

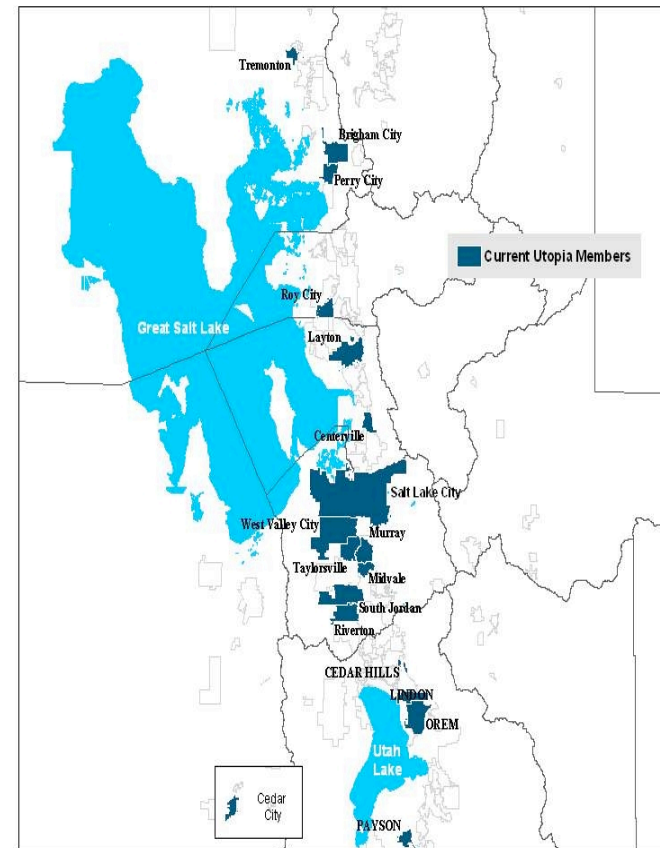
Community Digital Pipeline Project

December, 2003



What is UTOPIA?

- A consortium of 18 Utah cities
- The consortium was formed to study, and, if feasible, build a advanced communications network
- The member cities will own the network





Who are the member cities?

- Tremonton
- Brigham City
- Perry
- Roy
- Layton
- Centerville
- Salt Lake City
- West Valley City
- Taylorsville
- Murray
- Midvale
- South Jordan
- Riverton
- Cedar Hills
- Lindon
- Orem
- Payson
- Cedar City



How will UTOPIA operate?

- Provide a public infrastructure that will bring affordable, ultra-high speed services to all businesses and residents in the member cities
- UTOPIA will finance the construction of the network but not offer services
- The network will be available to private sector service providers to offer services to businesses and residents



Why was UTOPIA formed?

- Promote economic development
- Provide enhanced quality of life

- Support advanced services
- Encourage competition

- Increased competition leads to:
 - Better service
 - Lower prices
 - Greater innovation



Why not leave this to the private sector?

- The private sector is not willing to make the long term investment required.
- The private sector seeks to improve its returns by limiting competition.
- The government builds airports, highways and other shared infrastructures.



UTOPIA is a true public/private partnership

- The cities will own and finance the network through UTOPIA
- Virtually all work is contracted to the private sector:
 - Network construction
 - Subscriber hook-up
 - Service offerings
 - Network operations
 - Maintenance



Who else is doing this?

Cities that are building new access communications networks to serve residents and businesses :

- Tacoma, WA
- Jacksonville, FL
- Bristol, VA
- Provo, UT
- Palo Alto, CA
- Pittsburgh, PA
- Nashville, TN
- Spanish Fork, UT

... and more than 200 others



What kinds of services will be offered on the network?

- Faster Internet speeds
- Expanded local calling areas
- Enhanced program guides
- Expanded video-on-demand
- Video conferencing
- Tele-medicine
- Distance learning
- Opportunities for more local content / services
- Competitive offerings and prices



How long will it take?

What is the financing plan?

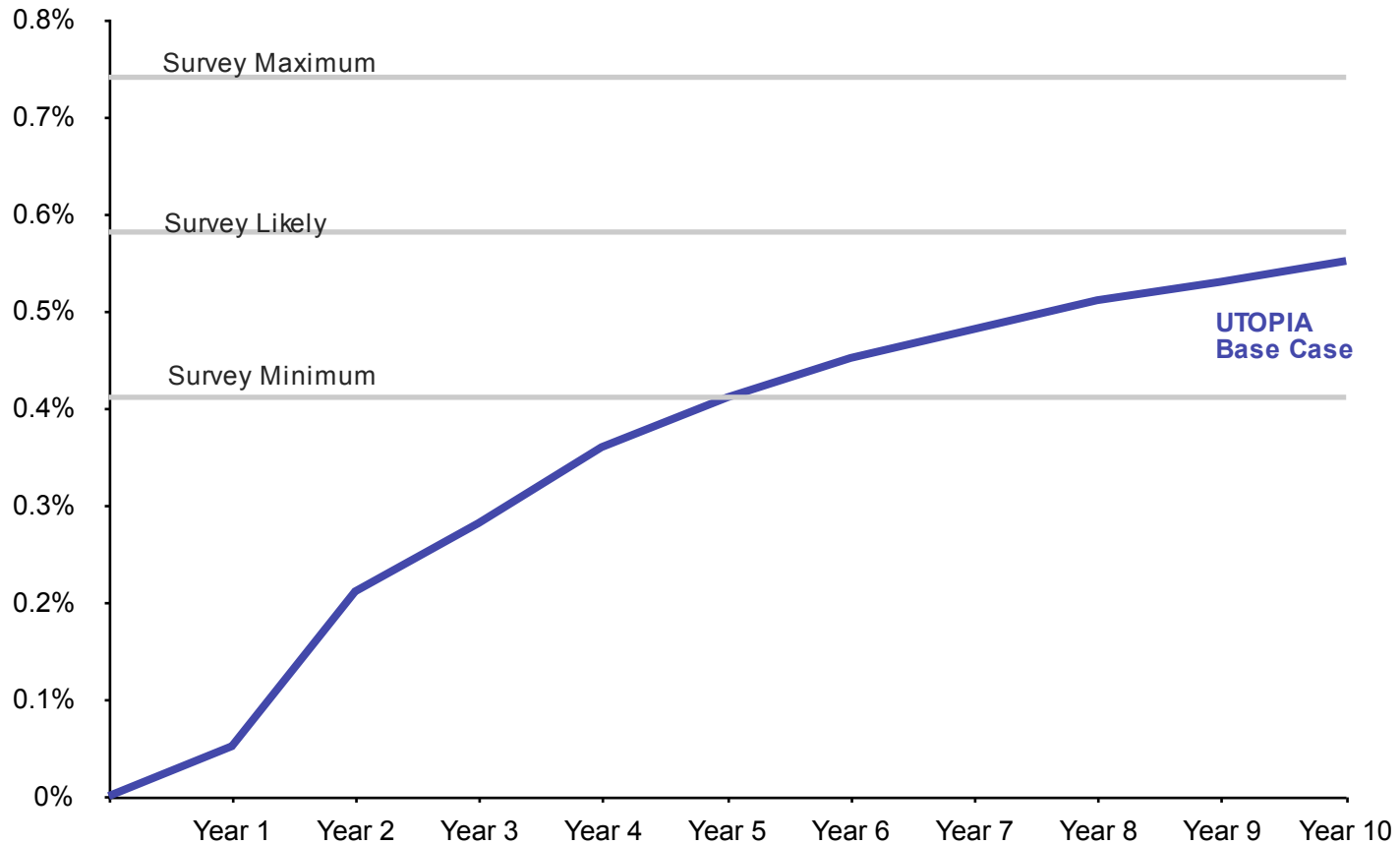
- Within a 3 to 4 year period the network will be available to every home/business in each member city.
- It will cost approximately \$540 million.
- No new or increased taxes are proposed.
- UTOPIA will issue 20 year bonds to be repaid from network revenues.
- To get more favorable interest rates, cities will be asked to pledge a portion of their sales tax (co-sign on part of the loan)



How will the loans be repaid?

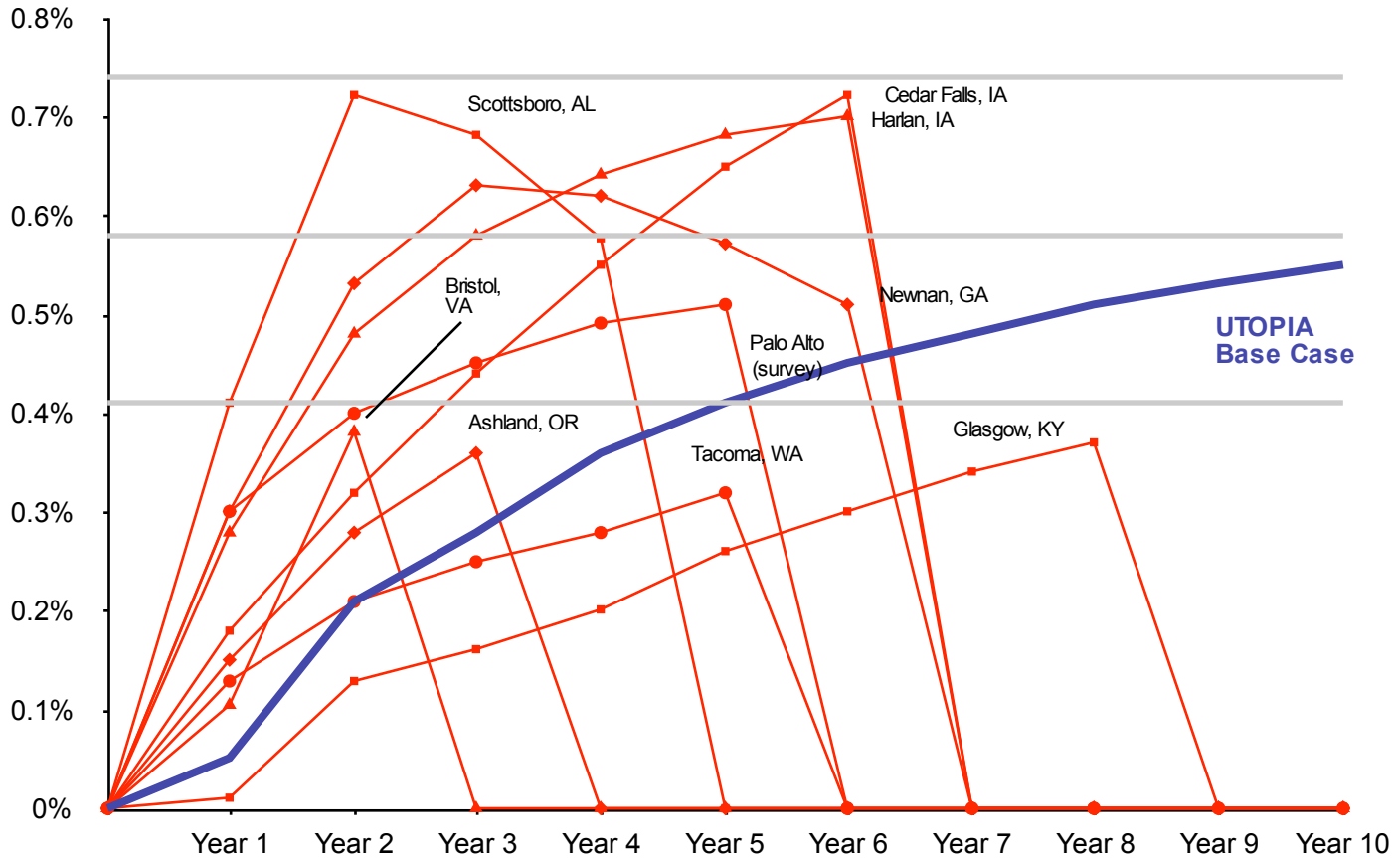
1. Residents and businesses subscribe to the services they want
2. Subscribers pay private companies for the services they receive from them
3. The companies pay the network owner (UTOPIA) for use of the fiber, and
4. UTOPIA pays off the bonds

How realistic are UTOPIA's projections?



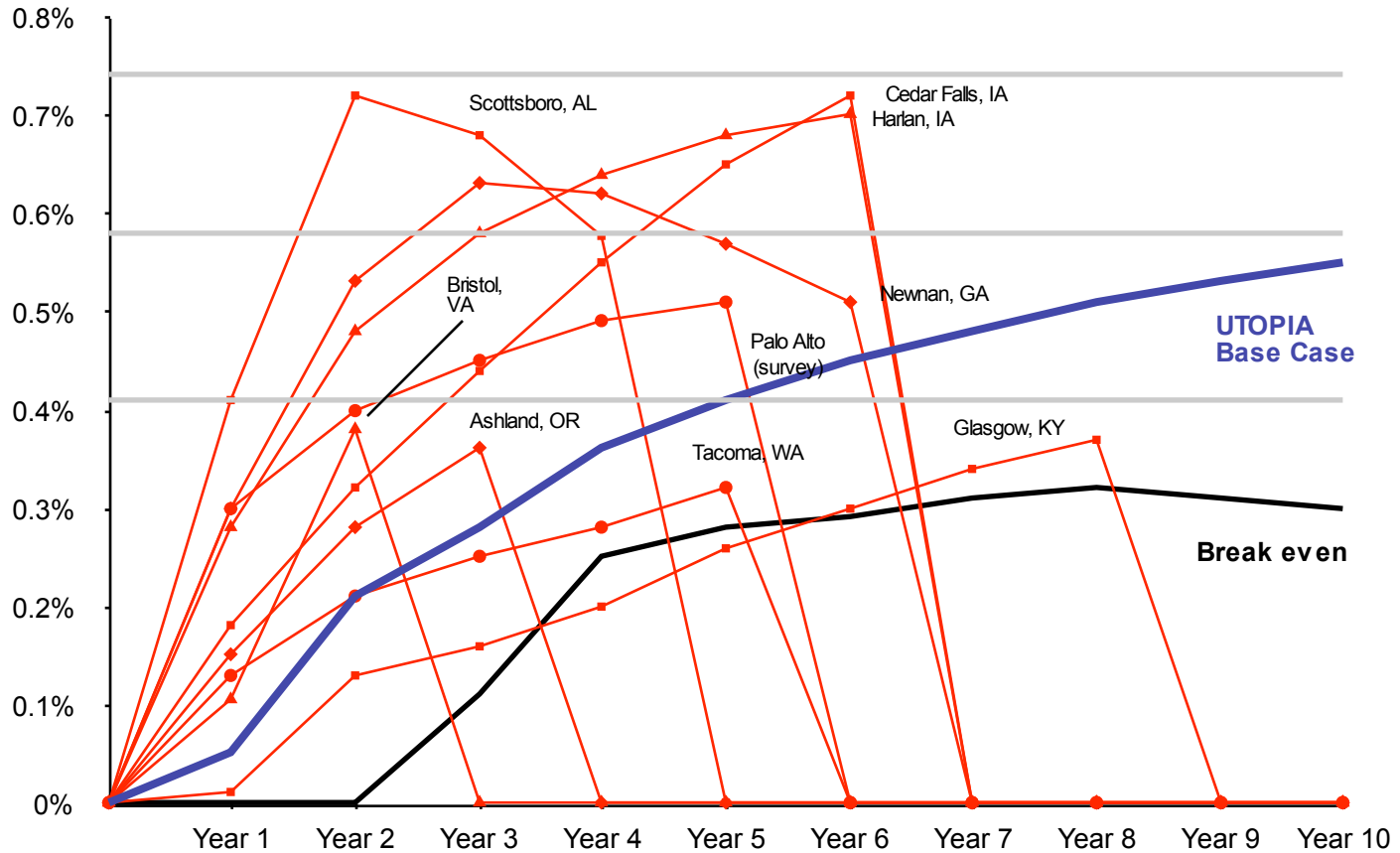
Source: SRI Survey

Take rate projections are conservative compared to actual results for other municipal networks



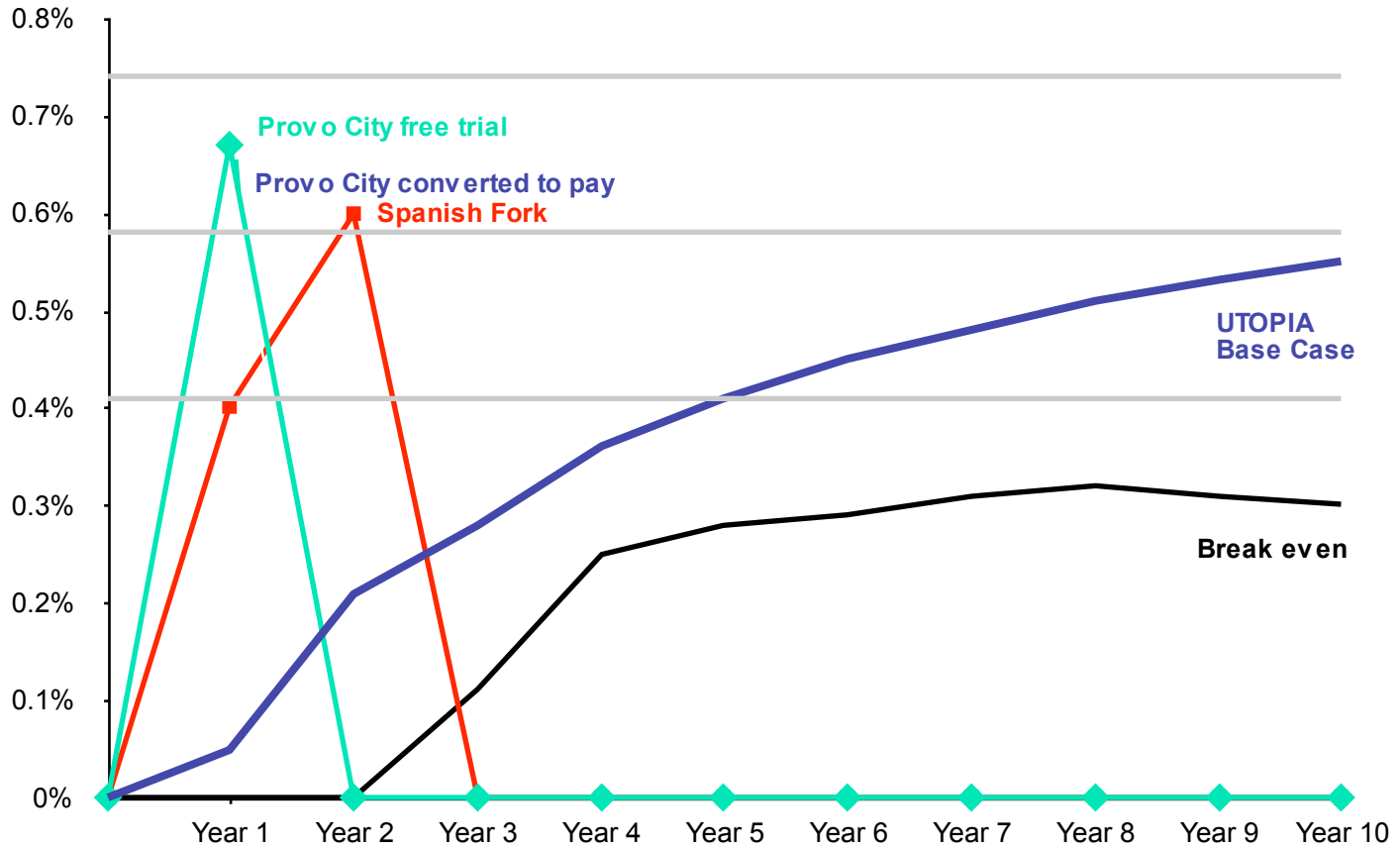
Source: Dean & Company, SRI Survey

Take rate projections could drop 30% still allow the network to break even.



Source: Dean & Company, SRI Survey

Provo & Spanish Fork's take-rates far exceed UTOPIA's projections



Source: Provo City, SRI Survey

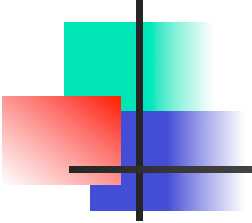


What can I do to help?

Join *Utahns for Telecom Choices*

– a coalition of businesses and community leaders committed to helping the public and the members of the city councils understand the need and opportunity.

www.telecomchoices.com

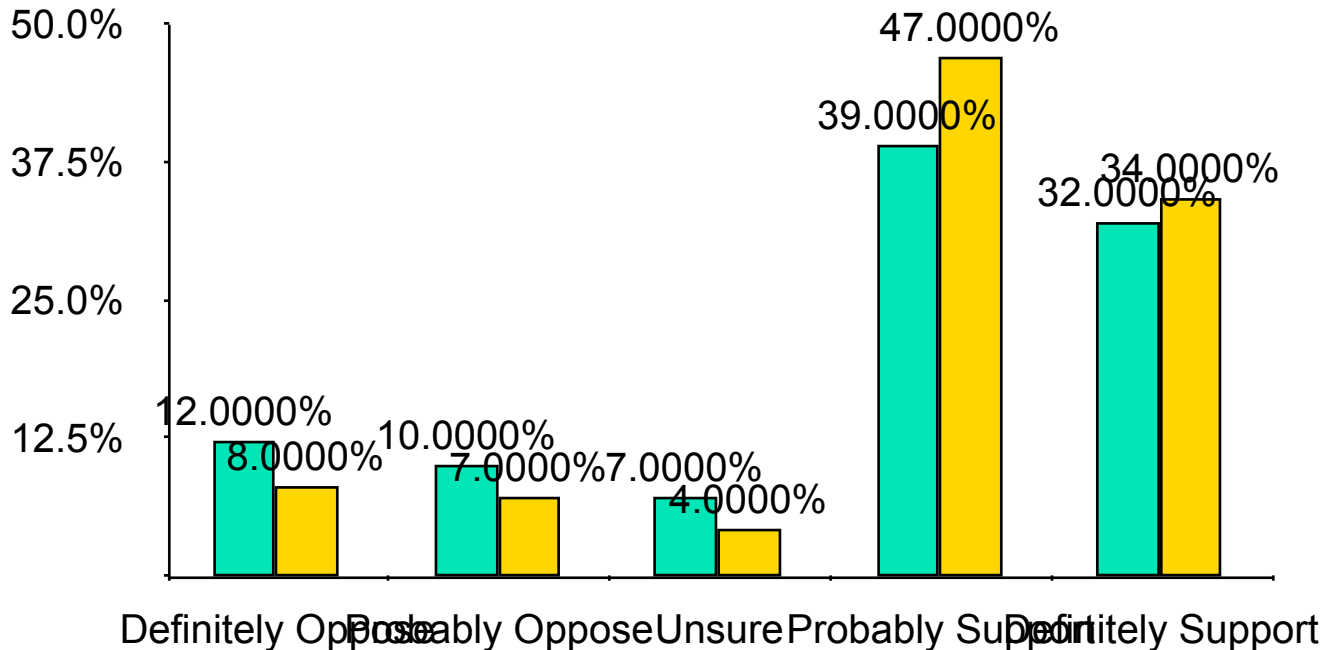




Why fiber?

- Labor is dominant cost and would be comparable with coax, copper, or fiber
- Supports multiple providers of phone, TV, and Internet
- Least expensive to scale and greatest capacity
- Most secure and reliable and least subject to interference
- Longest economic life

71% UTOPIA cities' residents support public/private fiber optic network



■ Support at Q 7.1
■ Support at Q 7.2

Question 7.1: If you were to decide today, would you support or oppose the city financing and constructing a fiber optic system for your community?

Question 7.2: If it could be shown that revenues would be generated above and beyond those needed to create and run the system and these funds could be used for improving government services, would you now support the notion of local government constructing a fiber optic system?



The airport analogy

- We don't expect each airline to build their own airport.
- The government builds the common facility that all airlines use.
- The airport is paid for by the users. A portion of each ticket ("landing fees") goes to the airport.
- The public is better served when multiple airlines compete for services.