

BEFORE THE DIRECTOR OF REGULATORY AGENCIES
OF THE STATE OF HAWAII

In the Matter of the Application of)	
CABLEVISION INCORPORATED)	DOCKET NO. 12-78-01
For Approval of an Increase in Its)	
Rates and Charges.)	ORDER NO. 73
_____)	

ORDER GRANTING REQUEST FOR APPROVAL OF
AMENDMENT OF RATES AND CHARGES

1. On October 13, 1978, the Applicant, Cablevision Incorporated, filed an application for approval of the proposed rates and charges which are the subject of this proceeding. The grounds set forth in support of the new and higher rates and charges were as follows:

- "1. Soaring cost of labor and materials;
2. Increased costs of construction necessary to provide service to residents of the Ewa District, Oahu;
3. Timing on the introduction of a new distant signal makes an immediate rate increase both justified and necessary."

2. An investigation by the Department of Regulatory Agencies was undertaken. A public hearing was held on July 11, 1979 at which time the subscribers and public were afforded an opportunity to present their views and comments.

3. Staff members of the Department of Regulatory Agencies analyzed the Applicant's justifications and found them to be reasonable.

Attachment A is a comparison of the estimates of the results of operation for the Company and the Department of Regulatory Agencies for the year 1979. The major difference between the Applicant and the Staff is the treatment of "investment" of the Applicant. The Applicant uses the amount of funds borrowed and invested as the capital base while the Department of Regulatory Agencies used the net amount of plant on the theory that any amounts in the depreciation reserve have been recovered from its subscribers.

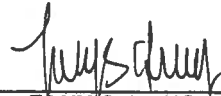
Permitting a return on the "investment" utilized for the purpose of developing plant, and given the additional programming available to its subscribers, and the extension of cable services to the Ewa District, the requested increases appear reasonable. The rates proposed by Applicant shall be temporarily approved to December 30, 1980 at which time the rates shall be made permanent, provided the Applicant presents evidence, prior to the end of 1980 that the construction schedule in Attachment C is substantially complete.

Based on the foregoing, it is hereby ordered as follows:

1. The rates and charges set forth in Attachment B to the instant application are hereby approved on a temporary basis.
2. Applicant has submitted a schedule (Attachment C) for the construction of the remainder of its permit area in increments over the period beginning November of 1979 and ending June of 1981 and will adhere to the schedule unless otherwise extended by the Director.
3. As a condition to the rate increase, Applicant commits to make the following additional programming available to its subscribers on the following time schedules:
 - a. KTVU or other satellite distant signal - Immediately;
 - b. Reuter's News Service (to be replaced by Cable News Network, when available) - February 1, 1980;
 - c. C-SPAN (direct Congressional broadcast) - January 1, 1980.

4. The effective date of the increase shall be three days after the filing of revised tariff sheets with the Department of Regulatory Agencies.

DATED: Honolulu, Hawaii, January 10, 1980.



TANYIS. HONG
Director of Regulatory Agencies

CABLEVISION INCORPORATED - 1979 Projection

	<u>Company Estimate</u>	<u>DRA Estimate</u>
REVENUES		
Cable Service	\$699,578	\$699,400
Channel Lease	31,068	28,400
Rentals	8,400	4,800
Ad Sales	109,490	72,000
Other	<u>9,056</u>	<u>--</u>
TOTAL	\$857,692	\$804,600
EXPENSES		
Payroll	\$218,328	\$194,500
Management Fee	46,464	42,000
Benefits/Taxes	40,814	36,000
Office	39,398	47,600
Utilities	13,284	13,000
Microwave	15,600	15,500
Pole Attachment	13,152	14,000
Land	19,608	19,000
Dues and Fees	31,446	30,600
GI Tax	34,308	32,200
Insurance	9,246	10,200
Operations & Maintenance	53,174	55,200
Prev. Maintenance	7,392	2,800
Channel 12	11,318	10,800
Satellite	10,826	6,900
Country Livin'	121,964	93,500
Other	11,326	--
Depreciation	<u>54,878</u>	<u>35,200</u>
TOTAL	<u>\$752,526</u>	<u>\$659,000</u>
OPERATING INCOME	\$105,166	\$145,600
Interest Expense	<u>66,578</u>	<u>62,400</u>
NET BEFORE TAXES	\$ 38,588	\$ 83,200
Income Taxes	<u>8,820</u>	<u>20,300</u>
NET INCOME	<u>\$ 29,768</u>	<u>\$ 62,900</u>
CAPITAL BASE	<u>\$660,142</u>	<u>\$326,527</u>
RETURN	<u>4.5%</u>	<u>19.3%</u>

RATES AND CHARGES

- A. Maximum Rates. The rates and charges included herein shall be considered to be the maximum rates chargeable by Cablevision. Cablevision reserves the right to charge below the rates set forth in the event of special circumstances such as promotional marketing, community service subscriber, etc. upon approval of the Director of Regulatory Agencies.
- B. Residential Rates. Residential service rates and installation charges shall apply to private residences, individual residential units of hotels, motels and apartment buildings, boarding houses, and rooming houses when individually served.

1. Monthly Service Rates (not including Hawaii Gross Excise taxes which shall be added)

First outlet	\$9.00
Each additional outlet	1.00

2. Installation Charges (not including Hawaii Gross Excise taxes which shall be added)

Regular Charge

First outlet	\$14.42
Second outlet	14.42
Each additional outlet	Negotiated with applicant. Charge based on the number of additional outlets and installation circumstances

Underground Connection

First outlet	Negotiated with applicant. Charge not to exceed actual time and material required.
Second outlet	\$14.42
Each additional outlet	Negotiated with applicant. Charge based on the number of additional outlets and installation circumstances

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RATES AND CHARGES (continued)

The choice of wiring method shall be left to Cablevision in every case. If the subscriber requests that outlets be installed in a manner beyond that normally allowed for by Cablevision in its installation charges, Cablevision will attempt to accommodate the subscriber's request and charge for same based upon actual time and material required.

Subscriber service drops of more than 200 feet normally require additional material and labor costs over standard service drops. Any additional costs so incurred shall be billed to the subscriber as an additional installation cost.

- C. Business Service. Business service rates and installation charges shall apply to users other than individual residential users. In general, business service shall apply to any location where the substantial use of the service is business, occupational or bulk service rather than individual residential service.

1. Monthly Service Rates (not including Hawaii Gross Excise taxes which shall be added)

The monthly service rate for business service shall be negotiated with each applicant.

2. Installation Charges (not including Hawaii Gross Excise taxes which shall be added)

Installation charges shall be negotiated with the owner of the premises and/or the applicant for service, as the case may be.

In the event Cablevision is in any way financing or causing to be financed the installation of distribution and/or drop facilities, it may require a termination liability contract from the owner and/or applicant. Such contracts will not normally exceed sixty (60) months in duration and will carry a provision reducing the termination liability pro rata over the term of the contract for each month the contract is in effect after installation is completed.

- D. Other Charges and General Provisions

1. Reconnect Charges (not including Hawaii Gross Excise taxes which shall be added)

Reconnection of previously activated existing service drop \$14.42

Reconnection to active, existing drop 4.81

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RATES AND CHARGES (continued)

2. Outlet Relocation Charge (not including Hawaii Gross Excise taxes which shall be added)

The charge to relocate an existing outlet will normally be \$14.42 unless unusual circumstances exist, in which case the subscriber will be billed for Cablevision's actual labor and material costs.

3. Taxes and Assessments.

Cablevision reserves the right to increase any rates or charges set forth herein by an amount equal to any additional county, state or federal taxes or fees imposed upon Cablevision which are based on revenues of the Company.

4. Vacation Rate (not including Hawaii Gross Excise taxes which shall be added)

Per subscriber (limited to a 3-month maximum)	\$1.44
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5. FM Service (not including Hawaii Gross Excise taxes which shall be added)

Installation charge	\$14.42
Monthly service rates	1.00

6. Leased Channel - Subscription (Pay) Television (not including Hawaii Gross Excise taxes which shall be added)

Charges under this section shall be based on full time (24 hours daily) lease of one (1) video channel of not less than six (6) megahertz bandwidth to a commercial customer. Channel lessee may utilize said channel for subscription television purposes only.

For each channel leased, customer shall pay to Cablevision a minimum lease rental of Nine Hundred Dollars (\$900.00) per month, or a percentage of the gross revenues directly related to said leased channel, whichever is greater, determined on the following:

First \$25,000 per month of gross revenues	- 10%
Any amounts in excess of \$25,000 per month	- 29%

The term "gross receipts" shall exclude State Gross Excise taxes, installation charges, deposits and charges for use of accessory equipment.

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EWA DISTRICT
SCHEDULE FOR CONSTRUCTION

<u>Project</u>	<u>Begin Date</u>	<u>Completion Date</u>
Makakilo - Phase 4 (8 miles)	11/79	2/80
Ewa Beach Hub	3/80	3/80
Ewa Beach (8 miles)	4/80	7/80
Iroquois Point (8 miles)	8/80	11/80
Barbers Point (6 miles)	12/80	3/81
Old Ewa (4 miles)	4/81	6/81