

# *Is BPL The Next Telecom Fiasco?*

*(a bit of cold water?)*

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## ***A Little Bit of Broadband Power Line...***

- *BPL is causing a frenzy within the utility industry.*
- *BPL is just another telecom play – make no mistake about it!*
- *BPL is starting to get the attention of Wall Street, as did the Carriers Carrier market several years ago.*
- *BPL has not been a proven money maker (yet) within a “reasonable” period of time (Wall Street reasonable).*

## ***A Little Bit of Nostalgia...***

- *During the “hey day” of the telecom bubble (and in conferences just like this one), there was an “irrational exuberance” about getting in the telecom business. It is déjà vu!*
- *The publicly-stated combined telecom related losses of just a few of the major utilities totals close to .... \$1 Billion.*
- *We failed miserably at that business. What makes us think we can now become Internet Service Providers?*
- *So where are the telecom folks who have lived through this experience?*

## ***A Little Bit of Reality...***

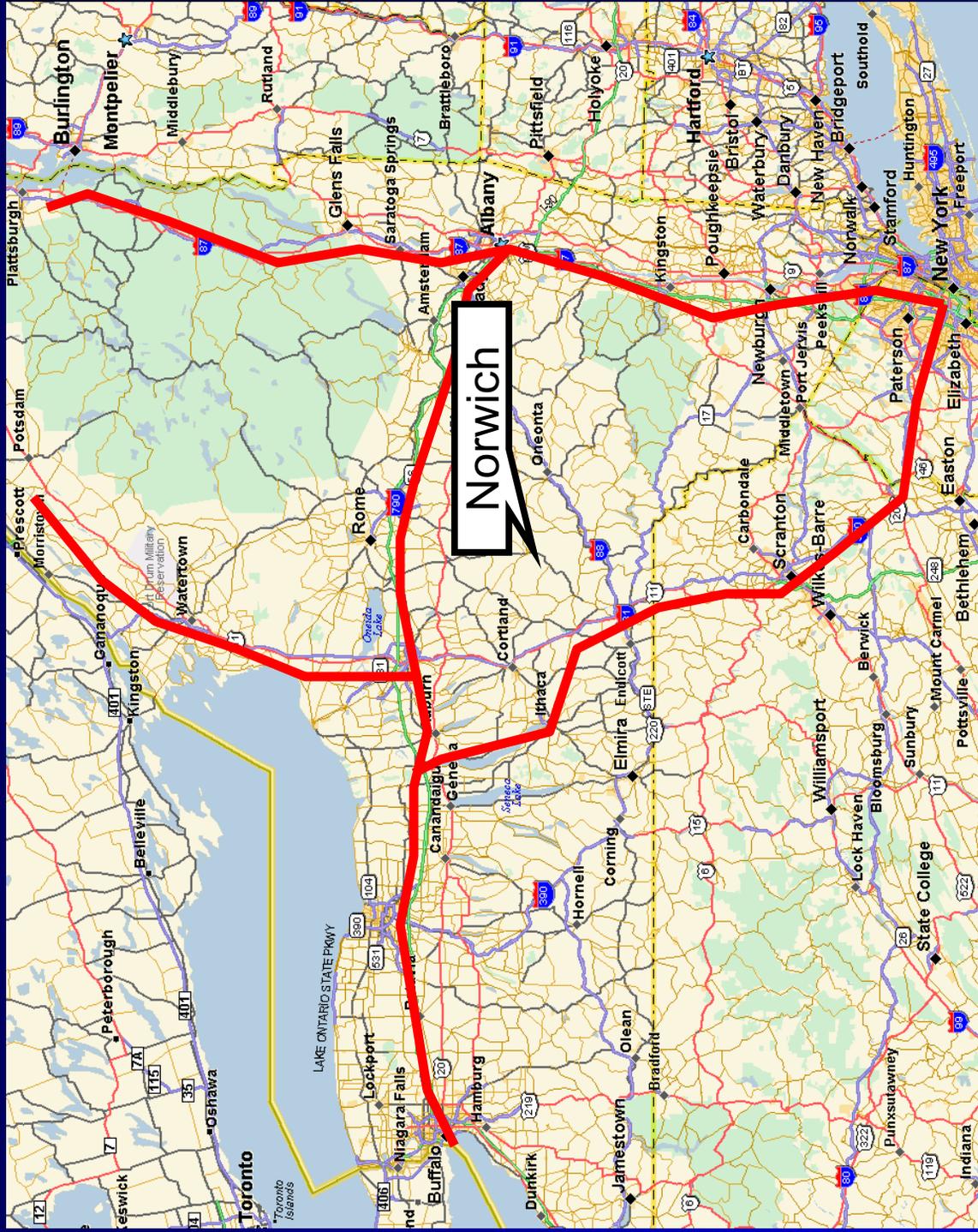
- *This business is about delivering broadband internet connectivity to end users ... competitively.*
- *That means competing with every mom and pop incumbent ISP, wireless play, satellite service, DSL, cable modem service, not to mention the “big dogs” and emerging technologies.*
- *The target figure that has been touted is \$29 to \$35 per month for basic high speed internet service. It has to be in that range if BPL is to compete with existing high speed services.*
- *AMR, DSM, “Smart Grids”, and other utility applications are just sweeteners. Without the BPL network, the business case for the utility applications is a non-starter.*

***Ah, but you say: “we will be able to sell service into all those underserved communities because the power lines are ubiquitous.”***

## ***A Little Bit of Fallacy...***

- *The power lines may indeed be ubiquitous - but that doesn't mean you can get all those homes back to the internet – where is the data pipe?*
- *In retail, it is said the 3 most important things are:*
  - *Location, Location, and Location*
- *In BPL, I believe the 3 most important things are:*
  - *Backhaul, Backhaul, and Backhaul*
- *You have to get the high speed pipe to the neighborhood!*





*Norwich in relation to the competitive long haul fiber*

## ***A Little Bit of Case Study...***

- *There is no high speed competitive fiber network near by, so we will have to lease a T1 of internet (1.544 mb/s) from the incumbent LEC at about \$1000 per month.*
- *Just to cover the cost of the T1, we will need to sign up 35 residential customers at about \$30 per month. This does not include the amortization of the plant!*
- *We can sign up more customers, but we will eventually need more than a single T1 to the internet.*
- *To provide the services BPL promises to deliver in the near future (VOIP, VOD) we will need a BIG pipe into this town.*
- *The town is currently being served by Road Runner broadband cable service.*

## ***A Little Bit of Opinion...***

- *We should learn from our mistakes. Unfortunately, many of those with the experience are no longer at our companies or are not being tapped for BPL.*
- *Unless your company is prepared for a significant investment in BPL and understands the risk, (and there are a few that do) then you should stick to what you know how to do: Operate the electric plant.*
- *That is not not say that we can't profit from this BPL experiment.*

### *We can:*

- *Provide the labor for placing the BPL equipment on our structures.*
- *Obtain pole attachment and user fees.*
- *Potentially negotiate a percentage of net income*
- *Invest in the venture that rolls out the service*
- *Obtain use of the network for our utility applications*
- *This approach will allow us to mitigate our risks (it basically become a no-brainer) while allowing us participate.*

## ***A Little Bit of How To Do It ...***

- *Pick the right partner, Pick the right partner, Pick the right Partner.*
- *Get people on the team that have relationships with the local competitive telecom providers, have knowledge of the local telecom infrastructure (utility and competitive), and understand the telecom business. The BPL partner will most likely not have these relationships or knowledge in your service area.*