

Open Work Session
Discussion on Shentel Cable Franchise Agreement
July 5, 2022

Mr. Paul Wilber, County Attorney, and Mr. Kirk Costco with Shentel Communications came before Council. Mr. Costco said he is with the Industry and Regulatory Affairs Department. He said Brian Bird was supposed to be here, but he could not make it, so he is here in his place as they work on the same team, and they have been working with Mr. Wilber for quite a while. He said he is well versed in this and has a short presentation to introduce them to Shentel and the reason that they are here tonight, which is that they would like to pursue a cable franchise agreement in the County. He said they appreciate the Council allowing them to be here.

Mr. Wilber said Shentel approached the Acting County Executive about bringing a fiberoptic cable operation into Wicomico County, so they drafted up a franchise agreement, which he thinks Council has in their briefing book, which is very similar to what they have with Comcast and Mediacom. He said it provides for the 5 percent franchise fee just like they receive from Comcast. He said it provides for a PEG channel and a contribution of \$3,000 a year for the PEG channel. He said it is very similar to what Comcast has, and he thinks Mr. Costco will explain why Shentel is somewhat different than Comcast and what it can bring to not only residential customers, but also commercial.

Mr. Dodd asked if this is in addition to Comcast or replacing Comcast, to which Mr. Wilber responded, FCC regulations allow multiple providers in competition. He said construction of this fiberoptic system would be entirely on Shentel's nickel, and no monetary contribution from the County.

Mr. McCain said they have mirrored the agreement very similar to Comcast, which makes sense to model it after that, but at the same time it is an opportunity. He said the Comcast agreement is not necessarily perfect, but they are kind of mirroring that image with the franchise fee, to which Mr. Wilber responded, the franchise fee is the maximum they can collect. He said Mediacom, Comcast, and Shentel are all 5 percent. Mr. McCain asked how much of this is dictated to them regulatory-wise, to which Mr. Wilber responded, the FCC has a lot of control. Mr. McCain clarified, 5 percent is dictated by the FCC, to which Mr. Wilber responded, yes.

Mr. Cannon said he just wants to make sure with all the jargon if the revenue stream includes any cost that may be charged for internet access, to which Mr. Costco responded, the revenue stream from the franchise fee is strictly based on the cable TV products. He said that is how the franchise is structured, so it is only on cable TV. Mr. Cannon asked Mr. Wilber if they do not also include any revenue stream from internet access, to which Mr. Costco responded, technically in the cable franchise, no, at least under his understanding. He said basically, as Shentel coming into the market as a new provider willing to come in and spend millions of dollars to build a fiber network to the home network, if they asked them to collect a fee for broadband and not the other providers, that would not be fair. He said basically the cable franchise agreement is structured the way it is because it sets a pretty level playing field for all of the players, so that is why right now they would be looking at just a cable TV franchise. He said, if the law would change and the FCC would change the regulations, then basically they could come back to each of the providers and ask them to contribute.

Mr. Cannon asked if Mr. Costco is saying the FCC does not allow the County to collect a fee for internet access, to which Mr. Costco responded, he will not say that, but he can say there is not any agreement

they currently have that has that in it. Mr. Cannon said he thinks that was probably the greatest downfall with the agreement the last time when it came to the Council's desk. He said they showed them what it was and said it had been months in negotiations and the Council had to get it off their table, and the Council was not left with much of a negotiating option at that time and he always had wished they had pursued that further.

Mr. Holloway said, in the meantime, DP&L wants to sell electric out of County parking lots and not give them anything for that.

Mr. Cannon asked what their options are if they want to go down that route, to which Mr. Wilber responded, they would have to explore if it is permissible. He said all of these franchise agreements have been built on gross revenues from cable services. Mr. Cannon said he thinks they made a mistake when they made their last agreement with Comcast. Mr. Wilber said he will look into that.

Mr. Hastings said the question is how much they can actually regulate or what the FCC allows them to do. He clarified, what he is getting at is the bigger thing is that everyone is dumping cable and internet, and streaming services are big, but currently they may not have the authority, which may be a question. Mr. Costco said he thinks that is something the County would have to look at.

Mr. Cannon clarified, they might be saying that they County cannot necessarily legally demand one of one agency and not of another, to which Mr. Wilber responded, that may be where they are. Mr. Cannon said, if they do not do it with Comcast, maybe a precedence has been set.

Mr. McCain said Mr. Costco's point is that he is not going to spend millions of dollars if they are going to get hammered on fees.

Mr. Cannon said sooner or later they have to turn this thing around.

Mr. Costco said basically what it will do is add an additional charge that they are going to have to pass through and will put them at a competitive disadvantage with either Comcast or Mediacom because they do not have it.

Mr. Cannon said, in Mr. Wilber's prior dealings, he would hope he has looked at how other Counties address these types of agreement. He then asked if there are other Counties that receive revenues from this, to which Mr. Wilber responded, with the ones he has looked at, this is the type of agreement he has seen. Mr. Cannon asked if there are other Counties in the United States that receive revenue streams from internet access, to which Mr. Wilber responded, he can look more deeply at that.

Mr. Dodd said, as for the issue of not charging Comcast right now, they have a contract with them, but when their contract is up they can certainly charge them for that revenue stream, to which Mr. Cannon responded, Comcast may come back and say the County is not charging Shentel. Mr. Dodd said at some point they have to put that in a contract.

Mr. Wilber then asked Mr. Costco to tell Council what Shentel is going to do.

Mr. Costco said he will start with the company overview. He said their product name is Glow Fiber and Shentel has been around for a long time and is a 120-year old company. He said a couple things they pride themselves on is building advanced networks. He said they build fiber to the homes, so that is fiber from their top site all the way into the customer's home whether it is a business or residential. He said

they have excellent customer service support and they like to be part of the local community as far as investing and also partner with the local communities, which is part of what he does. He said it is a relatively small company with 860 employees and about \$241 million in annual revenues. He said they are a profitable company and they are not here today asking for any money from the County to build this network. He said currently they have about 93,000 homes that have fiber to the home, and that is expanding literally every week at this point.

Mr. Costco said Shentel is about 7,000 miles of fiber and that continues to grow as well. He said he does a lot of work in Pennsylvania, and they have franchise agreements in Carlisle and York, and a number of franchise agreements in York County as well as Lancaster County. He said they recently had a franchise agreement signed with the City of Salisbury as well, so part of the expansion they are looking at here is because of the agreement they have signed with Salisbury and it allows them to continue to grow in this market. He said Shentel is based a lot in Virginia, which is where they started. He said the purple dot on the map shows some existing Glow markets and the newer markets they have. He said they also have a signed franchise agreement with the City of Frederick, Maryland, and they are currently building the network there. He said they continue to build and they are also talking to some communities in Delaware right now as well.

Mr. Costco said it is a 100 percent fiber network and they offer triple play services, internet, video, and phone. He said they have ultra-highspeed bandwidth and they also offer symmetrical bandwidth, which is an advantage they offer. He said, especially through COVID with a number of people working from home and studying from home and doing telemedicine from home, that put a lot of strain on a lot of networks out there for broadband. He said what makes fiber to the home somewhat unique is they can offer symmetrical speeds both to download and upload. He said currently if someone is a Comcast customer at home and subscribes to 300 megs, they get 300 megs download speed from the network to the home, but when going to upload it is more like 10 to 15, which is pretty typical. He said, with their speeds, if they took the 300 meg package they would get 300 in both directions, so that allows them to study from home, work from home, telemedicine from home, and there are a lot of advantages to that. He said, if someone does a lot of conference calls from home and finds themselves dropping, this resolves that issue. He said they do up to 1 gigahertz speed, so that is one of the distinct advantages they offer right now.

Mr. Costco said this is a passive network meaning that they have no active devices between their pop and the customer's home. He said currently in a cable environment they would have amplifiers on the pole that are powered by power supplies. He said, if there is a power outage, that equipment is designed to last for a couple of hours, and then it has to be run by generators, but with a passive network the reliability is much better, so they do not have the active devices out there that can fail.

Mr. Costco said they are talking about a significant capital investment in the market, and another competitive offering for internet, television, and phones. He said, as someone who has been in the business like himself and has talked to a number of customers, one thing they always tell him is that they wish they had a choice of providers. He said currently in a lot of cases there is one provider who is the incumbent, but what they are talking about is bringing in a second provider and creating competition, which is very helpful for pricing and customer service, and there are a lot of benefits to having competition.

Mr. Costco said there is a positive economic development impact. He said they have very good business products as well, so they do a lot of work right now with hospitals, education, private enterprise, and telecommunicating, which are all things that a fiber to the home network can bring.

Mr. McCain asked if he is talking about hospitals systematically, to which Mr. Costco responded, they do a lot of connections for hospitals including hospitals to doctor's offices, and they do doctor groups. He said they also provide a connection back to the hospital so they can do a lot of telemedicine even between the offices or the hospital. He said they do a lot of work with banks connecting a number of branches, so they have a very good business line of products as well.

Mr. Costco said the first step is municipal engagement. He said it usually takes 60 to 90 days for them to work with a municipality or County and get a franchise agreement approved. He said then they start a utility engagement where they actually start working with a local utility company because they have to go out and permit all the poles they want to attach to. He said they work with the municipality, County, or with their permitting group because, if they are going to put a lot of underground in, they have to get permits. He said there is a lot of engineering before the construction actually starts, which takes about 12 to 18 months once the franchise agreement is signed to actually start the construction phase.

Mr. McCain asked if they are able to use all of the existing utility easements, or do they have to purchase those easements, to which Mr. Costco responded, the cable franchise agreement is actually in a sense them purchasing the public right-of-way use from the County, and that is really what the agreement is based on. He said, if there are any private easements, they would then approach that property owner and get a separate easement to provide service there.

Mr. Costco said other things involved are local jobs. He said between the City of Salisbury and the surrounding area, they are going to be hiring folks here for installation service. He said there will be some type of a cable store in this location in the general vicinity of the City of Salisbury, but that would also take care of the County residents as well.

Mr. Holloway asked how it works if they go to a road to hook up customers and one has a 700 foot driveway; do they pay from the road in, to which Mr. Costco responded, there is language in the agreement that is basically the same that Comcast has that they will provide standard installation of 150 feet. He said, for anything more than that they will work with the customer as far as any additional construction costs. He said that is pretty standard language in any of the agreements they will see.

Mr. Holloway asked if they will overlap any of Comcast's areas, to which Mr. Costco responded, they will be building in a lot of Comcast's areas, so they will be directly competing with Comcast and Mediacom. Mr. Holloway said, as it is now, Comcast and Mediacom do not compete, at least not in Wicomico County as Mediacom is in the eastern part of the County. Mr. Costco said he thinks they will see that start to change quite a bit as he knows in other areas Comcast is directly competing with Mediacom.

Mr. Cannon asked where they see their service areas being established, to which Mr. Costco responded, right now they have the City of Salisbury and then the initial service area they are looking at is about 6,200 residents and it is kind of completely surrounding the City of Salisbury on pretty much every side they are looking to build. He said then there are another 4,000 homes they are evaluating right now to see if they can build those next. Mr. Cannon clarified, that is competing with Comcast, to which Mr. Costco responded, correct. Mr. Cannon asked, why do they choose to compete with Comcast rather

than come in and hit areas that have no access whatsoever, to which Mr. Costco responded, probably for the same reason that Comcast or other providers do not. He said it is very, very expensive to go and build in those types of areas, which is why the federal government is stepping in and providing pretty much \$100 million to every state to get access to those areas. Mr. Cannon said that is what they are trying to do here. Mr. Costco said there are also state programs where states are providing funding to do that. Mr. Cannon said he does not see any problem with competing with what they have, and competition is always great.

Mr. Davis asked if they are in the business of competing with broadband that the federal government has put money out for, to which Mr. Costco responded, yes, and they are looking at that. He said they have done grants and they were just awarded a grant in Frederick County. He said there are some they have applied to in Maryland where they are already established, and Pennsylvania is just starting their program. He said he is very involved in the rural broadband program in Pennsylvania, and they are just really putting that together. He said Maryland is much further ahead, and their home base of Virginia is much further ahead too. He said they have been doing this for several years and they identified the problem quite a few years ago and said they need to do something about it. He said he thinks, with the federal government stepping in now with all of this money, it is really going to help, as long as it goes where it is intended.

Mr. McCain asked, if there is a problem, is their servicing in-house, or do they outsource that when there are issues, to which Mr. Costco responded, most of the construction is by outsourcing. He said they have their own construction, but with a project this size they talk about the initial construction and it is mostly outsourced, but they manage it very closely. He said one of the next things they do after they have a franchise agreement in place is they schedule a meeting and talk with local permitting and engineering groups and outline exactly how they do it, such as the notification process to the customers, and the training they put their contractors through because they know how disruptive construction can be. He said they have a really good program in place to handle a lot of that.

Mr. McCain clarified, he is asking about once someone has become a customer and their cable is down. He then asked, when someone calls to have a problem addressed, is that service to customers done in-house or is it outsourced, to which Mr. Costco responded, typically service and maintenance is in-house, but a lot of times the installation will be outsourced, and there are a number of reasons for that. He said, when they build a network and basically open it up to customers, they could end up with several thousand installs, so if they tried to do that with just their in-house staff, it would take a long time. He said usually there is an influx of installation contractors to come and help them with the initial build and the initial burst, so to speak, and then they would be hiring staff here to handle installation, service, and maintenance. Mr. McCain said he is just asking that because customer service is probably the thing everybody has had to deal with at some point as some of the worst days of their life.

Mr. Dodd said he has heard from many constituents about not just this one provider, but the next provider in different parts of the County. He said he has been dealing with this for eight years, and he is not sure that a new provider is really going to help the constituent out. He then asked what they can do to compete and bring down that outrageous price that the constituents are being charged, to which Mr. Costco responded, what happens with competition no matter what industry it is it has a huge impact on pricing, and it also has a huge impact on customer service. He said they now have the choice to stay with their existing provider or leave them. He said they cannot come in and spend millions of dollars and

have their prices so far out of reach that nobody is going to switch providers, so their pricing has to be very competitive with Comcast or whoever is here. Mr. Dodd said he gets that, but, as someone who gets these phone calls, he was hoping to hear that they were going to offer a substantial decrease in what they are paying, to which Mr. Costco responded, in some cases there are programs out there now, such as the ACP program that the federal government is providing, and they are a participating member of that. He said that is a subsidized internet product where it is \$30 a month as long as the person meets the criteria for that. He said pretty much all of the major providers are doing that as well, so there are ways that the pricing is being addressed. He said he could spend all night telling them about programming and why it is so expensive and why it gets passed down to the consumer. He said, when a ball player gets a \$200 million dollar contract, that just trickles all the way down to the people either buying the tickets or watching the games on TV. He said they certainly do not eat those costs, and video programming today is just incredibly expensive for everyone.

Mr. Cannon asked how they came to the conclusion of a \$3,000 contribution to the public access channel, to which Mr. Wilber responded, it is the same number as Comcast. Mr. Cannon asked if that is based on per capita of the service area, or is it just a flat fee, to which Mr. Wilber responded, it is what Comcast is paying. Mr. Costco added, plus there is also a per subscriber fee in there for PEG monthly that is the same that Comcast has in their agreement.

Mr. Dodd said it has been a year and a half that they have been hearing from a lot of providers, and he is actually very excited about what he is seeing here as it is something new and competitive, but this is the first time the Council has seen the contract. He then asked what the difference is. Mr. Wilber then asked Mr. Dodd to clarify his question. Mr. Dodd said, Council has listened to providers come before them, but nobody has offered a contract, but now they have a contract. Mr. Wilber clarified, they have dealt with broadband, but this is more of a franchise for a cable system based on fiberoptic. Mr. Dodd said it is internet also, to which Mr. Wilber responded, yes, it is a triple play if the customer chooses that. Mr. Dodd asked if they have phone voiceover, to which Mr. Costco responded, yes. Mr. Dodd said people are still using that, to which Mr. Costco responded, there are a surprising number of people who take that. He said the price is very attractive for unlimited local and long distance calling.

Mr. Costco said his last slide talks about pricing and he can also provide additional pricing if Council has any questions. He said the nice thing about this is \$20 for the phone. He said there is no additional equipment, so there is no rental charge on top of that, it is just plugged into the fiber device that is coming into the home, so there is an advantage there.

Mr. Cannon asked if Mr. Wilber is looking for a consensus, to which Mr. Wilber responded, he thinks where they are is Council has a couple more questions, and he thinks they need to get answers for those questions back to the Council. He said ultimately they are looking for Council consensus to proceed to a Resolution to adopt a franchise agreement. Mr. Cannon said Council will have a follow up based on Mr. Wilber's timeframe, to which Mr. Wilber responded, he should have answers for the next meeting if Council would like. Mr. Cannon said they can see about putting this on the next meeting, though he is not quite sure what workload they have coming in front of them, but they will certainly take that into consideration. Mr. Wilber said Shentel wants to move forward as quickly as they can.

Mr. Dodd asked if they are going to be able to provide broadband to a lot of the areas out in the County that do not have service now, to which Mr. Costco responded, initially they are looking at 6,200 homes in the County and probably another 2,000 to 4,000 are being evaluated, so it could be 10,000. He said,

once they are here and start to bring some money in to recoup their investment, then they will be looking to expand, and that is what they have done in other areas as well. He said there are different classifications. He said there is unserved where people have no internet service whatsoever, and then there is underserved where they only have a speed that is probably a DSL or lower, and those are the two things that are currently being addressed by a lot of the public funding coming down right now from either the state or federal level.

Mr. Cannon said Council looks forward to what Mr. Wilber will bring back to them.

There was no further discussion.



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