

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
Universal Service Reform—Mobility Fund	)	WT Docket No. 10-208
	)	
ETC Annual Reports and Certifications	)	WC Docket No. 14-58
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	)	WC Docket No. 07-135
	)	
Developing an Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
_____	)	

**COMMENTS OF MIDWEST ENERGY COOPERATIVE**

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## **I. Introduction.**

Midwest Energy Cooperative (“Midwest”) files its Comments in this proceeding pursuant to the Notice of Proposed Rulemaking issued by the Federal Communications Commission (“Commission”) on June 10, 2014 seeking comment on additional mechanisms to fulfill the Commission’s mission to ensure that all consumers “have access to ... advanced telecommunications and information services.”<sup>1</sup> Midwest appreciates the Commission’s commitment to deploying advanced telecommunications services to all Americans and not leave anyone behind the evolving digital economy.<sup>2</sup>

Midwest is an electric cooperative serving more than 35,000 members in Southern Michigan, Northern Indiana and Ohio. Not-for-profit rural electric utilities provide electric energy to over 42 million people in 47 states or 12 percent of electric customers. Electric cooperatives own and maintain 2.5 million miles or 42 percent of the nation’s electric distribution lines. The service territory of rural electric cooperatives covers 75 percent of the U.S. landmass and serves an average of 7.4 consumer members per mile.

In the 1930s, rural electric cooperatives, like Midwest Energy, answered the call of rural America to bring electricity to the countryside. Electricity was a vital and

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<sup>1</sup> See *Connect America Fund, Universal Service Reform – Mobility Fund, ETC Annual Reports and Certifications, Establishing Just and Reasonable Rates for Local Exchange Carriers, Developing an Unified Intercarrier Compensation Regime*, WC Docket Nos. 10-90, 14-58, 07-135, WT Docket No. 10-208, CC Docket No. 01-92, Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 14-54 (June 10, 2014) (“*Omnibus Order*”) at para. 1 (quoting 47 U.S.C. § 254(b)(3)).

<sup>2</sup> See *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90, 14-58, Statement of Commissioner Mignon L. Clyburn, FCC 14-98 (July 14, 2014) (“...we will not leave behind those Americans who today find themselves on the wrong side of the digital divide.”).

transformative product that larger investor-owned utilities were unwilling and unable to provide to rural America. Today, Midwest Energy and other rural electric cooperatives are again answering the call to develop the next transformative utility, robust broadband, in rural America. Midwest offers comments in this docket to put its initiative, offered through its telecommunications subsidiary, Midwest Connections, in context of the Commission's regulation of rural broadband.

## **II. Rural Electric Cooperatives Can Transform Broadband Deployment in Rural America.**

According to a recent NTIA study, only 23 percent of rural residents have wireline broadband at a speed of 50 Mbps compared to 98 percent of urban residents.<sup>3</sup> The National Broadband Map and anecdotal evidence from Midwest members suggests that in the Midwest service area, 50 Mbps is even less available.<sup>4</sup> Significant gaps in the availability of broadband in rural America strand our members on the wrong side of the digital divide.<sup>5</sup> Without robust access to broadband, these Americans cannot take advantage of the educational opportunities or employment prospects that most Americans now take for granted. Midwest's members are clamoring for access to the same level of

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<sup>3</sup> See David Beebe and Anne Neville, *Broadband Availability Beyond the Rural/Urban Divide*, National Telecommunications and Information Administration, U.S. Department of Commerce (May 2013), available at [http://www.ntia.doc.gov/files/ntia/publications/broadband\\_availability\\_rural\\_urban\\_june\\_2011\\_final.pdf](http://www.ntia.doc.gov/files/ntia/publications/broadband_availability_rural_urban_june_2011_final.pdf).

<sup>4</sup> See the National Broadband Map, available at <http://www.broadbandmap.gov/speed>.

<sup>5</sup> See Lennard G. Kruger and Angele A. Gilroy, *Broadband Internet Access and the Digital Divide: Federal Assistance Programs*, Congressional Research Service (July 17, 2013), available at <http://fas.org/sgp/crs/misc/RL30719.pdf>. In Michigan, 0.8% of the urban population lacks access to 4Mbps download/1 Mbps upload broadband internet, while 22.4% of the rural population lacks access. *Id.* at 5.

broadband access as urban Americans.<sup>6</sup> For example, professors from both the University of Notre Dame and Western Michigan University live within the Midwest service territory. They enjoy robust broadband at work, but when they come home they lose the ability to work because they lack sufficient broadband service. Midwest has heard similar complaints from members who work at the Kellogg World Headquarters in Battle Creek, the Whirlpool World Headquarters in Benton Harbor and at Pfizer's large manufacturing facility in Portage.<sup>7</sup> The modern world demands reliable, affordable access to broadband.<sup>8</sup>

In response to member demand, Midwest began investigating the opportunity to provide this valuable service.<sup>9</sup> It became clear that although billions have been spent in rural telecommunications, little infrastructure exists in rural areas to provide broadband.

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<sup>6</sup> Midwest sent a Call to Action to its members to gauge the interest in deploying broadband. Within days, Midwest received more than 600 responses. One member noted: "We need to finish the job of providing broadband to rural areas even when it doesn't fit a profit model. The expense of not providing national coverage to all populations is far more costly. Let rural electric cooperatives that are poised to deliver a high-speed broadband solution do that." A summary of the Midwest Call to Action is attached as Exhibit A.

<sup>7</sup> There are many other significant educational institutions and world class employers in and near Midwest's service territory. The economic viability of rural areas depends on the extension of broadband.

<sup>8</sup> See *USDA Rural Development: Bringing Broadband to Rural America*, United States Department of Agriculture (May 2007), available at <http://www.rurdev.usda.gov/rd/pubs/RDBroadbandRpt.pdf>, at 3 ("By improving the quality of life in rural America, it no longer is a sacrifice for the next generation to return home and raise their families in a safe and comforting environment. Rural Development provides increased economic opportunities so people who choose to live in small towns can compete on a global level.").

<sup>9</sup> Midwest received its Competitive Local Exchange Carrier certificate from the Michigan Public Service Commission in March 2014. *In the matter of the application of Midwest Energy Cooperative d/b/a Midwest Connections for a license to provide basic local exchange service in designated exchanges*, Case No. U-17512, Order, before the Michigan Public Service Commission (Mar. 18, 2014).

Midwest explored satellite and broadband over power line solutions, but they all failed to provide reliable, scalable service.<sup>10</sup> Ultimately, Midwest designed a 243-mile fiber ring through utility substations and facilities for the immediate purpose of fostering a smarter grid for our members.<sup>11</sup> Leveraging this key asset provides Midwest a unique opportunity to deploy a high-speed, next-generation broadband solution where one currently does not exist. Construction has begun and will continue to roll out slowly absent CAF support.

Rural electric cooperatives, like Midwest, provide service to more than 42 million Americans. We serve the lowest population density by mile.<sup>12</sup> Electric cooperatives grew out of a need to serve communities where no other utilities saw adequate financial incentive.<sup>13</sup> We are closely connected to our members and we leverage that relationship

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<sup>10</sup> See, e.g., Jamie Yap, *Powerline communication to survive but in niches*, ZDNet (Sep. 18, 2012), available at <http://www.zdnet.com/powerline-communication-to-survive-but-in-niches-7000004416/> (“Powerlines were never made to handle communications. Think about it, you're asking the electric network to handle communications [besides] electricity... The result was a poor and inconsistent communication network, since [powerline communication] would unsurprisingly suffer from interference problems with other appliances that are also plugged into the electricity at home.”).

<sup>11</sup> The Executive Summary for Midwest’s fiber project is attached as Exhibit B.

<sup>12</sup> Cooperatives serve an average of 7.4 members per mile compared to Municipal electric companies who serve 48 customers per mile and Investor-Owned Utilities that serve an average of 34 customers per mile. *Co-Op Facts & Figures*, National Rural Electric Cooperative Association, available at <http://www.nreca.coop/about-electric-cooperatives/co-op-facts-figures/>.

<sup>13</sup> See *Geography of Rural Broadband Providers*, Economic Research Service, United States Department of Agriculture, available at [http://www.ers.usda.gov/ersDownloadHandler.ashx?file=/media/431237/err78d\\_1\\_.pdf](http://www.ers.usda.gov/ersDownloadHandler.ashx?file=/media/431237/err78d_1_.pdf), at 15 (“Residents in rural areas have always faced higher costs for telecommunication services than those in urban areas and, at least for the foreseeable future, will continue to do so. Economies of scale for the current technology set are at the core of why they face higher costs.”).

to be as responsive as possible to their needs. Today, our members tell us that need is broadband.

### **III. Increasing Available Broadband Speeds in Rural America Will Close the Digital Divide.**

The Commission currently requires recipients of Connect America Fund (“CAF”) funding to provide broadband service at 4 Mbps download and 1 Mbps upload speed.<sup>14</sup> It now proposes to increase that speed to 10 Mbps download to “further the statutory goal of ensuring that consumers in rural parts of the country have access to advanced telecommunications and information services that are reasonably comparable to those services available in urban areas.”<sup>15</sup> The Commission seeks comment whether it should similarly increase the upload speed.<sup>16</sup>

Midwest supports the Commission’s efforts to improve the broadband service offering in rural areas. Increasing the speed in and of itself may not actually improve service unless the Commission reconsiders how it distributes financial support to provide that service.<sup>17</sup> Midwest believes an increased benchmark supports the need for fiber

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<sup>14</sup> See *Connect America Fund, A National Broadband Plan for Our Future, Establishing Just and Reasonable Rates for Local Exchange Carriers, High-Cost Universal Service Support, Developing an Unified Intercarrier Compensation Regime, Federal-State Joint Board on Universal Service, Lifeline and Link-Up, Universal Service Reform – Mobility Fund*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-161 (Nov. 18, 2011) (“*Transformation Order*”).

<sup>15</sup> *Omnibus Order* at para. 140.

<sup>16</sup> *Omnibus Order* at para. 140.

<sup>17</sup> The Commission’s funding of high cost support in rural areas has not provided sufficient broadband in many rural areas, including the Midwest service territory. See the National Broadband Map. Available at <http://www.broadbandmap.gov/speed>.

networks and the need to fund the provider best able to serve each area. A diversity of competitors for CAF funding to provide rural broadband strengthens the likelihood that service will actually be extended into rural areas at reasonable prices.

The Commission proposes to adopt a term of support of ten years for providers awarded CAF Phase II support.<sup>18</sup> The Commission contemplates whether it should provide an opportunity to adjust the obligations later in the term of support.<sup>19</sup> Speeds could increase to as high as 20 Mbps download to 20 percent of locations in the CAF Phase II recipients.<sup>20</sup>

Midwest supports a ten year term for CAF Phase II funding, but encourages the Commission to maintain as much flexibility as possible in awarding the support. As discussed below, rural electric cooperatives like Midwest stand ready, able and willing to construct the broadband networks that have not been built to date by price cap carriers who historically have prioritized the better business case made in more populated areas.<sup>21</sup> Midwest believes it could leverage its own resources and the ten years of support being offered by the Commission to deploy a fiber solution in its service territory.

Midwest supports an increased level of service over the term of support, but it urges the Commission to provide funding to providers willing to construct a network able

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<sup>18</sup> *Omnibus Order* at para. 157.

<sup>19</sup> *Omnibus Order* at para. 157.

<sup>20</sup> *Omnibus Order* at paras. 157-58.

<sup>21</sup> Most price cap carriers are publicly traded and obligated to generate financial returns for their stock holders. Cooperatives answer to its members and prioritize providing service, even when there is not a business case for it.

to meet a higher level of service.<sup>22</sup> Deploying broadband to rural areas requires building network infrastructure that often does not exist in rural areas.<sup>23</sup> Midwest and other rural electric cooperatives stand ready to deploy fiber to the home (“FTTH”) networks that will be capable of deploying the higher speeds being contemplated by the Commission.<sup>24</sup>

#### **IV. Additional Flexibility in Meeting Deployment Obligations Serves the Public Interest.**

The Commission seeks to introduce greater flexibility into the Phase II funding process.<sup>25</sup> The Commission speculates that allowing a price cap carrier accepting a state wide election or the winner of a competitive auction could accept funding and serve less than 100% of funded locations.<sup>26</sup> The Commission additionally seeks comment on whether it should provide flexibility to serve partially served census blocks. The

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<sup>22</sup> Existing price cap carrier infrastructure will need to be significantly upgraded to provide an evolving level of service. See Martha Silver and Derrick Owens, *FCC Proposals Risk Backsliding on Rural Broadband*, Western Telecommunications Alliance (Jan. 12, 2010), available at <http://w-t-a.org/wp-content/uploads/2010/07/011210JointBroadbandReleaseFinal.pdf> (“[OPASTCO and WTA] urge the FCC to focus on ensuring that high-cost support mechanisms are commensurate with the public need for expanded broadband availability and speed, and reforming the Universal Service Fund (USF) contribution mechanism to adequately support current rural networks and enable the necessary new investment to expand and upgrade rural broadband infrastructure.”).

<sup>23</sup> See Alexandra Haynes, *Press Release: Graves Urges Commitment to Expanded Broadband Infrastructure in Rural Communities*, House Committee on Small Business (May 12, 2010), available at <http://smallbusiness.house.gov/news/documentsingle.aspx?DocumentID=185277> (“The Internet and related technologies are not as widespread as we would like to think. There is a severe lack of appropriate infrastructure that limits many American communities, businesses, and families from gaining full access to these services. Rural areas in many states are particularly likely to lack the infrastructure needed to allow them to benefit from this vital technology. Without access to affordable broadband services, the economies and development of these communities can suffer.”).

<sup>24</sup> See Exhibit B.

<sup>25</sup> *Omnibus Order* at para. 164.

<sup>26</sup> *Omnibus Order* at para. 164.

Commission expresses concern that awarding funding where private capital has been invested close by might discourage additional private investment.<sup>27</sup>

Midwest embraces any additional flexibility sought by the Commission so long as that flexibility is used to promote the greater deployment of broadband in rural areas. Allowing a price cap carrier to accept marginally less funding to disregard some of the customers it would otherwise be obligated to serve does not serve the goals of universal service. Midwest believes that assuming that an entire area is served based on service in a portion of the service area disregards the needs of rural America.<sup>28</sup> Price cap carriers have cherry picked the least expensive locations to serve, to fulfill the needs of rural America; Midwest believes the service should be extended to all locations in an area where CAF Phase II support is awarded.

**V. Higher Eligibility of Areas for Phase II Support Encourages Broadband Deployment in Rural Areas.**

The Commission currently disqualifies price cap carriers from receiving support in areas where an unsubsidized carrier provides facilities-based service.<sup>29</sup> The Commission

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<sup>27</sup> *Omnibus Order* at para. 166.

<sup>28</sup> See Charles Scott, *A Cooperative Solution to Rural Broadband in Northern Michigan*, Northern Michigan Broadband Cooperative, available at <http://www.northernmichiganbroadband.org/white-paper-4/> (“Job creation and retention is critical to the Northern Michigan's economy and Broadband services are required to attract and retain those employees. New businesses are less inclined to locate in an area without Broadband because the employees they need to attract are demanding it. Existing residents also need Broadband connectivity for access to on-line job training and information required to obtain work and perform their jobs.”).

<sup>29</sup> *Transformation Order* at para. 103 (“However, all broadband buildout obligations for fixed broadband are conditioned on not spending the funds to serve customers in areas already served by an “unsubsidized competitor.” We define an unsubsidized competitor as a facilities-

now seeks to revise its view and deny support to a price cap carrier or another provider who may compete for support in an auction for areas where there is a facilities-based provider regardless of whether the provider is subsidized or not.<sup>30</sup> The Commission seeks comment on whether it is the best use of the CAF budget to provide support in geographic areas where there is another facilities-based terrestrial provider of fixed residential voice and broadband services that meets our current requirements, whether that competitor is subsidized or not.<sup>31</sup>

Midwest is a new telecommunications provider and has not previously engaged on the issue of a subsidized or unsubsidized carrier offering facilities-based service.<sup>32</sup>

Midwest appreciates the intent behind the Commission's proposal, but it is unclear what the long term implications may be. Midwest is concerned about how such a rule might be applied where there is existing inferior equipment than might be deployed by an alternate provider with an opportunity to compete for funding. The mere existence of telecommunications equipment capable of deploying broadband at the relatively modest benchmark now used by the Commission of 4 Mbps/1 Mbps would leave many rural

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based provider of residential terrestrial fixed voice and broadband service that does not receive high-cost support.”).

<sup>30</sup> *Omnibus Order* at para. 174.

<sup>31</sup> *Omnibus Order* at para. 174.

<sup>32</sup> Midwest received its CLEC authority in March 2014 from the Michigan Public Service Commission. *In the matter of the application of Midwest Energy Cooperative d/b/a Midwest Connections for a license to provide basic local exchange service in designated exchanges*, Case No. U-17512, Order, before the Michigan Public Service Commission (Mar. 18, 2014).

areas far behind.<sup>33</sup> The Commission itself acknowledges that this speed is far behind that available in urban areas and is largely inadequate for advanced services like video conferencing and streaming necessary for many educational applications.<sup>34</sup> Midwest believes where the incumbent hasn't deployed broadband in rural areas or indicated a willingness to serve, the mere existence of a price cap carrier should not preclude other ETCs from receiving funding for broadband.

The Commission expresses concern about the best use of its scarce CAF resources and seeks input on where to devote its high cost support.<sup>35</sup> The Commission believes that any support used to overbuild an existing network would divert much needed resources from other worthy broadband projects.<sup>36</sup> The Commission seeks comment on whether a strict prohibition on overbuilding existing networks would make it unreasonably difficult to construct advanced networks or generate a competitive bid that could fund a cost-effective network.<sup>37</sup>

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<sup>33</sup> See Aaron Mamiit, *FCC wants to redefine broadband: 10Mbps downstream, 2.9Mbps upstream*, Tech Times (May 31, 2014), available at <http://www.techtimes.com/articles/7842/20140531/fcc-wants-to-redefine-broadband-10mbps-downstream-2-9mbps-upstream.htm> (“While the 4 Mbps speed was a huge jump from the FCC's definition for broadband Internet before it that was at 768 kbps, the needs of consumers today require Internet speeds that are far faster than 4 Mbps.”).

<sup>34</sup> See *Omnibus Order* at para.140. See also Mamiit, *supra* fn. 33 (“Netflix, which requires a minimum speed of 5 Mbps for the user to access streaming HD content, accounts for one-third of Internet traffic at night in North America. YouTube comes at second with 17 percent, and together, video streaming takes up half of evening data usage.”).

<sup>35</sup> *Omnibus Order* at para. 176.

<sup>36</sup> *Omnibus Order* at para. 176.

<sup>37</sup> *Omnibus Order* at para. 176.

Midwest appreciates the Commission's intention of funding as many rural broadband projects as possible.<sup>38</sup> Midwest's experience, and the Commission's experience, really demonstrate that to close the digital divide the Commission must remain focused on the deployment of next generation solutions, like the one proposed by Midwest and other rural electric cooperatives.<sup>39</sup> Research suggests that consumers prefer a fiber based solution.<sup>40</sup> There is little meaningful broadband infrastructure in Midwest's service area. The mere existence of underlying telecommunications infrastructure used to provide local telephone service and low quality internet access should not disqualify Midwest from competing for CAF Phase II funding. Likewise, satellite service should not be considered a viable network alternative to fiber.<sup>41</sup>

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<sup>38</sup> Midwest looks forward to competing for support through the Rural Broadband Experiment program this fall. *Connect America Fund, ETC Annual Reports and Certifications*, WC Docket Nos. 10-90, 14-58, Report and Order and Further Notice of Proposed Rulemaking, FCC 14-98 (July 14, 2014) ("*Rural Broadband Experiments Order*").

<sup>39</sup> Most Expressions of Interest submitted to the Commission proposed fiber based solutions. Midwest expects most Rural Broadband Experiments will seek support for a fiber based solution capable of achieving the 25 Mbps/5 Mbps required to compete for the largest category of support (\$75M). See *Rural Broadband Experiments Order* at 24 ("The \$100 million budget for the rural broadband experiments in price cap territories will be divided into three separate categories: \$75 million for projects meeting very high performance standards; \$15 million for projects meeting specified minimum performance standards that exceed our current standards; and \$10 million for projects dedicated to serving extremely high-cost locations.").

<sup>40</sup> See, e.g., *Home Sales Advantage: Fiber-Based Broadband*, Verizon (June 29, 2009), available at <http://newscenter2.verizon.com/press-releases/verizon/2009/home-sales-advantage.html> ("A national study of U.S. broadband consumers by RVA LLC Market Research and Consulting, released this week, shows that 82 percent of those buyers who have had broadband service over fiber all the way to the home rank it as the leading real estate development amenity. Four other key prospective features ranked lower among buyers shopping for a new home.").

<sup>41</sup> See, e.g., *Comments of General Communication, Inc. in the matter of Connect America Fund*, WC Docket No. 10-90, Docket No. 09-51, WC Docket No. 07-135, WC Docket No. 05-337, CC Docket No. 01-92, CC Docket No. 96-45, WC Docket No. 03-109, before the FCC

## **VI. Rural Broadband Experiments Should Play a Significant Role in Shaping the Offer of Model-Based Support.**

The Commission received over 1,000 Expressions of Interest for the Rural Broadband Experiment program.<sup>42</sup> The response by a variety of potential providers of broadband including rural electric cooperatives, like Midwest, Tribes, community groups and affiliates of rate of return carriers was overwhelming and strongly signaled an untapped resource for broadband deployment.<sup>43</sup> The Commission now seeks comment on whether areas covered by broadband experiments (actual/proposed) be exempted from the right of first refusal by the price cap carrier.<sup>44</sup> Basically, the Commission proposes that a price cap carrier would not receive support for and would not be obligated to meet the broadband performance obligations unless it competed for and won support in the geographic area subject to a Rural Broadband Experiment application.<sup>45</sup> It is expected that competition will bring higher levels of service at a lower cost to rural areas across America.

Midwest wholly supports the Commission's proposal. The FCC is poised to award almost \$20 billion Connect America funding to support the high cost areas served by the price cap companies. This is a once in a generation opportunity to deploy

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(Jan. 18, 2012) at 5 (“Advanced telemedicine, distance learning, and other many enterprise broadband services will require the deployment of terrestrial middle-mile facilities: satellite services cannot support applications that tolerate only very low latency.”).

<sup>42</sup> For a list of the Expressions of Interested received by the Commission *see* <http://www.fcc.gov/encyclopedia/rural-broadband-experiments>.

<sup>43</sup> Midwest's Expression of Interest is attached as Exhibit C.

<sup>44</sup> *Omnibus Order* at para. 220.

<sup>45</sup> *Omnibus Order* at para. 220.

broadband in rural communities who deserve to be full participants in our modern economy. Midwest appreciates the efforts of the FCC to create an inclusive environment where all eligible providers have an opportunity to compete for support in offering creative solutions and to close the gap between broadband available in urban and rural areas.

The rural areas that Midwest and other electric cooperatives serve are struggling.<sup>46</sup> For the first time in our history, rural America lost population.<sup>47</sup> Since 2011, net job growth in non-metro areas has been near zero.<sup>48</sup> At least one of the contributing factors is the lack of essential services – like broadband. This notion concerns Agriculture Secretary Tom Vilsack who stated:

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.<sup>49</sup>

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<sup>46</sup> See *Testimony of Robert L. Hance*, before the House Agriculture Subcommittee on Livestock, Rural Development and Credit, July 29, 2014. Attached as Exhibit D.

<sup>47</sup> See Lorin Kusmin, *Rural America at a Glance, 2013 Edition*, Economic Research Service, United States Department of Agriculture (Nov. 2013), available at [http://www.ers.usda.gov/publications/eb-economic-brief/eb24.aspx#.U9ff9\\_lDV8F](http://www.ers.usda.gov/publications/eb-economic-brief/eb24.aspx#.U9ff9_lDV8F) at 1 (“The stagnation in nonmetro job growth overlaps with the first recorded period of nonmetro population loss, between 2010 and 2012, which was driven by a decrease in net migration to rural areas.”).

<sup>48</sup> See Kusmin, *supra* fn. 47, at 1 (“Since the start of 2011, however, net job growth in nonmetro areas has been near zero while employment in metro counties has grown at an annual rate of 1.4 percent.”).

<sup>49</sup> See Mary Clare Jalonick, *USDA Chief: Rural America Becoming Less Relevant*, Associated Press (Dec. 8, 2012), available at <http://bigstory.ap.org/article/usda-chief-rural-america-becoming-less-relevant>.

Nationwide, broadband has become an important utility service. Homebuyers base purchasing decisions on the quality of connection available as much as they consider the neighborhood or school district.<sup>50</sup> Further, rural Americans require broadband in order to take advantage of modern precision agriculture equipment and remote access to educational and occupational opportunities. Without some significant change to the status quo, broadband availability will not improve. Midwest believes the Commission can either allocate more resources or allocate existing resources better. Given the scarcity of those resources, Midwest believes a more inclusive and thus competitive approach would allow for a better allocation and more productive result for communities, schools, libraries, and healthcare facilities.

**VII. Phase II Competitive Bidding Process Should Promote Highest Level of Service Possible in Rural America.**

The Commission proposes many criteria for the Phase II competitive auctions.<sup>51</sup> Midwest would like to focus its comments on the Commission’s proposal to prioritize bids that exceed the Commission’s existing standards.<sup>52</sup> The Commission suggests that to qualify for a preference, a bidder must commit to offering service that substantially exceeds the current standards to 100 percent of all funded locations or perhaps to some lesser percentage.<sup>53</sup>

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<sup>50</sup> See, e.g., *Home Sales Advantage: Fiber-Based Broadband*, Verizon (June 29, 2009), available at <http://newscenter2.verizon.com/press-releases/verizon/2009/home-sales-advantage.html>.

<sup>51</sup> See *Omnibus Order* at paras. 224-34.

<sup>52</sup> *Omnibus Order* at para. 231.

<sup>53</sup> *Omnibus Order* at para. 231.

Midwest supports the Commission's proposal to give preference to bidders that commit to providing a substantially higher standard of service. Midwest is not sure what should qualify as substantially higher service, but it expects the Rural Broadband Experiments will provide some meaningful feedback for the Commission. Generally, giving funding priority to next generation networks capable of delivering high speed broadband serves the public interest and gives Rural areas the best chance of catching up to the technology that most Americans take for granted. Midwest would support allowing bidders to retain a preference if at least 80% of the funded locations would be served with service that substantially exceeds the Commission's standards.

### **VIII. Conclusion.**

Rural electric cooperatives revolutionized life in Rural America in the 1930s and 1940s.<sup>54</sup> Small companies with close community ties took risks, built networks and brought the economic development desperately sought at that time. The world may be a different place today, but once again Rural areas are lagging in the deployment of critical utility infrastructure. Rural electric cooperatives are again prepared to take risks, build next generation networks and deliver the economic development associated with robust broadband.

The Commission stands at a vital cross road. If it awards high cost support in the same manner it always has, the result will not change. The time has come to allow rural communities to catch up and enjoy the technological benefits of the modern world.

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<sup>54</sup> See *History of Rural Electric Co-Ops*, National Rural Electric Cooperatives Association, available at <http://www.nreca.coop/about-electric-cooperatives/history-of-electric-co-ops/>.

Midwest implores the Commission to take an inclusive approach to high cost funding.

Allow all potential providers to compete for the privilege of building networks. Now is the time to close the digital divide for good.

Respectfully submitted on this 8th day, August 2014.

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