

Midwest Energy Cooperative

Executive Status Update Summary of Project Connect-Rural-Michigan

Midwest Energy Cooperative's ("Midwest") board of directors has charged senior management with developing a coalition of allies to bring high-speed broadband service to unserved and underserved portions of rural Michigan, in part, by accessing federal funding from the Connect America Fund ("CAF") which, to date, has only been available to more traditional incumbent entities who have declined to accept much of the available funds as inconsistent with their business plan. The result is that high-speed broadband service is today only available in more populated areas — and large portions of rural America remain unserved or underserved.

While Midwest's focus is on its service territory, its goal is to act as a catalyst to bring high-speed broadband to unserved and underserved rural America. To date, Midwest views its allies as including the Utilities Telecom Council ("UTC"), United States Department of Agriculture - Rural Utilities Service ("RUS"), the Michigan Electric Cooperative Association ("MECA"), Michigan Public Service Commission ("MPSC"), the American Farm Bureau Federation ("AFBF") and other similarly situated rural electric cooperatives throughout the country.

Midwest is proceeding with the deployment of a 243-mile fiber communications ring through utility substations and facilities to foster a smarter grid. Not only will this fiber ultimately help member consumers manage their energy use, it will provide the critical infrastructure required to support broadband deployment.

To date, Midwest has taken the following actions to bring high speed broadband to rural Michigan and rural America:

- Power System Engineering (www.powersystem.org) was retained in 2012 to assist in the necessary technical analyses associated with our fiber communications ring; and Pulse Broadband, Inc. (www.pulsebroadbandinc.com) was retained in 2013, along with a host of other contractors, to assist with financial modeling, provisioning of services and deployment of fiber-to-the-premises ("FTTx");
- Orjiakor Isiogu, former MPSC Chairman and former Chair of the National Association of Regulatory Utility Commissioners ("NARUC") Taskforce on Federalism & Telecommunications, has been retained to assist in policy analyses and licensing guidance;
- The national law firm, Dykema (Albert Ernst and Shannon Heim) has been retained to assist with legal input and regulatory compliance;
- Midwest's fiber communications ring represents a \$9.5 million investment by the cooperative.. Another \$53 million is required to deploy FTTx off that ring to rural un-and-underserved southwest Michigan. Midwest has now been advised by the US Department of Agriculture, Rural Utilities Services, that electric loans can now be used to invest in fiber deployment to the home, thus providing a low-cost matching source for CAF application – assuming smart grid application. Still, access to CAF will help expedite a solution for residents of Midwest's rural service footprint;
- With respect to advancing the notion that CAF be availed to others, the Midwest team has met with senior representatives of the RUS, NRECA, MECA, the MPSC, FCC, NARUC, Pokagon Band of Potawatomi, AFBF and member organizations, and the Michigan Governor's office in both Lansing, MI and Washington D.C. We have done this solely and in tandem with UTC and its Rural Broadband Council ("RBC"), a group consisting of more than 100 of the nation's rural electric cooperatives;

- Over the past year, Midwest and its allies have met several times with FCC Commissioners and staff, their Office of Strategic Planning, Wireline Bureau and IP Transitions Team;
- Midwest and its partners have also met with key members of Congress as well as the United States Government Accountability Office (GAO). The GAO has released a series of reports on rural broadband deployment efforts based, in part, on discussions with Midwest and others (<http://www.gao.gov/products/GAO-14-409>);
- On December 10, 2013, in coordinated filings, Midwest and UTC requested that the FCC initiate proceedings which will transition access to CAF funds to the country's rural electric cooperatives and other entities serving rural America. On January 30th, the FCC issued an Order that includes rural experiments, inviting interested parties to file expressions of interest ("EOI") by March 7, 2014. On March 7, 2014, Midwest filed an EOI to FCC along with over 100 rural electric cooperatives. All total, 1,000+ EOIs were filed with the FCC. The FCC will now evaluate the EOIs, set a budget for rural experiments, provide application guidance, evaluate applications and begin funding projects late third quarter;;
- On February 12^h, 2014, Midwest and its partners secured a resolution from NARUC supporting broader access to CAF by utilities and other critical infrastructure industries;
- Midwest received its permanent competitive local exchange carrier ("CLEC") license in March 2014 and a code of conduct waiver from the MPSC in June 2014. Its application for an eligible telecommunications carrier ("ETC") license is in process.
- A soft launch of Midwest's full project is underway, deploying roughly 21 miles of its communications ring through two Midwest substations. In addition to assessment of smart grid potential, Midwest is building 86 miles of fiber to 951 homes and businesses in the area. Even absent a strong marketing push, our overall take rate is 26% thus far. Service plans range from 25 – 100 mbps down and 10 – 50 mbps up for residential and 25 – 100 mbps of symmetrical service for business. Midwest's service is scalable to a gigabit. Voice Over Internet ("VOIP") will be provided by Big River Telephone and video is being evaluated;
- In June 2014, the FCC issued a Report and Order, Declaratory Ruling, Order, Memorandum Opinion and Order, Seventh Order on Reconsideration, and Further Notice of Proposed Rulemaking (WC Docket No. 10-90), which should make it easier for utilities to gain access to federal funding for rural broadband under CAF.
- On July 11, 2014, the FCC issued an Order detailing the process by which entities may apply for a rural experiment. Applications are due on October 14, 2014. We will be participating in rural experiment workshops and plan to be active in commenting on the FNPRM. Additionally, Midwest intends to apply for rural experiment funding while continuing to push for equal access to CAF going forward.
- On July 29, 2014, Midwest Energy President & CEO, Bob Hance, testified on behalf of NRECA before the House Subcommittee on Livestock, Rural Development and Credit. Mr. Hance encouraged Congress to push the FCC for more inclusive access to CAF funding.

This Executive Status Update Summary will be updated periodically to keep interested parties advised as to progress. Questions should be directed to either Midwest President and Chief Executive Officer Bob Hance at 269-445-1091 (bob.hance@teammidwest.com) or Midwest Vice President, Regulatory Compliance and Community Development Dave Allen at 269-445-1081 (dave.allen@teammidwest.com).