

SagamoreHill Broadcasting of Wyoming/Northern Colorado, LLC

("SagamoreHill") is the permittee of KSTF-DT, Scottsbluff, NE (Fac. ID 63182) ("KSTF" or the "Station"). KSTF – a CBS affiliate and a satellite of co-owned KGWN-TV, Cheyenne, WY (Fac. ID No. 63166)¹ – operates on analog channel 10² and has been assigned channel 29 for post-transition operation.³ The station currently operates a channel 29 DTV facility pursuant to Special Temporary Authorization.⁴

On June 18, 2008, SagamoreHill submitted an application on FCC Form 301 seeking a construction permit for KSTF's post-transition digital facility.⁵ This amendment to that application (the "Amended Application") modifies the technical parameters of the requested facility to match those with which the station is currently operating.⁶ Because post-transition operation of the facility specified in the Amended Application (the "Requested Facility") likely will result in a loss of service to certain persons who currently receive the Station's analog signal, this exhibit and the engineering statement of Joseph M. Davis, PE included at Exhibit 46 to the Amended Application

¹ See *2009 Broadcasting & Cable Yearbook* at B-162.

² See FCC File No. BLCT-841.

³ 47 C.F.R. § 73.622(i); Advanced Television Systems and Their Impact Upon the Existing Television Broadcast Service, MB Docket No. 87-268, Seventh Report and Order and Eighth Further Notice of Proposed Rule Making, 22 FCC Rcd 15581, at Appendix B (2007).

⁴ See FCC File Nos. BEDSTA-20071116AAN (most recent STA grant); BEDSTA-20080814ACZ (pending request for extension of STA).

⁵ See BMPCDT-20080618ADK.

⁶ The station recently discovered that the facility is operating at 2.7 kW ERP instead of the 3.1 kW specified in the current STA. The Applicant has submitted an STA request specifying the 2.7 kW facilities (the STA Request"). See CDBS Ref. No. 20081218AEQ. This Amended Application seeks to operate post-transition with the facilities specified in the STA Request.

(the “Engineering Statement”)⁷ provide additional public interest information to support grant of the requested construction permit.

As a result of the national economic downturn, coupled with the economic realities of the Station and its market, SagamoreHill does not have – and cannot access – the approximately \$350,000 to \$985,000 that would be necessary to increase the digital coverage for KSTF or to replicate the station’s current Analog Grade B service.⁸ Moreover, only a minimal loss of service might result from post-transition operation of the Requested Facility, and much of the potential service loss would occur outside of the Station’s market.⁹ In light of SagamoreHill’s inability to construct a larger DTV facility and the minimal potential service loss that would result from operation of the Requested Facility, the public interest favors granting the Amended Application.

1. Economic Realities Render it Impossible for SagamoreHill to Expend Additional Capital on KSTF’s DTV Buildout

SagamoreHill’s buildout of KSTF’s post-transition digital facility is constrained by the economic realities both nationally and in the small market where KSTF is located, as well as SagamoreHill’s lack of – and inability to access – capital to spend on KSTF’s DTV buildout. The Requested Facility is the largest post-transition DTV facility that SagamoreHill can construct and operate consistent with these economic realities.

To begin with, KSTF and its parent KGWN-TV, are located in the Cheyenne, WY – Scottsbluff, NE Designated Market Area (“DMA”), which ranks 196th out of the 210

⁷ See Attachment A.

⁸ See Section 1, *infra*.

⁹ See Sections 2 and 3, *infra*.

DMAs nationwide.¹⁰ The market is extremely small, consisting of only four counties located on the Wyoming-Nebraska border and containing just over 54,000 TV households – less than one-half of one-percent of TV households in the U.S.¹¹ Three of the six stations in the market are satellites, and only two of the four major networks (CBS and Fox) have affiliate stations in the market.¹² The economics of such a small market provide little support for large capital expenditures.

This is especially true in light of the national economic downturn. SagamoreHill, like most broadcasting companies, finds itself in a very precarious position in today's economy. Advertisers are extremely reluctant to commit dollars to broadcast advertising because of the dramatic slowdown of the economy and the uncertainties surrounding what lies ahead. Many advertisers who were once sources of income for KSTF have gone out of business or are on the verge of doing so. For example, the largest category of advertisers on SagamoreHill's stations, the auto industry, is in dire straits economically with possible bankruptcies under discussion by all of the large US manufacturers.

As a result of the current tumultuous economic environment, SagamoreHill's total advertising revenues through September 30 of this year, excluding political revenues, are down 6 percent from last year. Specifically, local advertising revenues for the company are down 6 percent, while both regional and national revenues are down 5 percent. While

¹⁰ See *2009 Broadcasting & Cable Yearbook* at B-162. As discussed in more detail below, one of the four counties currently in the Cheyenne, WY – Scottsbluff, NE DMA will move to the Denver, CO DMA in Fall 2009. This will only worsen the economic condition of the Station and its market.

¹¹ See *id.*

¹² See *id.*

political revenues have been strong during this 2008 presidential election cycle, that source of revenue cannot be counted on for next year. SagamoreHill's best estimate is that revenues in 2009 will be at least 5 percent below 2008 figures, and broadcast cash flow may be as much as 20 percent or more behind 2008.

Under these circumstances,¹³ SagamoreHill cannot afford to spend the approximately \$350,000 to \$985,000 that would be necessary to increase the digital coverage for KSTF. SagamoreHill has no option but to conserve resources to protect itself against the dire possibilities described above, and the Requested Facility is the largest post-transition facility that SagamoreHill can construct and operate.

2. *Construction And Operation Of The DTV Facility Specified In This Amendment Will Result In A De Minimis Loss Of Actual Service*

Any assessment of the impact of the grant of the Amended Application must take into account (1) the interference-free over-the-air coverage of the Station's current Analog facility, (2) the interference-free over-the-air coverage of the Requested Facility proposed in the Amended Application, and (3) the way that viewers in the potentially impacted areas actually receive the station's signal. Significant areas within the Station's predicted analog Grade B contour do not, in fact, receive interference-free over-the-air service from the Station's analog facility.¹⁴ On the other hand, significant areas outside of the predicted service contour of the Requested Facility but within the Station's predicted analog Grade B contour will continue to receive interference-free over-the-air

¹³ Further economic / financial information concerning the Station will be provided to the Commission in a confidential submission.

¹⁴ See Engineering Statement, Figure 4.

service from the Requested Facility after the transition.¹⁵ Finally, the population throughout the relevant area relies extensively – and in some areas exclusively – on cable and alternative delivery services (“ADS”) to view local television stations.¹⁶ An analysis that accounts for all of these factors shows that only a *de minimis* actual loss of service would result from KSTF’s operation of the Requested Facility post-transition.

Figure 4 of the Engineering Statement shows the interference-free coverage of the Station’s current analog facility and the Requested Facility, bounded by the Station’s predicted analog Grade B contour.¹⁷ As discussed below, this figure shows that only a limited loss in over-the-air service would result from the requested DTV permit.

To begin with, the unshaded portions of the figure show areas that (1) currently receive interference-free analog service from the Station and (2) will receive interference-free DTV service from the Requested Facility post-transition.¹⁸ It is important to note that the Requested Facility will serve large areas beyond the predicted service contour of the Requested Facility but within the station’s predicted Analog Grade B contour, including portions of Goshen County, Wyoming and the Nebraska counties of Sioux, Dawes, Box Butte, Morrill, Cheyenne, Kimball, and Banner.¹⁹ These unshaded areas *do not* represent service losses that might occur as a result of approval of the Amended Application.

¹⁵ *See id.*

¹⁶ *See id.* at Tables 1 – 3.

¹⁷ *See id.* at Figure 4.

¹⁸ *See id.*

¹⁹ *See id.*

On the other hand, the portions of Figure 4 that are shaded orange show that large areas within the station's predicted analog Grade B contour do not, in fact, receive interference-free over-the-air service from the Station's current analog facility.²⁰ Since these large areas already fail to receive an over-the-air service from the Station, they, like the unshaded areas, *do not* represent "losses" that would occur as a result of post-transition operation of the Requested Facility.

Instead, only the portions of that map that are shaded yellow (that is, the areas that currently receive over-the-air service from the Station's analog signal but would not receive an over-the-air signal from the Requested Facility) are relevant for assessing potential loss of over-the-air service.²¹ Based on figures from the 2000 U.S. Census, only 7,158 persons – or approximately 10 percent of the 70,940 persons that receive interference-free service from the Station's current analog facility – live in this area.²² Accordingly, the Requested Facility will serve 63,782 persons, or approximately 90 percent of the Station's analog over-the-air population.²³

The above analysis does not take into account the high reliance on cable and alternative delivery services in the area, however. Data from Nielsen show that the cable/ADS penetration rate in several of the relevant counties is 100 percent.²⁴ The cable/ADS penetration rates in the remaining relevant counties are high as well, ranging

²⁰ *See id.*

²¹ *See id.*

²² *See id.* at 3-4 and Figure 4.

²³ *See id.*

²⁴ *See id.* at Table 1.

from 80.8 percent to 92.9 percent.¹ A large number of viewers in the relevant areas, therefore, do not view KSTF over the air and would not be affected by any loss in over-the-air coverage resulting from operation of the requested DTV facility post-transition. Indeed, after accounting for cable and ADS coverage in the relevant counties, only 605 persons – or 0.85 percent of the population that currently receives analog service from the Station – might actually lose service when KSTF operates with the facility proposed in the Amended Application.²⁵ This loss of service is *de minimis*.

3. *Much of the Minimal Service Loss Will Occur in Areas Outside of the Station's Market*

The Cheyenne, WY – Scottsbluff, NE DMA consists of only four counties: Scotts Bluff, NE; Sioux, NE; Laramie, WY; and Goshen, WY.²⁶ Much of the potential service loss discussed above, however, occurs in counties that are part of the Denver, CO DMA or the Rapid City, SD DMA.²⁷ These counties are not part of the Station's market. The Station generally does not sell advertising in, or create programming specifically for, these counties. In addition, the Station believes that its actual viewership in these counties is negligible. In short, there is no reason to believe that loss of over-the-air service would have a significant impact on residents of these counties.

An analysis that focuses on the counties in the Station's market confirms that operation of the Requested Facility would result in a *de minimis* loss of actual service. According to figures from the 2000 U.S. Census the Station's analog facility provides an

²⁵ See *id.*

²⁶ See 2009 *Broadcasting & Cable Yearbook* at B-162.

²⁷ See *id.* at B-168, B-211; Engineering Statement, Figure 4.

interference-free signal to 50,644 persons within the four counties that currently comprise the Cheyenne, WY – Scottsbluff, NE DMA.²⁸ The Requested Facility will provide an interference-free signal to more than 96 percent of these people.²⁹ And, after cable and ADS coverage is taken into account, the actual service loss that would result from operating the Requested Facility post-transition is limited to 108 persons, or 0.29 percent of the persons in the Cheyenne, WY – Scottsbluff, NE DMA that currently receive analog service from the Station.³⁰

Moreover, in the Fall of 2009, Goshen County, Wyoming will move to the Denver DMA, leaving only three counties in the Cheyenne, WY – Scottsbluff, NE DMA. The Station's analog facility provides an interference-free signal to 38,325 persons within these counties, and the proposed DTV facility will provide an interference-free signal to more than 98 percent of these people.³¹ After accounting for cable and ADS penetration, the actual service loss is limited to 68 persons, or 0.18 percent of the relevant population.³² Clearly, the loss of actual service in the Station's market that would result from operation of the facility specified in the Amended Application is *de minimis*.

²⁸ See *id.* at Table 2.

²⁹ See *id.* at 4 and Table 2.

³⁰ See *id.*

³¹ See *id.* at 4 and Table 3.

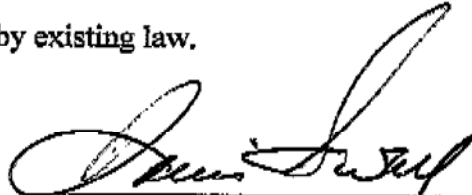
³² See *id.*

4. Conclusion

KSTF wishes to continue to provide service to the public after the transition. However, the economics of the Station's extremely small market simply do not support additional capital expenditures to build out a satellite station. More importantly, SagamoreHill does not have, and cannot access, any additional capital for KSTF's digital buildout. The Requested Facility is quite simply the largest possible DTV facility for the Station. Thankfully, the actual service loss that would result from operating the Requested Facility post-transition is *de minimis*. The public interest, therefore, strongly favors grant of the Amended Application. Accordingly, SagamoreHill respectfully requests that the Commission grant the Amended Application so that KSTF can continue to serve the public after the digital transition.

DECLARATION OF LOUIS WALL

I, Louis Wall, am the President of SagamoreHill Broadcasting of Wyoming/
Northern Colorado, LLC. I hereby declare under penalty of perjury that I have reviewed
the foregoing exhibit and that, to the best of my knowledge, information and belief
formed after reasonable inquiry, and except as otherwise supported by cited authority, it
is well grounded in fact and is warranted by existing law.



Louis Wall

Dated: December 17, 2008