

ELECTRIC COOPERATIVE FUNDING SUCCESS FOR RURAL BROADBAND

The biggest gap between broadband aspirations and broadband reality?

FUNDING

Conexon stands alone in its ability to bridge that gap.



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Funding Success for America's Electric Cooperatives

To date, Conexon has secured more than \$200 million in federal and state grants through funding vehicles such as the Connect America II Fund (CAF II) and the Rural Development Broadband ReConnect Program, initiatives that offer significant financial incentives to help co-ops successfully deploy broadband.

Let Conexon help your co-op tap into those incentives.



In a complex regulatory environment, Conexon has demonstrated an unmatched expertise in securing the federal and state broadband funding that is empowering electric cooperatives across the nation to deploy networks and work to close the Digital Divide.

As a result of Conexon's efforts, **more than 150 co-ops** are in the early stages exploring the opportunity to bring economic, educational and societal advantages to their communities and the members they serve with **nearly 40** designing and constructing networks today.

CAF II Award \$28.6 million



Two years into Central Virginia Electric Cooperative's (CVEC) broadband deployment, the project is on track and successful by most measures. The co-op is maintaining a build-out rate of between 20 and 25 miles of fiber and signing up between 80 and 100 customers per week. Take rates, both from co-op members and non-member subscribers are hovering anywhere from 40% to 50%.

One of the key contributors to the project's success was CVEC's participation in the Conexon co-op consortium bidding for 2018 CAF II auction funds. The resulting \$28 million positions co-op subsidiary, Firefly Fiber Broadband, for profitability in an astonishing two-to-three years on a \$100 million project.



"The CAF money changed our economic picture significantly," said Gary Wood, CVEC president and CEO. "We felt very comfortable that Conexon could help us set up the process and structures to make sure we were in compliance, and we were very successful in the auction in large part to Jonathan Chambers knowledge and insights."

"Having that revenue guaranteed for the first 10 years gives us the breathing room to work through growing pains. The biggest benefit is that it offsets the losses in the first few years when otherwise we would be building significant debt to the co-op."

Gary Wood, President and CEO - CVEC

CAF II Award \$21.9 million

Co-Mo Electric Cooperative, often cited as the inspiration for other co-ops deploying broadband, boldly launched a 2010 pilot offering members the triple play of Internet, Phone and TV. The pilot was designed and architected by Conexon Partner Randy Klindt, former general manager of the co-op's broadband subsidiary Co-Mo Connect.

Overwhelming success and member demand convinced the co-op's board to build out the entire network, and by 2015, Co-Mo was cash flow positive – the first co-op to build out a fiber-to-the-home network to 100% of its co-op membership without federal grants or subsidies. Today the co-op has more than 18,000 members connected. Due to Klindt's unique design and architecture, Co-Mo was able to construct the network, building out to all members at a low overall construction cost, making the project initially feasible, and then cash flow positive at an extremely accelerated rate.

In 2018, adding to the already positive financial picture, Co-Mo Connect joined Conexon's electric co-op CAF II auction consortium and was awarded \$22 million.



"Thanks to Conexon, we were extremely successful in the auction," said Aaron Bradshaw, CEO. "The CAF II funding has allowed us to expand our service to meet the needs of areas that otherwise would be underserved or unserved. Although we were always on target for a successful ROI, our timelines for that are shortened considerably with the CAF II funds."

Aaron Bradshaw, CEO - Co-Mo Electric



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CAF II Award \$22.2 million



It was only a few short months after an introductory meeting that East Central Oklahoma Electric Cooperative (ECOEC) tasked Conexon with producing a study to prove out the economic feasibility of a broadband business. Partners Randy Klindt and Jonathan Chambers prepared a full business plan projecting that the co-op's fiber business would break even in its ninth year. The two also calculated the potential financial impact of the pending CAF II auction should ECOEC elect to join the Conexon-led consortium of electric co-ops bidding for funds.

With the Board's approval, Conexon qualified ECOEC to bid, designed the bidding strategy, and placed the co-op's bids in the auction. ECOEC successfully secured \$22 million, which improved the co-op's fiber project breakeven point from the ninth year to the first year, and eliminated the need for financial subsidizing by the electric co-op. With that funding, ECOEC's Board voted to move forward to provide fiber to the home to 100% of its members.



"Jonathan Chambers and the team knew how the auction works, which meant we didn't have to worry about the mechanics of the auction or learn all of the aspects of it," said Tim Smith, ECOEC General Manager. "Conexon also provided us with a before-CAF and after-CAF financial picture. We had no idea of the magnitude of the auction, but Conexon did and that's part of the value they bring to a partnership."

Tim Smith, ECOEC - General Manager

CAF II Award \$23.5 million



It's all about 'Pedal to the Metal' in year three of OzarksGo's six-year broadband project, as the co-op continues to outpace and out-perform competitors. The OzarksGo broadband network was launched under the leadership of Conexon Partner, Randy Klindt; General Manager of the OzarksGo team in 2016. With an initial build-out in its densest, most competitive areas, the co-op experienced incredible success in phase one. That success has only continued as the co-op passes the half-way point of its planned 7,000-mile deployment. OzarksGo connected more than 7,500 members in 2019 and is approaching 15,000 subscribers.

With Conexon's help, OzarksGo substantially strengthened its financial position, winning a CAF II award of \$23 million, which positioned the co-op to operate without subsidies from the electric side and break even in year three versus year five.



"As a co-op, we're committed to ensuring our members and communities have access to all of the societal, education and economic benefits that world-class broadband delivers, backed by our cooperative commitment to make lives better," said Mitchell Johnson, Ozarks Electric Cooperative president and CEO. "Conexon's expertise and support have made a tremendous difference in our ability to do that. Randy and Jonathan have been valuable partners and instrumental to our success."

Mitchell Johnson, CEO - Ozarks Electric Cooperative



"The most valuable part of our relationship with Conexon is what the team brings to the table in funding expertise," said Steve Bandy, General Manager, OzarksGo "Working with Jonathan and the team of attorneys was incredible. They helped us know what was going on, what we needed to do and everything related to our financial model to secure the federal funding. We were very successful."

Steve Bandy, General Manager - OzarksGo



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CAF II Award \$5.2 million

When Midwest Energy & Communications (MEC) decided in 2013 to incorporate a robust fiber-optic network across its electric distribution grid infrastructure for advanced utility communications, it opened the door to deliver a much-needed broadband solution for its customers in rural southern Michigan and northern Indiana and Ohio. At the direction of the cooperative's board of directors, MEC implemented a plan in 2015 to deploy FTTH internet to its 35,000 customers, and today has more than 11,000 active subscribers and 2,000 miles of fiber constructed.

The early years were challenging as the MEC team learned how to build and operate an entirely new business, but the biggest hurdles were in the policy and regulatory arenas. MEC leveraged an existing relationship it had with Jonathan Chambers, and engaged with Conexon for assistance. Sharing a passion for closing the Digital Divide for rural Americans, Conexon not only met MEC's policy and regulatory needs but encouraged the co-op to join the Conexon-led bidding consortium for CAF II - a decision that ultimately secured \$5.2 million for MEC.



CAF II Award \$20 million



Savannah, Mo.-based United Electric Cooperative has big aspirations - delivering a FTTH network to serve its membership and others in desperate need of the educational, economic development, and overall quality of life benefits broadband provides. Through its subsidiary, United Fiber, the co-op is today delivering on those aspirations, with a profitable broadband business that is actually subsidizing the electric side.

More mature in its fiber planning and deployment than many co-ops, United has, since 2011, built over 1,500 miles of fiber and currently serves over 10,000 broadband subscribers. The accomplishment is all the more impressive given that United has only 7,500 co-op members and at 2.5 meters per mile, the lowest density of any co-op in the country deploying fiber to the home.

One key factor for its success and speed was United's participation in the Conexon-led cooperative consortium in the 2018 CAF II auction. Conexon's expertise in funding and navigating the regulatory environment helped the co-op secure \$20 million, a boon that enabled it to turn cash flow positive faster than expected and build-out of territory in more dense areas to bring in the revenues necessary to build to 100% of its rural members.



"Conexon was instrumental in developing and implementing a successful strategy that helped us secure funding through the CAF II auction process," said Bob Hance, president & CEO of Midwest Energy & Communications. "Not only does this support enable us to hit key financial targets, we can now reach new markets and customers while doing our part to help close the rural/urban digital divide that exists in our country. We look forward to continuing our partnership with Conexon in the upcoming Rural Digital Opportunity Fund in 2020!"

Bob Hance, President and CEO - MEC



"United Fiber won a significant amount in the CAF II auction. This was made possible by hard work, strategy and choosing the right partners. We would not have been successful without the help of the Rural Electric Consortium and Conexon," said Jim Bagley, United Electric Cooperative CEO/General Manager. "Working together provided United with the expertise to successfully navigate the auction and win over \$20 million. This money will change lives in northwest Missouri!"

Jim Bagley, CEO and General Manager - United Electric



"The \$20 million we were awarded has made a huge difference in our buildout, giving us the opportunity to build out our high-cost areas," added David Girvan, COO. "We would have struggled to do so without it."

David Girvan, COO - United Electric



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CAF II Award \$4 million New York Award \$10 million



When Otsego CEO Tim Johnson started his job in 2016, he walked into a partially formed broadband deployment plan and incomplete partnership discussions with a local telecommunications provider and local economic development body.

The plans faltered a few short weeks ahead of an application deadline for broadband funding from the state of New York. Conexon Partners Jonathan Chambers and Randy Klindt stepped in to deliver an in-depth broadband model and subsequently, a well-produced application that won the co-op nearly \$4 million in OEC's first bid for New York funding awards. Following that, in the next and final bid for NY Funding awards, the co-op won \$10 million more funds from the state and another \$4 million in federal CAF II funds. All told, with Conexon's help, Otsego has received \$14 million in funding.



**Otsego Electric
Cooperative, Inc.**

A Touchstone Energy Cooperative 



"Jon explained to us the advantages of being a rural coop and pole owner," Johnson said. "He was an expert in where the funding was and how it would be distributed. His experience was invaluable. Ultimately Conexon hit a home run in designing our bids."

**Tim Johnson, General Manager
-Otsego Electric**

CAF II Award \$4.7 million



Arkansas Valley Electric Cooperative's broadband subsidiary, Wave Rural Connect, is fully immersed in its broadband deployment – ensuring those in rural Oklahoma and Arkansas have the same caliber of broadband that their city counterparts have. Wave signed up its first subscribers in summer 2019 and continues to gain traction every day, with an on-time construction deployment and a goal of providing ever-faster service to customers who sign up. By year-end 2019, the co-op finished construction in the first phase of the project with more than 600 miles of fiber in place, 500 subscribers with active service and an additional 1,000 signed up.

Arkansas Valley was a member of the Conexon-led CAF II bidding consortium and ultimately was awarded \$4.7 million in federal funds that are helping the co-op achieve its goal of minimizing the debt for the broadband buildout.

**Arkansas Valley
Electric Cooperative**



"I have been more than pleased to see how well the first phase of our fiber buildout has gone and the results we have witnessed," said Al Simpson, CEO, Arkansas Valley Electric Cooperative Corp. "The ultimate reward is seeing the pure joy from our members when we bring Wave fiber services into their homes. It is the type of fulfillment that makes you realize what kind of difference we are making, and that's what being a cooperative is all about."

**Al Simpson, CEO - Arkansas Valley Electric
Cooperative**



"The CAF II funding had a significant cash flow impact," said Barret Ewing, Engineer and Operations Director for Arkansas Valley Electric Cooperative Corp. "It means less borrowing for the project, which is helpful for the cooperative from an equity perspective."

**Barret Ewing, Engineer and
Operations Director - Arkansas Valley Elec-
tric Cooperative**



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CAF II Award \$15.4 million

RURALBAND

CONNECTING PEOPLE

The board and leadership team of PGEC began exploring the idea of broadband – what CEO Casey Logan refers to as the “fourth utility” – in 2016, then launching a pilot and connecting its first customer in 2017. The co-op’s subsequent broadband commitment was tremendous – a \$25 to \$30 million investment to deploy 1,300 miles of fiber supporting five counties, and 20,000 customers, both members and non-members.

The FTTH project, expected to take ten or more years, was under way when Logan heard about Conexon’s Rural Electric Cooperative Consortium – co-ops banding together to bid in the CAF II auction on territories to provide gigabit networks in their communities.

Prince George Electric was ultimately awarded \$15.4 million, funding that allowed PGEC to ramp its deployment, shorten its timeline by nearly half, and break even in under three years versus the original projections of nine-to-ten years.



“It was obvious from the first call how knowledgeable Jonathan was about the ins and outs of the auction, and the expertise on Conexon’s staff was clear,” Logan said. “It was a no-brainer to join the consortium and we were very successful.”

“In fact, since Conexon’s CAF II success, other consultants are coming out of the woodwork saying they can help us with the upcoming Rural Digital Opportunity Fund (RDOF), but we’re staying with Conexon, joining its consortium again. We know they have the knowledge and understanding of the bidding structure and the experience to be successful.”

Casey Logan, CEO - PGEC

CAF II Award \$22.6 million



The co-op launched a FTTH pilot in late 2015 that has transitioned into a full-scale deployment of a broadband network that ultimately will reach all of its more than 29,000 members. By the end of the first quarter in 2020, NAEC will have built between 800 and 900 miles of fiber and passed 10,000 meters. As of January, NEXT has more than 2,100 subscribers. The co-op has the distinction of being Conexon Partner Randy Klindt’s first consulting client. His advice and recommendations on everything from financial projections to bulk material purchases were key parts of the pilot’s success and the decision to move forward with subsequent phases.

Among the co-op’s greatest FTTH milestones was its CAF II award of nearly \$23 million, funds that Klindt and Conexon Partner Jonathan Chambers helped secure. The federal funds made a significant impact on both the co-op’s financials and ability to serve its rural membership. Original projections had the project taking nine years to achieve positive margins without the CAF funding. The CAF funding produced positive margins in year one.



“The availability of affordable, high-quality internet service has the power to change lives and communities, especially in rural areas that have been left behind by other providers,” said Mel Coleman, NAEC CEO. “Thanks in part to Conexon’s expertise, we now have the funding and operational support to deliver broadband to our communities in a way that is financially viable and benefits our electric side as well.”

Mel Coleman, CEO - NAEC

“This help with funding and financials was one of the biggest ways Conexon helped us,” said Jason Strong, NAEC vice president of engineering. “It changed our financials dramatically. We have just 7.5 meters per mile, so our original financials were very tight. The \$22.6 million gave us some breathing room. It helps our subsidiary become profitable so much quicker, moving up our break-even point and positive cash flow.”

Jason Strong
Vice President of Engineering - NAEC



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Contact us to find out how much funding will be available in your service territory in the upcoming Rural Digital Opportunity Fund (RDOF).