

PROPOSED CITY OF PORTLAND CABLE

The City of Portland presently is considering awarding a cable communications system franchise to Cablesystems Pacific. What follows is a general description of the proposed franchise. The general description is not a legal document. Persons interested in the details of the proposed franchise should review the proposed franchise itself. Copies of the proposed franchise may be obtained from the City Auditor.

The proposed franchise also is printed in the December 31, 1980 issue of the Daily Journal of Commerce. Any person objecting to the proposed franchise or any part of it may file a written objection with the City Auditor within 20 days after December 31, 1980. The City Council will hold a hearing on the objections before making a final decision. There will be at least five days notice of the hearing. The City Auditor's address is 202 City Hall, Portland, OR 97204.

THE NATURE OF THE FRANCHISE

The franchise is the legislative instrument by which the City Council authorizes Cablesystems Pacific to construct, operate and maintain a cable communications system in the City of Portland.

CABLESYSTEMS PACIFIC

Cablesystems Pacific is a limited Partnership in which the limited partners are 41 Portland investors who together own 50% of the partnership equity. The general partner owning the other 50% is U.S. Cablesystems, Inc., a subsidiary of Canadian Cablesystems, Ltd.

TERMS OF THE FRANCHISE

The franchise is to be in effect for 15 years. It obligates the City to allow Cablesystems Pacific to use the City's streets and public ways to construct the cable system, and describes the powers the City has to regulate subscriber rates, matters of security and privacy, and all other matters in the public interest. It describes penalties the City may impose, including revocation of the franchise, if franchise terms are violated by Cablesystems Pacific.

The franchise describes all the terms and conditions Cablesystems must meet in order to do business in the City. Cablesystems must build and operate a cable system as required in the franchise document, and as they have promised in a proposal they made to the City on April 30, 1980. The proposal is on file with the City Auditor.

The City's regulatory power is to be exercised with the assistance of a Cable Regulatory Commission.

Community Access is to be coordinated through a non-profit Community Cable Corporation.

CABLE SYSTEM DESIGN AND SERVICES

Cablesystems Pacific will build a dual-cable residential subscriber network running approximately 940 miles and serving Portland homes with up to 108 channels delivered through four separate hubs. A financially independent institutional network will run approximately 230 miles, providing video and data services to Portland schools, businesses, hospitals, government agencies and other institutions through four separate hubs.

The system must be built within 3 years, must meet or exceed strict technical standards, and must provide a variety of services -- entertainment, community access, and two-way communications services for both homes and institutions.

Through the Community Access Program, individuals and groups may produce programming free of charge, with four studios, mobile and portable equipment, technical assistance and training, and channel space all provided by Cablesystems Pacific.

RATES

The City may regulate rates for cable service. On the residential subscriber network, several tiers of service are available with a different rate for each tier. A typical rate is \$7.95 per month for the highest tier of basic service, with no premium channels. A typical premium channel, such as Home Box Office or Showtime, costs \$7.50 in addition to the \$7.95 basic rate. The tier that includes capability for two-way services is \$10.45 per month.

SECTION-BY-SECTION DESCRIPTION OF THE PROPOSED CABLESYSTEMS PACIFIC FRANCHISE

Section 1. GRANT OF THE FRANCHISE

1.1. The grantee of the franchise is identified as Cablesystems Pacific. The grantor is the City of Portland.

1.2. Use of Streets and Public Ways. The grantee is given permission to use the City's streets and rights of way for building the cable system. Much of the cable and other equipment will be attached to power company and telephone company poles, or carried in their underground ducts. The grantee must show the City it has permission from the telephone and power companies to use their facilities.

1.3. Duration and Effective Date. The franchise is granted for fifteen years. Effective date for the franchise to begin is 60 days after the City Council passes the ordinance authorizing the franchise. The grantee must also sign an acceptance of the franchise.

1.4. Franchise Not Transferable. The franchise, and all the rights it bestows, belong only to Cablesystems Pacific. They cannot be transferred to anyone else unless the City specifically authorizes the transfer.

1.6. Change in Control. If there is a significant change of control in the ownership of Cablesystems Pacific, or any of its parent companies, the City must be notified, and must approve the change in order for the franchise to remain in effect. A transfer of 10 percent of the stock of any of Cablesystems' parents is regarded as a significant change in control.

1.7. Charter And General Ordinances To Apply. The franchise is subject to the Charter of the City of Portland, and also the requirements of City codes and ordinances governing permits, fees and manner of construction.

Section 2. DEFINITIONS

Section 2 stipulates the definitions of 38 key terms used in the franchise.

Section 3. COMPENSATION

3.1. The grantee will pay the City 5% of its gross revenues as a franchise fee.

3.2. Use Of Funds. The City will use the franchise fee to defray the costs of local regulation of the franchise, to support the development of the community access channels, and to generally encourage development of the

system.

3.3. Limitations On Compensation. The City agrees to take no more than 5% of the grantee's gross revenues as a franchise fee. The grantee agrees to cooperate in the City's efforts to obtain any legal permission required to secure that maximum amount.

3.4. Minimum Advance Payment. The grantee agrees to pay the City \$160,000 to cover cable franchising and regulatory costs incurred prior to grant of the franchise, and \$170,000 per year at the beginning of each year thereafter, to cover the estimated costs for City cable regulation. The annual fee escalates as the cost of living increases. These amounts will be credited, by an appropriate formula, against eventual 5% franchise fee payments by the grantee.

3.5. Quarterly Payments. Franchise fee payments must be made by the grantee on a quarterly basis, and must be accompanied by a report showing how amounts were arrived at.

3.6. Acceptance. The City retains the right to audit any amount paid by the grantee, and to recommend a different amount. An arbitration procedure is provided in case there is a dispute over amounts.

3.7. Tax Liability. The grantee is subject to local taxes, like any other business, but franchise fees do replace certain utility taxes or fees.

Section 4. RATE REGULATION

4.1. Full Regulatory Power Reserved. The City reserves the full authority to regulate all rates and charges levied by the grantee for cable service to its subscribers. The grantee may not use revenues from entertainment services to subsidize the operation of the institutional communications network, nor vice-versa. Financially, these two types of service must operate independently of one another.

4.2. Schedule Of Rates. All rates must be published, and non discriminatory. A low-cost, "lifeline" service will be provided which includes basic television service for \$3.95 per month, and home security service for \$4.95 per month. The starting rate for the highest tier of basic service is \$7.95 per month. The lowest rate for basic service plus one premium move channel, such as home Box Office, is \$15.45 per month. Basic service with interactive capability is \$10.45 per month.

4.2 (Cont.) The grantee agrees not to raise its basic service rates more than an average of 5% per year through the tenth year of the franchise.

4.3. Change in Rates. Rate increases for home subscribers may take place only once annually. If the City does not establish other procedures, the procedures for bringing about an increase, or denying it, is as follows. A Cable Regulatory Commission is established. The grantee files a request for a rate increase. Unless the Commission or the City Council requests a review within 30 days, the increase goes into effect. Otherwise, the Regulatory Commission must specifically act to approve the increase. If the Commission fails to act within 60 days, or if its decision is appealed to the City Council, then the Council must specifically approve the request within 45 days in order for the increase to take effect.

Section 5. FRANCHISE AREA

5.1. The franchise is for the entire City of Portland, but without specific City Council approval, the grantee is not authorized to serve residential subscribers on Portland's West Side, where a cable system is currently being operated by Liberty Communications, Inc. The grantee is required to provide institutional subscriber services city-wide.

Section 6. SERVICE REQUIREMENTS

6.1. General Provision. The grantee is required to meet or exceed all requirements for service contained in the franchise, and also in the grantee's proposal, which is on file at the City Auditor's office.

6.2. Specific Provisions. The following are among the requirements that must be met by the grantee:

The grantee must implement a marketing plan to ensure that subscribers will be made aware cable service is available and advised of the terms and conditions of receiving service from the grantee.

The grantee will hire 138 employees by the third year of the franchise, in administration and sales, technical operations and programming. The payroll will be approximately \$2,500,000 in that year. In the tenth year, the payroll will be approximately \$3,740,000.

The residential subscriber network will consist of dual cable running approximately 940 miles, operating through four separate hubs. Initially, 82 channels will be activated in the forward direction, and four channels in the reverse direction. The system has the capacity to carry 108 channels forward and eight reverse.

Subscribers will have a converter on top of their TV sets to select channels for less expensive tiers of service, and a remote digital keypad for more expensive tiers.

Subscribers on the residential network will have available a wide range of entertainment services such as movies, sports and cultural programming; locally originated community programming such as neighborhood meetings, local arts, environmental programs and local school events; information resources such as TV listings, community bulletin board, weather and news, and special teletext information retrieval services; all local TV channels and three stations imported from Chicago, Oakland and Atlanta; a variety of local and imported FM radio stations; and special channels showing first run uncut movies, sports and special events for an additional charge.

The grantee will provide a main studio and three additional neighborhood studios for producing local programming. Three mobile production vans are also provided, as well as a variety of portable equipment. Technical assistance and training in the use of the equipment will be provided at no charge by grantee, and non-commercial programming may be produced by an individual or group at no charge. Five channels will be devoted to general community programming under the direction of a Community Cable Corporation to be established by the City Council, and several additional channels will be dedicated to programming on themes such as the environment, Black Culture and local arts, with programming staff provided by the Grantee. Channels may be leased for purposes other than non-commercial community programming.

The grantee will make available a variety of interactive services, in which signals are generated in the home. For example: an alarm monitoring service which sends signals from fire, intrusion or medical alarms to summon fire, police or ambulance units; opinion polling, video games and information retrieval, using a special keypad and interactive terminal. Other possibilities for the future are shopping from home, banking from home, energy management, and two-way education in the home. (See Section 14 of the Proposal.)

The grantee will install basic residential service for the standard installation charge (\$24.95) in any residence east of the Willamette River (except in an

M-1 or M-2 zone), south of the Columbia Slough, and north of the Columbia Slough in residentially zoned areas. Service can be provided to residences in other areas and zones, or to institutions, for a special fee.

The institutional network will consist of a single cable running approximately 230 miles, linking schools, businesses, hospitals, government agencies and other institutions through four separate hubs. The system will carry voice, video and data services.

Examples of video services on the institutional network are training, teleconferencing, education, retailing and real estate marketing; data services include computer exchange, security alarm services, information retrieval, computer instruction, facsimile transmission, traffic control, facility monitoring and banking. The grantee will introduce institutional services with a marketing effort that include information dissemination, technical assistance to users, demonstration projects and free trial offers.

Additional commitments by the grantee include the provision of a satellite uplink for intercity teleconferencing when there is a demand for this service and it is shown to be cost-effective; activation of the full 108-channel system capacity after 1986; cooperation with the City in feasibility studies for a Northeast area performing arts center; carrying all local UHF television stations; provision of a lockout device so that parents may prevent the reception of programming they find objectionable in their home; and the expansion of community access channel capacity if the initial capacity is used up.

Section 7. CONSTRUCTION AND EXTENSION SCHEDULES

7.1. General Provision. The grantee must meet all construction and system extension schedules set forth in the Proposal. Detailed briefing on construction plans must be provided to the City before construction, and regular progress reports must be made.

7.2. Specific Provisions. The grantee will make a capital investment of \$40 million in the system -- \$33.6 million for entertainment services, \$3.4 million for institutional services, \$1.7 million to provide home interactive services, and \$1.3 million for community access services. The system must be completed within three years, with designated areas completed in the Northeast, Southeast and North sections of the City in each of the three years of construction. Under certain circumstances, the grantee must expand the institutional network.

7.3. Completion Criteria. In order for the system to be regarded as complete, the entire 940 miles of the residential network, the entire 230 miles of the institutional network, all associated buildings and equipment, and all required interconnections with other systems must be in place and actively operating, and all required performance tests must be completed. All proposed services must actually be available as scheduled. The grantee is free to substitute equivalent or better techniques and equipment for those described in the proposal.

SECTION 8. OPERATIONAL STANDARDS

8.1. General Provision. The grantee must meet or exceed all operational standards set out in the Proposal. Any changes must be approved by the City Council.

8.2. Specific Provisions. Among other commitments, the grantee agrees to provide two satellite earth stations, utilize computerized system monitoring, alarm monitoring and polling services, use code-operated switches for reverse transmissions, and substantially meet all technical standards specified by the City as a condition of submitting an acceptable proposal.

The grantee also agrees to do initial performance testing, preventive maintenance and routine recurring tests. Grantee will maintain an operation responding to customer complaints, and a complete service and repair operation.

SECTION 9. REGULATORY PROVISIONS

9.1. Interconnection. The grantee is required to provide a link with Liberty's West side Portland system, with the City's own closed circuit cable system, and with any other cable systems within the boundaries of the Metropolitan Service District. The link must provide for both sending and receiving programming on at least five community Channels.

9.2. Penalties for Delay in Construction. If construction is delayed, the City may impose penalties on the grantee, including monetary penalties, reduction of the term of the franchise, and complete revocation of the franchise.

9.3. Undergrounding of Cable. Placing cable underground is encouraged. It is required where ordinances demand it, in all new subdivisions and where utilities are already underground. Once installed in the air, cable must be taken down and put underground if law requires, or where the telephone company voluntarily puts its wires underground.

9.4. Emergency Requirements. There will be an emergency override that allows the Mayor or the Emergency Communications Bureau to break into the system with voice and video messages. A squeal alert tone gives warning that such messages are coming.

9.5. Emergency Power. If there is a power failure in any part of the system, emergency power will be provided to make sure that service is maintained in the rest of the system.

9.6. Construction Codes. The grantee is subject to all building and zoning codes. Moreover, the City may require the grantee to remove any equipment from private or public property, if the equipment unreasonably interferes with anyone's use of the property.

9.7. Construction and Use of Poles. The grantee is expected to use the poles and conduits owned by the telephone and power companies, and to comply with all standards of construction and maintenance applicable to those entities, according to agreements approved by the City. If the grantee cannot use telephone and power company poles conduits, then if any construct its own, but must comply with City standards for construction.

9.8. Restoration of Streets. The grantee is responsible for restoring any streets dug up in the course of its construction, and all its work must be done in a safe and lawful manner.

9.9. Reservation of Street Rights. The City may require the grantee to remove or replace its facilities to allow the City to work on streets, sewers or other public projects.

9.10. Trimming of Trees. Cablesystems Pacific will be under the same rules regarding the cutting or trimming of trees as are the other utility companies.

9.11. The city may use the poles and underground conduits owned by the grantee. The City takes responsibility for any damage it causes to the grantee's property.

9.12. Street Vacation or Abandonment. If the City abandons or vacates any street containing equipment owned by Cablesystems Pacific, the company is responsible for clearly removing the equipment or make special arrangements to leave it there.