



# ALAMEDA POWER & TELECOM

*A Department of the City of Alameda*

*via electronic filing*

April 7, 2005

Ms. Marlene H. Dortch  
Office of the Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

**Re: American Cable Association Petition for Rulemaking, RM-11203**

Dear Ms. Dortch:

On behalf of Alameda Power & Telecom (Alameda P&T), I write to express our strongest support for ACA's petition for rulemaking on retransmission consent. Alameda P&T is a municipal cable TV system serving 9,500 customers in Alameda, California. I can verify that the petition accurately describes the upcoming retransmission consent crisis. Broadcasters, including those in my market, have made it clear that they will force us to charge an additional \$5 to \$6 per subscriber per month for basic cable, to cover new demands of cash for carriage. ACA's solution to this problem is pro-competition, pro-consumer, and deregulatory. It will benefit the consumers served by Alameda P&T and will help keep down the costs of basic cable.

Provided below is some information about Alameda P&T and why we think the Commission needs to grant ACA's petition.

### **Company background**

Alameda P&T, a department of the City of Alameda, is a municipally-owned electric and telecommunications utility serving 33,000 homes, businesses, schools and government agencies. Alameda P&T has provided electric utility service since 1887, and began serving Alameda residents and businesses with cable TV and high-speed Internet services in 2001. Alameda P&T's primary competitors for the delivery of telecom services in Alameda are Comcast, DBS and SBC. Alameda P&T has built a state-of-the-art 860 Mhz hybrid fiber coaxial cable system, in addition to a municipal area network that connects schools and various city departments with fiber optic cables.

Our telecom system net assets, as of June 30, 2004, are over \$28 million. We have launched digital cable television and high speed Internet services, and now serve 9,500 customers with cable TV service and 5,000 of those customers with cable modem service. Comcast, DBS and SBC are strong competitors in our markets. Acquiring and retaining customers in the competitive Alameda market makes it extremely difficult to increase rates. At the same time, programming costs have increased far ahead of inflation. I estimate that programming costs have increased by more than 4% per year since 2001.

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The broadcasters' demands for several more dollars per month presents a major problem. This may be a particularly difficult issue for Alameda P&T because in our designated market area (San Francisco, Oakland, San Jose) three of the four "Big Four" network affiliates are owned and operated by ABC, CBS and NBC. For example, in the 2003-2005 retransmission consent period, the owned and operated ABC affiliate in San Francisco (KGO) demanded the payment of \$.75 per basic customer per month, for analog retransmission consent. Ultimately we agreed to carry an additional Disney owned cable network in lieu of payment for carriage of KGO. Alameda P&T also strongly opposes these "tying arrangements" and views them as an abuse of the retransmission consent process. Because our margins are already stretched thin, we have no choice but to pass these costs onto our customers. They will be angry. Some will drop our service. Those that do not will have to pay up to several dollars more for basic cable.

### **Why we support ACA's Petition**

Basically, all that ACA asks for is a right for us to shop and only when a broadcaster demands a price for retransmission consent. In our market, I know this will work to lower the cost of retransmission consent for my customers.

First, I know that I could obtain network programming at a lower cost from other broadcasters. I can do this by receiving signals from neighboring markets.

Second, if the broadcasters in my market know alternatives exist, I am confident I will be able to negotiate a lower price. That works in every type of transaction, and it will work in retransmission consent.

As stated in the petition, the problem is not that broadcasters demand a "price" for retransmission consent. The problem is that they block our ability to find lower-cost alternatives. The petition shows how this problem will easily cost consumers and smaller cable operators upwards of \$1 billion next year. In my market, broadcasters' demands could potentially cost Alameda P&T and our subscribers at least \$250,000 per year.

By making the limited changes requested by ACA, the Commission will bring some market discipline to retransmission consent "pricing." This will help to keep our costs down and will benefit our consumers.

### **Our concern for localism**

As a final point, I want the Commission to know that we support local broadcasting and prefer to carry our local broadcasters. We currently provide thousands of hours of local programming on our cable system. We understand the importance of local programming, but we also understand how much our customers are willing to pay for it. The problem is the higher prices being demanded by more and more owners of

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these stations. Most often the owners are based in corporate headquarters hundreds or thousands of miles away. Frankly, they don't care about localism. They just want our customers' money, and, as a small (relative to our competitors), municipally-owned cable operator, we lack the economy of large scale that would lend itself to negotiating a "volume discount."

We fully support a fair exchange of value for carriage of local signals. But when broadcasters demand a "price," we need the ability to "shop" to get a "price" that fairly reflects the value of the signal. Please act on ACA's Petition as soon as you can.

Sincerely,

A handwritten signature in blue ink, appearing to read "V. Fong".

Valerie O. Fong  
General Manager