

Cable Committee Minutes, 9/13/06

Attendees: Margaret Fredrickson, Linda Wade, Lynn Puorro, Peter Boers, Mark Thompson, Jeff Winston.
Excused: Marty Greenstein

Meeting came to order ~ 7:20PM.

1) We discussed upcoming events: Sudbury Day and the Telethon. Linda said she would get the word out to talent not to wear white.

2) We discussed Verizon. One issue we discussed is what good use we could put to a new capital grant. Lynn mentioned that the studio cameras were 10 years old and she would like to replace them with 3 new ones, and that there is a new Sony "Studio in a box" that looks very attractive.

3) We discussed the Belmont Draft. Jeff brought everyone up to date. Peter Epstein (our counsel) had spent the entire spring and summer negotiating a "generic" draft for the many towns he represents, and the document, as of the 8/25 draft, was ready to be finished by the individual towns. A slightly earlier draft had been distributed to the committee, so Jeff reviewed the few differences.

Peter B. had a question about the definition of "Complaint" in 1.12 of the Belmont Draft. [Peter Epstein later replied that this was the state-mandated definition].

4) We welcomed Paul Powell and James McGrail, representatives of Verizon. We gave them a studio tour, and showed them a compilation of our programming (Kudos to Lynn and Linda for putting this together). They commented that, except for one other town, ours was the best studio they had seen in the area.

5) We went through the pre-submitted questions to Verizon: Verizon answers are in *italics*. Followup from Peter and other comments are in [].

a) Sec. 3.1 - Can you give us any information about our Service Area, initial coverage and build-out? Will underground installs really take three years in Sudbury? *Aerial, which is 64% of the town, is almost completely built-out. Virtually none of the 28% of underground installs are built out, ditto the 8% of multi-dwelling units. In the license they may not commit to less than 5 years to complete the latter two categories. However, at the final hearing, they will give a detailed presentation of their intended build-out plan. They do not intend in any way to cherry-pick the town.*

b) Sec 5.1.2: I heard that, in Belmont, Verizon raised the possibility that people at the edge of town would receive Access channels from other towns. I'm guessing that this was because these people were receiving their feeds from adjoining towns. I have no problem with this. But it makes me to worry that people at the edge of Sudbury may NOT receive the -Sudbury- Access channels. Can you comment as to what percentage of Sudbury Verizon CATV subscribers (if any) will not be able to receive the Sudbury Access channels? *No problem here, 100% of Sudbury subscribers will be able to receive the Sudbury Access Channels, on the correct channel number. They will provide us with a 3rd access channel, if ever needed, under the same terms as our existing COMCAST license.*

c) Sec 5.1.2: We promote our Access Channel as "Sudbury Channel 8". We do this on the air, in graphics & posters, with T-shirts, etc. So we would like our providers to have some incentive not to change our channel number without a lot of thought. Our current licensee is not permitted to move the Access channels without prior written notice to our Issuing Authority. Will Verizon agree to the same terms?. In addition, we would request that, if Verizon chooses to move our Access channel at a future date, they agree to pay the town \$2,000 in non-recoverable costs to help us publicize the change. We plan to ask our other licensee for the same arrangement at their renewal. *They will find out for us whether they can assign channels 8 and 9 and let us know next week. They think they can. They will agree to wording in the license requiring advance notice of changes.*

d) Sec. 5.2.4: Could Verizon provide an annual itemization of recovered costs? This is similar to Exhibit C, but whereas Exhibit C itemizes the payment to the Town, this would itemize the components of the subscriber pass-

thru. Perhaps a modification to Exhibit C would be sufficient. *They said this is available in open records (Sec. 8.1).* [I'm still awaiting a clarification of this because Peter and I don't see this. The intent is for the town to be able to audit the amount of the pass-thru to protect the residents from error, but after we have sufficient competition to disable rate regulation Peter doesn't see how this information will be available. We will continue to discuss with Verizon].

e) Sec 8.1 Where does Verizon intend to make their records available? We believe this should be in a local office no further than 10 miles from Sudbury. Or, alternately, Verizon should be willing to provide, by mail, copies of requested records on a semi-annual basis. Many items that are subject to annual reporting requirements in our current license are mentioned only in this "Open Books and Records" section in yours. Thus, if your records are not readily available to us, we lose a lot of visibility compared to our other license. *Records are available in Boston, they will agree to a distance requirement (tbd, perhaps 25 miles) in the license. Although in practice they may be willing to copy and fax the occasional document, they won't agree to this in their license. They know that every license, once completed, can be seen by every other town they are negotiating with, and so they are afraid of "feature creep" where a concession to one town is suddenly requested by 300 others.*

f) Sec 8.2: Could Verizon add making records available on Number of Basic Service customers, Dwelling Units passed, and Cable System Plant miles, to this section? We currently receive this information annually from our other licensee. *Number of customers is implicit in the license fee. It, and Dwelling Units Passed are required by Federal Statute. They won't report Plant Miles because it is a mixed-use network.* [Peter doesn't see that they are required to report on Dwelling Units. All we're really interested in is some periodic reports on their build-out, so perhaps we will ask for something of this nature directly].

g) Sec 9.3 In Sudbury, our other licensee maintains a \$100,000 performance bond. Will Verizon agree to provide one of equal amount? *Verizon replied that, for Level-Playing-Field, you have to look at the totality of the license, and not match things up element by element. They typically agree to \$50,000.* [We still feel this is important and will continue to discuss with Verizon]. *They also mentioned that they do not put a LPF clause in their contract.*

h) Most important: Excluding obvious town-specific items like funding amounts, Exhibits A & B, the location of the studio, etc, are there any sections or wordings in this 8/25 draft that Verizon agreed to in Belmont but plans to re-negotiate in Sudbury? *They said Yes, except for "community-specific" items.*

Later in the meeting we discovered there may be some disagreement about what is "community-specific" as they felt license term was fair game for renegotiation. The committee asked them to generate a Sudbury License from the 8/25 Belmont draft, [Its promised for late next week.] At that point we will see what other items, if any, they wish to re-negotiate. They also said that Belmont took a 10 year term, but Acton and Lincoln are going for a 15 year term.

Other Questions, Answers, and Followup...

i) Does Verizon want a 3-year escape clause in Sudbury. *Yes, or a surrender clause.*

j) Since we've heard from linemen that they have not yet installed in Sudbury the infrastructure equipment they need to provide CATV services, when is the earliest date that Verizon would provide service. *They will look into it and get us an answer.*

k) We talked about funding. On Capital, Verizon offered to match approximately 35% of the total amounts in our current license for Capital and I-net. The 35% number comes from their estimate of their expected penetration. For Operating Expenses, Verizon looked at the dollar amounts in our current license, and using an estimated per-subscriber ticket of \$60/month [the committee typically uses \$55/month], they proposed to match our current license with 2% of revenues. The committee told them this was too little.

The committee explained that there was a significant amount of money that COMCAST spends on Sudbury over and above the amounts Verizon found listed, and the requirements for some of this spending appear only in the prose of our license. For example, outside of the dollar amounts, COMCAST is required to replace equipment

that reaches end-of-life, provide tech support and equipment repair, etc. COMCAST also currently pays dollar amounts in excess of what is shown in the license on some items.

Mr. McGrail said that Verizon was prepared to offer a percentage of revenues sufficient to match what COMCAST is actually contributing, but requested that the town provide some documentation of the amount they feel is appropriate. He suggested getting an FRC report from COMCAST, which the committee agreed to do. [Note: Unfortunately the FRC report will do us no good, because it only reports costs passed-through to subscribers and our current license prohibits COMCAST from passing through more than 1% of revenues under any circumstances. However, COMCAST has agreed to prepare a complete summary of all their actual spending, and I will check it against the detailed quarterly reports that COMCAST provide me, and then pass it on to Verizon].

The committee made the point to Verizon that parity with our current COMCAST funding is only a starting point. What Verizon needs to do, the committee said, is make sure that after the Verizon license is granted, our Access facility operates at the same level of funding and activity that it does now. Otherwise, Verizon's entry causes a detrimental effect. This isn't as simple as matching COMCAST's funding.

The committee explained that, because Verizon is coming to Sudbury, at some point down the road our town will have to forgo our corporate-run studio in favor of an access corporation (AC). At that point, the AC will need to replace many of the things that COMCAST purchases in bulk, or provides for free, at higher cost. For example, an AC will have to pay high hourly rates for technical support, as well as acquire its own insurance, (including things not needed now, like D & O insurance), and pay full price for everything from equipment to employee benefits (because of our small size). So, to give an AC parity with our current situation, Verizon needs to provide us sufficient funding so that we are "level-funded" in the access corporation scenario. Verizon asked how much that would be. Jeff said he wasn't prepared to provide a number, but that we would look into it. [Jeff will get the report from COMCAST and he and the committee will work from there. The committee wants to be realistic, and minimize the costs to subscribers, but the committee considers it essential that Access programming be maintained at its current level.]

l) Jeff instructed Verizon to keep Jeff in the loop for all communication with Peter Epstein, and not to have calls or meeting with Peter without Jeff's prior approval. Jeff said he understood that in some towns Verizon negotiated primarily with counsel, but in Sudbury the committee wants to be involved in all discussions and negotiations.

Both Verizon and the committee agreed they had questions to answer for the other side, and that they would get answers as soon as possible and keep the process moving forward expeditiously.

After Verizon left, there was some discussion of negotiations in executive session.

Meeting Adjourned at 10:05PM

Respectfully Submitted by
Jeff Winston.