

**COMCAST
CABLE RATE
CHANGE
REQUEST**







**CITY COUNCIL BRIEFING
MAY 18, 2005**

PURPOSE





Provide findings and recommendations regarding the Comcast Cable of Dallas, Inc. (Comcast) March 2005 rate request

-  **Background**
-  **Current Rate Filing**
-  **Consultant's Rate Review**
-  **City Manager's Recommendation**

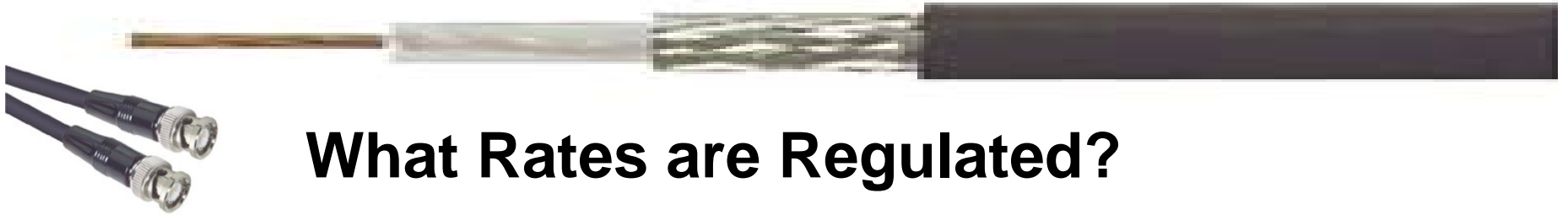
BACKGROUND



January 1994, City elected to regulate cable rates

-  **FCC allows regulation if the operator serves over 30% of the households and there is no other cable provider**
-  **Current Cable Provider is Comcast of Dallas, LP**

BACKGROUND



What Rates are Regulated?

City regulates:

- Basic Service Tier
- Equipment Rental
 - ↳ Converter Box
 - ↳ Remote Control
 - ↳ Cable Card
- Installation Charges

Other unregulated rates:

- ↳ Effective 4-1-99, Expanded Basic Service Tier is not regulated
- ↳ Premium Services, Pay- Per-View, Digital Tier are not regulated

APPEALS



- **On February 2, 2005, the City Council was briefed on the status of cable regulation, including appeals from Comcast on City rate orders**
- **Comcast may appeal any City rate order to the FCC (See appendix for status of Rate Appeals)**
- **November 15, 2004 Comcast filed a petition with the FCC to exempt Comcast from City of Dallas rate regulation – Still pending**

RATE FILING



On March 1, 2005 Comcast filed a request for rate adjustments to:

⌚ **Monthly equipment rental rates**


**Converter Box
Remote Control
Cable Card**

⌚ **One-time installation rates**


**Installation
Upgrade / Downgrade**

⌚ **Monthly Basic Service Tier rate**

RATE FILING

- 
- ❏ **Various Equipment and Installation Rates as filed by Comcast vary from a decrease of 6.7% to an increase of 127.8%**
 - ⦿ **Percent change is based on current rates compared to filed Maximum Permitted rates**
 - ⦿ **Cable operators may charge Operator Selected Rates that are less than or equal to the Maximum Permitted Rates**
 - ⦿ **Comcast has not selected Operator Selected Rates for the current equipment and service charge filing**

RATE FILING

- 
- Comcast has indicated that it will not determine the actual rates to be charged until 30 days prior to implementation and that they may be less than the MPR
 - City must set a MPR if requested by the cable provider
 - Once MPR is authorized by the City, cable provider may raise the rate it is charging customers up to the MPR
 - Requires 30 day notice to subscribers
 - No further approval required from City

RATE FILING



Basic Service Tier Rates are adjusted to recover past and projected changes in external costs

- Examples of external costs: copyright fees, retransmission consent fees & other programming costs; and other franchise related costs



Non external costs are adjusted for inflation

RATE FILING

Basic Service Tier Rate:

- ↳ Current Maximum Permitted Rate is \$11.43 *
- ↳ Authorized by City Ordinance June 23, 2004
- ↳ Current Operator Selected Rate is \$11.41*
- ↳ Filed Maximum Permitted Rate \$11.87*
(Increase of \$0.46, or 4.03%)
- ↳ Filed Operator Selected Rate \$11.66* (*Increase of \$0.25, or 2.19%*)

* Includes FCC User Fee

RATE REVIEW



City contracted with C2 Consulting Services, Inc. (Consultant), experts in cable rate regulation, to review filings and recommend rates



**Consultant's findings (report attached)
Two issues with the Basic Service Rates as filed**

RATE REVIEW



Consultant's Findings

1. **Incorrect Computation of FCC User Fees**
 - ⦿ **Comcast has failed to include FCC User Fees in the calculated rates and intends to surcharge them in addition to the regulated rates**
 - ⦿ **Per FCC regulations, the FCC User Fees should be included in rates**
 - ⦿ **Finding consistent with last year's rate order**
 - ⦿ **This issue was not appealed by Comcast**

RATE REVIEW



Consultant's Findings

2. **Programming costs not fully supported**
 - ⦿ **Comcast supported the majority of programming costs with a couple of exceptions**
 - ⦿ **Per FCC regulations, if the City makes changes to the programming costs, it would be required to update the inflation factor**
 - ⦿ **Updating the inflation factor would result in higher rates than requested**

RATE REVIEW



Consultant's Findings

- **Consultant recommends a Maximum Permitted Rate for Basic Service of \$11.87**
 - **Includes FCC User Fee**
 - **\$0.44 above the current Maximum Permitted Rate**
 - **\$0.46 above the current Operator Selected Rate**

RATE REVIEW



Consultant's findings (report attached) address five issues with the Equipment and Installation rates filing (FCC Form 1205)

- 1. Comcast included costs previously included in basic/expanded basic rates**
 - ❖ Included Property Taxes, Insurance, Utilities, office and equipment rent, bonuses, employee training, tuition reimbursement and drop labor costs already included in the service tier rates**

RATE REVIEW



Consultant's findings

- 2. Inappropriate inclusion of commissions that are not clearly received only for the sale or service of basic service**
- 3. Inappropriate inclusion of excessive inventory for HDTV/DVR converters**
- 4. Inappropriate inclusion of certain converter loss costs**
- 5. Inappropriate in-service counting of cable cards**

RATE REVIEW



**Consultant recommends adopting
Maximum Permitted Rates as shown on
the following chart.**

Comcast Monthly Rate Comparisons

<u>Description</u>	<u>Current MPR</u>	<u>Current OSR</u>	<u>Comcast Requested</u>		<u>Consultant Recommended</u>	
Basic Service Tier	\$11.43*	\$11.41*	\$11.87*	4.0%	\$11.87*	4.0%
Remote Control	\$0.32	\$0.30	\$0.28	(6.7%)	\$0.27	(10.0%)
Conv. Basic Only	\$1.20	\$1.20	\$1.47	22.5%	\$1.26	5.0%
Converter - Other	\$4.73	\$4.73	\$4.83	2.1%	\$4.62	(2.3%)
Converter HDTV	\$6.68	\$5.00	\$11.39	127.8%	\$10.01	100.2%
Cable Card	N/A	N/A	\$1.22		\$0.75	

Excludes Franchise Fees and Sales Tax

*** Includes FCC User Fee of \$0.06**

Comcast Service Charge Comparisons

<u>Description</u>	<u>Current</u>	<u>Comcast Requested</u>	<u>Consultant Recommended</u>
Installation, Unwired	\$47.47	\$51.34	\$28.00
Installation, Pre-wired	\$28.54	\$32.72	\$28.00
Install Additional Outlet:			
With Initial Install	\$15.59	\$17.11	\$14.64
Separate Trip	\$23.00	\$26.30	\$22.50
Relocate Outlet	\$21.45	\$23.44	\$20.06
Connect VCR:			
With Initial Install	\$7.99	\$8.55	\$7.32
Separate Trip	\$14.63	\$16.76	\$14.34
Change of Service:			
Addressable	\$1.99	\$1.99	\$1.99
Non-Addr. Upgrade	\$15.56	\$18.27	\$15.63
Non-Addr. Downgrade	\$14.14	\$14.37	\$12.30
Customer Caused Trouble Call	\$21.15	\$24.74	\$21.17
Hourly Service Charge	\$31.87	\$37.14	\$31.77

Comcast Monthly Bill Comparisons

<u>Description</u>	<u>Current</u>	<u>Comcast Requested</u>	<u>Consultant Recommended</u>	
<u>CITY REGULATED</u>				
Basic Service	\$11.41	\$11.87	\$11.87	4.0%
Addressable Converter	\$ 4.73	\$ 4.83	\$ 4.62	(2.1%)
<u>Remote Control</u>	<u>\$ 0.30</u>	<u>\$ 0.28</u>	<u>\$ 0.27</u>	<u>(10.0%)</u>
Subtotal	\$16.44	\$16.98	\$16.76	1.9%
NOT REGULATED				
<u>Expanded Basic</u>	<u>\$33.15</u>	<u>\$33.15</u>	<u>\$33.15</u>	<u>0.0%</u>
(Rate Increased 12/1/03)				
TOTAL	\$49.59	\$50.13	\$49.91	0.6%
FEES AND TAXES				
Franchise Fees	\$ 2.62	\$ 2.64	\$ 2.63	0.4%
PEG Fee	\$ 0.39	\$ 0.39	\$ 0.39	0.0%
<u>Sales Tax</u>	<u>\$ 4.34</u>	<u>\$ 4.39</u>	<u>\$ 4.37</u>	<u>0.7%</u>
TOTAL INCLUDING FEES AND TAXES	\$56.94	\$57.55	\$57.30	0.6%

ADOPTION OF RATES



City has one year from the filing date to rule on Comcast's proposed rate increases (February 28, 2006)

- **After initial review period of 90 days (May 30, 2005), Comcast may implement its proposed rates upon 30 days notice to the City and subscribers**

If Comcast implements new rates before the City takes action on this request, and prior to February 28, 2006, City sets rates lower than Comcast implements

Order a Rate Reduction

Order Refund

Comcast may appeal any city rate order to the FCC

ADOPTION OF RATES



City Rate Decision Options:

- 1. Reject Comcast proposed rates and approve rates as recommended by the Consultant**
- 2. Approve Comcast's request as filed**
- 3. Reject Comcast's request and establish lower rates**
- 4. Take no action**

RECOMMENDATION



**Reject rates as requested by Comcast
and set rates as recommended by
Consultant**

- ❏ The regulated rates for a typical customer will increase by 1.9% from \$16.44 to \$16.76 per month**

WHAT'S NEXT



May 25: Public Hearing



**May 25: Agenda item to adopt Ordinance
Setting Rates**



February 28, 2006: Deadline to set rates

Outstanding Issues – State Legislation



HB 3179 - AN ACT relating to the promotion of fair competition and intermodal parity among communications service providers, including municipal and state authority with regard to providers.

Pending on the House Floor

- ⦿ **Eliminates municipal franchising of cable**
- ⦿ **Eliminates municipal rate regulation of cable**
- ⦿ **Eliminates municipal regulation of cable customer service standards**
- ⦿ **Reduces compensation paid by cable providers to cities**

HB 3179 - IMPACT ON THE CITY OF DALLAS



- **Reduce Cable franchise fees: \$500k annually**
- **Eliminate support for Public Educational and Governmental use of the Cable system: \$750k annually**
- **Eliminate grant fund payments from Comcast: \$1.0 million due January 1, 2006**
- **Faze out of in-kind services:**
 - ⦿ **City will have to pay incremental cost for Traffic Control System beginning September 1, 2005**
 - ⦿ **City will have to pay full cost for Traffic Control System beginning in 2008**
 - ⦿ **Eliminates free cable drops at schools and City facilities in 2008**

Appendix



Page 27: Status of Appeals




**Page 34: Consultants Report- Basic Service
Tier Rate FCC Form 1240**

**Page 51: Consultant's Report-Equipment and
Installation rates FCC Form 1205**

Appendix A - 2003 APPEAL



Comcast appealed three specific rate adjustments contained in Ordinance #25488 adopted January 28, 2004

-  **Differentiation of converters types**
-  **Extension of depreciation schedules**
-  **Disallowance of programming cost**

2003 APPEAL



FCC Media Services Bureau released an order on September 2, 2004 which granted in part and denied in part the appeal


- Comcast should have been allowed to aggregate converter costs**
- City erred in the extension of depreciation schedules**
- City's disallowance of programming cost was appropriate and was upheld**
- Remanded the case to the City for further action**

2003 APPEAL



- ❏ **The decision sets a bad precedent with regards to what a city may consider in setting cable television rates**
 - ❏ **City requested the Commission review the Media Bureau Order**
 - ⦿ **Request for Commission review is necessary prior to any appeal to Federal court**
 - ⦿ **Request for Commission review is still pending**



2003 APPEAL

- 
- ❏ **Pending resolution of the full Commission review, the City may appeal the FCC Order to Federal Court (Fifth Circuit) or City may rehear the case on Remand from the FCC**
 - ⦿ **The decision in this case does not affect rates currently being charged to customers**
 - ⦿ **Rates were effective June 1, 2003 to May 31, 2004**
 - ⦿ **There are no refunds or surcharges applicable for these rates**
 - ⦿ **Appeal may result in additional costs for outside counsel and/or travel to Fifth Circuit**

2004 APPEAL



 On July 23, 2004 Comcast appealed Ordinance #25657, adopted June 23, 2004 citing two alleged errors:

-  The Rejection of the digital additional outlet charge
-  Disallowance of the double recovery of certain costs

2004 APPEAL



The City filed a formal response to the appeal

- **The FCC issued an Order March 14, 2005**
 - **Ruled in favor of City on double recovery of costs**
 - **Ruled in favor of Comcast on Digital Additional Outlet**
- **Comcast filed a motion for reconsideration**
 - **City filed a response to the motion for reconsideration**
 - **Motion still pending before the FCC**

May 12, 2005

Mr. Nick Fehrenbach
Manager of Regulatory Affairs
City of Dallas
1500 Marilla Street – Rm. 4FN
Dallas, Texas 75201

Dear Mr. Fehrenbach:

C2 Consulting Services, Inc. (“C2”) provides the following report concerning a review of the FCC Form 1240 for headend H0721AG submitted to the City of Dallas, Texas (the “City”) by Comcast of Dallas, L.P. (“Comcast” or the “Company”) on or about March 1, 2005. Contained herein is a summary of the findings and recommendations.

This study does not constitute an examination of the financial condition of Comcast or its parent company. Therefore, C2 cannot and does not express any position with regard to the accuracy or validity of the financial information provided by Comcast during the course of the analyses.

OVERVIEW OF THE FILING

According to the information provided by Comcast, the number of basic service channels remained at forty-one (41) during the true-up period. There is a noted change of moving *The Weather Channel* to the second tier and adding a local origination channel in early 2005, but the total number of basic service channels has not changed. No additional changes to the basic service tier are proposed through May 2006.

Comcast has filed a Maximum Permitted Rate (“MPR”) for the Form 1240 of \$11.81, which is not inclusive of the FCC User Fee. In order to make a comparison to the current rate, we must add to the filed rate Comcast’s proposed \$0.06 monthly FCC User Fee. The result is an effective Form 1240 rate of \$11.87; \$0.44 higher than the current maximum permitted rate of \$11.43. Unlike its prior filings, Comcast has provided its Operator Selected Rate (“OSR”) as \$11.60 (also not inclusive of the FCC User Fee), with the effective OSR being \$11.66.

There are three major factors that explain Comcast's proposed change in the MPR for basic service:¹

1. Based on prior City directives, recovery of franchise related PEG costs are slightly higher in this filing than prior recovery amounts allowed. This results in an increase to the current rate of approximately \$0.02
2. The actual inflation rate was greater than the average rate used in the projected period in the 2004 filing along with the added inflation for the projected period in this filing. This results in an increase to the current rate of approximately \$0.22
3. The true-up segment going forward has been reduced from a negative \$0.12 to a positive \$.09, or net increase of \$0.21. (This increase is in large part due to the increase in programming costs for the true up period.)

ANALYSIS OF THE FILING

Project Objectives and Activities

The project objectives are three-fold:

1. Assessment of the completeness of the filings with regard to the information and documentation that must be filed with the City
2. Assessment of the reasonableness of the proposed computations in light of City's prior rate decisions, FCC regulation, recent FCC rulings, and rate treatment in other similar jurisdictions
3. Assessment of the reasonableness of the proposed computations in light of the system specific costs and subscriber data

Given these objectives, C2 conducted the following project activities:

- Review of the filing to assess the completeness based on the FCC Form instructions
- Review of the filing to identify any issues with respect to the data and/or methodologies employed by Comcast
- Submission of follow-up data requests and subsequent review of Comcast's responses
- Development of potential alternatives available to the City in establishing maximum permitted basic service rates

Summary of Findings

C2 identified two main issues with respect to Comcast's proposed computation of the basic service rate. These issues are:

- Comcast incorrectly excluded FCC User Fees in its projected period computation; and

¹ Again, these comparisons can only be made if the \$0.06 FCC User Fee is added to Comcast's proposed MPR for the Form 1240.

Mr. Nick Fehrenbach

May 12, 2005

Page 3

- Comcast has not fully supported its programming costs.

1. Incorrect Computation of FCC User Fees

The FCC has found that the FCC User Fee should be one of the components of the external costs calculated on Worksheet 7. This is evidenced by the Form 1240 Instructions for Worksheet 7 that requires:

Line 708 Commission Regulatory Fees For the Period. Enter the total Commission regulatory fees for the period.

Also on point is 47 C.F.R. §76.922(f)(1), which provides:

External costs shall consist of costs in the following categories: . . . (vi) Commission cable television system regulatory fees impose pursuant to 47 U.S.C. §159.

As with the 2004 filing, Comcast has again excluded FCC User Fees in its projected period. Based on Comcast response to a request for information asking for the Company's rationale for such exclusion, given the City's 2005 Order to include the FCC User Fees in basic service rates, the Company stated:

. . . Comcast has chosen to recover the FCC Regulatory Fees as prescribed in the Fourth Order on reconsideration ("Fourth Order") (See FCC 94-254, fourth Order On Reconsideration, released October 5, 1994) instead of including the Commission Regulatory Fees in its FCC Form 1240 calculation for the Projected Period. We believe that the method prescribed by the Fourth Order provides a more precise method and a more efficient method of recovery than the [sic] using FCC Form 1240 to project the estimated total in the current filing and "truing-up" that amount in the subsequent Form 1240 filing.²

C2 agrees that the 1994 decision did set out the manner in which FCC user fees can be recovered. However **subsequent** to that ruling was the *Thirteenth Order on Reconsideration* (1995), which established the Form 1240 process and the requirement that FCC User Fees be included on Worksheet 7. In C2's opinion, if the FCC did not believe that FCC User Fees should be included in the Form 1240 computation, it would not have included it in the formulae after its 1994 Fourth Order. Clearly, the latter regulations should apply unless there is specific reference to an alternative methodology. Therefore, it is inappropriate and not in compliance with the FCC instructions for the Company to exclude the FCC User Fee in developing the MPR for basic service.

With respect to the actual computation of the rate, Comcast has adopted the methodology put forth by the City in its 2004 findings and appropriately trued-up the projected FCC User Fee from the 2004 case.

In the instant filing, including FCC User Fees as required in the projected period results in an increase to Comcast's rate shown on Line I9 of approximately \$0.06. However, in reality with Comcast's proposal to charge the \$0.06 separately from the Line I9 rate, the adjustment is

² Response to Dallas First RFI 1240-11 received on or about March 18, 2004.

invisible to the subscriber. C2 notes that the \$0.06 FCC User Fee would also be added to Comcast proposed OSR of \$11.60, resulting in an effective charge of \$11.66.

2. Unjustified Programming Expense

Based on the Form 1240 formulae, programming expenses paid to outside programmers are to be true-up and projected for the new rate year. On the Dallas basic service tier, there are only four channels during the true-up period that require additional programming costs be included in the rate development and three channels in the projected period. Comcast proposes to increase the average programming cost per subscriber by approximately 4% over the programming rates included in the 2004 rate decision.

In order to assess the reasonableness of the programming cost increases, the City submitted the following request for information:

Provide supporting documentation used for the development of the programming costs shown on Exhibit VI to the filing and used in the development of costs on Worksheet 7. Include in your response **COPIES** of the actual contracts, invoices, correspondence, and programmer notification, which supports the amount directly, or indirectly assigned as well as programming costs by channel. Be sure to include the 2004 invoices for each channel for which programming costs are included. Also, be sure to include the complete calculations of 2004/2005 projections that are based on some inflation factors reference in any contract information. If no inflationary adjustments are used, provide an explanation as to why given the recent arguments the Company has placed before the FCC.³

On March 11, the Company responded that it would provide such information with the execution of a confidentiality agreement. The City of Dallas responded on March 21 with the following:

. . . the City is requesting its consultant not to sign the proposed confidentiality agreement proffered by Comcast. The City's consultant should not be required to sign such an agreement because it would unduly restrict the consultant's ability to provide relevant information to the City and to respond to relevant City Council and City staff questions, and because imposition of the overly broad non-disclosure requirement in the proffered instrument would be contrary both to FCC regulations and Texas state law. Comcast has not asked the City to execute a similar agreement, and the City would not do so if requested.⁴

Comcast responded with provision of "Programming Invoice Information," and the invitation to "view" the programming contracts, but did not provide any copies of the contracts, correspondence with programmers or other information requested. In fact, the invoice information only showed the City specific line item, and was described by Comcast as being internally generated. In an e-mail communication with a Comcast representative during the 2004 study, the following statement was made:

The Corporate Programming Department generates these invoices on a monthly or quarterly basis depending on programming service. This is a more efficient methodology

³ Dallas First RFI 1240-5, submitted to Comcast on or about March 2, 2004.

⁴ Letter from Nikolaus K. L. Fehrenbach to Craig A. Schmid, dated March 21, 2005.

than having the MSO provide the appropriate subscriber counts to each programming vendor to generate an invoice back to the MSO.⁵

On May 3, 2005, the City informed the Company that a “viewing” was unacceptable given the recent decision FCC Order DA 04-2851, released September 2, 2004. In that decision, the FCC fully established the City’s right to **request receipt of such information necessary to support programming costs.**

Even in prior decisions, the FCC has been very clear on the issue of providing supporting documentation, even if such documentation is considered confidential and proprietary. In the *Third Order on Reconsideration*, the FCC found:

In the Rate Order, we stated that franchising authorities will have the right to collect additional information-including proprietary information-to make a rate determination in those cases where cable operators have submitted initial rates or have proposed increases.
. . .⁶

. . . we find that franchising authorities and the parties to a rate proceeding must have access to the information upon which the rate justification is based. Such access is essential to permit the franchising authority to make an informed evaluation, based on complete information, of the reasonableness of the rate in question.⁷

In fact, Comcast’s own attorneys petitioned the FCC in 1995 to restrict the access to such information by proposing to provide an external auditor letter that the proprietary information concerning programmer contracts was true and correct. In response to that request, the FCC declined to consider the request without a formal rulemaking procedure and reaffirmed the findings in the *Third Order on Reconsideration*.⁸

On May 9, 2005, the City received the actual contracts related to the programming costs included in the filing. A summary of the review of these contracts is as follows:

- Comcast supported the majority of its true-up period programming costs based on invoices and contract terms with two possible exceptions:
 - * Comcast did not take into account certain receipts for infomercials noted in the contracts
 - * Comcast did not provide correspondence with the programmers that may have had an impact on certain most favored nations provisions
- Comcast did not support the projected programming costs in the filing due to certain 2006 provisions that will impact at least one of the channels.

The impact of changing the programming costs would be to reduce Comcast’s proposed rate by approximately \$0.07. However in making such a change, the City would be required to refresh the inflation factor to the latest information available.

⁵ E-mail from Mr. Craig Schmid to Ms. Connie Cannady, dated April 13, 2004

⁶ *Third Order on Reconsideration*, 9 FCC Red. 4316 1994), paragraph 74

⁷ *Ibid.*, paragraph 77.

⁸ Letter to Cole, Raywid & Braverman from the FCC, DA 95-1175, released May 26, 1995

Mr. Nick Fehrenbach
May 12, 2005
Page 6

The FCC has found that if a franchising authority makes adjustment to the cable operator's proposed Form 1240 filing, the inflation factor(s) used in the filed Form 1240 must be refreshed to incorporate the latest information available. The Company used a projected period rate of 1.43% (third quarter 2004), issued prior to its filing date. However on April 7, 2005, the FCC issued the fourth quarter 2004 factor of 2.26%, which must now be used for the projected period. Including the new inflation factor actually increases the rate by \$0.09.

Combining the programming cost adjustment with the inflation adjustment actually increases Comcast's proposed rate by approximately \$0.02 (with the FCC User Fee added).

SUMMARY OF PRELIMINARY RECOMMENDATIONS

Based on the above discussion, the City should consider the following:

- Adopt Comcast's filed Form 1240 rate of \$11.81 and limit the FCC User Fee to \$0.06 per month.
- Closely review the programming costs proposed in the next filing to ensure that Comcast has taken into account all contractual rebates.

C2 greatly appreciates this opportunity to assist the City of Dallas in its review of the Form 1240 filing. If you have any questions concerning these findings and recommendations, please contact Ms. Connie Cannady at 972-726-7216.

Very truly yours,

C2 Consulting Services, Inc.

8. Status of Previous Filing of FCC Form 1210 (enter an "x" in the appropriate box)

	YES	NO
a. Has an FCC Form 1210 been previously filed with the FCC?	<input type="checkbox"/>	<input type="checkbox"/>
	If yes, enter the date of the most recent filing: <input type="text"/> (mm/dd/yy)	

	YES	NO
b. Has an FCC Form 1210 been previously filed with the Franchising Authority?	<input type="checkbox"/>	<input type="checkbox"/>
	If yes, enter the date of the most recent filing: <input type="text"/> (mm/dd/yy)	

9. Status of FCC Form 1200 Filing (enter an "x" in the appropriate box)

	YES	NO
a. Has an FCC Form 1200 been previously filed with the FCC?	<input type="checkbox"/>	<input type="checkbox"/>
	If yes, enter the date filed: <input type="text"/> (mm/dd/yy)	

	YES	NO
b. Has an FCC Form 1200 been previously filed with the Franchising Authority?	<input type="checkbox"/>	<input type="checkbox"/>
	If yes, enter the date filed: <input type="text"/> (mm/dd/yy)	

10. Cable Programming Services Complaint Status (enter an "x" in the appropriate box)

	YES	NO
a. Is this form being filed in response to an FCC Form 329 complaint?	<input type="checkbox"/>	<input type="checkbox"/>
	If yes, enter the date of the complaint: <input type="text"/> (mm/dd/yy)	

11. Is FCC Form 1205 Being Included With This Filing

12. Selection of "Going Forward" Channel Addition Methodology (enter an "x" in the appropriate box)

Check here if you are using the original rules [MARKUP METHOD].

Check here if you are using the new, alternative rules [CAPS METHOD].

If using the CAPS METHOD, have you elected to revise recovery for channels added during the period May 15, 1994 to Dec. 31, 1994?

	YES	NO
	<input type="checkbox"/>	<input type="checkbox"/>

13. Headend Upgrade Methodology

**NOTE: Operators must certify to the Commission their eligibility to use this upgrade methodology and attach an equipment list and depreciation schedule.*

Check here if you are a qualifying small system using the streamlined headend upgrade methodology.

Part I: Preliminary Information

Module A: Maximum Permitted Rate From Previous Filing

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
A1	Current Maximum Permitted Rate	\$11.4289				

Module B: Subscribership

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
B1	Average Subscribership For True-Up Period 1	147,599				
B2	Average Subscribership For True-Up Period 2	0				
B3	Estimated Average Subscribership For Projected Period	147,599				

Module C: Inflation Information

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
C1	Unclaimed Inflation: Operator Switching From 1210 To 1240					1.0000
C2	Unclaimed Inflation: Unregulated Operator Responding to Rate Complaint					1.0000
C3	Inflation Factor For True-Up Period 1 [Wks 1]					1.0223
C4	Inflation Factor For True-Up Period 2 [Wks 1]					0.0000
C5	Current FCC Inflation Factor					1.0226

Module D: Calculating the Base Rate

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
D1	Current Headend Upgrade Segment	\$0.0000				
D2	Current External Costs Segment	\$1.1242				
D3	Current Caps Method Segment	\$0.0000				
D4	Current Markup Method Segment	\$0.0300				
D5	Current Channel Movement and Deletion Segment	\$0.2312				
D6	Current True-Up Segment	(\$0.1211)				
D7	Current Inflation Segment	\$0.1541				
D8	Base Rate [A1-D1-D2-D3-D4-D5-D6-D7]	\$10.0105				

Part II: True-Up Period Module E: Timing Information

Line	Line Description		
E1	What Type of True-Up Is Being Performed? (Answer "1", "2", or "3". See Instructions for a description of these types.)		3
If "1", go to Module I. If "2", answer E2 and E3. If "3", answer E2, E3, E4, and E5.			
E2	Number of Months in the True-Up Period 1		12
E3	Number of Months between the end of True-Up Period 1 and the end of the most recent Projected Period		5
E4	Number of Months in True-Up Period 2 Eligible for Interest		0
E5	Number of Months True-Up Period 2 Ineligible for Interest		0

Module F: Maximum Permitted Rate For True-Up Period 1

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
F1	Caps Method Segment For True-Up Period 1 [Wks 2]					
F2	Markup Method Segment For True-Up Period 1 [Wks 3]	\$0.0300				
F3	Chan Mvmnt Deletn Segment For True-Up Period 1 [Wks' 4/5]	\$0.2312				
F4	True-Up Period 1 Rate Eligible For Inflation [D8+F1+F2+F3]	\$10.2717				
F5	Inflation Segment for True-Up Period 1 [(F4*C3)-F4]	\$0.2293				
F6	Headend Upgrade Segment For True-Up Period 1 [Wks 6]					
F7	External Costs Segment For True-Up Period 1 [Wks 7]	\$1.1524				
F8	True-Up Segment For True-Up Period 1	(\$0.1266)				
F9	Max Perm Rate for True-Up Period 1 [F4+F5+F6+F7+F8]	\$11.5269				

Module G: Maximum Permitted Rate For True-Up Period 2

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
G1	Caps Method Segment For True-Up Period 2 [Wks 2]					
G2	Markup Method Segment For True-Up Period 2 [Wks 3]					
G3	Chan Mvmnt Deletn Segment For True-Up Period 2 [Wks' 4/5]					
G4	TU Period 2 Rate Eligible For Inflation [D8+F5+G1+G2+G3]					
G5	Inflation Segment for True-Up Period 2 [(G4*C4)-G4]					
G6	Headend Upgrade Segment For True-Up Period 2 [Wks 6]					
G7	External Costs Segment For True-Up Period 2 [Wks 7]					
G8	True-Up Segment For True-Up Period 2					
G9	Max Perm Rate for True-Up Period 2 [G4+G5+G6+G7+G8]					

Module H: True-Up Adjustment Calculation

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
Adjustment For True-Up Period 1						
H1	Revenue From Period 1	\$20,284,530.57				
H2	Revenue From Max Permitted Rate for Period 1	\$20,416,260.5654				
H3	True-Up Period 1 Adjustment [H2-H1]	\$131,729.9954				
H4	Interest on Period 1 Adjustment	\$0.00				
Adjustment For True-Up Period 2						
H5	Revenue From Period 2 Eligible for Interest					
H6	Revenue From Max Perm Rate for Period 2 Eligible For Interest					
H7	Period 2 Adjustment Eligible For Interest [H6-H5]					
H8	Interest on Period 2 Adjustment (See instructions for formula)					
H9	Revenue From Period 2 Ineligible for Interest					
H10	Revenue From Max Perm Rate for Period 2 Ineligible for Interest					
H11	Period 2 Adjustment Ineligible For Interest [H10-H9]					
Total True-Up Adjustment						
H12	Previous Remaining True-Up Adjustment					
H13	Total True-Up Adjustment [H3+H4+H7+H8+H11+H12]	\$131,729.9954				
H14	Amount of True-Up Claimed For This Projected Period	\$131,729.9954				
H15	Remaining True-Up Adjustment [H13-H14]	\$0.0000				

**Part III: Projected Period
Module I: New Maximum Permitted Rate**

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
I1	Caps Method Segment For Projected Period [Wks 2]					
I2	Markup Method Segment For Projected Period [Wks 3]	\$0.0300				
I3	Chan Mvmt Deletn Segment For Projected Period [Wks 4/5]	\$0.2312				
I4	Proj. Period Rate Eligible For Inflation [D8+F5+G5+I1+I2+I3]	\$10.501				
I5	Inflation Segment for Projected Period [(I4*C5)-I4]	\$0.2373				
I6	Headend Upgrade Segment For Projected Period [Wks 6]					
I7	External Costs Segment For Projected Period [Wks 7]	\$1.0763				
I8	True-Up Segment For Projected Period	\$0.0744				
I9	Max Permitted Rate for Projected Period [I4+I5+I6+I7+I8]	\$11.889	\$11.8655			
I10	Operator Selected Rate For Projected Period	\$11.60	\$11.66			

Note: The maximum permitted rate figures do not take into account any refund liability you may have. If you have previously been ordered by the Commission or your local franchising authority to make refunds, you are not relieved of your obligation to make such refunds even if the permitted rate is higher than the contested rate or your current rate.

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

Signature	Date
Name and Title of Person Completing this Form:	
Telephone number	Fax Number

Worksheet 1 - True-Up Period Inflation

For instructions, see Appendix A of Instructions For FCC Form 1240

Line	Period	FCC Inflation Factor
101	Month 1	2.84%
102	Month 2	2.84%
103	Month 3	2.84%
104	Month 4	3.23%
105	Month 5	3.23%
106	Month 6	3.23%
107	Month 7	1.43%
108	Month 8	1.43%
109	Month 9	1.43%
110	Month 10	1.43%
111	Month 11	1.43%
112	Month 12	1.43%
113	Average Inflation Factor for True-Up Period 1	1.0223
114	Month 13	
115	Month 14	
116	Month 15	
117	Month 16	
118	Month 17	
119	Month 18	
120	Month 19	
121	Month 20	
122	Month 21	
123	Month 22	
124	Month 23	
125	Month 24	
126	Average Inflation Factor for True-Up Period 2	

Worksheet 3 - Markup Method True-Up Period, Basic Tier

For instructions, see Appendix A of Instructions For FCC Form 1240

True-Up Period	Projected Period
X	

Question 1. Indicate the period for which this worksheet is being used. (Put an "X" in the appropriate box.)

Question 2. Indicate the tier for which this worksheet is being used. (Put an "X" in the appropriate box.)

Basic	Tier 2	Tier 3	Tier 4	Tier 5
X				

Question 3. How long is the first period, in months, for which rates are being set with this worksheet?

12
1

Question 4. How long is the second period, in months, for which rates are being set with this worksheet?

Line	Period	1	2	3	4	5	6	7
		Sum of Previous Regulated Channels	Sum of Current Regulated Channel	Average Channels	Per Channel Adjustment	Channels Added	Total Adjustment	Cumulative Adjustment
301	Previous Month							\$0.03
302	Month 1	85	85	85.0	\$0.01	0	\$0.00	\$0.03
303	Month 2	85	85	85.0	\$0.01	0	\$0.00	\$0.03
304	Month 3	85	85	85.0	\$0.01	0	\$0.00	\$0.03
305	Month 4	85	85	85.0	\$0.01	0	\$0.00	\$0.03
306	Month 5	85	85	85.0	\$0.01	0	\$0.00	\$0.03
307	Month 6	85	85	85.0	\$0.01	0	\$0.00	\$0.03
308	Month 7	85	85	85.0	\$0.01	0	\$0.00	\$0.03
309	Month 8	85	85	85.0	\$0.01	0	\$0.00	\$0.03
310	Month 9	85	85	85.0	\$0.01	0	\$0.00	\$0.03
311	Month 10	85	85	85.0	\$0.01	0	\$0.00	\$0.03
312	Month 11	85	85	85.0	\$0.01	0	\$0.00	\$0.03
313	Month 12	85	85	85.0	\$0.01	0	\$0.00	\$0.03
314	Average Period 1 Markup Method Adjustment							\$0.0300
315	Month 13							
316	Month 14							
317	Month 15							
318	Month 16							
319	Month 17							
320	Month 18							
321	Month 19							
322	Month 20							
323	Month 21							
324	Month 22							
325	Month 23							
326	Month 24							
327	Average Period 2 Caps Method Adjustment							\$0.0000

Worksheet 3 - Markup Method Projected Period, Basic Tier

For instructions, see Appendix A of Instructions For FCC Form 1240

True-Up Period	Projected Period
	X

Question 1. Indicate the period for which this worksheet is being used. (Put an "X" in the appropriate box.)

Question 2. Indicate the tier for which this worksheet is being used. (Put an "X" in the appropriate box.)

Basic	Tier 2	Tier 3	Tier 4	Tier 5
X				

Question 3. How long is the first period, in months, for which rates are being set with this worksheet?

12
1

Question 4. How long is the second period, in months, for which rates are being set with this worksheet?

Line	Period	1	2	3	4	5	6	7
		Sum of Previous Regulated Channels	Sum of Current Regulated Channel	Average Channels	Per Channel Adjustment	Channels Added	Total Adjustment	Cumulative Adjustment
301	Previous Month							\$0.03
302	Month 1	85	85	85.0	\$0.01	0	\$0.00	\$0.03
303	Month 2	85	85	85.0	\$0.01	0	\$0.00	\$0.03
304	Month 3	85	85	85.0	\$0.01	0	\$0.00	\$0.03
305	Month 4	85	85	85.0	\$0.01	0	\$0.00	\$0.03
306	Month 5	85	85	85.0	\$0.01	0	\$0.00	\$0.03
307	Month 6	85	85	85.0	\$0.01	0	\$0.00	\$0.03
308	Month 7	85	85	85.0	\$0.01	0	\$0.00	\$0.03
309	Month 8	85	85	85.0	\$0.01	0	\$0.00	\$0.03
310	Month 9	85	85	85.0	\$0.01	0	\$0.00	\$0.03
311	Month 10	85	85	85.0	\$0.01	0	\$0.00	\$0.03
312	Month 11	85	85	85.0	\$0.01	0	\$0.00	\$0.03
313	Month 12	85	85	85.0	\$0.01	0	\$0.00	\$0.03
314	Average Period 1 Markup Method Adjustment							\$0.0300

Worksheet 5 - Channel Movement and Deletion True-Up Period, Basic Tier

For instructions, see Appendix A of Instructions For FCC Form 1240

Question 1. Indicate the period for which this worksheet is being used. (Put an "X" in the appropriate box.)

True-Up Period	Projected Period
X	

Question 2. Indicate the tier for which this worksheet is being used. (Put an "X" in the appropriate box.)

Basic	Tier 2	Tier 3	Tier 4	Tier 5
X				

Question 3. How long is the first period, in months, for which rates are being set with this worksheet?

12

Question 4. How long is the second period, in months, for which rates are being set with this worksheet?

1

Line	Period	1	2	3	4
		Residual of Channels Deleted From Tier	Residual of Channels Moved (added) to Tier	Net Per-Channel Cost Adjustment [Column 2 - Column 1]	Cumulative Net Per- Channel Cost Adjustment
501	Previous Period				\$0.2312
502	Month 1	\$0.0000	\$0.0000	\$0.0000	\$0.2312
503	Month 2	\$0.0000	\$0.0000	\$0.0000	\$0.2312
504	Month 3	\$0.0000	\$0.0000	\$0.0000	\$0.2312
505	Month 4	\$0.0000	\$0.0000	\$0.0000	\$0.2312
506	Month 5	\$0.0000	\$0.0000	\$0.0000	\$0.2312
507	Month 6	\$0.0000	\$0.0000	\$0.0000	\$0.2312
508	Month 7	\$0.0000	\$0.0000	\$0.0000	\$0.2312
509	Month 8	\$0.0000	\$0.0000	\$0.0000	\$0.2312
510	Month 9	\$0.0000	\$0.0000	\$0.0000	\$0.2312
511	Month 10	\$0.0000	\$0.0000	\$0.0000	\$0.2312
512	Month 11	\$0.0000	\$0.0000	\$0.0000	\$0.2312
513	Month 12	\$0.0000	\$0.0000	\$0.0000	\$0.2312
514	Average Period 1 Channel Movement and Deletion Adjustment				\$0.2312
515	Month 13				
516	Month 14				
517	Month 15				
518	Month 16				
519	Month 17				
520	Month 18				
521	Month 19				
522	Month 20				
523	Month 21				
524	Month 22				
525	Month 23				
526	Month 24				
527	Average Period 2 Channel Movement and Deletion Adjustment				

Worksheet 5 - Channel Movement and Deletion Projected Period, Basic Tier

For instructions, see Appendix A of Instructions For FCC Form 1240

Question 1. Indicate the period for which this worksheet is being used. (Put an "X" in the appropriate box.)

True-Up Period	Projected Period
	X

Question 2. Indicate the tier for which this worksheet is being used. (Put an "X" in the appropriate box.)

Basic	Tier 2	Tier 3	Tier 4	Tier 5
X				

Question 3. How long is the first period, in months, for which rates are being set with this worksheet?

12

Question 4. How long is the second period, in months, for which rates are being set with this worksheet?

1

Line	Period	1	2	3	4
		Residual of Channels Deleted From Tier	Residual of Channels Moved (added) to Tier	Net Per-Channel Cost Adjustment [Column 2 - Column 1]	Cumulative Net Per-Channel Cost Adjustment
501	Previous Period				\$0.2312
502	Month 1	\$0.0000	\$0.0000	\$0.0000	\$0.2312
503	Month 2	\$0.0000	\$0.0000	\$0.0000	\$0.2312
504	Month 3	\$0.0000	\$0.0000	\$0.0000	\$0.2312
505	Month 4	\$0.0000	\$0.0000	\$0.0000	\$0.2312
506	Month 5	\$0.0000	\$0.0000	\$0.0000	\$0.2312
507	Month 6	\$0.0000	\$0.0000	\$0.0000	\$0.2312
508	Month 7	\$0.0000	\$0.0000	\$0.0000	\$0.2312
509	Month 8	\$0.0000	\$0.0000	\$0.0000	\$0.2312
510	Month 9	\$0.0000	\$0.0000	\$0.0000	\$0.2312
511	Month 10	\$0.0000	\$0.0000	\$0.0000	\$0.2312
512	Month 11	\$0.0000	\$0.0000	\$0.0000	\$0.2312
513	Month 12	\$0.0000	\$0.0000	\$0.0000	\$0.2312
514	Average Period 1 Channel Movement and Deletion Adjustment				\$0.2312

Worksheet 7 - External Costs True-Up Period

For instructions, see Appendix A of Instructions For FCC Form 1240

True-Up Period	Projected Period
X	
	12
	1

Question 1. For which time period are you filling out this worksheet? [Put an "X" in the appropriate box.]

Question 2. How long is the first period, in months, for which rates are being set with this worksheet?

Question 3. How long is the second period, in months, for which rates are being set with this worksheet?

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
------	------------------	------------	-------------	-------------	-------------	-------------

Period 1

External Costs Eligible for Markup						
701	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period	\$1,261,591.18				
702	Retransmission Consent Fees For Period	\$0.00				
703	Copyright Fees For Period	\$192,974.71				
704	External Costs Eligible For 7.5% Markup	\$1,454,565.89				
705	Marked Up External Costs	\$1,563,658.3341				
External Costs Not Eligible for Markup						
706	Cable Specific Taxes For Period	\$0.00				
707	Franchise Related Costs For Period	\$382,916.69				
708	Commission Regulatory Fees For Period	\$94,581.72				
709	Total External Costs For Period	\$2,041,156.7441				
710	Monthly, Per-Subscriber External Costs For Period 1	\$1.1524				

Period 2

External Costs Eligible for Markup						
711	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period					
712	Retransmission Consent Fees For Period					
713	Copyright Fees For Period					
714	External Costs Eligible For 7.5% Markup					
715	Marked Up External Costs					
External Costs Not Eligible for Markup						
716	Cable Specific Taxes For Period					
717	Franchise Related Costs For Period					
718	Commission Regulatory Fees For Period					
719	Total External Costs For Period					
720	Monthly, Per-Subscriber External Costs For Period 2					

Worksheet 7 - External Costs Projected Period

For instructions, see Appendix A of Instructions For FCC Form 1240

True-Up Period	Projected Period
	X
12	
0	

Question 1. For which time period are you filling out this worksheet? [Put an "X" in the appropriate box.]

Question 2. How long is the first period, in months, for which rates are being set with this worksheet?

Question 3. How long is the second period, in months, for which rates are being set with this worksheet?

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
Period 1						
External Costs Eligible for Markup						
701	Cost of Programming For Channels Added Prior to 5/15/94 or After 5/15/94 Using Markup Method For Period	\$1,102,436.30				
702	Retransmission Consent Fees For Period	\$0.00				
703	Copyright Fees For Period	\$192,184.53				
704	External Costs Eligible For 7.5% Markup	\$1,294,620.83				
705	Marked Up External Costs	\$1,391,717.3937				
External Costs Not Eligible for Markup						
706	Cable Specific Taxes For Period	\$0.00				
707	Franchise Related Costs For Period	\$408,333.36				
708	Commission Regulatory Fees For Period	\$106,271.28				
709	Total External Costs For Period	\$1,906,322.0337				
710	Monthly, Per-Subscriber External Costs For Period 1	\$1.0763				

Worksheet 8 - True-Up Rate Charged

For instructions, see Appendix A of Instructions For FCC Form 1240

Question 1. How long is the True-Up Period 1, in months?

12

Question 2. How long is the True-Up Period 2, in months?

1

Line	Line Description	a Basic	b Tier 2	c Tier 3	d Tier 4	e Tier 5
801	Month 1	\$11.5400				
802	Month 2	\$11.5400				
803	Month 3	\$11.5400				
804	Month 4	\$11.5500				
805	Month 5	\$11.4100				
806	Month 6	\$11.4100				
807	Month 7	\$11.4100				
808	Month 8	\$11.4100				
809	Month 9	\$11.4100				
810	Month 10	\$11.4000				
811	Month 11	\$11.4000				
812	Month 12	\$11.4100				
813	Period 1 Average Rate	\$11.4525				

814	Month 13					
815	Month 14					
816	Month 15					
817	Month 16					
818	Month 17					
819	Month 18					
820	Month 19					
821	Month 20					
822	Month 21					
823	Month 22					
824	Month 23					
825	Month 24					
826	Period 2 Average Rate					

May 12, 2005

Mr. Nick Fehrenbach
Manager of Regulatory Affairs
City of Dallas
1500 Marilla Street – Rm. 4EN
Dallas, Texas 75201

Dear Mr. Fehrenbach:

C2 Consulting Services, Inc. (“C2”) provides this report concerning review of the FCC Form 1205 submitted to the City of Dallas, Texas (the “City”) by Comcast Cable Dallas, L.P.. (“Comcast” or the “Company”) on or about March 1, 2005. Contained herein is a summary of the findings and recommendations.

This study does not constitute an examination of the financial condition of Comcast or its parent company. Therefore, C2 cannot and does not express any position with regard to the accuracy or validity of the financial information provided by Comcast during the course of the analyses.

OVERVIEW OF THE FILING

In its 2005 Form 1205 filing, Comcast proposes the following major changes:

- Significant increase in the Hourly Service Charge (“HSC”) from the current charge of \$31.87 to a Maximum Permitted Rate of \$37.14 (a 17% increase)
- Resulting significant increases in unwired and pre-wired installation of 8% and 115%, respectively
- Additional outlet at initial time from installation to increase by approximately 10%
- Additional outlet at separate time from installation to increase by approximately 14%
- Non-addressable downgrade of service to increase by approximately 1%
- Non-addressable upgrade of service to increase by approximately 17%
- Connect VCR to increase by 7% to 15%
- Customer trouble call charge to increase by approximately 17%
- Monthly Basic Only converter charge to increase by approximately 23%
- Monthly Non-Basic Only converter charge to increase by approximately 11%
- Monthly remote charge to decrease by \$0.04
- Separate HDTV/DVR converter charge to increase by 128% per month
- A new charge for Cable Cards of \$1.22 per month

The above increases are based on a comparison of the City’s adopted rates for 2004 and the

Maximum Permitted Rates (“MPR”) proposed in this filing.¹

As done in the 2004 filing, Comcast has filed a combined Form 1205 for all of its owned and operated systems. The filing is based on the fiscal year 2004 data for the entire Company. As with the prior year filing, the Company has used a statistical study to sample 20 systems of various sizes to determine the following component of the Form 1205:

- Annual customer equipment and installation costs excluding leased equipment
- Annual hours devoted to equipment basket activities
- Annual hours devoted to leased equipment storage, maintenance and repair
- Time requirements for individual equipment basket activities

SUMMARY OF FINDINGS

Based on a review of each of the sample “area” system Form 1205 computations, the computations of equipment and installation charges incurred at the system and corporate levels, Comcast responses to requests for information, and a review of the City’s 1995 initial basic service rate and Form 1205 unbundling, C2 has identified the following issues:

- Inappropriate inclusion of costs not previously unbundled during the Form 1220 process for the City
 - Property Taxes
 - Insurance
 - Utilities
 - Office and Equipment Rent
 - Employee Bonuses
 - Employee training and tuition reimbursement
 - Drop Labor costs and hours
- Inappropriate inclusion of commissions that are not clearly received only for the sale or service of basic service
- Inappropriate inclusion of excessive inventory for HDTV/DVR converters
- Inappropriate inclusion of certain converter loss costs
- Inappropriate in-service counting of cable cards

1. Inclusion of Costs Not Previously Unbundled

In the 2004 case review, C2 noted that there are three categories of costs included on Schedule B in the instant filing that have never been included in any of the Form 1205s filed with the City: Utilities, Property Taxes, and Insurance. These costs were added by Comcast, but not previously

¹ Comcast has not included any OSRs and has stated that it will not do so until 30 days prior to rate implementation. Comcast also stated that it does not believe the City needs the OSR in order to make an informed decision concerning the rate filing. Therefore the comparisons can only be under the assumption that Comcast will implement the MSR from this filing.

included in the aggregated Form 1205s filed TCI or AT&T during their respective operations of the Dallas system. As noted in the 2004 report, this issue becomes important in that if costs were not unbundled in the Form 1220 computations, these costs would have remained in the monthly service rates and been included in any subsequent Form 1240 evaluations. To include such costs in the Form 1205 filing would now provide Comcast with a “double recovery” of the costs; once from the monthly service charge, and again from the installation and equipment rates.

The City’s Ordinance No. 25657 provided that the additional costs included by Comcast, but not previously included by TCI and AT&T in prior filings, were not allowable in the Form 1205 computation. Comcast appealed the City’s ruling to the FCC.

The FCC issued its ruling in the matter on March 16, 2005 in Order DA 05-681. The FCC described the process of unbundling as follows:

It consisted of a cable operator removing the costs of its equipment and installation from its other costs. This resulted in the cable operator having two “baskets” of costs, one for equipment and installation and the other for basic cable service. If, after some years, the cable operator proposed to remove a cost related to equipment and installation for “the BST basket” and to mover it to “the equipment and installation basket,” that might result in a better alignment of costs and charges. However, if the cable operator had already recovered that costs, albeit in the ‘wrong’ basket and kind of charge, the movement would also result in the cable operator recovering the same costs twice. **This would be an impermissible result.** [emphasis added]²

The FCC went to say that the City had not provided specific evidence that Comcast had not unbundled the costs, but that neither did Comcast provide detailed evidence that it had. As the burden of proof is on the cable operator, the FCC found in favor of the City’s ruling.

Based on the FCC’s implicit requirement that specific evidence be provided, and for purposes of the instant analysis, C2 has revisited the 1995 analysis of the City’s Form 1220 filed by TCI Cablevision of Dallas, Inc. C2 found the following “unbundling” issues between the 2005 Form 1205 and the rates established for the basic service and equipment and installation in 1995.

- Neither TCI nor the City unbundled any office and equipment rental costs
- Neither TCI nor the City unbundled any employee bonuses
- Neither TCI nor the City unbundled any employee training costs
- Neither TCI nor the City unbundled any employee relocation costs
- Neither TCI nor the City unbundled any employee commissions (also discussed below)
- Although TCI had included the capitalized costs of drop labor, the City ordered that such costs be retained in the basic service rates.

C2 also noted that the majority of these costs had been included by TCI and AT&T in Form 1205s filed on an aggregated basis (1997 filings and after).³

² See FCC Order DA 05-681, released March 16, 2005, paragraph 10.

³ C2 notes that there are some rental and employee training and relocation costs that were not unbundled by TCI and AT&T, but are included in Comcast's amounts.

Detailed supporting evidence of this lack of unbundling is included in Attachment B to this report. It is clear from the Form 1220 and the Form 1205 shown that the above costs remained in the basic service rate, and therefore, should not now be included in the equipment and installation basket filed by Comcast.

C2 notes that the majority of these costs had been included by TCI and AT&T in Form 1205s filed on an aggregated basis (1997 filings and after).⁴ And the FCC has taken a position on trying to go back to prior cases concerning the unbundling issue. In a recent decision, the FCC found:

The City, in essence, is attempting to re-open a 1996 rate form submission by Comcast. Our regulations, however, limit review of these forms to one year.⁵

However, the FCC **also states in the Order** that the city in question had not made any finding that the Comcast was doing something unlawful, contrary to sound accounting, or harmful to subscribers, only that it was inappropriate to include costs not unbundled in 1996.⁶ Therefore, the FCC found that the city's position lacked the necessary supporting explanation.

In C2's opinion, in this case, the City should make a specific finding that the above costs, although previously included by TCI and AT&T beginning in 1997, were never unbundled from the basic service rates for the City of Dallas. This lack of adjustment to the basic service rate is **harmful** to the Dallas subscribers in that they are paying these costs twice, once in the basic service rate and again in the equipment and installation charges. C2 is not suggesting that the City attempt to re-set the rates of 1997 forward, only to ensure that such **harmful "double recovery" does not continue in perpetuity.**

In order to remove the above-identified costs, C2 re-computed the Form 1205s for each of the 20 sample systems. The costs were removed from Schedule B and the Hourly Service Charge calculated appropriately. With respect to the capitalized drop costs, C2 assumed that both the costs and hours related to the difference between unwired installs and prewired installs would approximate the "drop" activities, and removed them from the analysis. Also adjusted with respect to this issue is the amount of time necessary to perform an unwired installation. The time was set equal to a prewired installation just as it had been in the 1995 study.

The impact of excluding these costs identified in the 2004 ruling reduces Comcast's proposed HSC by approximately \$4.20 per hour. The impact of including other "non-unbundled" costs further reduces the HSC by an additional \$1.20 per hour.

2. Inclusion of Commissions for Technical , Installation, Dispatch, and Common Staff

In the 2004 review, C2 recommended, and the City adopted an exclusion of commission costs in the development of the HSC. The rationale for such exclusion was that the Company did not support the premise that such commissions were related to the provision of basic service, but were more likely given as a result of staff being able to "sell" other levels of service in addition to

⁴ C2 notes that there are some rental and employee training and relocation costs that were not unbundled by TCI and AT&T, but are included in Comcast's amounts.

⁵ See FCC Order DA 05-783, Comcast of Texas, LLC, released March 16, 2005, paragraph 7.

⁶ Ibid.

basic service. The equipment basket is only to be related to the basic service and not other tiers or individual programming.

Upon detail review of the 1995 Form 1220 analysis, C2 also noted that employee commissions were not unbundled at that time, and no subsequent adjustment has been made by TCI, AT&T or Comcast to the basic service rates. Therefore, commissions continue to be included in the current basic service rates.

Under either of the above arguments, employee commissions should not be included in the development of the HSC or resulting equipment and installation rates. C2 points out that Comcast did not appeal this issue in its appeal of the City Ordinance No. 25657. The impact of excluding these costs in the instant filing is already included in the \$4.20 reduction noted above.

3. HDTV/DVR Converter Inventory

The Company has included a separate rate for HDTV converters, DVR converters, and HDDVR converters. In developing these rates, the Company uses the asset balance as of the end of the year divided by the number of units in service. Generally, this methodology does not raise any major issue, unless the Company builds up a great deal of inventory that will be deployed quickly. Under this type of scenario, the monthly rate per unit is inflated by the larger asset costs, divided by less units in service that will be immediately after the close of the fiscal year.

When asked to explain the amount of year-end inventory, the Company responded as follows:

The more technologically advanced DVR, HD, and HD-DVR converters have a higher percentage of inventories to in-service gross book than do the other converters. Additional inventories are needed when introducing new technologies.⁷

However, in C2's opinion, and even based on comments from Comcast employees, the deployment of these inventories is also much faster than other converter inventories when new services are launched. If the Company is allowed excess inventory, but then places many of these units in service during the time the rates are in effect, the Company will over-recover the original cost of the asset. This is clearly not allowed by FCC rules.

Comcast provided the following inventory percentages for each of the more advanced converters:

- HDTV converters – 13%
- DVR converters – 17%
- HD-DVR converters – 28%

In C2's opinion, the 13% inventory appears to be sufficient, even given Comcast's argument that advanced technologies require more inventory. By setting each of the above asset levels at 13% inventory, the rates for the Converter 3 are reduced by approximately \$0.51 per month.

⁷ See response to Dallas First RFI, Form 1205-33, received on March 28, 2005.

4. Recovery of Lost or Unreturned Converters

Unlike prior cases, Comcast is asking to recover the cost of lost or unreturned converters. Although the FCC has stated that such losses should be included in the depreciation expense noted on Schedule C, it has also stated that when an adjustment such as this causes “rate shock,” the costs may need to be considered over a longer period than one year.

In the instant filing, the amount assigned by Comcast to the Converter 3 for lost or unreturned converters is approximately \$18 million dollars. The impact per converter per month for this adjustment is approximately \$1.22, or 11% of the total monthly rate without this adjustment.

In C2’s opinion, these losses should be amortized over a two-year period in order to avoid such “rate shock.” The impact of making this adjustment is to reduce the Converter 3 monthly rate by approximately \$0.64 per month.

5. Cable Card Rate

The issue with respect to the Cable Card is similar to that of the advanced converters. As of the year-end, the Company had only 8,700 of these items in service, but assets that included what appears to be sufficient inventory to almost double that amount. Based on information provided by the Company, Comcast representatives estimated that 5,000 Cable Card would be deployed in January 2005, only one month after the close of the annual period included in the filing.

Again, C2’s position is that Comcast will over-recover the costs of this asset if the gross assets are included without adjustment to the in-service units.⁸ The impact of including an additional 5,000 unit in service is to reduce the Cable Card rate by approximately \$0.43.⁹

SUMMARY OF RECOMMENDATIONS

Based on the above findings and conclusions, the City should consider taking the following actions:

1. Establish an Hourly Service Charge of \$31.77 to be used in the development of the installation and equipment rates for the period June 2005 through May 2006.
2. Adopt maximum permitted installation and equipment rates as shown on Attachment A.
3. Provide for specific findings related to each adjustment, particularly with respect to the harm to subscribers for inclusion of costs not unbundled in the Dallas 1995 rate decision, and subsequently **not removed** from basic service rates.

⁸ The adjustment to Converter 3s results in the same type of adjustment, just with a difference approach. C2 did not have estimated deployment of advanced converters, so adjustment was made to the amount of gross assets (numerator). In this case, adjustment was made to the number of in-service units (denominator) in order to avoid the over-recovery of asset costs.

⁹ The total difference between C2’s recommended Cable Card rate and that proposed by the Company is \$0.47, but \$0.04 is due to the change in the HSC.

Mr. Nick Fehrenbach

May 12, 2005

Page 7

C2 appreciates having this opportunity to work with the City of Dallas in review of the Form 1205 rates. If you have any questions regarding this report or need clarifications as to the recommendations, please contact Ms. Connie Cannady at (972) 726-7216.

Very truly yours,

C2 Consulting Services, Inc.

**2005 FORM 1205 FILING
EQUIPMENT AND INSTALLATION MAXIMUM PERMITTED RATES**

Installation Activities	Proposed Time Req. in Hours	Comcast HSC	Comcast Proposed MPR	C2 Estimated HSC	C2 Estimated MPR
Hourly Service Charge		\$37.14		\$31.77	
Unwired Installation	1.3827		\$51.35		\$28.00
Prewired Installation	0.8812		\$32.72		\$28.00
Additional Connection at Time of Installation	0.4608		\$17.11		\$14.64
Additional Connection Requiring Separate Trip	0.7083		\$26.30		\$22.50
Move Outlet	0.6313		\$23.44		\$20.06
Upgrade/downgrade	N/A		\$1.99		\$1.99
Downgrade - non-addressable	0.387		\$14.37		\$12.30
Upgrade - non-addressable	0.492		\$18.27		\$15.63
Connect VCR at Time of Installation	0.2303		\$8.55		\$7.32
Connect VCR Requiring Separate Trip	0.4514		\$16.76		\$14.34
Customer Trouble Calls	0.6663		\$24.74		\$21.17
Equipment Lease Rates					
Remotes			\$0.28		\$0.27
Basic-Only Converters			\$1.47		\$1.26
Non-Basic Only Converters			\$4.83		\$4.62
HDTV Converters			\$11.39		\$10.01
Cable Card			\$1.22		\$0.75

SCHEDULE A: CAPITAL COSTS OF SERVICE INSTALLATION AND MAINTENANCE OF EQUIPMENT AND PLANT						
A	Equipment and Plant	Vehicles	Tools	Maintenance Facilities	Other 1. (Specify below)	Other 2. (Specify below)
B	Gross Book Value	\$652,381,165.00	\$429,585,964.00	\$0.00	\$0.00	\$0.00
C	Accumulated Depreciation	\$572,896,268.00	\$281,950,761.00	\$0.00	\$0.00	\$0.00
D	Deferred Taxes	\$9,916,721.00	\$28,691,650.00	\$0.00	\$0.00	\$0.00
E	Net Book Value [B-(C+D)]	\$69,568,176.00	\$118,943,553.00	\$0.00	\$0.00	\$0.00
F	Rate of Return	0.1125				
G	Calculation of Gross-up Rate					
G1	Federal Income Tax Rate	0.35				
G2	State Income Tax Rate	0.0674				
G3	Net Total Income Tax Rate [(G1+G2)-(G1 x G2)]	0.3938				
G4	Adjustment to Reflect Interest Deductibility					
G4a	Actual Interest Amount	\$1,876,000,000.00				
G4b	Total Net Assets	\$101,459,000,000.00				
G4c	Base Return on Investment Amount [G4a/G4c]	\$11,414,137,500.00				
G4d	Interest Deductibility Factor [G4a/G4c]	0.1644				
G5	Effective Tax Rate [G3 x (1-G4d)] [C-Corps skip to G7]	0.3291				
G6	Adjustments for Non-C Corporations					
G6a	Base Return on Investment Amount [G4c]	\$11,414,137,500.00				
G6b	Distributions	\$0.00				
G6c	Contributions (may not exceed G6b)	\$0.00				
G6d	Returns Subject to Income Tax [G6a-G6b+G6c]	\$11,414,137,500.00				
G6e	Returns Percentage Subject to Income Tax [G6d/G6a]	1.				
G7	Gross-Up Rate [C-Corps:1/(1-G5) Other:1/(1-(G5 x G6e))]	1.4905				
H	Grossed-Up Rate of Return [F x G7]	0.16768				
I	Return on Investment Grossed-Up for Taxes[E x H]	\$11,665,281,182.3	\$19,944,607,870.3	\$0.00	\$0.00	\$0.00
J	Current Provision for Depreciation	\$76,013,364.00	\$40,213,527.00	\$0.00	\$0.00	\$0.00
K	Annual Capital Costs [I+J]	\$87,678,645,182.3	\$60,158,134,870.3	\$0.00	\$0.00	\$0.00
L	GRAND TOTAL [sum of Line K entries]	\$147,836,780,052.6				

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.	\$3,111,836,058.24	\$71,529,584.52	\$44,702,362.75	\$192,274,456.10	\$255,358,757.76	\$296,711,685.67
B	GRAND TOTAL [sum of Line A entries]	\$3,972,412,905.04					

Box 2.

Specify: Other 1. _____

Specify: Other 2. _____

SCHEDULE C: CAPITAL COSTS OF LEASED CUSTOMER EQUIPMENT							
A	Equipment	Remote 1	Remote 2	Cable Card	Converter 1	Converter 2	Converter 3
B	Total Maintenance/Service Hours (Attach Explanation)	430447		726	114979	7488959	573753
C	Total # of Units in Service	17313803		13715	243486	15855516	1214801
D	Gross Book Value	\$173,314,534.00		\$495,480.00	\$363,082.00	\$3,232,131,665.00	\$530,640,268.00
E	Accumulated Depreciation	\$142,355,803.00		\$41,290.00	\$337,510.00	\$2,011,059,454.00	\$67,268,378.00
F	Deferred Taxes	(\$7,285,582.00)		\$100,812.00	(\$2,203.00)	\$254,507,105.00	\$105,994,313.00
G	Net Book Value [D-(E+F)]	\$38,244,313.00	\$0.00	\$353,378.00	\$27,775.00	966,565,106.00	\$357,377,577.00
H	Grossed-Up Rate of Return [From Sched. A, Line H]	0.1677					
I	Return on Investment Grossed-Up for Taxes [G x H]	\$6,412,855.5673	\$0.00	\$59,254.8773	\$4,657.3477	\$162,074,879.504	\$59,925,531.5241
J	Current Provision for Depreciation	\$36,789,984.00		\$41,290.00	\$27,380.05	\$479,633,174.15	\$67,811,538.83
K	Annual Capital Costs [I + J]	\$43,202,839.5673	\$0.00	\$100,544.8773	\$32,037.3977	\$641,708,053.654	\$127,737,070.3541
L	GRAND TOTAL [sum of Line K entries]	\$812,780,545.8504					

Box 3.

SCHEDULE D: AVERAGE HOURS PER INSTALLATION		
A.	Average Hours per Unwired Home Installation Aerial	0.8812
B.	Average Hours per Pre-Wired Home Installation Underground	0.8812
C.	Average Hours per Reconnect	0.4608
D.	Average Hours per Additional Connection at Time of Installation	0.7083
E.	Other Installation (by Item Type):	
	Item 1. (Specify:)	
	Average Hours per AO at Separate Trip	0.6313
	Item 2. (Specify:)	
	Average Hours per Service Call with Truck Roll	0.492
	Item 3. (Specify:)	
	Average Hours per Digital Installation - Aerial	0.387

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]		\$147,836,780.0526
2. Total Annual Operating Expenses for Installation and Maintenance [Schedule B, Box 2]		\$3,972,412,905.04
3. Total Capital Costs and Operating Expenses for Installation and Maintenance [Line 1 + Line 2]		\$4,120,249,685.0926
4. Customer Equipment and Installation Percentage (attach an explanation).		0.1737
5. Annual Customer Equipment Maintenance and Installation Costs, Excluding Costs of Leased Equipment [Line 3 x Line 4]		\$715,872,504.5119
6. Total Labor Hours for Maintenance and Installation of Customer Equipment and Services (attach explanation)		22532284.4048
7. Hourly Service Charge (HSC) (Line 5/Line 6)		\$31.771

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]	\$31.771	
a2. Average Hours per Unwired Home Installation (Schedule D, Line A)	0.8812	
a3. Charge per Unwired Home Installation [a1 x a2]		\$27.9966
b. Pre-wired Home Installation		
b1. HSC [Line 7]	\$31.771	
b2. Average Hours per Pre-wired Home Installation (Schedule D, Line B)	0.8812	
b3. Charge per Pre-wired Home Installation [b1 x b2]		\$27.9966
c. Additional Connection Installation at Time of Initial Installation		
c1. HSC [Line 7]	\$31.771	
c2. Average Hours per Additional Connection Installation at Time of Init. Install. [Schedule D, Line C]	0.4608	
c3. Charge per Additional Connection Installation at Time of Initial Installation [c1 x c2]		\$14.6401
d. Additional Connection Installation Requiring Separate Installation		
d1. HSC [Line 7]	\$31.771	
d2. Avg. Hours per Additional Connection Installation Req. Sep. Install. [Schedule D, Line D]	0.7083	
d3. Charge per Additional Connection Installation Requiring Separate Installation [d1 x d2]		\$22.5034
e. Other Installations (As specified in Schedule D, Line E):		
e1. HSC [Line 7]	\$31.771	
e2. Average Hours per Installation of Item 1 [Schedule D, Line E, Item 1]	0.6313	
e3. Charge per Installation of Item 1 [e1 x e2]		\$20.057
e4. HSC [Line 7]	\$31.771	
e5. Average Hours per Installation of Item 2 [Schedule D, Line E, Item 2]	0.492	
e6. Charge per Installation of Item 2 [e4 x e5]		\$15.6313
e7. HSC [Line 7]	\$31.771	
e8. Average Hours per Installation of Item 3 [Schedule D, Line E, Item 3]	0.387	
e9. Charge per Installation of Item 3 [e7 x e8]		\$12.2954

STEP C. Charges for leased Remotes (Calculate separately for each significantly different type)			
	a	b	c
	Remote 1	Remote 2	Remote 3
10. Total Maintenance/Service Hours [Corresponding column from Schedule C, Line B]	430447.	0.	726.
11. HSC [Line 7]	\$31,771	\$0.00	\$31,771
12. Total Maintenance/Service Cost [Line 10 x Line 11]	\$13,675,718.2012	\$0.00	\$23,065.7233
13. Annual Capital Costs [Corresponding column from Schedule C, Line K]	\$43,202,839.5673	\$0.00	\$100,544.8773
14. Total Cost of Remote [Line 12 + Line 13]	\$56,878,557.7686	\$0.00	\$123,610.6007
15. Number of Units in Service [Corresponding column from Schedule C, Line C]	17313803.	0.	13715.
16. Unit Cost [Line 14/Line 15]	\$3.2852	\$0.00	\$9.0128
17. Rate per Month [Line 16/(12)]	\$0.2738	\$0.00	\$0.7511

STEP D. Charges for leased Converter Boxes (Calculate separately for each significantly different type)			
	a	b	c
	Converter 1	Converter 2	Converter 3
18. Total Maintenance/Service Hours [Corresponding column from Schedule C, Line B]	114979.	7488959.	573753.
19. HSC [Line 7]	\$31,771	\$31,771	\$31,771
20. Total Maintenance/Service Cost [Line 18 x Line 19]	\$3,652,994.2201	\$237,931,482.6323	\$18,228,688.6542
21. Annual Capital Costs [Corresponding column from Schedule C, Line K]	\$32,037.3977	\$641,708,053.654	\$127,737,070.3541
22. Total Cost of Converter [Line 20+ Line 21]	\$3,685,031.6178	\$879,639,536.2863	\$145,965,759.0083
23. Number of Units in Service [Corresponding column from Schedule C, Line C]	243486.	15855516.	1214801.
24. Unit Cost [Line 22/Line 23]	\$15.1345	\$55.4785	\$120.1561
25. Rate per Month [Line 24/(12)]	\$1.2612	\$4.6232	\$10.013

STEP E. Charges for Other Leased Equipment	
26. Total Maintenance/Service Hours [Corresponding column from Schedule C, Line B]	726.
27. HSC [Line 7]	\$31,771
28. Total Maintenance/Service Cost [Line 26 x Line 27]	\$23,065.7233
29. Annual Capital Costs [Corresponding column from Schedule C, Line K]	\$100,544.8773
30. Total Cost of Equipment [Line 28+Line 29]	\$123,610.6007
31. Number of Units in Service [Corresponding column from Schedule C, Line C]	13715.
32. Unit Cost [Line 30/Line 31]	\$9.0128
33. Rate per Month [Line 32/(12)]	\$0.7511

METHOD OF BILLING FOR CHANGING SERVICE TIERS OR EQUIPMENT [place an "x" in the appropriate box]	
<input checked="" type="checkbox"/>	as a Nominal Charge (Enter the nominal charge in Line 34)
<input type="checkbox"/>	as a Uniform Hourly Service Charge
<input checked="" type="checkbox"/>	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]	\$31,771
36b. Average Hours to Change Service Tiers	0.4867
36c. Average Charge for Changing Service Tiers [Line 36a x Line 36b]	\$15.4629

WORKSHEET FOR CALCULATING TOTAL EQUIPMENT AND INSTALLATION COSTS	
1. Total Capital Costs of Installation and Maintenance [Schedule A, Box 1]	\$147,836,780.0526
2. Total Annual Operating Expenses for Installation and Maintenance [Schedule B, Box 2]	\$3,972,412.90504
3. Total Annual Capital Costs of Installation and Maintenance [Line 1 + Line 2]	\$4,120,249,685.0926
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]	\$812,780,545.8504
7. Annual Customer Equipment and Installation Costs [Line 5 + Line 6]	\$812,780,545.8504
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]	#DIV/0!
13. Inflation Adjustment Factor [See Instructions]	
14. Adjusted Monthly Equipment and Installation Cost per Subscriber [Line 12 x Line 13]	#DIV/0!