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CABLE ADVISORY COMMITTEE MINUTES

August 22, 2017

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The Cable Advisory Committee met in the Selectmen Conference Room as scheduled with Greg Franks of Comcast, Attorney Bill Hewig, Heather Lemieux, Jo McLaughlin, Steve Walker, Paula Bertram and Tom Alonzo present.

Public Comment

None

Announcements

None

Minutes/Correspondence

Paula had sent out minutes, however Committee members did not receive. Paula will resend.

Minutes/Correspondence

Tom Alonzo asked if Bill Hewig had received the two side letters, one for HD PEG and one for EPG. Greg had forwarded them to Attorney Hewig, unfortunately neither Greg or Bill had them, Bill will forward them to the Committee electronically.

Tom Alonzo questioned the cost of current internet connectivity. Greg Franks asked for specific addresses so he could provide the information. Tom pointed out that the locations are currently in the existing contract, Tom amended the school information; and removed 1033 Mass. Avenue

Tom asked if Mr. Franks had reviewed the business plan, Mr. Franks said he read it and talked with his superiors and Comcast has a counter offer:

4.5% PEG fee

\$120,000 Capital

Comcast will construct video return line from the high school

Bill Hewig expressed concern with the capital offer; the current license gave Lunenburg \$90,000 and \$25,000 for a total of \$115k. Part of that was an advance payment coming out of the 2.5% it was \$25,000 up front.

Mr. Franks said he need to verify that there is a hub somewhere that takes the signal to the head end Steve Walker responded that there is a hub in the cable room; 2 channels only.

Paula, asked about the request for the 3rd channel? Mr. Franks said Comcast might be able to accommodate a third channel if we could come to agreement on the other points.

Bill Hewig said that the capital proposal is too short, one of the things the PACC is doing is building the capital it into the budget; they could have put into retained earnings. Based on the plan, even the \$240,000 requested is not enough. It was really an offer made in good faith; Lunenburg is asking for what is really needed. Lunenburg might agree to come down if they could get 5% and then make up the difference over time. Hewig said that his response as Lunenburg's Attorney initially is that \$120,000 capital is not enough; the 4.5% could work if the capital were increased. Mr. Franks said he may be able to move a little bit, but not sure how close he can get to \$240k

Hewig emphasized that these are Lunenburg's bare bone numbers...a good case could be made for asking more, but instead we gave you the lean numbers.

Tom Alonzo pointed out that PACC put together the plan and spent the better part of a year on how to make it work; he added that his initial reaction is we have play on the percentage if we get closer to the capital.

Attorney Hewig noted that If you add up the numbers in the proposed budget it comes up to \$340,000, instead of requesting the full amount, we tried to give you something practical and realistic. He noted that the Committee is as conscious of pass through costs as Comcast; each subscriber would look at the bill and see a 2.0 or 2.5% increase in their bill; the pass through costs go from .20 to .60. It is not a big number and won't trigger wholesale outcry from subscribers. They would get a lot for a small increase; we don't want Comcast to lose subscribers but this is a small increase. He added that he is extremely disappointed in the proposed low capital amount and thought it would be closer to what we really need.

Mr. Franks responded that Comcast doesn't benefit from this proposal therefore it is difficult to sell on his end. Attorney Hewig noted that this type of low capital amount is unusual, it is far more typical for Comcast to have granted more funding. It is standard practice that if you do your ascertainment and make a showing of need and it looks like the community is able to fulfill its obligations under the plan then typically the cable company is more willing to front capital.

Mr. Franks noted that the subscriber base in Lunenburg has been stable but it is not very big to begin with. He said that there may be room to move but he won't be able to sell \$240k for a subscriber base of 3200. Mr. Hewig said that we need a minimum of \$230K or \$238K. Mr. Franks asked if we would accept the \$140, committee members and Attorney Hewig unanimously said they would be unwilling to accept \$140K.

Tom Alonzo said that if Comcast can get the 4.5% back to 5% which would bring us to about \$200,000 then we might be able to work with it. (2.5% equates to approx. \$100,000). Mr. Hewig emphasized that Lunenburg went into negotiations with real numbers, and the requested funds are completely justified. Lunenburg has determined what they need and what the cost is.

Tom Alonzo pointed out that viewership has been increasing because of the local programming and that it is a factor in keeping subscribers with Comcast. Attorney Hewig added that Lunenburg is worlds above where it was 10 years ago, and that as the plan indicates PACC will do a good job of investing the capital infusion.

Greg Franks asked if all the money comes up front, would that make a difference? Steve Walker said we have to be a little careful because we are looking at new studio space if it is spread out to much we will not have what we need to outfit the studio.

Tom Alonzo asked if the funds were spread out in the contract, but yet it is known money, what is the flexibility of the town budget to accommodate a studio? Heather responded that funding could be a possibility but she would have to talk with the Town Accountant about short term borrowing. Attorney Hewig noted that Comcast could make the payments uneven.

Tom Alonzo said that if we could spread it out and Comcast is able to get closer to the requested \$240,000 then he could deal with that, as long as the money is a guarantee. Steve Walker noted that the studio won't be done for 2 years.

Mr. Franks asked what are you looking for Ethernet? Steve responded we need 200 up and down; we have our own VPN. Franks asked if is for internet access? Heather responded affirmatively. Mr. Franks concurred that there is value in connecting the 10 buildings; he will talk with his colleagues.

Mr. Franks said that he doesn't have the authority to get close to what we are asking for; he has to talk with superiors.

Steve asked what is the issue with the 3rd channel; we are already getting the Leominster channel? Mr. Franks reiterated that he thinks he can make that happen if it is what it takes to close the deal. Paula pointed out that with construction of middle/high school there is a real need for the educational channel. Tom Alonzo added that the school has requested the channel. Mr. Franks asked if we are currently utilizing the two channels efficiently. Jo McLaughlin responded that the channels are programmed 24/7.

Mr. Franks said he would go back to his superiors and call Bill Hewig at the end of the week.

Steve asked what happens if we don't negotiate the new license before the expiration of the current license? Bill Hewig answered that provided negotiations are ongoing, we can continue with the license terms in place as agreed to by both parties. The current license expires 9/3/17.

Bill Hewig said that when we convened last time we talked about a senior discount side letter. Mr. Franks was surprised we do not already have one he said that Comcast will at least be able to do what they are currently doing for seniors which is \$2 off basic channels. He said he can definitely do that.

Mr. Alonzo asked about how soon Mr. Franks can get back to us and when the next meeting should be scheduled? Greg Franks said that he thinks Comcast will be willing to up on the percentage but he is not optimistic about the capital. Mr. Alonzo emphasized that Lunenburg subscribers have been very supportive about what we are doing and PACC has significantly expanded programming and would like to continue that.

Mr. Franks said he doesn't disagree that Lunenburg is doing a good job; but it is tough to deal with division headquarters and it will be a hard sell. Mr. Alonzo noted that \$240,000 over 10 years is \$24,000 a year; it is not a big number.

Mr. Franks said that larger communities like Newton who has 12,000 subscribers look at what smaller towns get and that impacts their bargaining. Mr. Alonzo responded that regardless of any town's size there is a cost associated with creating a studio. Mr. Hewig commented that each community has their own ascertainment and negotiations are based on their individual needs.

At this point Mr. Franks left the meeting, he will consult with his superiors and get back to Mr. Hewig and a meeting will be scheduled.

Mr. Hewig informed the Committee that he had received a letter from the Department of Telecommunications informing us that if we deny license then we have to send Comcast and the Department a letter within 14 days.

Bill outlined the legal options if Comcast won't come closer to our capital needs: 1. We send them a preliminary letter of denial. 2. After receipt of the letter Comcast could request a full administrative hearing before the Selectmen which can be expensive (it is like a trial). The Selectmen acts as the judge and either reaffirms the decision to deny or votes to grant a license. 3. Any action after that would be in federal court.

Attorney Hewig said that we have a legal right not to give them a license; what usually happens when you reach an impasse is the parties come back to the negotiation table. He emphasized that PACC and Committee have done their jobs and provided realistic numbers, this is logical rational stuff.

Mr. Hewig said the standard in rendering a decision on an administrative hearing is did the cable company meet our reasonable request at a reasonable cost? He noted that the pass through cost for the budget proposal is .625 which equates to \$.40 per subscriber which is nothing; Comcast is going to have to move as far as he is concerned. If they don't come closer then he would recommend sending Comcast a preliminary notice of non-renewal. Mr. Alonzo asked if they come back with 5% and \$200,000 would that meet PACC's needs? Steve Walker said he would need to review the spreadsheet again, which he will do before the next meeting.

Next meeting date to be scheduled by the Chair after conferring with Attorney Hewig.

Meeting adjourned at 6:55 pm

Respectfully submitted,

Paula Bertram