

A PUBLIC BROADBAND PROJECT

THE QUALITYLIFE INTERGOVERNMENTAL AGENCY

doing business as

Q-LIFE NETWORK

As Reported in

THE DALLES CHRONICLE

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Editorial **OPINION**

Get the facts

There's no question The Dalles would benefit from improved access to high-speed, affordable telecommunications.

That goal is particularly important for economic development: industry needs the assurance of high-capacity data transmission capability, and this community must be able to provide that assurance not only to attract new industry but to maintain the businesses we already have.

The question is, can a publicly-owned system be operated in a cost-efficient manner, preferably in partnership with existing private carriers?

That's the challenge facing proponents of the proposed "Quality of Life" network in The Dalles, which enjoys extensive support among businesses seeking better Internet access.

Supporters have been dogging this issue for two years now, and at last they're closing in on a crucial step: writing a business plan to identify system operating costs and specific revenue sources.

Unfortunately, key supporters also seem to be getting cold feet over the whole idea. Northern Wasco County PUD directors balked at a revised capital budget, and Port of The Dalles directors have simply tabled consideration outright.

Skepticism over the Q-Life project is not out of place. The Chronicle has expressed its own doubts on this page previously.

But just as it would be unwise to launch a multi-million dollar fiberoptic loop without a firm grasp of its cost-effectiveness, so too would it be unwise to reject the system now — or allow it to falter through inaction — simply for lack of those same financial details.

Both the Port and PUD need to reaffirm their support for the Q-Life effort, at least insofar as backing by all local governments is essential to gather the information needed to make an informed decision.

If it doesn't pencil out, so be it. It will have been a noble effort.

But the Q-Life board needs an operating budget in order to find out whether or not it will pencil out. And this community owes it to itself to complete that homework assignment.

For their part, Q-Life directors acted properly this past week in deferring their capital budget request, considering that this needs to be preceded by a formal business plan.

Finally, one private company in particular needs a pat on the back: Sprint, a private telecommunications carrier that has expressed well-founded reservations over Q-Life, nonetheless is an active participant in these discussions. After all, competition often becomes collaboration in today's business world, and that message apparently isn't lost on this telecommunications provider.

Local governments need to keep Sprint's good example in mind, and not reject Q-Life prematurely.

Make a change

To the editor:

Two board members of the NWCPUD are up for election (Mr. Skov and Mr. Huntington) and in my opinion an opportunity exists to change the direction and course of the PUD by voting the present board members out. Mr. Huntington and Mr. Skov have both endorsed Q-Life, an intergovernmental agency that will create a public owned fiber optic system that will compete with the private sector.

It should be noted that a previous interagency agreement (OURCA) cost the ratepayers \$14 million by board decision to buy on the open market. This fiasco is costing us approximately 24 percent over the next four years in higher rates. The board decided to try to recoup some of the losses by joining another interagency group which is called Net Purchaser Group which so far has cost the ratepayers over \$100,000 in legal fees.

So far this board has not asked the ratepayers to vote for forming Q-life and creating a public owned fiber optic system. Why? The cost to ratepayers to date is over \$75,000. The cost as published in The Dalles Chronicle for the first six

years will be an operating loss of \$1.1 million plus. This is not a sound business plan. There are many unknown liability issues that have not been addressed that may cost ratepayers in the future. We need to demand that the board allows us to vote on this issue.

Mr. Skov and Mr. Huntington continue to vote for budget increases and not decreases during these difficult times.

As registered voters some of you will have an opportunity to vote for either Skov or Tibbets in district V and either Huntington or Smith in District III. Unfortunately I do not have this opportunity as I do not reside in either district but those who do, I ask for your support for a needed change. Whatever you decide, please vote.

Doug Hattenhauer

The Dalles

Civic leaders mull fate of 'Q-Life' idea

Telecommunications proposal's latest estimates suggest profit, but uncertainties still remain

■ By NEITA CECIL
of *The Chronicle*

11/1/02

The newest business plan for a proposed publicly-owned telecommunications network in The Dalles shows it turning a profit within six years.

That's a sharp contrast from an earlier business plan that showed an \$800,000 loss in the first six years.

That initial expected loss led the Port of The Dalles to withdraw from the four-government consortium — called QualityLife Network, or Q-Life — pursuing the network.

Governments still remaining in the Q-life consortium are the city of The Dalles, Wasco County and the Northern Wasco County PUD.

But The Dalles City Manager Nolan Young told the city council Monday that the decision to build the 17.5-mile fiber-optic network in phases rather than all at once made all the difference in turning the bottom line from a loss to a profit.

Young also believed the estimated \$137,000 profit was conservative.

"That's conservative just based on the customers that have stepped forward now," he said. "I think it's possible we could get to the same profit we were anticipating as a loss."

Mid-Columbia Medical Center, Region 9 Education Service District (ESD), housed at Columbia Gorge Community College, and the college itself have expressed an interest in hooking up to the network, as has Columbia River Bank.

MCMC would use the high-speed, high-capacity fiber optic network for video conferencing and to transmit medical data to outside specialists for consultation.

Young said the idea of hooking up to a government-owned telecommunications network is gaining momentum among potential customers.

"When we started with just the hospital, our hope was it

Utility board wants backers to convene

■ By DAN SPATZ
of *The Chronicle*

A proposed public telecommunications system in The Dalles continues to rouse controversy, as proponents and skeptics debate how much the system will cost and who will be responsible for operating it.

Northern Wasco County PUD commissioners this week called for a public meeting among the various partner agencies of the so-called "Quality Life" or "Q-Life" network.

The system comprises a high-capacity telecommunications loop beginning and ending at the Big Eddy Substation, although the extent and shape of the loop is still being modified — one of several issues utility commissioners confronted in their meeting Tuesday night.

The Q-Life consortium includes representatives from the PUD, Wasco County and City of The Dalles. Other supporters include Columbia Gorge Community College, Educational Service District 9, local public schools and Mid-Columbia Medical Center.

Supporters contend a public system is needed to ensure affordable, high-capacity Internet access for

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would stimulate more interest," Young said. "It's happened."

Now, Q-life has enough potential customers to build two-thirds of the system, he said.

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Q-Life

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One potential customer, which Young did not name, would bring the system downtown, which could benefit a number of other potential customers, he said.

City Councilor Mike Tenney asked if the city would face a conflict of interest if it provided a service already provided by other companies which have a franchise agreement with the city.

Sprint and Charter Communications already provide fiberoptic telecommunications, and both pay the city a franchise fee. The fee is paid by companies for the privilege of using the city's rights of way.

Young said none of the franchise agreements are exclusive, so there is no clause preventing competition.

He referred a further analysis of the conflict of interest and competition issue to the city attorney, who was absent Monday.

The 17.5-mile fiberoptic loop would begin and end at an existing trunk line at the Bonville Power Administration's Big Eddy power substation.

Before construction of the first phase of the loop — to the hospital and college — is authorized by the participating governments, several things must occur. One is finding "someone" — and not one of the three participating governments — to provide a \$668,000 line of credit, which is a required, fully refundable (with interest) "fee" for hooking into the BPA trunk line.

That fee is assessed by the consortium of Washington state power entities that creat-

ed the ability for communities to hook into the BPA trunk line.

Work is progressing on securing that \$668,000 line of credit, Young said.

Also, potential customers have to make commitments, and, finally, the PUD needs a court ruling on whether it is allowed to participate in the network. The advisory court ruling is expected in mid-November.

If council approval is given, construction of the fiberoptic lines to the hospital and college would be done by both city and PUD crews and a private contractor.

It is anticipated that the first phase would be finished by April 1, 2003.

The city council is divided on whether to continue pursuing Q-life. Councilors Mary Ann Davis and Dorothy Davison are both leery of the proposal, and Davis would like the city to back out fully.

Councilor Chris Zukin disagreed. He said his business on the port couldn't get fiberoptic service from Sprint or the cable company because they wouldn't provide high-speed telecommunications access to any customers north of the railroad line.

"I think there's true need in The Dalles for a fiberoptic cable link," Zukin said. He felt if the community didn't have such a link, it would "inhibit economic growth."

Zukin said he felt the Q-life project was similar to the port development project in the 1980s. That was seen as a longterm economic investment that would be needed some day, and "I think today we're glad we did it."

City staff hopes to have firmed up information on customers and the \$668,000 line of credit in time for the next council meeting, on Nov. 25.

PUD

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business development, medical imaging technology, distance learning and other uses. Skeptics question who will pay for the system, who will maintain it, and whether it will compete unfairly with private providers such as Sprint and Charter.

PUD has requested a Wasco County Circuit Court review of its own ability to participate in the Q-Life consortium. A court hearing originally expected in October has been rescheduled to Nov. 13. A decision will follow.

David Huntington is PUD's representative to the Q-Life board, and he fielded pointed questions on the project from fellow commissioners Howard Gonser and Mike Bertrand at Tuesday's PUD board meeting.

Both Gonser and Bertrand say they support the Q-Life

concept, but want better financial information before committing themselves to its development — a view shared by some members of The Dalles City Council, where the same debate is being played out (see related story).

Bertrand asked Huntington whether Q-Life had obtained a second private backer, which would join Mid-Columbia Medical Center as a sponsor (at least to the point of making a loan) to help develop the system. Huntington said he did not believe such a commitment has yet been made. (Columbia River Bank has been cited in Q-Life board meetings as expressing an interest in the project.)

Bertrand also asked Huntington who would maintain the system if it's built. Huntington replied this has not been determined, but could be contracted with Hood River Electric Cooperative, which is developing a similar network, or a Portland provider.

"Operations and maintenance are really important," Gonser said. "There's a response time that could be an issue."

Bertrand challenged an underlying assumption of Q-Life — that high-capacity fiberoptic lines are needed in order to attract high-volume businesses such as call centers. Bertrand said he had visited one such business in La Grande and said it was served by transmission lines of a type already available in The Dalles.

He expressed frustration at not being able to obtain details on the Q-Life proposal.

"I want the truth to be put on the table about what's going on behind the scenes," Bertrand said.

Huntington said a revised business plan for the network is still being prepared.

"That's in very draft form right now and should be coming out fairly soon," Huntington added. He said a fiberoptic connection to Mid-Columbia Medical Center is expected by March 2003.

This is a so-called "Phase I" of the Q-Life network, and would also include extension to Columbia Gorge Community College. From Big Eddy Substation, the network connects to a regional network known as "NoaNet." In return for that connection, Q-Life partners would be obligated to pay a

non-refundable "participation fee" (\$168,000) and provide a line of credit or "connection fee" of (\$668,000). NoaNet would be required to pay back by August 2004 any amount drawn from this credit line, at an interest rate of up to 10 percent.

Congress has appropriated \$300,000 to help build the Q-Life network in The Dalles.

One issue is whether the Q-Life network would be extended to the western side of The Dalles, as originally envisioned, or be truncated at least in the short term with a direct connection from Columbia Gorge Community College to The Dalles Middle School and downtown The Dalles.

"So we'd leave out the west side of our constituency?" Gonser asked Huntington.

Huntington replied the current business goal of Q-Life is to have the system pay for itself as it's developed. He said there are no specific plans at this point to extend the network to the west side of town.

Regarding private participation in the system, Gonser asked PUD manager Dwight Langer for details of a meeting Langer attended with Mid-Columbia Medical Center. Specifically, Gonser asked whether Langer was negotiating with MCMC for participation in the project.

"This whole thing is in nego-

tiations," Langer replied.

PUD attorney James Foster added that various negotiations are continuing over Q-Life agreements, and noted the PUD's own ability to participate would be determined following the Nov. 13 circuit court hearing.

"I'd like to see this thing go, but the financial issues are really key for me," Gonser said, estimating the PUD's total commitment to the project (monies actually expended or proposed over the short term) at \$93,000. That total is significantly higher than either the city or county investment, Gonser added.

"That bothers me," he said.

He presented a list of issues he wishes to see addressed in the Q-Life business plan.

Chairman Milt Skov suggested the PUD expend no additional funds on the project until the court review is complete.

The debate concluded with a motion by Gonser that all of the Q-Life partners convene to discuss all aspects of the project, and that this meeting occur prior to a final PUD board decision on whether to proceed with Q-Life.

Gonser's motion carried unanimously.

In other PUD business :

• An audience member, Doug Hattenhauer, asked about the

PUD's policy regarding political endorsements made by one commissioner about another commissioner. Utility attorney James Foster said the utility could consider such a policy, but suggested it might be found to violate commissioners' First Amendment protection of free speech.

On a different topic, Hattenhauer challenged Commissioner David Huntington's characterization, on a local radio show, of the amount of debt the PUD owes to Bonneville Power Administration for electrical purchase commitments. Huntington had referred to this debt as \$9.6 million, but Hattenhauer referred to PUD staff estimates placing it at \$13.8 million.

"You guys lost a lot of money, and you won't even admit it to the public," Hattenhauer said. Chairman Milt Skov told Hattenhauer he was using the occasion to further a political cause, and ended Hattenhauer's comment period.

• Acting unanimously, the board appointed general manager Dwight Langer as the utility's representative to the Northwest Requirements Utilities, a consortium opposed to a federal initiative aimed to deregulating electrical transmission in the Pacific Northwest.

Court gives utility OK for 'Q-Life'

But appeal likely for N. Wasco's role in telecommunications

■ By DAN SPATZ
of *The Chronicle*

11/29/02

A key partner in an initiative to establish a publicly-owned telecommunications network in The Dalles won a round in court on Wednesday — but the case may be far from over.

Wasco County Circuit Court Judge John Kelly ruled, in what he described as a narrow decision, that state law allows Northern Wasco County PUD's participation in an intergovernmental agreement with Wasco County and the City of The Dalles to develop the so-called "Quality Life" network ("Q-Life") network.

The goal is a 17.5-mile fiberoptic system, or loop, beginning and ending at the Big Eddy substation east of town. Along its path the loop would connect Mid-Columbia Medical Center, Columbia Gorge Community College, doctors' offices, schools, local government offices and some larger businesses to high-speed, high-volume Internet service. The entire system would connect to a much larger, regional network already operating through the Bonneville Power Administration.

Q-Life supporters say the service is needed to provide affordable distance learning, medical technology, and business development; skeptics say it competes unfairly with private carriers such as Sprint and Charter, and

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that the cost could become a financial black hole for local government.

In his ruling, Kelly emphasized he was not deciding the relative merits of either side in that debate, but rather the specific statutory authority governing the PUD's ability to participate.

"I conclude the PUD has the legal authority to enter into the Q-Life agreement," Kelly said Wednesday, at the conclusion of a hearing continued that day from Nov. 22.

"I don't conclude it's a good idea or a bad idea. I don't conclude it will or will not promote economic growth," he added, referring to a key justification the PUD used for its participation. But Kelly did rule the PUD adequately cited this justification in its decision-making process.

Kelly's ruling responded to a request from the PUD itself for circuit court review of its role in the project. The utility had also asked Kelly to review its expenditures for Q-Life, but he declined to do so, saying his court lacked state authority to make such a determination.

Wednesday's decision doesn't bring an end to the controversy, though.

It's still subject to appeal, and attorney Ron Somers, who represented local resident Doug Hattenhauer as respondent to the PUD's court review, indicated after the hearing that "there's a high likelihood" of an appeal.

Specifically, Somers questioned the court's ruling that the PUD's ordinance to join Q-Life establishes adequate financial controls by PUD board members of expenditures approved by the Q-Life intergovernmental board. (The PUD board has a single representative on the board.)

"This train is rolling down the tracks, and there's no engineer at the helm," Somers suggested. He noted the inability of key staffers — among them PUD general manager Dwight Langer and hospital information systems manager David Larson — to identify fundamental costs of the proposed network during their testimony in the court hearing.

In his ruling, Judge Kelly said Langer met statutory requirements to inform his board of Q-Life costs for the PUD — estimated in court at \$42,000, but ranging nearly twice that according to other estimates — and cited PUD board minutes as documentation.

Somers challenged this after the hearing, saying it "glosses over" the statutory requirement.

If an appeal is filed, it may be 18 months before the PUD learns the outcome.

Somers and Hattenhauer have 30 days from the time Judge Kelly's decision is filed (probably this coming week) to file notice of intent to appeal to the Oregon Court of Appeals.

If this occurs, it would launch a lengthy series of legal reviews and rebuttals before it could be scheduled on the appeals court calendar. This means an appeals ruling might not come for nearly two years.

PUD board members Tuesday night discussed that possibility. The utility's role in Q-Life may also be affected by the November general election, in which a challenger, Clay Smith, unseated PUD incumbent Dave Huntington, a Q-Life advocate and the PUD's representative on the Q-Life board. Like two current PUD board members, Howard Gonser and Mike Bertrand, Smith has expressed reservations over Q-Life's potential cost and feasibility.

Communication the key to progress

The work underway to re-connect The Dalles to the Columbia River is obvious to all who pass through the construction zone on the I-84 freeway.

Less conspicuous is work in progress to connect The Dalles to a river that leads to the ocean of information known as the Internet, to the world of electronic commerce, and to the "information economy."

The Dalles has been a river trade center for centuries. We have enjoyed the benefits of the Columbia, but we lost access to it when the freeway was built.

Access to the information highway and the knowledge economy requires on-ramps, and we have a chance to build a big one. Opposition to this opportunity motivates this attempt to explain it. For readers not familiar with telecommunications technology, the following may be helpful in understanding the issues.

Fiber optic lines, hair-size bundles of glass sheathed in protective layers and delivered on huge spools, have become the best carrier of bits, the binary off/on signals that become text, pictures, music, data and movies. Digital formats have been created to convey, at very high speeds, information essential to education, medicine, business, and the arts.

Fiber optic lines provide the biggest and best digital access in terms of speed and reliability — the best broadband, preferred by those that work with and understand the alternatives. Broadband is the term used to describe fast access through these "big pipes." They provide bit transfer rates many times faster than the best dial-up modem, which is about 56 kilobits (56,000 bits) per second.

The Bonneville Power Administration has fiber optic lines on its transmission towers, with more fibers available than it requires for its own use. Knowing that rural economies could be made

stronger if fiber was made available, BPA offered it on an "open access" basis. BPA asked for telecommunications providers to take advantage of this opportunity and enter into agreements with them. None of the telephone, cable, or other companies stepped up. An organization of public utility districts in Washington eventually did, created Northwest Open Access Network (NoaNet) and signed an agreement with BPA.

NoaNet then began signing up local entities looking for on-ramps. Under the leadership of the Northern Wasco County People's Utility District, the QualityLife Inter-governmental Agency was created.

Doing business as QLife Network, this entity functions under a board of directors consisting of representatives from the PUD, Wasco County, and the City of The Dalles. Under the QLife/NoaNet agreement, QLife must provide open access, that is, use of the NoaNet fiber to all who will qualify.

Engineers were hired to design a fiber loop around and through The Dalles that would be the equivalent of water mains, accessible to businesses, schools and homes. QLife asked "last-mile" providers to join with them so it could provide the water mains and be only a "middle-mile" provider. Neither the local telephone or cable provider were interested in this public/private partnership, so it became necessary to seek other alternatives to make this open access on-ramp possible.

The "business plan" was substantially amended by the QLife Network board. Instead

of being financed on the basis of contracts with last-mile providers, it would be financed on the basis of contracts with a limited number of customers. The loop would be built in phases, starting where it originates at the BPA/NoaNet Big Eddy fiber connection, known as a Point of Presence, or "POP." Pre-construction service contracts are being negotiated with customers most in need of broadband.

The first phase will see spools of fiber being unrolled from the POP to the Mid-Columbia Medical Center, with the costs of that phase being covered by revenues generated under a QLife Network contract with MCMC.

The second phase unrolls from MCMC to Columbia Gorge Community College, to serve the college and its tenants, including the Region Nine Education Service District, which in turn serves the schools of Wasco County. The ESD also serves schools in Hood River County, and is working with another NoaNet affiliate to meet its fiber needs there. Other phases are in negotiation. As the fiber is rolled out, it is expected that other customers will want to sign on, and that it can soon be a "closed loop," one that provides the important benefits of "redundancy" or "route diversity."

Opposition to this fiber optic loop comes from some predictable sources and some that are surprises. Opposition is to be expected from companies that have enjoyed exclusive franchises in the community for traditional telephone and cable service. That is, at least initial opposition was expected. When the big pipe is in place, with its access to the world through the Big Eddy/NoaNet POP, those companies may decide to take advantage of the open access the QLife fiber loop will provide.

Open access will help assure competition among last-mile providers, a benefit to existing and future con-

sumers of telecommunications services in our region. We will be helping achieve goals that were trumpeted by leaders in the telecommunications industry and in Congress upon enactment of the federal Telecommunications Act in 1996.

On December 5, the governing bodies of the three QLife Network partners will meet with the QLife board of directors for a presentation and an opportunity to discuss any additional issues that may be of concern. This will be a public meeting, and is scheduled for The Dalles City Hall, 313 Court Street, Council Chambers, between the hours of 6 and 8 p.m.

If you would like to learn more about this project, which has been ranked as Wasco County's top economic development priority for three successive years, come early.

Using just one more bit of jargon, QLife Network is building "infrastructure," very much like a public water system, that will give The Dalles a very strong selling point. The Big Eddy POP is unique, in that it is a point on both the Oregon and Washington NoaNet systems, adding route diversity not enjoyed by any other community on either system.

In summary, when this project is completed, we will have competitive broadband services, primarily through private last-mile providers, to meet the needs of existing and future businesses, as well as the needs of education, training and social service providers.

We can look forward to again having access to the Columbia River, and to major broadband access that will allow us to compete in the information economy.

The views expressed above are those of Mr. Mobley, and not necessarily those of the QLife Network board of directors or other persons or entities associated with the fiber optic loop project.



MOBLEY

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'Q-Life' sides seek solutions

*Telecom network
draws debate at
local workshop*

■ By DAN SPATZ
of *The Chronicle*

Supporters and skeptics of a proposed publicly-owned telecommunications network in The Dalles debated broad policy concerns — and the fine points of telecommunications technology — in a workshop at city hall Thursday night.

The so-called "Quality Life" ("Q-Life") project would create a 17.5-mile, high-capacity fiberoptic loop in The Dalles, beginning and ending at the Big Eddy substation east of town. There it would connect with a regional system already constructed through the Bonneville Power Administration.

But there are myriad questions and concerns confronting the proposal, and Thursday's workshop was designed to bring together those who would benefit from the network, as well as those who question its practicality and fairness, in an attempt to resolve those issues.

Q-Life is proposed by an inter-governmental consortium comprising Northern Wasco County PUD, Wasco County and the City of The Dalles. Key supporters are Mid-Columbia Medical Center, Columbia Gorge Community College, local school districts as represented by Educational Service District 9, and Columbia River Bank.

Proponents say a public network is needed to provide affordable, high-capacity, high-volume telecommunications for economic development, education and improved healthcare.

The Q-Life plan has been recommended as the county's top development priority for the past three years by the Wasco County Economic Development Commission, taking precedence over other infrastructure.

Skeptics contend the proposal understates its costs and relies upon a handful of customers, in the process competing unfairly with existing providers.

There were some hints of possible common ground Thursday night, but the debate is certain to continue on several key issues:

Financial: Will the system be able to pay for itself?

The Dalles City Manager Nolan Young, who is also chairman of the Q-Life intergovernmental board, presented the latest version of Q-Life's business plan, which he said "is dynamic in nature — it evolves based on opportunity."

The first business plan, released last spring, showed operational losses for several years. That prompted a change in course, Young said, adding he would otherwise have recommended the city council withdraw from the project.

More recent plans call for a phased approach based on business needs: first to bring fiberoptics to Mid-Columbia Medical Center, then to Columbia Gorge.

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Gorge Community College. Third and fourth phases would build the other leg of a looped network, beginning from the same starting point — Big Eddy substation — but leading directly to the downtown core, then to Northern Wasco PUD.

Total cost for the first phase is projected at \$396,786, which includes a one-time "buy-in" fee to the regional consortium of \$168,000. Total cost of phase two is projected at \$155,400, and phases 3 and 4 a total of \$328,152.

Much of the funding, beyond that provided by potential beneficiaries, is from the federal government: Congress has already appropriated \$300,000 for Q-Life, and another \$200,000 is proposed in the coming session.

"Our operating philosophy is not to create a separate entity," Nolan added. "Our goal is to contract with others ... to provide accounting, financial management, line maintenance, and technical management of the system."

The current business plan shows a net balance after expenses in each operating year.

But the new business plan faces criticism.

"You have a plan here, but it isn't realistic," charged Douglas Hattenhauer, a local busi-

ness owner who challenged the PUD's ability to participate legally in the intergovernmental agreement.

Hattenhauer said the business plan failed to identify debt load for the system or other potential costs.

"This business plan doesn't cover much as a business plan," he added.

Young replied, identifying a line item for debt service in the business plan.

Fairness: Does the proposal compete unfairly with existing providers?

The phased approach relies upon key private and public entities — the hospital, the college and Columbia River Bank — to pay for system development, in conjunction with federal funding.

Young said this is an interim strategy: that those agreements would only remain in place long enough to pay initial debt load.

"We're confident we ... can provide services to the community based on this plan," Young said, emphasizing the primary goal is economic development.

But some existing carriers and service providers — among them Sprint and Gorge Networks — say that's unfair to private competitors. (Not all service providers agree, however: NetConnect owner John Amery, of The Dalles, supports the Q-Life project.)

"I've invested \$100,000 to become [a telephone provider]," said Glenn Phillips of GorgeNet. "Then a project comes along and says we'll go to this guy and this guy and this guy — in the business that's called cherrypicking," Phillips said.

"When government money, grant money, comes in, that's when we say 'I'm a taxpayer, and I want a level playing field.'"

Phillips charged that the business plan contradicts itself, first pledging "open access" to competitors, but then stating its intent to provide direct service to select customers.

At this point in the workshop, Ben Doty, president of the regional Oregon consortium ("NoaNet") which would provide broad connectivity to Q-Life, described with Phillips' permission the results of a meeting held that same day between Q-Life supporters and private competitors to resolve the "open access" issue. This centers upon an agreement to compensate private competitors financially.

Both sides said this agreement would, in theory, resolve the "open access" concern, although Phillips cautioned its success hinges upon the details. In response to Nolan Young's request, the parties

will attempt to have a written agreement in place by mid-January.

Technology: Is the concept itself in danger of becoming obsolete?

A fiberoptic line is a glass strand which carries encoded information via laser light, sending vast quantities of information at the speed of light.

"This is a very dynamic industry," said Mary Gumm of Sprint. "Technological changes occurring in existing infrastructure are exponential and mind-boggling." She suggested fiberoptics may become obsolete within the period of Q-Life's 10-year business plan.

Doty responded, saying this is true not of fiberoptics itself but rather of the electronic components which create, carry and interpret the digital information traveling through a fiberoptics line.

The Q-Life engineering plan calls for large basic capacity and relatively inexpensive components, designed to be replaced as technology changes, Doty said.

The debate wasn't resolved, though, as other speakers attempted to foresee technological developments that may or may not depend upon physical lines, as opposed to so-called "wireless" communications.

City council ponders telecom

'Q-Life' concept sees conflicting testimony

■ By NEITA CECIL
of The Chronicle

The Dalles city councilors want to get to the bottom of what has emerged as a puzzler

in the Q-life telecommunications loop project.

For awhile now, two potential customers of a proposed government-built 17.5-mile loop of fiber optic cable that would bring them high-capacity, high-speed data and Internet services, have said that private telecom companies cannot provide them the same level of service that Q-life would.

But those private providers disagree.

Mid-Columbia Medical Center and Columbia Gorge Community College would be the first two customers hooked up to the fiberoptic loop, which would hook into an already-existing fiber "backbone" at the Bonneville Power Administration's Big Eddy power substation.

At Monday's The Dalles City Council meeting, Councilor Dorothy Davison said, "We're getting two different stories" regarding the ability

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controversy

of the private sector to meet technology demands.

The city, along with Wasco County and Northern Wasco County PUD, are proposing to jointly build the loop. The Port of The Dalles withdrew from the consortium earlier this year.

Davison asked Mary Gumm, the public affairs manager for Sprint, which counts both MCMC and Region 9 ESD as current customers (the ESD shares its

telecom services with the college), about the quandary.

"Sprint keeps saying 'We can do this, we can do this' [and the hospital and college say] 'No they can't,'" Davison said.

Davison asked if it was a question of Sprint's services being too expensive, and Gumm said, "I don't know."

Gumm added, "I'm not sure what it is they need that we've

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Q-Life

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not offered to provide."

City Manager Nolan Young said he's understood the issues to be both of cost and services.

Gumm asked for the opportunity to speak at a future council meeting about the services Sprint provides in the community. For example, she noted Sprint has laid fiberoptic cable within 70 feet of

MCMC's connection point for telecom services, and is about to provide DSL services (a form of high-speed connection) to the port area.

Sprint was given time at the city council's upcoming quarterly goalsetting session, on Jan. 6, to describe its services.

Then, in an effort to get to the bottom of the issue, the council will ask all the pertinent personnel from the proposed Q-life customers — as well as their current private-sector telecom providers — to speak at the Jan. 13 city council meeting about the issue.

The council expects to make a decision at the Jan. 27 council meeting about whether to allow the city to continue participating in the Q-life network.

Young did agree that councilors heard "conflicting stories" at a Q-life meeting last week that had most of the parties in one room.

Councilor Mike Tenney called that meeting last week a "sales meeting for Q-life." He said he would support having a "head-to-head format" so "when we're done, the answers we're given are agreed upon by all parties."

Which are our true priorities?

Do we as taxpayers, ratepayers and citizens need to be in the fiber optics/internet business? This is exactly what Q-Life proposes to do. Q-Life is an intergovernmental agency (IGA) comprised of the City of The Dalles, Wasco County, and Northern Wasco County PUD.

Their plan is to develop a fiberoptic loop of approximately 17 miles. This IGA is using the logic that this is economic development for this community. Is it? Will it ever be? Is it even needed? These questions need to be asked.

The City of The Dalles and the PUD will be making these decisions in the very near future without seeking voter approval. In my opinion the voters (taxpayer/ratepayer, citizens) approval should be sought before the IGA continues its quest to be in the fiber optic business.

The private sector states they have the same services available to any business, governmental agency, school, or private citizen in The Dalles who want faster internet or fiberoptic services. Should we try to eliminate the private sector in favor of the public sector? The private sector is currently handling most if not all of the internet services in this community.

Q-Life business plan calls for installing a 17-mile loop in The Dalles. This loop is now being proposed to be in phases (the original plan showed enormous losses, \$800,000 after 10 years). Q-Life will be a middle mile broadband provider with certain conditions, when Q-Life sees it necessary, to provide direct services to customers using the guise of economic development. The business plan continues to be revised.

Those customers that Q-Life plans to serve appear to be receiving a subsidized rate in an attempt to get Q-Life up and running. If Q-Life cannot convince these customers to come on stream they have no

revenue. These same customers are now being served by the private sector.

Q-Life is stating they will provide certain customers a low-cost high-speed fiberoptic system. Q-Life claims the system will be reliable and redundant. Q-Life needs a "Sugar Daddy" as Mr. Mabrey has stated several times at various Q-Life meetings. Q-Life needs someone to come forward with \$668,000, which is a line of credit for the Noanet connection fee. This fee will be required by Noanet for the next three to five years as stated by Noanet on Dec. 5 at city hall.

Q-Life is wooing Mid-Columbia Medical Center to provide the line of credit. In turn Q-Life has promised or proposed to MCMC that they will hook up fiber to the hospital and all of its other affiliates (16) in The Dalles. This will require Q-Life to run more fiber (called spurs) besides the 17-mile loop. At the same time Q-Life has told the city and the PUD that they will find "someone to provide the \$668,000 line of credit NOANET connection fee without any financial risk to agency partners."

The current business plan states the above message to be required in phase one but it is obvious the Q-Life board is placing financial risk to the agency partners because they have made a commitment beyond phase 1 to MCMC.

MCMC will most likely require that if MCMC is going to put up \$668,000 that it goes to all of its sites. Q-Life has already made a commitment of \$5,300/month fee that they will charge MCMC if they put

up the money. You can draw your own conclusion.

MCMC has stated that no private provider can come even close to offer this type of pricing to provide the same services. Who could?

Q-Life has no experience in the fiber optic business. They have no plan to hire anyone with experience to manage this new business because if they do they could not show a plan that might make money. How do you operate a ship without a captain?

Without an experienced fiber optic manager this plan is headed for failure. If the city or county or PUD plan to operate with its existing staff then either they have too much time on their hands or they will be shirking their duties.

The plan does not guarantee that Q-Life will be or can be a low cost provider. The plan does not call for this amount of in-kind from the IGA partners. The plan is only a guess as to income and expenses. If any of the estimates are incorrect or a default would occur amongst the parties or a liability issue would arise that Q-Life cannot handle then we as owners of this system will be asked to bail them out.

"Can we afford this?" we must ask ourselves, when the county and the city cannot even keep their doors open 8-5 because of lack of money. How can they operate an IGA any better than how they are operating today?

The PUD is a party to this agreement and don't forget they have tried to provide low cost power rates by going out on the open market and lost over 14 million we are paying for in our rates today. Their experience rating is not good.

MCMC has other options they need to explore. MCMC could hook up directly with NOANET, they could hook up with Sprint fiber optic system, which goes by their front door already, or they can upgrade their system with their

current provider. The college, ESD, schools could also do the same. The problem is cost. The above parties appear not willing to pay the going rate for services they say they must have. This brings up the question: Do we as citizens of Wasco County want to provide services at subsidized rates so a few businesses and our schools and college have fiber optics?

If we truly want to do this we should require the city, county, and the PUD to allow us to vote on this issue because we should be able to decide if we want to take on this risk at the expense of the private sector.

At the very least, we should have the final say in this very large undertaking. The IGA so far has not wanted the voters to have the final say.

As a final note it was stated that telecommunication systems is the primary goal for economic development for this community. After reading the *Los Angeles Times* article about The Dalles, the primary goal needs to change by providing the social services this community needs.

Our community needs to take care of its own and support all the agencies that are being taxed to the limit of providing services such as food, clothing, schooling, medical care, dental care, etc. Just ask the Salvation Army, Community Action Program, the Unemployment Office, churches, etc about their current needs. Without employment, this community is in for hard times. That should be the number one priority — not fiber optics. Fiber optics will be here tomorrow or next week, or next month or next year but will the families of this community be here if they cannot pay their mortgages, feed their families and find work?

Doug Hattenhauer is a resident of The Dalles and respondent in a circuit court review of Q-Life.



Editorial OPINI

Don't discount public role

The debate over a proposed publicly-owned telecommunications system in The Dalles is assuming an idealistic bent, and that's not necessarily a wise development.

In this case, opponents of the "Quality Life" network argue public agencies shouldn't compete with private enterprise. They're right, of course, but only to a point — and that's the danger of confusing righteousness with sound public policy.

In practice, government has and will continue to compete with private enterprise in limited fashion. More than a century ago The Dalles civic leaders established a public water system, ultimately eliminating private suppliers that were unable to provide an efficient, affordable service.

Half a century ago, northern Wasco County residents faced the same situation with electricity: thus was born Northern Wasco County PUD, which eventually displaced an investor-owned utility.

Today, few people would advocate abandoning our public water and electrical systems in favor of private suppliers.

The fundamental question facing us today is whether our need for telecommunications has reached the same vital point.

Not just economic development, but existing businesses, healthcare and education all need reliable, affordable telecommunications. Columbia River Bank, for instance, conducts much of its technology-related services in Bend, even though the bank is headquartered in The Dalles. Why? Because, according to a bank spokesman, Bend has the requisite telecommunications capacity; The Dalles does not.

Similarly, Mid-Columbia Medical Center needs access to high-volume telecommunications. Columbia Gorge Community College needs to provide distance education.

If we enforce the sole standard that public agencies must never compete with private enterprise — in this case, existing telecommunications providers — then it's easy to tell Columbia River Bank, MCMC and the college to take a hike. After all, their needs can be met by existing providers, if these local users can afford to pay for fairly extensive technology upgrades.

But do we really want to enforce that standard?

Again, we've been down this road before, and we shouldn't ignore the lessons of history. Reliable water service was unaffordable for individual users but cost-effective when established through a city utility. Electricity also proved more affordable when offered by a public utility.

If it's true that telecommunications is to the 21st Century what water was to the 19th Century and electricity to the 20th Century, then we once again occupy one of those rare points where public investment may indeed need to compete with private enterprise.

That's not to say that Q-Life is the answer. Far from it. In our opinion, Q-Life proponents have not yet adequately demonstrated the system's ability to pay for necessary maintenance. On a broader scale, we wonder whether anyone has seriously questioned the ability of Q-Life's regional partner, NoaNet, to operate successfully in a state already overflowing with unused fiberoptic lines between major cities.

If NoaNet fails, what happens to Q-Life?

These and other hard-nosed operational questions demand continued attention. But let's set aside the idealistic high ground of public sector vs. private sector. The public's best interest is paramount here, and that need demands a continued public presence — whether through Q-Life or some other vehicle — in local telecommunications.

12/31/02

Smith lambasts 'Q-life'

Commissioner- elect skeptical of telecom idea

■ By NEITA CECIL
of The Chronicle

Clay Smith, an incoming Northern Wasco County PUD board member, shared his dim view of the proposed government-run Q-life telecommunications network with The Dalles City Council recently.

He said he was speaking as an interested citizen, since he does not take office until early January.

Smith will replace Dave Huntington, a supporter of Q-life on the PUD board, which has posted narrow, 3-2 votes in favor of continuing with the Q-life project.

Smith said he'd talked to several bankers about the business plan for the proposed 17.5-mile loop of fiberoptic cable that would begin and end at the Bonneville Power Administration's Big Eddy substation. Three local governments — the city, PUD and Wasco County — propose to build the loop.

Smith said several bankers told him the Q-life (short for Quality Life Network) business plan "doesn't look like it's anywhere near profitable at all ... I was really bothered by this."



Clay Smith

Smith said one banker told him if the fiberoptic service was "such a great idea ... where's the independent investment? Where are the venture capitalists?"

He figured people would be doing it already if it was a good business opportunity.

"The only thing I can surmise by this is it's not a good business opportunity or people don't think it is," Smith said.

A Sprint representative was at the same council meeting, and she said her company has laid fiberoptic lines in The Dalles.

City Manager Nolan Young responded in writing to Smith, at the council's request. He wrote Smith, "The only reason public agencies should become involved in an infrastructure project like this is if the private sector cannot provide the same infrastructure in either the same quality or affordability. We are being told by major economic partners in the community that this is the case and ... outside businesses looking for a place to locate are also telling us that this is the case."

Young added, "The reason venture capitalists are not investing in the project is because the only way it is profitable is with outside public grants." He said the project will include a range of 66 percent to 75 percent grant fund-

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Smith

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Young added, "The reason venture capitalists are not investing in the project is because the only way it is profitable is with outside public grants." He said the project will include a range of 66 percent to 75 percent grant funding, with the rest in 10-year loans.

Smith said he feared Q-life could be operating at a loss for several years. If it is operated at a loss, it would become another government function supported by tax dollars.

"What this is going to be is an additional tax on all the people," he predicted. He said residents who lived within the boundaries of the PUD district, the county and city would effectively be taxed

three times for Q-life, he said.

Young replied that several public endeavors, such as the library and animal control, end up effectively taxing some citizens twice because they are supported by both city and county taxes. People who live inside city limits pay city taxes in addition to county taxes.

"If the city wants to do this it should be on the city alone" to financially support it. He suggested taxing everyone with a phone number to pay for the operating cost of Q-life.

Young said of Q-life, "It is not our intent to operate if any property tax support is needed."

Smith said the advantage brought by the fiber optic loop — which would bring high-capacity, high-speed Internet and communications services to customers — would be "large," but only if it's done correctly.

He said private enterprise is

"a lot more effective than public enterprise" at such endeavors.

Commenting on the perceived efficiency differences between the public and private sector, Young said, "as a public we require much more regulations of our public enterprises, therefore what may be considered as inefficiency in reality are the public protections that we place on our public entities."

As for two initial potential customers of the loop at this time — Mid-Columbia Medical Center and Columbia Gorge Community College — Smith said the hospital would be able to pay for its share of a loop, but "the college isn't going to be able to pay for it. Get real. The college is underwater ... they're not going to pay for it, we're going to pay for it."

He referred to significant budget cuts the college is fac-

ing due to state revenue shortfalls.

Young said the college actually got its Internet connections through the Region 9 Education Service District (ESD) and the ESD's "current connections through Sprint are operating at maximum capacity, resulting in very slow responses. You are correct; they cannot afford to purchase at current market rates any additional capacity."

Q-life is negotiating to provide the ESD with "greatly increased bandwidth at the same price they are currently paying..."

Smith also asked Young for the names of businesses that Young earlier said chose not to locate in The Dalles because it lacked fiber optics.

Young said a company called Oregon Dental Services that employs 50 people considered locating in the gorge but ended up in LaGrande, which has a fiber optic loop. "When the quote for telecommunication services came in almost double of those for LaGrande, we lost out," Young said.

Editorial OPINI

Time to build

Foresight and initiative are the parents of achievement.

It was foresight that allowed Mid-Columbia Medical Center to become an institution of national acclaim; it was initiative that brought Columbia Gorge Community College a permanent, centralized campus. And it was a willingness to invest in the future — despite a poor economy — that allowed the Port of The Dalles to attract new employers following passage of its industrial park bond measure in March 1985.

In the coming year, we have the opportunity to build upon this record. Several initiatives are under way, and each deserves our attention:

1. Oregon's budget crisis: The statewide fiscal crisis results from Oregon's heavy reliance on personal income tax revenues, which makes the state acutely susceptible to economic downturns. The result has played havoc with state services, and 2003 promises even worse to come. In the short term, Oregonians can limit the damage by approving a temporary income tax increase in the Jan. 28 special election. But the long-term solution lies in broadening the state's tax structure to include a dedicated sales tax for public education, which takes the lion's share of the budget. It is paramount that Oregon's future become less dependent on the whims of the national economy.

2. Unification of Chenoweth and The Dalles school districts: Voters approved this measure in the November general election, but the details of precisely how it will occur must be ironed out under the guidance of a new school board to be elected this coming spring. There's a lot riding on the decisions that board will make, and voters need to study the candidates closely. Likewise, it's crucial that qualified, talented people be willing to step forward for consideration: it's never easy to serve on a school board, and that will certainly hold true here, given the task of unifying two districts beneath the cloud of diminishing funding.

3. Downtown Renaissance: Development of the Union Street underpass represents only the first phase of a long-range plan to reconnect The Dalles downtown with the Columbia River. Other aspects will include a pedestrian underpass, outdoor pavilion and cruise ship dock. Nearby, the city will also renovate its outmoded wastewater treatment plant. Should the city be undertaking such ventures in the midst of an economic downturn? In truth, there is no better time. We could reject all new investment in our infrastructure and wait for prosperity to return on its own, but experience suggests the futility of wishful thinking. Communities are responsible for their own well-being.

4. Quality of Life project: In keeping with the concept of community initiative, several local agencies propose to develop a high-capacity telecommunications network in The Dalles. Here, again, is an opportunity to boost the local economy by improving a basic service at an affordable cost for participants. But skeptics wonder whether "Q-Life" advocates have a sufficiently firm grasp of long-range costs, and also question whether the project would compete unfairly with private providers. They've called for a public referendum on the Q-Life project, and that's a perfectly good suggestion. Let's have such a vote in 2003: since the public good is ultimately at stake here, it only makes sense to give the public a say.

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Councilors weigh fate of 'Q-life'

Telecommunications proposal garners fans, foes in council session

■ By NEITA CECIL
of The Chronicle

Opposing viewpoints on the proposed Q-life fiberoptic network as either an economic savior or scourge were aired Monday in a marathon city council meeting.

The Dalles City Council, faced with a looming Feb. 10 decision on whether to proceed with phase one of the 17.5 mile telecommunications network, wanted to hear from all the key players first.

Crowding council chambers were attorneys for and against the network, private companies both large and small that would lose business to the publicly funded enterprise, and the potential public and private customers of the fiber network.

Q-life (short for Qualitylife Network) would be built by the city, Wasco County and possibly the Northern Wasco County PUD, which may withdraw, at least temporarily, due to litigation over its involvement.

Dr. Frank Toda, president of Columbia Gorge Community College, said the college is turning down opportunities because it lacks adequate bandwidth.

Fiber offers theoretically unlimited bandwidth, or capacity, to transmit data, and that translates to higher speed.

Toda said fiber solutions were not being

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offered by the private sector "in an economical way."

The college, which gets its data transmission through the Region 9 Education Service District, would be among the first entities hooked up to the fiber loop.

Erick Larson, head of information systems for Mid-Columbia Medical Center, said the hospital got a bid last month from Sprint that would provide a technology called ATM (autonomous transfer mode) at 16 hospital locations for a cost of \$35,000 per month.

The eye-popping figure had one city councilor asking Larson to repeat it.

The hospital is a key player in the proposed network, since it is proposing to front the \$668,000 loan, or line of credit, that is the required buy-in to the existing regional fiberoptic system.

Larson said the terms of that buy-in are still being negotiated.

While Larson cited Sprint's steep cost for a service that fell below the level of fiber, another Sprint customer, the Education Service District, spoke of poor customer relations from the telecom giant.

Dave Karlson is director of information technology for the ESD, and he described getting a shutoff notice from Sprint for being 10 days late paying a bill over the holidays, when the ESD is short-staffed. He also spoke of e-mailing two different people at Sprint headquarters three or four times each about an issue, and then just giving up because he got no response.

Sprint spokesman Tom Yates urged local Sprint customers to call him if they were having trouble, and said the company had a goal of excellent customer service.

Ron Somers, an attorney representing litigants who opposed Northern Wasco County PUD's participation in Q-life, said the city was buying into something without calculating its ongoing costs.

Somers likened it to parents buying a kid a pony, without also calculating feed and vet bills and a barn and pasture.

Glenn Phillips, owner of Gorge Networks, said Q-life

was "cherry-picking" the best customers from The Dalles, a move that would cost his company \$24,000 to \$36,000 a year, and one employee.

He was critical of a proposal to allow Internet Service Providers like himself to also participate in the Q-life loop. He compared it to getting "what's left over after the cake has been eaten."

He wants Q-life to only be a "middle mile" provider — as it was originally proposed — meaning it would only sell fiber access wholesale to retailers who would then resell to end users. He said that would make it a level playing field.

The Dalles City Manager Nolan Young said the Q-life consortium had to bring in some private customers — notably the hospital and Columbia River Bank — in order to make the project financially feasible. In that sense, they were partners, he said, not customers.

Mayor Robb Van Cleave asked Sprint to explain its objection to Q-life. Sprint spokeswoman Mary Gumm said, "When you throw in public funding it's impossible for us to compete with that type of price structure."

Van Cleave noted that, while the public funding for the project is drawing fire from the private sector, "I think we ought to get roses and candy because we convinced a U.S. Senator to give us \$500,000" for the project.

Sprint officials made an earlier presentation to the city council, showing Sprint had laid — or will lay — fiber nearly everywhere that the proposed Q-life loop would go.

Keith Mobley, attorney for Q-life, urged council to proceed with the network. He asked leaders "whether you would prefer to have decision made by yourselves or by somebody in Kansas City [Sprint headquarters]."

John Gerstenberger, general manager of the Hood River Electric Co-op, which is building its own fiber loop, said it expected to be profitable in five years.

Young asked how much sooner it would be profitable if the Hood River project was 66 percent grant funded — as Q-life would be. Gerstenberger said it would be profitable "much sooner."

Utility ends support for Q-life plan

Court appeal prompts board to drop role in telecommunications

■ By ELROY KING
of The Chronicle

1/29/03

Saying it legally had no choice, the North-ern Wasco PUD board voted Tuesday night to pull out of the proposed Q-life telecommunications network.

If constructed, the network would feature a 17.5-mile high-capacity telecommunications loop through The Dalles, something supporters contended is needed to better serve existing users and help attract new businesses. But opponents questioned the cost of such a network, and asked whether it would compete unfairly with existing, private carriers.

The decision followed an appeal of a recent circuit court ruling. While the ruling itself allows the PUD to legally participate in the network, the appeal could take a year to 18 months to resolve.

Jim Foster, attorney for the PUD, said the appeal was officially filed earlier in the day Tuesday and he advised the board not to expend any more funds on Q-life until the legality of PUD participation is resolved.

He also said if PUD withdrew from Q-life, it was probably unlikely that the suit, filed by Doug Hattenhauer, would continue as the plaintiff has already got what he wanted. He said the PUD should not spend any more

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Q-life

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money defending the suit, which has cost around \$40,000 so far.

New director Clay Smith made the motion to withdraw and director Howard Gonser second and the motion passed unanimously although director Milt Skov said he still thought it was a worthwhile project but agreed that the PUD needed to withdraw at least for now.

Gonser told Nolan Young, The Dalles City Manager and president of the Q-life board that that the withdrawal does not mean that "we won't want to help in the future."

Part of that help came later in the meeting when the board voted 4-1 to agree to a contract that will allow Q-life to use PUD poles for overhead facilities with the pole contract fee waived. That motion, made by Skov, was later amended to include the provision that any additional costs the PUD incurs in putting up these lines

be reimbursed.

Smith insisted there should be some sort of pole fee and was the only one to vote against the motion.

PUD Engineer Brian Winters told the PUD board that some of the poles along the 17.5 mile line will have to be replaced. Some are too short, some are not strong enough and some would have to be replaced anyhow. He estimated the total replacement cost at \$250,000 to \$300,000.

Young said he was concerned about the pole replacement costs and suggested a 50/50 split on the get ready costs.

The PUD board took action on only one of the three requests made of the PUD from Q-life, that being the pole contract agreement.

They did not address that any "PUD pole make ready costs be deferred and used as credit for services provided by Q-life, including local loop access (transportation) charges and any costs incurred by Q-life to extend its plant facilities to PUD facilities. Such credits must be used within five years of when they are obtained.

They briefly discussed, but took no action on a request that PUD provide a grant to Q-life of \$101,000 to make up for the loss of in kind services that would have been provided to help carry out the business plan.

This would allow PUD to get back in QLife at some point in the future and Skov called this request "blackmail." The said the use of the PUD poles should be sufficient help, but added that the PUD might be able to assist financially in economic development grants.

Early in the meeting, Mike Bertrand, the new board president named himself to the Qlife board, replacing Dave Huntington, who lost to Smith in the November election.

The board reverted to a method it has used in the past for electing board officers, by nominating candidates for each office.

That passed 3-2 with Skov and Barbara Nagle voting no. Other officers elected were Gonser, vice president; Nagle, secretary, and Smith, treasurer. The voted for Bertrand was unanimous.

Broadbanding, healthcare and the community

2/04/03

Many communities are interested in using information technology tools to help build new jobs, improve education, increase quality medical care and create more efficient local government. The question is: how? How does a community develop the capacity to prepare and execute a comprehensive, effective local technology plan? Mid-Columbia Medical Center believes the proposed Q-Life fiber-optic network is the most cost-effective and dependable solution for The Dalles.

Having a secure, state-of-the-art broadband service will greatly benefit the future of this community and bring The Dalles into the inevitable Digital Age.

Despite all of the positive implications of the telecommunications proposal, there are some misconceptions about the hospital's participation in and support of the project.

First, why is Mid-Columbia Medical Center involved? A secure, high-speed broadband infrastructure will radically alter the health system in numerous ways. Possibilities include long-distance video-conferencing for medical education, real-time consultation with urban specialists; transmission of radiology images or electronic patient records and access to multimedia curriculum and education materials on the Internet. Because we take our commitment to the community very seriously and want to continue to provide excellent healthcare services, we must consider the next horizon of medicine and medical care and take

steps towards a viable solution.

Second, why can't the hospital use DSL, cable or wireless technologies? Within the next few years, virtually all critical diagnostic testing, using radiology or imaging technology, such as X-ray, ultrasound, CAT- and MRI-scans will be converted to a digital format and radiology film will become obsolete. In order for physicians, specialists and radiologists to access and share critical images, we need to have

the ability to send massive amounts of data, instantaneously and securely, anywhere in the world. A secure, fiber-optic network, with unlimited bandwidth, is the only technology available today. Wireless is not secure and, with DSL and cable mediums, images must be compressed and decompressed during transmission, which can compromise the integrity of the data.

Third, why not use existing broadband capabilities instead of Q-Life? Sprint says they can give us fiber-optic technology right now - that it exists outside of our doorstep. But that is not entirely true. Sprint can offer us fiber optics but they can only give us the bandwidth of 6 megabits

per second (Mbps). Currently, the hospital operates within the range of 256 and 1.55 megabits, which is inadequate, in terms of moving massive amounts of data. On the other hand, Q-Life can provide us with virtually unlimited bandwidth. Sprint's charges for only 6 Mbps would cost the hospital 6.71 times the amount Q-Life would charge us for unlimited bandwidth.

Fourth, won't Q-Life eliminate the need for local-area Internet Service Providers (ISPs)? Gorge.net has been our service provider for years and we do not intend to change our business relationship. Yes, we would get access to the Internet via our fiber-optic network but we have no interest in being our own ISP.

Numerous small, rural cities are contemplating using private / public partnerships for creating municipal broadband. In a recent market study, evaluating federal regulatory issues, legal authority and community options, research suggested that public networks may present the only and best chance to:

- a) ensure open access, which means everyone gets access to the service
- b) ensure retail competition, innovation and reasonable service prices
- c) ensure the timely and ubiquitous deployment of true broadband services, particularly in communities and areas (like The Dalles) that lack the size and density to attract private capital investment

Fifth, why is MCMC

fronting the \$668,000 loan? The hospital is not fronting any money for the development of the fiber-optic network but we are stepping up, as a good citizen, to be a guarantor on the debt that NOA Net Oregon, a fiber-optic network across the state, will potentially undertake. Normally, it would be Q-Life (or a corporation) that would guarantee the debt but, by their nature as a public entity, Q-Life can not, by law, obligate themselves on this kind of debt.

As such, they asked for private business partners from the community to step forward and fulfill the responsibility. The hospital would only come into play if NOA Net, whose members include 20 rural electric cooperatives, were unable to repay the principle balance owing on the \$668,000 standby letter of credit. We have taken a minimal but necessary risk to allow this project to move forward.

Additionally, this enterprise is supported by the entire Oregon delegation — every senator, every congressman from the state of Oregon has supported this proposition.

In fact, we have secured over \$500,000 in government grants for this project.

Mid-Columbia Medical Center supports the opportunity to bring affordable, secure and dependable broadband telecommunications to The Dalles to improve our economy, our schools, our medical care and our community.

Duane Francis is the CEO of Mid-Columbia Medical Center in The Dalles.



219103

On Monday, The Dalles City Council will vote on whether to provide funding for the Q-Life telecommunication project. Sprint hopes that City officials will think long and hard about whether it is good public policy for the City to enter the data communications business and compete head-to-head with Sprint, Charter, AT&T, GorgeNet and the many local firms that represent the private sector and provide jobs and taxes to the community.

Despite rumors to the contrary, The Dalles is well-wired today. Sprint, for one, is definitely in the broadband, high-speed data business. We have been for more than a decade. In just the past few months, we have invested about \$800,000 to bring two new data services, DSL and ATM, to The Dalles and five other Gorge area communities. Together, these two products offer a download range of 512 kilobits per second (Kbps) to 155 megabits per second (Mbps). These services allow customers to download images rapidly from the internet, videoconference, and transmit everything from medical images to architectural drawings at virtually any speed the customer desires. Prices start at \$50 per month and are generally comparable with prices found in more competitive urban markets.

Since the early 1990s, Sprint has also been investing

in its local communities by deploying fiber optic cable and has consistently built capacity well ahead of demand. Because The Dalles is the processing hub of Sprint's telecommunications network in the Gorge, it was one of the first communities to be connected with fiber. Over the years, we have added fiber routes to connecting communities and will soon have a fiber ring in place that will connect all of the communities served by Sprint in the Columbia River Gorge.

Last year, we spent over \$9 million dollars in maintaining and expanding our services in the Gorge. In the event that a customer requires more capacity than Sprint currently offers, Sprint will gladly supply more bandwidth upon demand and can offer suggestions for various offerings that best meet customers' needs and budgets. Sprint can also help schools, libraries and health care providers apply for universal funding assistance. For 2002, The Dalles schools received \$110K, the ESD received an-



other \$48K, and the library \$1K, in assistance according to the USAC website. In effect, these entities received discounts of 60-76 percent on their telecom and internet purchases. Thus, these entities already have a source for subsidizing their communications needs.

Our concern with the proposed Q-Life project, which relies on taxpayer funds or PUD reserves collected from electric ratepayers, is that it is a duplication of what private companies such as Sprint, AT&T, Charter, and GorgeNet are already furnishing through investor-supplied capital. Moreover, as proposed, the Q-Life project is a private network for a few select customers, not a public network that will be accessible by all the taxpayers who will ultimately support it.

We know there are some large businesses and government entities in The Dalles that desire more bandwidth than they can afford, even at fully-regulated or highly-competitive urban prices. Like all good cost managers in these tough economic times, they are shopping around for the best buy they can get. Naturally, they find government-subsidized bandwidth an attractive alternative to paying the going market rate. But while Q-Life may be cost-effective for the few who will benefit, it has not and will not be cost-effective for the general public upon whose ongoing

support the project depends.

For instance, BPA has already expended \$50 million taxpayer dollars to build the fiber in Oregon that it is leasing to NoaNet; which in turn, will lease to Q-Life. That does not include the fiber that Q-Life will build and maintain at taxpayer expense. Council members may want to read an expose that appeared in The Oregonian on December 8, 2002 entitled, "Amid Telecom Ruins a Fortune is Buried." The article highlights the faulty business models that have been used to justify a fiber glut in Oregon that has led to lost jobs and stranded investment throughout the state.

Sprint is the first to agree that a modern data/telecommunications infrastructure is key to economic vitality. But is it government's role to provision the infrastructure via taxes and sell services? By definition, government is the exercise of authority.

As a local citizen put it recently in a letter to the editor, "No nation has ever taxed themselves into prosperity."

Rather, as the writer suggests, government's role should be to "create a favorable climate so private enterprise flourishes which creates jobs which creates cash flow and taxes."

Nancy Judy, who lives in White Salmon, is Sprint's State Executive for Oregon and Washington.

Editorial OPINI

What's best?

Debate over a proposed public telecommunications network in The Dalles involves two separate issues.

As city councilors and the county court consider their respective roles in the "Quality Life" project this coming week, they need to keep those two issues in perspective.

The first question is whether "Q-Life" will compete with existing private carriers - in particular, Sprint, which already maintains fiberoptic lines in The Dalles.

Most likely, yes, it would. Q-Life has access to public funding sources not available to Sprint.

"Unfair," cries Sprint. Yet by the same token, Sprint could, if it wished, draw upon billions of dollars in private capital not available to The Dalles. It chooses not to, for perfectly valid business reasons.

Is that "fair" to The Dalles? Not particularly.

So let's set the sandbox retorts aside for a moment to consider the second question, which is the driving factor behind Q-Life's development in the first place: The Dalles needs affordable, high-capacity telecommunications.

That need is no different from the drive to establish public electrical utilities a half-century ago, nor public roads and water a half-century before that.

The fundamental issue is what's best for the public. Elected officials are not chosen to serve the best interests of a private, multi-billion-dollar, out-of-state corporation, but rather the interests of people living and working right here.

The same issue is even now driving construction of a public-access fiberoptic network in Hood River County, where Hood River Electric Cooperative has taken the lead in a project very similar to Q-Life. The first leg of that network, from Parkdale to Odell, will be activated this month; the next leg, from Odell to the City of Hood River, will be activated by July. When it's completed it will give Hood River County a competitive edge in attracting new industry.

Sprint claims Hood River's project is different from The Dalles since it uses no public funds. True enough, but again, this begs the broader question: what's in the public's best interest?

That question is paramount because our local hospital needs affordable telecommunications in order to thrive - and people need that hospital thriving in our community. Our community college, our schools, and our local industries and commerce share the same need for affordable 21st century infrastructure. That's why they support Q-Life.

If the need were being met by private providers we would not now be witnessing this debate.

The public is the one and only interest group with which local elected officials need concern themselves. Those officials are chosen not by Sprint's shareholders but by local residents.

And if this city loses industry, if its hospital is imperiled, if its college cannot offer classes because we failed to offer modern infrastructure needed to support these services on an affordable basis, those same voters will rightly hold their elected representatives accountable.

LETTERS TO THE EDITOR

Vote yes for the future

To the editor:

On Monday, Feb. 10, The Dalles City Council will vote to continue or drop their association with the Q-Life fiber optic project. I believe the future of our community needs this delivery method for fiber optic service. It is my hope that the Council will vote yes to keep this project alive and find a way to keep moving forward. I read with interest and agree with the column written by MCMC's Duane Francis. Affordable broad band service is critical to our medical community and our expanding educational needs. Our elected leaders have studied the issue and now need to make a positive decision for our community. This is one of those issues where it is hard to stand up. Progress is often a tough vote. Just ask those who put together the NWPUD many years ago.

2/9/03

Rod Runyon
The Dalles

2-10-03 Telecom project wins slim margin in council vote

Columbia Medical Center, Northern Wasco County PUD and the Port of The Dalles pulled out earlier, also on split votes.

MCMC will be the first to be hooked into the system, which will begin and end at the Big Eddy power substation. That's where the loop will tap into a fiberoptic "backbone" owned by the federal Bonneville Power Administration.

BPA leases its fiber to an Oregon entity — a consortium of power utilities — which will in turn lease it to Q-life. MCMC's key role is to provide a \$668,000 line of credit — required by the utility consortium — for a short term.

MCMC's placement at the front of the line — it will go to Columbia Gorge Community College next — drew concern from councilors both for and against the Q-life network.

Councilor Jim Broehl, who joined Dorothy Davison and Chris Zukin in voting to proceed with Q-life, said he felt the work was being done "backwards." "I've always thought we need to build the loop from downtown to the port first."

"I will be disappointed if we don't finish it," Broehl said. "If it's not completed it's a waste."

Please see Q-LIFE, Page A9

'Q-life' would establish public access for city

■ By NETIA CECIL
of The Chronicle

Following recent trends on decisions about the Q-life Network, the proposed publicly funded telecom loop narrowly got the go-ahead Monday from The Dalles City Council.

The crucial vote allows work to proceed on the first two phases of the 17.5-mile fiberoptic loop, and design work to start on all four phases. The work is contingent on the receipt of \$200,000 in direct federal appropriation, plus a \$500,000 grant/loan. Both funding sources are seen as a sure thing.

The QualityLife Network started almost two years ago by four local governments pursuing job growth through a high-speed voice, video and data transmission network in The Dalles.

It has since narrowed to two governments: the city and Wasco County, with key private sector partners including Mid-

Q-life

Continued from Page A1

The Q-life network is building the project in phases to make it more affordable.

Councilor Mike Tenney, who voted with Mary Ann Davis against the proposal, said, "If the underlying premise is to foster economic development, why is the first phase dedicated to bettering the financial condition of one local business at the expense of several others?"

Several telecom providers, from national giant Sprint to small local Internet service providers, have opposed the idea of government stepping into the telecommunications realm. Sprint contends it already has — or shortly will have — a fiber loop in virtually the same location that the Q-life loop will go. Meanwhile, the owner of an area ISP contends he will lose the equivalent of one employee if the loop goes in and reduces his income from key customers,

such as MCMC.

Mary Gumm, public affairs manager for Sprint, said this morning, "We're disappointed that the city council has voted to duplicate the existing Sprint network at public expense. Sprint remains committed to our customers and the community and we intend to stay on track with our current fiber schedule."

Tenney said the business plan for Q-life has changed so many times "it now has no credibility One gets a definite sense of spin and deliberate muddying of the waters the longer discussions go on."

A controversy of late in Q-life discussions centered around whether the private sector could provide potential Q-life customers the bandwidth they needed.

Councilors learned it could, but at too steep a price, Q-life backers said.

Tenney sees Q-life as government undercutting private business, and providing the same service as the private sector "at a tremendously discounted price."

Tenney also cited other local

governments facing millions in debt because of undertaking fiber networks.

Davis, who joined Tenney voting against Q-life, said she didn't have a problem with Q-life itself, but with the city's involvement in it. She also raised concerns about the financial viability of the utility consortium that will lease the fiber to Q-life. She said it had a negative net income.

Mayor Robb Van Cleave — who didn't vote on the issue since he can only vote in a tiebreaker — gave an impassioned nod to the Q-life network.

He said the network carries risk, but success is "directly tied to risk tolerance." He cited other risks the city has taken that have paid off — including funding rehabilitation of the Commodore Apartments and helping make interest payments on the refurbishment of the what has become the Columbia River Bank building.

He agreed that only time will tell if the councilors are "going to be heroes or fools," but said, "I think and I hope the future says we're right, but

if we don't try, there'll be nothing to gauge."

He said it "isn't a vote for or against Sprint. This is not a Sprint issue."

While some have criticized government construction of fiber, he said each of the government entities that will hook into Q-life have said they will build their own fiber if Q-life doesn't proceed. "The public investment is still going to be there" it would just be sporadic, Van Cleave said.

In casting her vote, Dorothy Davison had her eye on the unprecedented direct federal appropriations for Q-life.

"If our U.S. senators think enough of this project to give us \$500,000, I don't see how we can say no."

A no vote "would most likely end additional appropriations," she said.

Q-Life, underpass get new federal funds ^{2/16/03}

■ By DAN SPATZ
of *The Chronicle*

When Congress approved the 2003 Omnibus Appropriations Act on Thursday night, it included funding for several key projects in the Columbia Gorge, according to Oregon Senators Gordon Smith and Ron Wyden.

The legislation awaits President Bush's signature.

"This bill funds a wide range of projects that are important to improving the quality of life in communities throughout Oregon," said Smith, referring specifically to housing and urban development projects in the legislation. "From water treatment to community centers, these funds will provide municipalities of all sizes the help they need to make their communi-

ties better places to live."

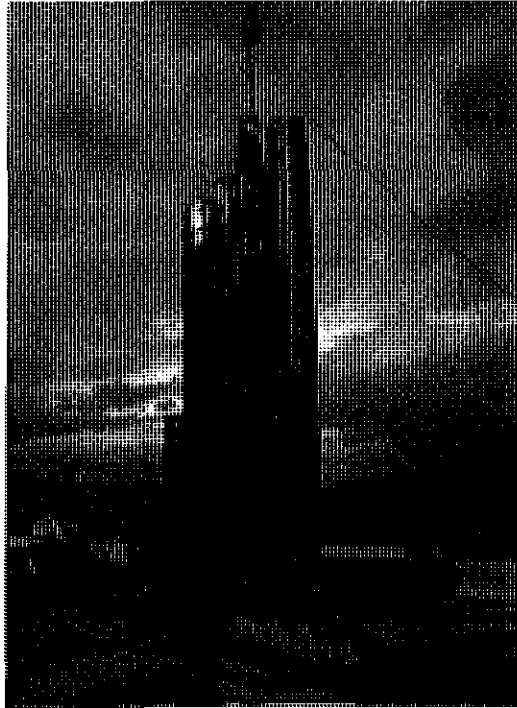
"From Oregon's farms to our city streets, these ... initiatives will develop important infrastructure to boost our state's economy," Wyden added, again in reference to community projects.

There are two of these in the Columbia Gorge, both located in The Dalles:

— \$270,000 for the Union Street construction project in The Dalles. This money will support the Union Street underpass, a portal linking downtown with the Columbia River currently being constructed.

— \$180,000 for continued development of the Quality Life telecommunications network in The Dalles. This 17.5-mile, high-capacity fiberoptic loop is a joint effort of the city and county, with assistance from

Please see FUNDING, Page A7



MASSIVE PILINGs are driven into the fill underneath the I-84 freeway in mid-November as part of the construction of an underpass re-linking downtown The Dalles to the Columbia River

Mark Gibson photo

Funding

Continued from Page A1

Northern Wasco County PUD.

In addition, the so-called "omnibus bill" also funds transportation and natural resource projects. Two of these are located in the Columbia Gorge:

— \$1.35 million for improvements to the Hood River

White Salmon Bridge, including toll plaza resurfacing.

— \$5 million for land acquisition in the Columbia River Gorge National Scenic Area. This is in conjunction with the "Lewis and Clark Landscapes Project," which is being spearheaded by the Friends of the Columbia Gorge, an environmental advocacy group.

"The goal of the Lewis & Clark Landscapes Project is to ensure the public purchase of

4,000 acres of land by the start of the 2005 Lewis and Clark bicentennial commemoration," the Friends report on their website.

The website also states that the Bush administration proposes \$10 million for Gorge land acquisition, "the largest land-acquisition request in the country."

Details on specific properties in question were unavailable Friday afternoon.

City may gain 'Q-life' leadership

Council directs investigation by staff of concept

■ By NEITA CECIL
of The Chronicle 5/6/03

The proposed "QualityLife" telecommunications effort may become a project of the City of The Dalles alone. At Monday night's meeting, city

council directed staff to investigate bringing the Q-life telecommunications network into the city fold.

It also approved seeking a grant/loan to help build the 16-mile fiberoptic loop, which will provide high-speed voice, data and video transmission capability to customers.

Currently, the Quality-life network is an independent, intergovernmental agency. It started with four government members but two — the Port of The Dalles and Northern Wasco County PUD — have

since dropped out.

Only the city and Wasco County remain.

A staff review of the pros and cons of making Q-life a city enterprise will come back to council for discussion.

At an April 30 city goalsetting session, Councilor Jim Broehl asked, "why are we doing it through an (intergovernmental agency) rather than doing it ourselves?"

He said having a separate entity meant a duplication of services — from budgets to legal counsel — and confusion

for the public.

He said legal decisions needed to be approved by the city attorney, county attorney and the Q-life attorney, for example, and budgets needed approval from all three entities.

Also, Broehl said, the public may not know where to go with questions about Q-life, since it is its own entity, yet it doesn't have a storefront location like the city and county do.

City Manager Nolan Young

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City

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said, "Yes, it would probably save time and be easier to handle administratively" if Q-life was a city project.

However, he said it started as a multi-government entity because "we chose to" and he encouraged keeping it that way because the city had a willing political partner, Wasco County, to help seek more money to finish the project.

An estimated \$757,000 is needed to finish the final two phases of the project, Young said, which will take the loop

into downtown and out to the port.

Local officials have sought a direct federal appropriation for that final amount.

The first two phases, set to start in June and be finished by August, will take the fiber to Mid-Columbia Medical Center and Columbia Gorge Community College.

Also on April 30, during a council meeting before the goalsetting session, the council approved seeking a \$512,000 grant/loan from the state to help pay for installing the four phases of the fiber loop.

By law, the Q-life intergovernmental agency could not seek the loan, so the city applied for it, although expectations are that loan repayments

will be made by revenues generated through the Q-life entity.

Wasco County and the city have agreed to equally share repayment costs of the loan, which, at this point, would be \$32,000 a year.

However, Young said he got notification from the state that the loan portion of the grant/loan might increase. He did not know to what amount.

Councilor Dorothy Davison was concerned that the county had the discretion to not pay their share of the loan in the future.

By law, current county commissioners cannot make financial pledges on behalf of future county commissioners.

Young said, "There is a little

risk that a rogue county court could come in and say, 'We don't care what other county courts said, we're going to do what we want and we're going to bail out on you.'"

County Judge Dan Ericksen said the county has already put its half of the first potential annual payment — \$16,000 — in its upcoming budget, and he said the county court was committed to installing the fiber loop.

Ericksen also stressed that the city and county payment was just a backup plan, and the intention was that Q-life would have the money to make the payments itself.

Councilor Mike Tenney, an opponent of Q-life, cited examples in three other cities where

government-installed fiber systems have put the governments in the red for millions of dollars.

Ashland is borrowing \$5 million to \$8 million a year for its system, Tacoma is \$40 million to \$60 million in the red, and Moses Lake/Ephrata has spent \$65.5 million to build just half its planned 40-mile fiber system, he said. Moses Lake spent \$6.2 million in operating expenses in 2002, Tenney said.

He said 4,000 customers there paid \$674,871 — or \$168 apiece — for services. "Do the math, that's where we're going," Tenney said.

Young said models such as those were what caused the Q-life entity to take a different

course.

Q-life is being built in phases, rather than all at once, and it is wholesaling the service, rather than retailing it. "They're going to doorsteps, we're doing a loop," Young said.

Q-life also signed on paying customers, and committed them to five-year contracts, before the system was authorized.

Young also said the Q-life business plan was independently reviewed, at the request of the bank that's signing a line of credit for the system. The reviewer's "primary conclusion is our business plan is reasonable," Young said.

Setbacks hit telecommunications work

By DAN SPATZ
of The Chronicle

6/16/03

Two recent setbacks will slow but not derail plans for a publicly-owned telecommunications network in The Dalles, following a "QualityLife" board meeting June 12.

The so-called "Q-Life" project would establish high-capacity, high-speed Internet ac-

cess in a loop beginning and ending at the Big Eddy Substation east of town, connecting various government agencies and some private businesses such as Mid-Columbia Medical Center.

The intergovernmental agency, which now comprises the City of The Dalles and Wasco County, learned this month that its request for a

\$512,000 grant and loan package from the Oregon Special Public Works Fund would be provided entirely as a loan — a development that will add about \$70,000 in interest costs to the project.

Terms will allow the Q-Life agency to defer payments if revenues after the first five years of operation are insufficient, according to The Dalles

City Manager Nolan Young, who also chairs the Q-Life board. Young explained that Q-Life had requested a \$250,000 grant and \$262,000 loan, but the state's lean financial picture prompted Oregon Economic and Community Development Department, which administers the special public

Please see Q-LIFE, Page A5

Q-Life

Continued from Page A1

works fund, to convert this entirely into a loan.

That loan has two components, Young added: \$262,000 payable over 10 years, and \$250,000 payable over 10 years beginning after the first five years of operation.

This second loan component would require \$70,000 in interest during those first five years, although Q-Life has the option of deferring its payments after five years if revenues fail to both cover operating expenses and allow a 10 percent contingency reserve.

"It worked out," said Q-Life's counsel, Keith Mobley. "It would have been nice to get

what we thought we were going to get."

This development in itself would not necessarily have delayed the project. Another issue had that effect, though, as Northern Wasco PUD directors last month requested letters from the Q-Life agency documenting that it had obtained easements from appropriate property owners prior to authorizing the attachment of Q-Life fiberoptic lines to PUD poles.

Q-Life is discussing that issue with the PUD board.

In the meantime, Q-Life directors voted at their June 12 meeting to proceed with some aspects of the project and defer others for a period of at least a few weeks:

The board approved its formal participation in Oregon Noa-Net, the regional consor-

tium that will connect The Dalles local telecommunications network with a regional network installed throughout Oregon and Washington, but made this approval contingent upon successful resolution of the PUD easement issue.

The board deferred its award of a contract for construction of the first two phases of the contract. The first of these would extend from the Big Eddy Substation six miles to Col. Wright Elementary, Mid-Columbia Medical Center and Columbia Gorge Community College. The second would stretch eight miles from Big Eddy through downtown The Dalles to Northern Wasco PUD.

Total cost of phases one and two is estimated at \$415,076.

The first phase was to have

been operational by this August and the second phase by September, although the easement issue will delay both phases.

(Two later phases, with a total estimated cost of \$348,360, would complete the Q-Life loop by extending to the Chenoweth School District.)

Meanwhile, Q-Life directors approved a contract for construction management — a contract which won't take effect unless the project itself moves forward. The project manager will be W&H Pacific of Portland.

The agency also approved a change in its engineering contract for a portion of Phase III construction between the Wasco County shops and Madison Street, not to exceed \$5,525.

Wyden inspects telecom project

■ By **DAN SPATZ**
of *The Chronicle*

Construction of the QualityLife telecommunications network reached a key milestone in The Dalles last week, as contractors installed fiberoptic line to Columbia Gorge Community College.

Sen. Ron Wyden, who has been instrumental in securing federal funding for the project, met city, chamber and college officials in The Dalles on Saturday morning to inspect the system and review other economic initiatives here.

Wyden said a community can't attract "major league" industries

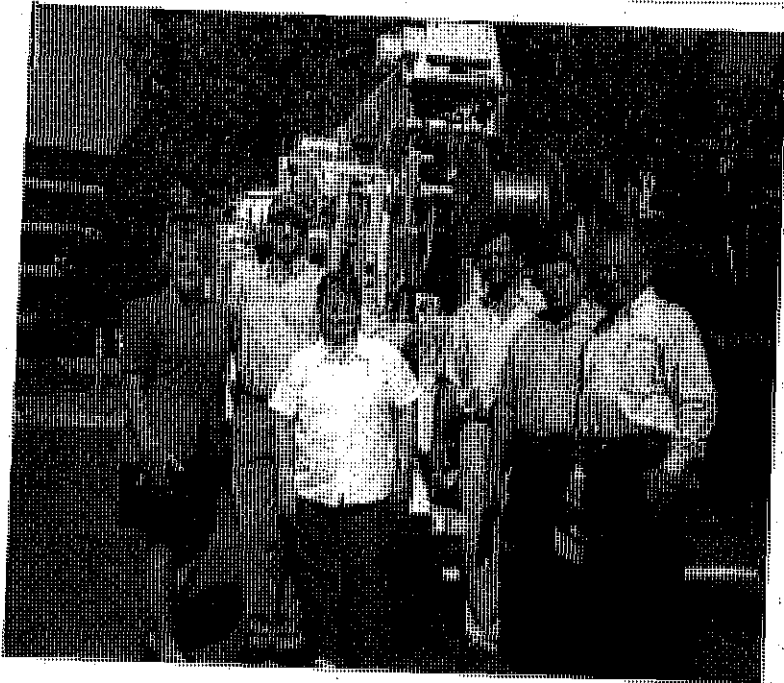
with a "minor league" telecommunications capacity. The "Q-Life" network, the first two phases of which are expected to be operational later this month, will provide high-speed, high-capacity telecommunications through a public system being developed jointly by Wasco County and the City of The Dalles.

Region 9 Education Service District, which is located on the college campus, and Mid-Columbia Medical Center will be among the first paying customers, although the network's long-range goal is to act as a "middle mile" provider linking existing telecommunications carriers

with individual users, according to Q-Life directors.

Construction phases one and two are bringing fiberoptic line from the Big Eddy substation east of town past the hospital and college to Col. Wright Elementary. The third and fourth phases, scheduled for completion Oct. 11, will route fiberoptic from the same source along a northern course, linking the county public works department, Wasco County Courthouse, city hall and Northern Wasco PUD.

Two later phases, which would create a closed loop and link Wahtonka High School, are proposed as funding is secured.



US SENATOR
Ron Wyden (second from left)
met local officials
at Columbia
Gorge
Community
College on
Saturday. With
Wyden, from left:
city councilors
Dorothy Davison
and Mary Ann
Davis, Mayor
Robb Van Cleave,
city manager
Nolan Young, and
Link Shadley,
representing
NoaNet Oregon.

Dan Spatz photo

9/8/03

Old legal phrase put to the

Landowner, PUD clash on access to local property

■ By RODGER NICHOLS
of *The Chronicle* 9/10/03

Recipe for a legal stew:

Take one 51-year-old power-line pole in need of replacement.

Add three neighboring lots owned by two different families, a pair of easements granted in 1935 and 1952, and phase 1 construction on the Q-life high-speed internet access project.

Stir in Northern Wasco

County PUD and two of its long-time critics, add a contested denial of a permit to construct an adult dementia facility.

Fold in two lawyers disputing the meaning of the word "adjacent," and add a dash of courtroom drama.

Mix well and watch it ferment.

Those are some of the active ingredients in a months-long controversy between local electrician and developer Wayne Lease and the Northern Wasco County PUD.

At issue is PUD access to a power pole in steep terrain south of Liberty Way (known to many local residents as "Thrill Hill") in The Dalles.

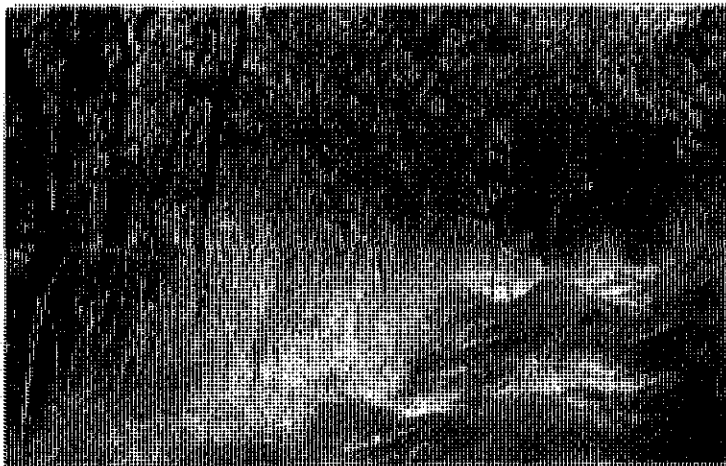
The pole, which was erected in 1952, is out of compliance

with current standards and has been scheduled for replacement by a taller pole, according to PUD Manager Dwight Langer. The replacement pole would also include attachment points for fiber-optic line as part of the Q-life project.

Under ordinary circumstances, the PUD would notify the property owner, exercise its right of access through a long-term easement, and replace the pole. But there's nothing ordinary about these circumstances.

The complication stretches back to 1935, when most of the lots in Grant's Addition, which includes much of Liberty Way, were owned by two families. The owners granted Pacific Power and Light Co. an

test in utility access case



QUIET LANE in The Dalles is center of dispute. Rodger Nichols photo

easement to construct and maintain a power line along Liberty Way. Later, in 1952, the lots involved in the current

dispute were owned by a single family and a second easement was granted to P.P. & L. for a north-south line climb-

ing through trees and scrub brush up the steep hill on the south side of Liberty Way through Lot 8 of Grant's addition.

The language of the easement agreement in both cases was identical, and the core of the dispute centers on the meaning of the word "adjacent" in the phrase "together with the right of ingress and egress over the adjacent lands of the Grantors for the purpose of construction and constructing, stringing new wires or, maintaining and removing said lines and appurtenances, and exercising other rights hereby granted."

Fast-forward to 2003. The lot on which the pole in question

Please see ACCESS, Page A12

Access

Continued from Page A1

stands, Lot 8, is now owned by Alex Hattenhauer, son of Doug Hattenhauer, a prominent PUD critic. The two immediately adjacent lots, 7 and 6, are now owned by another prominent PUD critic, Wayne Lease, along with his wife, Laurel, and son, Jared. P.P. & L has long vanished from The Dalles, but Northern Wasco County PUD has inherited its poles and its easements.

The pole is located on a steep slope. It would be more difficult, more expensive, more time-consuming and less safe for PUD crews to head directly up the slope along the PUD's easement. The PUD has asked to use a short access road that goes through two adjoining lots which would simplify the replacement process.

Now comes the critical ingredient: Lease has been trying, for two years, to place a dementia care facility on lots 6 and 7. The city planning department has insisted on a number of conditions before granting a building permit. Among them is a finding that a short gravel access road which begins in lot 6 at Liberty Way and travels uphill and eastward to a flat area on lot 7 is inadequate to serve as a driveway for Lease's proposed facility. He has questioned why, if the road is good enough for the PUD, it's not good enough for his proposed use? And by refusing access, he may be, at least in part, motivated by a desire to use the forum of the courts to buttress his argument.

Lease declined to be quoted for this article, but this viewpoint appears to be confirmed by the following excerpt from his letter dated June 24 and entered into exhibit in civil court: "I maintain the roadway is of significance and to test the theory of the City Officials, I am requesting that under no circumstances are the employees of NWCPUD to go upon the Liberty Way Property until this issue is resolved."

Lease's attorney, Jim Habberstad, said "He [Lease] feels he and Hattenhauer are singled out for their long-term gadfly relationship with the PUD board."

A key disagreement in the case is the definition of "adjacent." The 1952 easement only names specifically lots 8 and 7, the lot on which the pole sits and its immediate neighbor. It does not specifically mention lot 6, where the short access road leaves Liberty Way. But it also specifies "the right of ingress and egress over the adjacent lands of the Grantors," and at the time, the grantors owned all three lots and more beyond.

Tom Peachey, whose firm represents Northern Wasco PUD, picks up the story: "Mr. Lease corresponded with the district, telling it not to come upon his property. He also erected a chain across the roadway and he may have conversed with city police and/or the city attorney regarding trespass."

That brought the matter to a boil and into the courts. The PUD asked for a hearing and, according to Peachey, "[The judge] entered a temporary restraining order Aug. 1, restraining all property owners

of restricting access in case of emergency."

That was a first step for the PUD, clearing the way for crews to access the pole and line in case of a fire, break in service, downed line, or other emergency, but it did not address the issue of pole replacement.

That came on Sept. 2 on a hearing before Judge Bernie Smith to show cause why a preliminary injunction should not be issued. "Smith directed the property owner not to obstruct the PUD's access to the property for the maintenance of its poles and lines," Peachey said.

Case closed, right?

Not quite. Habberstad admits "That means they will probably go in there and change out the pole." And Dwight Langer said "We can work it into our schedule within the next 30 days."

But the legal issue won't be resolved, even if the pole is replaced. "An answer to the [PUD's] suit was filed Aug. 27,"

said Peachey, "and there will be a process of discovery. The final hearing, we expect, will be within six to nine months."

What this will mean in Lease's battle with the city over his proposed dementia center is unclear, but that's not the PUD's concern.

"Mr. Lease has had issues with a number of public agencies regarding the development of this property," said Peachey. "The PUD will not get involved in the middle of anything other than our job. The PUD has a lot of things on its plate. Remember, 'they' are us. This is a people's utility district."

Whatever the final outcome, the case will be the first test of the specific wording of this easement, which has been in use for at least 68 years. "There has not been a case in Oregon like this before," said Habberstad. "Mr. Peachey and I have turned over a fair amount of dirt in search of a kernel and not found any case dealing with this particular wording."

Q-Life' system to reimburse city for services

■ By KATHY GRAY
of The Chronicle

10/14/03

Under a new agreement, the city of The Dalles will be reimbursed for financial, clerical and administrative services provided to Q-Life, but the city will have to wait a while before it gets an administrative check.

Q-Life is a high-speed, publicly-owned telecommunications network being installed in The Dalles by a consortium of local organizations.

Monday was the third time since July that the reimbursement matter came before The Dalles City Council.

The first time it was sent back to staff until further questions could be answered on the Q-Life organization.

The second time, the council requested the addition of administrative service reimbursement to the agreement, where only financial and clerical services had been included.

The new agreement, amended by the Q-Life board, provides not only

payment for services provided beginning Nov. 1, but also provides for Q-Life to pay \$15,000 retroactively for administrative services provided prior to that date.

Costs for financial and clerical services are to be paid quarterly; however, reimbursement for administrative services won't be required until Nov. 1, 2005, and quarterly thereafter.

The idea of the delay is to give the

Please see CITY, Page A8

City

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agency two years to establish itself.

The question of whether to require reimbursement retroactively raised some debate among city councilors, with Chris Zukin opposing retroactive payment and Mary Ann Davis favoring it. Dan Ericksen, Wasco County judge and president of QLife, explained the rationale.

"I was one of the supporters for retroactively providing reimbursement to the city," Ericksen said.

"When we began, there were four organizations who went together to support each other. When it got down to two organizations, we anticipated being able to help each other out. But the way the project grew, it sort of fell on Nolan Young. He did a lot more than the city or the county ever anticipated."

For both agencies to carry the burden, Ericksen said he

feels the city needs to be reimbursed for its contributions.

"If QLife is profitable in two years, the city should get its money back retroactively," he concluded.

Councilors Jim Broehl and Michael Tenney went back to concerns about the intergovernmental agreement establishing QLife.

Broehl expressed concerns about provisions in the agreement for additional QLife projects and the agency growing beyond its current bounds.

"It's already starting to take on its own direction," Broehl said. "That's not what I thought QLife was for."

City Manager Nolan Young responded to Broehl's concern by noting that QLife rules require any additional work plans gain the approval of both The Dalles City Council and Wasco County Court.

Councilor Michael Tenney also questioned the nature of the county's participation in the QLife partnership, noting that the county has no contractual liability for the project.

"If we are liable and and the

city is the de facto owner for the purposes of receiving federal money, what is Wasco County's portion," Tenney said.

"Why is there an intergovernmental agreement when they have no liability?"

Young explained that the agreement is worded as strongly as state budget law allows and that the matter was discussed in city council when the original agreement was approved.

"The agreement was put as strongly as possible that the intent of Wasco County is to be a full and equal partner," Young said.

"It goes back to previous actions of the city council," he added. "That previous council said it is not the best of all

worlds ... but they accepted Wasco County's intent to share the liability."

"Ideally, the Port and the PUD would be partners in this," added Mayor Robb Van Cleave, concluding that the county should be applauded for its desire to continue participation.

Van Cleave then called the council back to the matter at hand, reimbursement for services.

Eventually, the council approved the agreement as presented. The agreement is expected to go before the Wasco County Court tomorrow, Wednesday, Oct. 15, for its final approval. According to Ericksen, the court has already indicated its support for the agreement.

Q-Life

Continued from Page A8

This is a proposed "first responder training center," which would incorporate a broadened definition of first response to include nursing instruction and other components.

A demonstration lab incorporating digital simulators for nursing instruction is part of this effort, according to Dr. Frank Toda, college president.

"In rural communities, you don't have a lot of people to practice on," Toda said. "This would be a simulation lab ... If we become this demonstration project over the next two years, that data needs to be analyzed and provided to data centers available to the world via wideband." (Wideband refers to high-capacity digital transmission of information.)

"We would not be able to do that without Q-Life," Toda added. "We are now plugged into the largest wideband [system] in the Northwest."

A third goal, of attracting new businesses, has not yet come to fruition.

THE TEST OF TIME

As Q-Life expands its network, one crucial question must still stand the test of time: will the system be able to

sustain itself financially while delivering reliable service?

Young's optimistic, anticipating Q-Life will be operating in the black by this coming February or March.

"We've already sent out our first bills, in early December," Young said. "By sometime in January we should have monthly revenues close to \$12,000, and will very quickly be in the black. Right now the project will finish this fiscal year in the black," with a projected reserve of \$20,000.

The fiscal year ends in June 2004.

The bottom line so far as taxpayers is concerned, suggested Ericksen, is the leverage Q-Life provides for marketing to potential new businesses, as well as saving money for direct telecommunications costs.

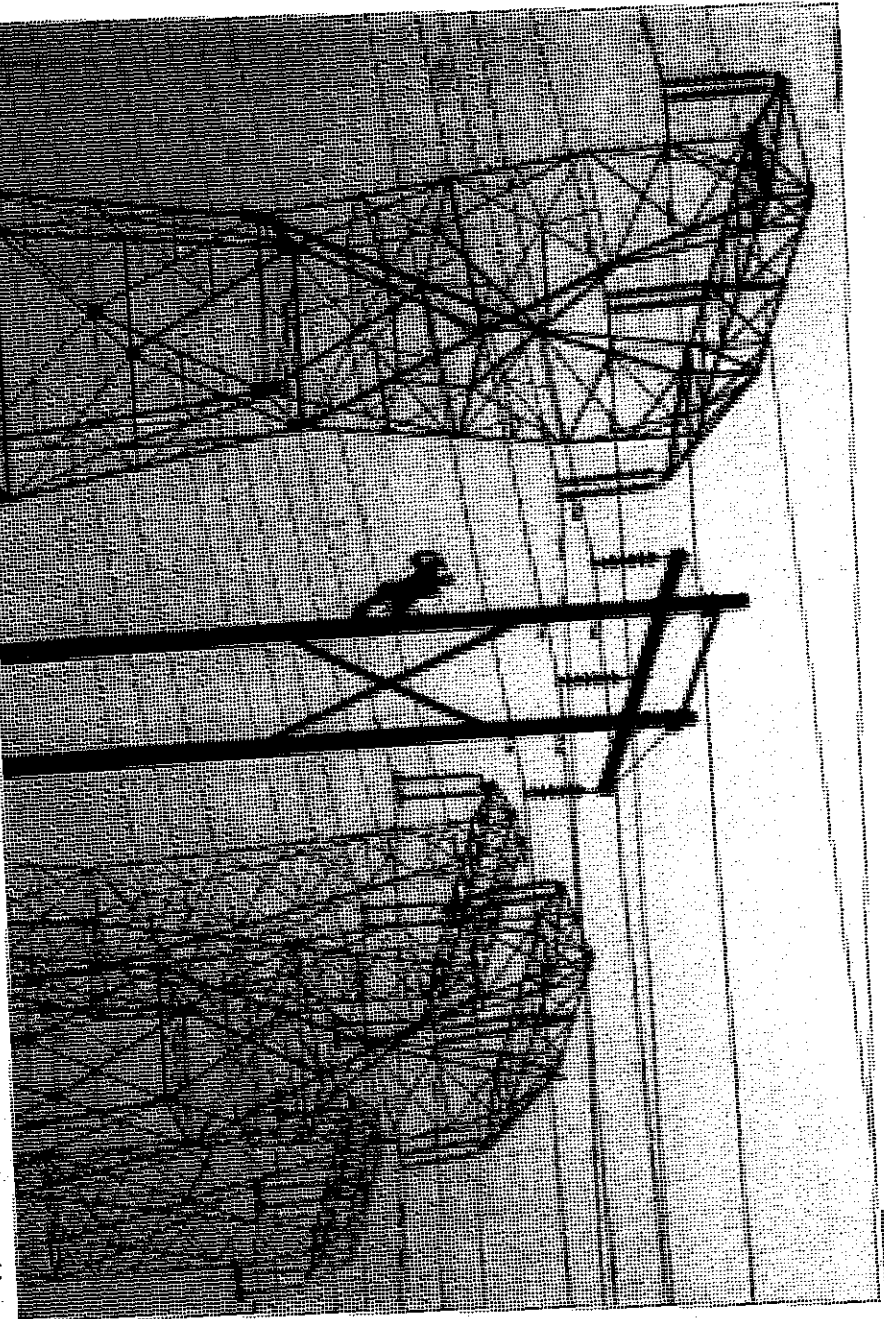
"It opens the door for more private wholesalers to be able to sell products," Ericksen said. "It's part of building the infrastructure of the community in order to attract new businesses."

But some benefits are more immediate, he added.

So far as Wasco County is concerned, Ericksen said the system will save between \$50,000 and \$60,000 in annual telecommunications costs.

"That's a better utilization of tax dollars," he said.

helicopter to thread fiberoptic wire onto power poles. See photo series on page A9.

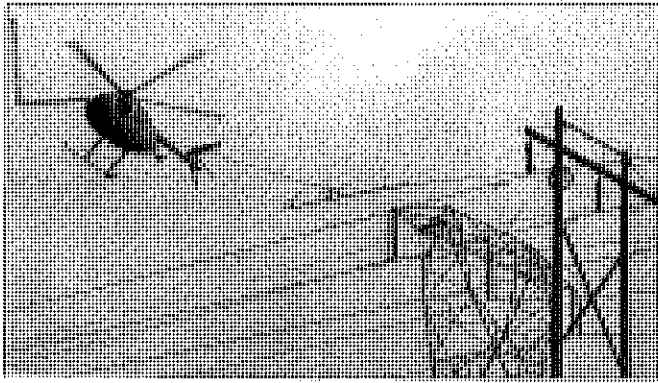
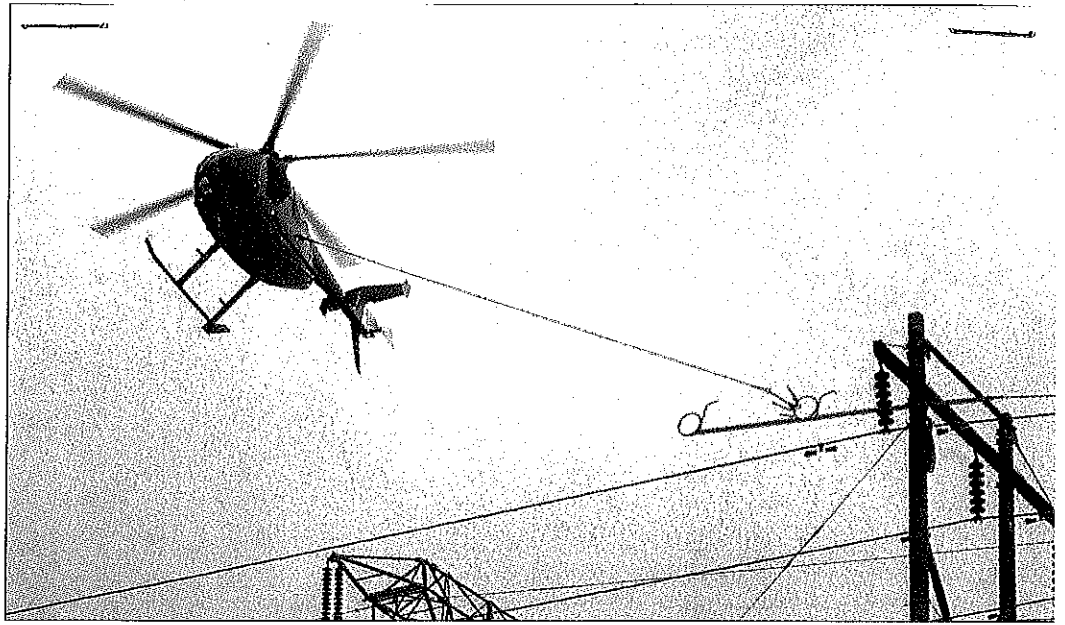


Mark Gibson photo



Photo Mark Gibson





The Q-life connection

12/21/03

Regional data pipe network nears activation stage

The Dalles is closing out the old year by writing a new page in the history books, as the "QualityLife" telecommunications system began initial operation in late November. Progress continued this week when a helicopter pilot literally threaded a key segment on Thursday, connecting the "local loop" to a regional network.

The "Q-Life" system is a consortium of public agencies and private organizations. By financing and operating a publicly-controlled "backbone" for delivering high-capacity telecommunications, the network establishes a public presence in what had been private domain.

The backbone is a loop of fiberoptic cable, which carries digital information at the speed of light. The information is encoded on rapid pulses of laser light, and the immense capacity is efficient for carrying large volumes of information: not residential service so much as data streams from large corporate users, school districts and government agencies.

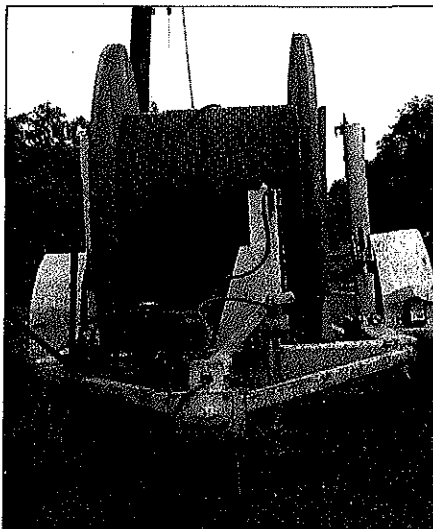
Both Charter Communications and Sprint operate high-capacity fiberoptic systems in The Dalles, and the debate that preceded the Q-Life installation — an issue still not fully resolved — turns on whether this publicly-funded project represents an unfair entry into the marketplace.

Sprint argued against Q-Life, contending it amounted to subsidized competition. (The bulk of the project's cost has come from Congressional appropriations, although the system is expected to maintain itself through private service contracts.)

Q-Life supporters argue the system provides affordable services that wouldn't have been otherwise available for at least several years, in the meantime encouraging the addition of services by exist-



ABOVE: A worker in a bucket boom checks the splice on a Q-Life fiber optic cable



LEFT: Cable winds upward to power pole attachments from a spool at the foot of Brewery Grade.

Mark Gibson photos

ing providers.

They also say the region needs "redundancy" — the ability to receive and transmit information over a network even when part of that network is disabled.

Ironically, just such an incident occurred shortly before Thanksgiving, when a severed Sprint cable west of Cascade Locks interrupted much of the digital traffic between The Dalles and Portland, including telephone calls, cellular phones and

even automated banking transactions. The Q-Life network, which runs on a different fiberoptic cable, continued to function. (Conversely, the redundancy argument also means a break in the Q-Life network could be covered by Sprint, since both major networks are unlikely to be broken at the same time.)

MAKING HISTORY

Q-Life represents a key point in local history. Only twice before has local govern-

ment entered the private utility market on such a scale: First in the early 1890s when the city established a municipal water system (which until then had been operated through private franchise), then again in 1939 when Northern Wasco County PUD was established to bring electricity to rural homeowners. Voters approved a bond measure in 1940 to purchase the existing PP&L electric system in The Dalles.

Both of those moves raised some of the same issues voiced in the Q-Life debate, centering on whether government should have a role in utilities — this time involving telecommunications, rather than water or electricity.

"We are creating another layer of service that is perhaps not necessary," suggests The Dalles City Councilor Mike Tenney, a Q-Life skeptic. "I am deadset against any endeavor that has extreme risk of loss for the city. I am tasked, along with several other people on the council, with [protecting] city assets."

But Wasco County Judge Dan Ericksen, current president of the Q-Life board, said the project builds on federal and state funding sources designed to improve rural telecommunications.

"The rationale was to provide more telecommunications capability in a competitive manner," says Ericksen. This would occur not as a direct provider, but as a supplier of the "backbone" infrastructure that wholesale providers would use to sell services.

"The reality is it's so expensive to do this, for a private company it's not financially feasible," Ericksen added. A public consortium, with access to federal and state funding, offered a better opportunity, he added.

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Telecom work to link

■ By KATHY GRAY
of The Chronicle

The Dalles City Council made way Monday night for \$200,000 in federal funding to complete the QualityLife fiberoptic loop in The Dalles.

The U.S. House of Representatives and Senate have approved a federal budget that includes \$200,000 for Q-Life.

The federal money, paired with \$50,000 from other sources, will com-

plete phases five and six of the loop, running from Cherry Heights and 10th Street west to Wahtonka High School.

Councilors needed to budget the federal money, and did so Monday through a supplementary procedure.

"It will connect three school facilities to an existing system that touches other school facilities in the community," said Nolan Young, The Dalles city manager.

Schools in the current Chenowith

School District are already linked to each other with fiber optics. This connection will link them to The Dalles School District, which along with Chenowith will comprise the new North Wasco County School District 21 starting July 1.

Young said he anticipates President George W. Bush will sign the budget sometime this month with the Q-Life funds intact.

However, it could be up to a year before the funds actually reach The

city's west side

Dalles, Young said. He proposed obtaining a construction bridge loan of \$200,000 from the Oregon Investment Board, the economic development funding resource for the Oregon side of the Columbia River Gorge National Scenic Area.

"So we can get the improvements done by the new school year, we're proposing to get the money from a construction loan," Young said.

Another \$45,000 of the remaining \$50,000 in project costs also would

2/10/04
come from the Investment Board, \$20,000 in grant form and another \$25,000 in a five-year system loan at 4 percent interest.

The remaining \$5,000 would be an in-kind donation of city staff time.

Before the council approved the budget, Councilor Mike Tenney asked whether income cycles had reached the projections released in January.

Young explained that two internet

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service providers were not yet established as subscribers, which reduced actual revenue by \$375 each per month.

"One hasn't been connected yet, and the other is raising questions," Young said.

Young said if the two providers come connect within the next month or two,

QLife could realize an ending fund balance of \$15,000 by June 30, 2004, the end of the fiscal year.

"There is also a third unanticipated internet service provider proposing to connect," noted Councilor Chris Zukin, "which would increase income."

The measure passed three to one, with councilors Mary Ann Davis, Dorothy Davison and Zukin voting in favor, and Tenney in opposition.

'Civic' soon joins telecom system

■ By KATHY GRAY
of *The Chronicle* 4/1/04

The Dalles City Council agreed to foot half the bill to link the Civic Auditorium to the Q-Life fiber optic loop — but stipulated that the money is only a loan to Q-Life.

The \$1,550 loan, along with a like donation from Wasco County for the other half of the cost, will “plug in” the

Civic just in time for the Gorge Tech Fest, May 14-15, an event sponsored by the local telecommunications consortium.

“Currently, there is no high-speed connection at the Civic,” noted City Manager Nolan Young, “and they wanted Q-Life’s help.”

The money would come from a city budget line item used to connect the city fi-

nance department and the video arraignment system to Q-Life, Young noted.

Councilors had a number of questions about the need for a Civic connection. Mike Tenney asked whether the Civic needs a broadband connection, using the hospital’s intensive data needs as a comparison.

Mary Ann Davis, who represents the city on the Q-Life

board, noted that the Civic’s telecommunication needs vary depending on the kinds of conferences and events they hold. The connection could be turned on and off by the building’s internet service provider as needed.

Jim Broehl questioned the appropriateness of the city’s role in funding this kind of

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activity. He said these kinds of issues reinforce his earlier concerns about Q-Life’s methods of operation and designation as an entity separate from the city.

But Young described the request as an “economic development” activity, deserving support.

“I think we should do it for the reasons stated,” said Mayor Robb Van Cleave, “but I agree with councilors Broehl and Tenney. We’re constantly arguing that this is a utility, therefore, I think in the future when this kind of issue comes up, if Q-Life doesn’t fund it, it doesn’t happen.”

Several councilors agreed.

The council unanimously voted to approve the immediate funding, but only as a loan to Q-Life.

The Dalles telecom network gets boost

■ By DAN SPATZ
of *The Chronicle*

"QualityLife," the high-speed telecommunications network installed by a consortium of local governments in The Dalles over the past two years, continues to see progress, with new funding from a state economic consortium.

The loop began operation in November 2003 and was extended into western The Dalles late in 2004, with connections to the former Chenoweth School District buildings that now form the western campus of School District 21. The system allows rapid transmission of large volumes of data via a fiberoptic network.

"The school district is completely connected — it's functioning and operating," reported Dan Izzo, finance director with the City of The Dalles and staff budget officer for the "Q-Life" network.

Izzo offered his report during a Q-Life board meeting Jan. 25 in The Dalles City Hall.

System-wide, the network serves three Internet service providers, the City of The Dalles, Wasco County, the regional jail, Columbia River Bank, Mid-Columbia Medical Center, Education Service District 9 and Columbia Gorge Community College via the ESD network. The consortium is now billing those customers a total of about \$12,000 a month, providing a source of operating capital for the system.

While the network is still fairly young, it's meeting or exceeding its financial goals thus far, according to Q-Life officials.

Izzo said the network concluded the 2004 fiscal year last July with an ending balance \$11,679 above projections, referring to the combined total

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for both capital and operations sides of the ledger.

The network will also benefit from a \$250,000 funding package approved this month by the Mt. Hood Economic Alliance, a consortium comprising Hood River, Clackamas and Wasco counties.

While \$50,000 came in the form of a loan, the majority — \$200,000 — is in grant funding to the network, said Bob Cole, resource development director of Columbia Gorge Community College and Wasco County's alternate representative to the alliance. (Wasco County's representatives on the alliance are Ken Bailey, the alliance's vice chairman; Commissioner Sherry Holliday, and Sal Sahme of Confederated Tribes of Warm Springs.)

Mt. Hood Alliance funds will enable the Q-Life network's extension into the port industrial area to serve potential new

clients.

Cole gave special credit to the alliance members, noting Hood River and Clackamas counties welcomed Wasco County into the alliance from its previous affiliation with the John Day Partnership — a move that occurred only last year.

Alliance funding, which originates from rural investment funds administered by Oregon Department of Economic and Community Development, is dedicated toward job creation, and the network extension into the port area is projected to support about 85 new jobs, Cole indicated.

In other business at the Jan. 25 Q-Life board meeting, members:

- Reelected their current officers to serve in 2005-06. These are Wasco County Judge Dan Ericksen, board president; The

Dalles City Councilor Chris Zukin, vice president; and former City Councilor MaryAnn Davis, secretary/treasurer.

- Directed a letter to installation contractor Evergreen Utility Contractor, Inc., to require retesting of connections in the fiberoptic loop.

- Approved an addendum to its participation agreement with NoaNet Oregon, the regional operating entity that provides connectivity between the local loop and a statewide network.

The addendum grants a 90-day financing extension to allow NoaNet to convert start-up loans it had received from local participants such as Q-Life into equity financing. That strategy follows a restructuring within NoaNet that vests greater operational control with participating utilities.

Port deal with Google

Internet firm
expects to buy
industrial parcel

By KATHY GRAY
of *The Chronicle*

Port of The Dalles commissioners today approved a potential major land sale expected to bring 50 to 100 new jobs and millions of dollars in new

investment to The Dalles.

Google, the California-based company that helps people find information on the Internet (identified in the agreement as Design LLC) agreed to pay a total of \$1.87 million for 30.19 acres of land that comprise the state-certified industrial site within the port's Chenoweth Creek Industrial Subdivision.

Also within the sale agreement as exhibits are separate purchase options on three additional tracts comprising the North Chenoweth area formerly occupied by Mountain Fir

Chip Mill, as well as right of first refusal for some other lands on which the port considers offers.

If initial development plans go forward, the project would create between 50 and 100 jobs over a matter of time, earning an estimated average of \$60,000 annually in wages and benefits — twice the county average income, according to terms in the agreements.

"We are pleased to be in this area," a Google spokesperson said. "We appreciate the efforts of everyone involved."

to create jobs ^{2/16/05}

Scott Hege, port executive director, offered the following statement: "We are happy to have them here."

City Manager Nolan Young spoke to the effect such jobs could have on the community.

"Any time you create jobs within the community — particularly well-paying jobs — there is a turnover of dollars," Young said. "It will have a definite impact on the community."

"I think it's going to help the economy," said Dan Ericksen, Wasco County Judge. "I think

it's going to help the attitude and the general feeling in the area that things are picking up and we're on the right track."

The sale fits within a broader framework of local economic development, Ericksen said, including the location of Home Depot and development at Columbia Gorge Community College.

"This is just one piece in a great big wheel," Ericksen said. "Other developers seem to be looking here and a number of builders are starting to look at building houses in the

area. It's a piece of the economic upturn and I think we're leading the state.

"For two years, being judge has been a pretty difficult job, trying to figure out how to keep from cutting services on a fixed amount of money. All of a sudden, being judge is getting exciting."

COMMUNITY PARTNERS

The land transaction culminates a community-wide recruitment effort that has

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included key roles not only for the port and the city, but for Wasco County, the college, chamber, Northern Wasco County PUD and Q-Life broadband fiberoptics provider.

The original lead for the business came through the Oregon Economic and Community Development Department, Young said.

"One, they knew we had a site," Young said. "Two, they knew we had [fiber-optics] close to the site. And, three, they knew we met the general demographics of the type of community [the company] wants to locate in. From that point, the community began identifying their needs and ways to address those needs.

"The biggest challenge had to do with power," Young said. Other issues were a matter of negotiating arrangements that were desirable to the company, but did not have negative impacts on the community, he added. "The benefits need to always outweigh the impacts."

U.S. Rep. Greg Walden (R-Ore.) played a key role in recruitment.

Walden said he had been able to aid the project, but that it was as much a matter of lucky timing as anything.

Walden was able to set up a conference call between himself, Google and Bonneville Power Administration chief Stephen Wright, which Walden said greatly facilitated negotiations.

Young says he has confidence in the organization.

"Our dealings with them have only increased my confidence that they will be a good community partner," he said. "Should we be successful in reaching a final deal, I think the community will be pleased with what they bring into the community."

In evaluating any company, a well-known company, honesty and the money to do what they plan to do are key considerations, added Erickson.

"For any company coming in, those are three things that really weigh heavily," he said, "and this company ranks pretty high on all three of those. If this company does come, I believe they will be a good community partner and continue to do things for the community."

The facility will contain the technology infrastructure used by Google, a company that specializes in helping Internet users find information on the World Wide Web.

Building and associated costs are estimated at \$5 million to \$20 million over time, with investment in equipment expected to be significantly

higher.

A Google spokesperson declined to provide additional project details, citing concerns over industry confidentiality.

The spokesperson said Google does not yet have a specific project completion date, but said the company hopes to start construction soon.

Addressing the confidentiality issue, Young said, "The state of Oregon has very well-developed public record and public meeting laws. In that framework, they have recognized the needs of private industries, because of competitive advantage and competition, that negotiations for locations in communities to be kept in a confidential setting."

Competition is also an issue for the communities themselves, he noted, because aggressive competition occurs in trying to recruit new employers.

Young said he was not aware of any negative impacts on the environment from the planned development. However, the company will be a heavy user of power, water and wastewater services.

"There will be some increase in water consumption and output of water that has to be treated, but I would not classify this as a heavy polluter," Young said.

To further explain, Young said the water output will not require pretreatment. In contrast, Kerr McGee is one example of a plant required to pretreat its effluent.

The city has adequate capacity in both its water and wastewater facilities to meet the needs of the company, Young added. However, to provide for the company's water needs will most likely require the city to expand its water main and make improvements to the pumping station that serves the port.

"It's in the master plan to expand that," Young said, "but this would just kick it up about two or three years."

Enterprise Zone

Young noted that an application for a tax exemption under

city and county enterprise zone incentives is pending for a property on Geiger Way in the Port Industrial Park.

"We're working on currently looking at the maximum property tax exemption of 15 years," he said.

Maximum enterprise zone credits are rarely used. The only one currently in effect is for Roseburg Forest Products in Douglas County, according to Arthur Fish of the Oregon Economic and Community Development Department.

Most enterprise exemptions are from three to five years.

Long-term Rural Enterprise Zone tax credits are available in limited circumstances to businesses locating within one of 40 "nonurban" enterprise zones. These zones are for counties with longstanding annual unemployment rates high enough or per capita incomes low enough to meet specific criteria, according to a state fact sheet on these zones.

To qualify for the credits:

- a company's investment costs must be greater than 0.5 or 1 percent of the county's total assessed value by the end of the year when operations begin. The floor amount varies from \$1 million to \$25 million depending on location. Wasco County's 2004-05 assessed value was more than \$1.3 billion, making the required investment at least \$6.5 million.

- certain minimum job levels must be maintained during the tax abatement period.

- average annual compensation across all workers at the facility must stay at or above 150 percent of the county average annual wage, as first met and established within five years of starting operations.

The business and the enterprise zone's local government sponsors (City of The Dalles and Wasco County) enter into a written agreement, which de-

termines the exemption period and may specify other requirements to be met by the firm.

Also available from the state under this special incentive program is a credit equal to 62.5 percent of gross payroll to be used against state corporate exise/income tax liability relating to the facility over and above an annual minimum payment of state taxes.

To grant this credit, the governor must issue a one-time approval and set the length of time the business will receive the credit.

The governor's incentive, if granted, also includes a 30 percent rebate to local taxing districts of corporate taxes collected by the state from the business.

If the governor declines to approve this credit, it will not affect other credits available through local governments.

In addition to property tax abatement, those other credits include: a 50 percent reduction of all city permit fees, expedited permit processing and aid with local, state and federal permits, help with grant and loan applications.

While the city and county will not receive property taxes on any plant constructed or its equipment during the abatement period, it will receive taxes on the land itself.

At present, that property is not taxed because it is owned by an exempt government entity, the Port of The Dalles.

Other resulting revenues

However, city government will realize some financial benefits should the business go forward. Increases in water revenues from the business, for example, are expected to pay for any capital improvements needed — and more.

"On the volume of water we're talking about, the revenue is greater than the cost of

the expansion project," Young said.

The city will also receive revenues from the 3 percent franchise fee charged on sale of electricity within the city limits.

Technology provisions

The Q-Life fiberoptic network also plans to extend its services into the port area.

"Q-Life is not in the industrial area yet," Young said. The intergovernmental agency's plans include extension of lines into that area only if a business requires them.

Q-Life expects to proceed with construction of an extension project as soon as engineering is complete and Northern Wasco County PUD "make ready" is complete — estimated some time this month, and anticipates the jobs will be created by December of this year.

Typically, a large Q-Life customer must sign preconstruction documents agreeing to pay fees identified in the agreement and lease fiber for a period of five years. Mid-Columbia Medical Center, then-The Dalles School District, Columbia River Bank, the city and the county all signed customer agreements, Young noted.

A new agreement of this type was approved Jan. 4 to provide a redundant loop from existing Q-Life fiber.

In addition to the new loop, the agreement also provides for a new redundant route from the Q-Life/NoaNet-Oregon vault at the Big Eddy Substation into the NoaNet-Net Washington hut at the same location. Cost of engineering and construction of the work will be paid by the customer.

Tom Peterson, Rodger Nichols and Dan Spatz of The Chronicle also contributed to this story.

Partnership team key to Google deal

2/17/05

Local officials describe process of recruitment

■ By KATHY GRAY
of The Chronicle

Recruitment of Google to The Dalles is expected to bring some 50 to 100 jobs in its earliest first phase, and the eventual possibility of hundreds more, according to terms of land documents approved Wednesday by the Port of The Dalles.

Local, state and federal officials reacted to the news today.

Dr. Frank Toda, president of Columbia Gorge Community College, served on the community partners team that helped recruit Google to the area.

"It's been well over six months that we've been keeping this under wraps, so I'm just thrilled that the official announcement is now out and we no longer have to be very, very, very quiet about what's going on," Toda said this morning.

Toda noted that — working with port officials — Mayor Robb Van Cleave, Judge Dan Ericksen and Chamber Director Susan Huntington were part of the recruitment team which



Walden

Proposed sale still awaits key conditions

■ By KATHY GRAY
of The Chronicle

The four agreements signed Wednesday between the port and Google include the purchase of Google's land in the community and the transfer of the proposed land use, including a variety of conditions that must be met before the transaction can move into the final sales phase.

In consideration for the contract of sale, Google will be required to pay down a \$100,000 deposit on interest received and partial payments on the \$1.87 million purchase price within 10 days of the agreement's effective date, with the full purchase price payable at closing.

A variety of conditions apply to the sale, including:

- approval of business and the transfer;
- acquisition of a title policy and to cover the property and
- the availability of a credit

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also lobbies for the community in Washington, D.C.

"It took a lot of support from our congressional team," Toda said, "in terms of Sen. Wyden, Sen. Smith and Congressman Walden, particularly Congress-

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man Walden, who brokered a lot of the conversations that happened to put in place the many pieces that had to be put in place to make this all come together."

"This is fantastic news," said Walden, "not only for The Dalles, but for the whole of the gorge. Attracting a company of the quality and size and innovation of Google is an extraordinary accomplishment. I spoke to my contact at Google last night and he couldn't have

been higher in his praise for the local economic development team that he worked with. He thought it was one of the best teams he has encountered. Every issue that came up, they were able to work through and resolve."

Walden called the announcement a ray of hope for the community.

"It's a significant investment in infrastructure, both in terms of the dirt turned and buildings built, but also regarding the intellectual additions to the community, the additional training, and the very talented people, most of whom will come out of The Dalles."

Walden added that the "idled

workforce" in The Dalles was an attractant to the community, with its potential to provide good, quality employees with a lot of the basic skills the company is looking for.

Walden has helped broker arrangements between Google and Bonneville Power Administration to provide power. No announcement has yet resulted from that process.

Asked how the president's budget plans regarding BPA might affect the bargain, Walden said, "I'm speculating, but I think any contracts agreed to will remain in place irrespective of the federal law — which, by the way, we do not intend to allow to occur."

Walden and the rest of the Pacific Northwest delegation are united in their opposition to President Bush's budget plans to privatize Bonneville.

"We're putting our political muscle into killing this really awful proposal," he said.

The State of Oregon also played a key role in recruitment of Google.

The Oregon Economic and Community Development Department provided the initial contact and helped shepherd the deal along, with support from Gov. Ted Kulongoski.

"The governor is pleased that Google is looking at Oregon and pleased about what this reflects on his vision for

economic development regarding both industrial sites and the certification process making those readily available and project-ready," said Anna Richter Taylor from the governor's communications office.

Taylor, on behalf of the governor, also praised the multi-level partnership that resulted in the recruitment of Google and other businesses that will provide living-wage jobs and help grow Oregon's economy.

"It's about partnerships at every level, as well as these industrial sites and project-ready lands," Richter Taylor said.

Confidentiality agreements prevent the governor's representatives from further com-

menting on any specific negotiations between Google and the state, she added.

If Google's plans go forward, it will usher in a new era in The Dalles' economic development efforts.

"This will fill up that original port area," noted Judge Ericksen, which means the port will likely be looking for more developable land to recruit additional businesses.

"This is a great opportunity for the community, adding one more business to the port, and it exemplifies what a good job the port has done in developing, as was the idea back in the mid-1980s when we passed the bond," Ericksen said.

Editorial **OPINION**

Time for the state to step up

Luck is what happens when preparation meets opportunity.

— Coach Darrel Royal

Yesterday's approval of a sales contract between the Port of The Dalles and Google, the California-based Internet giant that helps people find information on the World Wide Web, represents yet another vindication of a coordinated local campaign to attract outside industry.

That effort is called the "community outreach team," and it represents not only the port but the PUD, chamber, city, county and — let's take particular note — Columbia Gorge Community College.

Representatives from each of these organizations conduct regular visits to Washington, D.C., to lobby on behalf of The Dalles and Wasco County. Those efforts have paid off before, through federal support for such local initiatives as the Union Street portal and the Q-Life fiberoptic network.

Indeed, the public fiber network that now crosses The Dalles — and which gained crucial early support from Sen. Ron Wyden's office — played an integral role in helping attract Google's interest, together with the community's quality of life, tax incentives, power rates and the presence of a technologically-savvy, innovative community college.

After all, Google is going to need help training its new employees, many or most of whom it hopes to hire locally, and the college is well-positioned to assist.

But, as with any large project, local officials can't do it alone. The State of Oregon has already assisted this project through its initial referral of Google to The Dalles, and through the ongoing support of key state officials.

But there's another way the state can assist ... and it comes back to Columbia Gorge Community College.

This college, established in 1976, is the only community college in Oregon to have never received state funding for capital construction.

Nada. Zippo.

Local taxpayers and a varied assortment of granting sources other than the state legislature have footed the bill, most recently this past fall when local voters approved an \$18.5 million bond measure to help pay for necessary renovation on The Dalles campus, and expansion both here and in Hood River.

Now, the same community outreach team that helped attract Google to The Dalles is working to secure state funding to partially match that local contribution — adding more than \$10 million as a multiplier effect on local taxpayers' contribution.

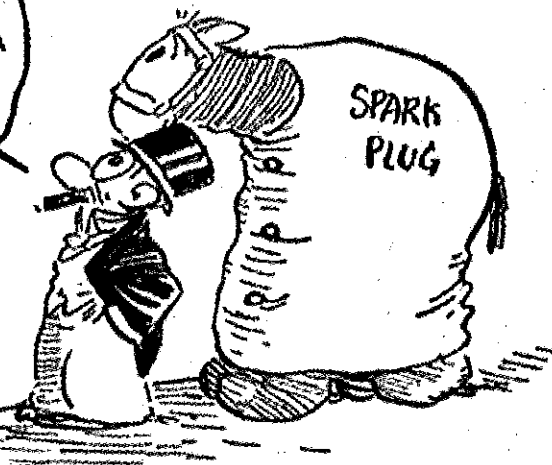
That's money the college needs to help serve the educational and training needs of Columbia River Gorge residents — and thus, in turn, help fuel Oregon's economic recovery through such private initiatives as Google's move into The Dalles.

Local residents have done their part, and now it's up to state lawmakers.

They talk a lot about the need to invest in Oregon's future. Now it's time to back up those words with a \$10 million line item for Columbia Gorge Community College in the next state budget.

Google™

GEE, SPARK-PLUG
I GUESS IT'S NOT A
ONE-HOSS TOWN
ANY MORE.



By Rodger Nichols
In memory of Billy DeBeck's "Barney Google"

2/17/05

Q-Life decision was a smart move

Rural communities across Oregon and the nation have historically been at a disadvantage when it comes to technology infrastructure. It is often called the digital divide; it has always been a major impediment to economic development in rural areas of our state.

A few days ago the public learned of a major economic development win for The Dalles — indeed for all of Oregon — when Google announced its decision to locate here. The news may have seemed heaven sent, but that kind of major investment doesn't just fall from the sky; it is the result of years of hard work, a bold vision and perseverance in the face of long odds.

Several years ago, a group of farsighted community leaders in The Dalles came together around a powerful idea: that they could create an economic revival in the city and get the community back on track. They put together an all-star community team with leaders such as Robb Van Cleave, Susan Huntington, John Mabrey, Scott Hege, Nolan Young, Dan Ericksen, Keith Mobley, Duane Francis, Dave Karlson, Ken Farnier, Scott McKay, Frank Toda and many, many others.

One of the needs quickly identified as a priority was the development of high-speed broadband access. The lack of that infrastructure left The Dalles struggling; businesses didn't come, and some even expanded elsewhere because of a lack of technology infrastructure. But instead of throwing their hands in the air, folks in The Dalles created partnerships, developed an action plan for creating this infrastructure, and pursued it with unbelievable energy.

That infrastructure is now known as Q-Life — a fiber optic loop that provides The Dalles with high-speed access to the information superhighway. These leaders understood that establishing that fiber optic loop was the single most important thing they could do for the city's long-term economic future. It is no exaggeration to say that without the fiber optic infrastructure, Google's move to The Dalles just wouldn't be

possible.

To many people "infrastructure" has traditionally meant transportation, water and sewer issues, "potholes and pipes." Yet as we move into the 21st century, more and more rural communities are in danger of being left behind unless we broaden that definition to include growing telecommunications needs.

Just as the Oregon Trail connected Oregon to the rest of the country, the New Oregon Trail — Oregon's place on the information superhighway — will link communities throughout Oregon, such as The Dalles, with the rest of the world.

By the late 1990s I had often spoken of this New Oregon Trail, and because folks in The Dalles truly recognize the value of collaborative efforts and shared my commitment to a New Oregon Trail, they came to me with an idea for a partnership with the federal government. Because they presented a concrete plan backed with broad-based community support, with the assistance of U.S. Senator Gordon Smith I was able to secure \$680,000 in federal appropriations for the fiber optic loop from 2001 through 2004.

It is very clear to me that it was worth every dime, especially following the recent

news of Google's decision to locate in the area. It is also clear that when we make wise, targeted infrastructure investments, as we did with the Q-Life fiber optic network, we can produce excellent economic development opportunities for communities throughout Oregon.

It is truly a pleasure for me and my colleagues, Senator Smith, U.S. Representative Greg Walden and Governor Ted Kulongoski, to go to bat for a community that brings so much creativity, energy, and uncommon team spirit to its efforts. The vision, cooperation and partnership among the City, the County, the State, the Port, the Chamber, the Federal government and a host of other local community leaders is what led to the good news we had last week.

I know that Google will make an excellent addition to the community, and I congratulate its leaders on their selection of a truly outstanding community in which to locate. I also know, as one who has worked closely with the community, that folks in The Dalles will be excellent neighbors and — more importantly — partners to Google.

*Special to The Chronicle
from Sen. Wyden.*

2/20/08



LETTERS TO THE EDITOR

TD Chronicle 2/24/05

Young deserves credit

To the editor:

Everyone is basking in the glory of a job well done by attracting Google to our city, I just hope that one person's efforts are not overlooked — our city manager, Nolan Young.

It appears that a major reason they selected our community is because of Q-Life. I think I can safely say the Q-Life would not exist today without his leadership.

When Q-Life was formed, it was an equal partnership between the city, the county, the port and the PUD. I would not minimize the value of their early participation, but along the way, the port and the PUD dropped out. The county remained in, but really had very few resources to bring to the table. If Nolan had so much as hesitated, Q-Life would have dissolved.

But instead of hesitating, Nolan became chairman of the board of directors, convinced the city council that they should advance funding for the project, convinced MCMC and Columbia River Bank that they should be major investors and made sure that the college and our schools were among the first served.

Nobody understands better than Nolan that the role of the city manager is usually to carry out established policy, not to establish new policy. Here was Nolan, climbing way out on a limb and there

were those in the community just watching him with saw in hand.

Among the reasons for dropping out of Q-Life, by the port and the PUD, were criticisms that the fiberoptic loop should be developed by private industry and that the technology offered was already available in The Dalles.

I am not being critical of the port and PUD for pulling out. There was enough doubt and soul-searching for everyone to have concerns. Nolan remained steadfast. He knew that the services were not available locally and that if we waited for private industry to make the investment, it would be years or even decades away. Now his confidence has been justified. Q-Life is here and Google is coming. It had to be in that order!

Nolan is not a flashy guy, and he will be embarrassed for being singled out, but it is very much deserved. He goes about his duties quietly and without fanfare, but the city is well served in having a person of his caliber. I hope everyone will join me in offering our thanks to Nolan Young.

John Mabrey
The Dalles

Editorial **OPINION**

Pinch us, we're dreaming

*Toto, I've a feeling we're not in Kansas anymore.
— Dorothy Gale, in "The Wizard of Oz"*

We haven't seen any Munchkins hanging around town lately, but there's a distinct hint of Oz in the air. The last two and a half weeks have seen an unprecedented series of positive economic stories involving The Dalles:

- Friday's story that Homeshield would build a new, 80,000 square foot manufacturing plant on Port of The Dalles property and employ 50 workers in the first year. (And the sidebar noting that designer-builder firm Design Structures is setting up a branch office in the port's Crates Point office building, as well.)

- Thursday's announcement that Thor and Kathy Lundh have purchased the former Shop 'n Kart store and will be renovating the long-empty building into a mall, featuring outlets of some national chains.

- Wednesday's decision by the Bankruptcy Court in Portland accepting the reorganization plan for Golden Northwest Aluminum. Though the result was painful for some former Goldendale plant workers, it paves the way for new owners to reopen the idle plants and generate new payrolls.

- Last Sunday's news that Cycle Oregon will be bringing 2,000 riders through The Dalles with an overnight stay in Sorosis Park. And once many of the out-of-state riders discover the beauty of the gorge, they will return. (Cycle Oregon also has a habit of leaving grant money behind in the communities it visits.)

- And the big story Feb. 17 that kicked off this round of news - that Internet giant Google will be bringing a number of high-paying jobs to a new facility at the Port of The Dalles.

The good news even extended to Sherman and Klickitat counties, in a Feb. 23 story that noted recent applications had been filed for 300 megawatt and 200 megawatt wind farm projects, respectfully, in those counties. By comparison, Sherman County's original Klondike project had a 24 megawatt output.

Construction should also start soon on the new proposed Walgreen's development complex next to Safeway.

It's a far cry from the doom and gloom of the last couple of years, but it's important in the midst of all the recent euphoria to remember this good fortune didn't fall in our laps by accident. Instead, it was the result of countless hours of behind-the-scenes work on the part of the Port of The Dalles, Wasco County, the City of The Dalles, Columbia Gorge Community College and The Dalles Area Chamber of Commerce.

It didn't hurt a thing that representatives of those organizations are familiar faces on Capitol Hill in Washington, D.C. That familiarity brought crucial help from our Congressional delegation, helping secure some of the recent successes.

But these recent triumphs are also rooted in an election 20 years ago, when local voters chose to pass a bond measure voluntarily raising their taxes to pay for the development of port property. It's not glamorous, investing in infrastructure, and it takes a long time to see the results, but when the payoff does come, it can be spectacular.

A more recent — and more controversial — decision by various elected officials to invest in the Q-Life fiber optic loop is also paying off. Google would not be coming to town without it.

The decision by voters last fall to enhance the facilities and scope of Columbia Gorge Community College is likely to have similar longrange positive effects. Homeshield said this week that even financial incentives offered by the Mt. Hood Economic Alliance and the governor's office were "a drop in the bucket" compared to the training possibilities offered by CGCC in their decision to come to The Dalles.

The moral of all this is simple, but the lesson has to be continually relearned: taking the longer view and investing in the development of local facilities *always* pays off.

The Dalles gets kudos for vision

315105

Editor's note: The following commentary appeared in the Sunday, Feb. 27 edition of the East Oregonian, entitled "Google logs on in The Dalles," Reprinted with permission.

You may already have read that Google, the reigning superstar of Internet search engines, has committed (albeit conditionally) to build a facility in The Dalles.

Well, fellow Eastern Oregonians, that's a little like saying a hundred years ago that the transcontinental railroad had decided to locate a terminal hundreds of miles from its normal route because a small city invested in building its own track. In this case the "track" is fiber optic cable, and its capacity is more like thousands of railroad tracks side-by-side.

That's what the folks in The Dalles committed to Google and others who will

follow.

But despite the differences between railroad and Internet, this economic development coup took the same vision, leadership and persistence as it would 100 years ago.

So what's the lesson? Actually, there are several.

First, it's not 100 years ago anymore, and the transportation system used by today's business is the high-speed Internet "Web" it needs to connect with world markets.

Second, it's time for each and every city and town in our region to face the reality that high-speed Internet access (and plenty of it) is not

an optional luxury. It is as essential to our economy as electricity and phone service.

Even if your local economy is strictly tourism, you need the Internet to bring visitors.

Ask a resort owner on coastal route 101.

Third, high speed Internet access is not just for techies. If you're in business, you need it.

This afternoon our staff exchanged training information by e-mail with a local machine shop. They needed answers in hours, not weeks. And so do your customers.

Fourth, you don't need to be a programmer to benefit from high performance Internet service. The water pumps that supply area farms are controlled using it. Your children are learning about the world around them on it.

Area companies get design specifications, high schools and colleges teach courses, legislators videoconference with voters, police and fire

units respond quickly and accurately.

This isn't happening 20 years from now in San Jose. It's happening THIS WEEK in your communities of Eastern Oregon.

So now what? That's up to you. Like the railroad a hundred years ago, this development comes with a cost. But also like the railroad, it brings jobs and prosperity.

Towns along the railroad grew and flourished. Bypassed towns faded and died.

That's the greatest lesson and our clearest choice for our children and their children. The Dalles made its choice. Now it's your turn.

Art Hill is vice president of customized training, apprenticeship, and the Small Business Development Center at Blue Mountain Community College. His career spans business ownership and management, from Fortune 100 companies to his own educational publishing



Change in fiber firms affects city

4/27/05

*Local 'Q-Life' loop will
access region through
a different provider*

■ By TOM PETERSON
of The Chronicle

Oregon has a new telecommunications company and its influence on businesses in The Dalles ranges from Google to Mid-Columbia Medical Center.

The new company has prompted local leaders to seek new agreements that will both hold the hospital harmless in a \$668,000 loan as well as ensure access to fiberoptic lines regionally.

LightSpeed Networks recently acquired the assets of NoaNet Oregon and is now the owner of the system that links Bonneville Power Administrations fiber-optic cables installed for public use.

NoaNet provided the regional fiberoptic connection to the local 17-mile fiberoptic loop in The Dalles called Q-Life.

QLife in turn provides fast data lines to Mid-Columbia Medical Center, Columbia River Bank, schools in The Dalles and city and county governments.

Internet browser Google, which has

Please see Q-LIFE, Page A12

Q-Life

Continued from Page A1

announced plans to build at the Port of The Dalles, is also speculated to eventually use the Q-Life system.

NEW AGREEMENTS

LightSpeed continues to honor a former NoaNet agreement with Q-Life to provide service, providing a "seamless transition."

Still, Q-Life must now strike a new agreement with LightSpeed for fiber connection.

Q-Life is renegotiating a service agreement with LightSpeed, said Q-Life's attorney, Keith Mobley of Dufur.

Mobley said he was confident Q-Life's service contract would continue just as though NoaNet were still operating.

Mobley is also working to address a \$668,000 loan made to the now-defunct NoaNet.

To launch Q-Life in The Dalles, the loan was made by

Columbia River Bank and guaranteed by Mid-Columbia Medical Center.

The money went to NoaNet so it could continue to build its fiberoptic loop in Oregon. But what happens to that loan with LightSpeed's acquisition of NoaNet in April has yet to be inked out in a new deal.

Mobley said he was confident that LightSpeed board members would agree to pay off the loan, but likely not as quickly as originally planned.

The loan comes due June 7.

"This has caused concern for MCMC," said Erick Larson, vice president of information systems at the hospital. "We're hanging our hat on your opinion — no pressure," he told Mobley at a Q-Life meeting on Tuesday.

"We're confident Keith will get the necessary negotiations done," Larson said after the meeting, noting he thought LightSpeed would likely try to extend the final payoff on the loan and continue to make interest payments.

In the event LightSpeed de-

faulted on the loan, Mobley said former NoaNet partners would be responsible for repaying the loan.

ABOUT THE ACQUISITION

NoaNet Oregon was a cooperative operated by several electric utilities. These borrowed money from the National Cooperative Finance Corporation to build the fiberoptic "backbone" or loop in Oregon using the Bonneville Power Administration's fiberoptic lines.

The hope was to sell service agreements throughout Oregon and better open the state to high-speed data technology, especially in rural settings. Q-Life, the City of Monmouth, and Frontier Telecommunications all signed participation agreements.

But it wasn't enough. NoaNet never realized the revenue it projected in its business plan, said Mobley, and the debt began to stack up.

In April NoaNet member Coos-Curry Electric Cooperative decided to stop participat-

ing, Mobley said.

NoaNet member Central Electric Cooperative then went to the Cooperative Finance Corporation and bought the mortgage on NoaNet, essentially acquiring the company.

Central Electric then offered each of the NoaNet members — Hood River Electric Cooperative, West Oregon Electric Cooperative, the Coquille Indian Tribe, Douglas Electric, Coos-Curry Electric Cooperative and Umatilla Electric Cooperative — stock in the new LightSpeed Networks.

Electric coops besides Coos-Curry are now stockholders in the new company, Mobley said.

Central Oregon Electric's Chief Executive Officer Al Gonzalez, who orchestrated the deal, could not be reached for comment. However, Mobley said Central Oregon Electric has a majority share of the LightSpeed stock, and Gonzalez is now the chair of LightSpeed.

LIGHTSPEED

LightSpeed retained the ma-

jority of NoaNet employees in the acquisition, said Warren Miller, CEO of LightSpeed Networks Inc. Miller was also the CEO of NoaNet for the past year.

"Services will be close to what NoaNet was providing," Miller said from his office in Salem last week.

"Our hope is to increase our capital to fund the completion of this backbone," Miller said, noting fiberoptic connections between Medford and Klamath Falls and between Klamath Falls and Redmond are incomplete.

"We need to complete the circle," he said. "This will be a great deal more robust with a ring configuration."

Miller said companies looking to connect to fiberoptic want a ring so there is never a break in service. For example, if a backhoe breaks the fiber line, all data diverts in the opposite direction on the ring.

"It's a question of reliability," he said.

Miller said LightSpeed's major competitor is Qwest.

He also said his company has had discussions with Google in regard to fiberoptic lines in The Dalles.

"There may be some synergies between us [Google and LightSpeed] that are forthcoming because of what they're doing in your city," he said.

QUANTUM

Central Oregon Electric also owns a company call Quantum Communications LLC. The company, located in Redmond, offers residential and business telecommunication services in Crook, Jefferson and Deschutes counties. The company provides the connection between the BPA fiberoptic backbone and the customer.

Mobley said Quantum was an aggressive company that could eventually be providing business and residential connections where LightSpeed fiberoptic cable is accessible.

Officials from Quantum could not be reached this morning for comment.

7-15-05

Data project gets boost in port design

'Q-Life' network to serve Google, other businesses

■ By KATHY GRAY
of *The Chronicle*

The Q-Life fiberoptic network will benefit from some forward thinking by earlier designers of The Dalles Industrial Park as it stretches data cable through the park area.

The Port of The Dalles board of commissioners agreed to let Q-Life install the cable in an empty 4-inch conduit that runs from River Road down Klindt Drive, along Steelhead Way up to Crate's Way.

The conduit was installed as an exercise in forethought when the infrastructure was developed at the industrial park.

Addressing the port commission, City Manager Nolan Young explained that Q-Life is in the process of designing a data loop extending from the network's current terminus at the regional jail to the industrial park.

The cable will stretch across the Ft. Dalles Rodeo Grounds and down River Road, loop through the industrial park, then return down River Road.

The data loop will be available to all development at the park, but is driven by the large, proposed development known by the code name "O2," which *The Dalles Chronicle* has reported will be a Google facility.

Young sought permission to install four 1-inch "interducts" within the conduit. One of the four would be used for a 72-fiber data loop. The remaining three sleeves would be available for other port needs.

The project would also require installation of larger junction boxes to allow for cable maintenance.

The port commission authorized its staff to enter into an agreement with Q-Life over use of the conduit.

"We're offering you control of that facility," Young said. "We think that's a reasonable offer and that's what we bring to the table financially."

Construction was set to begin this week in the industrial park and after the rodeo's conclusion through the ground and along River Road.



Cable work proceeds at port.

Tom Baker photo

Planners invite comment on Google project

7/21/05

Plan for campus features five buildings at port

■ By KATHY GRAY
of *The Chronicle*

The Dalles planning office is taking comments until Aug. 1 on an application for a 241,700-square-foot development at the Port of The Dalles for Internet giant Google.

The development is expected to bring some 150 jobs to The Dalles, according to economic information on the application.

"There are pretty substantial buildings on this plan," noted city planner Dawn Hert. "They're going to be pretty big out there, but in relation to other buildings in the area, such as the aluminum plant, I think it's going to blend in."

The applicant is Design LLC, the corporation whose name appears on land purchase documents on behalf of Google.

The request describes five separate buildings: three, triple-story, 68,400 square foot storage buildings with a maximum height of 75 feet, a 20,000

square foot administration building and a 16,500-sq.-ft. transient employee dormitory, with related infrastructure.

"The housing facility identified on this plan is intended to initially serve as a partial administration area until that structure can be built, and provide temporary residential housing for the owner's work force staying on site," said the application, prepared by project engineer Darrin O. Eckman.

The dormitory will include 20 units. It will allow a skilled, technical workforce from out of state or off-site to stay at the facility during periods of upgrades, installation and construction.

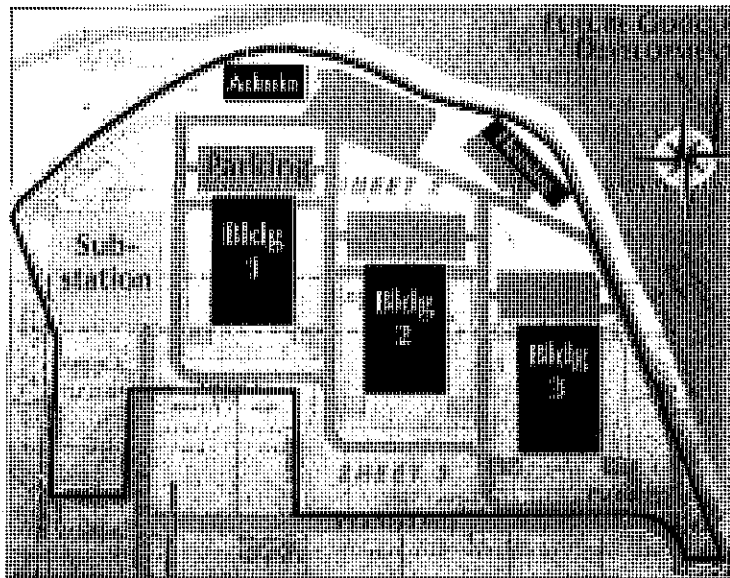
The design also includes 426 parking spaces and landscaping totaling 50,000 square feet.

Property owner on the application is listed as the Port of The Dalles, but Design LLC has a pending sales agreement for almost 34 acres at Steelhead Way and Columbia Road.

The corporation also has options on an additional 96 acres in the North Chenoweth area, where Mt. Fir Chip Mill was located before its destruction by fire three years ago.

The application is not expected to require a quasi-

Please see SITE, Page A7



SITE PLAN proposes five buildings (red) at confluence of Chenowith Creek and Columbia River.
Graphic / Kathy Gray

Site

Continued from Page A1

judicial hearing before the planning commission, because its industrial use is permitted outright within the property zone.

"As long as the applicant is in agreement with city requirements, usually there is no reason to elevate the application to a quasi-judicial hearing," Hert explained.

Written public comments for or against the proposal are due in the planning office at 313 Court Street by 5 p.m.,

Monday, Aug. 1.

Hert expects to write the staff report on the issue early in August.

On another front, the Quality Life Intergovernmental Agency met Tuesday to approve a draft "Master Services Agreement" for the lease of fiberoptic cable to Google, known locally by the project name "O2."

"We had previously been proposing a preconstruction agreement, which is like a letter of intent," said City Manager Nolan Young, who administers the Q-Life Agency. "O2 wishes to move beyond that step and work on the actual lease agreement."

City planners OK

8/4/05

Public comments endorse local site

■ By KATHY GRAY
of *The Chronicle*

Google's proposed 241,700-square-foot development at the Port of The Dalles gained administrative approval this week after planners re-

viewed a round of consistently positive public comments.

The five-building development was approved for applicant Design LLC, the corporation whose name appears on land purchase documents on behalf of Google.

The development includes three 68,400-square-foot, three-story industrial storage buildings; a 20,000-square-foot, two-story administration building and a 16,500-square-foot transient employee dormitory. It will

also include construction of a power substation.

"This development will be providing 150 full-time equivalent jobs in the community," noted the staff report prepared by Dawn Marie Hert, associate planner. An additional 66 to 185 jobs could result from future development on property optioned by Design LLC in the North Chenoweth area of the port, the former home of the Mt. Fir chip mill, according to option documents filed with the port.

Google site at port

The described dormitory will initially serve as a partial administration area, until that structure can be built, and provide temporary housing for the owner's work force staying at the facility.

"From time to time, various work forces will be tasked to The Dalles facility to upgrade, maintain, and/or repair facilities and they will require lodging while on site," Hert's report explained.

Approval of the Google develop-

ment is contingent on a number of conditions, including:

- approval of final detailed construction plans by the city engineer,
- compliance with the city's Land Use Development Ordinance and American Public Works Association standards,
- oil/water separators connecting to the city's storm sewer system and a maintenance agreement on file

Please see PORT, Page A7

Port

Continued from Page A1

with the city,

- plans for lighting, landscaping, irrigation system details, erosion and dust control.

The city received three letters of support for the project and none stating opposition.

Port closes Google site

Purchase clears way for project construction

■ By KATHY GRAY
of *The Chronicle*

Internet company Google closed its land purchase deal with the Port of The Dalles Thursday, clearing the way for

construction of a 241,700-square-foot industrial development expected to bring some 150 jobs to The Dalles.

The sale, which closed at Wasco Title Company on Thursday afternoon and was recorded at the Wasco County Courthouse shortly after, also cements three options for land totaling another 80 acres on the former Mt. Fir mill site for future development.

"We are happy to have them here," said Mike Courtney, president of the port board of



commissioners, who signed the documents on behalf of the port. Port and other com-

munity officials are limited in their ability to comment by confidentiality agreements

acquisition

8/12/05

FUTURE DEVELOPMENT site at Port of The Dalles industrial parcel, located at confluence of Chenoweth Creek and the Columbia River. Initial site work is under way on a substation nearby. The property sale concluded Thursday.

Tom Baker photo

signed during negotiations. Google officials declined to comment Thursday.

Ken Crawford, identified in the filing as a director, signed on behalf of Design LLC, which has purchased the property on behalf of Google.

Total consideration for the sale and options was listed at just under \$2 million.

The sale ties up all but four acres of the remaining land at the industrial park, noted Andrea Klaas, port director.

She also noted in a press release: "...and they are not even

Please see PORT, Page A9

Port

Continued from Page A7

available because we have signed purchase agreements and options on those remaining acres," she said in a press release.

Google will receive property tax incentives for 15 years as a result of the job development expected at the facility. The company will continue to pay taxes on the land during the 15 years, but not on its improvements.

To qualify for the enterprise zone tax exemption, average annual compensation of all employees working at the facility must equal or exceed 150 percent of the most current average annual wage figures for Wasco County.

Actual average annual wages at the Google plant are expected to be \$60,000, twice the county average.

In exchange for its tax benefits, the company is donating \$250,000 each year of operation

to community "projects and programs for local services or infrastructure benefiting the facility."

Columbia Gorge Community College, Q-Life, and county economic development are expected to benefit.

The company has also been working with Northern Wasco County PUD and BPA to arrange for construction of a new power substation to serve the facility, and a new fiber-optic loop for data transmission with Q-Life. The city is also upgrading its utilities at the port for transport of wastewater from Google and other port businesses to the sewer plant.

In its first phase, Google plans to build three, three-story, 68,400-square-foot storage buildings, a 20,000-square-foot administration building and a 16,500-square-foot transient employee dormitory.

Future phases of Google development, as reported in details of the option agreements, could mean as few as 66 additional new jobs, to more than 185.