



KEYSTONE INITIATIVE for NETWORK BASED EDUCATION and RESEARCH
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August 3, 2010

Honorable Mike Folmer
Chairman
Senate Communications and Technology Committee
170 Main Capitol
Harrisburg, PA 17120-3048

Dear Senator Folmer,

Thank you for your most recent letter regarding the PennREN initiative. The KINBER Board, which will be overseeing the construction of the PennREN network and managing its use, is pleased to address your questions. This letter was discussed and endorsed by the Board at its August 3, 2010 meeting.

As was presented at the Committee hearing on June 17, 2010, the American Revitalization and Recovery Act (ARRA) which passed Congress in February of 2009 included more than \$7 billion for broadband projects; \$1.2 billion was available nationally in the first round for infrastructure applications for middle-mile or last mile projects. PennREN is a middle-mile project under the Federal guidelines.

In February, 2010, the PennREN project was selected out of several thousand applications for a \$99.7 million award, one of the largest in the country.

Among the reasons for the selection was accessibility to a wide range of public sector entities in the Commonwealth, especially those located in areas designated as unserved or underserved for broadband. The award was made to KINBER, a newly formed 501(c) (3) non-profit corporation. KINBER is not a government agency and there were no state funds committed as part of the financial package.

Pennsylvania is one of approximately a dozen states that do not have a coordinated, robust higher education and research network, creating a competitive disadvantage with other states for the attraction of technology based companies and cutting edge health care and research opportunities. All of our surrounding states do have networks which stop at our borders.

Soon after the passage of the legislation, members of the higher education and health care communities formed a working collaborative to apply for the funding, which they deemed a once in a generation opportunity

While specific guidelines and the online application process were not announced until July, 2009, in April of 2009, members of the KINBER consortium issued a request for information from telecommunications companies for the creation of a higher education and research network

(PennREN). Two telecommunication companies responded with information adequate to respond to our criteria. Fibertech Networks provided the most comprehensive response and lowest cost.

Throughout the application process and in our discussions with the National Telecommunications and Information Administration (NTIA) during the due diligence period we reviewed all publicly available data on the dark fiber across the Commonwealth. Where information was available, (and in many cases it was not) the fiber was not sufficient to meet the KINBER goals. This fact was emphasized from the responses received from telecomm vendors to our request for information.

In July, 2009, when the ARRA program information and application window was announced, KINBER had six weeks to complete an application including network design and a detailed project budget. It is important to mention that the Federal application process was open to all entities including private carriers, non-profits and public/private partnerships.

KINBER utilized the information gathered in the April request for information process and submitted the application with Fibertech identified as our construction partner via a signed letter of intent. As stated previously, KINBER's application was for the middle-mile category of infrastructure since the intent is to provide services interconnecting national networks to existing anchor institution networks. KINBER will not provide last mile connections, or connections to commercial businesses or residential households.

Fibertech agreed to provide matching funds for their component of the project, a requirement of the application. Fibertech was an active participant during the due diligence review and has partnered with KINBER on the grant requirements throughout the past year.

KINBER is not a telecommunications company. It is a non-profit entity with a Board of Directors comprised of many of the members of the original collaborative group which submitted the application, including:

- The Pennsylvania State System of Higher Education
- The Pennsylvania State University
- Bucknell University
- Carnegie Mellon University
- Drexel University
- Lehigh University
- The University of Pennsylvania
- The University of Pittsburgh
- The Commission for Community Colleges
- The Hospital and Healthcare Association of Pennsylvania
- The Association of Independent Colleges and Universities.

KINBER will charge membership and service fees that will enable it to be financially sustainable. Members, including those which are designated as nodes will pay the same service fees as all users.

When completed in 2013, the network will travel over 1600 miles through 39 counties, 22 of which were designated as unserved or underserved by the Federal Government. We shared with you at the hearing the proposed locations of 13 service nodes and more than 50 access nodes. PennREN is analogous to the early days of the interstate highway system with each service and access node serving as an “exit ramp” creating economic opportunities for that community.

We truly envision that this network will be a tremendous asset for the Commonwealth. The high speed capabilities will:

- reduce technology barriers that could help transform the manner in which education and health care is delivered in Pennsylvania;
- provide an asset for local communities to leverage as building blocks to expand broadband capabilities in surrounding communities.
- increase opportunities for our research institutions to obtain competitive Federal grants. For example, Lehigh University recently received a \$1.8 million dollar research grant. Their participation in the PennREN project was deemed a competitive asset by the application reviewers.

It is anticipated that private sector providers will aggregate last mile customers’ demand and link with KINBER at the closest node.

As part of the project, KINBER plans to work with the existing PAIUNET to create a seamless K-20 network in Pennsylvania. These initiatives are complimentary and not competitive. KINBER has had discussions since early last year with leadership of the PAIUNET. These conversations will continue as more details of the PennREN project are known. KINBER will not seek to provide services directly to K-12 and will partner with the PAIUNET to help meet their needs.

Your letter addresses questions about the sale of Fibertech; it is a privately held entity that is currently considering bids for equity ownership in the company. Any specific questions regarding that transaction or their business plans should be directed to them. Fibertech has been and remains a committed partner to the KINBER project. All of the appropriate assurances have been provided to KINBER regarding this project. Should Fibertech no longer be a viable partner, KINBER will discuss this material change with the NTIA and determine a course of action.

Upon completion of a construction contract and schedule, more information will be shared with other businesses regarding KINBER and PennREN. We plan to conduct regional workshops to explain the project, answer questions and help create a better understanding among the stakeholders.

To date KINBER has received well over 100 inquiries from businesses regarding the project. These solicitations were acknowledged and those firms have been added to a potential vendor list. In addition, they have been referred to Fibertech to market their products and services directly to them. Should you or your staff have businesses seeking more information from us, please have them contact us.

Thank you again for the opportunity to respond.

Sincerely,

KINBER Board of Directors

John C. Cavanaugh, Chair

Tim Alexander

Param Bedi

John Bielec

Kevin Morooney

Michael Pallandino

Celeste Schwartz

Joel Smith

Michael Suchanick

Bruce Taggart

Jinx Walton

C: Senate Communications & Technology Committee