



MONTGOMERY COUNTY EXECUTIVE ORDER

COPY

Offices of the County Executive • 101 Monroe Street • Rockville, Maryland 20850

Subject Set Cable Television Rates Pursuant to FCC Form 1205	Executive Order No. 244-08AM	Subject Suffix
Originating Department DTS- Office of Cable and Communication Services	Department Number 346001	Effective Date 12/17/08

**ORDER OF THE COUNTY EXECUTIVE SETTING CABLE
TELEVISION RATES FOR EQUIPMENT AND INSTALLATIONS PURSUANT TO
FCC FORM 1205 FILED OCTOBER 1, 2007**



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I. BACKGROUND

1. Montgomery County, Maryland ("County"), has authority to regulate cable operator equipment and installation rates under Section 623 of the Cable Communications Policy Act of 1984, 47 U.S.C. § 543, as amended ("Cable Act"), and Montgomery County Executive Regulation No. 08A.29.02 (Oct. 12, 1993) ("Executive Regulation" or "ER"). The Federal Communications Commission ("FCC") has developed forms that an operator subject to regulation must file to justify equipment rates.

2. On or about October 1, 2007, Comcast Cable Communications, Inc. ("Comcast"), filed with the County FCC Form 1205, "Determining Regulated Equipment and Installation Costs, 'Equipment Form'" ("October 2007 Form 1205"), seeking the County's approval of a change in the maximum permitted rates for equipment and installation. At the same time Comcast filed FCC Form 1240, regarding basic cable service, which is the subject of a separate County order.

3. The Office of Cable and Communication Services received and preliminarily reviewed the October 2007 Form 1205 and published notice that such filing was available for public review and comment.



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4. The County's financial consultants, Ashpaugh & Sculco, CPAs, PLC, and Front Range Consulting, Inc. ("Consultants"), reviewed the October 2007 Form 1205 on behalf of the County and several other communities that had received the same Form 1205 rate filing.

5. The Consultants and the County engaged in extensive discussions with Comcast seeking the information necessary to resolve the issues addressed herein. While Comcast provided some additional information in response to the County's inquiries, Comcast did not provide all the information requested. The information provided by Comcast is reflected in this Order and in the Final Report Regarding the 2008 FCC Form 1205 filed by Comcast Cable Communications, LLC, provided by Consultants in February, 2008 ("Initial Consultant Report"), and the Supplemental Report on Comcast's 2007 FCC Form 1205 provided by Consultants in September 2008 ("Supplemental Consultant Report"), which are appended as Attachment 1 (collectively, "Consultant Reports").

6. On September 15, 2008, the County delivered to Comcast for comment a courtesy draft of this rate order, including the Consultant Reports. Comcast submitted its comments on September 22, 2008, in the form of a letter from Joshua Bokee to Marjorie L. Williams ("Comcast Comments").

7. Federal Communications Commission ("FCC") rules place the burden on the cable operator to prove that its rates for basic service and equipment are reasonable under



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applicable federal law and regulations. 47 C.F.R. § 76.937(a). The County has provided Comcast with ample opportunity to provide the necessary support for its rates. To the extent Comcast has failed to carry its burden of proof, the County may reject Comcast's rates, set rates itself based on the best available information, and order refunds. *See, e.g., Comcast Cablevision of Tallahassee, Inc.: Appeal of Local Rate Order of City of Tallahassee, Fla., DA 95-1561, 10 FCC Rcd 7686 at ¶¶ 28-29, 37, 48-49, and 54 (1995) ("Tallahassee")*.

II. FINDINGS AND CONCLUSIONS

8. As noted in the Order of the County Executive Setting Cable Television Rates for Equipment and Installations Pursuant to FCC Form 1205 Filed April 2, 2007, issued March 31, 2008 ("March 2008 Rate Order"), ¶¶ 9-23, Comcast offers subscribers an inside wire maintenance plan ("IWMP") called the Service Protection Plan. If the subscriber elects to purchase this plan, Comcast charges the subscriber a monthly fee, and the subscriber does not have to pay for certain trouble calls involving inside wiring. If the subscriber does not purchase this plan, Comcast charges the subscriber separately for each such trouble call. Initial Consultant Report at 3.

9. The IWMP covers wiring that is used for cable service, telephone service, and high-speed data service. Because the IWMP covers wiring used for services other than cable



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service, Comcast considers it unregulated. However, Comcast included the costs and service hours associated with the IWMP in its Form 1205 calculations for the Hourly Service Charge (HSC) for regulated equipment and installations. Initial Consultant Report at 3; Supplemental Consultant Report at 1. Comcast agrees that it included hours and costs “potentially covered by the IWMP” in its Form 1205 calculations. Comcast Comments at 1.

10. The purpose of Form 1205 is to allow the cable operator to recover the cost of regulated, not unregulated, equipment and installations. Thus, a cable operator should include only the costs and hours for regulated equipment and installations in its Form 1205 calculations.

11. During the County’s review of the October 2007 Form 1205, the Consultants and the County conducted extensive investigations seeking to obtain sufficient information from Comcast to isolate the costs and hours for regulated equipment and installations, excluding those for unregulated activities. Comcast stated that it did not have such information.

12. Comcast argued that there was no difference between calculations excluding the unregulated data, and calculations including the unregulated data. Supplemental Consultant Report at 1-2. For reasons stated in the March 2008 Rate Order at ¶¶ 19-21, that conclusion is not plausible. Comcast has not provided sufficient evidence to demonstrate its claim with sufficient reliability to justify its commingling of unregulated with regulated data, which is not in accord with the principles of FCC rate regulation. On the contrary, as indicated below, the



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Consultants' review shows that the results differ depending on whether or not unregulated data are included.

13. On July 15, 2008, as a way of checking the validity of Comcast's conclusions on limited sample data, Consultants requested Comcast to provide copies of work orders for the first 159 trouble calls by date in a sample of 319 inside wiring trouble calls previously identified by Comcast, or, if start and stop times were not included on those past work orders, with a sample covering the first 15 days of August, 2008, for that system, identifying those work orders that were and were not covered by the IWMP.

14. On September 5, 2008, Comcast provided the County with a sample of the first fifteen days in August of 2008 for the Augusta sample system. Supplemental Consultant Report at 1.

15. Comcast's Sept. 5 data revealed a number of anomalies. Among other things, some work orders referred to work outside the demarcation point, which is not properly included in the regulated rate base for consumer premises equipment and installation. Some referred to problems with set-top boxes; those costs should have been recovered directly in the set-top box rates, rather than in the HSC, leading to some uncertainty as to whether they had been double-counted. Supplemental Consultant Report at 2.



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16. In addition, the work orders provided by Comcast appeared to indicate that the necessary information was in fact available in Comcast's internal records, whether or not Comcast had aggregated it into statistical reports.

17. The Consultants' analysis of the Comcast sample data shows that Comcast's commingling of data on regulated and unregulated activities does not accurately represent the HSC for regulated activities only. Supplemental Consultant Report at 1-2.

18. Due to the small size of the Comcast sample, the sample information itself cannot be used to recalculate the HSC. Supplemental Consultant Report at 2.

19. Accordingly, the best available way to ensure that Comcast's regulated rates are reasonable is to offset against the combined regulated and unregulated costs the unregulated revenues corresponding to those costs, as indicated in the Initial Consultant Report. Supplemental Consultant Report at 2.

20. The Comcast Comments do not alter this conclusion. As noted above, Comcast acknowledges that it is commingling regulated and unregulated activities in its Form 1205 calculations. Comcast Comments at 1. Comcast continues to argue that its calculations show an exact time match, but does not show that these calculations accurately back out the unregulated activities from the rate base. Comcast Comments at 2. Comcast also appears to acknowledge that the Consultants' analysis revealed that the times were *not* the same, but argues that the



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difference is not “material” or “dramatic” and hence should be ignored. Comcast Comments at 2. The fact that there is such a difference, however, shows that Comcast’s combination of data on regulated and unregulated activities cannot be used to calculate the rates correctly pursuant to FCC regulations.

21. Comcast also appears to argue that, having obtained the limited sample used to check Comcast’s conclusions, Consultants were obliged to use that sample to determine Comcast’s national Form 1205 rates. Comcast Comments at 2. The sample, however, was obtained to test Comcast’s claim that the inclusion of unregulated activities made no difference. As indicated above, it did provide sufficient evidence to show that Comcast’s methodology was unreliable and that Comcast was in possession of information it had previously said it could not produce, which bore directly upon the determination of the regulated rates. The sample size was chosen, not (obviously) to provide a broad statistical basis for recalculating Comcast’s rates, but because it was clearly reasonable to require Comcast to provide such a limited sample for test purposes, in the absence of the full data set originally requested by Consultants.

22. Comcast argues that the Consultants are “wrongly subjecting unregulated revenue to regulation.” Comcast Comments at 3. This is incorrect. Consultants have only taken Comcast’s unregulated revenue into account for purposes of *removing* the unregulated activities that Comcast wrongly included in the regulated rate base. If Comcast had confined its Form



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1205 rate calculations to regulated activities in the first place, there would have been no need to refer to IWMP revenues. Indeed, it must be kept in mind that these revenues are associated with the costs and hours that *Comcast itself* decided to incorporate into its regulated rate base. Consultants' sole use of such revenues, however, was to back the unregulated activities out of the Comcast calculations for *regulated* rates. No regulation is imposed on Comcast's unregulated revenues.

23. Comcast suggests that if an adjustment to the HSC should be made, it should be only \$0.05, based on Comcast's unverified calculations removing *all* trouble calls (regulated and unregulated) from the rate base. Comcast Comments at 3. Since the regulated trouble calls do have to be included in the rate base, however, Comcast's alternate methodology is also unacceptable. (Nor do the Comcast Comments address the problems with activities outside the demarcation point and set-top box problems that were identified in Comcast's Sept. 5 data, as noted above.)

24. The Comcast Comments claim that the Consultants' analysis is at odds with the "cooperative spirit" of the rate review. On the contrary, Consultants and the County have given Comcast every possible opportunity to provide accurate information pursuant to the FCC's rules. (In particular, the March 2008 Rate Order allowed Comcast's Form 1205 rates to stand for that period, despite this unresolved issue, but directed Comcast to provide the necessary information



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to resolve the matter in the following rate filing.) Comcast's failure to do so cannot be laid at the door of the County or Consultants.

25. Based on the best available information, the Consultants concluded that the correct HSC is \$33.58.

26. The County finds that the adjustment made by the Consultants is reasonable and appropriate.

III. ORDERING CLAUSES

IT IS THEREFORE ORDERED THAT:

27. Comcast's maximum permitted rates for equipment and installation are hereby set in accordance with the rates calculated in the Initial Consultant Report, shown as "Recommended MPR" at 2. The rates set herein will govern Comcast's equipment and installation rates until Comcast lawfully implements a further rate change pursuant to applicable law.

28. Except as otherwise noted herein, the County adopts the recommendations and the rationale for the recommendations made by the Consultants.

29. Any charges for equipment, installation, or other services based on an hourly rate shall reflect an HSC no greater than the maximum permissible HSC shown above.



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30. Comcast shall make any rate reductions and refunds that may be necessary based on the rates indicated above, in accordance with 47 C.F.R. § 76.942(d), with interest computed at applicable rates published by the Internal Revenue Service for tax refunds and additional tax payments, pursuant to 47 C.F.R. § 76.942(e), no later than January 2, 2009.

31. Pursuant to ER § 5.2, Comcast shall file with the County within ninety (90) days from the date of this Order a certification, signed by an authorized representative of Comcast, stating whether Comcast has complied fully with all provisions of this Order, describing in detail the precise measures taken to implement this Order.

32. Comcast shall not charge any rates for regulated equipment or installation higher than the rates set herein, nor increase those rates, nor impose on subscribers any other charges for regulated equipment or installation not specified herein or in the County's previous rate orders, unless such charge is first filed with and approved by the County, in accordance with applicable law and regulations, including but not limited to the notice requirements imposed by 47 C.F.R. § 76.1603(d), or as otherwise expressly permitted by applicable law and regulations.

33. Comcast may charge rates less than the maximum rates indicated above for regulated equipment and installation, as long as such rates comply with applicable law and are applied in a uniform and nondiscriminatory manner, pursuant to federal, state, and local laws and regulations.



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34. Pursuant to ER § 4.3, the rates set herein are subject to further reduction and refund to the extent permitted under applicable law and regulations, as the same may be amended.

35. The findings herein are based on the representations of Comcast. Should information come to the County's attention that these representations were inaccurate in any material way, the County reserves the right to take appropriate action. This Order is not to be construed as a finding that the County has accepted as correct any specific entry, explanation or argument made by Comcast not specifically addressed herein.

36. The County reserves all of its rights with respect to rate regulation, including, but not limited to, any right it may have to reopen this rate proceeding based on new information or rulings by governing authority, if it appears that such new information or rulings could alter the reasonable rates prescribed by FCC regulations, pursuant to ER § 4.3.

37. This Order constitutes the written decision required by 47 C.F.R. § 76.936(a).

38. To the extent that the Executive Regulation would impose deadlines or hearing requirements more stringent than those observed with respect to this process, and waiver of such requirements would be consistent with applicable FCC regulations and would not cause substantial harm to any party, the County Executive hereby waives such requirements, pursuant to ER § 6.1(c).




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39. This Order shall be effective immediately upon its approval by the County Executive, pursuant to ER § 4.1.

40. This Order shall be released to the public and to Comcast, and a public notice shall be published stating that this Order has been issued and is available for review, pursuant to ER § 4.1 and 47 C.F.R. § 76.936(b).


Isjah Leggett
County Executive

Dec 17, 2008
Date

APPROVED AS TO FORM AND LEGALITY
OFFICE OF THE COUNTY ATTORNEY
BY: 
DATE: 12/15/08



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ATTACHMENT 1: REPORTS OF ASHPAUGH & SCULCO, CPAs, PLC, AND FRONT RANGE CONSULTING, INC.



ASHPAUGH & SCULCO, CPAs, PLC
Certified Public Accountants and Consultants

Ashpaugh & Sculco, CPAs, PLC
1133 Louisiana Avenue, Suite 106
Winter Park, FL 32789



Front Range Consulting, Inc.
4152 Bell Mountain Drive
Castle Rock, CO 80104

September 12, 2008

Frederick E. Ellrod III, Esquire
Miller & Van Eaton, P.L.L.C.
1155 Connecticut Avenue, NW, Suite 1000
Washington, DC 20036

Subject: Supplemental Report on Comcast's 2007 FCC Form 1205

Dear Mr. Ellrod:

Ashpaugh & Sculco, CPAs, PLC and Front Range Consulting, Inc. (collectively the "Consultants") have been engaged by local franchise authorities (the "LFAs") across the country to review the FCC Form 1205 filed by Comcast on or about March 1, 2007 and April 1, 2007.¹ We issued our Report on the Comcast Form 1205 in February of 2008. As part of that original Report, we identified several problems with the Form 1205 as filed by Comcast.

One of the identified problems was the inclusion in the "trouble call" activity component of the 1205 of non-regulated activities, i.e., activities related to trouble calls where the customer subscribed to an unregulated service plan that protects the customer from having to pay a regulated charge for trouble calls related to "inside wiring" problems. Initially Comcast suggested that these "inside wiring" customers would not affect the resulting HSC or the average time associated with trouble calls. Finally, after many months of delay, Comcast agreed to provide a sample of the first fifteen days in August of 2008 for the Augusta sample system, dividing these trouble calls between those customers that had an unregulated "inside wire maintenance plan" ("IWMP") and those that did not.² The Consultants have reviewed that sample information.

The Consultant's review has confirmed the original assumption that Comcast has commingled regulated and unregulated activities in determining the average time for trouble calls. Comcast provided data showing that both the IWMP trouble calls and the regulated trouble calls had *exactly* the same average time to complete these trouble

¹ Comcast filed the same National 1205 on April 1, 2007 and again on October 1, 2007 with Montgomery County, Maryland.

² Comcast's responses indicated that a "new" work order system was being implemented in Augusta. The sample information provided clearly shows start and stop times on the work order. It is precisely this information identifying actual times that the Consultants have been requesting for years that could be used to confirm the system estimates that Comcast has been using. Actual data is always better than estimates and the Consultants expect that Comcast will have to provide such actual data in future reviews as we now know it is available.

calls, which is 51 minutes. Our review has found that the calls that Comcast has identified as trouble calls in the sample include (1) activities outside of the demarcation point (outside of 12" inches of the subscriber's residence); (2) activities that are equipment-related (relate to maintenance and repair of converters, remotes, DVRs and A/B switches) that are recovered in the monthly lease rates for those types of equipment; and (3) activities associated with service issues related to Comcast High Speed Internet (CHSI) and Comcast Digital Voice (Comcast's phone service), which are unregulated services. In addition, approximately 35% of the sample of trouble calls were to customers covered by the IWMP.

When one removes those calls which are not includable in the trouble call category (items identified as (1), (2) and (3) above), the non-IWMP average time drops from 51 to 42 minutes and the IWMP trouble calls drops from 51 to 47 minutes. This review indicates that the non-IWMP calls are shorter in time than those covered by an IWMP. This was the conclusion we had arrived at in our original Report, as it seemed likely that a customer paying a monthly fee for the IWMP would be more likely to call Comcast and to have Comcast address more problems and potentially more difficult issues.

From our review of this sample, it became clear that Comcast may actually be charging customers regulated trouble call fees either for regulated activities that are being recovered elsewhere or for unregulated activities. For example, we found numerous instances in this limited sample where a trouble call was being charged when the real problem was a faulty converter box. Comcast has included in its Form 1205 the costs associated with installation, maintenance and repair of converter boxes in the determination of the converter rates. Thus, if Comcast charges a customer an additional amount for repair or replacement of a converter box, it is double-recovering its costs. We also found examples where Comcast is charging a customer for a trouble call where the issue relates to a problem outside of the demarcation point for the home. For example, one of the trouble calls related to burying a drop cable, and another related to repairing a downed drop cable. It would appear that Comcast has not properly trained its service personnel as to what activities can be charged under the regulated trouble call category and which items cannot be charged for.

Recommendations

From this "trouble call" data alone we cannot calculate a reliable estimate of the Hourly Service Charge (HSC), as the provided sample is far too small to be reliably used. Therefore we recommend that our original Report's recommended equipment and installation charge be implemented, as we have been able to confirm that IWMP trouble calls are improperly included in the Form 1205 and the only regulatory way to remove that impact, based on the available information, is to offset the revenues derived from the IWMP from Comcast's hybrid calculation of unregulated and regulated costs.

We recommend that Comcast be required to remove all IWMP trouble calls, those related to problems outside of the demarcation point, and those related to repair and replacement

Consent

SUMMARY SCHEDULE

Current Equipment and Installation Rates	Permitted	Actual
1. Charges for Cable Service Installations		
a. Hourly Rate (Step A, Line 7)		0%
b. Average Installation Charges:		
1. Installation of Unwired Homes (Step B, Line 9a)	\$44.93	*
2. Installation of Wired Homes (Step B, Line 9b)	\$31.10	*
3. Installation of Additional Connections at Time of Initial Installation (Step B, Line 9c)	\$16.84	*
4. Installation of Additional Connections Requiring Separate Install (Step B, Line 9d)	\$25.87	*
5. Other Installations (specify) (Step B, Lines 9e, 9f, 9g)		
a. Relocate Outlet	\$20.39	*
b. Upgrade Non-Addressable	\$17.13	*
c. Downgrade Non-Addressable	\$14.07	*
2. Monthly Charge for Lease of Remote Controls (Step C, Line 17, columns a-c)		
Remote Control Type 1: All Units	\$0.25	*
Remote Control Type 2:	\$0.00	*
Remote Control Type 3: CableCARD	\$2.96	*
3. Monthly Charge for Lease of Converter Boxes (Step D, Line 25, columns a-c)		
Converter Box Type 1: (Basic Only Units)	\$1.08	*
Converter Box Type 2: (All Other Units Excluding HD and DVR)	\$3.68	*
Converter Box Type 3: (High Definition and Digital Video Recorder)	\$9.94	*
4. Monthly Charge for Lease of Other Equipment (Step E, Line 33)		
Other Equipment (Specify)	\$0.00	*
5. Charge for Charging Time (if any) (Step F, Line 34, 35 or 36)		
	\$17.13	*

LABOR COST AND POLICY CHANGES

Indicate your answer to the following three questions by placing an "X" in the appropriate box

1. Have you included the labor costs associated with subscriber cable drops in your charges for initial installation?

YES
 NO

2. Have you capitalized the labor costs associated with subscriber cable drops?

YES
 NO

3. If you have filed this form before, have you changed any policy, e.g., cost accounting or cost allocation that causes an increase in the costs included in the computation of equipment and installation charges?

YES (You must attach a full explanation)
 NO

CERTIFICATION STATEMENT

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE TITLE 18, SECTION 1001), AND/OR FORFEITURE (U.S. CODE, TITLE 47, SECTION 503).

I certify that the statements made in this form are true and correct to the best of my knowledge and belief, and are made in good faith.

Name of the Cable Operator	Signature
Date	Title
REVISED	

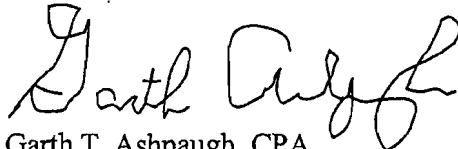
*See 2006 Equipment and Installation Rates Sheet.

Frederick E. Ellrod III, Esquire
Miller & Van Eaton, P.L.L.C.
September 12, 2008
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of converter boxes in its next filing. Comcast should also identify training steps employed to prevent these improper charges in the future.

Sincerely,

ASHPAUGH & SCULCO, CPAs, PLC



Garth T. Ashpaugh, CPA
President & Member

FRONT RANGE CONSULTING, INC.



Richard D. Treich
CEO

Final Report

Regarding

the

2007 FCC Form 1205

filed by

Comcast Cable Communications, LLC

February, 2008



ASHPAUGH & SCULCO, CPAs, PLC
Certified Public Accountants and Consultants



Front Range Consulting, Inc.

Ashpaugh & Sculco, CPAs, PLC ("A&S") and Front Range Consulting, Inc. ("FRC") (collectively "Consultants") are pleased to provide the 2007 Comcast Form 1205 Participating Communities¹ ("Participants") this Final Report regarding the FCC Form 1205 rate filing made by Comcast Cable Communications, LLC ("Comcast") during 2007.²

I. REPORT SYNOPSIS

The Consultants recommend that each participant adopt the proposed resolution of the identified Form 1205 issues. During the review of the Comcast Form 1205, the Consultants have identified three major issues with the Form 1205 as filed by Comcast. Those issues are:

- Inside Wire Maintenance Plan (IWMP);
- Installation times; and
- Elimination of cost data of systems where Comcast has received Effective Competition (EC) designation.

The Consultants have requested data from Comcast in three separate requests. The second and third requests asked Comcast to respond to prior requests or provide support not provided in the response to the original request. In only one instance did Comcast provide the requested response or support. The Consultants specifically informed Comcast that the responses were necessary for the review and requested that Comcast provide supporting information to support Comcast's position and that to the extent Comcast did not provide the requested information, the Consultants would rely on their best available information. Comcast was also asked to contact us if they did not understand any request. As will be discussed below in association with the specific issues, it was necessary to proceed on the best available information since Comcast did not provide the requested information.

II. SCOPE OF REPORT

The Consultants were retained by the Participants to review the FCC Form 1205 submitted by Comcast to the Participants in 2007. As this is the fourth review of the national Comcast FCC Form 1205 by the Consultants, many of the issues that have been identified in the past review are also incorporated in this filing making the impact of the continued review of the filing cumulative. For example, based on the Consultants' identification of the issue in the 2006 review, Comcast made an adjustment to eliminate cable modem repair costs in the 2007 1205. The Consultants based this review of the 2007 filing on Comcast's responses to data requests.

¹ City of Albuquerque, NM, Metro Nashville-Davidson County, TN, Montgomery County, MD, Federal Way, WA, and West Central Cable Agency, IL.

² Comcast filed the national FCC Form 1205 with Montgomery County, MD on April 1, 2007 and October 1, 2007.



ASHPAUGH & SCULCO, CPAs, PLC
 Certified Public Accountants and Consultants



Front Range Consulting, Inc.

III. SUMMARY OF FORM 1205 FILING

The rates were:

Item	2006 MPR	2007 MPR	Recommended MPR	Change
INSTALLATION CHARGES				
Hourly Service Charge	\$34.24	\$35.18	\$33.58	(\$1.60)
Unwired Installation	\$45.10	\$47.10	\$44.95	(\$2.15)
Prewired Installation	\$29.35	\$32.58	\$31.10	(\$1.48)
Addition Outlet (Same Trip)	\$14.49	\$17.64	\$16.84	(\$0.80)
Addition Outlet (Separate Trip)	\$24.25	\$27.10	\$25.87	(\$1.23)
Relocate Outlet	\$19.41	\$21.36	\$20.39	(\$0.97)
Upgrade	\$18.49	\$17.97	\$17.15	(\$0.82)
Downgrade	\$15.32	\$14.74	\$14.07	(\$0.67)
Change of Service (Addressable)	\$1.99	\$1.99	\$1.99	-
VCR/DVD (Same Trip)	\$7.29	\$7.66	\$7.31	(\$0.35)
VCR/DVD (Separate Trip)	\$15.83	\$14.84	\$14.17	(\$0.67)
Customer Trouble Call	\$25.34	\$28.91	\$27.59	(\$1.32)
EQUIPMENT RENTAL				
Remote	\$0.23	\$0.25	\$0.25	-
Basic-only Converter	\$1.14	\$1.13	\$1.08	(\$0.05)
Converter (Digital/Analog)	\$4.01	\$3.74	\$3.68	(\$0.06)
HD/DVR/HD-DVR Converter	\$9.91	\$9.99	\$9.94	(\$0.05)
CableCARD	\$1.91	\$2.06	\$2.06	-

IV. FCC FORM 1205 ISSUES IDENTIFIED

The Consultants have identified three issues with the Comcast filing. The three issues are:

- Inside Wire Maintenance Plan (IWMP);
- Installation times; and
- Elimination of cost data of systems where Comcast has received Effective Competition (EC) designation.



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IV(A). INSIDE WIRE MAINTENANCE PLAN (IWMP)

The Consultants identified this issue in prior reviews but did not have the information to proceed with an adjustment. Comcast has been previously informed that this issue was an area of interest. The Consultants requested detailed information in regard to Comcast's IWMP in each of the 3 requests. Comcast has not provided the support or information requested. For example, the Consultants asked Comcast in the third request to question 8:

Comcast responded to request 17 (c) by stating:

Inside wire maintenance costs have not been removed from Schedule B. Please see the previously provided Federal Communications Commission's Memorandum Opinion and Order that was released on September 19, 1996. Paragraph 11 of this document states that "Our rules provide that charges for such service contracts must be based on the operator's HSC' multiplied by either the estimated average number or the actual number of hours for maintenance and repair". Please note that the footnote at the bottom of this page is quoted directly from the Memorandum Opinion and Order.

The Consultant's have reviewed that aforementioned Order by the FCC and request that Comcast confirm that Comcast intends to treat its IWMPs as regulated equipment charges as the Order was relative to a regulated charge for such inside wire. If Comcast is not treating the current IWMPs as being regulated, please explain how the response provided by Comcast is anything but misleading.

Comcast responded:

Comcast treats the Service Protection Plan (in home wire maintenance plan or "SPP") price as unregulated in accordance with FCC rules since the plan covers cable television wiring, telephone wiring and high speed data service wiring.

The response by Comcast is not misleading. Since not all customers subscribe to the Service Protection Plan and those that do subscribe to the SPP subscribe "at will," Comcast must take into consideration the costs for every video in home wiring service call in calculating the Hourly Service Charge. If the customer does not subscribe to the SPP, the customer is charged for a trouble call per the rate card.

Prior to introducing the Service Protection Plan, all customers were charged a trouble call charge for video in home wiring service calls. The SPP provides customers an alternative to paying a trouble call charge, but it does not eliminate the cost of materials and the time involved by Comcast personnel in completing such repairs. The costs must be included in the rate form. The recovery of the costs depends upon whether the particular subscriber chooses to proceed under the rate card trouble call charge or the SPP.

From this response, Comcast has made it clear that it treats the IWMP as being unregulated under the FCC rules but has also included all of the costs and hours associated with these IWMPs in the Form 1205. The Consultants believe that the intent of the Form 1205 is to identify only those costs which support regulated equipment and installation activities. Including the



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costs associated with an unregulated activity within the Form 1205 has improperly co-mingled regulated and unregulated costs and hours making the computed HSC by Comcast unreliable.

When the Consultants attempted to remove the unregulated IWMP costs by requesting the necessary data from Comcast, Comcast responded to the third request item 9 as follows:

Request 2-1 in the letter dated December 12, 2007 from the Consultants was:

2-1. For each sample system, please identify the number of subscribers purchasing an inside wire maintenance plan (IWMP) by month.

Comcast responded:

The number of subscribers purchasing an inside wire maintenance plan by month is not relevant to the review of the FCC Form 1205.

FCC rules state: "The franchising authority shall state a justification for each item of information requested and, where related to an FCC Form 393 (and/or FCC Forms 1200/1205) filing, indicate the question or section of the form to which the request specifically relates."

Since there is no line of the FCC Form 1205 that requires any type of subscriber information, please state a justification for "the number of subscribers purchasing an inside wire maintenance plan" and indicate the section of the form to which the request specifically relates.

Request 2-3 in the letter dated December 12, 2007 from the Consultants was:

2-3. For each sample system, please provide the total dollar amount of revenues received from subscribers for subscription to an IWMP.

Comcast responded:

The total dollar amount of revenues received from subscribers for subscription to an IWMP is not relevant to the review of the FCC Form 1205.

FCC rules state: "The franchising authority shall state a justification for each item of information requested and, where related to an FCC Form 393 (and/or FCC Forms 1200/1205) filing, indicate the question or section of the form to which the request specifically relates."

Since there is no line of the FCC Form 1205 that requires any type of revenue information, please state a justification for "the total dollar amount of revenues received from subscribers for subscription to an IWMP" and indicate the section of the form to which the request specifically relates.

The Consultants believe that Comcast's refusal to provide the requested material, albeit with the ability for Comcast to have communicated directly with the Consultants rather than quoting the FCC from 1993, has forced the Consultants to use their best available information in order to make the necessary adjustments.

By not making the adjustment to either eliminate the hours and costs associated with the IWMPs,



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Comcast is able to over recovery its costs associated with its regulated equipment and gain a return on these regulated activities that is in excess of the 11.25%. It is certain that with this "insurance" like IWMP that the costs incurred by Comcast could be dramatically above and below the recovered revenues from subscribers. Therefore following typical utility regulatory theory, the Consultants have elected to offset Comcast's operating expenses contained in the Form 1205 by the estimated revenues that Comcast will receive from subscribers to the IWMPs. In response to the third request Comcast did provide a copy of the notice and terms of the IWMP provided to subscribers. The rate for the service is \$3.95 per month. The Consultants have estimated that Comcast received over \$200 million in 2006 from the IWMPs and have assigned 17.84% of that amount as a credit to the regulated equipment and installation activities.

This adjustment lowers the Hourly Service Charge (HSC) from \$35.18 to \$33.58 and lowers the corresponding rates for installation activities and equipment charges which are base in whole or in part on the HSC.

IV(B). INSTALLATION TIMES

The Consultants investigated the computations by Comcast of the estimated installation times. Comcast was requested to provide internal billing and scheduling programs where time or point values were used to assign and route technicians. Finally after the third attempt at securing this information, Comcast provided the Consultants with "selected" examples. The Consultants do not believe that these were randomly chosen but were rather "selected" as point values that appear to be reasonably close to times used in the Form 1205. The process that is used by Comcast is to ask the selected sample systems to provide estimates as to the installation times. That process has not changed since 1993 when the first 1205's were prepared. In today's world of "just-in-time" order processing and service calls, it seem highly unlikely that Comcast does not have internal actual data from the installers that would be a better basis then some "guesstament" by the filed personnel. The Consultants cannot even guess as to impact this would have on the Form 1205 as Comcast has refused to provide anything but a "selected" examples even though this request was part of the Consultants original request. The Consultants recommend that Comcast be required to use to the maximum extent available the internal scheduling and routing program times rather that "guesstaments" for it next Form 1205.

IV(C). ELIMINATION OF COST DATA OF SYSTEMS WHERE COMCAST HAS RECEIVED EFFECTIVE COMPETITION (EC) DESIGNATION

The Consultants requested information from Comcast relative to areas and systems where Comcast (or the prior cable franchisee) has requested and been granted designation of Effective Competition (EC). With the EC designation, rates are no longer regulated meaning Comcast can charge whatever rate it wants for installations and equipment. Comcast can bundle the rate with the service by charging an inflated service rate to recover its costs or choose any other viable option for recovery of those costs. While the Consultants have no evidence of this, by allowing Comcast to include EC costs and activities in the 1205, sets the potential for subsidization of unregulated activities by regulated activities.



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Public Service Commissions routinely require cost allocation manuals to support the separation of unregulated costs and activities from regulated costs and activities. The Consultants recommend the Participants include this requirement in their orders concerning the 2007 filed FCC Form 1205.

V. POTENTIAL RATE IMPACTS

The potential rate impacts for the FCC Form 1205 issues identified above are difficult to quantify because the Consultants cannot estimate them without significantly more information from Comcast. The Consultants recommend that the Participants require Comcast to provide each Participant an individual refund plan detailing the amount of refunds by category. The refund should identify the total dollars to each cable subscriber as a one time bill credit with interest.

VI. CONCLUSION

The Consultants recommend that the Participants issue a Rate Order consistent with the recommended MPRs identified in Attachment A, (the revised Form 1205) of this Final Report.

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ATTACHMENT A

FORM 1205
DETERMINING REGULATED EQUIPMENT AND INSTALLATION COSTS
"EQUIPMENT FORM"

Comcast		
Community Use Identifier (CUI) of cable system		Date of Form Submission
SEE FCC FORM 1240 FILING REVISED BY AAS and PRC		3/1/97
Name of Cable Operator		
COMCAST CABLE COMMUNICATIONS, LLC and COMCAST CABLE COMMUNICATIONS HOLDINGS, INC.		
Mailing Address of Cable Operator		
City	State	ZIP Code
Name and Title of person completing this form:		
Telephone number	Fax Number	
Name of Local Franchising Authority		
PLEASE SEE FRANCHISE AUTHORITY LISTING PROVIDED WITH FCC FORM 1240 FILING		
Mailing Address of Local Franchising Authority		
City	State	ZIP Code

1. This form is being filed: [Enter an "x" in the appropriate box]

In conjunction with FCC Form 1200, FCC Form 1220, or FCC Form 1225.

Attach the completed FCC Form 1200, FCC Form 1220, or FCC Form 1225 to the front of this form.

OR

In order to fulfill FCC rules requiring an annual filing of this form

Enter the date on which you last filed this form: (mm/dd/yy)

Note: This should be the date on which the rates last justified, by using either FCC Form 393 or the prior filing of this form, were in effect.

2. Enter the date on which you closed your books for the fiscal year reflected in this form:

(mm/dd/yy)

Note: This will indicate the end of the 12-month fiscal year for which you are filing this form.

3. Indicate the corporate status of your cable system [Enter an "x" in the correct box]

- C-Corporation
- Subchapter S corporation
- Partnership
- Sole Proprietorship
- Other (Please explain below)

Consent

SCHEDULE A: CAPITAL COSTS OF SERVICE INSTALLATION AND MAINTENANCE OF EQUIPMENT AND PLANT						
Equipment and Plant	Vehicle	Tools	Maintenance Facilities	Other 1 (Specify below)	Other 2 (Specify below)	
A Gross Book Value	\$799,443,449.00	\$522,984,001.00	\$0.00			
C Accumulated Depreciation	\$633,706,702.00	\$380,249,342.00	\$0.00			
D Deferred Taxes	\$35,261,032.00	\$33,736,048.00	\$0.00			
E Net Book Value [B-(C+D)]	\$128,477,715.00	\$108,998,591.00	\$0.00	\$0.00		\$0.00
F Rate of Return	0.1125					
Q Calculation of Gross-up Rate						
G1 Federal Income Tax Rate	0.35					
G2 State Income Tax Rate	0.0701					
G3 Net Total Income Tax Rate [(G1+G2)-(G1 x G2)]	0.2936					
G4 Adjustment to Reflect Interest Deductibility						
G4a Actual Interest Amount	\$2,064,000,000.00					
G4b Total Net Assets	\$91,435,000,000.00					
G4c Base Return on Investment Amount [G4a x F]	\$10,286,437,500.00					
G4d Interest Deductibility Factor [G4a/G4c]	0.2007					
G5 Effective Tax Rate [G3 x (1-G4d)] [C-Corps skip to G7]	0.3182					
G6 Adjustments for Non-C Corporations						
G6a Base Return on Investment Amount [G4c]	n/a					
G6b Distributions	\$0.00					
G6c Contributions (may not exceed G6b)						
G6d Returns Subject to Income Tax [G6a-G6b+G6c]	n/a					
G6e Returns Percentage Subject to Income Tax [G6d/G6a]	n/a					
G7 Gross-Up Rate [C-Corps: 1/(1-G3) Other: 1/(1-G3 x G6e)]	1.4624					
H Grossed-Up Rate of Return [F x G7]	0.1645					
I Return on Investment Grossed-Up for Taxes [E x H]	\$21,137,194.184	\$17,932,482.5613	\$0.00	\$0.00		\$0.00
J Current Provisions for Depreciation	\$61,593,346.00	\$38,689,993.00	\$0.00			
K Annual Capital Costs [I+J]	\$82,730,540.184	\$56,622,475.5613	\$0.00	\$0.00		\$0.00
L GRAND TOTAL (sum of Lines K entries)	\$139,333,015,7453					

Box 1

Specify: Other 1 _____
Specify: Other 2 _____

SCHEDULE B: ANNUAL OPERATING EXPENSES FOR SERVICE INSTALLATION AND MAINTENANCE OF EQUIPMENT						
	Salaries & Benefits	Supplies	Utilities	Other Taxes	Other 1 (Specify below)	Other 2 (Specify below)
A Annual Op. Expenses for Svc. Install. and Maint. of Equip.	\$3,210,913,532.07	\$12,927,837.86	\$0.00	\$0.00	\$398,381,611.76	\$282,054,234.50
B GRAND TOTAL (sum of Line A entries)	\$4,584,477,014.31					

Box 2

Specify: Other 1 Contract Labor / Converter Maintenance
Specify: Other 2 Vehicle Expenses / Rentals and Lease Expense

Continued

SCHEDULE C: CAPITAL COSTS OF LEASED CUSTOMER EQUIPMENT							
A	Equipment	Remote 1	Remote 2	CableCARD	Converter 1	Converter 2	Converter 3
B	Total Maintenance/Service Hours (Attach Explanation)	483,914		4,129	158,361	5,627,150	1,884,732
C	Total # of Units in Service	19,974,028		114,569	412,389	14,657,698	4,908,011
D	Gross Book Value	\$239,720,251.00		\$11,097,119.00	\$381,827.00	\$3,401,974,281.00	\$2,894,519,911.00
E	Accumulated Depreciation	\$196,347,996.00		\$2,070,639.00	\$576,623.00	\$2,601,361,145.00	\$317,694,510.00
F	Deferred Taxes	(\$3,225,330.00)		\$2,149,907.00	(\$3,364.00)	\$234,258,176.80	\$380,798,251.00
G	Net Book Value [D-(E+F)]	\$46,397,785.00	\$0.00	\$6,876,537.00	\$8,778.00	\$175,855,060.80	\$1,136,027,150.00
H	Crossed-Up Rate of Return (From Sched. A, Line H)	0.1643					
I	Return on Investment Crossed-Up for Taxes [G x H]	\$7,666,282.2816	\$0.00	\$1,131,333.316	\$1,444.1393	\$29,739,836.0327	\$186,899,544.9337
J	Current Provision for Depreciation	\$39,190,190.00		\$1,358,197.00	\$6,508.93	\$364,241,706.29	\$331,092,373.76
K	Annual Capital Costs [(I + J)]	\$46,826,472.2816	\$0.00	\$2,689,330.326	\$7,933.0893	\$438,981,562.3427	\$521,901,920.6937
L	GRAND TOTAL (sum of Line K entries)	\$1,836,437,338.7354					

Bar 3.

SCHEDULE D: AVERAGE HOURS PER INSTALLATION		
A	Average Hours per Unwired Home Installation (attach an explanation)	1.3387
B	Average Hours per Pre-Wired Home Installation (attach an explanation)	0.8261
C	Average Hours per Additional Connection Installation at Time of Initial Installation (attach an explanation)	0.5014
D	Average Hours per Additional Connection Installation Requiring Separate Installation (attach an explanation)	0.7793
E	Other Installation (by Item Type):	
Item 1	Relocate Outlet	
	Average Hours per installation (attach an explanation)	0.6071
Item 2	Upgrade Non-Addressable	
	Average Hours per installation (attach an explanation)	4.1107
Item 3	Degradate Non-Addressable	
	Average Hours per installation (attach an explanation)	0.419

Contract

WORKSHEET FOR CALCULATING PERMITTED EQUIPMENT AND INSTALLATION CHARGES	
STEP A. Hourly Service Charge	
1. Total Capital Costs of Installation and Maintenance (Schedule A, Box 1)	\$139,337,013.7433
2. Total Annual Operating Expenses for Installation and Maintenance (Schedule B, Box 2)	\$4,504,477.03621
3. Total Capital Costs and Operating Expenses for Installation and Maintenance (Line 1 + Line 2)	\$14,437,490.051,9333
4. Customer Equipment and Installation Percentage (attach an explanation)	0.1784
5. Annual Customer Equipment Maintenance and Installation Costs, Excluding Costs of Leased Equipment (Line 3 x Line 4)	\$238,459,281.5688
6. Total Labor Hours for Maintenance and Installation of Customer Equipment and Services (attach explanation)	24,672,158.26
7. Hourly Service Charge (HSC) (Line 5/Line 6)	\$33.3787

METHOD OF BILLING FOR INSTALLATIONS (place an "x" in the appropriate box)

Installations billed by the hour based on the HSC calculated in Line 7.

Installations billed as a standard charge.

STEP B. Installation Charge	
8. Uniform HSC for all installations (From Step A, line 7)	n/a
OR	
9. Average Charge for Installation Types	
a. Unwired Home Installation	
a1. HSC (Line 7)	\$33.3787
a2. Average Hours per Unwired Home Installation (Schedule D, Line A)	1.3387
a3. Charge per Unwired Home Installation (a1 x a2)	\$44.9318
b. Pre-wired Home Installation	
b1. HSC (Line 7)	\$33.3787
b2. Average Hours per Pre-wired Home Installation (Schedule D, Line B)	0.9261
b3. Charge per Pre-wired Home Installation (b1 x b2)	\$31.0972
c. Additional Connection Installation at Time of Initial Installation	
c1. HSC (Line 7)	\$33.3787
c2. Average Hours per Additional Connection Installation at Time of Init. Install. (Schedule D, Line C)	0.5014
c3. Charge per Additional Connection Installation at Time of Initial Installation (c1 x c2)	\$16.8364
d. Additional Connection Installation Requiring Separate Installation	
d1. HSC (Line 7)	\$33.3787
d2. Avg. Hours per Additional Connection Installation Req. Sep. Install. (Schedule D, Line D)	0.7703
d3. Charge per Additional Connection Installation Requiring Separate Installation (d1 x d2)	\$25.8637
e. Other Installations (As specified in Schedule D, Line E):	
e1. HSC (Line 7)	\$33.3787
e2. Average Hours per Installation of Item 1 (Rebate Outlet)	0.6871
e3. Charge per Installation of Item 1 (e1 x e2)	\$22.8336
e4. HSC (Line 7)	\$33.3787
e5. Average Hours per Installation of Item 2 (Upgrade Non-Addressable)	0.3107
e6. Charge per Installation of Item 2 (e4 x e5)	\$10.37486
e7. HSC (Line 7)	\$33.3787
e8. Average Hours per Installation of Item 3 (Downgrade Non-Addressable)	0.419
e9. Charge per Installation of Item 3 (e7 x e8)	\$13.9853

CONVERTER

STEP C. Charges for Leased Revenue			
(Calculate separately for each signal security different type)			
	a	b	c
	Revenue 1	Revenue 2	Cable Card
10. Total Maintenance/Service Hours [Corresponding columns from Schedule C, Line B]	403,914	0	4,120
11. HSC [Line 7]	\$33,5787	\$33,5787	\$33,5787
12. Total Maintenance/Service Cost [Line 10 x Line 11]	\$13,562,911.6271	\$0.00	\$136,344.2909
13. Annual Capital Costs [Corresponding column from Schedule C, Line K]	\$46,836,672.2816	\$0.00	\$2,689,330.326
14. Total Cost of Revenue [Line 12 + Line 13]	\$60,419,343.9089	\$0.00	\$2,827,874.6169
15. Number of Units in Service [Corresponding column from Schedule C, Line C]	19,974,098	0	114,569
16. Unit Cost [Line 14/Line 15]	\$3,0249	\$0.00	\$24,6827
17. Rate per Month [Line 16/(12)]	\$0.2521	\$0.00	\$2,0569

STEP D. Charges for Leased Converter Boxes			
(Calculate separately for each signal security different type)			
	a	b	c
	Converter 1	Converter 2	Converter 3
18. Total Maintenance/Service Hours [Corresponding column from Schedule C, Line B]	158,361	5,627,150	1,684,732
19. HSC [Line 7]	\$33,5787	\$33,5787	\$33,5787
20. Total Maintenance/Service Cost [Line 18 x Line 19]	\$5,317,558.3124	\$188,952,445.7271	\$57,286,871.8517
21. Annual Capital Costs [Corresponding column from Schedule C, Line K]	\$7,953,0893	\$458,981,562.3427	\$321,901,820.6957
22. Total Cost of Converter [Line 20 + Line 21]	\$13,270,647.4018	\$647,934,008.0697	\$580,188,692.5474
23. Number of Units in Service [Corresponding column from Schedule C, Line C]	412,389	14,633,698	4,908,011
24. Unit Cost [Line 22/Line 23]	\$32,9139	\$44,2164	\$119,2313
25. Rate per Month [Line 24/(12)]	\$2,7428	\$3,6847	\$9,9339

STEP E. Charges for Other Leased Equipment	
26. Total Maintenance/Service Hours [Corresponding column from Schedule C, Line B]	0
27. HSC [Line 7]	\$33,5787
28. Total Maintenance/Service Cost [Line 26 x Line 27]	\$0.00
29. Annual Capital Costs [Corresponding column from Schedule C, Line K]	\$0.00
30. Total Cost of Equipment [Line 28 + Line 29]	\$0.00
31. Number of Units in Service [Corresponding column from Schedule C, Line C]	0
32. Unit Cost [Line 30/Line 31]	\$0.00
33. Rate per Month [Line 32/(12)]	\$0.00

METHOD OF BILLING FOR CHANGING SERVICE TIERS OR EQUIPMENT (place an "x" in the appropriate box)

as a Nominal Charge (Enter the nominal charge in Line 34)

as a Uniform Hourly Service Charge

as an Average Charge (Enter the Average Hours for Changing Service Tiers in Line 36b.)

STEP F. Charges for Changing Service Tiers or Equipment		
34. Nominal Charge for Changing Service Tiers		
If you use an escalating scale of charges, place an "x" in the box at the right.		
OR		
35. Uniform Hourly Service Charge		n/a
OR		
36. Average Charge for Changing Service Tiers		
36a. HSC [Line 7]	\$33,5787	
36b. Average Hours to Change Service Tiers	0.5107	
36c. Average Charge for Changing Service Tiers [Line 36a x Line 36b]		\$17,1486

Comment

WORKSHEET FOR CALCULATING TOTAL EQUIPMENT AND INSTALLATION COSTS	
1. Total Capital Costs of Installation and Maintenance (Schedule A, Box 1)	\$139,357,015.7433
2. Total Annual Operating Expenses for Installation and Maintenance (Schedule B, Box 2)	\$4,504,477,036.21
3. Total Annual Capital Costs of Installation and Maintenance (Line 1 + Line 2)	\$4,643,830,051.9553
4. Customer Equipment and Installation Percentage (attach explanation)	
5. Annual Customer Equipment Maintenance and Installation Costs, Excluding Costs of Leased Equipment (Line 3 x Line 4)	\$0.00
6. Total Capital Costs of Leased Customer Equipment (Schedule C, Box 3)	\$1,070,637,338.7354
7. Annual Customer Equipment and Installation Costs (Line 5 + Line 6)	\$1,070,637,338.7354
8. Percentage Allocation to Franchise Area (see instructions)	
9. Allocated Annual Equipment and Installation Cost (Line 7 x Line 8)	\$0.00
10. Monthly Equipment and Installation Cost (Line 9 / (12))	\$0.00
11. Number of Basic Subscribers in Franchise	
12. Monthly Equipment and Installation Cost per Subscriber (Line 10 / Line 11)	\$0.00
13. Inflation Adjustment Factor (See instructions)	
14. Adjusted Monthly Equipment and Installation Cost per Subscriber (Line 12 x Line 13)	\$0.00