

**Remarks of Chris Kyle  
Shentel  
FCC Diversity Workshop  
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My name is Chris Kyle. I am the Vice President of Industry Relations & Regulatory at Shentel, which provides cable service to more than 50,000 subscribers, including low income customers in many small and rural communities in Virginia and West Virginia. I'd like to add my thanks to the FCC for letting me speak today.

Like Heather's company, Shentel receives some of its cable programming by negotiating directly with programmers, which is part of my job, and some by opting in to master agreements negotiated by NCTC.

And like both Judy and Heather, I can report that programmers demand burdensome penetration requirements that require Shentel to carry numerous unwanted channels. In my experience, these bundles are always included as part of take-it-or-leave it offers, and they consistently harm Shentel, which would always prefer the option of carrying only the individual networks its subscribers actually want to watch. We find that much of the programming that comes bundled is a poor fit with the interests of our subscribers, and would prefer to pick independent channels that better serve their needs.

I, too, have had some experience with a broadcaster and a “channel to be named later.” In fact, that channel has just been “named”—and the rate is every bit as bad as I had feared. This has diversity consequences both in terms of budget (I have less money for independent programmers) and capacity (I have less room for independent programmers).

I’ve been asked to focus, however, on the effect the behavior Judy, Heather and I have seen has on broadband video—which, I think we can all agree, holds tremendous promise for diversity.

To begin with, our ability to provide broadband video of sufficient quality and speed depends on capacity. Over five years ago, Shentel embarked on a plan to build a high quality network for Internet service, with the expectation that the future of the video marketplace lies in online programming. As part of that process, we have spent over \$160 million for systems that pass only 170,000 homes. About half of our systems are now completely digital, and all our systems have 750 MHz of bandwidth or more.

Particularly given the bandwidth demands of HD channels, however, forced bundling creates capacity constraints even on these systems, and strains Shentel’s ability to offer the Internet service it considers a top priority. Indeed, even some of Shentel’s 1 GHz systems—in Oakland, MD; Weston, WV; Summersville, WV;

Webster Springs, WV; and the area of Anstead, Page and Scarbro, WV—have no more than five channels left for video or increased internet capacity. Based on current data utilization trends, and increased Internet demand/penetration from residential customers in those markets, Shentel anticipates needing all remaining channels on these systems for broadband capacity. Though these systems are capacity constrained, they receive no relief from the bundling demands of programmers.

While we can take some steps to extract extra capacity from these systems, these steps are extremely expensive. We are investing, but we could spend millions to increase capacity and it would not be enough.

The bottom line? *Every bundled channel we carry takes away capacity that could be used for broadband—and broadband video.*

Penetration requirements also hinder our ability to provide broadband video. Shentel’s customers are increasingly calling for “skinny bundles” carrying only core cable channels at a lower price. Shentel is eager to provide this option, since it would serve as a tool for subscribers to gradually make the transition to getting much of their television content through broadband video. Shentel’s hands are largely tied, however. For example, if a provider requires their programming to be distributed to 85% of Shentel total customers (in addition to tier requirements).

Shentel can only provide a “skinny bundle” option to approximately 2,000 subscribers before crossing that 85% threshold. In addition, Shentel is not free to select the programming to include in the package due to other content restrictions, and Shentel can only offer this package as a “save”—that is, we can offer it only to subscribers that call us threatening to switch to another provider. High penetration levels and similar constraints limit the appeal and effectiveness of any potential skinny bundle. In addition, the distribution requirements effectively force Shentel to carry a large number of channels (many of them barely watched) in an expanded basic tier. So, although Shentel would prefer for its subscribers to receive more of their video programming online, Shentel cannot offer attractive or viable skinny bundles that would allow our subscribers to “cord shave.”

In terms of remedies, I also agree with Judy and Heather. The FCC should fix its program access rules to allow NCTC to file complaints. And it certainly should do something to address retransmission consent. I have to say, I find the whole “channel to be named later” situation especially frustrating. So I hope the Commission takes action on retransmission consent very soon.