Congress of the United States
Washington, DC 20515

May 9, 2013

The Honorable Todd Zinser
Inspector General
U.S. Department of Commerce
1401 Constitution Ave., N.W.
Washington, D.C. 20230

Dear Inspector General Zinser:

We were pleased to learn that the Office of the Inspector General is planning to audit the grant the National Telecommunications and Information Administration (NTIA) awarded Colorado under the American Recovery and Reinvestment Act (ARRA). The award—at $100.6 million, one of the largest broadband grants under the ARRA—has been a source of controversy. The grant to EAGLE-Net Alliance, originally made to the Colorado Centennial Board of Cooperative Educational Services and subsequently transferred to EAGLE-Net, has been criticized for overbuilding existing infrastructure rather than delivering service to unserved communities.

In one stark example, EAGLE-Net built a third fiber connection to an 11-student elementary school in Agate, which the school says it did not need or want, according to an article in *The New York Times* on February 11, 2013. The NTIA placed the grant under a corrective action plan in August 2012 because of a lack of financial internal controls, between $250,000 and $500,000 in questionable costs, questions regarding matching funds, and a failure to track expenditures against the NTIA-approved budget. The NTIA ultimately suspended the grant from December 2012 until May 2013 for material non-compliance with the award terms after EAGLE-Net changed its network design without informing the NTIA or getting required approvals.

In addition to those issues you plan to examine in your audit, we ask that you investigate the following:

1. At the time of transfer from the Colorado Centennial Board, how did EAGLE-Net change the planned network design in the original NTIA award? How has the planned network design changed during EAGLE-Net's administration of the award?

2. What percent of the original proposed Colorado Centennial Board of Cooperative Educational Services network has been completed? What percent of the project as revised by EAGLE-Net has been completed?

3. Under the original grant to the Colorado Centennial Board of Cooperative Educational Services, what percentage of the network was to be deployed to unserved areas of

Colorado? How many unserved versus served customers, anchor institutions, and all other government entities were to be reached by that network? How did those percentages and numbers change under EAGLE-Net's initial plan? How have they changed between EAGLE-Net's original plan and now? How many customers, anchor institutions, and all other government entities have signed up since the original grant award and how many of them were previously unserved? How many potential customers within reach of the network are on the Western Slope? How many of those potential customers on the Western Slope have signed up?

4. Where did EAGLE-Net lay fiber next to existing fiber lines? How many and what percentage of the fiber miles EAGLE-Net has deployed overbuild existing fiber? How much was spent on overbuilding as opposed to new deployment?

5. How much of the original $100.6 million grant remains uncommitted? How much has been committed but remains to be disbursed? What are EAGLE-Net's current monthly expenses? What is their current monthly revenue?

6. Have the terms of the grant been upheld by EAGLE-Net in contracts with private businesses to ensure sustainability? Have the terms and conditions of the contracts with all proposed customers been satisfied—including those requiring matching contributions? If not, why not?

7. What is the proposed schedule for future build out with the unallocated funds? Where will deployment occur? When would deployment under EAGLE-Net's revised plan be complete and when will customers, anchor institutions, and all other governmental entities have access to broadband services?

Obtaining answers to these questions is important in examining whether taxpayer dollars were, and continue to be, spent wisely. We ask that you contact our staff to discuss our request. Neil Fried and Brian McCullough of the Energy and Commerce Committee staff can be reached at (202) 225-2927. Natalie Farr of Rep. Gardner's staff can be reached at (202) 225-4676. Jeff Small of Rep. Tipton's staff can be reached at (202) 225-4761.

Sincerely,

Greg Walden
Chairman, Subcommittee on
Communications and Technology
House Committee on Energy and Commerce

Cory Gardner
Member of Congress

Scott Tipton
Member of Congress

cc: The Hon. Larry Strickling
Assistant Secretary for Communications and Information and
Administrator, National Telecommunications and Information Administration
U.S. Department of Commerce

The Honorable Henry A. Waxman, Ranking Member

The Honorable Anna G. Eshoo, Ranking Member
Subcommittee on Communications and Technology