

Open Work Session

Discussion with Talkie Communications on Broadband Grant

August 2, 2022

Mr. Andrew DeMattia, COO of Talkie, and Mr. Andre DeMattia, CEO of Talkie, came before Council. Mr. Cannon said the Council is looking for a breakdown of exactly how they have gotten to where they are today. He clarified, it came as somewhat of a surprise when they received the email the other day saying \$13.3 million had been granted. He then asked if they can explain for the public's benefit exactly how this is being done, the areas they are planning to cover, and their timeline.

Mr. Andre DeMattia said, back in 2021 the County had an RFP to build out broadband throughout the County asking to bid for about 2,000 no-served homes. He clarified, these grants are only for areas that have no wired internet. He said they applied for the RFP, and the requirement for the RFP was to complete the entire application for the State of Maryland, so it was a very costly application and it was over 200 pages long. He said the County provided them with some KML shaped files of where all the locations were. He said the County spent almost a year, if not longer, looking for the no-served areas as without this information they would not have been able to bid on the grant because they have to identify the no-served areas. He said some counties have a CTC study, which is a company out of Maryland that does broadband feasibility studies, and they sent them the maps and will be able to identify the locations. He said, in this case, the IT Department has spent a lot of time getting this information, and without that information they would not have been able to apply for the grant.

Mr. Cannon asked if they are looking at unserved and underserved, to which Mr. Andre DeMattia responded, this grant was for unserved, but the underserved may be coming up soon with the next grant application. Mr. Cannon asked if they could go over those definitions later for the people who would like to know what area they fall into, to which Mr. Andre DeMattia responded, as of right now, the underserved is anyone who has 25 megabit, but the FCC is changing that, so once that passes there is going to be a lot more underserved that will have the grant window opened up for ISPs to apply for. Mr. Cannon asked if that will be under 100 megabits, to which Mr. Andre DeMattia responded, yes, that is what the FCC is proposing right now.

Mr. Andre DeMattia continued and said they applied for the RFP, which had no monetary value, so the only thing they actually received from the County was a letter of support. He said that letter of support with the RFP process was submitted to the Statewide Broadband office and they applied for the grant in multiple locations and they did win the area near Pittsville. He clarified, he calls it Pittsville, but they have a bad habit of calling an area one name because internally they know where it is at, but it is actually 80 miles of fiber that they are going to be laying down. He said one question a lot of people have is when they are going to start, but what a lot of people do not realize is that they have already started. He said they started in March and they have already placed a remote central office in the Morris Road area, which is going to be able to serve a 17-mile radius, so that is going to cover quite a bit of the grant areas. He said the Old Eden Road area is really one of the hot spots as well, so they are not necessarily connected together, but they will be using their partner with Maryland Broadband to be able to connect the two areas together and serve the customers. He said this grant covers around 900 no-served homes, so these are 900 customers who do not have internet today. He clarified, wireless is not considered broadband, so they count as a no-served customer like Hughes Net or some sort of jet pack. Mr. Cannon clarified, it is 900, not 700, to which Mr. Andre DeMattia responded, yes, it is about 900,

and they are actually going outside the zone of the grants and picking up extra customers around the area. He said they hear all the time the question of why they stop short, but they normally do not leave customers behind. He said, if someone signs up one or two miles from where they are already at, they usually extend their network to help those customers as well as add more customers to their base.

Mr. Hastings said he just wants to open it up to give them a chance to introduce themselves because a couple of years ago he remembers those who have been paying attention to broadband were watching the FCC and seeing the bid process, and out of nowhere comes this one company who is apparently located in Kent County in the Chestertown area and they get an award of \$1 million or something, to which Mr. Mr. Andrew DeMattia responded, it is \$56 million in two States, which is over ten years. He said, in the grand scheme, it is a minute amount of money per year as \$4 million dollars a year to do fiberoptic deployment is not a lot.

Mr. Hastings said he figures they have not had a moment to get a chance to really introduce themselves to the broader public, so if there is anything they would like to say to the folks in the audience watching, they can introduce themselves and their company.

Mr. Andrew DeMattia said he will give a little background. He said both he and his brother worked at Verizon for about 16 years in the internet department, so they have a really long telecom background learning the different aspects of a large corporation. He said they started their business around 2012 doing wholesale voice and migrated into fiberoptic because they all know voice is dwindling. He said, in about the 2018 timeframe they started in Kent County because that is where Andre's neighborhood was. He said they had a little argument back and forth who was going to win, and Andre ended up winning, unfortunately, because he wanted to serve his house first. He said they are modeling their network off of what they learned from Verizon and they have also hired a lot of ex-Verizon installers, splicers, engineers and designers. He said what makes them unique in his perspective is not only do they have the background of a large telecom and are modeling it as close as they can to their network or similar when it comes to the physical plans, they have an in-house construction team as well. He said they have about 45 employees right now, and the majority of their construction firm does directional drilling, vibrating plows, and they do a large amount of their own build. He said they also use contractors because obviously 45 people is not going to get a lot of mileage in every county, so they have done a lot of builds with different contractors and they have already prepared for this, so they have talked to their contractors and they are already set with 20 drills with the contractors. He said they have three other directional drills on order and they are looking to expand tremendously to do as much as possible in-house because, by doing it in-house, the prices become cheaper and they are able to stretch the dollar just a little bit further.

Mr. Andre DeMattia said he knows it seems like they might have come out of nowhere; however, they have a very long history in telecommunications out of Kent County. He said they have been in Kent County and have been building out quite a bit of Kent County and have a lot of support in Kent County, as well as Queen Anne's County. He said they are also the official ISP of Worcester County and they have been building in Worcester County and have completed their projects as well as overlapping with Rural Digital Opportunity Fund (RDOF) areas, so they have been building the RDOF areas. He said, as many of them might know, federal grants take a long, long time to come. He clarified, they think long, but then add extra long to that, and that is about how long it takes. He said they have been building out the RDOF areas in preparation for getting the RDOF done. He explained, there are milestones that they have to do,

so they have been building out a year in advance as well as, in this case, they know the grants are coming, so they have already been building out and have not been waiting for the government grants to help them build this, they have already started. He said, if they wait they will never get the work done, so they started on their own dime. He said he would say they are a pretty good size company with 45 employees and they are actively hiring right now as well as leasing the liquor store building in Snow Hill for Worcester County. He said that is a 47,000 square foot warehouse, and that is where they are trying to put their base of operations in for this area, as well as make that one of their headquarters for the call centers. He said they would like to hire local people. He said the greatest thing ever is when someone in Kent County calls them and asks where they are located, and he says near the roundabout. He said they only have one roundabout, but he can see the change in tone on the person when they see they are local. He said, when they worked at Verizon one of the biggest complaints was they did not want to call other areas. He said people in Maryland did not want to call people in New York even though it is the United States, so they are planning to try to keep as many local people as possible, and hire local installers from here. He said they really do have a big heart when it comes to ex-Verizon people because they have all had the same background. He said they have been around since 2012, so it has been ten years, and he knows it seems like they just came out of nowhere, but they just were not in this County and did not advertise here.

Mr. Andrew DeMattia said they are actively hiring, so if anybody here is interested, please contact them. He said they are hiring installers, construction crew, outside the plant, inside the plant, and engineers, so pretty much every aspect of the positions in telecom.

Mr. Andre DeMattia said, just a little bit more about their company, they do things a little differently. He said they are consumer focused, so they have taken everything they learned at Verizon and adjusted it towards what they like. He said one thing they do not like is contracts, so they do not charge contracts. He said, when customers sign up, they ask where the paperwork is and they tell them here is the invoice, just pay your bill. He said they do not have contracts, and they do not charge extra for a long driveway. He said, in Kent County they had a driveway that was a mile and a half and they were all crying as they were doing it, but they did it anyway and it did not cost extra. He said they sell fiberoptic internet up to 10 gigabit, so if anybody needs 10 gigabit, such as a school or large business, they have that. He said they also will have their TV product done soon. He said they do home phone, and they accept the ACP program, which is the Affordable Connectivity Program that helps lower income families and older families receive \$45 off their internet per month. Mr. Andrew DeMattia added, they have a three-year rate guarantee that the rates will not go up, which is a big thing. He clarified, they are not doing teaser rates where people come in at a small rate and three months later it is double and then in three more months it is so large that they do not know how they go there.

Mr. Andrew DeMattia said they have three different internet speed tiers because even though gigabit is the sexy word for internet, not everybody needs that, only a larger family needs it. He said two people at home who are watching Netflix and using Facebook are good with 100 megabit internet. He said they start off at \$69.99 and then for \$10 more they have a 400 megabit plan, and for \$10 more it is the gigabit, so they have three different tiers. He said they are capable of doing up to 10 gigabit, but they are not publicizing that right now because the CPE, which is the customer routers, are just not really mainstream to do faster than a gigabit. He clarified, they can get them, they are just very expensive. He said right now they can sell 2.5 gigs if they have their own router, or they can buy a router, but today's technology just does not need it. He clarified, if somebody really wanted it, they can sell it and the

equipment is already capable of it. He said all the equipment they deploy is capable of 10 gigabit, so if someone wants that, they can do it.

Mr. Hastings said he knows this has been a topic, especially rural broadband, which has been a tough topic, especially for the pandemic, so it is good to see an Eastern Shore company doing well and he thanks them for what they do.

Mr. Cannon said it appears there are ten unserved zones in Wicomico County from the maps they were supplied for Wicomico County. He said, from what they are saying, it appears they are solving the issues for five of those ten zones because they are taking the east side of the County, to which Mr. Andre DeMattia responded, that is correct. Mr. Cannon said he also noted they said the fact that they are only spending \$15 million, to which Mr. Andrew DeMattia responded, \$13 million, and the grant will be covering close to \$10 million, so the rest will come out of their pocket. Mr. Cannon said his point is that it looks like they have managed to do it for about \$15,000 a home, to which Mr. Andre DeMattia responded, this area was a little more populated than the other side. Mr. Cannon said his real question is, predicting 2,000 homes at a \$50 million dollar price tag, which is what the FCC awarded them, having already done the number of houses they are planning to do now, does that mean that instead of 2,000 total they will be able to do about 3,500 homes in Wicomico County, to which Mr. Andre DeMattia responded, the \$56 million is for the entire State of Maryland and Delaware including 15 different counties in the State of Maryland and three counties in Delaware, so the whole grant is for all of it. He said he thinks in Wicomico they have close to \$3 million in RDOF funding for Wicomico, so that would help towards this grant, so some of the extra will come out of the RDOF grant. He said they applied for both sides of the grant, meaning the east and the west side, but the State of Maryland only awarded them one of the two grants because they had to share with other counties and other internet providers, but they plan on reapplying using the same application they already submitted for the other side to finish the areas that are considered no-served.

Ms. Acle said there are other companies that have done this she knows on the west side of town. She said Maryland Broadband has completed Nanticoke and now they are going all the way to Waterview, so there are different things going on throughout the County and Talkie is not the only one in the County doing things, to which Mr. Andrew DeMattia responded, that is correct. He explained, anybody can build and nobody can stop a provider from building. Mr. Andre DeMattia added, that is one of the most misunderstood talking points that they hear from county to county. He clarified, the internet provider claims that if the county does not partner with the internet provider, the internet provider cannot build in the county, which is entirely false and is just a tactic they are using. He said any internet provider has access to the right of ways, so if they are a utility company, they have legal access to the right of way. He explained, there is a 1994 Telecommunications Federal Act that states that the use of the right of ways has to be available. He said Maryland Broadband is a partner, and they are a member of Maryland Broadband. He explained, Maryland Broadband creates the middle mile, and sometimes they build the last mile, but they do not serve the end customer. Mr. Andrew DeMattia added, Maryland Broadband is a great partner, and he is not sure how much the Council knows about them, but without them a lot of the rural broadband would be unfeasible to spend that much money. He said Maryland Broadband has access to not only their own fiber, but other fiber that is available, so they use them as much as they possibly can to jump ahead and to get to different areas, and that is what they will be using for the two different spots. He explained, if they look at the maps, there are two different areas that are not

connected together, and Old Eden Road is going to be connected to Maryland Broadband through the middle mile back to the Pittsville area where their remote central office is located.

Mr. Cannon said, if there are 2,000 homes in the County and they say they are doing 900 at least, and 1,100 more, that would cost them about \$13.3 million, so they would need about \$16 million more to finish the west side of the County. Mr. Andre DeMattia responded, the other grant he believes was between \$12-13 million, and they are able to cut costs because they do quite a bit of their construction in-house. He clarified, some of the stuff will have subcontractors to it, but they find ways to save money, and that is the reason why the price is lower. He said, unfortunately with inflation, every time they turn around they are raising the rates on fiber and conduit and boxes, so the longer they wait, the more it is going to be, and he can give an example. He said, in Worcester County when they first won the RFP as the official internet provider, the CTC created a feasibility study and put in there it was about \$56-57 million to build out the entire area that is considered no-served, so not overbuilding, but just the no-served areas, as well as building the middle mile. He said it was around \$50-some million and they agreed with the assessment, but now it is over \$74 million because it is two years later. Mr. Andrew DeMattia added, the supplies have all gone up by 30 to 40 percent, which is shocking when he looks at his invoices and sees how much he paid for something just two years ago. He said lead times are now over a year for some fiber and hand holds, so one of the things they did was purchase a lot of the fiber last year knowing they had a lot of stuff coming up, so a lot of the fiber is now just starting to come in. He said the day that they got awarded they ordered 150 miles of conduit, which is going to be here sometime towards the end of the year, so they have to really jump on it and get the supplies quickly because the lead times are so long.

Mr. Holloway said a local electric cooperative is talking about doing broadband. He then asked if Talkie will be overlapping them any, to which Mr. Andrew DeMattia responded, it is possible, and that is not the intent with the grant money, but if the State awards a grant on top of the RDOF then they are obligated with the RDOF to do that area regardless.

Mr. Andre DeMattia clarified, it is a different type of fiber, meaning a different use. He explained, Maryland Broadband creates the middle mile fiber, so it is basically a long haul.

Mr. Holloway then clarified that he is talking about Choptank Electric. He said he just figured they could serve more people if the two did not overlap, to which Mr. Andre DeMattia responded, he agrees with Mr. Holloway 100 percent. He said, if Maryland Broadband has fiber for lease, they would lease what they need, and they have also made the comment to them before that if they wanted to lease Talkie's fiber it is available if they have paths for them.

Mr. Andrew DeMattia said, for distribution fiber, ideally, there should not be overlap with grants. He said that is what they were told, that they are not supposed to do that. He said he knows that some of the grant money that the co-op has did overlap their RDOF area, which is causing overbuilds, so what they are trying to do is stay away from them where they can. He clarified, that is not always possible because they have an obligation with the RDOF commitments.

Mr. Cannon asked how they anticipate receiving the \$16-20 million that is still needed to finish the rest of the County? He said he is assuming they do not have to go through another RFP. He then asked if this is something the County is looking to Talkie to finish, to which Mr. Andre DeMattia responded, there are several more grants coming up, so they will be applying for them. He said with some of them they need

County support, but some of them they do not. He said, since the RDOF was already won and they already had the application in, they are just going to resubmit the application when the Office of Statewide Broadband opens up the next grant application. He said rumor has it that it is going to be really soon and the State of Maryland will have an additional \$100 million to be split amongst all the counties. He said one thing to note is that he knows there was no County money that came from this grant, they did the match. He said some counties match and some do not match, and he believes the real reason they won this one is there is a great need here, and the County has never won any grants before when it comes to broadband. He said secondly, because of the RFP process, he truly believes that is a really good indication to the Office of Statewide Broadband that Wicomico County is serious about getting stuff done. Mr. Cannon said Talkie's rates were very good too with the RFP.

Mr. Cannon asked what their timeframe is on finishing out where they are right now on the east side, to which Mr. Andre DeMattia responded, they have not even signed the documents yet with the Office of Statewide Broadband and they truly believe that in August they will be signing the MOU, and once that is signed, the grant is then released. He said they have a three-year time table to do it in, and they believe they are going to be able to do it in under a year.

Mr. Cannon asked why they chose the east side of the County instead of the west side, to which Mr. Andre DeMattia responded, they did not choose, that was the Office of Statewide Broadband that chose that. He explained, they received from the County all of the areas that were no-served, and the grant was only worth \$10 million, so they only could apply for \$10 million, and anything above and beyond \$10 million would come out of their pockets, which is why they are paying \$3 million for the west side. He said they submitted two applications, and one application was chosen and one application was denied, and the reason was there was not enough money to go around to every county. Mr. Cannon clarified, that was the State, not Maryland Broadband, to which Mr. Andre DeMattia responded, it was the Office of Statewide Broadband, Rick Gordon's office.

Mr. Cannon said sometimes when Maryland Broadband puts a trunk line in, the Council does not know why they do it, they just find out through a Tri-County Council meeting or somewhere else that there is a trunk line in.

Mr. Andrew DeMattia clarified, Maryland Broadband is not a competitor, that is what makes them a great partner. Mr. Cannon clarified, he is not complaining about it. Mr. Andrew DeMattia said what makes Maryland Broadband really beneficial to them is that they know whatever fiber they are putting in they can rent, and that is a benefit to them so they do not have to turn around and say Maryland Broadband just took all that neighborhood. He again clarified, they are not a competitor, so having them put trunk lines in definitely helps the community because Talkie is able to use it.

Mr. Dodd said the State has \$100 million in grant money to give out and \$13 million is not much out of that. He then asked if they think they are going to get it, to which Mr. Andre DeMattia responded, they know they will get something somewhere, they just do not know the logic behind it. He said, when he spoke to the Office of Statewide Broadband they said it was a scoring criteria, and he thinks the reason why they won this side versus the other side is they had more letters of support from customers than they did on the west side, so he thinks they saw that and that was the dividing factor of which one they were going to pick. He said he is not sure, but he thinks there is a great need and there is a lot of territory that needs to be done.

Mr. Dodd said that leads into his next thought – if they do not get to \$13 million, do they prepare themselves to ask the County for the difference, to which Mr. Andre DeMattia responded, if the County has the desire. He said he knows in some counties they are using their ARPA funds for the broadband if they want to have that done. He said, if not, they will build out as they can in the areas that are no-served, and that is their specialty. He said they have about 2,000 miles of fiber already in Kent County and Queen Anne’s County.

Mr. Andrew DeMattia clarified, that is distribution fiber, not necessarily backbone fiber. He explained, it is not something that runs from here to Florida and back, it is literally neighborhoods and side streets, and it makes a big difference when understanding the fiber. He said it is getting into all the communities. He said they have a lot of fiber out there right now. He said, again, they focus on distribution, not backbone, but if they need backbone and nobody is there, they build it. He said, if there is an option, they use somebody else’s because it is the way to stretch that dollar the furthest they can in order to get into the communities and get more service.

Mr. Cannon said they will have them back in September or October so they can share with the Council again their success on that. He then asked if there is anything else they would like to add for the public.

Mr. Andrew DeMattia said the Pittsville area for Deer Creek is a partnership with them and Maryland Broadband, who is paying it and they are using their fiber, and that is going to be connected any day now. He said they call it Deer Creek, which is a community underneath Pittsville off Morris Road. He said that is going to be within maybe one or two weeks, so they will have their footprint in and their remote cabinet, so that is going to be the starting point, and that will be here before the grant money is even awarded.

Mr. Andre DeMattia said the only thing he would like to add is that he knows a lot of people here do not know them, so if they ever want to come down to Kent County or Worcester County, or even when they start in this area, if they want to see their equipment in action, they can hop on the plow. He said the drill is a little too dangerous, so he is not going to suggest they hop on the drill. He said it is fun. He said, if they have not seen a plow in action, it shakes everything. He said it is awesome and it is a huge plow, and it is really good on farmland and it is neat to watch. He said he stood on top of it, but he would not want the Council to do that.

Mr. Andre DeMattia said he wants to add that they have a lot of experience. He said he knows a lot of people have not heard of Talkie in this area, but for anybody watching, they come from a very long history of internet. He said all of their installers and splicers and everybody combined might have 400 to 500 years of combined experience. He said they are a very customer oriented provider. He said, if they look at their Facebook page they will see that they have almost perfect stars or google reviews. He said they have really good conservative rates starting at \$69, and if they have the APC program they will be paying less than \$30 a month for 100 megabit synchronous unlimited internet, which is really awesome.

Mr. Cannon said they are all moving to Pittsville, to which Mr. Andre DeMattia responded, just because they are building that area as no-served does not mean they are not going to be overbuilding. He clarified, they will overbuild on their own dime where they see that it makes sense, so if someone is stuck with a company that they are not really happy with, they will be expanding. He said the competition brings the rates down.

Mr. Cannon thanked them and said he looks forward to having them back in September or October.

There was no further discussion.



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