

**Report to the
Clark County Board of Commissioners
And
Vancouver City Council
From the
City/County Telecommunications Commission**

**PROGRESS REPORT ON THE COMCAST CORPORATION VANCOUVER/CLARK
COUNTY FRANCHISE AGREEMENT**

May 2008

I. INTRODUCTION - BACKGROUND

This is the Twenty-Sixth Annual Report by the Vancouver/Clark County Telecommunications Commission ("Commission") reviewing the status of the franchise agreement with the cable television operator, TCI of Southern Washington ("TCI"), doing business as Comcast Corporation ("Comcast"). This is the eleventh Annual Report since a 10-year franchise agreement with TCI, now Comcast, was adopted in November 1997. In June 2002, the City of Vancouver ("City") and Clark County ("County") extended the franchise agreements with Comcast an additional 5-years, through December 31, 2012.

The 2007 Annual Report is consistent with the format for the previous evaluations of the cable operator's performance (1981-1986 Cox Cable; June 1986-1995 Columbia Cable; December 1995-1998 TCI; 1999-February 2003 AT&T Broadband; and now Comcast Corporation). The Commission's review focuses on the calendar year 2007 although, as appropriate, more recent developments and issues are noted.

The current franchise agreement with Comcast is in its eleventh year and will expire in December 2012. The Commission recognizes the importance of conducting annual reviews – not only as a franchise obligation, but also in light of changes in the marketplace, rapid population growth in the Vancouver and Clark County area and the requirements of the Federal Cable Act to give an operator the opportunity to correct any franchise violations. The Commission understands that as a citizen advisory board it is responsible for the efficient and effective management and enforcement of the franchise. In addition, one of the most effective roles of the Commission through the years has been to inform the various providers – from the cable operator, to PEG access providers, to elected officials – about the needs and issues of interest to the community.

As noted in this report, Comcast's performance during the past year has met all of the conditions of the City and County franchises, except for telephone response times during the first quarter of 2007. The number of customer complaints regarding Comcast's service, including but not limited to the company's high-speed Internet service, rose by 40% during 2007. Of particular note are the numbers of emails and letters the Cable Television Office received from citizens, most critical of Comcast performance, as part of this Annual Review process. This follows a nearly 18% increase in customer

complaints during 2006. In a disturbing trend, customer complaints for **2008** through March 31, have already reached 112, surpassing last year's 111 total. Review of the cable operator's overall performance as well as a status report regarding Commission activities are contained in this review.

The Commission does note that a majority of the complaints focus on the channel line up changes made by Comcast in late 2007 and on the announced rate changes this year.

II. PURPOSE/GOALS

As set forth in the current franchise agreement with Comcast, Section 4.6, the Annual Review is intended to review the cable operator's performance as well as compliance with the terms and conditions of the franchise and compliance with state and federal laws and regulations during the previous year. Evaluation of past performance by the cable operator(s) is of critical importance under federal law as the franchising authorities look to the future. In addition, the Annual Review outlines the efforts and focus of the Commission during the previous year and priorities for the current year.

III. METHODOLOGY

Comcast's performance was evaluated by reviewing the following information pertaining to performance and related cable service information:

- A. Correspondence, phone calls, electronic mail and inquiries received by the City/County Cable Television Office ("Cable TV Office") and correspondence and phone calls;
- B. Minutes and video records of Commission meetings;
- C. Formal exchange of correspondence between Comcast and the Cable TV Office;
- D. Press reports and the experience of other communities, especially in the Portland/Vancouver area, regarding the delivery of cable television services; and
- E. Call-in comments and testimony received from the public during regularly-scheduled Commission meetings where public testimony on Comcast's performance was solicited, the most recent being February 6, 2008.

Information requested by the Commission from Comcast specifically for the purpose of preparing this report is on file and available for review at the Cable TV Office.

IV. FRAMEWORK FOR EVALUATION

As of November 1997, the framework for evaluation has been and will continue to be governed by Section 4.6 "Performance Evaluation Sessions" of the franchise agreement. Section 4.6 of the agreement provides that evaluation "shall deal with the Grantee's [Comcast's] performance of the terms and conditions of the Franchise and compliance with state and federal laws and regulations."

In addition, findings and recommendations criteria presented to the Vancouver City Council and Clark County Board of Commissioners by the Commission in Resolution 1997 – 07, October 8, 1997, in recommending the proposed franchise agreement are also used as a framework for evaluation of Comcast's performance:

- A. System upgrade to 550 MHz to increase channel capacity to offer new services in a cost effective manner;
- B. Capacity of upgraded system to provide high-speed Internet services;
- C. Proposed institutional network (I-NET) for public agencies and educational users established as a partnership between Comcast and users which minimizes the cost to residential subscribers;
- D. Comcast's commitment to provide up to \$1/month per subscriber as an addition to the monthly cable bill to support capital needs for Public, Education, and Government (PEG) access to enhance local cable video programming;
- E. Commitment to maintain current programmed PEG channels, with the capacity for up to three additional channels upon completion of the upgrade based on use by the community;
- F. Commitment by Comcast to continue free hookups of basic and expanded basic cable service for City and County buildings and schools and libraries;
- G. Commitment to maintain Washington State and local programming as broad programming categories to be considered in the mix and quality of service;
- H. Commitment to maintain TV Washington (TVW) as part of the PEG access channel allocation;
- I. Commitment by Comcast to maintain a local (Vancouver/Clark County) office;
- J. Commitment by Comcast to substantial performance guarantees;
- K. Commitment by Comcast to address the special and unique qualities of Vancouver/Clark County.

V. HIGHLIGHTS OF 2007 PERFORMANCE REVIEW

The Year Twenty-Six Report chronicles the fifth full year of service by Comcast as the cable operator. The Commission notes that since AT&T Broadband transitioned to the

Comcast name on February 18, 2003, the company has shown a strong commitment to the community. Examples of Comcast's ongoing commitment include:

- A. Support for and the expansion of the Institutional Network (I-NET) serving the City, County, Fort Vancouver Regional Library District and Clark County Fire District 5's NW Regional Training Center;
- B. Continued deployment of high-speed Internet service in Vancouver and Clark County as well as Digital Telephone service;
- C. Deployment of new services for Vancouver/Clark County cable subscribers. In 2003, Comcast began marketing advanced set-top boxes for receipt of High-Definition Television ("HDTV"). In early 2004, Comcast launched Video On Demand ("On Demand") services for digital cable subscribers in Vancouver and Clark County. In late 2004, the company began deploying set-top boxes with digital video recorder ("DVR") services. Comcast launched "Comcast Digital Voice," a Voice Over Internet Protocol ("VOIP") telephone service in Southwest Washington in 2005;
- D. Extensive involvement in the Vancouver/Clark County community including continued sponsorship of the Vancouver National Historic Reserve Trust (Fourth of July Fireworks Spectacular & Star-Spangled Gala), Vancouver Wine and Jazz Festival, Taste of Vancouver, 'Couve Fest, and other community functions;

During the past twelve months, there has been one change in local and regional leadership at Comcast. Peggy Sarason has replaced Brad Kaplan as Vice President of Finance. Curt Henninger, Senior Vice President/General Manager, Beaverton, Oregon, continues to oversee operations in Vancouver and Clark County. Deborah M. Luppold serves as Vice President, Government Affairs, West Division, overseeing Washington, Oregon, Idaho, Colorado, Northern California and Utah. Sanford Inouye serves as Senior Director of Government Affairs for Oregon/SW Washington and is the primary contact for the Cable TV Office and the Telecommunications Commission. Mike Mason serves as Vice President of Technical Operations for Oregon/SW Washington. Kelly Johns serves as Vice President of Customer Care overseeing the call center operations for Oregon/SW Washington.

A major focus for the Commission in 2007 was the development of a response to Comcast's filing of a "Petition of Effective Competition" for Vancouver and Clark County with the Federal Communications Commission (FCC). Approval of the petition by the FCC would allow rates for all services and equipment provided by Comcast to be deregulated which could result in different rates in different areas of the City of Vancouver and Clark County rather than the current uniform rate structure which is required by local franchise. This issue will be discussed in further detail later in the report. Other activities included:

- A. Re-designation of Public, Educational and Governmental access providers;
- B. Review and support of the work by Fort Vancouver Community Television ("FVTV") as the Public Access Provider;
- C. Review and forwarding of recommendations regarding the Public, Educational and Governmental ("PEG") Capital Support Fund.

In 2007, the total number of actual complaint calls to the Cable TV Office *increased* to one-hundred-and-eleven (111) (9 total “other calls/correspondence”) compared to seventy-nine (79) (23 total “other calls/correspondence”) in 2006.

In a positive trend, the Monthly Comcast Subscriber Report details the gain of 2,147 subscribers during 2007, from 81,124 as of December 31, 2006, to 83,271 as of December 31, 2007. The 2,147 increase in subscribers compares to increases of 1,930 subscribers in 2006 and 662 subscribers in 2005.

The Commission conducted a public review session regarding Comcast’s performance at the February 6, 2008, regular meeting. The meeting was publicized in local newspapers, on the cable television system, and on the City of Vancouver’s and Clark County’s web pages. Two public comments, one telephone call, and four e-mails were received as part of the public testimony. A cable subscriber complained about all of the reruns on the cable channels, especially *TV Land*. A resident from Ridgefield, and member of the Fort Vancouver Community Television (“FVTV”) Board wanted to know if the digital television transition in February 2009 would impact local PEG channels. One caller asked if she needed to purchase a digital television if she was subscribing to basic cable after February 2009. One e-mailer vented frustration about Comcast’s decision to move MSNBC to the digital tier. Two e-mailers complained about the high cost of cable and Internet service and the lack of competition. One e-mailer reported concerns about Comcast’s customer service and confusing promotions.

Written testimony and phone calls to the Cable TV Office were also accepted through March 14, 2008. Thirty-seven e-mails, eighteen letters and four phone calls were received. The majority of the complaints dealt with Comcast’s decision to move MSNBC and the Hallmark Channel to the digital tier; the increasing price of cable service; and the inability to pay for cable channels a la carte.

VI. COMCAST YEAR ELEVEN PERFORMANCE REVIEW – SUMMARY ANALYSIS

A. Construction

1. System mileage as of December 2007 was 2,235.9 miles of subscriber, cable plant in the Vancouver/Clark County service area. This is a 71.9 mile increase from the previous year. A total of 158,174 homes are now passed by the cable system, an increase of 2,858 homes since December 2006.

A current map detailing constructed areas is on file in the Cable TV Office. A smaller conceptual map is available upon request.

2. System design and reliability are in compliance with franchise requirements.

B. Rates

1. As of September 1, 1993, cable rates became subject to regulation -- the Basic Service tier is regulated by local franchising authorities. The Cable Programming Service tier ("Expanded or Enhanced Basic") was regulated by the FCC until March 31, 1999. Expanded Basic rates became deregulated at that time. In 2007, Comcast increased the monthly rate for Expanded Basic service by \$3.01 to \$37.17 for a combined monthly Standard Cable rate of \$53.84 (including 5.79% franchise fee.). The Limited Basic Service monthly rate was raised to \$14.51 (including 5.79% franchise fee.)

In January 2008, Comcast announced a monthly rate increase of \$3.71 for Standard or Enhanced Cable, bringing the total monthly costs to \$57.55 (including franchise fee), effective March 1, 2008. Comcast reduced the Limited Basic Service rate to \$13.31 (including franchise fee.) Comcast also announced they have discontinued offering Enhanced Cable (analog package which included channels 32 – 71) for new customers. The package was replaced with a Starter Digital Package with a monthly rate of \$58.61 (including franchise fee, digital converter box and remote.)

As noted earlier in this report, Comcast filed a "Petition of Effective Competition" for Vancouver and Clark County with the Federal Communications Commission (FCC). The effect of the Petition if granted by the FCC would be to deregulate all cable television rates in the cities of Vancouver, Camas, Washougal, and Clark County. (The other cities in Clark County are not certified for local rate regulation of basic rates.) Staff filed a response in opposition to the petition with the FCC on behalf of the City of Vancouver and Clark County stating that the filing was not in the public interest of the citizens of our community. If the FCC approves Comcast's petition, not only would the cities and the County lose the ability to regulate basic rates and equipment, they would be prohibited from enforcing uniform rates which require that all customers in a given franchise area be charged the same rates for the same services and from enforcing "anti buy-through provisions" which forbid cable operators from requiring customers to buy any tier of service other than Basic Cable in order to purchase premium and pay-per-view services. There would potentially be other impacts, including, loss of the ability to require notice to subscribers of rate increases and loss of the ability to require that the PEG channels, including CVTV, be included in the basic tier of service. Staff's response also raised questions about the validity of the methodology used by Comcast Corporate in the subscriber and household numbers used to support its filing with the FCC. As of yet, there has not been any reported action on this issue by the FCC, although it should be noted that the FCC has routinely approved effective competition petitions filed by Comcast in 2007 and 2008.

A table of Comcast rates and other charges as of **March 2008** is attached to this report. (Exhibit A)

C. Programming

1. During 2007, Comcast migrated five analog channels to the digital tier and deleted

one analog channel, *CNW 14*, to make room for a new sport channel *Comcast SportsNet* and for additional HD channels. These changes resulted in 30 complaints to the Cable TV Office in 2007 and 33 complaints through March 31, 2008. A majority of complaints dealt with the migration of *MSNBC*, the *Hallmark Channel*, and loss of *CNW14*, which carried KIRO news, a CBS affiliate in Seattle, three times daily on weekdays, from analog channels to the digital tier. As of December 31, 2007, approximately 67% of local Comcast subscribers received digital cable - which is consistent with the national average. The company has reported that additional analog channels will be migrated to the digital tier in 2008. Comcast made the following changes to the channel lineup in 2007;

- a. **Added** one (1) sports channel to the analog lineup, *Comcast SportsNet*.
- b. **Added** two (2) channels to the digital lineup, *Fox Business News* and *KXPD-LP*.
- c. **Added** one (1) foreign language channel to the digital lineup, *ESPN DePortes*.
- d. **Added** seven (7) High Definition channels to the digital lineup, *NFL Network HD*, *The History Channel HD*, *A&E HD*, *USA Network HD*, *HGTV HD*, *Discovery Channel HD*, *TLC HD*, and *TBS HD*.
- e. **Deleted** one (1) analog channel, *CNW14*.
- f. **Deleted** seven (7) digital channels, *HBO Family East*, *MoreMax East*, *Showtime East*, *Showtime Showcase East*, *Showtime Extreme East*, *TMC Xtra East*, and *Azteca America*.
- g. **Migrated** five (5) analog channels to the digital tier, *Jewelry TV*, *TV Mart*, *Hallmark Channel*, *MSNBC* and *Oxygen*.
- h. **Relocated** two (2) analog channels, *The History Channel*, and *The Weather Channel*.
- i. **Relocated** one (1) digital channel, *Toon Disney*.
- j. **Relocated** two (2) HD channels, *Universal HD*, and *Discovery HD Theater*.

The channel lineup effective January 2008, is attached. (Exhibit B)

2. As part of its review process, the Commission monitors the "mix and quality" of programming services offered by the cable operator. The 1984 Cable Policy Act allows local regulatory authorities to review the mix and quality of service. It is within this context that the Commission reviews programming changes made by Comcast. With the current franchise agreement a "baseline" of mix and quality of service has been established as indicated by the attached charts. (Exhibit C)

3. As mentioned above, when Comcast removed local channel 14, *CNW14*, local cable subscribers lost regular weekday replays of KIRO News, a CBS affiliate in Seattle. The company has supported efforts by the Cable TV Office to carry KIRO News on a local government access station, *CVTV 21*. The Cable TV Office and KIRO News are finalizing a re-transmission agreement. It is anticipated that KIRO News will return to SW Washington by early this summer if not sooner.

Comcast continues to offer Washington State programming, a franchise requirement, primarily on the Northwest Cable News Channel. TVW airs Washington State legislative and public affairs programming twenty-four (24) hours a day on Channel 22 which is designated a local government PEG access channel. Comcast continues to provide extensive carriage of Seattle Mariner baseball games, a popular service with subscribers. KCTS, the Public Broadcast Service affiliate in Seattle, also features programming about Washington State.

4. There has been no Vancouver or Clark County programming produced or aired by Comcast in 2007. The company did begin production of a new program, *Comcast Newsmakers*, which will feature 5-minute informational interviews with local community leaders from the SW Washington and Oregon markets that will air on *CNN Headline News*, (channel 45).

Comcast SportsNet Channel 37 programming consists of acquired programming from multiple sources. Regional coverage includes live coverage of Portland Trailblazer games, replays of Portland State University football games, University of Oregon sports, Oregon State sports, Portland Winterhawks, and the *Big Show on 910 The Fan*.

D. Consumer Services

1. During 2007, Comcast met the telephone answering performance requirements of the franchises and of FCC customer service standards for three out of the four quarters of the year. Comcast's reporting shows the following percentage of calls answered within thirty (30) seconds for 2007: 1st Quarter – 81.6%; 2nd Quarter – 93.6%; 3rd Quarter – 93.4%; 4th Quarter – 93%. In 2007, the Cable TV Office received four complaints from subscribers regarding telephone response times.
2. Comcast's Vancouver/Clark County office continued to handle in-house installation and repair, maintenance and field technicians and system management throughout 2007. Comcast's call center is located in Beaverton, Oregon.
3. As reported by Comcast, the average response time to a customer complaint was within 24-hours.
4. Standard customer installations in Comcast constructed areas were usually completed within five (5) business days after the request for cable service was received. The average response time for standard installation in new construction

areas, when the home is not pre-wired for cable, was thirty (30) days. Response is still impressive given the growth in the community, as well as the addition of new services on the cable system such as digital cable, Internet service, HDTV, On Demand, Digital Video Recorders and digital telephony services. This response time is also within franchise requirements.

5. Comcast provides parental lock boxes upon request, as required by the Cable Act of 1984, to block out any channel. There is no additional charge for the device. Extensive parental control features are included as part of the digital cable service.

E. Internet Services

1. Comcast now considers its Internet subscriber information confidential and proprietary. Therefore, we have no subscriber numbers in 2007. On December 31, 2006, there were 56,504 Internet subscribers in the Vancouver/Clark County franchise area. Nationally, as of March 31, 2008, Comcast served 14.1 million Internet subscribers, reaching a 28% penetration rate.
2. The published monthly charge for standard Comcast Internet service of 6Mbps, including a leased cable modem is \$45.95 per month if the customer subscribes to cable TV and/or Comcast Digital Voice and \$55.95 if the customer does not. For those customers who purchase their own cable modem, the monthly rate is \$42.95 with cable TV and/or Comcast Digital Voice and \$52.95 without either service.
3. In 2005, Comcast began offering a “Speed Tier” of 8Mbps with automatic download increase up to 16Mbps during the first 20MB of a file. The published monthly charge for the “Speed Tier” of Comcast Internet service is \$10 more per month than the standard Internet Service.
4. In March 2002, the Federal Communications Commission ruled that high-speed cable modem internet connections were considered an “information service,” not a “cable service.” Therefore, under the FCC ruling cable operators determined that Internet service was not subject to any oversight by local franchising authorities. Comcast declined to pay franchise fees on Internet services after March 2002 as a result of the ruling. Vancouver and Clark County joined the National Association of Telecommunications Officers and Advisers (“NATOA”) in appealing the FCC ruling on cable modem services, however the FCC position was sustained by the U.S. Supreme Court. Though Internet customers are not paying local franchise fees and local government has no regulatory authority over Internet services, the Cable TV Office continues to assist customers who are unable to resolve service issues with the company.
5. The Cable TV Office received 21 complaints regarding Comcast Internet service in 2007, compared to 19 complaints in 2006. Of the 21 Internet complaints received in 2007, 10 regarded service interruptions, 2 dealt with e-mail delivery troubles, 1 was on a service request, and 8 focused on customer service issues.

E. Voice Services

1. In 2005, Comcast launched “Comcast Digital Voice,” a Voice Over Internet Protocol (“VOIP”) telephone service in Southwest Washington. Customers receive unlimited local and nationwide long distance voice mail and the standard calling features.
2. The published monthly charge for Comcast Digital Voice service, including a leased cable modem is \$39.95 per month if the customer subscribes to cable TV and Internet, \$44.95 if the customer subscribes to either cable TV or Internet service and \$54.95 if the customer does not subscribe to any additional Comcast services.
3. In 2007, Comcast discontinued their traditional phone service. Existing customers were offered discounts to switch to the VOIP service.

F. PEG Access Programming**Public Access**

1. The Commission designated Fort Vancouver Community Television (“FVTV”) as the Public Access Provider on May 7, 2007. FVTV is responsible for programming channel 11. FVTV received their federal 501 (C) 3 designation in February 2005.

The public access facilities were open 10 hours per week throughout 2007. On November 17, 2007, FVTV moved to a larger facility at 4707 N.E. Minnehaha, Suite C-309. Due to continued difficulties in raising operational funds, FVTV still has no paid staff and utilizes volunteers for day to day operations.

2. FVTV continues to schedule public access programming. Playback of public access programs is still provided by the Cable TV Office at no charge to FVTV. The designated access provider did apply for PEG grant funds for purchasing video playback equipment in 2007. However, due to concerns over lack of paid staff and limited resources, the Commission recommended declining funding the entire video playback package but did recommend funding for a live Comcast cable connection to the FVTV studio. The FVTV Board has indicated an interest in reapplying for the remainder of the video playback equipment during the 2008 PEG Grant Fund cycle.

FVTV reported receiving between 10 to 15 hours of locally produced programming for cable channel 11 each week in 2007. Channel 11 averaged 20.67 hours of programming per day in 2007.

Educational Access

1. TV ETC is an educational consortium with members representing all public and private educational institutions in Vancouver and Clark County. The Commission re-designated TV ETC as the Education Access Provider on May 7, 2007. TV ETC is responsible for programming channels 27, 28, 29.

In April 2007, TV ETC submitted an annual report to the Commission. TV ETC continues to make significant advances in program development. TV ETC was recognized numerous times in 2006, including the Aurora Award for *Spudder Pride*, a community relations video for the Ridgefield School District, and Videographer Awards for *Evergreen Music Program K-12* and *Yes TV*. A copy of the TV ETC Annual Report for 2006 is on file at the Cable TV Office.

TV ETC members produced 507 hours of local educational programming in 2007. TV ETC averaged 16 hours of programming per day on channel 27, 16 hours on channel 28 and 20 hours on channel 29. TV ETC reported 23,459 Internet users visited their web site in 2007.

Government Access

1. Resolution 2007 – 03, adopted by the Commission on May 7, 2007, re-designated the City/County Cable Television Office as the Designated Access Provider for government. Through the government access channel, Clark/Vancouver Television (CVTV) Channel 23, the City and County continue their service of providing local government and community programming.

Clark/Vancouver Television completed an upgrade of its playback facility in April 2005, using City General Funds, to provide web-streaming of the channel and on-demand replays of hearings, meetings and events to all Internet users. With the addition of on-demand replays, the CVTV website received 130,148 visits and 364,310 page views in 2007.

CVTV produced 593 programs in 2007, offering viewers over 832 hours of locally produced programming. 56% of the programming was first aired live. CVTV averaged 23.35 hours per day of locally produced programming on channels 21 and 23. Internet viewers logged 130,148 visits to the CVTV web site in 2007.

PEG Capital Support

1. A total of \$6,893,893 in PEG Capital Support payments collected by Comcast and paid to the City and County have been placed in the PEG Capital Support Fund from May 1998 through the 4th quarter of 2007. From May 1998, PEG funds awarded total \$7,421,104: \$2,219,211 for Government Access (CVTV) and \$2,759,535 for Educational Access (TV ETC), \$773,095 for Public Access (FVTV), and \$1,669,263 for public Institutional Network (“I-NET”) users. The

above figures do not include interest accrued or adjustments for grant dollars unspent.

PEG Capital Support provided funding for fourteen projects in 2007, including improvements to video services facilities for the Evergreen, Vancouver and Battle Ground School Districts; upgrades of video playback equipment for TV ETC and the CVTV; editing system upgrades and expansion for CVTV; video production equipment and live cable connection with Comcast for FVTV; and I-NET connections to three Clark County satellite offices.

The access providers have exceeded the franchise requirement for a dollar match between operating revenue and capital support from the PEG Fund. In 2007 alone, access providers reported having a total of \$1,449,623 in operating funds (\$830,000 – TV ETC; \$609,623 – CVTV; \$10,000 – FVTV)

G. Technical Performance

1. Comcast reports meeting or exceeding FCC standards for continuity of service, signal quality, Cumulative Leakage Index (CLI), and related standards. Semi-annual Proof-of-Performance tests were performed in January and July of 2007 in accordance with franchise and FCC guidelines.
2. In 2007, there was an average of 33.2 outages per month, compared to 36.5 outages per month reported in 2006. The average duration of the outage was 1.19 hours. Outages are tracked by repair and maintenance technicians and logged in a technical performance log for each occurrence.

H. Institutional Network

1. In July 2001, AT&T signed contracts with the City of Vancouver, Clark County, the Evergreen School District and the Fort Vancouver Regional Library District for the development of an optical fiber based Institutional Network (“I-NET”).
2. The Commission, in Resolution 2001-03 Regarding Recommendation for PEG Fund Budget for 2001, recommended to the elected officials that \$200,000 be reserved annually from the PEG Fund for I-NET use for the next 6 years. The Commission’s recommendations were later approved by the City and County.
3. Construction of the system began in September 2001 and was completed by the end of the first quarter of 2002.
4. I-NET users have reported that the system functioned extremely well throughout 2007. The City of Vancouver currently connects ten (10) different sites to the I-NET for data transfer, including City Hall, Vancouver Police Department’s Central and East Precincts and Vancouver Fire Department’s Station 81. Clark County connects fourteen (14) sites for data transfer, including the Clark County Health Department, the Clark County Sheriff’s Office Central Precinct, and the North

County Resource Center. Clark County Fire District 5 connects one (1) site the NW Regional Training Center. The Evergreen School District utilized the I-NET at forty (40) sites for voice, video and data.

5. A total of \$200,000 in PEG Grant Funds was distributed in 2007 to I-NET users (\$53,676 – Clark County, \$53,676 – City of Vancouver, \$49,640 - Evergreen School District, and \$43,008 – Fort Vancouver Regional Library District.)
6. After conducting a formal RFP process, Evergreen School District elected to discontinue utilizing the I-NET at the start of 2008, and to subscribe to a different provider for their network services.
7. During 2007, the remaining I-NET users and Comcast extended their service contracts for an additional 5 years.

I. Emergency Alert System

1. As required by the Federal Communications Commission, Comcast operates and regularly tests an Emergency Alert System (“EAS”). In the event of an alert a crawl message is inserted over all channels indicating that an emergency exists and viewers should switch to Channel 24, C-SPAN, for more information. The EAS messages were moved from Channel 14 to Channel 24 during 2007 because of the channel lineup changes noted earlier.
2. Comcast monitors four Portland/Vancouver EAS sources for alert information, KXL 750AM radio, KGON 92.3 FM radio, KOPB 91.5FM radio and NOAA weather.

J. Community Involvement

1. As noted previously, the Commission acknowledges with appreciation Comcast's local sponsorships, participation, and charitable contributions in the Vancouver/Clark County community. These include: Fourth of July Fireworks for the Vancouver National Historic Reserve Trust, Taste of Vancouver, Wine and Jazz Festival, and many others.

K. Overall Performance

1. The Commission is pleased to report that Comcast was in compliance with nearly all provisions of the franchise agreements. Comcast did miss the 90% the telephone answering performance requirements of the franchises and of FCC

during the first quarter of 2007, reaching only 81.6%. The company quickly corrected staff levels to come back into compliance by the second quarter of 2007.

2. The reliability and customer service for Comcast's cable and high-speed Internet was consistently strong throughout 2007.
3. Comcast continues to keep the system robust with new services for Vancouver and Clark County subscribers, including Digital Video Recorders, Internet Photo Gallery, Video Mail and Digital Voice.
4. The cable provider continues to add a wide variety of digital channels tailored to specific populations, including several Spanish, Russian and religious channels.

However, the additional cost of purchasing a digital package often limits the potential outreach. As of January 2008, approximately 67% of local cable subscribers received digital cable.

VII. TELECOMMUNICATIONS COMMISSION ACTIVITIES

Fred Bateman served as Chair of the Commission through 2007. The non-voting position for small cities remains vacant.

The Commission held four (4) regular meetings in 2007; in addition, numerous subcommittee and task force meetings were held. The majority of the Commission's attention was focused on FVTV public access issues, the PEG Capital Support Fund, the development of a response to Comcast's filing of a "Petition of Effective Competition" for Vancouver and Clark County with the FCC, and the continued review of potential federal and/or state legislation regarding local cable franchising. The Commission organized into three (3) subcommittees or task forces in 2007: Executive Committee (Fred Bateman and Jane Jacobsen); Cable Service/New Technology (Jane Jacobsen, Joseph Raabe and Doug Dwyre); and PEG (Fred Bateman, Robert Mealey and John Grismore).

Major work items and accomplishments for 2007 included:

- A. Comcast's Annual Performance Review for 2006;
- B. Review and re-designation of PEG Access Providers for government and education;
- C. Coordination of the PEG Capital Support Fund program, including recommending the award of grants to TV ETC for \$285,274, the City/County Cable TV Office for \$322,675, FVTV for \$206,911, and \$226,539 for I-NET users;
- D. Reviewed the development of potential federal and state legislation regarding local cable franchising;
- E. Filed a response with the FCC in regard's to Comcast's filing of a "Petition of Effective Competition" for Vancouver and Clark County which would lead to a de-regulation of basic cable rates.

- F. Implemented key action steps of the business plan for the City/County Cable Television Office, including having the Telecommunications Commission meet quarterly rather than monthly.
- G. Assisted citizens and cable television subscribers in resolving 111 complaints regarding cable and Internet services during 2007.

Major work items for 2008 include:

- A. Administer the cable television franchise agreement for the City of Vancouver and Clark County and insure current grantee's (Comcast) continued compliance with franchise requirements;
- B. Continue to monitor Comcast's customer telephone response;
- C. Provide assistance to citizens and cable television subscribers in cable television matters by facilitating complaint resolution and enforcing franchise compliance by the cable operator in all matters pertaining to consumer issues;
- D. Review rate filings and related matters as appropriate;
- E. Review proposals for cable television franchise with alternative providers and make recommendations to the legislative bodies as/if they are received;
- F. Refine the processes regarding PEG Access programming and channel designations, and continue to implement the PEG Capital Support Fund project and fund distribution;
- G. Review and re-designation of PEG Access Providers for public, government and education;
- H. Continue to work with the public access provider to transition remaining public access functions, including playback, currently performed by the City/County Cable Television Office, to the public access provider
- I. Advise the Commission, City Council and Board of County Commissioners on regulatory matters in light of judicial, regulatory and legislative actions. Particular focus for 2008 will include potential revisions to the Telecommunications Act of 1996 by Congress and/or the FCC, regulation related to cable internet modems, VoIP (Voice over Internet Protocol), digital television transition (DTV) and related pending FCC, federal and state legislative issues ;
- J. Review budget and work plan for 2009-2010 in light of legislative and regulatory oversight needs.

VIII. SUMMARY

Considering the events of the past years and concerns regarding previous cable provider performances, the Commission notes some areas of concern in customer service and responsiveness from Comcast to the “special and unique qualities” of Vancouver/Clark County through 2007. These include: 1) failure to meet the telephone response standards for the first quarter of the year; 2) closure of the Comcast kiosk at Vancouver Mall (Westfield Towne Shopping Center) while it continues to operate similar kiosks at Lloyd Center and Clackamas Town Center; 3) filing of the Effective Competition Petition with the FCC with no prior notice to the City of Vancouver or Clark County despite a prior commitment to work together on the issue; 4) the temporary loss of Seattle’s KIRO News; 6) a significant increase in the number of subscriber complaints to the Cable TV Office.

Despite bumps mostly centered around programming and rising rates along the way, Vancouver and Clark County have worked diligently to nurture a vibrant partnership with past cable providers, including TCI of Southern Washington and AT&T Broadband. These strong relationships have benefited both the companies and our community. The Vancouver/Clark County cable system was the first in the greater Portland/SW Washington market to be fully upgraded to 750 MHz and the first to offer local telephone service. The upgrade not only allowed for an expansion of cable programming but also the deployment of telephony, Internet service, the establishment of an Institutional Network, HDTV, On Demand, and Digital Video Recorders. Subscribers in Vancouver/Clark County responded by aggressively purchasing these new services. It is the Commission’s goal that Vancouver/Clark County continue to be on the forefront of technological advances by cultivating partnerships with Comcast Corporation.

Nationally, cable operators are facing ever growing competition. According to the National Cable and Telecommunications Association, in 1992 there were fewer than 70,000 direct broadcast satellite (“DBS”) subscribers. Today there are 32 million DBS subscribers. In addition, Verizon began offering cable and Internet service through a direct fiber connection to area homes/businesses in the Beaverton/Tigard area. The Commission is pleased to report Comcast has been aggressively marketing their service and providing enhanced products, such as HDTV, On Demand and Digital Video Recorders. Providing outstanding customer service, competitive prices and locally produced programming, are essential for the continued success of cable operators. Our sense is that the cable industry, and Comcast specifically as the largest operator, are at a technological, economic, and a regulatory cross-roads as to what will be a successful business model for the next generation of video/high speed data/voice services. We hope that the Vancouver/Clark County community will be at the forefront of that evolution as a partner rather than an adversary with Comcast.

The cable/broadband system in Vancouver/Clark County not only represents a substantial economic investment, but it is also an essential component in building and nurturing the social capital of the community. It is not an essential service for our physical health, but it is a vital service in maintaining and improving the civic health of Vancouver/Clark County.

The Commission hopes most sincerely that local and regional Comcast Corporation officials remember the challenges of the past and, by working with this Commission and subscribers, continue to nurture the company’s vital and productive relationship with our community.

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