



**Continental
Cablevision**

July 26, 1994

VIA UPS NEXT DAY AIR

Mr. Robert W. Healy
City Manager
City of Cambridge
City Hall
Cambridge, MA 02138

Re: Cambridge Rate Regulations

Dear Mr. Healy:

RECEIVED
94 JUL 27 AM 9:59
OFFICE OF THE CITY MANAGER

Joyce Hillcoat asked me to respond to the City of Cambridge's June 27, 1994 order regarding the FCC rate regulations. Specifically the Council asked the following questions:

1. How Continental has implemented the rate regulations with respect to median household income;
2. How Cambridge compares to decreases in rates nationally; and
3. If there aren't any decreases, to explain why.

The FCC provides cable operations with two alternative methods of complying with its regulations. To make an analogy, it is like the federal income tax system, in which taxpayers are given the option of filing the short form with an IRS-calculated standard deduction or a long form on which they calculate all of their actual allowable deductions. The two FCC paths to compliance are:

1. The widely reported "benchmark" formula which assumes average costs for all cable systems. This is a one-size fits all approach.
2. The "cost of service" approach, in which cable systems calculate their actual costs using FCC formulas and are then allowed a fixed rate of return above those costs.

In Cambridge, Continental is using the later approach because of our considerable investment in the cable communications system in the City. Under the

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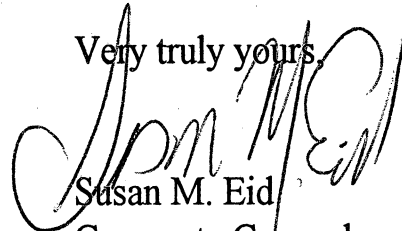
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cost of service/rate of return approach the median income is not an issue. That factor is one of several included as part of the FCC benchmark formula for calculating rates.

With our cost of service filing submitted to the City on February 18, 1994 Continental is justifying current rates based on our considerable cost of doing business in the City. Therefore, no rate changes have been made. In fact, rates in Cambridge have been frozen since March 1, 1993.

These regulations are extremely complex and confusing for all of us. Should you have any further questions I'd be happy to try answering them for you.

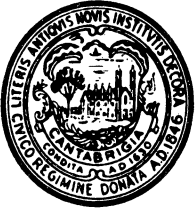
Very truly yours,



Susan M. Eid
Corporate Counsel
New England Region

SME/krh

cc: Joyce Hillcoat
Ed Holleran



CITY OF CAMBRIDGE
CAMBRIDGE, MASSACHUSETTS 02139

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EXECUTIVE DEPARTMENT
ROBERT W. HEALY
City Manager

RICHARD C. ROSSI
Deputy City Manager

August 1, 1994

To The Honorable, The City Council:

Please find attached a response to Awaiting Report Item No. 35, regarding the FCC rate regulations, received from Susan M. Eid, Corporate Counsel for Continental Cablevision.

Very truly yours,

Robert W. Healy
City Manager

RWH/mev
attachment

Consent Agenda # 4

S-366

Response to Awaiting Report Item Number
Thirty-Five regarding the FCC rate
regulations.

for original see
1994 City Manager
Requests #230.

In City Council,

August 1, 1994

Placed in file