costs	Total
IT Workplace Basics				
Course Design and Customization, Four Days Instruction 2 Instructors, Facilities Use, Materials, Books Room and Board, 4 days, KuC Dormitory, at \$100.00 per day	750	18,750		
Student Travel	400	10,000		
Administrative Assistant - coordinating travel, etc	250		6,250	
On Site Mentor - travel, per diem and lodging only			1,080	
		28,750	8,406	
Internet and Core Computing Certification, IC3				
Eleven Days Instruction, One Certified IC3 Instructor two assistant instructors, use lab facilities, books and materials, certification exam preparation and delivery.	1,500	37,500		
Room and Board, 11 days, KuC Dormitory, at \$100.00 per day	1,100	27,500		
Student Travel	250		6,250	
Administrative Assistant - coordinating travel, etc			1,080	
On Site Mentor - travel, per diem and lodging only			2,084	
		65,000	9,414	
Net+ / Network Hardware / LAN Development				
Course Design, Four days instruction, Two Certified Net+ instructors, Two Assistant Instructors, Use Lab Facilities, Materials, Books Student Travel	1,000	25,000		
Student Housing and perDiem	250		6,250	
Mock-up Facilities Hardware/software Set Up	456		11,400	
Administrative Assistant - coordinating travel, etc			2,276	
On Site Mentor - travel, per diem and lodging only			1,080	
		25,000	23,090	
Village-Based Practicum				
Practicum Design, Two Days Contact Time, IT Instructor, IT Work Place Basics Instructor, per diem, lodging, two days, 11 sites. Instructor Travel	750	16,500		
Administrative Assistant - coordinating travel, etc	250		5,500	
On Site Mentor - travel, per diem and lodging only			1,080	
		16,500	17,998	
Grand Total		\$ 135,250	\$ 58,908	\$ 194,158

United Utilities, Inc.
 Rural Alaska Broadband Internet Access Grant Program
 Start Up Phase
 Community Center Personal Computers and Lan

<u>Product/Service</u>	<u>Cost</u>
Site Survey	\$ 1,000
Site Install	1,000
Computer/Lan Configuration	2,000
Switch (maximum of 12 ports)	250
Uninterrupted Power Source (for switch)	600
Wall mount rack cabinet	650
Internal wiring - for 5 computers	1,500
Patch cord	60
Firewall	400
Computers - 5 each	10,000
Printer - 1 ea	1,000
Freight	2,000
Per Site	<u>20,460</u>
Total Sites	<u>11</u>
	<u>\$ 225,060</u>

United Utilities, Inc.
Rural Alaska Broadband Internet Access Grant Program
Maintenance Phase

2 Year Pro Forma Financial Statements - Maintenance Phase Incremental Costs

	Year ended 12/31/2006	Year ended 12/31/2007
Forecasted subscriber revenues (Schedule 4)		
Monthly Recurring Revenue	\$ 172,028	\$ 178,621
Customer Connection Revenue	28,686	1,099
	<u>200,713</u>	<u>179,721</u>
Direct expenses:		
MRC Space and Power	33,000	33,000
NRC (NECA - DSL) in start up phase	-	-
MRC (NECA-DSL)	2,300	2,300
NRC DSL Customer (CPE)	43,050	1,650
NRC / DSL Customer (NECA - DSL)	27,265	1,045
MRC / DSL Customer (NECA - DSL)	7,861	8,202
Wireless Expense NRC/Wireless customer (CPE)	16,500	-
Wireless Expense NRC/Wireless customer radio install	16,500	-
Internet Feed (Incremental cost zero, using Bethel feed)	-	-
Total Direct Expenses	<u>113,476</u>	<u>46,197</u>
Net profit from sales	58,552	132,424
Indirect expenses		
Reserve for Replacement - DSL equipment only	12,000	12,000
Maintenance of Facilities	17,220	17,880
Billing and collection, at \$6.88/acct/month	23,006	23,888
General and Administrative at 4% of direct expenses	4,539	1,848
Total Indirect Expenses	<u>56,765</u>	<u>55,616</u>
Margin/Contribution to Infrastructure Costs	<u>1,787</u>	<u>76,809</u>

United Utilities, Inc.
 60 Month Broadband Subscriber Forecast Summary
 Number of Subscribers and Subscriber Revenue

Date	Average Monthly Charge		Jan - Dec Annual Revenue	Customer Connection Rate	# of Customer connections	Customer Connection Fees
	Projected Customers	Charge				
2006	287	49.95	\$172,028	99.95	287	\$28,686
2007	298	49.95	\$178,621	99.95	11	\$1,099
2008	308	49.95	\$184,615	99.95	10	\$1,000
2009	319	49.95	\$191,209	99.95	11	\$1,099
2010	328	49.95	\$196,603	99.95	9	\$900

B & C per account	2006	2007	2008	2009	2010
Year	287	298	308	319	328
Subscribers	33	33	33	33	33
Kalskag	254	265	275	286	295

United Utilities, Inc.
 60 Month Broadband Subscriber Forecast Detail
 Number of Subscribers and Subscriber Revenue

Date	Location	Projected Customers	Average Monthly Charge	Annual Revenue	Customer Connection Rate	# of Customer connections	Customer Connection Fees
2006	Chefornak	27	49.95	16,183.80	99.95	27	2,698.65
	EEK	31	49.95	18,581.40	99.95	31	3,098.45
	Kalskag (note 1)	33	49.95	19,780.20	99.95	33	3,298.35
	Kipnuk	46	49.95	27,572.40	99.95	46	4,597.70
	Kongiginak	31	49.95	18,581.40	99.95	31	3,098.45
	Kwigilingok	31	49.95	18,581.40	99.95	31	3,098.45
	Newfok	19	49.95	11,388.60	99.95	19	1,899.05
	Nightmute	17	49.95	10,189.80	99.95	17	1,699.15
	Tuntutuliak	30	49.95	17,982.00	99.95	30	2,998.50
	Tununak	22	49.95	13,186.80	99.95	22	2,198.90
	Total	287		\$ 172,027.80		287	\$ 28,685.65
2007	Chefornak	28	49.95	16,783.20	99.95	1	99.95
	EEK	33	49.95	19,780.20	99.95	2	199.90
	Kalskag (note 1)	33	49.95	19,780.20	99.95	0	-
	Kipnuk	46	49.95	27,572.40	99.95	0	-
	Kongiginak	33	49.95	19,780.20	99.95	2	199.90
	Kwigilingok	33	49.95	19,780.20	99.95	2	199.90
	Newfok	19	49.95	11,388.60	99.95	0	-
	Nightmute	19	49.95	11,388.60	99.95	2	199.90
	Tuntutuliak	32	49.95	19,180.80	99.95	2	199.90
	Tununak	22	49.95	13,186.80	99.95	0	-
	Total	298		\$ 178,621.20		11	\$ 1,099.45
2008	Chefornak	29	49.95	17,382.60	99.95	1	99.95
	EEK	36	49.95	21,578.40	99.95	3	299.85
	Kalskag (note 1)	33	49.95	19,780.20	99.95	0	-
	Kipnuk	47	49.95	28,171.80	99.95	1	99.95
	Kongiginak	34	49.95	20,379.60	99.95	1	99.95
	Kwigilingok	34	49.95	20,379.60	99.95	1	99.95
	Newfok	20	49.95	11,988.00	99.95	1	99.95
	Nightmute	20	49.95	11,988.00	99.95	1	99.95
	Tuntutuliak	33	49.95	19,780.20	99.95	1	99.95
	Tununak	22	49.95	13,186.80	99.95	1	99.95
	Total	308		\$ 184,615.20		10	\$ 999.50

United Utilities, Inc.
60 Month Broadband Subscriber Forecast Detail
Number of Subscribers and Subscriber Revenue

Date	Location	Projected Customers	Average Monthly Charge	Annual Revenue	Customer Connection Rate	# of Customer connections	Customer Connection Fees
2009	Chefornak	30	49.95	17,982.00	99.95	1	99.95
	EEK	38	49.95	22,777.20	99.95	2	199.90
	Kalskag (note 1)	33	49.95	19,780.20	99.95	0	-
	Kipnuk	48	49.95	28,771.20	99.95	1	99.95
	Kongiginak	36	49.95	21,578.40	99.95	2	199.90
	Kwigillingok	36	49.95	21,578.40	99.95	2	199.90
	Newtok	20	49.95	11,988.00	99.95	0	-
	Nightmute	21	49.95	12,587.40	99.95	1	99.95
	Tuntutuliak	35	49.95	20,979.00	99.95	2	199.90
	Tununak	22	49.95	13,186.80	99.95	0	-
	Total	319		\$ 191,208.60		11	\$ 1,099.45
2010	Chefornak	31	49.95	18,581.40	99.95	1	99.95
	EEK	40	49.95	23,976.00	99.95	2	199.90
	Kalskag (note 1)	33	49.95	19,780.20	99.95	0	-
	Kipnuk	48	49.95	28,771.20	99.95	0	-
	Kongiginak	38	49.95	22,777.20	99.95	2	199.90
	Kwigillingok	38	49.95	22,777.20	99.95	2	199.90
	Newtok	20	49.95	11,988.00	99.95	0	-
	Nightmute	22	49.95	13,186.80	99.95	1	99.95
	Tuntutuliak	36	49.95	21,578.40	99.95	1	99.95
	Tununak	22	49.95	13,186.80	99.95	0	-
	Total	328		\$ 196,603.20		9	\$ 899.55

Note 1: Upper Kalskag and Lower Kalskag will both be served from the same wireless equipment. Each location will have a router and, during the start up phase, a community broadband connection. The two locations have been combined for revenue projections.