

BOARD OF ALDERMEN

ITEM NO. B(2)

AGENDA ITEM ABSTRACT

MEETING DATE: March 15, 2005

TITLE: A Request to Approve the 2005 Time Warner Cable Rate Order

DEPARTMENT: Manager's Office	PUBLIC HEARING: No
ATTACHMENTS: A. Rate Order B. Action Audit Rate Report	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, associated equipment, and installation. The purpose of this item is to request that the Board approve the rate order.

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. On September 30, 2004, the Town received the following forms: 1205, 1235, and 1240 from Time Warner Cable. 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. The Board adopted the Action Audits report as its own on February 1, 2005.

The report finds that TWC's Maximum Permitted Rate for Basic Tier Service (\$11.30) as set forth in Form 1240 and that the installation and equipment rates set forth in Form 1205 comply with the FCC's rate regulations. However, the report concludes that the initial "Add-on" Rate for Basic Tier Service (\$1.45) approved five years ago contained in Form 1235 does not comply with the FCC's Abbreviated Cost-of-Service Rules for system upgrades.

Although given the opportunity to provide written and oral comments to the Town with respect to the rates and the draft form of the Rate Order (Attachment A), TWC has not provided requested financial information to justify the Add-on rate. The Rate Order calls for TWC to submit for approval to the Town within 30 days from the date of the Rate Order 1) a revised Form 1235 that properly calculates the current Add-on rate using the FCC's Cost of Service Rules and 2) a financial statement showing the original upgrade investment (cost), accumulated depreciation by year, current residual value by year, the amount recovered to date by year, an estimate of the remaining cost recovery period, and the customer count for each year since the Add-on rate has been in effect.

The Cable Committee met on 28 February 2005. The Committee concurred with Action Audits' findings and recommended that the Board approve the rates contained in Form 1240 and Form 1205 and reject the Form 1235 rate order.

As of March 2, 2005, of 20 local governments that are in the TWC portion of the Triangle J Cable Consortium, 15 had adopted the rate order proposed by Action Audits. Where the matter was presented to the local governing body, all have approved the rate order as recommended by Action Audits.

FISCAL IMPACT

N/A

RECOMMENDATION

Staff recommends that the Board follow the Action Audit and the Cable Television Committee recommendations to approve the rate order.