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Jason Chaffetz (R-Utah), chairman of the House Oversight & Government Reform Committee, is launching an investigation into whether the White House is exercising undue influence on the FCC, in particular on the development of the open Internet order, which was circulated to the other commissioners Feb. 5. [He wrote FCC chairman Tom Wheeler Friday](#) signaling his concerns, pointing to a story in *The Wall Street Journal* story on the White House's input on the net neutrality decision. Chaffetz said he was interested in hearing the FCC's side of the story, but also warned it to preserve a raft of documents in anticipation of a request for them from the committee. The President announced last fall he wanted the FCC to impose Title II regs. The FCC is an independent agency and Wheeler has said he made his own decision. But he did initially propose a non-Title II approach, which morphed into imposing Title II on both wired and wireless broadband. Wheeler aide Gigi Sohn has said that the President gave Wheeler cover for a decision he was already contemplating. – **Multichannel News**



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Mayor Ed Murray is asking the City Council to change how Seattle deals with cable-television providers in a bid for more competition. The proposed elimination of the city's cable franchise districts is part of a package of Cable Code amendments that Murray's Department of Information Technology (DoIT) has sent the council. Many of the amendments are minor revisions.

The proposed amendment to eliminate Seattle's cable franchise districts, on the other hand, could significantly impact cable-TV options across the city. Years ago, as providers first

began laying cable in Seattle, policymakers split the city into geographic districts. The idea was to prevent providers from cherry-picking certain neighborhoods for service while leaving out others. If a provider negotiating a franchise agreement with the city wants to serve View Ridge, for example, it also must serve Lake City, because both neighborhoods belong to Cable Franchise District III. And the provider must cover the entire district within seven years. But the district system is no longer needed, Seattle's chief technology officer, Michael Mattmiller, who heads DoIT, and Tony Perez, director of the Office of

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Cable Communications, told the council's technology committee Wednesday.

Though most Seattle residents have only one choice when it comes to cable providers — Comcast's franchise agreement includes all but one of the districts, while Wave Broadband primarily serves a single district — access is nearly universal. The system's major effect today is to discourage new providers from entering the Seattle market because of the district build-out requirements, according to Mattmiller and Perez. "We think we need to amend the Cable Code because the status quo is a situation where about 80 percent of the city has only one choice for a cable TV provider," said Viet Shelton, Murray's communications director. "We want to foster more competition, which will hopefully lead to better service and lower prices."

Mattmiller, Perez and City Councilmember Bruce Harrell, who chairs the technology committee and supports the elimination of the district system and seven-year build-out mandate, say they remain committed to equity. They say the revised code will include language prohibiting providers from denying service based on race or on a neighborhood's income level, and they argue the city will continue to work against cherry-picking via franchise-agreement negotiations. Providers don't consider income level a determinant factor in deciding where to build service anyway, said Mattmiller. "We should be open to listening where a new competitor wants to build service," Perez said Wednesday. "It could be the entire city. It could be sections of the city."

In the background are the city's talks with CenturyLink about fiber-optic cable. In February 2014, DoIT sent a draft of its proposed Cable Code amendments to Comcast, Wave and CenturyLink, according to a Jan. 29 memo to the council. "Completion of the cable amendments was delayed due to the unexpected decision by CenturyLink to build fiber-to-the-home in some parts of Seattle," the memo says. "CenturyLink expressed concern about certain code provisions such as strict build-out requirements. Staff engaged in extensive discussions with CenturyLink during the spring and summer of 2014."

CenturyLink launched its new fiber Internet service in Seattle in August 2014, focusing first on Ballard. The company didn't need to negotiate a franchise agreement because Internet service isn't yet regulated as a public utility. The company's new Prism TV, like its gigabit Internet service, is delivered by fiber. To offer Prism TV in Seattle, CenturyLink would need to negotiate a cable-franchise agreement with the city. "We have received interest from multiple providers who are interested in expanding their network or entering the Seattle cable-television market, but have not received any franchise applications," Mattmiller said.

In a statement, a CenturyLink spokeswoman said, "CenturyLink supports the city's efforts to update existing regulations and encourage competition." A Wave Broadband spokesman said in a statement, "As the largest provider of gigabit service in Seattle, Wave would be in favor of rule changes that make it easier for us to continue expanding these services; however, we do not want changes that would increase the cost of doing business." A Comcast spokesman said the company hadn't yet had time to review the revisions closely enough to comment.

The CenturyLink Washington Political Action Committee contributed \$700 — the maximum amount allowed under city law — to Murray's 2013 mayoral campaign. It gave \$700 to Harrell's council campaign and \$700 to the campaign of Councilmember Sally Bagshaw, who sits on Harrell's technology committee. Comcast, which could see increased competition if the district system is eliminated, contributed \$700 to Murray's campaign and \$350 to Bagshaw's. — [Seattle Times](#); also: [Seattle is out of step with telecom regulation](#)

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As the telecom industry marches forward, Frontier Communications Corp. is growing quickly by snapping up the unloved telephone lines its bigger competitors are leaving behind. Its latest deal is to pay \$10.54 billion for millions of Verizon Communications

Inc.'s landline customers in Florida, California and Texas—a big one for a company with a market capitalization of just under \$8 billion. If approved by regulators, the acquisition would cap a stretch of fast growth that has transformed Frontier from a minor regional telecom into a company providing phone and Internet service throughout more than half the country.

Frontier Chief Executive Maggie Wilderotter has spent billions of dollars on acquisitions over the past 10 years that have pushed the company into more-populated markets. The company tripled in size following a deal in 2010, and will double it again following the close of the Verizon deal, which is expected in 2016. In the process, it is betting that heavily regulated wireline businesses will remain lucrative even as more traffic move to cellphones and tablets. "They're trying to be the last newspaper," said Craig Moffett, a telecom analyst at MoffettNathanson LLC.

Frontier's continued reliance on copper presents challenges. Americans increasingly are demanding faster Internet service, and physics limit the amount of speed copper can provide. Moreover, the government recently raised the bar on what speeds can be called broadband. Frontier says the Verizon deal is attractive, however, because it will get a big slug of fiber-optic lines in the bargain. Verizon invested \$7 billion building out connections for its FiOS system in the three states, and more than half of the footprint is passed by fiber. Following the deal, the percentage of homes in Frontier's territory enabled with fiber or other high-speed Internet service will rise to 31% from 14%. "We see the business itself as a healthy business that generates consistent, predictable revenues," Ms. Wilderotter said in an interview.

Frontier's shares rose about 3% Friday to \$7.93 after the deal was announced and have gained 19% so far this year, ranking them among the best performers in the S&P 500. Voice service accounts for almost half of the company's revenue, a business that has been in decline. In the third quarter last year, the company lost about 21,000 subscribers and voice revenues fell about 8%. But average revenue per customer increased by about 1% because more of the customers were buying Internet service, according to securities filings. The company says it expects the trend to continue. Residential copper voice only makes up 10% of the revenue its acquiring in the deal with Verizon, Frontier says.

The company, originally named Citizens Utility Co., was founded in 1935 and incorporated in Delaware. It grew modestly over the years via minor acquisitions, including a deal in 2001 that gave it the name Frontier. When Ms. Wilderotter became chief executive in 2004, Frontier had less than \$1 billion in revenue and was scattered through mostly rural and suburban markets across the Midwest, she said in the interview. The company had no broadband Internet business and was selling only landline telephones. The board at the time had tried to sell the company, but no one bought it, she said. Since then, it has had to grow on its own.

Ms. Wilderotter began selling DSL Internet service via the company's copper wires. A few years later, it acquired phone companies in Pennsylvania and California, and in 2010 bought landline assets from Verizon in 14 states in a deal valued at \$8.6 billion. Last year, Frontier paid \$2 billion for AT&T Inc.'s landline business in Connecticut, giving it a much larger presence in the state where it is based. Last fall, Ms. Wilderotter met with Verizon Chief Executive Lowell McAdam and hammered out the outlines of the latest transaction.

Frontier has helped Verizon and AT&T shed businesses they no longer want as the nation's two largest carriers shift away from landlines and toward mobile. With the latest deal, Verizon will rid itself of a significant portion of its past: Verizon was formed via a merger in 2000 between Bell Atlantic and GTE, but after this deal the company will have sold off the bulk of that GTE business. Some of Verizon's previous deals didn't work out so well for the buyers. Companies that acquired Verizon's former phone-directory unit and wireline assets in Hawaii and parts of the Northeast all went bankrupt.

Ms. Wilderotter said Frontier's position is strong. The backbone of its network is mainly fiber, and Frontier is able to cash in on growing wireless traffic, because companies pay to use its lines to carry signals from cellphone towers back into the network. "Verizon and AT&T are two huge customers of mine," Ms. Wilderotter said. Ms. Wilderotter is also making a bet that increased regulation of broadband networks won't hurt the business—the opposite bet being made by her counterpart at Verizon. Mr. McAdam said last week that the government's proposal to reclassify broadband Internet as a Title II Telecommunications Service was a factor in his decision to sell the business. "We've been regulated for a long time," Ms. Wilderotter said. "So we know how to operate in a regulated environment." – *Wall Street Journal*

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Federal Communications Commission Chairman Tom Wheeler's embrace of sweeping new Internet regulations drew cheers from net-neutrality supporters, but the battle for control of the Internet's future is just getting started.

Cable and phone companies opposed to the plan are steeling themselves for a long legal slog that is likely to stretch well beyond the end of President Barack Obama's term and whose outcome is uncertain. "A barrage of litigation—which could well wind up in the Supreme Court—is sure to follow," said Peter Karanjia, a communications lawyer at Davis Wright Tremaine LLP in Washington and a former deputy general counsel at the FCC.

Under Mr. Wheeler's proposal, broadband Internet service would be governed by the same Title II regulations used to regulate the phone system. Providers wouldn't be allowed to selectively slow traffic from websites such as Google Inc.'s YouTube video unit and streaming-video service Netflix Inc. or offer them fast lanes at a higher price. The rules also would give the FCC oversight of deals cut by telecom and cable companies with Internet carriers at the edges of their networks. It isn't the first time that the FCC has pursued rules based on net neutrality—the idea that all Internet traffic should be treated equally. But legal experts say the FCC is on firmer legal ground than before.

Since Congress has never specifically taken a position on net neutrality, the biggest hurdle for the FCC has been explaining to a court where it gets the authority to impose it. That was the issue that doomed the agency's "open Internet" rules, a similar package of regulations adopted in 2010. In defending those rules, the FCC relied on a minor provision of Congress's 1996 overhaul of the Communications Act of 1934 that instructed the FCC to encourage investment and competition in the advanced telecommunications market.

That was a thin reed in the eyes of the U.S. Court of Appeals for the District of Columbia Circuit, which struck down the rules last year. But the court also suggested the FCC could find better legal footing for such rules through the agency's Title II authority. Net-neutrality advocates say Mr. Wheeler's plan, if adopted by the FCC, has a greater shot at surviving a court review. "Every time they've tried before, [the FCC] relied on a random scrap of authority," said Columbia University law professor Tim Wu, a champion of net neutrality. "This time they relied on the main gun of the agency."

Title II of the 1934 law treated the phone system as a common carrier, subjecting it to the same kind of public-protection rules that govern railroads or pipelines. Telecom services have to serve the public indiscriminately, and their prices and practices have to be "just and reasonable." It is up to the FCC to define exactly what that means. The FCC had decided years ago not to use Title II to regulate Internet lines, and now is reversing course. Mr. Wheeler has said he won't impose some of the measure's more restrictive provisions, such as price controls. Nevertheless, telecom and cable companies fear giving the commission that authority, and say they feel no less confident of their legal position this time around. "The radical course of 'reclassification' will lead to endless rounds of litigation and will likely be reversed on appeal," wrote Kathleen Grillo, Verizon Communications Inc.'s senior vice president for federal regulatory and legal affairs, in a comment submitted to the FCC last month.

Legal observers say the FCC could still be vulnerable to a court challenge. Northwestern University law professor James B. Speta, who focuses on telecommunications and Internet policy, said that if the rules are finalized, broadband companies could object to being labeled a telecom service. It is a technical argument that rests on the idea that what they offer is more complex than a “dumb pipe” connection between two users. They also process and store data and offer security screening, spam protection, email and other services to their Internet customers.

Mr. Speta said broadband carriers also could try to make the case that the net-neutrality regulations have no justifiable basis. A court could overturn the rule if it determines the agency’s action was arbitrary or capricious. “Reclassification would be contrary to the public interest by preventing investment, stifling innovation and increasing compliance costs for small businesses,” wrote lawyers for the Wireless Internet Service Providers Association in a comment submitted last year.

The group also questioned whether Title II classification necessarily forbids the creation of Internet “fast lanes.” There is also a potential constitutional argument, Mr. Speta said. Broadband carriers could claim that they have a First Amendment right to decide what’s carried on their networks. “I feel good about the legal authority that we’ve chosen,” Gigi Sohn, a special counsel to the FCC chairman, told C-Span on Friday. – **Wall Street Journal**

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A former state House Democratic leader serving a prison term for corruption lost his latest appeal, but may have won a reduction in the \$136,000 he's supposed to pay in restitution. A three-judge panel of the state Superior Court ruled Friday that the judge at one of the two trials at which Mike Veon was convicted miscalculated how much Veon should pay. The panel says the jury's guilty verdicts failed to link money that the former Beaver County lawmaker was convicted of stealing to his former legislative offices in western Pennsylvania. The panel vacated six of the 10 restitution counts and sent the case back to Dauphin County Court for further action. Veon's lawyer, Joel Sansone, says he's unsure whether his client will appeal the rest of the ruling. – **Associated Press**



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