

BEFORE THE DIRECTOR OF REGULATORY AGENCIES
OF THE STATE OF HAWAII

In the Matter of the Application of)
COMTEC, INC.)
To Amend Rate Schedules C and D.)

DOCKET NO. 14-79-03

ORDER NO. 72

O R D E R

1. On May 10, 1979, Comtec, Inc. filed an application for approval of an increase of \$2.00 in its rate and charges from \$8.00 to \$10.00 per month for residential subscribers and a \$1.00 increase in rates for condominiums and apartments from \$5.00 to \$6.00 for the first five rooms and \$4.00 to \$5.00 for 6-50 rooms.

2. Comtec, Inc., a wholly-owned subsidiary of The Realty Investment Company, Limited, was incorporated on July 17, 1969. The corporation holds a 20-year nonexclusive permit from the Department of Regulatory Agencies to provide CATV service to the South Hilo District which includes the entire city of Hilo.

3. At the present time, Comtec, Inc. is providing the following services to its cable subscribers:

- a. The three network channels from Honolulu.
- b. KIKU, the independent Japanese language station.
- c. Hawaii Educational Television.
- d. Madison Square Garden, live via satellite.

- e. C-SPAN, live via satellite from the House of Representatives.
- f. PTL, live via satellite from Charlotte, North Carolina.
- g. WTCG, Channel 17, live via satellite from Atlanta, Georgia.
- h. UPI news via wire from the West Coast.
- i. FM radio stations from Honolulu.
- j. AM stations from Honolulu (KZOO and KGMB).
- k. County Council meetings, live from the County Building.

In addition, Comtec subscribers have available through Channel M, a division of The Realty Investment Company, Limited, programming from SPN (Satellite Program Network) and Home Box Office.

4. In Docket No. 14-78-01, Order No. 67, dated October 23, 1978, Comtec received the Director of Regulatory Agencies' approval for the expansion of its service area to include portions of Census Tract 210 in the Puna District. Construction of said area was proposed by Comtec to be completed by July 1, 1979.

5. In Docket No. 14-79-02, Order No. 71, dated July 16, 1979, Comtec received the Director of Regulatory Agencies' approval for the expansion of its service area to include portions of Census Tract 211 in the Puna District. Construction of said area was proposed by Comtec to be completed by June 30, 1980.

6. Comtec's long-term debt schedule as of September 30, 1979 shows: (1) \$350,000 payable to First Hawaiian Bank at an annual interest rate of 9-1/2 percent; (2) \$770,782 payable to First Hawaiian Bank

at an annual interest rate of 1-1/4 percent above the prime interest rate with a minimum of 9-3/4 percent; (3) \$2,510 payable to Realty Finance, Inc. with an annual interest rate of two percent above the prime interest rate with a minimum of 9-3/4 percent; and (4) \$128,048 payable to The Realty Investment Company, Limited (parent company).

7. The CATV Division undertook an investigation to determine whether the proposed rates were fair to both the public and Comtec as required by Section 440G-11, Hawaii Revised Statutes. A public hearing was held on August 15, 1979 at the Hilo Electric Auditorium, Hilo, Hawaii at which time the subscribers and public were afforded an opportunity to present their views and comments. No member of the public spoke against the proposed rate increase.

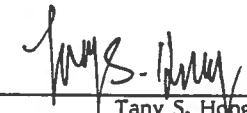
8. Comtec's results of operations under the present rate structure show total revenues of \$800,100; total expenses of \$715,600 and a net income of \$84,500. Under the proposed rate structure, Comtec projects total revenues of \$938,100; total expenses of \$728,100; and a net income of \$210,000.

9. Division's investigation shows that the rates that are presently being charged to subscribers were approved by the Department of Regulatory Agencies on June 10, 1971. Since that time there has been a substantial increase in the cost of operating and expanding the cable system. Division's results of operations under the present rate structure (Attachment A) show total revenues of \$852,400; total expenses of \$779,900; net income before interest and income taxes of \$72,500; and a net loss after interest expenses of \$47,300. Under the proposed rate structure, Division projects total revenues of \$1,014,700; total expenses of \$835,500; and a net income after interest and income taxes of \$179,200.

Based on the foregoing IT IS HEREBY ORDERED as follows:

1. Comtec's request to increase its tariff rates as reflected on Attachment B is approved and such rates shall become effective on November 1, 1979, Comtec shall file revised tariff sheets reflecting these rates with the Department of Regulatory Agencies.

DATED: Honolulu, Hawaii, October 25, 1979.



Tany S. Hong
Director of Regulatory Agencies

COMTEC, INC.

Results of Operations

	Present		Proposed	
	<u>Division</u>	<u>Comtec</u>	<u>Division</u>	<u>Comtec</u>
REVENUES:				
Service Income	\$ --	\$ 737,600	\$ --	\$ 867,600
Installation Income	--	31,500	--	37,500
Lease Channel Income	--	22,000	--	24,000
Miscellaneous Income	--	9,000	--	9,000
Total	<u>\$ 852,400</u>	<u>\$800,100</u>	<u>\$1,014,700</u>	<u>\$938,100</u>
EXPENSES:				
Salaries & Wages	\$ 185,000	\$157,500	\$ 185,000	\$157,500
Employee Benefits	13,300	13,200	13,300	13,200
Selling & Advertising	27,500	35,000	27,500	35,000
Bad Debts	6,300	6,300	6,300	6,300
Auto	31,900	27,400	31,900	27,400
Office Supplies	3,200	10,000	3,200	10,000
Other Supplies	5,400	--	5,400	--
Postage	15,600	15,400	15,600	15,400
Outside Services	3,300	2,700	3,300	2,700
Travel & Entertainment	2,400	3,000	2,400	3,000
Dues & Publications	4,700	4,500	4,700	4,500
Data Processing	15,000	15,000	15,000	15,000
Professional Services	9,700	12,000	9,700	12,000
Telephone	4,300	21,600	4,300	21,600
Electricity	17,100	--	17,100	--
Local Origination	21,600	18,000	21,600	18,000
Miscellaneous	4,800	1,100	4,800	1,100
Rent - Office	4,800	4,800	4,800	4,800
Rent - Warehouse	4,300	4,300	4,300	4,300
Rent - Poles	28,500	28,100	28,500	28,100
Repairs - Equipment	9,100	21,300	9,100	21,300
Repairs - Cable System	32,000	--	32,000	--
Insurance	15,400	15,400	15,400	15,400
Freight	1,000	1,000	1,000	1,000
Other Taxes	59,100	83,000	70,000	95,500
Cableband Expense	30,000	30,000	30,000	30,000
Depreciation	176,000	176,000	176,000	176,000
Allocated Admin. Charges	48,600	--	48,600	--
Drop Installation	--	9,000	--	9,000
Income Tax	--	--	44,700	--
Total	<u>\$ 779,900</u>	<u>\$715,600</u>	<u>\$ 835,500</u>	<u>\$728,100</u>
NET INCOME	<u>\$ 72,500</u>	<u>\$ 84,500</u>	<u>\$ 179,200</u>	<u>\$210,000</u>
RATE BASE	<u>\$1,406,500</u>		<u>\$1,406,500</u>	
RATE OF RETURN	<u>5.15%</u>		<u>12.74%</u>	

RATE SCHEDULE

<u>Single Outlet</u>	<u>Schools</u>	<u>Residential</u>	<u>Condominiums Apartments Hotel</u>	<u>Businesses</u>
Installation	N.C.	40.00	40.00	40.00
Monthly	N.C.	10.00(1)	see below(2)	10.00
<u>Extra Outlet</u>				
Installation	at cost	20.00	20.00	20.00
Monthly	1.00	1.00	1.00	1.00
Relocation	20.00	20.00	20.00	20.00
Reconnect	N.C.	20.00	20.00	20.00
Transfer	N.C.	20.00	20.00	20.00

Notes: (1) New rate

(2) 1-5 rooms \$6.00/room/mo.; 6-50 rooms \$5.00/room/mo.
Rates apply only if entire building is wired and billed in bulk.
Partial or individual subscriptions will be \$10.00/unit/month.