



MEC

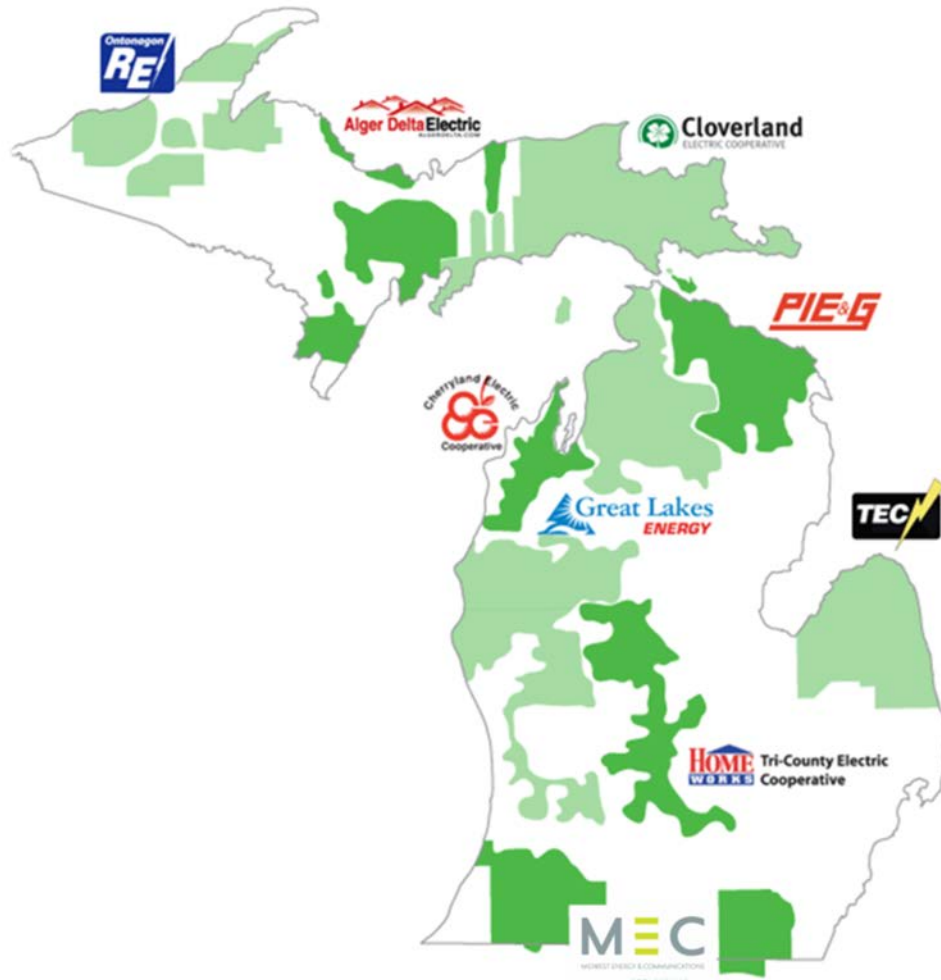
MIDWEST ENERGY & COMMUNICATIONS

National Association of Regulatory Utility Commissioners

2017 Staff Subcommittee on Accounting and
Finance Conference
Springfield, IL

Mr. Bob Hance, CEO

Who Is Team Midwest?



- Member-owned electric cooperative with three primary lines of business
 - **Electric Distribution** – Serves approximately 36,000 members in 11 counties in southern Michigan and northern Indiana and Ohio
 - **Propane Sales** – Provides service to 6,200 business and residential customers in 15 counties located in both Indiana and Michigan
 - **Telecommunications** – Provides broadband communications solutions including fiber internet and telephone to over 5,000 business and residential customers in southwest Michigan
- Operating Statistics
 - Consolidated Assets = \$234M
 - Consolidated Revenue = \$88M
 - Total Employees = 127

Our Vision

- Vibrant, relevant, sustainable rural communities

Customer Feedback

“The one regret about this home is that there is no high-speed internet. I am now concerned about when my children are going to school, if they will be able to remain competitive with other children who have internet. 20 years ago things were different, but today we need internet access. Everything is moving to be download-only and the world expects that you have internet.”



Our Mission

- To deliver first-in-class innovations and solutions where others won't.

Customer Feedback

★★★★★ Our power went out for the first time in over a year this morning. (After a huge snow storm), I used their automated system, next thing there was a truck in my driveway. Amazing company !! Then a follow up call saying power was restored !! For small town they are big city tech. The internet is stupid cheap and crazy fast. If you live in cass team fiber is a must have. Almost 70 down 25 up. Then I was playing with my bobcat accidentally cut my cable line, before I could call they called and asked if everything was ok with my internet as they could see it was off line. Sent someone around to fix it \$350 later internet fixed. they are great to deal with. Propane is cheap and easy to deal with.



ELECTRIC



INTERNET



PROPANE

- **Dial-Up**

- In 2000, Midwest began offering 50 Kbps dial-up service through TransWorld Network



- **Satellite**

- In 2004, WildBlue TeleSat Anik F2 launched (1.5 Mbps)
- In 2007, WildBlue-1 launched (1.5 Mbps)
- In 2009, Wildblue AMC-15 launched
- In 2011, Exede ViaSat-1 launched



- **BPL**

Broadband Over Power Lines

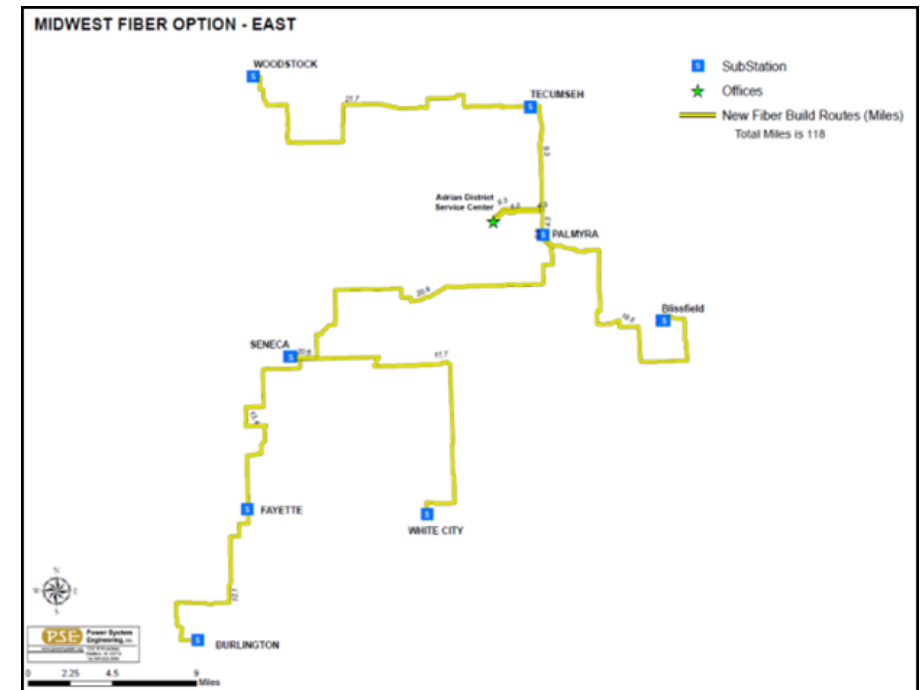
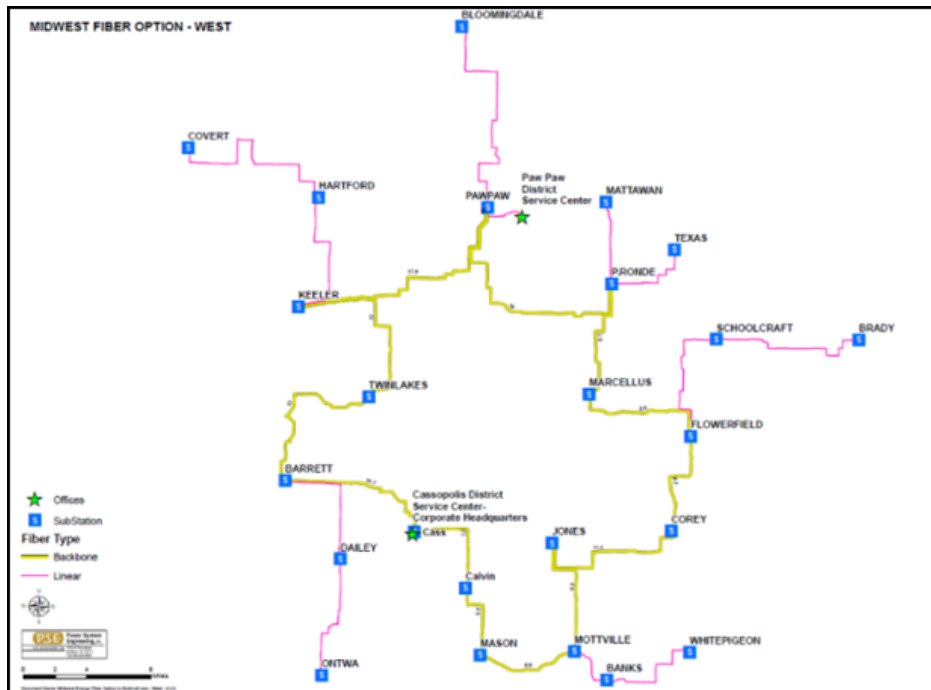
- In 2008, Midwest offered BPL through IBEC (1.5 Mbps)
- IPEC goes belly-up in 2011



Communications History

- 2009 WiMax
 - Unsuccessfully applied for a \$12.5M WiMax project through the \$7.2B broadband stimulus program

- 2010 Fiber
 - Unsuccessfully applied for a \$30.6M FTTx project through the \$7.2B broadband stimulus program



Communications History



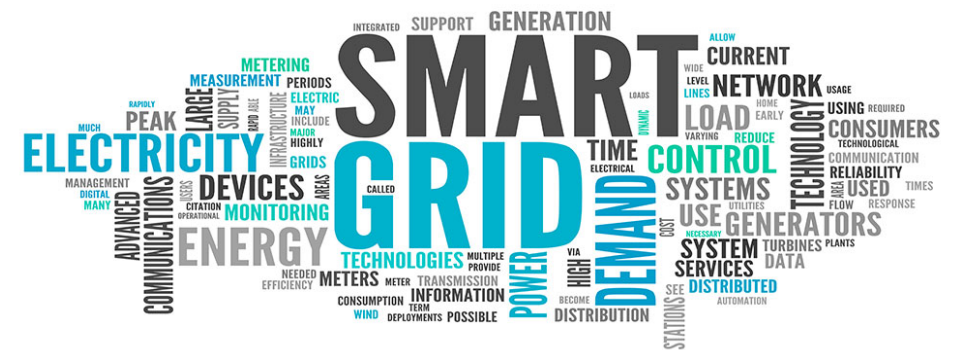
• Fiber Optics – Continued

- In 2013, Midwest engaged Pulse Broadband, Inc. to design and provide financial modeling for a 32-split GPON network.
- In 2013, Midwest initiated a soft launch project:
 - Two substations
 - 21 miles of fiber for communications
 - 88 miles of FTTx
- In 2014, Midwest's board of directors approved a five-year \$60 million project.

The Smarter Grid



- Investing in a robust, two-way fiber communications system across our distribution grid to power utility solutions into the future.
- Phase I: 243 miles through substations and facilities and 1,800 miles of primary lines.
- Financed through a RUS work plan loan.
- “We don’t know what’s coming, but know it will be driven by technology across the grid and we need to be prepared.”
 - Dynamic voltage control
 - Outage Management/Distribution Automation
 - Fourth Quarter 2017
 - Integrated distributed generation
 - Smart Homes & IoT



Grassroots Approach – Join the Crowd



ALREADY REGISTERED? | SIGN IN HERE

- Main
- Products **2**
- Zones **31**
- Updates **44**
- Backers **8,388**



In the 1930s, electricity was not a given, particularly in rural America. Incumbent utilities brought power only in the more densely populated areas, leaving millions in the dark. A similar inequity exists today with high-speed internet.

Midwest Energy & Communications is committed to building vibrant, relevant, sustainable rural communities by delivering first-in-class solutions where others won't. We're investing in a fiber communication system across our electric distribution

Enter Your Street Address

Apartment/Suite #

Enter your ZIP Code

Residential

Search for My Address

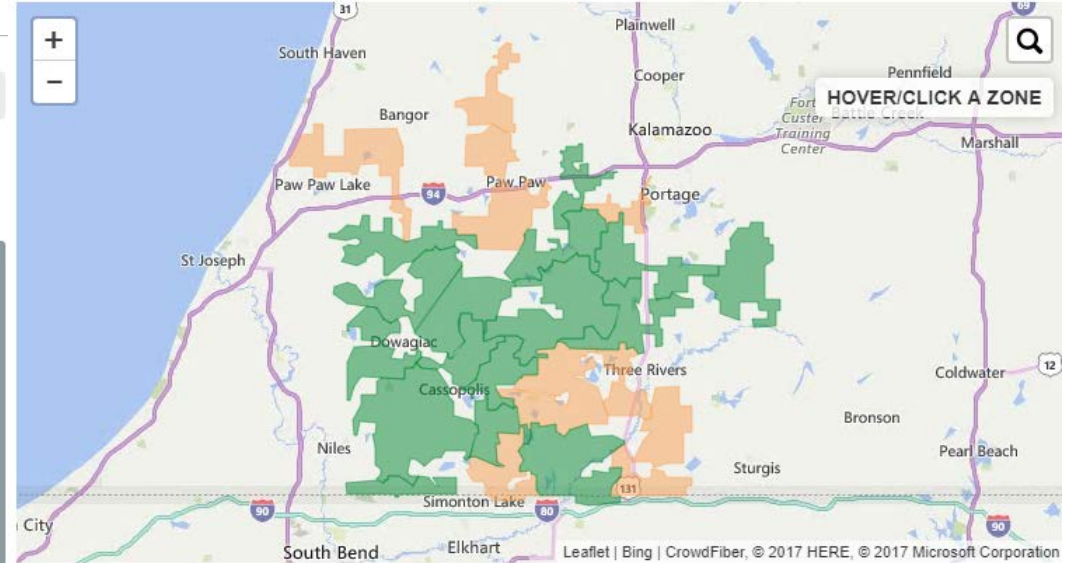
16 Zones In Service

15 Zones In Pre-Registration

8388 Backers Registered

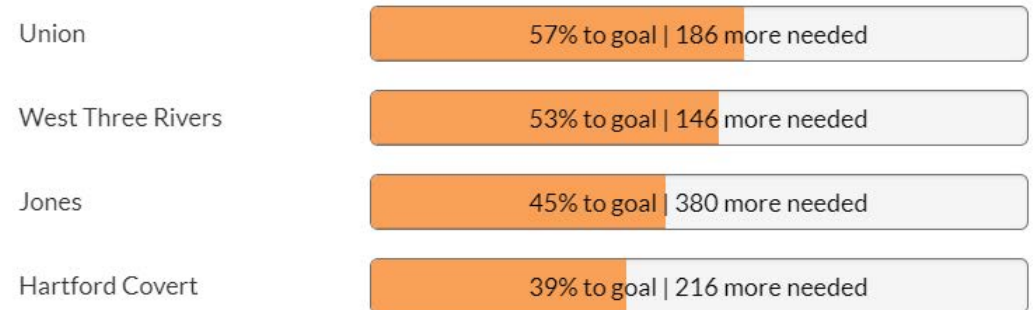
897

 10



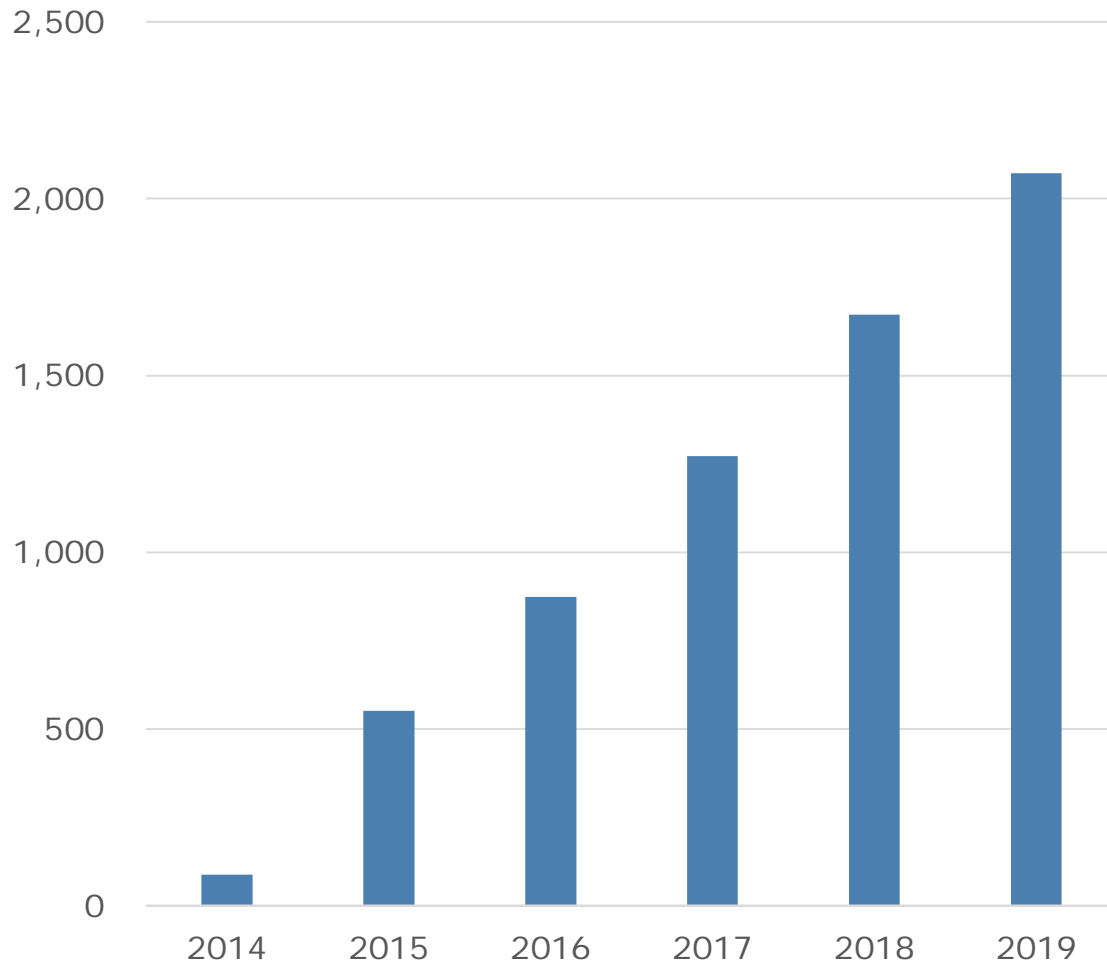
Zones In Pre-Registration

Areas where a goal must be met before service will be made available.



Fiber CapEx

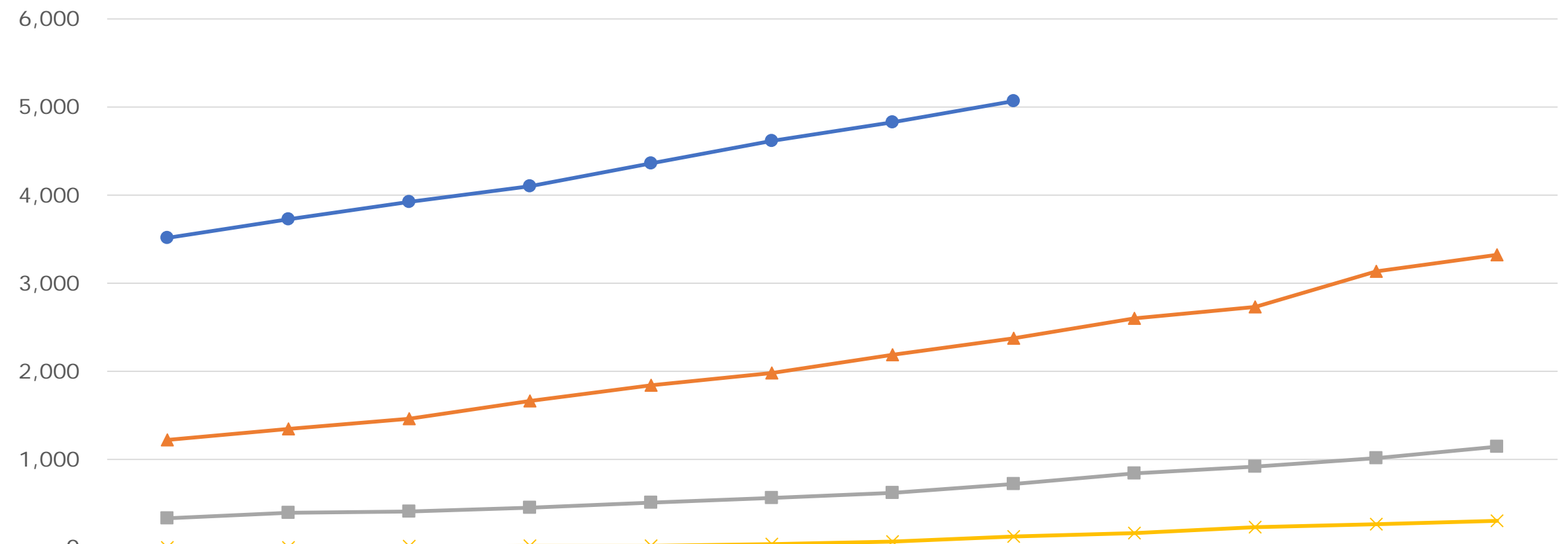
Mainline Fiber Miles



CapEx (\$ in thousands)	LTD
Mainline Fiber	\$ 23,700
Electronics - Headend & Cabinets	1,092
Drops/Installs	8,107
Total	\$ 32,899

- LTD Actual Construction Costs
 - Mainline Fiber cost per Mile = \$19,883
 - Drops/Installs cost per Customer = \$1,601

Fiber Customers



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
● 2017	3,515	3,727	3,923	4,101	4,361	4,612	4,828	5,065				
▲ 2016	1,221	1,347	1,463	1,664	1,841	1,981	2,185	2,373	2,598	2,731	3,135	3,319
■ 2015	333	394	408	451	509	563	621	723	840	916	1,014	1,143
✕ 2014	1	1	12	19	21	36	65	123	163	230	266	302

FIBER UPDATE 9/5/17

6206 Signed Up in Active Campaigns

5088
Active Accounts

189
Ready for Install

929
Under Construction

63
Installs completed
last week

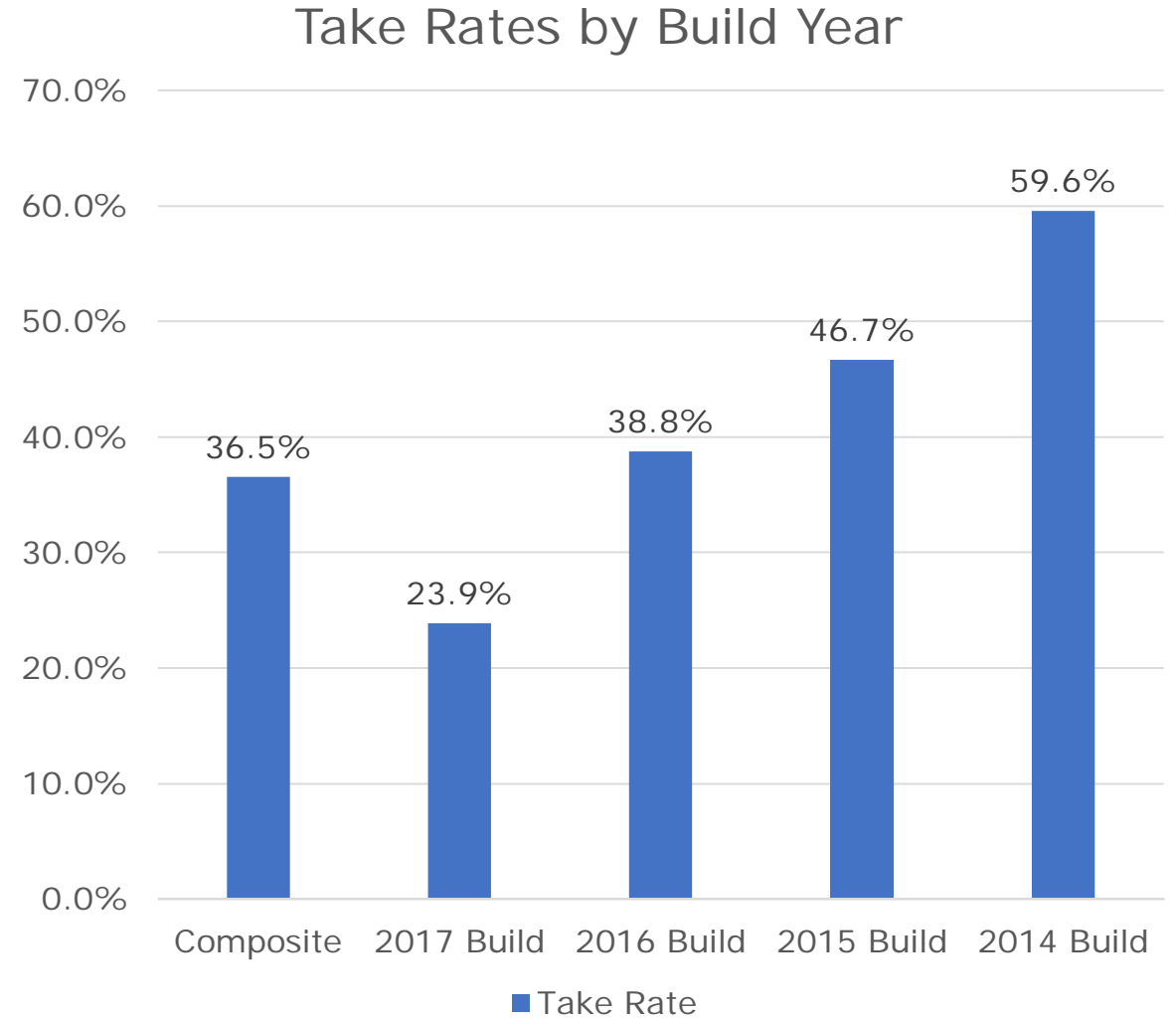
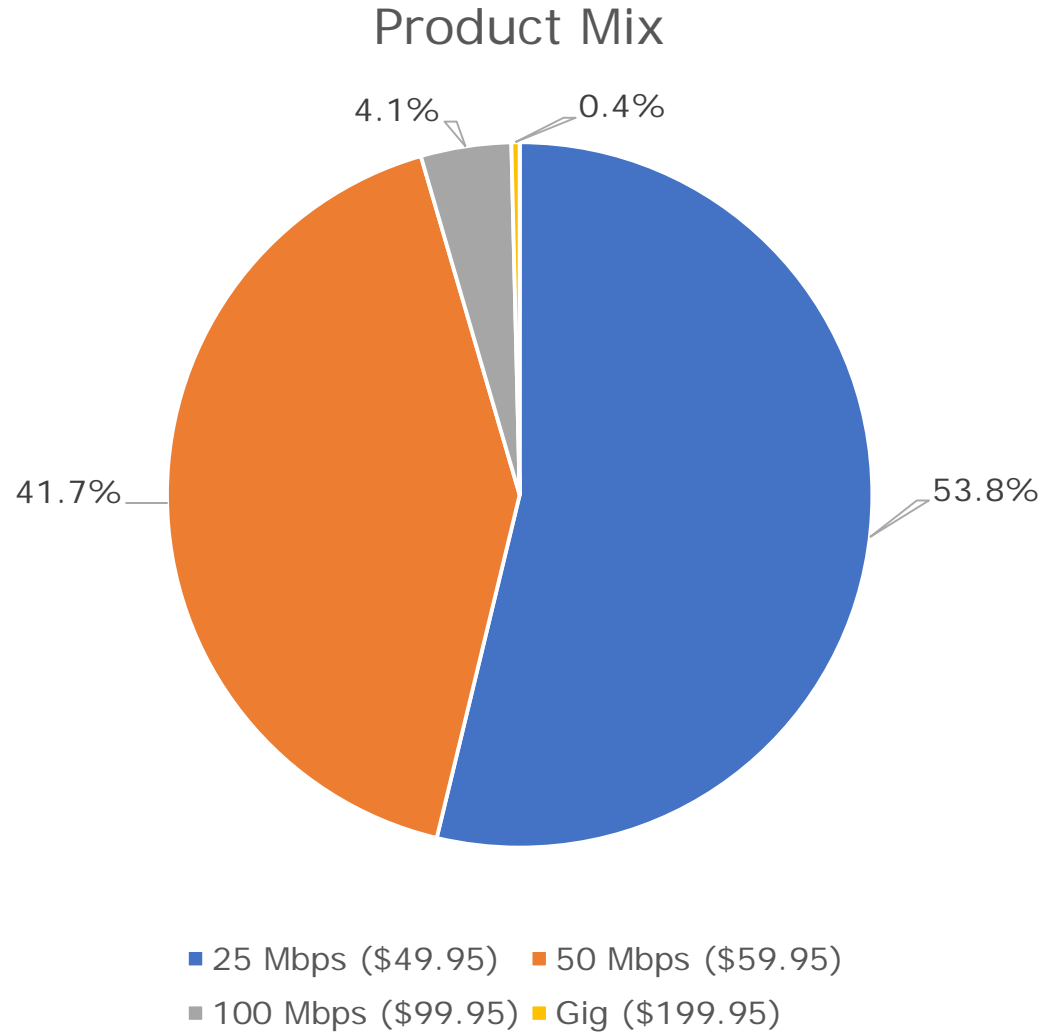
48
Scheduled
this week

55
Upcoming
appointments

77
Remaining to be
scheduled

9
Delayed at customer's
request

Fiber Statistics





UNLIMITED FIBER INTERNET

BASIC	ADVANCED	ULTRA	GIG
25 Mbps	50 Mbps	100 Mbps	1 Gbps
\$49 ⁹⁵	\$59 ⁹⁵	\$99 ⁹⁵	\$199 ⁹⁵



UNLIMITED NATIONWIDE PHONE

Enjoy crystal-clear calls over your fiber network with unlimited calling to the entire United States for ⁹⁵39⁹⁵ per month. International calling plans and other features available. Bundle internet and phone together and receive a ⁹⁵10 discount.

FREE INSTALLATION* NO DATA CAPS

800.492.5989



teammidwest.com

MIDWEST ENERGY & COMMUNICATIONS

The new sales flyers are complete. The assets below are still being developed.

- Launch Postcard
- Moo cards
- Yard signs
- Business Sales flyer
- Door Hanger
- Speed Charts
- NEW Launch mailer for 2018 campaigns

VIEWLOCAL

Plans are falling in place nicely as we prepare to announce ViewLocal. Members will receive word about ViewLocal in the October Country Lines. Employee/Friendlies will be testing the ViewLocal app starting September 15.



CREATE
FREEDOM

Cut the cord with **ViewLocal**

Local channels for **\$19⁹⁵** a month.

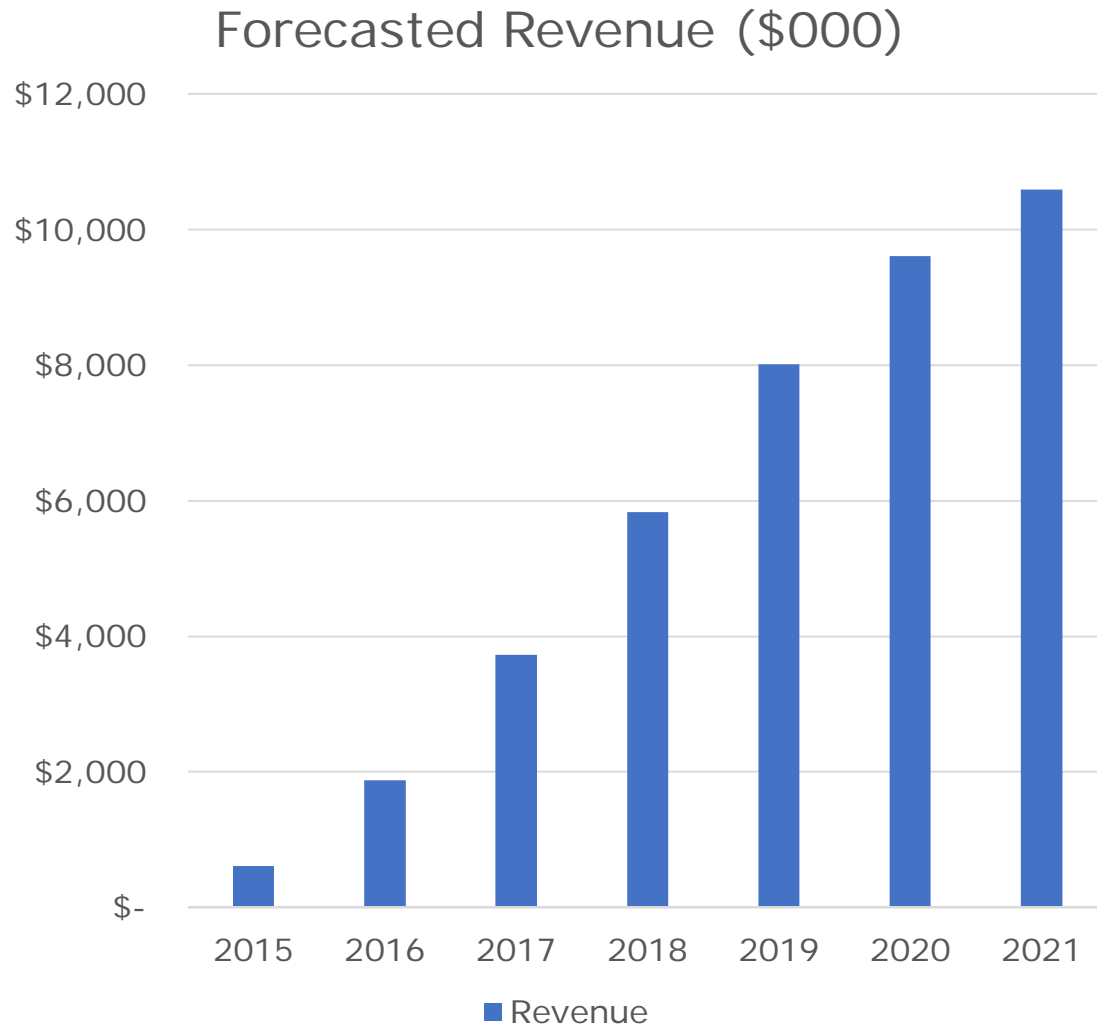
ViewLocal is delivered over the internet and lets you watch local channels without the high cost of cable TV or spotty reception of over-the-air signals.

The ViewLocal app is available on multiple devices simultaneously including TVs (via Roku), mobile devices (iOS and Android) and computers.

Visit our [website](#) or give us call to learn more.

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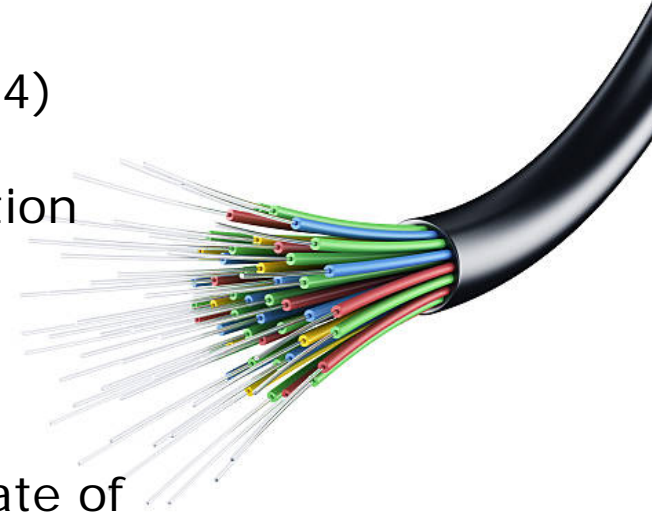
Fiber Statistics



- Average Revenue per User (ARPU)
 - Residential = \$56.26
 - Business = \$58.95
- Residential Customers = 96%
- Business Customers = 4%
- Year 5 = Cash Flow Positive
- Year 5 = Net Income Positive

Regulatory Considerations

- March 2014 - Competitive Local Exchange Carrier (CLEC) license approved by MPSC
- June 2014 - MPSC grants certain waivers from Code of Conduct (U-12134)
- May 2015 - Midwest's board of directors vote in favor of member regulation
- June 2015 - MPSC grants our Eligible Telecommunications Carrier (ETC) license
- August 2016 - Indiana Utility Regulatory Commission grants our Certificate of Territorial Authority (CTA)
- Ongoing state and federal compliance re: voice (tariffs) and data buildout (census blocks served)



Funding Considerations

- Connect America Fund (CAF) Phase 1
 - 2012 - \$300 million to price cap carriers
 - \$115 million accepted for 37 states
 - Frontier - \$71.9 million
 - CenturyLink - \$35 million
 - 2013 – Remaining \$185 million offered with changes
 - AT&T - \$100 million
 - CenturyLink - \$54 million

Funding Considerations

- Connect America Fund (CAF) – Rural Broadband Experiments (RBE)
 - 2013 - \$100 million to non-tradition providers of broadband
 - February 2014 – Midwest files EOI with the FCC along with 100+ other entities nationwide
 - October 2014 – We submit six RBE bids to FCC
 - Winning RBE bids receive funding. Losing bids are eligible for CAF Phase II funding at a later date.
 - March 2015 – We are awarded one bid (\$211,532) and lose the other bids. That said, we are now eligible for over \$12 million in CAF Phase II. The addition of high cost areas in 2016 bumped this figure up to \$22 million.
 - February 2016 – We receive our first RBE payment from USAC

Funding Considerations

- Connect America Fund (CAF) Phase II
 - 2016 - \$9 billion over six years to price cap carriers
 - AT&T - \$428 million in annual support (\$30 million in Michigan)
 - Frontier - \$283 million in annual support (\$22 million in Michigan)
 - CenturyLink - \$506 million in annual support (\$9 million in Michigan)
 - 2016 - \$20 billion over ten years to rate of return carriers
 - In our area, Bloomingdale accepted \$560,000-a-year for ten years (\$5.6 million)
 - 2018 - \$2.15 billion over ten years to “others”

First-In-Class Internet Solutions

- What surprised us? What have we learned?
 - FCC & digital divide
 - Customer demand can be tough to manage
 - Opportunities are everywhere
 - This country is not as well-served as we think
 - We didn't fully consider the impact of weather
 - Video
 - The "Law of Unintended Consequences"
 - We've created a lot of work for ourselves
 - Locates
 - Line Clearance



M E C

TOGETHER
OUR FUTURE IS BRIGHT



ELECTRIC



INTERNET



PROPANE