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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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Federal Communications Commission
Office of Secretary

In the Matter of

Implementation of Section 302 of the
Telecommunications Act of 1996

Open Video Systems

CS Docket No. 96-46

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**COMMENTS OF THE CABLE TELEVISION ASSOCIATION OF GEORGIA
ON BELL SOUTH'S REQUEST FOR EXTENSION OF TIME**

Pursuant to the Public Notice released November 13, 1996,¹ the Cable Television Association of Georgia ("CTAG") submits the following comments regarding BellSouth Telecommunications, Inc.'s ("BellSouth") request for an extension of time to transition its video dialtone system to a cable system.

CTAG has commented many times on the problems with BellSouth's proposed video dialtone trial. Most recently, CTAG pointed out a number of problems with BellSouth's video dialtone trial in its Petition for Reconsideration or Clarification of the *Transition Order*.² While CTAG does not oppose BellSouth's request for an extension of time, it does believe

¹ Public Notice, DA 96-1887 (released Nov. 13, 1996).

² *Implementation of Section 302 of the Telecommunications Act of 1996: Open Video Systems*, First Order on Reconsideration, FCC 96-312 (released July 23, 1996) ("*Transition Order*").

that BellSouth's request further demonstrates why CTAG's Petition for Reconsideration should be granted, and why the Commission should undertake an investigation of the costs incurred in constructing video dialtone systems.

In February 1995, BellSouth was authorized by the Commission to construct and operate facilities for a video dialtone trial in Chamblee, Georgia and surrounding areas of DeKalb County, Georgia.³ Pursuant to its authorization, BellSouth constructed facilities, and began enrolling customer-programmers for its video dialtone service. BellSouth, however, never actually began providing video dialtone service to residential consumers. In light of the Commission's Order of July 23, 1996, requiring all LECs presently operating video dialtone systems to transition those systems into one of the four options set forth in the 1996 Act by November 6, 1996,⁴ BellSouth informs the Commission that for one portion of its "Trial Area" its wholly-owned affiliate, BellSouth Interactive Media Services, has already received a cable television franchise and the facilities constructed under the guise of video dialtone will be used to provide cable service. As to the other portion of its "Trial Area," BellSouth asserts that its cable affiliate, BIMS, has been negotiating with DeKalb officials for many months but has been unable to obtain a cable franchise to serve the "Trial Area." BellSouth assures the Commission, however, that BIMS is confident it will receive such a franchise

³ *BellSouth Telecommunications, Inc.*, 11 FCC Rcd. 4404 (Com Car. Bur. 1995) ("*BellSouth Order*").

⁴ *Transition Order* at ¶ 8.

before the end of the year. Accordingly, BellSouth requests an extension of time to convert its video dialtone system in DeKalb County to a cable system.

As CTAG discussed in its Petition for Reconsideration and Clarification, and its Reply in support of its Petition (both filed in this docket), BellSouth's transition of facilities that were purportedly created to provide regulated video dialtone into unregulated traditional cable systems presents a host of cost allocation issues that the Commission simply has not addressed. Yet, to assure that the massive capital cost of constructing BellSouth's system, and other video dialtone systems like it, is not silently slipped into regulated telephony accounts to be paid for by captured local exchange subscribers, the Commission must closely examine cost allocation issues. Cost allocation is particularly troubling as applied to video dialtone systems being transitioned to cable systems at this time because the change will fall in an interim period — after the Commission's video dialtone rules (*i.e.*, when video dialtone costs would be reviewed during the tariff process) and before the Commission adopts rules regarding the allocation of costs when LECs construct video facilities.⁵ Thus, there will be no rules to control the allocation of the costs incurred in constructing video dialtone systems. Accordingly, the Commission should condition BellSouth's transition of the Chamblee portion of its video dialtone system to cable, and any extension of time granted for the DeKalb portion of its video dialtone system on the

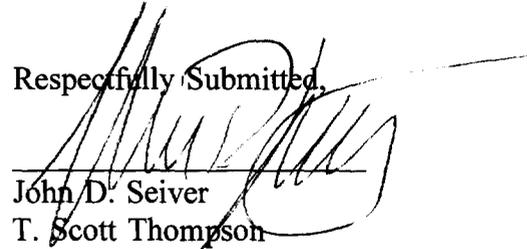
⁵ *Allocation of Costs Associated with Local Exchange Carrier Provision of Video Programming Services*, Notice of Proposed Rulemaking (released May 10, 1996).

completion of an investigation and accounting by the Commission of the allocation of costs incurred in the construction and operation of those facilities.

CONCLUSION

Based on the foregoing, the Commission should condition BellSouth's transition of the Chamblee portion of its video dialtone system, and any extension of time for transition of the DeKalb County portion of its video dialtone system on the completion of an investigation and accounting of the costs incurred in constructing and operating BellSouth's video facilities in Chamblee and DeKalb.

Respectfully Submitted,



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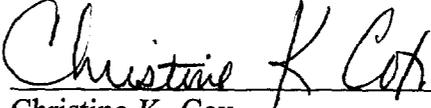
November 25, 1996

CERTIFICATE OF SERVICE

I, Christine K. Cox, do hereby certify that copies of the foregoing was sent via first class mail, postage paid, this 25th day of November, 1996, to the following

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