

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)	
)	
TCI of Illinois, Inc.)	CUID No. IL0657 (Village of Skokie)
)	
Complaint Regarding)	
Cable Programming Services Tier)	
Rate Increase)	

ORDER

Adopted: November 25, 1996

Released: November 27, 1996

By the Chief, Financial Analysis and Compliance Division, Cable Services Bureau:

1. In this Order we consider a complaint concerning the June 1, 1996 rate increase of TCI of Illinois, Inc. ("TCI") for its cable programming services tier ("CPST") in the Village of Skokie, Illinois. This Order addresses only the reasonableness of TCI's rate increase of \$2.63 that became effective on June 1, 1996.¹ We conclude that TCI's June 1, 1996 CPST rate increase is not unreasonable.

2. The Communications Act² authorizes the Federal Communications Commission to review the CPST rates of cable systems not subject to effective competition to ensure that rates charged are not unreasonable. The Cable Television Consumer Protection and Competition Act of 1992³ ("1992 Cable Act") required the Commission to review CPST rates upon the filing of a valid complaint by a subscriber or local franchise authority ("LFA"). The Telecommunications Act of 1996⁴ ("1996 Act") and our rules implementing the new legislation,⁵ require that complaints against the CPST rates be filed with the Commission only by an LFA that has

¹ The Commission also received a valid CPST complaint on February 1, 1994 against TCI's CPST rate in the above referenced community. This complaint was incorporated in the TCI Communications, Inc. *Resolution* and it is therefore not necessary to address this complaint in this Order. See TCI Communications, Inc., FCC 96-187 (released April 26, 1996).

² 47 U.S.C. Section 543(c)(3)(1996).

³ Pub. L. No. 102-235, 106 Stat. 1460 (1992).

⁴ Pub. L. No. 104-104, 110 Stat. 56 (February 8, 1996).

⁵ See Implementation of Cable Act Reform Provisions of the Telecommunications Act of 1996, 11 FCC Rcd 5937 ("Interim Rules").

received subscriber complaints. An LFA may not file a CPST rate complaint unless, within 90 days after such increase becomes effective, it receives more than one subscriber complaint. The filing of a valid complaint triggers an obligation on behalf of the cable operator to file a justification of its CPST rate. If the Commission finds the rate to be unreasonable, it shall determine the correct rate and any refund liability.

3. The Village of Skokie ("Village") filed a complaint on August 24, 1996 regarding the June 1, 1996 increase in TCI's CPST rate in the Village. The Village has certified that it has received subscriber complaints and has complied with the Interim Rules.⁶ TCI submitted an FCC Form 1240 to justify the rate increase that went into effect June 1, 1996. As required by our rules, the Village's complaint also included a copy of the rate justification that TCI submitted to the Village.

4. To justify rates for the period beginning May 15, 1994 through a benchmark or cost of service showing, operators must use the FCC Form 1200 series. Operators may justify adjustments to their rates on an annual basis using FCC Form 1240 to reflect reasonably certain and quantifiable changes in external costs, inflation, and the number of regulated channels that are projected for the twelve months following the rate change.⁷ Any incurred cost that is not projected may be accrued with interest and added to rates at a later time.⁸ If actual and projected costs are different during the rate year a "true-up" mechanism is available to correct estimated costs with actual cost changes.⁹ The "true-up" requires operators to decrease their rates or alternatively permits them to increase their rates to make an adjustment for over or under estimations of these cost changes.¹⁰

⁶ See FCC Form 329 complaint filed by the Village dated July 12, 1996 to TCI; see also letter from TCI to the Village dated August 9, 1996.

⁷ See *In the Matter of Sections of the Cable Television Consumer Protection and Competition Act of 1992: Rate Regulation*, MM Docket No. 92-266, Thirteenth Order on Reconsideration ("Thirteenth Reconsideration Order"), 11 FCC Rcd 388, 391 (1996).

⁸ *Id.* at 392.

⁹ *Id.*

¹⁰ *Id.* The Commission granted TCI a waiver to allow TCI, in its initial filing of FCC Form 1240, to include cost adjustments over the period of time between the last date for which actual cost data is available and the effective date of TCI's new rates. The cost adjustments included for this period are subject to a true-up at the same time that the required true-up is performed on TCI's initial Form 1240 Projected Period Rates. See *In the Matter of Annual Rate Adjustment System for Cable Services Rates - Request for Waiver of Requirements Contained in the Thirteenth Order on Reconsideration*, DA 96-220, released February 22, 1996.

5. Upon review of the record before us, we find that TCI has provided sufficient evidence to support a CPST rate increase of \$2.63.¹¹

6. Accordingly, IT IS ORDERED, pursuant to Section 0.321 of the Commission's rules, 47 C.F.R. § 0.321, that the monthly CPST rate increase of \$2.63 charged by TCI of Illinois in CUID No. IL0657, Village of Skokie, Illinois, beginning June 1, 1996 IS NOT UNREASONABLE.

7. IT IS FURTHER ORDERED, pursuant to Section 0.321 of the Commission's rules, 47 C.F.R. § 0.321, that the Village of Skokie's complaint against the CPST rate increase, effective June 1, 1996, charged by TCI of Illinois in the Village of Skokie, Illinois, CUID No. IL0657, IS DENIED.

FEDERAL COMMUNICATIONS COMMISSION

Elizabeth W. Beaty
Chief, Financial Analysis and Compliance Division
Cable Services Bureau

¹¹ This finding is based solely on the representations of TCI. Should information come to our attention that these representations were materially inaccurate, we reserve the right to take appropriate action. This Order is not to be construed as a finding that we have accepted as correct any specific entry, explanation or argument made by any party to this proceeding not specifically addressed herein.