

BEFORE THE DIRECTOR OF REGULATORY AGENCIES  
OF THE STATE OF HAWAII

In the Matter of the Application	)	
	)	
HONOLULU TELEVISION & COMMUNICATIONS	)	Docket No. 29-82-04
CORPORATION, dba OCEANIC CABLEVISION	)	
	)	Order No. 88
<u>For Amendment of Rates and Charges.</u>	)	

DECISION AND ORDER

Background

On January 7, 1982, the Applicant, HONOLULU TELEVISION & COMMUNICATIONS Corporation (HTC), filed an application for approval to increase by FIFTY CENTS (\$.50) its monthly rate for basic cable service. The reasonableness of HTC's proposed rate of \$10.45 is the subject of this proceeding.

On January 30, 1981, the Director approved an \$.85 increase in the monthly rate for HTC's basic cable service but deferred for at least one year any action on HTC's request for an additional \$.50 per month increase. The Director indicated in the January 30, 1981 Order that after the passage of one year, she would consider the \$.50 per month increase, but only if the following conditions were met by HTC:

- a. HTC's implementation of a construction plan that would result in the completion of cable facilities to all potential subscribers in its permit area no later than December 31, 1983;
- b. HTC's providing the same services to all areas in its permit area, with the minimum number of active programmed channels being seventeen in number, including those channels dedicated to providing pay-television programming;
- c. HTC's development of satisfactory financial and operating data--based on the approved \$.85 increase--to justify the \$.50 per month increase

A public hearing was conducted on May 1, 1982, at which time the subscribers and the public were afforded an opportunity to present their views and comments.

## I

### Discussion

Considering the testimonies received at the public hearing, and based upon the data supplied by HTC, and the analysis of the staff of the Cable Television Division, reflected in a Staff Report, the following is pertinent relative to prior decisions:

1. In approving the transfer for the cable permits of Oceanic Cablevision, Incorporated and Pacific Cablevision, Incorporated to HTC, HTC submitted a construction schedule for the extension of cable facilities to certain residential areas on or before December 1, 1983. This schedule, which was established by the Director on March 27, 1981 and is now being adhered to by HTC, satisfies the conditions precedent, contained in the January 30, 1981 Order of the Director;
2. HTC is now providing the same programming services to all areas in its permit area, with nineteen channels currently carrying programs;
3. When appropriate rate making adjustments are made to revenues and expenses for the test period, and allowing a \$.50 increase in monthly charges for basic service, the computed return on HTC's net plant for the test period is not excessive; and
4. HTC's depreciation schedule is acceptable but it is understood that the Cable Television Division may use different plant service lives than those proposed by HTC, for the purpose of rate making.

## II

Over the last several years, the rates charged by HTC for basic residential cable service have increased substantially to a point where the rate is now \$10.45 per month. The two most recent increases, when combined, constitute a 14.8% increase in a period less than 18 months. The escalation in rates for the basic service is attributable, in large part, to (1) the effect of inflation on materials, supplies, labor, and new plant; (2)

construction program. However, it is believed that the level of rates has now reached its high water mark and should begin to recede. This observation is based on the following factors:

- . By the end of 1983, the system will have been substantially constructed;
- . The incremental cost of adding an additional subscriber and maintaining his service is minimal, and that these costs are far exceeded by the incremental revenues generated from the installation charge and the monthly rate;
- . The likelihood of obtaining greater market penetration has improved with the increasing number of activated channels; and
- . Improved programming should further enhance penetration.

Given these circumstances, it is reasonable to anticipate--even with inflation--that the total revenues generated from providing residential basic service at present rates, will soon exceed the "revenue requirement" for providing such services.

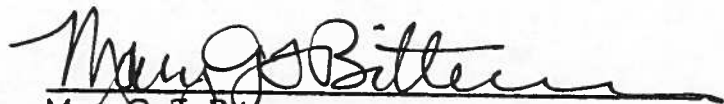
Also, in the near future, services other than video programming may be provided residential customers with the potential of generating additional revenues without HTC incurring large increments of capital and operational costs. The cable communications industry in recent years has begun to recognize some of the potential uses for its facilities for services other than video entertainment. These newer services include data, metering, financial, utility and informational transmissions. They offer potential for sustained usage of cable facilities by present and potential subscribers. These new services--by themselves--may ultimately generate revenues which could result in lower basic rates, but in the process may contribute to maximum saturation.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

1. The requested increase of FIFTY CENTS (\$.50) in the monthly service rate of HTC is hereby approved.
2. On or before December 31, 1982, HTC shall submit to the Director a study examining the feasibility of providing a full array (i.e., 20 channels) of video services for a monthly rate lower than the rate being approved

3. On or before December 31, 1982, HTC shall submit to the Director a study evaluating communication services will be commercially available at economic rates to residential and business subscribers within this permit area in the next five years. Included in the study shall be descriptions or estimates of (1) the services to be offered, (2) the market for the services, (3) facilities and personnel required to provide the services, (4) the costs to provide the services, (5) the revenue to be derived from the services, and (6) the effect of implementing and offering these services on the revenue requirements from residential basic service.

DATED: Honolulu, Hawaii, *17 July 1982*.

  
Mary G. P. Bitterman  
Director of Commerce and Consumer Affairs

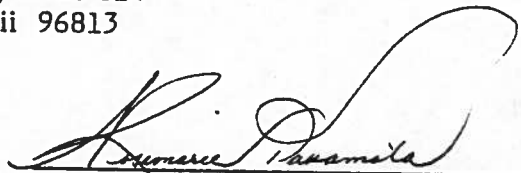
CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Order No. 88 was served upon the following by mailing the same, postage prepaid, on this 7th day of July, 1982:


Oceanic Cablevision, Incorporated  
2669 Kilihau Street  
Honolulu, Hawaii 96819

A copy was also served upon the following by personal delivery on this 7th day of July, 1982:

Jeffrey Watanabe, Esq.  
Kobayashi, Watanabe, Sugita & Kawashima  
745 Fort Street, Suite 814  
Honolulu, Hawaii 96813

  
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Rosemarie Takamoto

Kobayashi, Watanabe, Sugita & Kawashima

By   
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