

Arizona's Electric Cooperatives and Broadband

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GRAND CANYON STATE ELECTRIC
COOPERATIVE ASSOCIATION, INC.

Your Touchstone Energy® Cooperatives



Electric Cooperative History

- Rural Electric Administration launched in 1935
- Only 10% of the country's farms have electric service in 1935
 - Urban dwellers nearly 90%
- By 1953, more than 90% of U.S. farms had electricity.
- Rural electrification closed the urban/rural divide and allowed for economic expansion & increased opportunities.

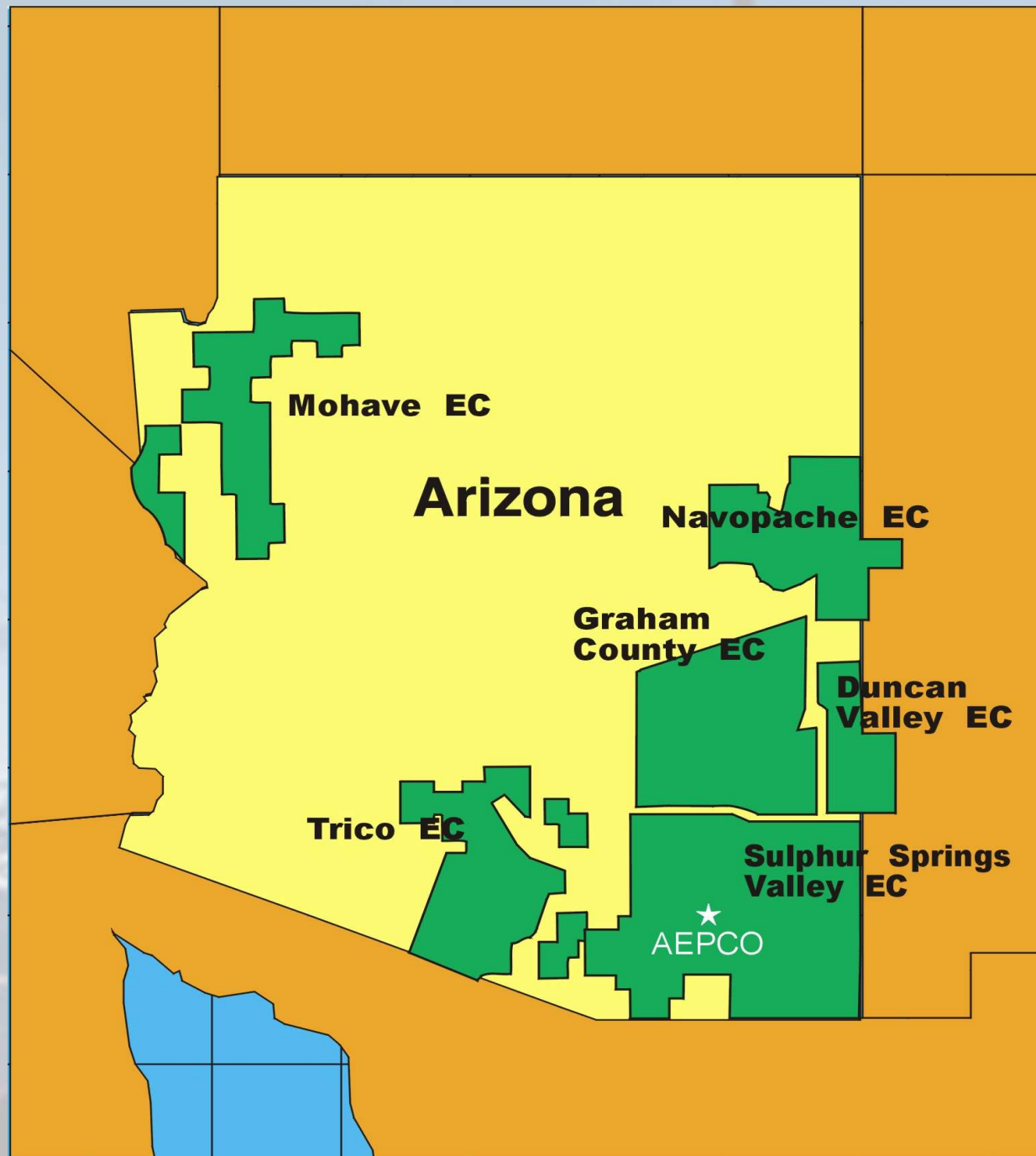


How Are Co-ops Different?

- Private, not-for-profit
- Profits are referred to as “capital credits” and paid to members
- Owned by those we serve – member driven
- Locally elected boards



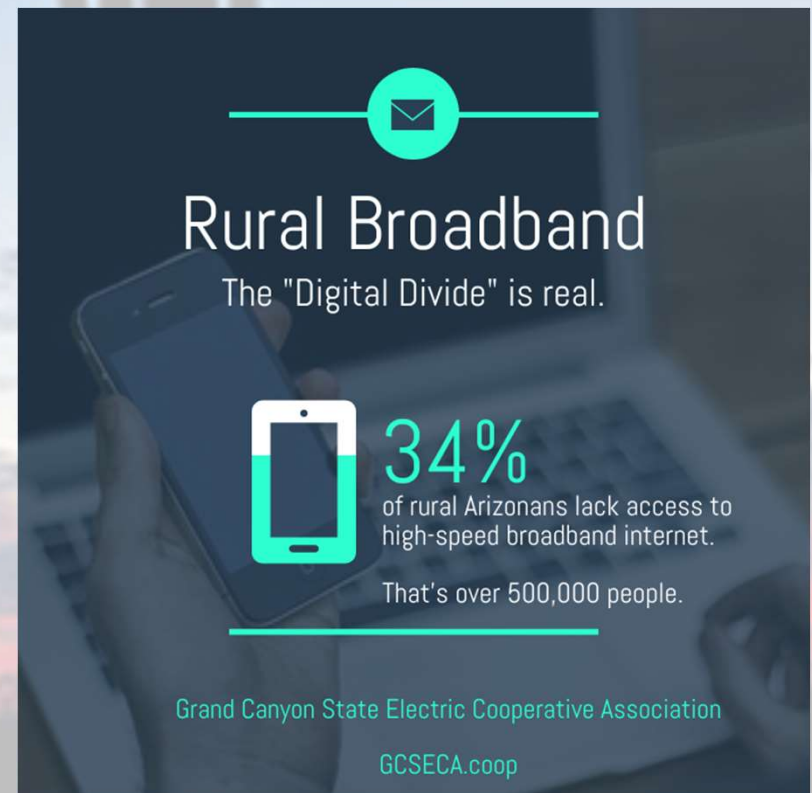
Arizona's Electric Cooperatives



Co-ops in the 21st Century

- Lack of broadband in rural areas has created the “digital divide”
- 150 co-ops in the U.S. have a broadband program
- Why does broadband make sense for rural co-ops?
 - Not-for-profit
 - Accustomed to expanding critical infrastructure beyond city limits
 - In many places a dire need exists
 - Existing infrastructure

Mohave Electric Cooperative will be the FIRST co-op in Arizona to launch a broadband program!



Broadband's Importance

- Education

- 80% of high school students report needing internet access to complete homework assignments at least a few times a week.
- W/out access 48% of students leave school late, while 32% complete homework at a local restaurant.

- Tele-health

- Benefits of tele-health cannot be realized w/out broadband access.

- Economic Development

- Boost local employment by 1.4% and boost number of businesses established by 1.2%
- According to USDA, lack of broadband was contributing factor to rural population decline from 2010 – 2016.

The Digital Divide is real.

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8% of Maricopa/Pima county residents do not have access to broadband.

8%

34% of rural Arizona residents do not have access to broadband.

34%

SB 1460

- SB 1460 was a bipartisan bill that did two things:
 - Explicitly authorizes in statute that a co-op can have a broadband program
 - Codifies that should the installation of broadband fiber reduce the fair market value of a property, then the property owner is entitled to just compensation that is based on the diminution of the property's value.

Seems straightforward, why was it necessary?

Sho-Me Power Cooperative (Missouri) faced a class action suit and was handed a **\$130 million** judgement.

State law was silent on which standard to use. Even though a “fair market value” standard is how utility easements are valued, the judge chose the “fair market rental value” as the standard.

- This allowed for the co-op's revenues to be made admissible in court and helped to inflate the judgement.

Mohave Electric Co-op's Project

- First co-op in Arizona to undertake broadband
- Approved by MEC Board in Sept. 2019
- Goal of building fiber-to-the-premise of every MEC member
- ACC approved loan agreement



Mohave Electric Co-op's Project

- **Partner:** Trans-World Network, a telecom co-op based in Tampa, Fl.
- **Timeline:** goal of complete coverage in 5 years, first connection was June 2021
- **Service:** 25mb/25mb to 1gb/1gb for residential
- **Reach:** Currently over 7,000 members have access to fiber
- **Total Cost:** \$110 million



Thank you!

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