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State spent twice the going rate for fiber construction; Frontier defends charges
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CHARLESTON, W.Va. -- Frontier Communications executives on Tuesday defended the \$42 million that the company billed the state of West Virginia to install 675 miles of fiber-optic cable to public facilities as part of a high-speed Internet expansion project funded by the federal stimulus. Frontier charged the state about \$62,000 for each mile of fiber -- about double the cost of similar projects elsewhere in West Virginia. Frontier officials said audits, legal and management fees, and a federal requirement to pay union wages drove up project costs. "The real driving force for that cost was the fact that, as far as it being a federal program, we had to pay prevailing wages," Mark McKenzie, the engineering manager at Frontier, told a joint House-Senate technology committee Tuesday. "There are some other embedded costs in there, too." Also Tuesday, state lawmakers questioned Frontier's unpaid invoices. The state still hasn't paid Frontier about \$26 million even though the company has finished the project. "We do have a rather substantial, in my mind, account payable with the state," said Dana Waldo, who heads Frontier's West Virginia operations. "We have invoiced at their direction as much as we could." Waldo said state officials continue to "verify the validity of the invoices." He said the company has submitted the "vast majority" of invoices for the \$42 million fiber project. "It has been a slow process, but I'm confident we will be paid at the end of the day," Waldo said. "I just wish the end of the day was today. It has been slow, but we'll get there." State legislators also reiterated a request -- first made two years ago -- that Frontier release engineering maps that show where the company installed fiber. Waldo said Frontier has given the maps to a group of state officials overseeing the statewide broadband expansion project. State officials plan to release the maps within six weeks, McKenzie said. "...They had to have the invoice for the job and total cost before they would make the maps official," he said. In 2010, West Virginia received a \$126.3 million federal stimulus grant to extend high-speed fiber to "community anchor institutions" -- schools, libraries, health clinics, county courthouses, State Police detachments, jails, 911 centers and other public facilities.

Frontier and state officials have touted the fiber construction project as an "open-access" network that other Internet providers could tap into and provide service to homes and businesses. "All carriers can use that fiber to serve customers," Waldo told legislators Tuesday. Frontier's competitors and a consultant hired by Gov. Earl Ray Tomblin's office, however, have said that the state allowed Frontier to build a "monopoly network" with the stimulus funds.

On Tuesday, state lawmakers asked Waldo how many competing firms had negotiated agreements with Frontier to use the new 675-mile fiber network funded by the federal stimulus. "We probably only have a handful," Waldo said. "You have some?" asked Sen. Bob Williams, D-Taylor. "Yes we do," Waldo said. The state also used the stimulus funds to buy more than 1,000 high-capacity Internet routers for \$24 million -- a decision that wasted up to \$15 million in stimulus funds, according to a Legislative Auditor's report released in February. Another \$35 million from the \$126.3 million federal grant paid for an expansion of West Virginia's emergency communication tower network. Legislative auditors also took issue with that project, finding that state officials circumvented purchasing rules to build the microwave towers.

The state used the remaining stimulus funds to build a fiber network between West Virginia University and the National Radio Astronomy Observatory at Green Bank. Also Tuesday, Waldo told state lawmakers:

Frontier spent \$39.5 million to expand broadband to residential customers during the past three years, making broadband service available to 88 percent of customers.

"Frontier's accomplishments are unprecedented in this state or any state," Waldo said. "No other company has done more than Frontier to connect individuals, families and businesses to the Internet and the opportunities it represents, and no other company will."

By 2016, the company plans to make high-speed broadband available to 97 percent of households in West Virginia.

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