CLICK! NETWORK
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TACOMA PUBLIC UTILITIES

September 1, 2016

Chairman Tom Wheeler
Commissioner Mignon Clyburn
Commissioner Michael O'Rielly
Commissioner Ajit Pai
Commissioner Jessica Rosenworcel
Federal Communications Commission
445 12th Street SW
Washington DC, 20554

Dear Chairman Wheeler and Commissioners Clyburn, O'Rielly, Pai, and Rosenworcel:

Click! Network is a small multichannel video programming distributor (MVPD) providing digital services in Washington State. We are a municipal enterprise of the City of Tacoma and have been in business since 1997. Our network passes approximately 113,000 homes and serves 17,500 cable customers. We are greatly concerned that the Federal Communications Commission's (Commission) proposed Navigation Device rules (MB Docket No. 16-42/CS Docket No. 97-80) and other potential substitute rules would impose such substantial implementation costs that it would harm our company's ability to serve our customers. Consequently, we urge you to provide relief for smaller MVPDs.

The pay-TV business is more challenging than ever for smaller MVPDs. We are caught between ever-increasing programming fees and obligations to carry unwanted programming on the one hand and significant competition both from much larger traditional pay-TV providers and from over-the-top services on the other. As a result, margins for our video business are small and getting smaller every year. Nonetheless, video services remain an important component of our overall customer offering, and consumers continue to respond positively to our efforts to provide innovative services at an affordable price, high-quality customer service, and no long-term commitment requirements – differentiating ourselves from our market competitors.

Because the Commission's navigation device proposal is estimated to cost at least $1 million per system,[1] our company cannot afford to comply with this proposal or any other

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[1] *See* Comments of the American Cable Association, MB Docket No. 16-42, CS Docket No. 97-90 at 40-54 (Apr. 22, 2016). As the American Cable Association has explained "the Commission's proposal is more a framework with many elements still to be defined and fleshed out. ACA, therefore, cannot determine all the costs of the Commission's proposal nor can it determine whether proposal is technologically feasible nor can it determine, should there be solutions, when they will be developed." Letter from Thomas Cohen, Counsel to the American Cable Association, to Marlene H. Dortch, Secretary, Federal Communications Commission, MB Docket No. 16-42, CS Docket No. 97-90, at 2, n.4 (Aug. 12, 2016). Therefore, the $ 1 million estimate includes only those costs that can be determined at present, and assumes that MVPDs will utilize the lowest cost technology available to meet those requirements that can be identified (*i.e.,* by deploying a gateway device in the customers' homes using third party devices). However, because many larger cable operators are transitioning to an all-IP

proposal that incurs such substantial cost. Should the Commission mandate that small providers comply with such rules, we would be forced to divert resources from upgrading our broadband networks which are necessary to meet our customers' increasing demands for greater speeds.

Just as with the cable industry's over two-decade long migration from analog to digital, smaller providers have incentives to seek out opportunities to continue to upgrade their network's video technology to better serve customers and face the competition in the market. For example, many in the industry are evaluating how to offer their services in all-IP. Thus, the Commission should recognize that we have every reason to adopt affordable, market-ready solutions that enable us to offer service in a format, such as all-IP, that allows our customers to receive our service using third party devices.

Unfortunately, a viable path to implement the proposed Navigation Device rules or other unduly costly proposals does not exist, and due to our small size, we have no control over how and when the industry will develop solutions, let alone those that work within our resource constraints.[2] For this reason, the Commission should not impose these proposals on smaller MVPDs. Even if the Commission were to delay compliance by a small provider, because no one knows if and when a sufficiently low cost solution will materialize, our company will need to start reserving money based on the cost incurred by larger operators and the impact will be felt by our customers immediately and for years to come.

For these reasons, the Commission should not apply any Navigation Device regulation to small providers, and instead should work with us to facilitate the development of market solutions that allow us to offer our services in all-IP and enable our customers to attach third party devices. Thank you for your consideration.

Sincerely,

Tenzin Gyaltsen
General Manager
City of Tacoma, Tacoma Public Utilities, Click! Network

Cc: U.S. Senator Patty Murray
U.S. Senator Maria Cantwell
U.S. Representative Derek Kilmer
U.S. Representative Adam Smith
U.S. Representative Denny Heck

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format already, there is no guarantee that the gateway technology necessary to implement the Commission's proposal over a non-IP system will materialize in the marketplace. In that event, implementing the Commission's proposal could require small and mid-sized operators to make the same investments to transition to an all-IP format, which would significantly increase the cost of compliance.

[2] In the past year, a few small companies and vendors have ventured into this space with trial offerings; however, these trials highlight that there are many issues yet to work out before viable solutions are available.