



## WISCONSIN CABLE COMMUNICATIONS ASSOCIATION

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EXECUTIVE DIRECTOR - Thomas Hanson • DIRECTOR OF REGULATORY AFFAIRS - Thomas Moore

February 21, 2000

Senator Rod Moen  
P.O. Box 7882, 8 S  
Madison, WI 53707-7882

Dear Senator,

Senate Bill 331 accomplishes two things:

1. Requires a municipality to maintain records of costs it would incur were it a non-municipality cable operator.
2. Prohibits a municipality from subsidizing its cable system from revenue sources other than funds provided from willing subscribers to that system.

Why is this important? Simply put, there is not a business in Wisconsin that could compete with government run ventures that used tax paper money to subsidize its operation. This is even more traumatic for cable. Unlike many other private businesses, Cities regulates cable television. Cable operators pay franchise fees to the cities (more than 25 million dollars last year) as well as other business related taxes. Cable operators rent space or poles from municipally owned utilities.

Senate Bill 331 was carefully drafted so that it does not prohibit a municipality from owning a cable system. It does not prohibit a municipality from bonding to construct the system.

A municipality official opposed to Senate Bill 331 testified that they wanted the right to build a cable system in order to lower cable rates and that in order to offer lower rates they would need to subsidize the cable operators. First if, in fact, a private cable operator is charging excessive fees, a city ought to be able to compete without needing taxpayer's subsidies. Second, is building a competitive business in order to lower prices really what we want government to do?

Senate Bill 331 does not remove the authority a municipality has for building a cable system. It has absolutely nothing to do with PEG Channels (Public, Education and Government). It simply creates a level playing field.

We hope you can support Senate Bill 331.

Sincerely,

Tom Hanson,  
Executive Director  
Wisconsin Cable Communications

Algoma  
Arcadia  
Argyle  
Bangor  
Barron  
Belmont  
Benton  
Black Earth  
Black River Falls  
Bloomer  
Boscobel  
Brodhead  
Cadott  
Cashton  
Cedarburg  
Centuria  
Clintonville  
Columbus  
Cornell  
Cuba City  
Cumberland  
Eagle River  
Elkhorn  
Elroy  
Evansville  
Fennimore  
Florence  
Gresham  
Hartford  
Hazel Green  
Hustisford  
Jefferson  
Juneau  
Kaukauna  
Kiel  
La Farge  
Lake Mills  
Lodi  
Manitowoc  
Marshfield  
Mazomanie  
Medford  
Menasha  
Merrillan  
Mount Horeb  
Muscodia  
New Glarus  
New Holstein  
New Lisbon  
New London  
New Richmond  
Oconomowoc  
Oconto Falls  
Pardeeville  
Plymouth  
Prairie du Sac  
Princeton  
Reedsburg  
Rice Lake  
Richland Center  
River Falls  
Sauk City  
Shawano  
Sheboygan Falls  
Shullsburg  
Slinger  
Spooner  
Stoughton  
Stratford  
Sturgeon Bay  
Sun Prairie  
Trempealeau  
Two Rivers  
Viola  
Waterloo  
Waunakee  
Waupun  
Westby  
Whitehall  
Wisconsin Dells  
Wisconsin Rapids  
Wonewoc

**TO: Members of the Senate Committee on Health,  
Utilities, Veterans & Military Affairs**

**FROM: David J. Benforado, Executive Director**

**DATE: February 9, 2000**

**RE: Senate Bill 331.**

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Senate Bill 331, as amended by Senate amendment LRBa1249/1, recognizes and does not infringe on the existing legal right of any Wisconsin municipality to own and operate a cable television system. It preserves their ability to access municipal funds or municipal bonds to construct or operate such a system, provided that the costs of the system are paid for by its subscribers. As amended, the bill is prospective, meaning that Wisconsin's only existing municipal cable television system (Oconto Falls) will not be impacted.

MEUW supports Senate Bill 331, as amended by Senate amendment LRBa1249/1.

cc: John MacKinnon (Plymouth), MEUW President

# Not seeing good phone, cable deals, some users say

■ But, experts say, the volatile communications industry is moving in the direction of good options for consumers.

By Kalpana Srinivasan  
Associated Press

WASHINGTON — The revolution envisioned by a landmark telecommunications law that held the promise of more choices and lower prices for consumers remains a work in progress, with some Americans not yet enjoying the fruits of greater competition and falling costs.

"My cable bill is outrageous! The rate has steadily increased with no changes in service or quality," wrote Debbie Williams of Aloha, Ore., this summer to a consumer group in Washington. Bob Palinchak of Cordova, Tenn., griped that an array of monthly charges has caused his phone bill to increase even when he makes few calls.

Since the passage of the 1996 Telecommunications Act, cable rates have risen three times faster than inflation and the regional Bell companies still claim 96 percent of local phone revenue.

But there are some signs of change: The number of Internet users has tripled and wireless prices have plummeted in the past four years.

"The big picture is that the whole telecommunications and information sectors of our economy are just booming," Federal Communications Commission Chairman William Kennard said in an interview. "We've really never seen anything like this in the history of communications in the world where you have so much investment so quickly, a myriad of new services being provided to consumers."

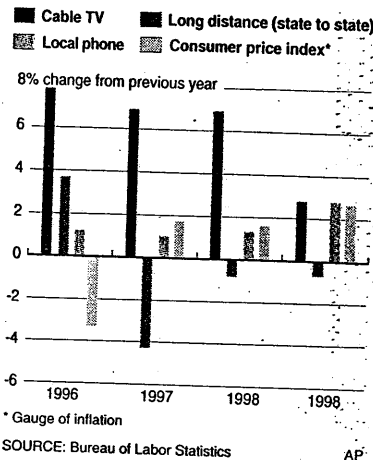
The law, signed by President Clinton four years ago today, freed cable and local and long-distance phone companies to enter each others' businesses. House Commerce Committee Chairman Thomas Bliley, R-Va., one of the bill's co-authors, said consumers are beginning to see choices in markets once controlled by monopolies.

"I would have liked to have seen it go quicker," Bliley said. But "it's coming."

Fledgling businesses have spent billions of dollars to offer local phone and data services to compete with the Baby Bells. AT&T has invested heavily in its ambitious plan to use cable lines to deliver local phone service, while MCI WorldCom and Sprint say their combined merger could enable them to reach local customers through fixed wireless systems.

## Telecom prices

Consumers are starting to see a drop in some of the prices they pay for telecommunications, though cable rates have risen faster than the rate of inflation.



But the Bell companies and GTE still have the lion's share of the local market.

"This is hardly full-fledged realistic competition," said Adam Thierer, a fellow in economic policy at Heritage Foundation, a conservative think tank.

Regulators point to the success of wireless service in giving consumers more options. Almost all Americans now have a choice of three or more wireless providers, according to the FCC, and prices have steadily declined.

A plethora of new long-distance plans — boasting rates as low as 5 cents a minute — have helped drop the price of state-to-state calls more than 2 percent between the time before the act was passed and December 1999.

But consumer groups, in a scathing letter to Clinton, said most Americans are not benefiting from falling rates because of an extra \$4 billion a year in assorted charges now tagged on to their monthly phone bills. They also warned that an unprecedented wave of communications mega-mergers set off by the law has reduced consumer options.

New competition could come as the Bell companies aggressively seek permission to offer long-distance in their territory. In one of the biggest milestones since the act's passage, Bell Atlantic received

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## Deals

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FCC approval in December to provide its local customers in New York with long-distance service.

The United States Telecom Association, which represents local phone companies, says the time is ripe for the FCC to remove regulatory hurdles keeping its members out of voice and data long-distance service.

"All customers suffer as a result," said Roy Neel, president of the group.

And consumers are still waiting to see lower cable TV rates. Lawmakers and others hope that legislation passed last year allowing direct broadcast satellite companies to beam local channels to their customers will help bolster competition.

That could help drive down cable TV prices — which have increased nearly 27 percent between the time right before the law was enacted until December 1999.

"Cable TV is one of the biggest black eyes for the 1996 act," said Gene Kimmelman, co-director of the Washington office of Consumers Union.

# Rewired

EAU CLAIRE

3-13-99

## Cable companies can set own rates after March 31

By Carrie Brown  
Leader-Telegram staff

Cable television companies soon will be free to set their rates without government regulation.

On Wednesday, March 31, federal price controls will expire despite a lack of competition for cable companies in many areas, including most communities in the Chippewa Valley.

Officials of Marcus Cable, which provides service to much of west-central Wisconsin, including Eau Claire, Chippewa Falls and Altoona, said deregulation won't change how the company sets rates.

"Prices will not rise more than they would have under regulation," said David Troxel, Marcus Cable district manager.

Congress moved to deregulate the cable industry in 1996 with the assumption that by 1999 there would be more competition for home viewers from satellite broadcasters and telephone companies.

Despite inroads made by the satellite dish networks, competition hasn't materialized in many areas, including Eau Claire.

Ted Fischer, Eau Claire city attorney, said the Cable Advisory Committee "had hoped that competition would flourish here, but that hasn't happened. The committee has been open and outspoken that

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they would like to see competition."

Marcus Cable expects electrical utilities and telephone companies to get into the business in the next few years.

The Cable Advisory Committee has looked for potential cable TV competitors and hopes one may emerge in the coming years, said Terry Sheridan, cable committee and City Council member.

"If there was a viable provider interested in our area, we would be very willing," Sheridan said.

Deregulation allows a single provider to set the rates with none of the competitive forces that usually bring down prices, Sheridan said.

Eau Claire cable subscribers pay \$32.90 a month for 50 channels. In 1995, the year before Congress decided to deregulate the industry, subscribers paid \$22.36 for 35 channels.

The cable industry, which has spent \$20 billion in the last three years on new infrastructure, defends

## Communities with competition pay less, get more

A glance at cable television rates in Barron and Cameron shows the power of competition.

Rates in the Barron County communities, where Chibardun Telephone Cooperative competes with Marcus Cable, are more than 50 percent lower than in Eau Claire.

In Barron, for example, Marcus customers pay \$19.95 a month for 61 channels, compared with the \$32.90 Eau Claire residents pay for 50 channels. Chibardun charges \$19.95 in Barron for 68 channels.

"Competition by Chibardun Cooperative created a real attitude adjustment by Marcus Cable," said Barron Mayor Bard Kittleson. "Public officials have an absolute obligation to constituents to pursue competition."

As the first city in Wisconsin to have competition, Barron cable subscribers not only have seen the rate decreases but also extra channels, Kittleson said.

Chibardun, which also offers local and long distance phone

Spiraling costs for quality programming have been a reason for rate increases, Troxel said.

For example, ESPN recently increased what it charges cable companies to cover the cost of more NFL football, he said.

"The consumer ends up paying. We work real hard to control our costs," Troxel said.

System upgrades have provided greater channel capacity, more reliable fiber optics technology and high-speed cable modems for faster Internet service, Troxel said.

"Eventually, there will be major market competitors," he said.

Cable subscribers in Eau Claire, Chippewa Falls, Elk Mound and Altoona saw a price hike of 8.5 percent in January for the Cable Showcase tier, channels 15 to 49, but also they got three new channels, including ESPN2, the Golf Channel and ZDTV.

Marcus is not planning a price increase for these customers this year, Troxel said. Marcus subscribers in Lafayette, Wisconsin, Menomonie, Red Cedar and Tainter will see a similar rate increase in

Sunday, March 14, 1999  
LEADER-TELEGRAM

## Rapids cable transfer denied

WISCONSIN RAPIDS (AP) — Officials of the municipal water and electric utility say they will look into the feasibility of operating a city-owned cable television service.

The decision that was made Wednesday by the Water Works and Lighting Commission follows the denial last month by the local Telecommunications Advisory Commission of a transfer of control of the city's cable franchise from Marcus Cable to Vulcan Cable.

Terms of the city's franchise agreement with the firm now require Marcus to grant the city the right of first refusal in the transfer.

Fran Bailey-Gokey, chairman of the advisory commission, told utility officials that she had already spoken with those in Cedar Falls, Iowa, who operates a city-owned cable system there.

Oconto Falls, Cedar Falls, Iowa, and Negaunee, Mich., also operate such systems, officials said.

## Low rates artificial, Marcus official says

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services, was able to get into the cable business because they could use infrastructure already in place, said General Manager Rick Vergin.

Plans are under way for Chibardun to provide cable TV service in Chetek, and the cooperative is interested in expanding into Rice Lake.

"Rates are artificially low in areas where there is competition in order to keep the customer base," said David Troxel, district manager of Marcus Cable.

In most situations in which there are two competing cable companies, one of them will buy the other out within two to three years and rates return to normal levels, he said.

**Cable transfer approved**

The Barron City Council authorized the transfer Tuesday night of Marcus Cable to Vulcan Cable. The action is a formality required by federal law to continue current provisions of the City's franchise agreement with the cable TV service.

Investor Paul G. Allen acquired

See Cable page 2

all of the limited partnership interests in Marcus Cable in a \$2.775 billion transaction last April 3.

Allen has investments in new media, entertainment and technology companies.

Marcus Cable was the nation's tenth largest cable television company. In 1997 Marcus started divesting itself of some of its systems and acquired others. After completing divestitures and acquisitions, it served approximately 1.1 million customers in six distinct clusters.

One of these clusters is located in Wisconsin where they served approximately 400,000 customers.

Paul G. Allen's primary companies include Asymetrix Corp., Vulcan Ventures Inc. and Vulcan Northwest Inc., all of Bellevue, Wash.; and Interval Research Corp. of Palo Alto, Calif. He is founder and largest shareholder of Starwave Corp. of Bellevue.

Allen is owner of the Portland Trail Blazers NBA team and the NFL's Seattle Seahawks franchise, is a partner in the entertainment studio DreamWorks SKG and holds investments in more than 35 new media companies.

Allen has been pioneering new trails in the microcomputer industry since he co-founded Microsoft Corp. with Bill Gates in 1975. He served as Microsoft's executive vice president of research and new product development, the company's senior technology post, until 1983.

Allen sponsors six Allen Charitable Foundations, which support arts, medical, forest protection and other charitable needs in the Pacific Northwest, and is founder of Experience Music Project in Seattle.

# David Troxel joins Marcus as District Manager

*BARRON 2-24-99*

David Troxel has joined Marcus Cable as district manager for the company's Eau Claire District, serving approximately 110,000 cable customers.

He brings to Marcus more than 19 years experience in the cable industry. Troxel will manage operations for the region's four systems located in Eau Claire, Rice Lake, Onalaska and Rosemount.

Prior to joining Marcus, Troxel managed Century Communications' Mideast Region in Owensboro, Ky. Before Century, Troxel was with Charter Communications for 12 years, most recently as a Regional Manager based in St. Louis.

Charter and Marcus were recently acquired by Paul G. Allen, investor

and Microsoft co-founder. Charter currently manages Marcus, with a change in ownership slated for late March or early April.

"Charter Communications has always been focused on providing quality service and advanced technology to its customers, and I wanted to be a part of that and to share in Paul Allen's vision of a 'Wired World,'" said Troxel. "Mr. Allen sees cable's large pipe as a high-speed delivery vehicle capable of bringing interactive entertainment into the home.

"We realize that the future is our customers and therefore will continue to provide quality, reliability and excellent customer service," Troxel added.

## **PUBLICLY-OWNED COMMUNICATIONS NETWORKS**

The following is a partial list of communities that have (1) already built a publicly-owned communications network that is capable of being used to offer cable, telecommunications, information or enhanced services to the public, or (2) have had a affirmative referendum or city council vote to develop such a network, or (3) have begun a feasibility study or issued an RFI, RFP, Request for Strategic Partners, etc., concerning such a network. This list includes Institutional Networks that are wholly, primarily or effectively community-owned.

AL: Lincoln, Opp, Foley, Scottsboro

AK: Angoon, Kake, Kiana, Kotlik

AR: Conway, Lockesburg, Paragould

AZ: Glendale, Pinal County, Tucson

CA: Anaheim, Alameda, Burbank, Los Angeles, Palo Alto, Pasadena, Poway, San Bruno, St. Luis Obispo Co.

CO: Brighton, Center, Copper Mountain, Longmont

FL: Boca Raton, Ft. Lauderdale, Gainesville, Hillsborough Co., Key West, Leesburg, Newberry, Ocala, Orange County, Valparaiso, Vero Beach  
GA: Municipal Electric Authority of Georgia (+32 municipal electric utilities)

IA: Akron, Algona, Alta, Ames, Bancroft, Cedar Falls, Carroll, Coon Rapids, Danbury, Dayton, Denison, Des Moines, Grundy Center, Harlan, Hartley, Hawarden, Hull, Independence, Indianola, Lake View, Laurens, Lenox, Manilla, Manning, Mount Pleasant, Muscatine, New London, Orange City, Paulina, Primghar, Rock Rapids, Sac City, Sanborn, Sibley, Spencer, Storm Lake, Tipton, Traer, Wall Lake, Waterloo, Webster City, Westwood, Woodbine

IL: Batavia, Champaign, Evanston, Madison

KS: Altamont, Americus, Baxter, Cawker, Columbus, Courtland, Marion, Pawnee Rock, Waverly

KY: Bardstown, Barbourville, Bellevue, Bowling Green, Crescent Springs, Dayton, Edgewood, Elsmere, Erlanger, Fort Thomas, Fort Wright, Frankfort, Glasgow, Lakeside, Louisville, Park, Murray, Newport, Taylor Mill, Williamstown

MD: Easton, Prince George's County

**PUBLICLY-OWNED COMMUNICATIONS NETWORKS (continued)**

MA: Berkshire County, Braintree, Chicopee, Holyoke, Shrewsbury MD: Montgomery Co., Prince George's Co.

MI: Coldwater, Crystal Falls, Flint, Hillsdale, Holland, Lowell, Marshall, Negaunee, Niles, Norway, Sturgis, Wyandotte

MN: Bagley, Coleraine, Detroit Lakes, Elbow Lake, Fosston, Jackson, Marble, Westbrook, Windom

MO: Newburg, Sikeston, Springfield, Unionville

NB: Lincoln, Omaha, Norfolk

NC: Morganton, Pineville

NH: Keane, Londonderry

NM: Badgley, Elbow Lake, Jackson, Marble, Windom NV: Churchill County OH: Archbold, Bedford, Brunswick, Butler County, Celina, Cuyahoga Falls, Dayton, Garfield Heights, Hamilton, Lebanon, Niles, Oakwood, Orange Village, Shaker Heights, Wadsworth, Westerville OR: Ashland, Cascade Locks, Corvallis, Lexington, Lincoln County (CoastNet Project)

PA: New Wilmington, Pitcairn

SC: Georgetown, Greenwood, Orangeburg, Rock Hill

SD: Beresford

TN: Germantown, Memphis

TX: Laredo, Lower Colorado River Authority, Lubbock, several municipalities considering implications of the FCC's failure to preempt PURA95 and D.C. Circuit's affirmance in the Abilene case

VA: Blacksburg, Fairfax Co., Fredericksburg, Harrisonburg, Leesburg, Lynchburg

WA: Bellingham, North Bonneville, Renton, Sumas, Tacoma

WV: Phillipi

WS: Oconto Falls, Two Creeks

WY: Lusk, Bailroil

Journal of Municipal Telecommunications, Vol. 1 No. 1, April 1999

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## **"The Little Town That Could" ... Did!**

by **Gerald D. Quick**, General Manager, Harlan Municipal Utilities, Harlan, Iowa

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"The Little Town That Could" ... Did! It's a cute saying or motto for a community to have, and many times that's all they are -- cute little sayings. However, for this small, rural community of around 5200 population, it actually describes the character of the community.

### **Who We Are & How We Got There**

Harlan Iowa is like many other small rural mid-west communities. It is the county seat of Shelby County, and has, what would be considered by many, a traditional agriculturally based economy. As another source put it, Harlan is "an island in a sea of agriculture". The community's utility services - electric, natural gas, water, and now telecommunications - are all municipally owned, operate under the name of the Harlan Municipal Utilities (HMU) and governed by a separate Board of Trustees.

Not unlike other rural communities, the 70's and 80's took their toll on the farm population. Overall county population was declining and something had to be done to stem the tide. Rather than succumb to these negative pressures, community leaders began a process of self-evaluation to assess community strengths and weaknesses in preparation for life in the 21st century.

The process yielded outstanding results. It was agreed that if the community was to be competitive and survive in the 21st century, two key elements had to be satisfied: the development of an aggressive community marketing plan and the development of an effective communications network.

It was during this time that community leaders put together a plan to aggressively seek out and attract new business and industry to the area. Economic Development was the name of the game and it produced results. Several large entities did select Harlan as a place to locate or expand their businesses, which resulted in job creation and economic growth. This effort brought employment opportunities for some but not the higher paying jobs in clean industries that so many towns are pursuing. It was recognized that Harlan needed an edge.

About the same time, utilities all across the country were experiencing the impact of the Oil Embargo. Congress even passed legislation restricting how scarce energy supplies could be used and utility companies placed moratoriums on new customer hook ups. Supplies were short, prices were sky rocketing and customers were picketing Utility Offices demanding lower rates. The early to mid eighties saw utility companies, government agencies and customer groups scrambling to find ways of reducing energy requirements. Terms like Integrated Resource Plan (IRP) and Demand Side Management (DSM) were popping up and some took root.

As a result, during the late eighties, HMU and many other utilities across the country were



investigating the feasibility of installing a fiber optic network to be used in the deployment of a Supervisory Control and Data Acquisition (SCADA) System. With this network they could monitor and control the electric, natural gas, water systems and manage system loads. The benefits were obvious. More sophisticated system control meant being able to operate the system in the most effective way possible helping to keep rates under control and more disposable income in ratepayer's pockets.

HMU had been investigating the feasibility of installing a fiber optic network to facilitate load management since 1991, when other uses for such a system were becoming apparent including CATV, Internet, Municipal Area Network (MAN), security systems, and medical monitoring and diagnosis. With this knowledge, citizens became encouraged and energized with the prospect of solving several long-term problems with the incumbent CATV provider. Channel selection, service, product quality, community commitment and the fact that there was no local presence in the community are a few of the issues that had subscribers disgruntled.

## Public Approval

As the word of this spread throughout the community, individuals began investigating the feasibility of providing competitive CATV programming in the City. A citizens committee, the Harlan Citizens for an Information Network, was formed in 1993 for the purpose of gathering information and sharing it with residents. An exploratory survey of citizens was conducted in that year and indicated strong support for a City owned and operated CATV system. Following the strong showing in the initial survey, a follow up, more detailed feasibility study was conducted in 1994. Numbers and data collected in that survey also provided very strong support to move forward with such an effort.

Prior to the preliminary work being done in 1993, it was realized that the then current state statutes did not allow Municipal Utilities to form Cable TV Utilities. HMU lead a successful effort to change the statutes paving the way for the community to move forward with its effort. The state legislature passed and the governor signed into law enabling legislation during the 1993 legislative session.

On May 16, 1995, voters went to the polls in a special election to vote on two ballot issues. They were:

1. "Should the City establish a Municipal Cable Communication System as a City Utility?" and,
2. "Should the system be controlled by a Board of Trustees from the City's Electric, Gas and Water Utilities?"

Both of these issues passed with a 70% voter approval.

## More Than CATV

Since HMU was already in the process of developing a fiber network for energy management purposes, the initial design work had already begun. The advent of adding other products and services over the same network required further investigation into the type of communication infrastructure needed to fulfill its obligations to the community. Several goals were identified for a municipal communication system:

- Support the Internal Needs of the Electric and Natural Gas Utilities in a Deregulated Environment,
- Enhance Economic Vitality of the Community, and
- Create Multiple Revenue Streams over a Common Infrastructure:
  - CATV
  - Broadband Modems/Internet
  - Municipal Area Network (MAN)
  - Security and Medial Monitoring, and
  - Utility Metering and Load Management

## The System

The decision was to install a Hybrid Fiber-Coax (HFC) network. This network technology provides several advantages when compared to traditional coax CATV systems. They are:

- 2-Way Communication to the Home,
- Significant Capacity Increase (750 vs. 330 MHz Bandwidth),
- Capable of Supporting Future Digital CATV Signals,
- Improve Reliability and Robustness:
  - Redundant Fiber Paths
  - Reduced Number of Amplifiers
  - Status Monitoring for All Active Network Devices
  - UPS for Network Power Supplies
  - Reduced Distortion (Fewer Cascaded Amplifiers)

The HFC network approach offered one other significant advantage. It supported multiple communication services over shared infrastructure. The fiber backbone could support utility needs for transfer trip relaying, SCADA, and Wide Area (or Municipal Area Network - MAN) for network services. The broadband coax provides access to the home and business to support CATV, "Ethernet" cable modems to access 10 Mb channel without tying up a telephone line, and utility applications including real-time metering and load management.

System design characteristics include:

- The fiber-optic backbone was based on a 60-fiber, single-mode, self-supporting, loose-tube buffer cable suitable for both aerial and direct burial.
- The coax outside-plant included both passive and active devices and involved 30.5 route miles requiring, 43 cable miles and passing approximately 2000 of Harlan's homes.
- The initial system comprised four nodes. System redundancy was included in the fiber routing and node equipment selection.

- The CATV headend uses a 750-MHz design. A grouping of one 12-ft steerable, four 14.7-ft fixed position dishes and a single 400-ft off-air tower provides access to both satellite and local broadcast programming selections.
- The MAN utilizes a 155Mbps bi-directional ATM backbone that interfaces with existing LANs at 10/100 Mbps.

HMU considered its investment from both a financial investment viewpoint and as a basic infrastructure for the economic vitality of the community.

## Build It and They Will Come

Subsequent to the election, network design and specification drafting was completed and bids were solicited. Construction commenced in late 1995. First elements of the HFC network were completed by the end of June 1996. This provided the media over which head-end testing could be completed. Initial Commercial operations were launched in September 1996. During this period, services were offered to employees and selected others on a test basis to shake down operations and gain experience with customer support. However at this point in time, drops had not been installed to customers homes.

As construction and testing of the system progressed, a charter subscriber campaign was conducted to confirm the level of community support and to facilitate planning of drop installations. Charter subscribers were offered some incentives to sign up early and were told that service would begin in the fall. The results were outstanding. Over 1200 residents and businesses signed up as charter subscribers. Out of a reported 1700 customers served by the incumbent provider, this was about 70% of their saturation in the community. The community support was there, in just about the numbers as indicated by the vote to establish a Municipal Cable Communications System. To say the least we were encouraged.

Drops to homes were planned to follow the installation pattern of the electric system in that where electric lines were overhead, cable drops would be overhead; and where electric lines were underground, cable drops were to be underground. As full scale commercial CATV operations began in the Fall of 1996, the first node to be activated was in the part of town where electric lines were overhead and thus drops for the most part were installed overhead. Installations went fairly smooth. However, as we moved into the next node, much of the system was designed to go underground and in the front easements between the sidewalk and street - and people came "unglued". They did not want those little green plastic boxes in their front yards. Now, other service providers have their boxes in the front easements - cable and telephone. Their boxes are metal, some rusting, and in most cases larger than ours, but residents must have just reached the saturation level for utility boxes in their front yards.

Calls were made to City Officials and a group concerned citizens (some angry) were present at the next Utility Board Meeting with the intent of putting a stop to this installation procedure. Given the fact that nobody usually shows up at Board Meetings and in light of the public outcry, the Board decided to halt installations and investigate the feasibility of placing the little green pedestals in the rear easements. The investigation was done without many exceptions; the pedestals could be placed in rear easements however not without certain costs being incurred including the following:

- the redesign process would delay installations 3 to 4 months,

- redesign would add costs to the project,
- installation costs would escalate due to the difficulty of installation,
- installations would be postponed due to winter weather, and
- revenue losses would be substantial.

However, this is the value of local control for a community. The people spoke, the Board listened and took action based on what they felt was in the best interest of the community. The project was stopped until redesign could be completed and installations could not resume until late February 1997.

Because of this action, charter subscribers were becoming a little restless since they were anticipating installation in late 1996, but most of them stuck with us. As a matter of fact, as customers were hooked up, they were amazed at the quality of picture and other features we were able to bring them. An interactive on screen program guide, point and click pay per view and expanded channel selections are only a few of the enhancements offered over the incumbent provider. In fact, some customers reported that TV sets planned to be scrapped were now serviceable. Customers were happy.

## Employees Key

Our employees deserve most of the credit for the success of the roll out. They responded to customers questions, took whatever time was necessary to explain our system to them, respected their property and were on time for appointments. Third party crews were tried for a period but did not perform up to the customer relation's standards established at HMU. Therefore, all installations were completed with our own employees including those from other departments - Electric, Gas and Water - and they are to be complimented.

## Reality of Competition

Now, nobody expected the incumbent provider to just go away. They have been a fierce competitor. Our initial service provided for 43 channels of programming in our expanded basic package for \$18.95 per month compared to the incumbent providers 34 channels of programming in their expanded basis package for \$20.64 per month. In subsequent months, the incumbent lowered their price to \$16.95 per month for their expanded basic package and offered compressed digital service. The compressed digital added 18 channels of regular programming with additional offerings in premium, pay per view and music channels. The price for this service is difficult to pin down depending on the day you call and who you talk to, but they have been advertising their expanded basic plus compressed digital for \$20.25 per month plus \$ 3.30 per month for the digital converter box. For a similar channel line- up in a town 20 miles North of Harlan serviced by the same incumbent provider runs about \$20.00 per month more than in Harlan. In February of this year, HMU raised cable rates to \$20.94 per month. This was the first increase in rates implemented from the time service commenced in 1996. Since roll out, 10 additional channels including Disney, formerly a premium channel offering, had been added to the expanded basis programming line-up without implementing a rate increase.

## Other Products

In August of 1997, HMU rolled out its MACH I Internet and High-Speed Data service offering customers the choice of two products - 1.54 or 10 Mbps. This product received an enthusiastic reception and we currently have reached a saturation level of approximately 25% of cable subscribers. People are amazed at the speed and the fact that they do not have to tie up or have an additional telephone line when they are on the Internet. Our basic rate for the 1.54 Mbps service is \$34.95 per month for cable subscribers with unlimited usage. Rates for commercial customers begin at \$59.95 per month and at \$69.95 per month for high-speed data customers. Other services and rates are available for residents and businesses having special requirements not met by these services.

One exciting aspect of this network is the ability to provide work-at-home application for local businesses. After a successful Beta test, one local business currently has 10 employees working out of their homes and is extremely pleased with the results. They can find no degradation of speed and have seen improvements in productivity. This has opened new employment opportunities for both the company and the residents of Harlan.

Another feature of the network is the Metropolitan Area Network or M.A.N. Assisted through a federal grant provided by a program administered by the National Telecommunications and Information Administration, HMU was able to provide connectivity to the fiber for all of the public entities residing in Harlan including City offices, Library, Schools, County offices, Community College, Hospital, and HMU. Communications between these entities is done at speeds up to 155Mbps. Costs to maintain the M.A.N. are borne by the users. The private sector is also allowed to use the M.A.N. for a fee that helps defray costs to the public sector. With the growth of private sector use, costs to the public users is expected to be eliminated within two years. Present private sector users include a bank, farm service organization and grinding mill parts manufacturer.

HMU is also engaged in discussions with neighboring communities that have interest in remote head-end services. This is an excellent opportunity for Harlan to diversify head-end costs as well as helping meet the needs in the region. To date, several communities have had successful ballot issues of their own and have expressed interest in entering into a dialog concerning HMU providing them signal. As these opportunities unfold and are consummated, other services are also opened up to those communities, e.g. work-at-home, Internet and telephone.

## Show Me the Money

As in any project of this magnitude, resources were an important consideration. The system was financed through a combination of funding sources including a grant for a portion of the MAN network, utility revenue bonds, an inter-utility loan and a bank loan as follows:

- \$2,525,000 - Utility Revenue Bonds
- 500,000 - Bank Loans
- 568,000 - Inter-Utility Loan
- 200,000 - Commerce Department Grant

The utility revenue bonds reflect that the backbone and HFC infrastructure is owned by the Electric Utility with capacity leased to the Communications Utility. Special care is taken to assure that the Telecommunications Utility stands on its own without being subsidized by the other Utilities or taxes. Although current fiscal year revenue will not cover expenses, projections show the Telecommunications Utility to be in the black at the end of the next fiscal year, some nine years ahead

of schedule. Some critics have argued that we have lost money every year since we began operations. This is true but also a recognized fact. Original plans called for losses during the first years of operation. With debt financing, it is unreasonable to realize a break-even scenario during the first years of operation.

## Staffing Needs

On the human resource side, staffing requirements included the hiring of a Superintendent early on in the project to be on site during the construction phase. As we neared the launch date, a Billing/Customer Service person and two cable Installer/Technicians were hired. After the workload grew to a substantial point, a Lead Technician was hired to supervise the daily activities and provide technical support to the installation crew.

## Notoriety

To say that the formation of the Telecommunications Utility in Harlan has benefited the community is a tremendous understatement. It has been dynamite for this community. The advent of having a community "wired for the future" has energized it to the point that all economic development and community promotion materials tout this attribute of the City. We have been inundated with requests for tours and information from cities all over this country. From New York to LA and Texas to Minnesota they come. We have even received a call of inquiry from Australia. We have been published and talked about in every trade publication as well as local and regional newspapers - and even the New York Times did a feature article.

## Lessons Learned

All of this fame and fortune has not come without a price however. I am reminded of an old Malayan Proverb that goes like this: *"Don't think there are no crocodiles because the water is calm"*. There have been many lessons learned and insights gained. Here are a few are:

- **Do plenty of ground work** - It is imperative that you get the community's input before you proceed. Do surveys, hold public meetings, make presentations to civic clubs, etc. This can not be over done.
- **Get as many people involved as possible** - The more people you have on your side the fewer possible dissenters will be out there.
- **Make those involved stakeholders** - If the people involved have a stake in part of the process, they will become owners of it and it will succeed.
- **Get the local media on your side** - This is the most critical item of the list. The media can crucify you and get public opinion going against you. Even if you can not swing them over to your side, you need to recognize their position and prepare a strategy to deal with it. There is another old saying that goes like this: *"Never pick a fight with someone who buys their ink by the barrel"*.
- **Plan, Plan, Plan** - After you do your initial planning do it over again and again. Something is bound to change and you need to compensate for it.

- **COMMUNICATE** - You can not over communicate. Everyone who has an interest in the project should be kept informed about what is going on. It will prevent delays and second guessing later.
- **Be prepared for competition because it will happen** - Just as you think that the incumbent has been whipped, they will do something that you did not expect or anticipate.
- **Set prices for services that allow for sound financial results, do not let emotion get in the way of practical decisions.** - You have to make decisions based on your costs and financial picture and not let the competition drive your business decisions. Good service and product quality produces quality results.
- **Document everything** - Good record keeping is worth its weight in gold. There will be times when you need to verify why things were done a certain way; the agreements made with a handshake or the decisions made on the fly.
- **Have a plan for staffing and secure TRAINED personnel** - This is the core of your organization. The people who will most likely be in touch with your customers. Staffing needs to be done well in advance of the launch date so you can hit the ground running.
- **Establish policies for Telecommunications** - You may have policies covering other utility operations but telecommunications is different. These policies must be in place prior to the launch date.

## What's Next?

Telephone service? Security service? Wireless? Electronic commerce? The answer lies only in the imagination of the citizens of the community. Telephone service seems to be the next logical opportunity to pursue and we have been studying the feasibility of offering this service to the community. Preliminary community survey data show strong public support of HMU offering this service. GTE, the current incumbent provider of telephone service in Harlan, is currently going through the process of divesting itself of all its Iowa properties adding strength to our analysis. Partnerships are investigated with several third party telephone providers including a local telephone cooperative offering telephone service to greater Shelby County. Things are looking positive and next year at this time we may be in the telephone business.

Harlan has been served well by HMU for over 100 years bringing quality electric, natural gas and water service to the community. It is one of the strongest reasons offered in evidence as to why the community has entrusted HMU in this task. As the Vision Statement of HMU states, "Harlan Municipal Utilities will be recognized as the premier provider of utility services". True to this vision, HMU has stepped into the 21st Century by offering what may be its most important utility yet to the people of Harlan.

Harlan - "The little town that could" ... DID!

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**Comment on this paper and see what other readers have said.**

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## **Background For Committee Hearing Today:**

SB 331: Cable Bill – Did Bruce give you background?

SB 313: This is a Risser bill that provides state agent status to psychiatrists who contract directly with counties to provide publicly funded psychiatric services. In other words, they would enjoy the same protections as psychiatrists who are employed by the state/county.

We passed this bill 5 to 1 last session. (Fitzgerald voted no).

SB 308: Under current law, a group health insurance policy that provides coverage of any inpatient hospital services must provide at least \$7000 in coverage for nervous and mental disorders and drug and alcohol treatment. Senate Bill 308 would remove this minimum coverage amount and require health insurance policies to provide the same coverage for nervous and mental disorders and alcoholism and drug abuse problems as it does for physical ailments. The bill also provides that the same deductibles or copayments that apply to physical ailments would apply to mental health treatment.

Obviously, mental health advocates love this bill. The problem is, it will increase the cost of health insurance premiums. It's very difficult to underwrite mental health coverage because it's not black and white – as a broken leg or heart surgery might be.

## **Executive Session:**

We noticed an exec on SB 288 (military honors funerals for veterans) and SB 290. You also told members you'd take executive action on the personal care issues. In addition, you may wish to exec the appointment we heard today and SB 313 if it's non-controversial. The motions are as follows:

### **Appointee**

- Confirmation of Pamela Maxson Cooper as a member of the Board of Nursing.

### **Senate Bill 313??**

Passage of Senate Bill 313

### **SB 288:**

- Intro and adoption of Senate Amendment 1 (LRB a1295). David can explain – it's the same amendment adopted by the Assembly.
- Passage of Senate Bill 288 as amended.

**SB 290:** Senator Plache worked with SMS on the amendments – they are a compromise. A leg council memo has been distributed to members explaining the amendments.

- Intro and adoption of Senate Amendment 1 (LRB a1300)
- Intro and adoption of Senate Amendment 2 (LRB a1329)
- Passage of Senate Bill <sup>290</sup>~~288~~ as amended.



**Personal Care Audits:**

- Moved that the committee send a letter to Representative Underheim urging him to schedule a public hearing on Assembly Bill 630.
- Moved that the committee send a letter to Secretary Leean asking him to establish a blue ribbon task force on personal care services.
- Moved that the committee send a letter to the Joint Committee on Audit requesting an audit of MA personal care services and the DHFS audits of personal care providers.
- Moved that the committee introduce LRB 4497 (a companion to Representative Meyer's Assembly Bill 630)
- Moved that the committee send a letter to the Joint Legislative Council requesting the establishment of a special committee to study personal care services in Wisconsin.

**FISCAL ESTIMATE FORM**

1999 Session

- ORIGINAL                       UPDATED  
 CORRECTED                       SUPPLEMENTAL

LRB # 99-3982/3

INTRODUCTION # SB-0331

Admin. Rule #

**Subject**

Operation and costs of municipal cable television systems.

**Fiscal Effect**

State:  No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

- Increase Existing Appropriation                       Increase Existing Revenues  
 Decrease Existing Appropriation                       Decrease Existing Revenues  
 Create New Appropriation

- Increase Costs - May be possible to Absorb Within Agency's Budget     Yes     No  
  
 Decrease Costs

Local:  No local government costs

1.  Increase Costs  
      Permissive                       Mandatory  
 2.  Decrease Costs  
      Permissive                       Mandatory

3.  Increase Revenues  
      Permissive                       Mandatory  
 4.  Decrease Revenues  
      Permissive                       Mandatory

5. Types of Local Governmental Units Affected:  
 Towns                       Villages                       Cities  
 Counties                       Others \_\_\_\_\_  
 School Districts                       WTCS Districts

**Fund Sources Affected**

- GPR     FED     PRO     PRS     SEG     SEG-S

**Affected Ch. 20 Appropriations**

**Assumptions Used in Arriving at Fiscal Estimate:**

There are two parts to this bill that will have separate effects on municipalities.

- The municipality will be required to prepare and maintain records on franchise fees, pole rentals and all other expenses a non-municipal cable television operator would incur. This provision will increase administrative costs for municipalities that operate cable television systems. However, this increase is likely to be minimal. At present, there are few municipal-operated systems in the state. Any increase will depend on the status of the existing record-keeping system and the extent of the changes that are needed to comply with the provision.
- The second part of the bill prohibits the municipality from allocating municipal costs or indebtedness in a way that subsidizes directly or indirectly the provision of municipal cable television service. The fiscal effect is dependent on unpredictable variables such as the financial condition of the individual municipal-operated cable television system and the need to maintain and upgrade the infrastructure. This provision may affect the ability of individual municipal-operated cable television systems to borrow monies, to the extent that the costs of borrowing are affected by restricting the transaction to the use of the assets of the local cable system, rather than permitting the use of other assets of the municipality. The condition of each individual municipal-operated cable system determines its ability to borrow. Currently, there are few municipal-operated systems in the state. Thus, it is difficult to project the precise effect. Therefore, the fiscal effect of this provision is indeterminable.

**Long-Range Fiscal Implications:**

Prepared By: / Phone # / Agency Name

Department of Commerce  
David Horton / 266-5860

Authorized Signature / Telephone No.

*Louis Cornelius*  
Louis Cornelius/266-8629

Date

2/1/00  
02/01/00

**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

1999 Session

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

**LRB # 99-3982/3**

Admin. Rule #

**INTRODUCTION # SB-0331**

**Subject**

Operation and costs of municipal cable television systems.

**I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on State funds from:</b>	
		<b>Increased Costs</b>	<b>Decreased Costs</b>
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	\$ -
(FTE Position Changes)		( FTE)	(- FTE)
State Operations - Other Costs			-
Local Assistance			-
Aids to Individuals or Organizations			-
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$ -</b>
<b>B. State Costs by Source of Funds</b>		<b>Increased Costs</b>	<b>Decreased Costs</b>
GPR		\$	\$ -
FED			-
PRO/PRS			-
SEG/SEG-S			-
<b>State Revenues</b> Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)		<b>Increased Rev.</b>	<b>Decreased Rev.</b>
GPR Taxes		\$	\$ -
GPR Earned			-
FED			-
PRO/PRS			-
SEG/SEG-S			-
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$ -</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ Indeterminable
NET CHANGE IN REVENUES	\$ _____	\$ Indeterminable

Prepared By: / Phone # / Agency Name Department of Commerce David Horton / 266-5860	Authorized Signature/Telephone No. <i>Louis Cornelius</i> Louis Cornelius/266-8629	Date 2/1/00 02/01/00
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