

SEMO Electric Cooperative Takes Personal Broadband Approach

The co-op overcomes cultural challenges using a collaborative approach to bring broadband to Missouri's underserved rural areas.

By Sean Buckley / *Broadband Communities*

SEMO (Southeast Missouri) Electric Cooperative general manager and CEO Sean Vanslyke is a hands-on, customer-focused executive. After the co-op reached 1,000 subscribers with its GoSEMO Fiber broadband service in January 2019, he personally called each customer to ask about the service experience.

That level of service may be a significant reason the electric co-op has come so far since it connected its first test customers in January 2018: GoSEMO Fiber now has more than 4,000 customers and is growing quickly as it meets demand for fiber-based internet, TV and phone services. SEMO Electric members get free installation with no activation fees, no contracts, no data caps and no throttling.

The co-op's growth has not come without challenges. The company culture, the rural Missouri location where it offers service, issues with TV service and federal funding obstacles all have caused it to shift its strategy.

ROOM TO GROW

Internet, HDTV and phone service packages are available for members in the communities of Advance, Ardeola, Bloomfield, Idalia, Kelly, Lilbourn, Matthews, Miner, Tilsit and Vanduser. SEMO Electric is building fiber for members in Anniston, Delta, Dogwood, Frisco, Wolf Island and Wyatt. Today, GoSEMO Fiber offers two main internet packages: a 100 Mbps service for \$50 per month and 1 Gbps service for \$80 per month.

GoSEMO Fiber has plenty of room to grow as its parent co-op, SEMO Electric, has

15,900 meters in its territory where it could build out fiber.

"You can almost take the number of electric meters that cooperatives have and scale the broadband sector of our business," Vanslyke says. "We run about 200 installations per month, and we have about 16,000 electric meters."

A CULTURE SHIFT

In March 2017, SEMO Electric's board of directors approved the GoSEMO Fiber project. It took about a year to build the foundation so it could start full-scale FTTH installations in April 2018.

SEMO Electric expected the GoSEMO Fiber project would take at least five years to complete, but the co-op completed the core project in less than four years.

A utility that has served its communities for more than 80 years, SEMO Electric found that broadband is a new game that requires new skill sets and raises new expectations.

But Vanslyke says that GoSEMO Fiber was able to avoid potential conflicts within the co-op because it started educating its employees in advance of its vision for the FTTH network. It created a culture that supports the electric *and* the fiber sides of the business.

"From the standpoint that we more or less had a monopoly of the local electricity market, we had to have a significant cultural shift," he says. "We started working on that many years ago before we started doing fiber."

After the fiber plan was approved, the co-op started offering “Fiber 101” classes for staff members. These classes had five sections related to the processes and procedures for building and operating an FTTH network.

“For example, during these classes we introduced that it takes 10 software platforms to connect to a subscriber from beginning to end,” Vanslyke says.

SEMO Electric also helped employees understand and embrace the new fiber part of the business by having line crew demonstrate the process when GoSEMO Fiber first began installation. By having crew members go to home FTTH installations, GoSEMO Fiber demonstrated how important broadband is to its customers and its future growth strategy.

To further ease employees’ trepidation about the new fiber service, SEMO Electric also provides financial incentives. Every time the co-op meets a new subscriber milestone, it gives its employees a cash bonus. When it reached 1,000 subscribers, every employee received \$100, and when it gained 400 new customers during COVID-19, employees were paid \$400.



GoSEMO installs fiber for its 4000th customer.

“Instead of sending one big commission for sales, our approach is that everybody’s on the sales team,” Vanslyke says.

FIBER ECONOMIC DRIVERS

The Sikeston, Missouri, territory GoSEMO Fiber serves is not a major economic mecca. Agriculture is the area’s main source of revenue. About 20 percent of SEMO’s electric growth is industrial.

“When I tell people it takes 45 minutes to get to a Starbucks, and we don’t have a hospital or a Walmart,

that lets them understand how rural we are, even though we’re in a nice area,” Vanslyke says.

Between 2012 and 2017, the co-op added only 50 new electric meters. But the area GoSEMO Fiber serves is close to the halfway point between St. Louis and Nashville and is attracting more residents.

“When we look at our growth, we think we have gained a lot more now than 50 meters,” Vanslyke says. “We’re seeing people build homes and move in because of the fiber.”

NRECA: ELECTRIC CO-OPS SET FOCUS ON FIBER, UNDERSERVED COMMUNITIES

Electric cooperatives have unique entry points into broadband, but one medium is a common thread: fiber. In its Electric Cooperatives Bring High-Speed Communications to Underserved Areas study, the National Rural Electric Cooperative Association (NRECA) found that 20 cooperatives invested about \$700 million to deploy broadband networks in 2019 and deployed about 26,900 miles of fiber.

Co-ops that participated in the study noted that fiber was a forward-looking technology that could be applied to their internal operations and for high-speed residential broadband. “Fiber optic communications is viewed by these co-ops as the most resilient, financially viable and capable, if not ‘future-proof,’ network architecture available,” NRECA wrote. “Fiber optic networks are also considered the best fit with the high-speed, low-latency requirements of advanced electric

grid operations and near-real-time data backhaul. These networks offer subscribers internet access speeds up to 1 Gbps and possibly higher.”

NRECA estimates that broadband network investments by the 20 co-ops it profiled is “conservatively” forecast to go higher than \$370 million. If these estimates bear fruit, the total investment will be more than \$1 billion, making an average of \$50 million per case study co-op. Today, more than 100,000 subscribers purchase services from these cooperatives, with more added every month.

Another key finding was the communities these co-ops were serving with broadband. Nearly half of the 20 co-ops profiled serve broadband customers who reside outside their traditional electric membership areas. Others report that they plan to serve nonmember areas.



GoSEMO Fiber offers “Fiber 101” classes for staff members about the processes and procedures for building and operating an FTTH network.

During the first month of COVID-19, GoSEMO Fiber was able to help several members forced to work at home and many students who needed internet service to complete courses. It also received many calls from residents outside the service territory for its fiber internet and from people who live in areas where GoSEMO Fiber is still building fiber.

“It’s phenomenal how many calls we get from nearby areas we don’t serve that want us to put in fiber,” Vanslyke says.

TACKLING TV CHALLENGES

Providing broadband is key for GoSEMO Fiber, but it also provides TV service, which comes with its own set of challenges.

In addition to the cost of content, the service provider struggled with growing the TV business and educating customers about how to use the service.

“We do have the triple-play bundle, but TV is the most troubling of all the services we offer from the standpoint of batteries, remotes and technical issues that come with antenna and live TV feeds,” Vanslyke says. Most issues are related to firmware and routing.

GoSEMO Fiber’s team works 70 to 80 hours per week, or more in some cases, to work out the kinks in its TV service.

“We are working with other co-ops and organizations to solve the issues,” Vanslyke says. “Often, we hear others have experienced similar issues.”

RDOF IS KEY

With more than \$16 billion up for grabs, GoSEMO Fiber is keen to take part in

the FCC’s Rural Digital Opportunity Fund (RDOF) auction this fall.

In August 2019, the FCC adopted a Notice of Proposed Rulemaking to establish the \$20.4 billion RDOF to bring high-speed wireline broadband service to rural homes and small businesses that don’t have it. The RDOF builds on the success of the Connect America Fund (CAF II) auction by using reverse auctions in two phases.

Electric cooperatives have already made a big mark on the FCC’s rural funding efforts. For example, during the second phase of the CAF II auction, 32 electric co-ops won 35 bids for government broadband grants. Electric cooperatives likely will play a big role in the FCC’s upcoming RDOF auction.

Set to begin on October 22, 2020, the Phase I auction will target more than 6 million homes and businesses in census blocks that are entirely unserved by voice and broadband with download speeds of at least 25 Mbps. Phase II will cover locations in census blocks that are partially served, as well as locations not funded in Phase I.

In late June, the FCC’s Rural Broadband Auctions Task Force, Wireline Competition Bureau and Office of Economics and Analytics released a public notice announcing a list of 5,392,530 unserved locations deemed eligible for bidding in the RDOF Phase I auction.

Getting to this point was fraught with challenges. For one, the FCC denied a challenge filed by Frontier

Communications for 16,987 blocks where it claimed it provided service of 25/3 Mbps or better broadband service. The FCC also denied a challenge filed by wireless provider FDF Communications to exclude 1,664 census blocks in Missouri and 577 blocks in Arkansas from the eligible bidding areas. According to the FCC, concerns were raised in the record about the services that FDF Communications offered in the areas it challenged. It also rejected challenges by Arrowhead Electric Cooperative, Inland Networks, Northwest Fiber, Edge Broadband, Mobius Communications and LakeNet that sought to exclude areas from the auction.

Regardless of the initial challenges, GoSEMO Fiber is confident the RDOF auction could be positive for it and other electric cooperatives building FTTH networks.

“We were getting blocked, but we just want the opportunity to compete,” Vanslyke says. “There’s a lot of hope out there this is really going to help because a cooperative’s mission is to make people’s lives better.”

And unlike traditional large telcos or cable operators, he adds, “we don’t make a lot of money to pass back to our shareholders, so it’s a much different vision or strategy than that of a lot of internet providers.”

SHARING KNOWLEDGE

More electric co-ops are building out FTTH networks, and GoSEMO Fiber is keen to share its experience.

As the COVID-19 pandemic drove companies to adopt travel bans, GoSEMO Fiber arranged in-person and video conferences with cooperatives about FTTH projects during what it calls “fiber fly-ins.” During these events, GoSEMO Fiber offers various learning stations to educate and learn from interested co-ops.

“Over the past 18 months, we have had almost 25 cooperatives come and visit us to share best practices,” Vanslyke says. “We continue to share our experience and evolve.” ❖

Sean Buckley is the associate editor of BROADBAND COMMUNITIES. He can be reached at sean@bbcmag.com.