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December 9, 2013

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
Wireline Competition Bureau
445 12th Street, S.W.
Washington, D.C. 20554

RE: WC Docket No. 10-90/Connect America Fund (CAF)
Request to Initiate Proceedings – Rural Electric Cooperative Access to CAF

Dear Ms. Dortch:

Midwest Energy Cooperative (“Midwest”) respectfully submits this letter requesting that the Federal Communications Commission (“FCC” or “Commission”) initiate proceedings to allow Midwest and other similarly situated rural electric cooperatives throughout the nation access to the Connect America Fund (“CAF”) and similar funding sources – to expand the provision of high-speed broadband to un-served and under-served portions of rural America. This submission is made coincident with a related filing by the National Rural Electric Cooperative Association and the Utilities Telecom Council (“UTC”), both considered allies in this quest.

Questions, comments or documents relating to this submission should be directed to the following:

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This letter addresses the urgent need to help rural electric cooperatives accelerate the provision of high-speed broadband in un-served and under-served portions of rural America through the following discussion:

- **The Case for Rural Electric Cooperatives** – This section succinctly addresses how rural electric cooperatives are uniquely qualified to be agents in bringing high-speed broadband to un-served and under-served portions of rural America;
- **The Case for Rural America** – This portion of the letter touches on real concerns associated with a growing rural/urban digital divide;
- **The Case for Midwest's Project** – This section describes Midwest, its goals, actions-to-date and its plan to assist in bringing high-speed broadband to un-served and under-served portions of rural America; and
- **Midwest's Specific Request to the FCC** – This submission specifically requests that the Commission initiate proceedings to allow Midwest and other similarly situated rural electric

cooperatives throughout the nation access to CAF and similar funding sources – to expand the provision of high speed broadband to un-served and under-served portions of rural America.

The Case for Rural Electric Cooperatives

Midwest urges the Commission to consider availing unused CAF and related funding to the roughly 1,000 rural electric cooperatives that provide energy to 42 million people in 47 states. Just as we were relied upon to be catalysts in bringing electricity to rural America more than 75 years ago, we believe we can effectively partner with the FCC to bring true broadband to the un-served and under-served. Our success in this endeavor would help ensure the realization of goals set forth in The National Broadband Plan (“NBP”).

A simple point needs to be stressed – bringing needed services to un-served and under-served rural America is the key focus of the rural electric cooperatives’ mission. Following is an excerpt from the website of the National Rural Electric Cooperative Association (“NRECA”) under the heading History of Electric Co-ops:

As late as the mid-1930s, nine out of 10 rural homes were without electric service. The farmer milked his cows by hand in the dim light of a kerosene lantern. His wife was a slave to the wood range and washboard. The unavailability of electricity in rural areas kept their economies entirely and exclusively dependent on agriculture. Factories and businesses, of course, preferred to locate in cities where electric power was easily acquired. For many years, power companies ignored the rural areas of the nation.

The first official action of the federal government pointing the way to the present rural electrification program came with the passage of the Tennessee Valley Authority (TVA) Act in May 1933. This act authorized the TVA Board to construct transmission lines to serve “farms and small villages that are not otherwise supplied with electricity at reasonable rates.” . . .

The idea of providing federal assistance to accomplish rural electrification gained ground rapidly when President Roosevelt took office in 1933. On May 11, 1935, Roosevelt signed Executive Order No. 7037 establishing the Rural Electrification Administration (REA). It was not until a year later that the Rural Electrification Act was passed and the lending program that became the REA got underway.

Within four years following the close of the World War II, the number of rural electric systems in operation doubled, the number of consumers

connected more than tripled and the miles of energized line grew more than five-fold. By 1953, more than 90 percent of U.S. farms had electricity.

Today, about 99 percent of the nation's farms have electric service. Most rural electrification is the product of locally owned rural electric cooperatives that got their start by borrowing funds from REA to build lines and provide service on a not-for-profit basis. REA is now the Rural Utilities Service, or RUS, and is part of the U.S. Department of Agriculture.¹

It is respectfully submitted that if one substitutes "high speed broadband" service for "electric" service, and references to federal entities to the "FCC", it is the 1930s all over again as far as high speed broadband to un-served and under-served rural America is concerned.

The NBP suggests 100 million U.S. homes should have affordable access to actual download speed of at least 100 Mbps and actual upload speeds of at least 50 Mbps by 2020.² Rural electric cooperatives can help make this a reality. America's rural electric cooperatives have a proven track record operating in rural areas. The fact that we are private, independent, non-profit entities – owned by our member/customers and established to provide at-cost service – makes us a logical choice. We don't face the same pressure for near-term return on investment that larger investor-owned companies do. We own and maintain 2.5 million miles, or 42 percent, of the nation's electric distribution lines, covering three quarters of our country's landmass. We are woven into the rural fabric of America with both immediate and unfettered access to the critical infrastructure required to efficiently deploy what is increasingly being recognized as an essential service worldwide.

Electric cooperatives, like other utilities, are under pressure to invest in, and upgrade, the nation's electrical grid. With pressure, however, comes opportunity. As more utilities deploy fiber through electric substations in pursuit of a smarter grid, a basic asset emerges worth leveraging. Midwest requests that the FCC allow rural electric cooperatives to tap this resource as a means of providing a product where no other options exist. Not only can we pave the way for renewable energy, smarter and more efficient consumption of electricity, enhanced reliability, security and incorporation of technologies like electric vehicles, we can avail a service that is increasingly being recognized as essential to our educational and socio-economic well-being in this country – high-speed broadband.

The nation's rural electric cooperatives are a cohesive group, with a strong national voice – the NRECA – and a longstanding, effective relationship with the federal government through the Department of Agriculture's Rural Utilities Service ("RUS"). As rural electric cooperatives like Lake Region (Oklahoma),

¹ www.nreca.coop

² Federal Communications Commission, *Connecting America: The National Broadband Plan*, Chapter 2, Page 9 (March 17, 2010).

Johnson County (Indiana), Douglas Electric (Oregon), North Alabama Electric (Alabama) and Co-Mo Electric (Missouri) progress with their fiber projects, other rural electric cooperatives like BARC Electric (Virginia), Midwest (Michigan) and others are tapping their expertise. That's one of the great things about rural electric cooperatives; we readily share information and experience. We learn how to optimize what is working and jointly find solutions to challenges that naturally arise. There is no group of entities more suited to work with the Commission in bringing high-speed broadband to un-served and under-served portions of rural America.

The Case for Rural America

Approximately 46.2 million people, or 15% of the U.S. population, reside in rural counties, spread across 72% of the nation's land area.³ This is the area rural electric cooperatives serve and it is struggling. For the first time in our history, rural America lost population and at least one of the contributing factors is thought to be lack of essential services – services like broadband. This notion concerns Agriculture Secretary Tom Vilsack who stated earlier this year:

Unless we respond and react, the capacity of rural America and its power and its reach will continue to decline. Rural America, with a shrinking population, is becoming less and less relevant to the politics of this country, and we better recognize that, and we had better begin to reverse it.⁴

Broadband is becoming a necessity of life and should be available to all citizens of this country. Broadband is needed to do business with the government – often to renew your drivers' license, secure permits of various kinds, apply for Affordable Care Act coverage, or to request public assistance. Employers increasingly expect their workforce to be productive from home and prospective employers require applicants to apply for jobs online. Entertainment and information is accessed on the Web. With gasoline prices occasionally flirting with \$4/gallon or more, it is understandable that many are moving closer to where they work and play and to where their family can have the greatest opportunity. This fosters a problem in rural America and can place an undue burden on urban infrastructure.

A report by University of Texas – Austin researcher Sharon Strover concludes that rural areas that don't have broadband access will be economically crippled.⁵ This could be devastating in Midwest's service territory. Not only was Michigan the lone state to lose population in the last census, all but one county

³ "Census: Rural US loses population for first time" (<http://news.yahoo.com/census-rural-us-loses-population-first-time-040425697.html>)

⁴ "As more move to the city, does rural America still matter?" (<http://www.usatoday.com/story/news/nation/2013/01/12/rural-decline-congress/1827407/>)

⁵ Center for Rural Strategies report titled, "Scholars' Roundtable: The Effects of Expanding Broadband to Rural Areas" – Page 3.

in Midwest's footprint lost population between 2010 and 2012.⁶ Couple the population loss with historically struggling core industries like automotive supply, plastics and recreational vehicles; it is not surprising that President Barack Obama has visited the area numerous times since being elected to office in 2008.⁷

While broadband does not necessarily guarantee economic success in rural America, it unquestionably contributes to it. More importantly, it connects rural areas to services taken for granted in more urban settings – services that can improve lives and enable commerce to take place.

- **Smart(er) Electric Grid.** This is the perfect opportunity for rural electric cooperatives to improve system reliability and security of the grid while helping customers better manage their energy consumption. The ability to leverage off this asset to provide a fiber-to-the-premises (“FTTx”) product is an important opportunity.
- **Basic Communications and Information Access.** 64% of the available labor force in Cass County, Michigan works outside the county.⁸ High commuter rates are typical of areas served by rural electric cooperatives. When people return home from work, they are expected to be productive and connected. Additionally, broadband empowers the home-bound (elderly and handicapped) and removes barriers to participation.
- **Telecommuting.** Home-sourced employees are becoming more common as employers work to save overhead expenses and accommodate workers.
- **Education.** Students throughout the U.S. – be they from rural or urban areas – should be operating off a level playing field. Textbooks and classroom instruction are the foundation but access to online resources is a variable that requires attention.⁹
- **Healthcare.** Telemedicine – the use of telecommunication and information technologies to facilitate clinical healthcare at a distance – is becoming more important in rural areas. It eliminates distance barriers and improves access to medical services not consistently available in rural communities. Though clinics and affiliated rural hospitals exist in the rural space, entities like the Pokagon Band of Potawatomis are turning more to telemedicine services.

⁶ “Michigan’s First Year of Population Growth Shows Wide Variations” (<http://blog.datadrivendetroit.org/2013/03/14/michigans-first-year-of-population-growth-shows-wide-variations-by-county/>)

⁷ “Obama visits job-starved Elkhart, Indiana” (<http://abcnews.go.com/Business/story?id=6837539>)

⁸ “Survey of Wages & Benefits for the Michiana Region – 2011”. Study commissioned by Project Future (South Bend, Indiana) – Page 107 (http://www.sjchamber.org/clientuploads/PDFs/2013/ED-reports/2011_Wages_Benefits_Report.pdf)

⁹ It should be noted that Midwest’s service territory is adjacent to two major universities, the University of Notre Dame and Western Michigan University.

Prescriptions are being fed through the Web, medical images are being read abroad and rapid diagnoses are made possible with the availability of ubiquitous broadband.

- **Public Safety.** Broadband enables interoperable broadband public safety networks which connect first responders in an emergency and allows emergency workers to communicate across disparate networks, between jurisdictions, and across different agencies – critical capabilities at the scene of an emergency. High-speed Internet improves victim to responder communications by enabling instantaneous digital transmissions to and from members of a connected community.¹⁰
- **Farming.** According to the U.S. Department of Agriculture, some 70% of farms with sales of at least a quarter million dollars use the Internet for farm business, and more than 40% of small farms are online.¹¹ Today's farmers depend on broadband for a number of applications. Internet-based agricultural technology ranges from GPS-guided steering of farm equipment and geo-tagging to fleet management and the use of farmer network data hubs. Farmers check grain prices online, text their pest advisors and download software updates for their automated farm equipment. "It's like breathing," one Illinois farmer said. "It's one of those things you've got to have to live."¹² Michigan Farm Bureau, often described as "Michigan's Voice of Agriculture", at its December 2013 annual policy meeting, mirrored the need for high speed broadband in unserved and underserved rural America when Michigan Farm Bureau President Wayne Woods stated:

"One top item for farmers is expanding the availability of broadband Internet in the state"¹³ :

In response, the following Michigan Farm Bureau Resolution (S 15) was adopted:

Rural access to broadband internet service is a major factor that impacts the ability of rural Michigan residents to compete and participate in the economy. The failure of public policy to address this critical need must be addressed. Access to internet is an important issue for business, agriculture, and academic purposes for rural students. The State of

¹⁰ "Benefits of Broadband" (<http://broadband.about.com/od/broadbandapplications/a/Benefits-Of-Broadband.htm>)

¹¹ "Growing Role of Broadband in Farming" (<http://www.iltechpartner.org/growing-role-broadband-farming>)

¹² "The Rural Broadband Evolution" (<http://newsroom.cisco.com/feature-content?type=webcontent&articleid=664385>)

¹³ "Michigan Farm Bureau pushing for rural broadband Internet access" (<http://whtc.com/news/articles/2013/dec/04/michigan-farm-bureau-pushing-for-rural-broadband-internet-access/>)

Michigan should address a comprehensive policy for the provision of universal broadband access statewide.

- **Economic Development.** Whether it is farming, small business or a rural manufacturer, businesses need broadband to compete both locally and internationally. High-speed access accelerates business development, and provides new opportunities for innovation, expansion and e-commerce. Communities that connect their residents create wealth and attract business investments.¹⁴ In fact, higher rural broadband adoption rates directly correlate to higher household income, number of firms, higher educational attainment, lower unemployment rates and lower poverty rates.¹⁵

The services and opportunities provided by broadband in of themselves do not resolve all the challenges affecting rural areas. Access to high-speed broadband does, however, narrow the digital divide, providing citizens in rural areas equal access to information and services readily available in the urban space.

The Case for Midwest's Project

This portion of Midwest's submission briefly describes Midwest and the significant commitment it is making to bring high-speed broadband to un-served and under-served portions of rural Michigan. Midwest (www.teammidwest.com) is a member-owned electric utility serving more than 35,000 residential, agricultural, commercial and industrial customers in southwestern and southeastern Michigan, northern Indiana and Ohio. Our service territory covers 12 counties. Our Southwest District includes portions of Berrien, Cass, St. Joseph, Kalamazoo and Van Buren Counties in Michigan as well as St. Joseph, Elkhart and LaGrange Counties in northern Indiana. Our Southeast District includes portions of Lenawee and Monroe Counties in Michigan as well as Williams and Fulton Counties in northern Ohio. Midwest Energy's corporate headquarters is in Cassopolis, Michigan, with district service centers in Adrian, Paw Paw and White Cloud. At this time, our broadband project focuses on our Southwest District.

Midwest is pursuing a multi-phased project – ultimately leveraging a 243-mile high-speed communications ring to deploy 1,800 miles of fiber to homes, schools, critical care facilities, first-responders (police and fire), businesses and a tribal entity in rural, un-and-under-served southwest Michigan. Midwest estimates 24,000 homes and 2,500 businesses could be served by our project. Project costs (capital expenditure) are estimated at \$62,292,875 - \$9,500,000 in transmission costs and the balance in FTTx costs.

¹⁴ "Benefits of Broadband" (<http://broadband.about.com/od/broadbandapplications/a/Benefits-Of-Broadband.htm>)

¹⁵ "Broadband's Economic Impact" (<http://www.dailyyonder.com/broadbands-impact-rural-economy/2013/08/16/6712>)

A soft launch is presently under evaluation that would include deploying roughly 21 miles of our communications ring through two substations serving areas adjacent to both Schoolcraft and Edwardsburg, Michigan. In addition to assessment of smart grid potential, Midwest would evaluate FTTx potential of laying 72 miles of fiber to 953 homes and businesses in the area. The capital requirements for the soft launch are \$4,367,452 - \$1,482,500 in transmission costs and the balance in FTTx costs.

To help design and engineer this project, Midwest Energy contracted with Power System Engineering, Inc. (www.powersystem.org) in late-2012 to connect our substations with fiber, develop a high-speed communications link between our headquarter operations in Cassopolis, Michigan and our Paw Paw, Michigan office for disaster recovery and redundancy and to evaluate the potential for communities, businesses, members and residents to receive high-speed Internet access (FTTx). After careful consultation with our consultants, Midwest elected to build its own fiber backbone because (i) initial bandwidth is 10x faster than leased (10G), (ii) it provides a "future-proof" option for communication needs supporting cooperative operations and broadband services, (iii) it provides a higher level of availability (service level) over third-party fiber owners, (iv) additional bandwidth is a one-time investment in equipment components to use more fiber strands or faster transmission on a fiber strand, (v) it costs far less for Midwest to build its own fiber optic network versus leased bandwidth, (vi) even the leased model requires training/staffing to deploy and manage a fiber network, (vii) Midwest would have to build 190 miles of fiber to connect from Comlink to our substations, (viii) owning the fiber allows for virtually limitless scalability,¹⁶ (ix) fiber investments can also be used for utility applications such as backhaul of SCADA (supervisory control and data acquisition), AMI (automated metering infrastructure) and other future programs and services, (x) owning fiber eliminates the risk of primary partners becoming insolvent, and (xi) controlling future costs for a component fundamentally critical to the success of the future product line reduces future risks.

Midwest is working with Pulse Broadband (www.pulsebroadband.net) in designing and deploying our FTTx product, a bi-directional fiber-to-the-premises open network using gigabit passive optical network (GPON) electronics. Our system possesses the potential for 100 Mbps symmetrical service to every home or business though plans of 20, 50 and 100 Mbps are expected. Video service is under consideration and voice services will be offered. The network will be an open model, with competing services available to subscribers.

Materials are being ordered and plans are underway to initiate our soft launch project. Member/customers are being informed of our intent to deploy FTTx and the following price points are being marketed:¹⁷

¹⁶ With today's proven electronics, assume 40 Gbps per wavelength with at least 40 wavelengths per fiber and over 36 fibers-per-path (40 x 40 x 36 Gbps).

¹⁷ Though we do not anticipate data limitations, we agree to a 100 gigabyte (GB) minimum usage allowance for plans offered by Midwest.

Residential High-Speed Internet Packages

- **Basic:** Up to 20 Mbps downstream and 10 Mbps upstream - \$49.95/mo.
- **Advanced:** Up to 50 Mbps downstream and 20 Mbps upstream - \$59.95/mo.
- **Ultra:** Up to 100 Mbps downstream and 25 Mbps upstream - \$99.95/mo.

Business High-Speed Internet Packages

- **Basic:** Up to 20 Mbps downstream and 20 Mbps upstream - \$79.95/mo.
- **Advanced:** Up to 50 Mbps downstream and 50 Mbps upstream - \$129.95/mo.
- **Ultra:** Up to 100 Mbps downstream and 50 Mbps upstream - \$199.95/mo.

Unlimited Local & Long Distance Telephone

Unlimited calling will be available to the entire United States, Canada, Dominican Republic, Bahamas, U.S. Virgin Islands, Puerto Rico and Guam. International calling plans and other features will be offered.

- **Residential Telephone:** \$39.95/mo. Service includes three-way calling, caller ID (number), caller ID blocking, call return, call forwarding, call waiting and voice mail.
- **Business Telephone:** \$49.95/mo. Service includes three-way calling, caller ID (name and number), call forwarding, hunting and voice mail.

Internet & Telephone Bundle

- \$10 discount offered for bundling Internet and telephone service.

Midwest's Specific Request to the FCC

Midwest has the poles, rights-of-way, billing relationship and trust of its members to deploy true broadband in un-served and under-served areas of southwest Michigan. Our proposed service footprint is losing population, has high unemployment and precious few options for broadband. Residents of our area are lagging behind in educational and health opportunities.¹⁸ Home based businesses are relocating out of necessity. All are asking for a solution and we stand ready to provide it. While Midwest's service territory includes Frontier (DSL) and Comcast (cable), they focus on providing service in cities and villages, not the un-served and under-served areas of southwest Michigan. Midwest's service territory also includes rural telcos, but they operate on the outer fringes of our territory. The FCC could benefit by helping us deploy where few or no other solutions exist. We are not unlike other

¹⁸ Midwest service territory includes consumers associated with hospitals, Fortune 500 companies, health centers and major universities, e.g., University of Notre Dame, Western Michigan University, etc. The reality is, these folks need high-speed broadband to be productive from their homes.

rural electric cooperatives. By helping Midwest, the FCC could test the efficacy of our model, thus effectively demonstrating how cooperatives can be the solution to the provision of broadband in rural America.¹⁹

It is no secret CAF has been left on the table by so-called price-cap carriers. In fact, to date, nearly \$100 million in CAF has remained unclaimed. Should this trend continue in the next round of more substantial rural broadband funding (\$1.8 billion/year for five years for a total of \$9 billion), it is respectfully requested that rural electric cooperatives, like Midwest, be considered as an option for unused CAF.

To address this issue, Midwest suggests that the FCC remove the barriers to entry that prevent or discourage rural electric cooperatives from gaining access to CAF or similar funds. Midwest is in the process of securing its competitive local exchange carrier license from the Michigan Public Service Commission. We anticipate having a temporary license in early 2014 and a permanent license by mid-2014. We are also pursuing an eligible telecommunications carrier (“ETC”) designation. While we initially understood that the ETC designation process could take up to 2-3 years to finalize, we now understand that the process is far simpler and more expedited if no lifeline issues are involved. If, in fact, an ETC license is required to access CAF, electric cooperatives’ impact on deploying broadband in rural America is severely compromised. As such, we are asking for the following:

- If the FCC determines that a recipient of CAF must be an ETC, then the Commission should expand eligibility in order to promote the reasonable and timely deployment of broadband to all Americans and streamline the process by which ETC status could be obtained. As noted above, while we initially understood that the ETC designation process could take up to 2-3 years to finalize, we now understand that the process is far simpler and more expedited if no lifeline issues are involved. We understand that our request does not involve lifeline issues. The proposed streamlined process will be detailed in related submissions being filed by UTC and NRECA simultaneous with this submission.
- If a more streamlined process is not deemed appropriate or necessary, consider awarding CAF contingent upon securing the required ETC license. In this way, rural electric cooperatives could first find out whether the CAF funding will be available and then pursue the ETC designation. Precedent for this request is consistent with *Tribal Mobility Fund Phase I*,²⁰ and is more fully

¹⁹ It should be noted that if and when CAF resources become available to Midwest, it intends to only seek initial capital expenditure support, i.e., not continuing support for continuing operations.

²⁰ Connect America Fund, WC Docket No. 10-90, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663, 17798 ¶ 390 (2011)(recognizing the roughly comparable time required for the FCC and the states to process a request for ETC status and advising that parties contemplating requesting new designations as ETCs for purposes of participating in the mobility fund auction should act promptly to begin the process.)(hereinafter “USF/ICC Transformation Order”), at page 491.

described in the related submissions being filed by UTC and NRECA simultaneous with this submission.

- Midwest is seeking to prove the efficacy of rural electric cooperatives deploying broadband where others won't. We respectfully request the FCC work with Midwest staff to determine what portion of its \$62.3 million project is eligible for CAF. To help facilitate this, Midwest will openly share financial modeling and other information deemed essential to the discussion.

It is important to note the obvious synergies between the missions of rural electric cooperatives and the FCC. The National Broadband Plan states,

"Like electricity a century ago, broadband is a foundation for economic growth, job creation, global competitiveness and a better way of life. It is enabling entire new industries and unlocking vast new possibilities for existing ones. It is changing how we educate children, deliver health care, manage energy, ensure public safety, engage government, and access, organize and disseminate knowledge."²¹

More importantly, high-speed broadband is an expected and essential utility, powering basic transactions that are necessary for everyday life. Its absence in rural America is troubling – fostering a growing digital divide, rural out-flight and future burden on urban infrastructure.

Midwest asks the FCC to be creative in bringing broadband to rural America. Investing unclaimed CAF with those possessing both the interest and aptitude in servicing the ambitious goals set forth in the NBP makes sense. However it is structured, accessing CAF and similar funding will allow Midwest, and similarly situated rural electric cooperatives, to start with pilots that effectively demonstrate how they can be relied upon for broadband deployment.

For the reasons set forth herein, and in the corresponding filings to be made by the NRECA and the UTC, Midwest respectfully requests that the Commission initiate formal proceedings to facilitate the access by the nation's rural electric cooperatives to CAF and similar funding; and to streamline processes required to qualify for such funding.

Respectfully,



Mr. Robert L. Hance
President & Chief Executive Officer
Midwest Energy Cooperative

²¹ Federal Communications Commission, Connecting America: The National Broadband Plan, Executive Summary, Page XI (March 17, 2010)

Cc: Mr. Jonathan Chambers
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The Honorable Fred Upton
United States Congressman

The Honorable Debbie Stabenow
United States Senator

The Honorable Carl Levin
United States Senator