

**City of Lincoln
Telecommunications/Cable Television Advisory Board
Meeting Minutes – October 23, 2014**

Members Present: Paul Barnett, Andy Beecham, Edward Hoffman, Jim Johnson, Laurie Thomas Lee, John Neal, Arthur Zygielbaum

Members Absent (excused): Matt Hansen, Linda Jewson, Steve Egglund

City Staff: Steve Huggenberger, Diane Gonzolas, Jamie Wenz, David Young

Representatives of Time Warner Cable: Jarad Falk, Tyler Hedrick, Bill Austin (attorney appearing on behalf of TWC)

Representatives of Windstream: Brad Hedrick, Ed Krachmer, Brian Brooks, and others

Others Present: Ginny Wright, Dick Piersol (Lincoln Journal-Star), Mega Sugianto (Channels 10/11)

Call to Order

Meeting was called to order at 4:00 pm by chair Ed Hoffman. Hoffman made note of the copy of the Open Meetings Act at the back of the room. Board members and guests introduced themselves.

Minutes

Minutes from the July 24 meeting were presented. Laurie Thomas Lee moved approval, Art Zygielbaum seconded; motion passed 7-0. Minutes from the August 4 special meeting were presented. Art Zygielbaum moved approval, John Neal seconded; motion passed 7-0.

Old Business

Update on cable franchise transfer request from Comcast

Steve Huggenberger reported that we have received some of the items that Comcast was required to send us pursuant to city council action, but not all the items yet.

New Business

Windstream application for cable television franchise

Information on the Windstream application was distributed by Brian Brooks, Windstream's Director of Business Development.

The product is called Kinetic.

Brooks said that Windstream has been around for a long time, and have provided many services to the City of Lincoln. They would like to provide service to Lincoln; they think Lincoln is the right market for them at this time.

Brooks said that they will be partnering with MediaRim, provided by AT&T. It's in Omaha. 100% digital, updated UI, all the functionality that you'd expect. It has been deployed to over 6 million subscribers nationwide. The product delivers more seamless integration from the hardware and software down to the user's home. It's flexible enough for them to develop with it. When customers sign up for dedicated service, they will be on a separate service from the current Windstream service. He said that the quality of service will not be jeopardized to either video users or phone/broadband users. Two separate physical networks, running on the same copper. The services are whole home DVR, wireless set top boxes - first will be wired, others wireless.'

Zygielbaum asked how many TVs can users watch at once. Brooks said up to four.

Hoffman asked Brooks to confirm that for DVR one doesn't have to have a separate box. Brooks said that's correct; no separate charge for up to four TVs except for the extra box rental fees.

Hoffman asked how much their charge for extra TVs compare with Time Warner Cable. Brooks said that he thinks it's much less.

Laurie Thomas Lee asked how the capacity compares. Brooks said he is not sure what TWC is deploying today so was unable to answer the question.

Brooks said the service is multi-video; one can view up to 6 channels on an inset screen so you can flip back & forth.

The lowest tier will include PEG channels plus local channels. The next level up, called Tier One, will include PEG channels, local channels, Big Ten Network, and others. The next level, Tier Two, will include more options. Brooks said that the great thing about the system is that they can plug in the channels wherever they want; for instance they could place 5CityTV on Channel 5 if the City wants that. Initially they will require a set top box; they hope to move off of that requirement eventually.

Brooks said that the cost of set top boxes is less than \$10 per box (including DVR); each additional room will have a separate set top box, not more than \$10. They will be very competitive; they know that they have to be in the game on day one. They want to be very transparent; they plan to make sure that users know what they're getting. Brooks thinks that customers will be very satisfied with what they want.

Zygielbaum asked Brooks to confirm that the service is based in Kentucky, and national shows come in there; Brooks said yes. Zygielbaum: said that's a concern to him. He has both TWC and Windstream broadband and he detects downtime more often on Windstream than on TWC. He asked if in the case of downtime there is a way that they can provide a single channel locally so that local users could keep up with news. Brooks said absolutely. All the local channels will be broadcast locally.

Zygielbaum said that they're obviously going to need a lot of equipment that Windstream doesn't currently have; he asked if they are going to have the staff to do that. Brad Hedrick said that Windstream is committed to adding whatever staff they need. Also there is redundancy built in; a north route and a south route.

Zygielbaum asked if people are going to lose all channels in the case of an outage. Brooks said no; typically you might lose a few channels but there is staffing to keep the system pretty stable. If they have a hiccup they will get on top of it and get it done.

Zygielbaum had a question about the coverage map that was distributed; he assumes that's limited by the loop distance, correct? Brooks said yes; He believes there will be new technology that will allow it to be expanded.

Laurie Thomas Lee said that the proposal indicates that they would be able to reach 80% after year 15. Is that year 15 of the franchise or year 2015? Brooks said it is year 15 of the franchise. He would like to think that it would be 100%, but they cannot guarantee that.

Hoffman asked what Windstream would tell customers who asks why they should I go with this service rather than a competitor. Brooks said that if a customer looks at all they get, whole home DVR, wireless set top boxes, all that stuff, they will want this service. Can use the wireless to watch TV outside or take it around to multiple rooms if they choose to. AT&T and some of these other places have seen a drop in deck rolls.

Zygielbaum asked if that changes the way that the broadband wi-fi works. Brooks said no; that's on a separate network.

Hoffman said that the Huskers will be available on Tier One, correct? Brooks said Yes.

Neal asked with regard to reporting, what would the customer service reports look like? Ed Krachmer and Brian Brooks said that they have a system now of KPIs (Key Performance Indicators) which they use to see trends of problems. Hoffman commented that it sounds like you're saying that you could tell us about trends, correct? Brooks said yes, absolutely.

Hoffman asked if there will be additional jobs in Lincoln. Brad Hedrick said that there will be some; the big factor will be how many customers the service gets. They will need people to do installation, etc, depending on the usage of the system. Brooks added that there will also have to be more people in the office on M Street to work with customers.

Hoffman asked if there is a commitment to some extent to have local jobs in Lincoln; Brad Hedrick said yes.

Zygielbaum asked if Windstream would be able to report on how many people are watching our PEG channels. Brooks said that there are certain tools that you would have to have to tell the usage. Some tools could get reports out saying that in aggregate people are watching certain channels. That would be available, but they have not decided whether to purchase them.

Laurie Thomas Lee said that she has a concern about the limited coverage; people might be concerned that they're not in the covered area. Krachmer said that there will be some areas that aren't on the coverage map where people still might be able to get the service. They think their coverage is pretty good compared to the typical provider. Laurie Thomas Lee said that she knows that the Cable Act requires franchises to allow reasonable times to get coverage. She understands that they're not redlining, but she needs to know what to say to people who ask. Brooks said that if they could supply to everyone, he would. They don't have the budget for now. If they see a lot of usage, then we'll probably see an expansion. It is a technology problem. Laurie asked how Windstream will communicate to people that they might not be in the network. Brooks said that there will be a tool provided on their website. Krachmer added that he thinks everyone in town will get a benefit from having a new entry in the market, even though Windstream's service won't reach the whole city.

Beecham said that the coverage map title is "Coverage One Year After Launch"; does that imply that the day one coverage will be different? Krachmer said that on Day One there will be a fair amount of coverage but there will be some blips. Brooks said that once the service launches, there will be about six months of internal testing before they start bringing it to customers. They will ramp up the service when they start going live.

Hoffman asked why these particular areas are covered; Brooks said that customers in those areas have loop service.

Hoffman asked what is a Video Aggregation Point? Hedrick said it's a piece of electronic equipment.

Hoffman commented that the map shows that (1) Windstream has determined to go for coverage of the whole city, and (2) There are existing hubs. Right? Brooks said yes. Krachmer said that the same hubs are used to provide voice and data.

Barnett asked since these hubs are in these locations currently, does this limit current service? Brooks said no.

Barnett asked that if they were at 40% on day one, and were going for 80% after fifteen years, is it realistic to think that the initial 40% would be enough to drive the expansion. Brooks said that expansion could be driven by two things; one is how many new subscribers they think they can get, two is improvements in technology. Krachmer said that 40% is enough of a start to get the kind of base that they need. If they were only going for 5% then it wouldn't work.

Hoffman asked what kind of customer satisfaction have people with this equipment shown in the past. Brooks said that since the early days, it has expanded from 100,000 to 6 million with much satisfaction. Brooks feels really solid about the platform. He thinks it has the backing of good partners.

Laurie Thomas Lee asked if they are trying to get as many content providers as possible. Brooks said yes; we're well down the path on content acquisition.

Hoffman asked if there will be Channels On Demand. Brooks said yes; movies as well as TV.

Laurie Thomas Lee asked what would happen to Windstream's current relationship with Dish. Brooks said that the relationship remains the same; it will be a fallback offer if people do not qualify for Kinetic. Laurie asked if subscribers to Kinetic would be allowed to switch to Dish if they want; Brooks said yes.

John Neal said that one of the downsides of AT&T Universe seems to be a change in pricing after 6 months. Brooks said that initial pricing will last longer than six months. They are still working that out, but 6 month pricing doesn't benefit anyone.

Laurie asked if there will be bundling. Brooks said yes, there will be bundling; probably if you just take TV there will be a certain price, discounts available if you group together services.

Brooks said that Windstream wants to make sure that this service places Lincoln first. There are a lot of folks at Windstream who have put a lot of work into this.

Hoffman said that this technology has been around for a long time, but this is the first time that Windstream has done this, correct? Brooks said yes.

Hoffman: asked if Windstream would commit to having a representative available to attend meetings of the Telecommunications/Cable Television Advisory Board meetings. Brooks and Hedrick said yes, absolutely.

Following the presentation by Windstream, Huggenberger addressed the board regarding provisions of this agreement which are different from the Time Warner Cable franchise. He had sent Board members a list of items that are different from the TWC franchise. He wanted to summarize the major differences.

Section 7.3: The TWC agreement has a very limited section on reporting, but the City is interested in going back to some form of the annual report that's in the ordinance. Huggenberger is sure that there will be some tailoring of the annual report from the ordinance. Some form of a financial statement, may or may not be audited.

General description about complaints. The City may specify the form of all the requirements.

Krachmer commented that Windstream is open to those things.

Zygielbaum asked if they would be OK with an annual performance evaluation. Krachmer said that Windstream hopes the City won't feel the need to do that, but they will be open to it. Huggenberger said that performance evaluation is not necessarily a complaint performance, it's more of a status performance.

PEG Section, section 9. A great deal of the PEG requirements is identical. One thing that is different is in section 9.8, there was much discussion of a transition to an all digital system. Windstream will start out with an all digital system on Day One. Huggenberger said that Windstream has committed to providing everything that TWC has provided. The City will need to discuss this with both parties to see how the PEG programming will be shared. The majority of those discussions so far have been internal to City staff; but the City will need to have the discussions with both companies. Huggenberger's thinking is that the feed for the PEG channels would be the same, but broadcast on the two different services.

Triggering mechanisms are different. TWC started with 70,000 to 80,000 subscribers, Windstream starts with 0 subscribers. PEG obligation begins six months after Windstream has 20,000 subscribers.

One of the things that was in the TWC franchise was a commitment that TWC would help with City's fiber. Windstream would have a requirement of \$40,000 / year for the first 10 years, and then if Windstream has over 10,000 subscribers it would jump to \$50,000 per year.

Windstream may be utilizing the City's conduit system to do whatever they will be doing. They will be signing a lease for the conduit system.

Huggenberger asked if the Board had any questions.

Zygielbaum asked if there is an abandonment clause. Huggenberger said that in the TWC franchise, there is a clause that says that if TWC abandons the service, certain things will happen. With the Windstream system, they are using their system for other things including broadband. That's wonderful to hear, however we will include an abandonment clause.

Hoffman said that they will need to look at the details. It is pretty hard to imagine how the system would be out for 48 hours without some kind of force majeure event. Zygielbaum said that to his mind it's bringing a set of reliability standards. He feels that the Windstream system would be as reliable as the TWC service.

Huggenberger said that there are a handful of issues that they are still working out, but he is confident that they can work out the details. Zygielbaum said that if there are things that are negotiated with Windstream, is there a chance that TWC would want to reopen their agreement? Huggenberger said that we are always willing to reopen negotiations with TWC. Huggenberger said that if we negotiate a franchise with a second provider, there is a requirement to make sure that the two agreements are equitable.

Hoffman asked Huggenberger if he has had discussions with TWC regarding whether these conditions are equitable. Huggenberger said not at the present time.

Krachmer said that they would maintain their pricing agreements as a telecom service. Brad Hedrick said that there is about a 50-50 split between LES and Windstream on ownership of poles.

Hoffman asked if representatives from TWC wanted to make any comments. Falk said that he has not had a chance to review this yet. He wants to make sure that Windstream is not given any greater benefit or lesser burden than TWC. Bill Austin commented that there are a number of provisions that we have questions about: the \$1.75 million grant; the Service Area Issue - whether 15 years to get 80% penetration is reasonable; contributions to service area. Hoffman asked if Huggenberger had any reactions to the

items mentioned by Austin. Huggenberger said that he believes we have a defensible argument. Krachmer said that the \$1.75 million was paid up front; TWC was not required to pay the 41 cents per customer initially.

Huggenberger said that whenever the board acts, we have an intention of taking it to the City Council.

Hoffman asked if David Young from Public Works had any questions. Young said that he has been involved with discussions since the beginning, all of his questions have been answered by Windstream. Hoffman asked if this service would be utilizing the 4" conduit where it's been laid; Young said yes.

Zygielbaum had a process question: what do we need to do to approve this? Huggenberger thinks it would be appropriate to vote on the agreement as presented, based on the understanding that we could be happy with it with the understanding that the City will attempt to work out the details. Hoffman said he thinks that there are not a great deal of issues that we need to work out. He would be comfortable with voting today. Zygielbaum moved that we recommend that the City accept the proposed franchise agreement subject to completion of the franchise negotiation. Johnson seconded.

John Neal said that the only thing that he has seen which might cause an issue is the discussion with TWC.

Laurie Thomas Lee said that she is concerned about the buildout.

Huggenberger said that one thing we intend to look at annually is the buildout, and if we feel that they aren't serving what they should, then we will have that discussion with Windstream. Hoffman said that there is a proposal for competition in this City, and that's one of the main themes that we hear about when we have public hearings. He feels that this proposal addresses it; he thinks we have a very short window.

Motion passed 7-0.

TWC report

Jarad Falk had a few comments:

(1) TWC is initiating a power save feature on some DVR boxes; the boxes will go into power save mode if left on for 4 hours. This will not affect recording. Neal asked if the box will automatically come back up? Falk said yes, press a key and it will come back up.

Falk said that TWC-TV expanded that down to their basic level in early October.

Falk was asked about the decision to replace WOWT with KSNB on channel 6. Falk said that it has to do with DMAs. Gray wanted to make sure that KSNB was on the lower tier.

City Report:

Government & Education Info.

Improved Fiber connection with NET. The student news show is playing once a week. Scheduled so that it does not conflict with the news shows on local affiliates.

Fairly busy quarter on Government Access. About 160 hours per week. Live cablecasting: City Council, County Commission,

Gonzolas said that there is going to be an interview with two authors of the book about Caril Fugate on the John Ames reading series. There will be a viewer discretion warning.

Gonzolas said that the first three-year grant for Channel 10 expired in July, however we have enough left over to run it for another year; we will apply again in January.

Huggenberger sent a copy of the letter from Austin regarding the TWC performance evaluation. Anticipates that we will come forward with a report. Austin was asked for comment; he had none.

Public Comments

Ginny Wright said that she has had an issue with current cable provider. Sept Bill was \$81.87; Oct was 100+. As the chair mentioned earlier in the meeting, \$20 may not be a big deal for some people but it is for others. Looking at the customer satisfaction for JD Edwards, TWC and ComCast have the lowest customer satisfaction in the country. She gets frequent stoppage of her service. She is not complaining about the frontline employees. She has learned to go into the office to get anything done. Wants to know why her bill jumped so much. One reason is that her Social Security income has never jumped \$21 in a month. She is concerned that the proposed merger between ComCast and TWC would make ComCast the largest provider in the nation. The goal of business is to make money. Some companies have shown that doing things right does contribute to their profit. TWC increases her costs because it can; it's all technically legal. She said that the two most disliked companies have proposed to merge. The majority of Americans have a choice between only two providers. She said that squeezing the customer cannot work. TWC has shifted from good hard working employees to less able employees. When she first moved into her place she had a great service person, but he is no longer with the company. With the free rein of TWC, she can only expect to pay more. She says things out loud that other people only think, but she is fed up. Can this board make a difference for the public good? Apparently it's now her job to ferret out other providers such as Dish, Hulu, etc; she isn't comfortable with that kind of stuff. Wants TV with preferably a la carte; wants to look at trendlines (she wants to see soccer on TV); wants dependable delivery of these services by employees with good benefits.

Zygielbaum asked Wright how long has she been a TWC customer. She said a long time. One thing that she has discovered is that when she changed addresses to public housing she kept getting bills. When one changes an address it doesn't change the service to going to the new address.

Adjournment

Meeting was adjourned at 6:00 p.m.

Respectfully submitted,
Jim Johnson, secretary