

Council Communication

Adoption of New AFN Internet Rates and Charges

Meeting Date:	December 7, 2010	Primary Staff Contact:	Rob Lloyd
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Secondary Dept.:	None	Secondary Contact:	Michael Ainsworth
Approval:	Martha Bennett	Estimated Time:	15 Minutes

Question:

Will the City Council adopt proposed new AFN Internet rates and charges?

Staff Recommendation:

Staff recommends the Council adopt the attached resolution.

Background:

The Strategic Business Plan for Ashland Fiber Network set the goal of restructuring its products to better fit the changing demands of customers. The attached rates schedule and resolution for AFN’s Internet connectivity products implements that goal. Additionally, alternative telecommunication providers serving the Ashland community recently reduced their prices. Proposed rates will keep AFN’s prices competitive.

The Internet connectivity products will continue to be available through AFN’s vendor partners, as well as directly through AFN. Both retail and wholesale rates are listed in attachments for this reason. However, it is important to note that retail rates are not mandated. AFN vendor partners will have the option of selling at higher or lower rates if they choose.

The proposed rates and charges schedule also eliminates AFN’s past practice of using a small number of general categories with large price differences between them. Beginning with these new rates, AFN’s models define products based on consumer versus business demands, speed preferences, bandwidth consumption trends, price, and vendor partner incentives. AFN’s peak bandwidth utilization increased almost 70% in the three-month period from July to September and reinforces the need for this new rates and charges approach. This was included in the AFN Strategic Business Plan.

The proposed schedule decreases cost of identical services for all customers. It also provides customers the option of increasing their service level to the next step for no more than ten dollars. Approximately 90% of AFN’s customers currently subscribe to its Gold package. AFN projects those customers will opt for the new Choice package to maintain the same service level at lower cost, or for the Preferred package to double their speed for approximately \$5 more per month.

Along with the new rates and charges, AFN is also proposing to implement usage caps. These usage limits would only affect a very small number of customers whose bandwidth use harms the user experience of other customers—currently less than 1% of all AFN customers. This step is consistent with other telecommunications companies servicing the Ashland community.

AFN and vendor partners are working together to introduce the new rate structure in a coordinated manner. If this proposed rates and charges are approved, they would be implemented in January 2011



and completed no later than March 2011. This will allow AFN and its vendor partners to properly notify and work with customers to select their service levels. As an added benefit, the new rates and charges will resolve grandfathered rates that have accumulated since 2000 for a small set of customers.

Related City Policies:

- 1) Ashland Fiber Network Strategic Business Plan
- 2) AFN rate adjustment implemented in January 2009.

Council Options:

The Council can authorize the resolution as presented, or direct staff to make adjustments and bring the resolution back for consideration at a later time.

Potential Motions:

Move that Council adopt (or decline to adopt) the attached resolution for AFN rates and charges, and repeal resolution 2008-38.

Attachments:

- 1) AFN Rates and Charges Comparison
- 2) Proposed Resolution
- 3) Rate Resolution 2008-38 for Repeal

