

Testimony of Bob Hance, President and CEO of Midwest Energy Cooperative
Michigan Field Hearing
US Senate Agriculture Committee
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Thank you, Chairman Roberts and Ranking Member Stabenow, for inviting me to testify today. My name is Bob Hance. I am the President and CEO of Midwest Energy & Communications (“Midwest”) headquartered in Cassopolis, Michigan.

Midwest is a member-owned electric cooperative serving more than 35,000 residential, agricultural, commercial and industrial customers in southwestern and southeastern Michigan, northern Indiana and Ohio. Our service territory covers 12 counties. Though our core service is, and always will be, the distribution of electricity, today’s organization also provides service to 6,200 propane, and 4,000 telecommunications customers.

I am proud to say that Midwest is a trusted partner in rural Michigan. For Michigan to be strong, rural areas must thrive. For America to prosper, all must participate equally. To help ensure that happens, we rely on agencies like the Rural Utilities Service (RUS), which is a part of the United States Department of Agriculture. RUS is a critical factor in our ability to reliably and competitively serve our member-consumers in rural Michigan.

While our first business priority is to deliver reliable, affordable electricity to our members, our mission and vision demands more of Midwest. We exist to benefit the communities we serve. Stated another way, our mission is “To bring first-in-class innovations and solutions where others won’t”. If we’re successful in doing that, we help realize our vision of “Vibrant, relevant and sustainable rural communities”. Midwest is more than just a poles, wires, and electrons company. Our broader purpose is to provide the services and support that empower our communities to thrive. Rural electric cooperatives are much more than just electric utilities - we are the engines that drive economic opportunity across the heartland and to rural areas everywhere.

Rural areas still grow most of the food, generate most of the power, and manufacture most of the goods that this country consumes. When rural areas suffer, electric cooperatives suffer and, more importantly, the country as a whole suffers. That’s why the Farm Bill is essential for co-ops, for Michigan, and for the country. The Farm Bill contains important rural development tools that support our efforts to strengthen our communities. I want to talk about just a few.

Rural Utilities Service (RUS)

In the early 1900’s, as urban areas began to electrify, rural areas lagged behind. Eventually, farmers and ranchers in remote areas took the initiative to form electric cooperatives and did it themselves. In the past 80 years, a lot has changed, but the same fundamental challenge still exists – how to affordably connect those few customers in high cost rural areas. What was then called the Rural Electrification

Administration is now the Rural Utilities Service and it is as relevant today as it was back then. REA and RUS loans have helped build, expand, and improve the infrastructure across rural America necessary to provide power, deliver clean water, and deploy advanced telecommunications technologies to rural areas.

Today, RUS loans help electric co-ops reduce costs and improve reliability for our members by financing basic maintenance like replacing poles and wires. But it also helps us fund projects to make our systems more modern, efficient, and secure.

Midwest is one of the larger electric cooperatives in Michigan. By year-end, we will hold roughly \$110 million in loan funds from RUS for both traditional electric and telecommunications infrastructure, including smart grid applications and high-speed broadband service to homes and businesses throughout our rural footprint. In the aggregate, Michigan's electric cooperatives currently have more than \$500 million in RUS loans for the specific purpose of building utility infrastructure in some of the most remote areas of our Great Lakes State.

RUS depends on a yearly appropriation from the Agriculture Appropriations bill. We have historically enjoyed strong support for robust RUS funding in large part because we're such a good investment for the federal government. We ask that you help us maintain that support.

We also ask that you support policies that allow us to use RUS loans to address a broad set of co-op needs – whether for advanced utility communications, renewable generation, baseload generation, or for making environmental upgrades to existing generation. Just as the times have changed and the needs of rural America have changed, so too has the RUS loan program. We have appreciated working with the Committee over the years to help make the program more streamlined and efficient, and we look forward to exploring new ways to continue to improve the program. Modernizing the RUS loan program is good for both electric cooperative borrowers and taxpayers. The RUS annually reviews and approves billions of dollars of loans, and finding ways to more efficiently process those loans reduces burdens on taxpayers while meeting borrowers' needs more efficiently as well.

Guaranteed Underwriter Program

Another important financing option available to electric cooperatives is loans from cooperative banks. Co-op banks add healthy competition to the marketplace. The Farm Bill contains a provision that allows those loans to be guaranteed by RUS for cooperative business purposes. We encourage you to continue that policy.

In addition to investing in the electric cooperative network, the fees paid on Guaranteed Underwriter Loans can be used to fund Rural Economic Development Loans and Grants – known as the REDL&G program.

Rural Economic Development Loans and Grants (REDL&G)

Under the REDL&G program, USDA provides zero-interest loans to utilities (including electric co-ops), which, in turn, pass the funds through to local businesses and other groups that create jobs in rural areas. This positive cycle of business development can strengthen both the co-op and the local community by helping stabilize populations and the co-op's customer base.

REDL&G programs have been the catalyst for hundreds of new jobs being developed across the Great Lakes State over the past decade and has been consistently used by both Midwest and our fellow Michigan electric cooperatives as a key economic development tool in rural Michigan. Kilwin's, Boyne USA, Great Lakes Potato Chip, Crystal Mountain Resort, and Right Brain Brewery are just a few examples of Michigan organizations that have benefitted from this program in conjunction with their local electric cooperative.

Let's look at Great Lakes Potato Chip in Traverse City for a great example of how this program supports economic development in rural Michigan. Cherryland Electric Cooperative, our sister cooperative in the Grand Traverse region, worked with RUS to provide a \$57,000 zero interest loan through REDL&G to Great Lakes Potato Chip to provide additional slicers, scales, conveyers and other associated equipment to support the organization's continued growth. This loan supported the company's move to a second shift with up to 10 new jobs in rural Michigan. I can attest that 10 new jobs in rural Michigan is a meaningful number and REDL&G was a key component in that growth.

Innovation and Energy Efficiency

For years, electric co-ops across the country have provided information and advice to consumers to help them use electricity more efficiently and cost-effectively. The wide range of assistance includes rebates for energy-efficient appliances, switching to more energy efficient light bulbs, and time of day rates to encourage off-peak usage. We encourage you to maintain the Rural Energy Savings Program, the Energy Efficiency and Conservation Loan Program, and the Rural Energy for America Program (REAP). We believe these are all important tools that can help replicate Michigan's successes around the country.

I serve on the Board of Directors of Spartan Renewable Energy here in Michigan who just last year was successful in securing a \$500,000 REAP grant award from USDA rural development which helped in the construction of Spartan Solar, one of Michigan's largest community solar projects located near Cadillac Michigan. The Spartan Solar project is offering consumers from five Michigan electric cooperatives throughout the Lower Peninsula the ability to competitively participate in a large community solar project. I am happy to report that several hundred rural Michigan consumers have already purchased "solar shares" in this exciting project.

Broadband

Just as with other types of infrastructure, rural America can't be competitive without access to high speed broadband service. Many comparisons are drawn between the lack of access to robust broadband service today and the need for electrification in rural areas 80 years ago - with the urban areas of the country well-served, and rural areas being left behind. Some electric co-ops around the country are leading the way in connecting rural customers to high speed broadband. As Congress contemplates telecommunication and infrastructure policies in the farm bill and in other legislative packages, we believe that all potential providers including electric cooperatives should be eligible for programs designed to bridge the digital divide.

Midwest's partnership with RUS through the Smart Grid loan program is the latest success story of how the partnership between electric cooperatives and RUS is benefitting consumers in rural Michigan. In 2015, Midwest became the first electric cooperative in the country to access the RUS Smart Grid loan program with the successful approval of an approximately \$60 million facility. Midwest is currently building out more than 2,000 miles of fiber over five years to improve grid security, help consumers manage their energy consumption, while also improving network reliability and operational performance.

Perhaps of greatest importance, Midwest's efforts are narrowing the rural/urban "digital divide" that exists in this country today by offering voice, data and, ultimately, a video option that affords access to meaningful healthcare, education and job opportunities. To date, Midwest has completed installations to more than 4,000 homes and businesses in our rural Michigan footprint. We continue to add 50 new customers every week to plans that scale up to a gigabit symmetrical in speed. The response from our rural consumers has been overwhelmingly positive as demonstrated by the notes, cards and "thank you" emails we continue to receive on a daily basis¹. This RUS Smart Grid initiative has been transformative both for Midwest and those rural consumers we serve.

Conclusion

We are a healthy nation because we have vibrant, bustling urban cities AND because we have verdant, productive rural areas. Unfortunately, whether it's infrastructure or jobs or access to health care, it seems that too often rural America gets the short end of the stick. The Farm Bill is important legislation that helps to address some of those disparities.

Electric cooperatives enjoy a productive partnership with the federal government and with the communities we serve to promote the health of rural America. We look forward to continuing to work with you toward that important goal. Thank you again for the opportunity to testify here today. I'm happy to answer any of your questions.

¹ Attached is a small sampling of testimonials received by Midwest Energy & Communications.