

BEFORE THE DIRECTOR OF REGULATORY AGENCIES
OF THE STATE OF HAWAII

In the Matter of the Application of)
TV SYSTEMS, INCORPORATED) Decision and Order No. 39
for Approval of Revision of its)
Schedule of Rates and Tariff.)

DECISION AND ORDER

After review and study of the documents submitted by TV Systems, Incorporated in support of its application for certain revisions of its schedule of rates and tariffs for cable communications services, the Director finds:

1. That the deficit in return on investment advanced by applicant in support of the proposed increase is unsupportable when financial procedures generally accepted by utility regulators are applied to accounts submitted by applicant; and
2. That the quality and quantity of services provided by the applicant is not commensurate with the increases proposed.

Utility regulators in Hawaii and in the rest of the nation generally regard the "straight-line" method as the most appropriate means of assessing the cost of depreciation for goods and services utilized in providing regulated services. Application of the "straight-line" method to the accounts of the applicant results in a depreciation expense of \$194,480, rather than the \$322,426 expense derived from use of the various methods employed by the applicant in his accounts. This difference in expense results in a \$169,535 profit before applicable corporate taxes for the applicant, rather than the \$67,599 loss reported by the applicant.

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In his evaluation of the quality and quantity of cable services provided to actual and potential subscribers, the Director finds:

1. Applicant has failed to provide all potential subscribers within its permit area with the cable communications services required by its permit;
2. The quality and dependability of service provided by applicant is erratic and below the quality and dependability contemplated by the service area permit and the rules and regulations governing cable operations;
3. Applicant has failed to provide origination programming within the time constraints and framework it presented at its hearing on its permit application; and
4. Applicant has failed to provide institutional access to cable as required by its permit.

Applicant, in Permit Number 17 dated August 12, 1971 is required by paragraph 1(a) to provide cable service to all potential subscribers in its permit area within twenty-four months of the issuance of the permit (August 12, 1973). Applicant has not provided service to the following communities: Palolo (partial); Kalihi; Kaimuki; Kapahulu; Iwilei; Aliamanu; Moanalua; and North of Kahalu to Laie.

Applicant's cable communications service to its subscribers, especially to those residing in Windward communities has been subjected to repeated outages and interruptions. These outages and interruptions result from power "cut offs" which could be minimized with the installation of "stand-by" power. Applicant has just begun to consider the installation of these auxiliary power supplies although it was aware of the remedy in 1972.

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Applicant failed to provide "direct feed" reception of commercial programming as required by paragraph 5(b) of its permit. Thus, the quality of signal transmitted is not of the high studio quality required by the applicant's permit conditions.

Applicant, despite representations made at its permit application hearing in 1971 and representations subsequently made to the cable regulatory agency, has not provided origination programming which meets the needs of the separate communities it serves.

Applicant does not provide cable communications service to the following educational institutions in its service areas:

Aliamanu	Le Jardin d'Enfants
Aliamanu Intermediate	Liholiho
Aliiolani	Likelike
Anuenue	Linapuni
Brigham Young Univ.-Hawaii Campus	Makalapa
Damien Memorial High	Maunawili
Dole Intermediate	Moanalua
Enchanted Lake	Moanalua High
Farrington High	Moanalua Intermediate
Fern	Mokapu
Hauula	Nimitz
Hawaii Loa College	Our Savior Lutheran Elementary
Hawaii School for the Deaf & Blind	Palolo
Heeia	Benjamin Parker
Hickam	Pearl Harbor
Honolulu Community College	Pope
Iolani	Puuhale
Jarrett Intermediate	Radford High
Kaaawa	Red Hill
Kaewai	Sacred Hearts Academy-Elementary
Kahaluu	Sacred Hearts Academy-High School
Kailua High	St. Anthony (Puuhale Road)
Kailua Intermediate	St. Anthony's School (Makawao St.)
Kaimuki High	St. Elizabeth
Kaiulani	St. John the Baptist
Kalakaua Intermediate	St. John Vianney
Kalihi	St. Patrick's
Kalihi-kai	St. Theresa's
Kalihi waena	Salt Lake
Kamehameha	Shafter
Kaneohe	Waiahole
Kapalama	Waimanalo Elementary-Intermediate
King Intermediate	Windward Community College
Laie	Windward Preparatory
Lanikai	

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Under condition two of its permit, Applicant is required to provide all schools within reasonable distance of distribution lines with a minimum of one free drop and all necessary tools, equipment and labor to provide for its installation.

Upon consideration of the above, the Director hereby disapproves as being not justified and in the public interest, the above-mentioned application of TV Systems, Incorporated.

DATED: Honolulu, Hawaii, November 6, 1975.

By Wayne Minami
Wayne Minami
Director of Regulatory Agencies

Service of the foregoing Order No. 39 was made by certified mail of one (1) copy thereof to TV Systems, Inc. on this 6th day of November, 1975.