

W-1-D.

Memorandum Date: January 25, 2006
Order Date: February 8, 2006

TO: Board of County Commissioners

DEPARTMENT: County Administration Office

PRESENTED BY: Peter Thurston, C&ED Coordinator

AGENDA ITEM TITLE: ORDER/IN THE MATTER OF CONSIDERING CHARTER COMMUNICATION'S NOTICE OF RATE CHANGE FOR THE FLORENCE/DUNES CITY SERVICE AREA

I. MOTION

It is moved that the Order be adopted in the matter of considering Charter Communication's notice of rate change for the Florence/Dunes City service area.

II. AGENDA ITEM SUMMARY

Charter Communications requests approval (Attachment A) of their proposed rate change for Basic cable television service in the Florence/Dunes City services area, including the unincorporated areas adjacent to these cities, as described in Attachment A.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

In 1992, by Ordinance 6-92, the Lane County Board of Commissioners established a cable television franchise covering unincorporated areas such as McKenzie River Valley, Mohawk Valley, Noti, and Mapleton; and areas adjacent to small cities around the county. Attachment C shows generally where these Charter cable television service areas are located. The rules that govern the franchise process are authorized in the federal 1996 Telecommunications Act. Charter's franchise is set to expire in June 2007.

According to the rules of the Act, Charter is required to report annually on the adjustments that affect the basic cable rate in the Florence/Dunes City area. This service area adjacent to Florence and Dunes City on the coast is the only area in Lane County that remains regulated in this way. The calculations by Charter indicate that the rates for Basic service should be \$18.15 in 2006. Charter is proposing that the rate be \$19.99, \$1.84 above the Maximum Permitted Rate (MPR). Charter states in its letter (Attachment A) that a waiver is needed from

Lane County to implement this rate. In Board Order 05-2-9-1, adopted in early 2005, the Board took action recognizing Charter's request at that time for a 2005 basic rate \$4.02 above the maximum permitted rate. This current monthly basic cable rate is \$23.94.

B. Policy Issues

The primary policy issues related to this proposed action to change the basic cable rate include: 1) the degree to which Lane County wants to be directly involved in business decisions of the franchisee, and 2) consistency, fairness, and reasonableness of the proposed rate.

The proposed Order includes action on the question of rate change consistent with the proposal by Charter's proposal and past practices of Lane County. The premise is that if there is no objection from subscribers or from the cities in the coast service area, then it is fair to maintain consistent rates for basic service, even if this is \$1.84 above the federal formula for basic service. Charter is seeking to establish a uniform basic cable rate of \$19.99.

C. Board Goals

Lane County Strategic Plan goals include the following outcomes that are affected directly and indirectly by cable television services: 1) "work for a strong regional economy" . . . is enhanced when people in all communities of the county have access to meetings of the Board of Commissioners that promote economic development; 2) providing "opportunities for citizen participation in decision-making, voting, volunteering, and civic and community involvement" . . . are directly affected by education and government information on cable television channels; 3) "ensuring the public's safety . . . emergency preparedness . . . [and] law enforcement" . . . is facilitated through public access channels. Many other public benefits are derived when public channels are available in a uniform way wherever cable television facilities exist.

The Board of Commissioners has expressed the objective of providing public access to Board of County Commissioner meetings on cable television channels throughout the county. To date, this objective has not been included in a formal action of the Board of County Commissioners. The action proposed in the Order only deals with the question of rate change in the Florence/Dunes City service area outside each of these cities.

D. Financial and/or Resource Considerations

Based on federal cable television franchising authority, Lane County receives a 5-percent franchise fee on cable television services delivered outside the municipal jurisdictions in the county. Lane County's franchise revenue from Charter to the

general fund has been about \$160,000 per year. This revenue source is at risk if federal legislation is adopted that removes local franchise authority by cities and counties. Adoption of the Order minimizes staff time in this matter. Further evaluation and investigation of the rate change will take time and resources from other economic and community development activities.

E. **Analysis**

Whether this proposed action is considered *raising* the basic cable rate above the maximum allowable rate by \$1.84 or *lowering* it by \$3.95 from the current rate, to a proposed monthly rate of \$19.99, is a matter of perspective. The underlying question has to do with reasonableness of the rate and fairness. It seems fair to have a similar rate for basic service, whether a subscriber is inside the cities or in the unincorporated areas around the cities.

The proposed reduction in basic rate (from \$23.94 to \$19.99 per month) probably is substantially the result of the new, expanded, digital high definition television service, and higher rates, introduced in the service in 2005. Staff has not done a detailed analysis of the calculations required of Charter on FCC form 1240 to determine the maximum permitted rate. The cities of Florence and Dunes City have reviewed the request from Charter to change the rates and have at this time elected not to respond. The cities do not have regulatory authority in this matter.

F. **Alternatives/Options**

The Board may adopt the Order, amend portions of the Order, or decide not to take any action at all. There is no requirement that any action be taken.

Option 1 – Adopt the Order as presented to acknowledge Charter’s basic rate change.

Option 2 – Request clarification of portions of the Order before taking action, and postpone action to a later date.

Option 3 – Determine not to adopt any of the provisions of the Order at this time.

V. **TIMING/IMPLEMENTATION**

Charter Communications requests that the waiver of basic fee be acknowledged by Lane County as soon as possible by signing the waiver Charter has provided (Attachment A).

VI. RECOMMENDATION

It is recommended that the Order be adopted including direction to sign the waiver presented by Charter, subject to legal counsel review.

VII. FOLLOW-UP

Upon approval by the Board, the "waiver" provided by Charter will be signed and returned to Charter with a copy of the Order approved by the Board.

VIII. ATTACHMENTS

ORDER

A – Charter notice of rate change – December 6, 2005

B – Charter Channel Line-up for Florence/Dunes City service areas

C – Map of Charter service areas in Lane County

\\BCC Charter request for rate change 1-06.doc

IN THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER NO.) IN THE MATTER OF CONSIDERING CHARTER
) COMMUNICATION'S NOTICE OF RATE CHANGE FOR THE
) FLORENCE/DUNES CITY SERVICE AREA

WHEREAS, Lane County is a local franchise authority for the unincorporated areas of the county, including about 4,000 subscribers in and around communities across Lane County's 4,600 square mile area, and

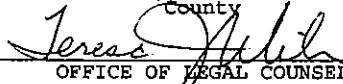
WHEREAS, Charter Communications, serving the rural areas of Lane County, has submitted a request for Lane County to approve rate adjustments in the Florence/Dunes City service area for 2006 that are lower than the current (2005) basic cable TV rates, however are higher than the maximum permitted rate as determined by federal communications commission formula, NOW, THEREFORE, IT IS HEREBY:

ORDERED, that Lane County hereby acknowledges the rate change for basic cable television service in the regulated service area adjacent to the cities of Florence and Dunes City (\$1.84 above the maximum permitted rate) and authorizes signing of the waiver requested by Charter Communications.

FURTHER ORDERED that the County Administrator is authorized to sign the Charter Communications waiver related to basic cable television rates for 2006, as described in the Order, after review by County Counsel.

Signed this 8th day of February, 2006.

Bill Dwyer, Chair
LANE COUNTY BOARD OF COMMISSIONERS

APPROVED AS TO FORM
Date 2/1/06 Lane
County

OFFICE OF LEGAL COUNSEL

December 6, 2005

Peter Thurston, Community and Economic Development Program Coordinator
125 E 8th Avenue
Eugene, OR 97401

Dear Mr. Thurston,

Last year the Lane County Commissioners approved via Order No. 05-2-9-1 a basic rate adjustment above the maximum permitted rate (MPR) and the moving of the date for rate adjustments to March of each year.

In accordance with the Federal Communications Commission (FCC) Rules and Regulations, Lane County in and around the City of Florence and Dunes City is a regulated Community. Charter Communications must give a 90-day notice to any rate changes and no sooner than twelve (12) months since previous rate change. In the current Franchise agreement it speaks to a thirty (30) day notice, which is correct in the unregulated area's of Lane County, although ninety (90) is required in this regulated portion of Lane County (Florence area).

The current 2006 MPR (Maximum Permitted Rate) has a 1240 filing calculation of \$18.15 , our current rate is **\$23.94** for both Lane County, Florence and Dunes City. We would like to **lower** our rate to **\$19.99** on March 15, 2006 for all three of these communities. Since Lane County is the only remaining regulated community we will need your authorization to change our Basic rate to a rate exceeding the 2006 MPR.

Current (2005) Basic Rate:	\$23.94
2005 FCC 1240 MPR	\$19.92
Proposed (2006) Basic Rate:	\$19.99
2006 FCC 1240 MPR	\$18.15

It is truly rare these days when a Communications Company actually lowers their basic rate considering that operation costs such as programming, fuel and supplies have continued to rise at such a steep rate.

We are looking for your approval for this rate change above the MPR to match the adjacent areas, as some are right across the street from one another. All have the same channel line-up and are fed from the same fiber and coax.

Charter Communications will need a waiver approved by the Lane County Commissioners for a basic rate above the MPR. Last year the Commissioners approved a basic rate that was \$4.02 above the MPR, this year for 2005 Charter is looking for a waiver to charge \$1.84 above the MPR for this regulated area.

I would appreciate an opportunity to meet with the Lane County Commissioners to present this scenario and answer any questions they may have for allowing this rate change. I can also be reached directly at (541) 888-1997.

Please sign both copies and keep one copy for your records and send the other back to me.

Sincerely,



Chris Hinzmann
Operations Manager
1400 Newmark Ave.
Coos Bay, OR 97420

Name Signed on Behalf of Lane County

Print Name

Title

Date

Channel Line-up

Communities Served: Florence/Dunes City

It's time to get hooked on Charter.

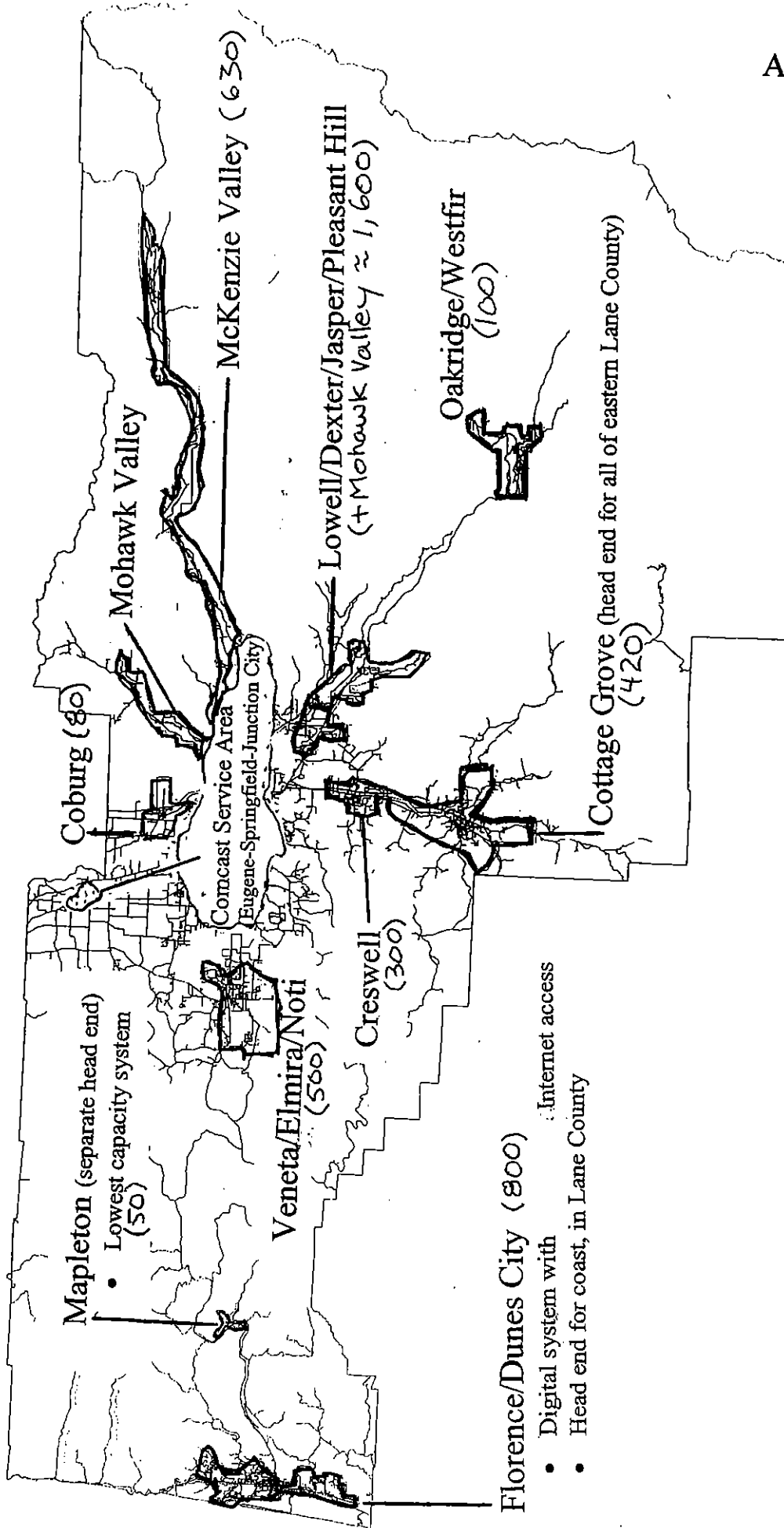
Current Price	Rebroadcast Charge	Difference
\$23.94	\$18.15	\$6.79
\$25.05	\$20.62	\$4.43
\$48.99	\$50.00	\$2.00
CHARTER DIGITAL TIERS (When purchased a la carte, includes music channels and TV where applicable.)		
\$5.00	\$5.00	N/C
\$5.00	\$5.00	N/C
\$5.00	\$5.00	N/C
DIGITAL PREMIUM NETWORKS (When purchased a la carte)		
\$13.00	\$13.00	N/C
\$11.95	\$11.95	N/C
\$14.95	\$14.95	N/C
\$13.00	\$13.00	N/C
\$13.00	\$13.00	N/C
\$5.95	\$5.95	N/C
CHARTER PAY-PER-VIEW (per activity)		
\$3.99	\$3.99	N/C
Varies	Varies	N/C
Varies	Varies	N/C
VIDEO EQUIPMENT RENTAL		
\$3.95	\$3.95	N/C
\$1.50	\$1.50	N/C
\$0.15	\$0.15	N/C
OTHER SERVICES		
\$3.00	\$3.00	N/C
**1% fee provides access to full functionality of the electronic program guide - required to receive program information, perform efficient channel surfing and ordering PPV and VOD.		
CHARTER HIGHSPEED (HS)		
\$39.99	\$40.99	\$5.00
\$29.99	\$41.99	\$5.00
\$49.99	\$51.99	\$2.00
\$39.99	\$41.99	\$2.00
\$4.95	\$4.95	N/C
\$2.96	\$2.96	N/C
\$0.00	\$0.00	N/C
\$79.95/unit	\$79.95/unit	N/C
***Not available with 3600bps service		
****Price reflects \$10 Multi-Product Discount		
*****Includes Digital Service		
**\$3 includes program guide, music channel, on screen editing of PPV, including additional Home Networking, Portal and Security services.		

Effective 12/31/05	Programming subject to change	Difference
1	Analog Basic	N/C
2	Home Shopping Network	N/C
4	KEW - Independent	N/C
5	KLSR - FOX	N/C
6	KMTZ - NBC	N/C
7	KOAC-TV - PBS	N/C
8	GVC	N/C
9	KZL - ABC	N/C
10	Government Access	N/C
11	TV Guide	N/C
12	KVC-TV - UPN	N/C
13	KVAL - CBS	N/C
14	WB	N/C
15	Inspirational Network	N/C
16	Trinity Broadcasting/ITN	N/C
17	CSPAN	N/C
18	Shop NBC	N/C
19	Real Estate Channel	N/C
21	The Weather Channel	N/C
22	The Weather Channel	N/C
Expanded Basic		
23	CNN Headline News	N/C
24	Ullifine	N/C
25	El	N/C
26	ix	N/C
27	ESPN	N/C
28	ESPN2	N/C
29	TV Land	N/C
30	National Geographic	N/C
31	FOX News Channel	N/C
32	MSNBC	N/C
33	Soap Net	N/C
34	The Disney Channel	N/C
35	Spice TV (TNN)	N/C
36	Comedy Central	N/C
37	TNT	N/C
38	TBS	N/C
39	CMT	N/C
40	Sci-Fi	N/C
41	Braze - West	N/C
42	HGT/Home and Garden Television	N/C
43	Fox Sports Net Northwest	N/C
44	USA	N/C
45	MTV	N/C
46	The Learning Channel	N/C
47	VH-1	N/C
48	Impact Classic Movies	N/C
49	The Discovery Channel	N/C
50	Animal Planet	N/C
51	A&E	N/C
52	Fox Movie Channel	N/C
53	Outdoor Life Network	N/C
54	Cartoon Network	N/C
55	Hallmark	N/C
56	Northwest Cable News	N/C
57	CHBC	N/C
58	Speed Channel	N/C
59	Golf Channel	N/C
60	DM	N/C
61	AMC	N/C
62	Travel Channel	N/C
DIGITAL VALUE PACKAGES		
Big Value Package	\$54.99	\$2.00
Basic Expanded Basic		
Digital receiver, IS choice of 1 digital tier, music channels and tv where applicable	\$67.99	\$2.00
Bigger Value Package		
Basic Expanded Basic		
Digital receiver, IS choice of 1 digital tier, choices of HBO/Max or Starz/Encore, music channels and tv where applicable	\$70.99	\$4.00
Biggest Value Package		
Basic Expanded Basic		
Digital receiver, IS choice of 1 digital tier, HBO/Max and Starz/Encore, music channels and tv where applicable	\$74.99	\$4.00
INSTALLATION (per activity)		
Primary Outlet	\$45.95	N/C
Unwired Home	\$29.95	N/C
Wired Home	\$29.95	N/C
Reconnect	\$29.95	N/C
Additional Outlet - Unwired Home	\$19.50	N/C
With Initial Install	\$24.95	N/C
Special Trip	\$24.95	N/C
Additional Outlet - Wired Home	\$24.95	N/C
With Initial Install	\$24.95	N/C
Special Trip	\$24.95	N/C
Relocate Additional Outlet	\$24.95	N/C
With Initial Install	\$24.95	N/C
Special Trip	\$24.95	N/C
Change of Service/Disconnect	\$24.95	N/C
Special Trip	\$24.95	N/C
Computerized	\$11.99	N/C
Hourly Service Charge	\$24.00	N/C
Amplifier or A/B Switch	Free	N/C
With Initial Install	\$24.95	N/C
Special Trip	\$24.95	N/C
HS Installation	\$49.95	N/C
Standard	\$35.99	N/C
Self	\$5.00	N/C
UNRETURNED EQUIPMENT FEES		
Standard Digital Receiver	\$195.00/unit	N/C
CableCARD	\$84.00/unit	N/C
Remote Control	\$4.00/unit	N/C
Modem - 384 Kbps/3Mbps Gateway - 3 Mbps	\$33.00/unit	N/C
Gateway - 3 Mbps	\$5.00	N/C
MISC. OTHER CHARGES		
Whole House Wire	\$3.99	N/C
Maintenance	\$25.00	N/C
Returned Check Fee	\$5.00	N/C
Port Due 45 Day Fee	additional \$6.00	N/C
Phone Payment Processing (CSR Assisted)	\$1.99	N/C

63	Women's Entertainment	64	Court TV	65	Oxygen	66	Food Network	67	Hallmark Channel	68	MTV	69	Toon Disney	70	ABC Family	71	Nickelodeon-West	72	CNN	73	GSN	74	Great American Country GAC	75	GalTech TV	76	Outdoor Channel	77	Style	78	Telemundo	79	Digital Family and Information Tier	80	Boomerang	81	Discovery Kids	82	TMC Xtra-West	83	LOGO	84	Encore Action	85	Encore Action-West	86	Encore Love Stories	87	Encore Mystery-West	88	Encore Drama	89	Encore Westerns-West	90	Starz Super Pack	91	Starz	92	Starz Encore	93	Starz Encore	94	Starz Action	95	Encore Love Stories	96	Encore Infotasy	97	Encore Drama	98	Encore Westerns	99	Digital Pay Per View 801-813 IN DEMAND	100	Digital Adult - Pay Per View	101	Hat Checks	102	Sound of the Seasons	103	Musica Urbana	104	Salsa Merengue	105	Rock en Espanol	106	Pop Latino	107	Mexicano
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N/C - NO CHANGE

Charter Service Areas in Lane County



- Digital system with Internet access
- Head end for coast, in Lane County

(*s in parenthesis are approximate subscribers in unincorporated areas.)