COOPERATIVES & COMMUNITY
BROADBAND NEEDS

Shannon Clark, Richland Electric Cooperative
Jerry Schneider, Marquette-Adams Telephone Cooperative
Lynn Pitman, UW Center for Cooperatives

The 2018 webinar series Cooperative Solutions for Community Needs is brought to you by the University of Wisconsin Center for Cooperatives
WHAT IS A COOPERATIVE?

A cooperative is a business that is owned and democratically controlled by the people or entities that use its services.

- Member owned
- Member controlled
- Members benefit
WISCONSIN RURAL ELECTRIC COOPERATIVES

• 24 distribution cooperatives in central and western parts of the state

• Some have supported internet options through arrangements with wireless, satellite providers, or other partnerships

• Continued response to member and community needs
WISCONSIN TELECOM COOPERATIVES

• 11 cooperatives in northwestern and western parts of the state

• Approximately 35,000 access lines statewide (2011)

• Investment in fiber optic networks, including fiber to the premises (FTTP)
SHANNON CLARK

CEO and General Manager
Richland Electric Cooperative

CEO
Genuine Telecom
Building Broadband

Shannon Clark
sclark@rec.coop
Historical Perspective

- Broadband data is exponential outgrowth of simple information exchange
  - Telegraph, Telephone, Teletype, Bulletin Board, Dial-Up Internet, Always-on, ......Internet of things

- Broadband, like most technology advances:
  - Begins in populated areas
  - Connects to other population centers
  - Is slow to reach sparsely populated areas

- Areas left behind can and will suffer or die
Historical Perspective

• There are thousands of examples across the nation of technology bypass killing small community opportunities;
  • Railroads
  • Interstate Road System
    • Interstate Off-ramps
  • Airports

• In general, electricity and telephone infrastructure did not bypass rural America.
  • Cooperative business model
  • REA
The Broadband Bypass

• Today, the threat of technology bypass remains
  • Much of rural America does not enjoy the level of broadband infrastructure as densely populated areas
  • Where exceptions exist, it is in large part due to telephone cooperatives and independents that have their roots in rural America

• Challenges are real—and difficult to address
  • Capital intensive projects
  • Low potential subscriber density---Richland EC 3.4 per route mile
  • Subscriber demographics are different
    • Technology adoption rates are lower and slower
  • Broadband is a competitive service offering
    • Unlike regulated monopolies of many other utilities
  • Very short technology life-cycle
Cooperative Solutions

• There is a historical solution to ensure rural communities are not bypassed
  • Electric and Telephone Cooperatives both have robust ‘networks’
    • Physical
    • Financial
    • Human
  • Both are driven by their members (consumers)

• In Wisconsin, most of the telephone cooperatives have already addressed the broadband needs of their members

• Rural community citizens, including those of electric cooperatives can be served, unserved or underserved because service areas don’t overlap exactly
Service Provider By Type Varies
Finding Opportunities

• Electric cooperatives have growing needs— for members and for internal operational networks
  • Even with an ‘owned’ network---excess capacity is likely available
  • Energy management is a ‘consumer-trend’ and requires broadband
  • Vested interest in community development and growth

• Telephone cooperatives have networks and experience that scales
  • Large investments for sparsely populated area
  • Adding ‘load’ provides incremental revenue that helps members control cost
  • Vested interest in community development and growth

• Other interests exist and have valuable resources to ensure success
  • Community organization
Service Provider By Type Varies

Good Opportunity

Great Opportunity
Solution Options

• There is no ‘one-size-fits-all’

• Independent and separate project(s)
  • At a minimum recognize these are community needs and avoid cannibalization of ‘partial providers’
    • Market is too small

• Stand and support
  • Much better to have a ‘cooperative’ friend providing service in your community than someone with only a profit motive

• Shared resources
  • One owner, but trading, leasing or contracting resources
Solution Options

- Joint Projects
  - Share planning
  - Duct placement
  - Right-of-way

- Partnership
  - Level of formality
  - Board/Community support and participation

- New Business
  - Shareholder
  - Cooperative?
Key Milestones

- Define Need
- Inventory Resources
- Model Resource Application
- Explore Business Relationship
- Business Planning
- Go-No Go Decision
Avoiding Historical Pitfalls

• Define Need
  • Are you really unserved or underserved?
  • Are their new technologies on the horizon?

• Resource Inventory
  • Human resources—can they really scale?
  • What’s native and what’s contracted?

• Model Resource Application
  • Who is in charge?
  • Assignment of costs?
Avoiding Historical Pitfalls

• Explore Business Relationships
  • Know your people and your board
  • Culture

• Business Planning
  • Feasibility
  • Financing
  • Regulatory

• Go- No Go Decision
  • ANY unanswered questions
  • EVERYTHING has been put on the table
Final Thoughts

• There are ‘natural’ partnerships, but others can and do exist.
• It starts with someone—don’t be shy
• There are no ‘stupid’ questions
• Be honest
• It will always be about service
• Study others success and failure
• Anticipate change
• The co-op model requires ‘Cooperation among Cooperatives’

Shannon Clark
CEO & General Manager
Richland Electric Cooperative
Richland Center, WI

clark@rec.coop
JERRY SCHNEIDER

CEO and General Manager
Marquette-Adams Telephone Cooperative
Broadband Deployment Decisions
A Provider Perspective
Jerry Schneider CEO & GM
Marquette-Adams Telephone Cooperative, Inc.
jschneider@maadtelco.com

Diverse Perspective On How Capital Deployment Decisions Made

- Worked for three large Telco’s at Operating Co, Region, Corporate level
- Worked in four states
- Worked for Wisconsin Independent Commercial Company
  - 25,000 Subscribers
- Currently Manage Wisconsin Cooperative
  - 5,100 Members

September 26, 2018
Marquette-Adams Telephone Cooperative

- Established 1951
- Cooperative has 5,100 members
  - 3,100 members in 2010
  - 89% Take High Speed Internet
    - 300 Mbps down 20 Mbps up is the most popular
  - 68% Take Long Distance
  - 58% Take TV
  - Most Customers take all major services
    - (Voice with Long Distance, Internet, TV)

September 26, 2018
Serving area in reference to the entire state of Wisconsin
Red outline of entire service area / Green lines are individual fiber roads
Broadband Deployment Decisions
A Provider Perspective

- Broadband Provider, both Cooperative & Commercial looks at Economic Viability
  - Return on Investment
    - Cooperative Threshold Lower
    - Not Burden Current Members
  - Risk

- Community Economic Development
  - Projects Prioritized
    - Pass on Good Projects – Others Better
Broadband Deployment Decisions
User Steps to Increase Chances

1. Contact Current Area Broadband Providers
   - Get to Decision Maker
   - Follow Up
   - Discuss if Aid to Construction Would Help

2. If Provider is Not Receptive (Clearly Says No or If Price Too High)
   - Contact Nearby Independent Telephone Provider
     - Cooperative or Commercial

3. Discuss Creative Solutions - Brainstorm
Marquette-Adams Telephone Cooperative
Broadband Expansion

Targets of Opportunity

Winning American Recovery and Reinvestment Grant Award (Stimulus)
- $13.8 Million Grant + $6.2 Million Loan
- 2011-2012 Construction
- One Time Program

State Broadband Grants – Funding has Increased. Matching Funds.
- April 2018 Award - $53K - 50 Premise Potential
- September 2018 Award - $145K – 111 Premise Potential
Marquette-Adams Telephone Cooperative
Broadband Expansion

- Service to 30 Cell Tower Connections
  - Serve Customers Along That Route
  - In Position to Serve Additional Rural Customers

- Customer Wanted Better Broadband Connection
  - Cost to Construct Was Prohibitive
  - Point To Point Microwave Deployment

- Campgrounds Wanted Worry Free Wireless
  - Largest over 200 Acres and Over 600 sites
  - Credit Card Access Handled by Telco
Cooperation Among Cooperatives

Supporting Adams-Columbia Electric Cooperative Communication Needs

- Needed More Reliable Service
  - Internet, Telephone, Long Distance
- Got Two Other Companies to Help Defray Cost
  - Aid to Construction
  - Long Term Contracts

We Hooked Up Six In Our Territory

Built to Two More

Nine More Being Brought on,
- Negotiated with Neighboring Independent Broadband Companies for Cost Effective Connection

Wisconsin Broadband Grant and Funds
- One Week Ago Rejected
- Will Meet to Discuss Next Steps
Condo Association Near Our Boundary
- A Couple of Customers Service With Prior
- Met with Condo Board

Proposal From Marquette-Adams
- Prepay $250 from 31 of 41 Members

Similar Approach to Town. $100 Prepay
- Not Enough Interest
- Construction Piece by Piece as Customers Show Interest
Broadband Deployment Decisions
A Provider Perspective
Summary

- Need to Explore Options
- Not a Quick Process

Jerry Schneider CEO & GM
Marquette-Adams Telephone Cooperative, Inc.
jschneider@maadtelco.com
Questions?

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