



September 7, 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:

Shentel (NASDAQ: SHEN) is a small multichannel video programming distributor (MVPD) providing digital services in over 130 different rural communities in Virginia, West Virginia, and Maryland. Shentel's history of serving rural communities spans over 114 years. Passing over 185,000 homes in these communities, Shentel has over 58,000 Internet subscribers, 56,500 video subscribers, and 21,000 voice subscribers. We are greatly concerned with 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 that would impose such substantial implementation costs that would harm our company's ability to serve our customers in rural communities. 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, because at most we feel we can only pass dollar for dollar the increases in programming costs. 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. Shentel offers triple play packages in all of our markets that can save customers money (we offer several triple play packages that make our video offering less expensive than the average Satellite bill from DirecTV or DISH, after the promotional period). Shentel's services also come without contract commitments, and we offer a prepaid Internet plan to help lower-income households have access to Internet service. In 2015, we launched the Arris Whole Home Gateway (set-top box) that has advanced Internet streaming (OTT) capabilities. We have over 3,600 Arris boxes deployed today, and for the past year, we have been working with content providers to gain their approval to load their Internet streaming applications on these boxes. In addition to providing great products, we pride ourselves in providing the best customer support, and investing in the local communities that we service. Based on our extensive history, we understand that the better the community does, the better Shentel will do.

Because the Commission's navigation device proposal is estimated to cost at least \$1 million per system,<sup>1</sup> our company cannot afford to make the investment to comply with this proposal or any other proposal that incurs such substantial cost with a video business that is less profitable each year. Knowing that broadband is critical for rural America, we have been devoting our resources to continue to expand our fiber network to be able to offer our customers and potential customers expanded broadband options. 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 and pass those costs on to our consumers, many of which will see no benefits of the proposed change.

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.<sup>2</sup> Complying with this proposal will not put us out of business, but will require us to seriously evaluate whether we will continue to offer video services and for some areas we serve, due to the mountainous terrain, we are the only video option. 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.

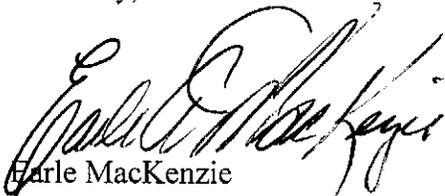
---

<sup>1</sup> See Comments of the American Cable Association, MB Docket No. 16-42, CS Docket No. 97-80 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. 97-80, 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 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.

<sup>2</sup> 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.

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,



Earle MacKenzie  
Chief Operating Officer

Cc: Senator Joe Manchin  
Senator Shelly More Capito  
Senator Mark Warner  
Senator Tim Kaine  
Congressman David McKinley  
Congressman Alex Mooney  
Congressman Evan Jenkins  
Congressman Bob Goodlatte  
Congressman Morgan Griffith  
Congressman Randy Forbes  
Senator Ben Cardin  
Senator Barbara Mikulski  
Congressman John Delaney