

October 15, 2009

Mr. John Spirito
Chief of Legal Services
Hearing Officer
Division of Public Utilities and Carriers
89 Jefferson Boulevard
Warwick, Rhode Island 02888

Re: Docket 2009-C-1

Dear Mr. Spirito:

The Division of Public Utilities and Carriers (DPUC) is proposing several changes in the Rhode Island Cable Rules to modify certain requirements, some of which date back to the original rules developed during the onset of cable television in the State of Rhode Island nearly thirty years ago.

The past few years have seen many changes in the delivery of the cable television service in Rhode Island. In the past, cable television services were delivered solely by cable television companies as their only product. Over the past few years, however, this has changed dramatically, with cable television companies now offering the addition of telephone and data services, and with other communication entities now expanding their own offerings to include cable television programming. Indeed, it is more accurate to assert that we are regulating the video component of what must now be referred to as "telecommunication companies" and not just "cable companies".

Among the more significant changes we are responding to, for example, is that where there were once thirteen cable service areas in Rhode Island, there are now only nine, one of which is New Shoreham which does not currently have a cable provider. Each cable service area was served by one operator, whereas we now have cable competition in all but one of the eight active service areas. Where providers offered a limited amount of cable television networks, they now offer hundreds of stations, high definition format, digital video recorder service and other viewing options, supplemented by a wide range of both telephone and internet services. Consequently, both the offerings and rules of competitive operation are much different than the early 1980's.

The Division believes that the competitive market place should be the driving force in encouraging telecommunication companies to invest dollars in new and innovative services in Rhode Island, and that our cable rules should reflect that belief. In addition, given these difficult financial times, both the telecommunication companies and the Rhode Island Public Broadcasting Service (RIPBS), which operates the public access network in the State, should be allowed flexibility in their operation to address better services and greater cost control.

Finally, some of our rules have simply become obsolete and need to be updated to reflect changes in the law and economy.

The proposed changes are as follows:

1. Section 1.7(a) Fees: This change would increase the amount the DPUC assesses cable companies for the regulatory costs incurred by the agency from \$250,000 to \$300,000. This change is needed because current actual costs significantly exceed the existing \$250,000 statutory limit. General Assembly approval of this change will be required.
2. Section 1.7 (c) Cable License Fee: Each company is required to pay a \$50.00 license fee for each service area in which they are authorized to operate. This amount is obsolete given other DPUC licenses and is to be increased to \$250.00.
3. Section 13.1 Local Business Office: Current rules dictate that each licensed cable operator must have a local business office in each service area. This was important when each service area was serviced by a different cable operator, but that is no longer the case. Cox now serves the entire State, Verizon serves over 80% of the state and will eventually seek additional licenses, and Full Channel services one area. With all companies now offering multiple-services on a competitive basis, it makes sense to authorize each company to make fiscally responsible marketing decisions on a regional basis for all of their competitive services. Further, much of the customer transaction activity formerly done in person is now largely done over the phone or through the internet. New, larger regional retail customer service centers geared to product evaluation and delivery can provide these services more efficiently and more cost effectively than the smaller local offices.
4. Section 13.9 (c) Service Outage Notification: This section will codify a DPUC service outage requirement mandating that cable providers notify the DPUC by phone within twenty-four hours and in writing within five days, on any outages of more than one hour's duration for more than 500 subscribers. This will allow the DPUC to accurately monitor service quality standards.
5. Section 14.2 Fixed Studio Production Capability: Current rules call for the Public, Education and Government (PEG) stations operator, RIPBS, to have one fixed studio in each service area. This is a holdover from the early cable years as referenced above. Today, with a record of nearly thirty years of usage, statistics indicate that eight studios statewide is programmatically unnecessary and not in the financial long term benefit of RIPBS and the cable subscriber base. Also, RIPBS is nearing construction of a new two-studio super facility on the Providence/Cranston line that will be of great value in the future of Rhode Island PEG activities. Accordingly, it is the Division's recommendation that RIPBS be required to host five fixed studio locations statewide that will meet the current and future demand, encourage better use of staff, be more cost efficient, help curtail any increases in the subscriber PEG fee and avert any cost increases due to increased or new facility rental charges. It is my understanding that RIPBS, in separate cover, will provide additional statistical data related to usage that will illustrate how consolidation will result in more efficient utilization of some of the existing facilities.
6. Section 15.1 (b) Service Area Citizen Advisory Committees: Another holdover from the origin of cable television service in this State, this rule required that citizen advisory committees be appointed to assist in the implementation of the cable television process. A valuable tool in

these formative days, many of the committees have been abandoned since the mid 1990's, and several efforts by the DPUC to revive them have been met with disinterest. Accordingly, this amendment seeks to "grandfather in" existing committees, while eliminating the necessity for those abandoned. If an interest resurfaces at a later date, a procedure will be in place to revive designated committees as necessary.

7. Section 15.1 (f) 9 Advisory Committee Annual Reports: This proposed rule formalizes what is currently a loose procedure of reporting to require functioning citizen advisory committees to file an annual report of their activities for the previous year.
8. Section 15.2 (a) Statewide Technical Committees: The existing rule created this technical committee as an extension of the local service area committees to help coordinate their activities on a statewide basis as a means of addressing statewide concerns. The statewide technical committee has been defunct since the mid 1990's. In view of the fact that there has been very little local interest in reconstituting the Service Area Advisory Committees whose chairpersons furnished a majority of its membership, and that all issues of a statewide concern are now addressed with the three cable providers (two of whom serve virtually the entire state), there appears to be no present need for, or interest in maintaining, the statewide technical committee. The rule change allows for the Administrator to reestablish the committee as necessary if warranted, but removes the present requirement to have such a committee.
9. Chapter 16 Prohibited Activities: The proposed rule eliminates a short, somewhat confusing section relating to referrals by a cable provider to subscribers of unspecified prohibited businesses. Aside from the issue of vagueness, there is no record of any attempt in the past to enforce this rule, and the Division sees no present need for the rule.

Careful consideration and approval of these changes is requested.

Sincerely yours,

Eric A. Palazzo
Associate Administrator Cable TV