

BOARD OF ALDERMEN

ITEM NO. D(2)

AGENDA ITEM ABSTRACT

MEETING DATE: February 1, 2005

TITLE: A Request to Adopt the Action Audit Time Warner Cable Rate Report

DEPARTMENT: Manager's Office	PUBLIC HEARING: No
ATTACHMENTS: A. Resolution B. Action Audit Rate Report C. Letter to Time Warner Cable D. Time Warner Cable Response	FOR INFORMATION CONTACT: Bob Sepe, Action Audits – (919) 467-5392 Richard White, 918-7314

PURPOSE

Time Warner Cable of Raleigh-Durham (TWC) has submitted Federal Communications Commission (FCC) Form 1240 (Basic Service Tier), Form 1205 (Equipment and Installation Rates), and Form 1235 (Cable System Upgrade Costs). The Cable Television Consumer Protection and Competition Act of 1992, the Telecommunications Act of 1996, the Town Code, and regulations adopted pursuant to that Code, permit the Board of Aldermen to regulate rates for basic cable services and associated equipment installation. Bob Sepe, a consultant with Action Audits, has reviewed TWC's cable television rate filings and has prepared a report. The Board is asked to review and to adopt the report.

INFORMATION

The (FCC) has transmitted rate filing procedures that allow cable operators to estimate future external costs and costs associated with system upgrades, and to recover those projected costs utilizing the FCC rate-making filing process which is performed annually. At the October 26, 2004 Board of Aldermen meeting, the Board approved the 2004 Time Warner Cable Tolling and Accounting Order to extend the review period for this filing.

On December 9, 2004, the Town informed TWC that Action Audits had completed its review of the proposed 2005 cable service and installation rates and had found the cable system upgrade rates non-compliant (FCC1235). The Town requested that TWC recalculate Form 1235 to comply with the FCC's cost of service rules and to provide summary financial information. This action was meant to help prevent TWC from over recovering that portion of its capital investment used to upgrade its cable plant (install fiber optics and increase bandwidth).

TWC has asked for 30 days to provide the financial data and new calculations. Upon receipt of this information, Action Audits will review it and determine if it is compliant with the FCC's cost of service rules. A revised rate order will be prepared and brought before the Board.

FISCAL IMPACT

N/A

RECOMMENDATION

The town staff recommends that the Board adopt the Action Audit report as its own.