

BEFORE THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS
OF THE STATE OF HAWAII

In the Matter of the Application of)
COMTEC, INC.)
for Amendment of its Rates and Charges)

DOCKET NO. 14-84-01
ORDER NO. 114

DECISION AND ORDER

INTRODUCTION

On June 25, 1984, Comtec, Inc. ("Comtec") filed an application for approval by the Director of Commerce and Consumer Affairs ("Director") of changes in its rates and charges for cable service to all of its cable subscribers with the exception of those subscribers residing in the Volcano area.

To afford the public an opportunity to participate in regulatory decision making, a public meeting was conducted by the Cable Television Division ("Division") on October 16, 1984 at 7:30 p.m. in the State Office Building, Hilo, Hawaii. Notice of the public meeting was published in the Hawaii Tribune Herald on September 30, 1984 and October 7, 1984 and in the Honolulu Star-Bulletin on September 29, 1984 and October 6, 1984.

Also considered were Comtec's October 16, 1984 response to the Cable Television Division's Request for Information and Evidence and the Supplemental Filings.

SUMMARY

Comtec's rate increase request is based on increases in operating costs and proposed capital improvements. The Director believes that Comtec's application supports the need for a rate increase for these purposes. However, having examined Comtec's application, financial records and operations, the Director finds that the portion of the requested increase in monthly rates for basic services which is associated with additional borrowing must be disallowed.

DISCUSSION

In its application, Comtec proposes to change its policy with regard to converters. At the present time, subscribers who wish to receive the additional cable programming available through the use of a converter must:

1. Rent converters from Comtec for \$1.50 per month;
2. Purchase converters from local suppliers; or
3. Use cable-ready television sets.

Comtec's new policy would include converters as part of the basic cable distribution system and service. Because of its present policy, Comtec proposes to charge subscribers who currently own converters or cable-ready television sets \$11.00 rather than the requested \$12.50 rate per month for basic service.

As part of its application, Comtec proposes to borrow \$466,000 from First Hawaiian Bank to fund improvements in its cable plant and facilities. Of this amount, the company projects that approximately \$270,000 would be spent to implement its new converter policy. This figure is based on the need to purchase an estimated 6,000 converters at \$45.00 each. The interest expense associated with the purchase approximates \$0.30 per converter per month.

Comtec proposes to use the remainder of borrowed funds to make capital improvements which have the potential to benefit all subscribers, including those who currently own converters or cable-ready television sets. The interest expense associated with this component of the proposed loan is \$0.13 per subscriber per month.

After examining Comtec's balance sheets, the Director has determined that one of Comtec's current assets is \$795,174 due from affiliates. But for the advances made to affiliates, for which Comtec receives no interest, the cable company would be able to fund the proposed capital improvements without additional borrowing. Consequently, the interest expense associated with this borrowing must be disallowed.

The Director finds that the proposed rate increases for basic service less the amount of interest expense are fair and reasonable.

NOW, THEREFORE, it is hereby ordered that Comtec, Inc. may charge no more than the following rates:

1. For monthly basic service delivered at a single outlet:
 - a. Individual residential homes, apartments, condominiums.
 - i. Where a converter is provided \$ 12.07
 - ii. Where no converter is provided \$ 10.87
 - b. Condominiums, apartments, hotels on bulk billing, per room
 - i. 1 - 5 units \$ 6.87
 - ii. 6 - 50 units \$ 5.87
2. For installation of a primary outlet \$ 40.00

DATED: Honolulu, Hawaii, 4/26, 1985.




RUSSEL S. NAGATA
Director of Commerce and Consumer Affairs

CERTIFICATE OF SERVICE

I hereby certify that a copy of Decision and Order No. 112 in
Docket No. 14-84-01 was served upon the following by mailing the same, postage paid, on
the 26th day of April, 1985:

Comtec, Inc.
Box 747
Hilo, Hawaii 96720



R. Takamoto