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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON

OFFICE OF
THE CHAIRMAN

April 20, 1994

92-266

The Honorable Wayne Allard
U. S. House of Representatives
422 Cannon House Office Building
Washington, DC 20515-0604

Dear Congressman Allard:

Thank you for your recent letter expressing concern about the regulatory burdens imposed on operators of small cable television systems under the Commission's rate regulations.

The Cable Television Consumer Protection and Competition Act of 1992 specifically requires the Commission to "design . . . regulations to reduce the administrative burdens and cost of compliance for cable systems that have 1,000 or fewer subscribers." When the Commission adopted its initial rate rules in April of 1993, it incorporated several provisions that were designed to relieve the administrative burdens the rules had created for small systems. The Commission came to recognize, however, that further consideration of this problem was needed. Consequently, a Further Notice of Proposed Rulemaking was issued to solicit comment on how the rules might be improved in their application to small systems and an administrative stay of the rules was issued until that review could be completed.

On February 22, 1994, new rules were adopted for the industry as a whole and for small systems in particular. The Commission concluded that some immediate relief for smaller systems was warranted and that further proceedings would be needed to finally fit the rules to the circumstances of small systems.

You express particular concern that the cost-of-service showing required of small systems is unnecessarily burdensome and complicated. The cost-of-service rules adopted by the Commission on February 22 include an abbreviated form for use by small systems that choose to set rates by a cost-of-service method. Furthermore, the Commission solicited comments on the possibility of relieving small systems from certain accounting requirements.

In addition to the abbreviated cost-of-service form, the Commission adopted several other changes that will relieve the burdens on small systems. Specifically, small systems that are independently owned or owned by small operators were relieved of the need to separately calculate their rates for each type of service and equipment, and instead were permitted to implement across-the-board rate reductions. Larger operators may average

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the equipment costs of all the small systems that they own for purposes of setting rates for equipment. These rules will be changed once the Commission has established an average equipment cost schedule that may be used by all small systems. In addition, systems owned by operators that serve 15,000 or fewer subscribers and are not owned or controlled by larger companies are not required to reduce their rates by the full 17 percent competitive differential pending further studies by the Commission of whether these companies' costs merit a lower differential.

In adopting its new rules, the Commission attempted to strike a balance that is sensitive to the special needs of small cable systems yet still protects their subscribers. We hope and expect that the new rules will as fully as possible accomplish this dual purpose.

Sincerely,

Reed E. Hundt
Chairman

MMB
CATV-Rate
PV
Rep

602

Congress of the United States

Washington, DC 20515

February 15, 1994

The Honorable Reed Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Chairman Hundt,

We are writing to voice our concerns about the burdens imposed upon small cable operators by the implementation of the Cable Act of 1992.

The benchmark rate formulas, besides being terribly complex, do not take into account system size, company size and density. All of these factors have a profound effect upon the capital requirements and operating costs of small cable system operators serving literally thousands of rural communities, small towns and low density areas.

While the new rate regulations have been in place for many months now, no relief for small operators has been forthcoming from the Federal Communications Commission. So that these systems can continue to operate and expand their services to the public, we urge you to expedite finalization of rules providing the relief to small systems provided for in the Cable Act.

Specifically, we think that cost-of-service procedures for small companies could be vastly simplified, sparing them the burdensome accounting and legal costs expected to be required to make such a showing. Such simplified procedures would also significantly reduce the work load of the commission staff. There are over 1200 cable operators with 25,000 or fewer customers, yet 82 percent of all cable customers are served by only the top 25 companies. It seems, therefore, a better use of FCC's resources to concentrate its efforts where they can benefit the most people.

In light of the recent announcement that the FCC will extend what was supposed to be a temporary rate freeze yet again, relief for small operators is imperative. The combination punches of the original rate roll back, a 13-month freeze and now the likelihood of even further roll backs have sent small operators reeling. It is inevitable that the quality of subscriber service and plant expansion will be adversely impacted in small systems as the rate freeze continues.

We thank you for your prompt attention to our concerns in this very important matter.

Sincerely,

DAN SCHAEFER
Member of Congress

WAYNE ALLARD
Member of Congress

DAVID SKAGGS
Member of Congress

JOEL HEFLEY
Member of Congress

BEN NIGHTHORSE CAMPBELL
United States Senator

SCOTT MCINNIS
Member of Congress