

Legislative History for Connecticut Act

SB 200	PA 202	1988
House 5395-5401		(7)
Senate 1653-1666, 1704-1706		(17)
Energy and Public Utilities 43, 46, 48, 52-53, 55-58, 72-76, 78-103		(40)
		Total 64P.

Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate
and House of Representatives Proceedings

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CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
1988

VOL. 31
PART 16
5395-5741

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House of Representatives

Wednesday, April 27, 1988

Calendar.

CLERK:

Please turn to Page 6, Calendar 462, Substitute for House Bill 5001, AN ACT CONCERNING THE LICENSURE OF HEALTH CARE PROFESSIONALS -- correction -- 462, Page 6, Substitute for Senate Bill 200, AN ACT CONCERNING COMMUNITY ANTENNA TELEVISION SYSTEMS, as amended by Senate Amendment Schedules "A" and "B". Favorable Report of the Committee on Energy and Public Utilities.

SPEAKER STOLBERG:

Representative Raymond Joyce.

REP. JOYCE: (25th)

Thank you, Mr. Speaker. I move acceptance of the Joint Committee's Favorable Report and passage of the bill in concurrence with the Senate.

SPEAKER STOLBERG:

Will you remark?

REP. JOYCE: (25th)

What this bill would do would allow the renewal of cable tv franchises for between five and ten years. And under special conditions, up to fifteen years. And it also sets detailed performance standards on cable tv companies to improve service.

The Clerk has an amendment, LCO 3363. Would she please call and I ask permission to summarize.

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SPEAKER STOLBERG:

The Clerk has an amendment, LCO 3363 designated Senate "A". Will the Clerk please call.

CLERK:

LCO 3363 designated Senate Amendment Schedule "A"
offered by Senator Hale.

SPEAKER STOLBERG:

Is there objection to summarization? Seeing none,
Representative Joyce.

REP. JOYCE: (25th)

Thank you, Mr. Speaker. What this amendment does
is make very numerous changes in the file reflecting
changes that make the standards in the file copy more
practical and more realistic.

It also makes the five and ten year franchise
periods and fifteen year periods applicable to the
situations with their transfers of franchises, or new
franchises.

I move adoption of the amendment, Sir.

SPEAKER STOLBERG:

Will you remark further on Senate "A"?
Representative Arthur.

REP. ARTHUR: (42nd)

Yes, Mr. Speaker, a question to Representative
Joyce.

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SPEAKER STOLBERG:

Please frame your question.

REP. ARTHUR: (42nd)

In your summary of the amendment, you refer to new and ones that have been transferred. Does that exclude ones that are already in existence for this five, ten and special fifteen years. Was that your intent?

REP. JOYCE: (25th)

Through you, Mr. Speaker.

SPEAKER STOLBERG:

Representative Joyce.

REP. JOYCE: (25th)

No, it's not. The renewals are covered under the file copy, Representative Arthur, and this merely also applies to the procedure to the transfers and the new franchises.

REP. ARTHUR: (42nd)

Thank you.

SPEAKER STOLBERG:

Will you remark further on Senate "A"? If not, all those in favor of the amendment please indicate by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER STOLBERG:

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To the contrary, nay. The amendment is adopted and ruled technical.

Will you remark? Representative Joyce.

REP. JOYCE: (25th)

Mr. Speaker, the Clerk has an amendment, 3364 designated Senate "B". Would she please call and may I be allowed to summarize.

SPEAKER STOLBERG:

The Clerk has LCO 3364, Senate "B". Will the Clerk please call.

CLERK:

LCO 3364 designated Senate Schedule "B" offered by Senators Johnston, Powers and Hale.

SPEAKER STOLBERG:

Is there objection to summarization? Seeing none, Representative Joyce.

REP. JOYCE: (25th)

Thank you, Mr. Speaker. What Senate "B", or this amendment would do, is to have DPUC study, make a study of cable tv advisory committees.

These committees were set up oh, maybe up to ten years ago in the late seventies and the early eighties. There's been no real oversight as far as we could determine as to what they're doing, whether they're doing a good job and how they're doing it. We're

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asking the DPUC to make a study of this and report back to the Chamber.

I move adoption of this amendment, Sir.

SPEAKER STOLBERG:

Will you remark further on Senate "B"? If not, will all those in favor of the amendment, please indicate by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER STOLBERG:

All those to the contrary, nay.

The amendment is adopted and ruled technical. Will you remark further?

If not, will members please be seated. Staff and guests to the well of the House.

REP. FRANKEL: (121st)

Mr. Speaker. Mr. Speaker.

SPEAKER STOLBERG:

Representative Frankel.

REP. FRANKEL: (121st)

Yes, I'll be very brief, Mr. Speaker. What we have before us is a rather sweeping change in our legislation. The acts we put on last year are being replaced by what I believe is very responsible procedure, along with the recommendations of the

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committee.

The bill also contains a rather sweeping set of consumer protections which I think are well advised in the circumstances, and I just want to take this opportunity to thank all of the members of the committee, both Democrat and Republican, and particularly Representative Joyce and Representative Courtney for the hard work they put into this bill. Thank you, Sir.

SPEAKER STOLBERG:

Will you remark further? If not, members please be seated. Staff and guests to the well of the House. The machine will be opened.

CLERK:

The House of Representatives is voting by roll call. Members to the Chamber. The House is voting by roll. Will all members report to the Chamber.

SPEAKER STOLBERG:

Have all the members voted? Have all the members voted and is your vote properly recorded? If all the members have voted, Representative Cibes.

No, it's still open, unfortunately. Sorry. If all the members have now voted, the machine will be locked and the Clerk will take a tally.

Will the Clerk please announce the tally.

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CLERK:

Senate Bill 200 as amended by Senate Schedules "A" and "B" in concurrence.

Total number voting	135
Necessary for passage	68
Those voting yea	135
Those voting nay	0
Those absent and not voting	16

SPEAKER STOLBERG:

The bill as amended is passed. The Clerk hold for just a moment.

Could I ask our guess in the Gallery to please be seated. Leaning over the railing, we have found often that our guests are so excited by the debate they sometimes tumble into the well of the House. Thank you.

CLERK:

Please turn to page 5, Calendar 442, Substitute for House Bill 5423, AN ACT CONCERNING A CREDITOR'S LIEN POSITION ON HOME EQUITY LINES OF CREDIT. Favorable Report of the Committee on Judiciary.

REP. RITTER: (2nd)

Mr. Speaker.

SPEAKER STOLBERG:

Representative Ritter.

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Calendar. We are going to accommodate them. Clerk, please make an announcement for immediate roll call on the Consent Calendar.

THE CLERK:

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

Immediate roll call has been called in the Senate, will all Senators please return to the Chamber.

SENATOR O'LEARY:

I'm sorry, Mr. President.

THE CHAIR:

Senator O'Leary.

SENATOR O'LEARY:

I'm sorry, I didn't get a chance to mention this to the Clerks earlier. But because of the speed which we are moving through the Calendar, I would like to hold the Consent Calendar, if that meets with your approval, for a little longer until the members are sure that they have had an opportunity to review it.

THE CHAIR:

Alright. Will hold that and thank you for bringing that to my attention. Next item please.

THE CLERK:

Page 2, Calendar No. 169, File 197, Substitute for Senate Bill No. 200, AN ACT CONCERNING COMMUNITY

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ANTENNA TELEVISION SYSTEMS. Favorable Report of the Committee on Energy and Public Utilities. The Clerk has amendments.

THE CHAIR:

Senate Hale.

SENATOR HALE:

Thank you, Mr. President. I move acceptance of the Committee's Favorable Report and passage of the bill. And I believe the Clerk has amendments.

THE CHAIR:

Clerk, please call the amendment.

THE CLERK:

Can you hold on for one moment please.

THE CHAIR:

The Senate will stand at ease.

THE CLERK:

Senate Amendment Schedule "A", LCO No. 3363,
introduced by Senator Hale.

THE CHAIR:

Senator Hale.

SENATOR HALE

Mr. President, I move adoption of the amendment, ask to waiver the reading and permission to summarize.

THE CHAIR:

Without objection, you may proceed.

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SENATOR HALE

Briefly, Mr. President, the amendment deals with certain standards of performance with regard to customer service. And higher standards of performance with regard to a fifteen year franchise term. It also sets out hours in which cable companies customer service representatives must be on duty. The time in which complaints of service, questions that must be answered. And also sets forth billing practice procedures which I will discuss in a larger issue, a larger discussion on the bill itself.

THE CHAIR:

Further remarks on the amendment?

All those in favor of the amendment signify by saying, Aye.

SENATORS:

Aye.

THE CHAIR:

Opposed, the amendment is adopted. Go to the next amendment, please.

THE CLERK:

Senate Amendment Schedule "B", LCO No. 3364,
introduced by Senator Johnston.

THE CHAIR:

Senator Hale, excuse me, Senator Hale.

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SENATOR HALE:

Mr. President, could I ask for the LCO number on that again?

THE CHAIR:

3364, The Senate will stand at ease.

Senator Hale.

SENATOR HALE:

Thank you, Mr. President, for your patience. I move adoption of the amendment and ask to waive the reading and permission to summarize.

THE CHAIR:

Without objection, you may proceed.

SENATOR HALE:

Mr. President, the purpose of this amendment is to authorize the Department of Public Utility Control to study the effectiveness of Cable Television Advisory Counsel throughout the state.

Under current law each cable company service area must have an advisory counsel, whose purpose is really to monitor the cable companies. To advise them on the behalf of consumers, and to make sure that customers concerns with regard to service programming and the rest of the issues that effect cable customers are carefully considered by the companies.

We have found, unfortunately, that not all of the

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cable advisory counsels are meeting that challenge. And we are concerned about their independent status. The way in which they are appointed. Whether or not the appointments reflect the diversity of the particular community involved. Whether, in fact, they meet regulations. Whether there are notices provided of those meetings. Whether they are meeting their filing requirements. And generally whether or not advisory counsels in this state are representing the customer, or have, in fact, become another spokesman, or spokesperson for the cable companies.

The cable companies are powerful institutions. They have lobbyists, they have a lot of money. They can make their own case. The purpose of the advisory counsels is to represent the customer. And I charge to them through the DPUC to make sure that that is done.

THE CHAIR:

Further remarks, Senator Herbst.

SENATOR HERBST:

Mr. President, thank you. I rise to support this amendment and I hope that in the study that is going to be conducted that you will take the successes of those advisory committees and look at them very carefully.

It has been my experience with the one advisory

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committee that I have had to do dealers with, that they have some very successful methods and effectiveness that they use, in terms of their procedures and it might be well to record those so that you may pass them along to others.

THE CHAIR:

Further remarks of the amendment.

All those in favor of the amendment signify by saying, Aye.

SENATORS:

Aye.

THE CHAIR:

Opposed, the amendment is adopted. Call the next amendment.

THE CHAIR:

Senate Amendment Schedule "C", LCO No. 3359, introduced by Senator Johnston.

THE CHAIR:

Senator Johnston.

SENATOR JOHNSTON:

Mr. President, I ask that it be withdrawn.

THE CHAIR:

The amendment is withdrawn. Further amendments?

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There are no further amendments.

THE CHAIR:

No further amendments. Senator Hale.

SENATOR HALE:

Thank you, Mr. President. Mr. President, as of January 1st of 1987, under the Federal Cable Act, the 50 states are no longer allowed to regulate cable television rates, and that has really left cable customers, not only in this state, but throughout the country, at the mercy of cable companies who can raise their rates to any level that the market can bear, without worry of regulation.

In Connecticut, we have little in the way of competition, so companies can effectively raise the rates, and I believe that 23 companies have raised their rates, in some cases significantly, since that law went into effect just 15 months ago.

This bill, for the first time in Connecticut's history, will set forth what we call a bill of rights for cable customers. It will eliminate, it will set forth, I should say, franchised term regulations. Cable companies will be able to have a franchise renewal from five to ten years, or in special circumstances, for up to fifteen years, depending on the Department of Public Utility Control's analysis of

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the company.

The criteria for a fifteen year franchise will be that the company must commit itself to provide superior or specific quality of service standards, as well as purchasing and maintaining technologically advanced equipment. For the first time, we are setting forth certain regulations with regard to billing practices, where customers will now know their billing rights, their complaint procedures, their customer service regulations. And, customer service representatives from the company will have to be on duty five days a week and Saturday mornings, for certain size companies, to respond to complaints from customers.

We have found that a number of constituents have expressed concern about their inability to get through to cable companies, when they do have a complaint, and we set forth a two minute time period, within which the customer must be responded to by the company. We also set forth notification requirements for customer complaints, as well as to appeal periods.

I think, Mr. President, after a long and careful debate for more than a year, discussion of this issue, we had all of the parties sit down. I think this bill is a responsible way of protecting cable customers who have long been denied this kind of protection in

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Connecticut, especially in view of the fact that we can no longer regulate rates. I think it is a major step forward for cable customers throughout our state.

THE CHAIR:

Further remarks? Senator Johnston.

SENATOR JOHNSTON:

Mr. President, just briefly, I would like to commend Senator Hale and the Committee for doing an extensive, a good job on this bill. It has been an issue that I think is important to all of us. I just have one question.

You mentioned that under certain circumstances, the DPUC would be able to approve a 15 year franchise. Can you expand a little bit for us, because that has been an issue that has been debated around here and in Washington for awhile? What circumstances would the DPUC look at in order to approve a longer term franchise?

THE CHAIR:

Senator Hale.

SENATOR HALE:

In response, through you, Mr. President, I think that first it should be noted that the normal franchise term under the bill will be a period between five and ten years, with the DPUC having the discretion to

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determine the term itself, the length of the term. The DPUC must take into consideration, when they are making that determination, the company's past performance in meeting the community's cable needs; compliance with the law; managerial competence; effectiveness in dealing with consumer requests, complaints and billing questions, and in dealing with its Advisory Council; the quality of programming, including public education and governmental access programming; the quality of equipment and facilities; and its proposal for future line extensions and upgrading to technologically advanced equipment.

That shall be the norm. In certain special circumstances, the DPUC can award a franchise term for up to 15 years. Those certain circumstances shall be determined by the DPUC, but they must include a consideration, or a commitment, I should say, on the part of the company to provide or maintain technologically-advanced equipment, facilities and systems. It must, the company must also commit itself to comply with specific quality of service standards, which may include the amount of time it takes in responding to installation requests, repair requests and consumer complaints, and the quality of the customer service policies and practices.

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And, those commitments must be outlined in the company's franchise agreement before the franchise is awarded or renewed. And, it should be very clear that a 15 year franchise shall be the exception, in special circumstances, as opposed to the norm.

THE CHAIR:

Further remarks? Senator Freedman.

SENATOR FREEDMAN:

Thank you, Mr. President. I rise to support the bill. I believe that it does the consumer a world of good. I would still urge this body... I have just written off another set of letters to our Congressional delegation, urging them to re-regulate the industry.

I think the greatest complaint we are all receiving is that when prices are raised, the people of the state have nothing to say about it. And, so, once again, I have sent that letter off, and I would appreciate it if each one of you would do the same. In the interim, I think this bill will get our residents through and at least give some meat into the cable television industry, in terms of what they must now have to do.

I hope we can all support it.

THE CHAIR:

Further remarks? Senator Powers.

SENATOR POWERS:

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Thank you, Mr. President. I, too, rise in support of this bill, and I would like to compliment Senator Hale, the Chairman of the Energy Committee, on a fine job that he has done over the course of the year.

Unfortunately, Mr. President, as Senator Freedman just mentioned, we are forced to go this route, because of an action by Congress, that I think was a mistake, and that was the de-regulation of the cable industry. What we are seeing, in my opinion, Mr. President, is an increase in rates, and I don't think it is a justified increase.

This is an attempt on the part of the General Assembly, through the Energy Committee, to get some type of a handle, probably the only handle we are able to do, because of what Congress has done, mistakenly done... And, this bill is a very good one. It is one that will begin to put some teeth into state laws, so that we can make sure that cable companies are going to be responding to the needs of our constituents.

I don't think there is one person in this Circle, Mr. President, who has not been contacted, I am sure, on a regular basis by his or her constituents, certainly not complimenting the service they are getting from cable companies for the most part; the vast majority of the times, expressing a good deal of

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consternation because of these services they are not receiving, and also because of the increased rates.

I did have one question, I guess out of legislative intent than anything else, Mr. President. Through you, to Senator Hale. And, I am just wondering, with your permission, if he would be kind enough to clarify the effective dates of the various sections of the bill for our benefit and also, I think, for legislative intent? Through you?

THE CHAIR:

Senator Hale.

SENATOR HALE:

Through you, Mr. President, there are effective dates that I think should be made clear. The bill, the effective date of the bill is October 1, 1988. However, the effected terms of the, the effective date of the franchise term provision shall be upon passage. Also, the effective date of the Advisory Council Amendment provision shall be upon passage.

As I said, the entire rest of the bill will be October 1, 1988, with the final exception. The billing section procedures will take effect December 1, 1988. And the reason for that, Mr. President, I believe it is section 8 in the file, is that most of the companies do their billings through certain computer software

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programs. And, our goal here is to give the companies time to make the changes that we are requiring in the law. We are giving them an extra two months to do that.

THE CHAIR:

Further remarks? Senator Hale.

SENATOR HALE:

Mr. President, if there is no objection, I would ask that the matter be placed on the Consent Calendar.

THE CHAIR:

Without objection, so ordered. Next item, please?

THE CLERK:

Page 3, Calendar 258, File No. 341, Substitute for Senate Bill 329. AN ACT REQUIRING REGISTRATION OF CONNECTICUT VEHICLES OPERATED BY MOTOR CARRIERS FOR PURPOSES OF THE MOTOR CARRIER ROAD TAX. Favorable Report of the Committee on FINANCE, REVENUE AND BONDING.

The Clerk is in possession of an amendment.

THE CHAIR:

Senator Owens.

SENATOR OWENS:

I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

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on the Consent Calendar, and I thank Senator
McLaughlin.

THE CHAIR:

Without objection, so ordered. Clerk, please call
the next item.

THE CLERK:

I have no other items.

THE CHAIR:

Clerk, please make an announcement for the Consent
Calendar.

THE CLERK:

Immediate roll call has been ordered in the Senate.
Will all Senators please return to the Chamber?
Immediate roll call has been ordered in the Senate.
Will all Senators please return to the Chamber?

THE CHAIR:

Will the Clerk please announce all the items that
are currently before the Senate for a vote on the
Consent Calendar?

THE CLERK:

Page 1, Calendar No. 348, Senate Joint Resolution
No. 33. Calendar No. 349, Senate Joint Resolution No.
34.

Page 2, Calendar No. 350, Senate Joint Resolution
No. 35. Calendar No. 169, Substitute for Senate Bill

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No. 200. Page 4, Calendar No. 271, Substitute for
Senate Bill No. 6. Calendar No. 280, Substitute for
House Bill No. 5347.

Page 5, Calendar 295, Substitute for Senate Bill
No. 211. Calendar No. 296, Substitute for Senate Bill
No. 274. Page 6, Calendar No. 300, Substitute for
Senate Bill No. 136. Calendar No. 302, Substitute for
Senate Bill No. 49. Calendar No. 305, Substitute for
Senate Bill No. 517.

Page 7, Calendar No. 307, Substitute for Senate
Bill No. 524. Calendar No. 308, Substitute for Senate
Bill No. 374. Page 8, Calendar No. 313, House Bill No.
5780. Calendar No. 314, Substitute for House Bill No.
5137. Calendar No. 315, Substitute for House Bill No.
5139. Calendar No. 317, House Bill No. 5831.

Page 9, Calendar No. 318, Substitute for House Bill
No. 5828. Calendar No. 321, Substitute for Senate Bill
No. 21. Calendar No. 322, Substitute for Senate Bill
No. 247.

Page 10, Calendar No. 324, Substitute for Senate
Bill No. 516. Calendar No. 328, Senate Bill No. 358.
Page 16, Calendar No. 361, Substitute for Senate Bill
No. 313. Calendar No. 362, Substitute for Senate Bill
No. 318. Calendar No. 365, Substitute for Senate Bill
No. 440.

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Page 17, Calendar No. 367, Substitute for House Bill No. 5015. Page 18, under DISAGREEING ACTIONS, Calendar No. 50, Substitute for Senate Bill No. 176.

I believe that completes the Consent Calendar.

THE CHAIR:

Thank you, Madame Clerk. Are there any corrections, additions, deletions at this particular time? There being none, the machine is open. Please cast your vote.

Senator Sullivan. Senator Eads. Senator Sullivan.

The machine is closed. Clerk, please tally the vote.

The result of the vote on the Consent Calendar:

35 Yea

0 Nay

The Consent Calendar is adopted. I believe the Clerk is in possession of an Agenda.

THE CLERK:

Senate Agenda #3, dated Monday, dated April 19th, 1988.

THE CHAIR:

Senator O'Leary.

SENATOR O'LEARY:

Mr. President, I move that all items on Senate Agenda #3 dated April 19th, 1988 be acted upon as

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Also, as far as the actual provisions of the bill, the bill steps up a new procedure for municipal regulation of such applications. It may not be completely clear how this new procedure set up by the bill would relate to existing provisions of the statutes dealing with the Council's jurisdiction generally, and perhaps that might be something that you might want to take a look at.

The next bill, Senate Bill 200, concerning CATV company franchises, the Committee has, of course we have received our report on the subject which was required under last year's legislation and our recommendation in our report was that the department be authorized to establish a term of a franchise ranging between five and fifteen years. In other words, a fixed term, but somewhere within that range for renewals of franchises, and with regard to transfers, that the minimum be the remaining balance of the old franchise and the maximum again be fifteen years. So that is our recommendation based on the study which we performed and you received.

The bill before us this morning, Raised Committee Bill 200, has provisions generally along the lines of a ten year franchise with a five year mid-course review being available, and the Department believes that this would also be a reasonable approach in the direction of providing some flexibility to the process, and we again believe that again, would also be reasonable.

Senate Bill 214 governing the revocation of franchises is generally similar to Raised Committee Bill 39 which we testified on during the interim. The bill, I'd like to point out, does go beyond the small water companies. It goes beyond adding them to the franchise revocation provision and I should point out these are the franchise provisions which deal with rates being high in comparison to other utilities.

The bill before the Committee today, in addition to including small water companies, also would add, would include public services companies generally under this provision, at least based on our reading of it. But we think it's reasonable to add small water companies based on some of the problems which

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There is one statute that we've identified that this would evidently supercede, and the committee might want to take a look at this particular statute. It's 16-2620 and this deals with the situation of small water companies which are in poor condition and the Department, DPUC is authorized to order their takeover by other public or private systems and the Department may want to, the Committee, rather, may want to look at whether to preserve that authority under the bill by writing a caveat to that effect within it.

Finally, House Bill 5413, regarding, including new telecommunications providers in the system under which utilities are assessed for the Department's expenses. That bill is based on the Department's, our Department's recommendations to the General Assembly in the report that we submitted under last Session's legislation and we support the bill and the approach of making this modification (inaudible) procedures. Thank you. I'll be glad to answer questions.

REP. JOYCE: Thank you. Any questions? Representative Anderson.

REP. ANDERSON: Representative Anderson, for the record. First of all, in regard to the cable tv, do I understand from your testimony, that in terms of the legislation that's in front of us that we put in last year with the five year management audits and the ten year, that this is equally acceptable to you, you know, in regard to protection as to the report's suggestion that it be five year franchised to ten.

KEVIN GUERNIER: I think our report indicated that we would like to have the flexibility of setting it between five and fifteen, for initial franchises, and that is still our recommendation, but since, in terms, in relation to the bill being before us, I believe the approach in the bill today would also be a reasonable one if the Committee chooses to go in that direction.

REP. ANDERSON: Okay, thank you. I have a couple more questions on the electric bill for farmers. Am I correct in understanding that in the 1980 finding,

moratorium on further conversions until we are, until that review is completed. Analogously, if the Committee and the General Assembly believe that further review is appropriate, I certainly don't think we would be opposed to a moratorium on the part of the General Assembly, which I think would be consistent with the action we've taken in our sphere.

REP. JOHNSON: Thank you very much, Kevin.

REP. JOYCE: Before we have any other questions, you'll notice on one of the bills being heard today, Raised Committee Bill No. 200, on community antenna television franchises, on the first page the bottom six lines are missing, through a printing error, apparently. And (inaudible) been so kind to, another one is being printed but it hasn't gotten here on time, so we have made copies of the working draft of this (inaudible). The language is the same there as it would be in the bill. So that all the members have a copy of this first page, and if any listener here would like a copy of this, (inaudible) has extra copies for them. So if you would like an extra copy, don't hesitate. Right over here there's an extra copy for you. And we'll continue now with the questions. Gary.

SEN. HALE: Kevin, I have some questions ^{SB215} on the farm bill. As you know, along with some others, I introduced that bill because frankly, I can't believe that the DPUC sent over this decision when one considers that some of the language that Representative Anderson referred to.

I'm concerned that by possibly raising the electric rates for Connecticut's farmers, in a substantial way, that we could effectively put some out of business and lose more Connecticut farms. (inaudible) in the docket, the DPUC acknowledges that, although their response to it is strange, is the best way I can describe it.

And if we lose more Connecticut farms, I think the Council man talked during the period following that decision about Connecticut's farm land becoming a parking lot or a shopping mall, or some language. I think we all have to be concerned about that. I know the DPUC's authority is pretty much in the

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disturbing to me because I expect more from Connecticut's Department of Public Utilities Control.

I think, I'll say it again, I think the Department has really fumbled the ball here on this one and the problem is, CL&P gets a run with a touchdown and the farmers who have done nothing wrong here, who have disobeyed no orders. Who have not failed to provide you with information, that's who is the loser. They're being penalized. It doesn't make sense to me.

If I were the DPUC, I'd hide this report. Or at least I'd rip out pages 13 through 16. And if I were CL&P, like the old auto maker who one time saw a story about his company in the Detroit papers he didn't like, and ordered his employees to buy them all up. CL&P ought to buy all these up and burn them. The idea that CL&P could ignore your orders, not provide information they should provide and then go along on their way to me is astounding. Who are they? Who left them in charge? DPUC is in charge and you mentioned earlier that the Legislature in its wisdom decides to (inaudible) them out. I don't think we have any choice. That's my last question.

KEVIN GUERNIER: I'll certainly convey your concerns to the Chairman and the Commissioners.

REP. JOYCE: Any other questions? Thank you very much, Kevin. The next speaker is Representative Joe Courtney. I just mention again that on Raised Committee Bill No. 200, there's, the first page, part of it is missing and we do have a copy over here of the correct wording. So if you want to partake, please do.

REP. COURTNEY: Thank you, Mr. Chairman. Chairman Joyce, Chairman Hale, Members of the Committee. I represent the 56th Assembly District, which covers the Town of Vernon which this summer had kind of a vivid lesson in the monopoly power of cable companies when a request by citizens to include Channel 9 in their programming, which is included in all the districts surrounding the Bolton area was basically brushed aside by the cable company who had it a shopping channel which the company

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makes a commission off of and raised their rates 20% at the same time.

As a result of that, the Cable Advisory Board has recommended to me that there be consumer protections included in the Connecticut General Statutes for cable users. I'm pleased to see that the bill before you today is not going to retreat on the question of the 15 year term. It's going to maintain the 10 year term which is long enough because 15 years is too long for the consumers of this state to sit back and let a cable company own a franchise.

But I hope you'll keep an open mind to us and language which is being drafted by Mr. Meehan from the Consumer Counsel's Office and by Representative Frankel which is going to be presented to the Chairman shortly, which will include some protection for consumers regarding billing, notifications of change of programming and dispute resolutions for problems with maintenance and payment of bills and termination of service which I think the DPUC's report is very clear, are areas where the State does have authority to exercise over the cable companies.

The report, I think, basically endorsed what the Legislature did last year in terms of our authority of franchise terms and also endorsed our authority over consumer issues, and I hope the Committee will take some action along the lines with the language which Mr. Meehan will be submitting to you shortly and I thank you for the opportunity.

REP. NORTON: Do you have another meeting to go to?

REP. COURTNEY: Yes.

REP. NORTON: Oh, okay, never mind. I'll see you at Human Services.

SEN. HALE: Rep. Maddox.

REP. MADDOX: Good morning. Representative Joyce, Senator Hale and Members of Committee. For the record, I'm State Representative Bob Maddox from the 66th District. I represent the towns of Bethany, Harwinton, Litchfield, Morris and

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Bill 215. Thank you.

SEN. HALE: Are there any questions?

REP. MADDOX: Thank you.

SEN. HALE: Next, Consumer Counsel, Jim Meehan.

JAMES MEEHAN: Representative Joyce, Senator Hale, Members of the Committee. My name is James Meehan and I represent the Division of the Consumer Counsel. I did have a lengthy statement on Senate Joint Resolution No. 5, A RESOLUTION TO COMMEMORATE THE CENTENNIAL OF THE NATIONAL ASSOCIATION OF REGULATORY COMMISSIONERS but will take a pass on it this morning. Although we do commend them. They do fine work. It's just interesting, some of the language they use.

The first thing I'd like to speak to is Raised Committee Bill 5413 which is AN ACT CONCERNING THE EXPENSES OF THE DPUC AND THE DIVISION OF THE CONSUMER COUNSEL. We would comment favorably on this bill. It provides for some levying of the cost of regulation on the new competitive services which are being offered in the telecommunications area. There are going to be expenses in the next five years trying to sort out how the competitive marketplace comes to Connecticut, in what shape and form. And there's a lot of time and cost associated with that (inaudible) some of the cost of the regulation which is going to be necessary, of that new endeavor.

The next bill I'd like to speak to AN ACT CONCERNING COMMUNITY ANTENNA TELEVISION COMPANY FRANCHISES, Raised Committee Bill 200. The Division of Consumer Counsel does support an amendment to last year's bill, Public Act 454 and Public Act 580. However, we believe that the current bill misses the mark. We had originally advocated before the DPUC, that there be a flexible franchise term between five and 15 years. The DPUC adopted our recommendation.

The rationale for using a flexible term of five to 15 years was designed to present incentives to franchise operators when they come in for franchise renewal, to offer the best possible package to its

customers. If you have a set term as contained in the existing franchise bill, as a matter of fact, there is no incentive. There's nothing to bargain against. We would believe that in some cases some franchise operators who meet minimal standards, only minimal standards should only receive a five year term.

If a franchise comes in off a state of the art programming, community opportunities, it shows that it can truly do the job, then it should have an opportunity to get a 15 year franchise. I'd only say that those cable operators who have exemplary conduct should receive that 15 year franchise, but we should not limit at this point in the time, the choices (inaudible). Because once you face a ten year term, frankly, it's a one stop shopping, they'll go, the operators will go directly to the DPUC and ask for the ten year term and they'll get it. They don't have to come to our office and do some hard bargaining or with the communities which they represent.

And the flexible term of five to 15 years, and frankly, if you want to go five to ten years, we certainly could live with that, but the five to 15 years we think makes some sense, provides the cable operator to deal directly with our office as well as with the various towns which they serve, to get a better deal. And they're going to go to those towns and they're going to negotiate with them.

We've seen an historic cable case that's presently before us for New Haven. There's a lot of discussion that's going on between the city and the cable operator. And there's a lot of give and take going on, and that should be encouraged, not discouraged. If you set a flat term of ten years, frankly, that's what they're going to ask for and that's what they're going to get.

So, I think that the principle of having a five year management review is certainly a good idea. At the same time, we think the (inaudible) terms make some sense. The Department already has the authority to review the management of a company that's not living up to the cable franchise obligations and they should effectively take action against them like we did with United Cable case

recently last year, where a fine of \$10,000 was invoked against the company for failing to live up to its franchise terms.

We also would urge, however, that the Committee not take any action on any franchise bill until they have had an opportunity to review and pass on a cable bill of rights for customers in the State of Connecticut.

As Representative Courtney has indicated, there was an idea that came out of the cable advisory of Vernon, to set specific state standards, minimum standards by which the cable operator would have to live up with. They would be service standards on billing, when service is installed and bill disputes and on termination proceedings. Other states which are wrestling with this area of deregulation are in fact adopting specific standards.

Because, if you go back to the United Cable Case last year, the only reason why they were fined was because there was specific service statements in the franchise agreement which said, if they don't live up to them, they are subject to fine. If you don't spell it out, if you're saying, well, folks, you're doing a good job. Well, frankly, they call come in, their record gets cloudy and you can't hold them up for a specific standard.

The bill that's presently being drafted by the LCO's office would have specific standards which are minimum standards only. That would mean that every cable operator in the state would have to live up to those minimum standards.

Again, the DPUC, we believe in a franchising authority can invoke higher standards. But the Legislature should at least set some level below which no cable operator may go. So we would urge you to reconsider the current bill. We'd be pleased to join in the drafting of that to try to amend it to allow for some flexibility, but also to add the specific cable standards which we think are necessary.

Again, I think that the problem that we're seeing in the area of cable television is a problem which

can be laid at the Congressional foot doorsteps. Those who argue that there is competition in the cable industry I think are arguing against the wind. We have not yet seen any cable operator come into other lucrative markets and try to compete against their neighbors. There are some, in fact there was a proposal made within the last week to provide two systems in the Century Cable franchise of Old Lyme. We think that's kind of heartening, but we don't necessarily believe that there's going to be a rash of those type of applications. We certainly would encourage it, but until there is true competition in the cable industry, the State's got to take whatever steps it's left with under the cable act to (inaudible) take those steps.

Again, there is some interest that's beginning to pop up in Congress to relook at the Cable Bill of 1984. I certainly would encourage that to be done and encourage our Congressional delegation to take a harder stance on this issue than they have in the past.

The next bill is Raised Committee Bill 214, AN ACT CONCERNING THE REVOCATION OF WATER COMPANY FRANCHISES. This act would include water companies with fewer than 5,000 companies within the ambit of the bill passed in 1987 to permit a franchise revocation for public service companies which are not efficient, or which are too small to spread the cost of large improvements over a small customer base.

As you remember, in 1987, such authority was granted to the DPUC for small electric and gas companies in recognition that the economies of scale in these industries are such that small utilities might not survive in the current economic climate.

While the rates charged by a small utility may adequately reflect the actual cost of service of that small company, the fact that it is a small economic unit may make it unable to provide service at reasonable rates when compared to other rate structures for comparable service.

Similar concerns apply to small water companies, particularly with the requirements of the safe

agree with this?

JAMES MEEHAN: Sure. The present bill, I think, provides for anybody in 87, that's raised some concern among some legislators who have been contacted by people saying, we were shifted in 86 or 85. I think that's reasonable. Again, from our perspective, the impact on other ratepayers is negligible, in fact is not measurable. So why shouldn't we do that until we resolve the problem. So we certainly would support that and any amendment to the bill that would provide for an opportunity to switch back.

REP. ANDERSON: Thank you.

REP. JOYCE: Representative Joyce, 25th District. On Raised Committee Bill 215, the agricultural rates, electric rates, I'm just wondering. It seems to be a very simple bill the way it is, but there's a three year moratorium. Don't you think there should be some things that should be looked into during that period such as conservation and so forth, and that should be spelled out in the bill?

JAMES MEEHAN: I think you can flush it out. I think it's everyone's intention, even the DPUC, to pursue those items. Again, I thought that when the bill was drafted that it would be included. They were not. Again, I just got these yesterday, actually, to look at in final form.

REP. JOYCE: I wonder, Jim, if you could give us some language that maybe the (inaudible) would be appropriate to flush that out, as you say, and to put some criteria in there that should be looked into during that three year moratorium. Could you give us some language on that? Thank you.

SEN. HALE: Representative Norton.

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REP. NORTON: Thank you. I wanted to ask, talking about the cable bill. In the (inaudible) latter parts of it, I don't know, lines 70 to 85, and stuff like that, it talks about taking away the, shall require the certificate holder to continue to operate the franchise for one year following revocation until successor is chosen. And then it says, the successor is chosen, he gets ten years,

provided at the end of the fifth year following such, what I'm wondering about that if a transfer is made because service is bad, because the franchise has been taken away, aren't we putting the customers of that particular franchise in a real bind because then the next, okay, then you say, you've got such bad service we're yanking the company, they might be hanging around until you find a new person. The new person comes in and then there's a five year period?

I mean, when the new person is chosen, will we have, will we have demand side or supply side economics working there? Will there be so many (inaudible) cable companies that will pick the best one and they'll all be aceing the other one out and underbidding the other, or will we have sort of one drudging company coming along and we'll have to accept his bid for the franchise because he's the only one and then we're waiting another five years to see if we get good service. In which case, we might have people suffering for 11 or 12 years, is that a possibility?

JAMES MEEHAN: Yeah, I think people with cable television may suffer for a long period of time, until it becomes a competitive industry. It depends on what area of the state you're talking about. Although what we're seeing in the cable industry is that the value of these cable systems, even in the rural areas is skyrocketing. They're paying almost \$2,000 per customer for a franchise. So, even if you, and what they look at is the number of customers not you know, how grand of an area you serve.

My guess is that if there was in fact a franchise revocation, that you'd have more than one potential bidders trying to take over the franchise. And so, I think you would see a reasonable response, depending upon what the nature of the terms of the termination were. But there are, at least as far as getting in the door, a lot of people like to get in the door. They like to keep the door closed after they get in, but getting in the door, there's usually a rush to the door. So I think you'd have an opportunity to select a better operator than you ordinarily would.

If I can just give you an example again. In Century in Old Lyme, they're under scrutiny right now as to what should happen with their franchise. My guess is that they're probably not going to have a franchise termination, but it has sparked the interest of Eastern Cable to provide a bid to provide universal service to that franchise. They recognize that there's an opportunity there and they intend to take advantage of it. We certainly encourage Eastern to do that.

REP. NORTON: They're out of New London, is it?

JAMES MEEHAN: They're out of New London. Right. So at least it showed that there is at least a spark of competitive interest out there in the industry.

REP. NORTON: It's my understanding that that particular cable company was in 1982 ordered to sort of, I mean, I just don't know, do you strongly (inaudible) are you as involved in cable matters are you are in every other issue?

JAMES MEEHAN: We're involved.

REP. NORTON: Oh, I'm sure. No, and I understand that to be the case but I wasn't sure if you would be the person to ask such a question. It's my understanding that the cable company in Old Lyme was ordered in 1982 to sort of extend so many miles per year over the next you know, as an order, and that they haven't extended an inch. Am I right?

JAMES MEEHAN: I think they extended a few feet, but they haven't extended much beyond that. In fact, they were in violation of the Department's order and that is one of the reasons why there was a review last year and it's continuing today, to see what should be done about them and we're working with the company right now to try to get a line station policy which makes sense for that franchise to provide universal service to the franchise.

REP. NORTON: Well, what I'm wondering is, if they were asked to extend their service over a period of years, and since 1982 having substantially done that at all, under, and you said that they might not have their franchise revoked, under what

circumstances might a franchise be revoked?

JAMES MEEHAN: Well, that's kind of an interesting question. I'm not sure at this point in time, and as you're aware, the cable act provides a lot of rights to cable operators to determine whether, or to contest a revocation of the franchise. The question, I think, that the DPUC and our office has to face is okay, you can go in and pull the franchise for failure to follow the previous order. Then you spend the next three or four years litigating. And you're in federal court and you're in state court, and meanwhile, people don't get cable television. So we're in a position now of trying to be realistic about it in trying to assess it to try and get the ultimate objective, which is to provide cable television to the people in the towns of Salem and Haddam and the like, and Senator Powers has been working on this issue and I think recognizes as well as we do, that it's not an easy thing to just say, you're out of luck, we're going to leave the franchise. I wish it was that easy. Unfortunately, it isn't.

But there should be circumstances people should use a franchise. But I think the State's been hamstrung in their abilities to take those kinds of steps by the cable act. This just means litigation. It means poor service for customers during that period of time.

REP. NORTON: If I could just sort of just to follow the last one. Do you feel that in lines like 72 to 75 and then, I'm sure more importantly 79 through like 82 of the cable thing that if there is a transfer made, the act of selecting the inheritor of that franchise might be enough of one to better the service. I mean, what, to put it clearly, I guess, that five years down the line after that (inaudible), everything comes to a head and there's a big problem. You get into a company and then it's another five years. So you think that choosing a new company might, and the loss of a franchise, might be enough of an incentive to good service.

JAMES MEEHAN: I think so. However, I wouldn't endorse the whole concept that they should be a fixed term of I think here, ten years. The Department in that

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case may want to give five years to see how they do. Or they may want to give ten years, depending what promises are built into the franchise agreement. So, again, I really don't endorse this whole concept of set term which this bill intentions.

REP. NORTON: You endorse its intentions.

JAMES MEEHAN: Yeah, I think the Legislature's dealing with a very difficult area, and again the problem is with Congress, not here in the State or lack of will of the General Assembly or regulators to do something. It's just that we really were (inaudible) and unfortunately, nothing's been done about that since.

REP. NORTON: I just wanted to make one other comment, and that is, I share Senator Hale's (inaudible) to discuss with the failure of CL&P to follow an order of the DPUC. However, if I were to choose any order for them not to follow universally, this probably would have been it.

SEN. HALE: Are there any other questions? Jim, thank you. Martin Burke, from CWWA.

MARTIN BURKE: Senator Hale, Representative Joyce, Members of the Committee, I'm Martin Burke and I represent the Connecticut Water Works Association and I'd like to briefly comment on Raised Committee Bill 214 concerning the revocation water company franchises.

The Connecticut Water Works Association feels that this bill is unnecessary for several reasons. You'll recall that this legislation was considered last Session and the Legislature made the determination at that point that cable franchises and water companies should not be included within this.

The bill this year would indicate that companies with 5,000 or fewer customers, that bill would provide reasonable service at reasonable prices be subject to revocation of the franchise. CWWA is unaware (inaudible) for the deliberations of the Consolidation Task Force and the feeling of the Consumer Counsel of any circumstances that would

like.

MICHAEL DORFSMAN: Senator Hale, Representative Joyce, and Members of the Committee. My name is Michael Dorfsman, and I'm the Executive Director of the Connecticut Cable Television Association.

The Association represents 26, 25 cable companies around the state and combined, they serve 800,000 subscribers, customers. The bill before you, S.B. 200, AN ACT CONCERNING COMMUNITY INTENDED TELEVISION COMPANIES, is, as we understand it, a good springboard for discussion this morning.

I will be speaking on that bill as well as providing comments on some of the DPUC's report. Now, as this Committee knows, a year ago, the Committee had a bill that you reported out, the bill that's on the table this morning, and we thought that that was a reasonable approach to some of the concerns that were raised a year ago.

Now, that bill got amended in the House to shorten our franchise terms to five years. Ten year terms could be permitted, but only if the cable system sought waivers under two conditions. One condition being that they agreed to a methodology of rate regulation and the second methodology being that the second criteria being that half the channels be on basic cable, that we assign half of our channels to basic. And that's a bill that passed but along with that, the DPUC was asked to do a study of what happened in the wake of deregulation in the cable industry and what is the appropriate franchise term for cable television.

Now there were a lot of concerns last year raised about deregulation. It was said that cable rate will skyrocket, that we would take advantage of our monopolistic tendencies. Now a year later, we do have the results of the DPUC's finding. And the DPUC found that when you take a look at the total bill, when you take a look at what the customer actually ended up paying, or what the cable companies receive in terms of revenue per subscriber, there wasn't an 18% rate increase that has received the emphasis in the past, but it was in fact a 5.8% increase in revenues.

And if I could leave one thought today, it was that the increase last year was not 18%. It was 5.8%. Now what did we do with this 5.8, because revenue is one side of the ledger, and we have expenses too. For one thing, the DPUC found that we increased our customer service budgets by 20%, that the ratio of employees to customer service, excuse me, customer service employees to customers dropped by 15%. And that the number of complaints received at the DPUC in all of 1987 under quality of service for cable companies was 683 out of 800,000, out of a growing subscriber base. The number of complaints was 683, which was above 60% of what had been recorded in 1986, which in turn was about half the number that had been recorded in 1985.

So clearly, there's a trend downwards in terms of improved customer service. One of the things we did, of course, was implemented some of the DPUC's policies which we helped formulate, in fact Regulations Review Committee is considering a regulation which we worked with them to adopt and which if a cable company had a half of 1% complaints in a given period of time, two months, it would prompt a hearing at the DPUC and we supported that, because we don't want our service to be faltering either.

When we give a credit for outages, if our reliability in any month falls below 99.8%, and if it, that's cumulative outages of less than 24 hours, we give a full outage, a full credit for any outage of 24 hours or more.

So, there have been significant inroads in customer service. Some of the other findings that the DPUC made was that we spent \$73,000 per system to do things like backup power, and finally, the real key point in the report was that shorter franchise terms would lead to higher rates. It found, and I quote, CATV franchise terms are typically for 15 years to the degree that sizeable loaner payments for capital payments are condensed into shorter pay back periods, there is a need for higher cable service rates to cover the larger yearly payments.

Now, I would like to talk a little bit about the rates because that is what prompted some of the

concern last year. Again, the customer's bill. When you factor in what most people take, and most people do take at least one premium service, the customer's bill rose 5.8%, not 18%. Put that in perspective. Valley Cable Vision raised its rates throughout its history. It's been in business for 15 years, 87%, over its entire length of time, with DPUC approved rate increases. Inflation during that period was 168% over the last 15 years.

Again, but looking at basic rates only gives a partial picture, because that's like saying, that's like paying our IRS bill only based on your gross income without taking any of the deductions.

When the DPUC did regulate our rates, they tended to shift the burden, expense burden onto the premium subscribers. They tended to shift the rate over to the premium services like HBO and Showtime, in order to keep that basic rate lower than what it's cost was justified being set at.

So what we had last year was a correction in the equilibrium. Now in the old days, we could get away with that. We could get away with raising the premium rates, because a little device called the VCR wasn't in many people's homes yet, in 1982. The VCR was virtually non-existent in the household. Today, in Connecticut, 60% of the homes have a VCR. And in some franchises, it's much higher than that.

For instance, the Groton area reports in a survey that 67% of the households in the area have a VCR and other parts of the State have more. We are the most penetrated, one of the most penetrated states for VCR as we are also for cable.

People here have a high degree of interest in television and we are one avenue for that. If we kept on with the policy of shifting the revenue burden onto premium, what it would have done was accelerate the traffic into the video rental stores. We were seeing in the last three years a decline, an increase in the number of basic only subscribers. Basic only subscribers was rising steadily over the last three years. And in the last year, with the correction, with the reduction in the premium rates, we've seen premium services

coming back. The Disney channel reported a 20% increase in the last couple of weeks in their subscriptions with the Disney channel.

And I submit, that we can't ignore or put down the benefits that come to the basic subscriber from a healthy premium business because that premium business supports a major portion of our operations, and if we had continued to see the erosion, the increase on the basic subscriber would have been far greater than what took place in the last couple of years on the basic service side, because obviously more and more of our costs would have had to have been supported by basic only subscribers.

Now I come to the franchise terms and as this Committee knows and has heard at length, we are a very capital intensive business, and to wire the low density areas of this state, and to add the new types of services that our subscribers are asking us for, they buy the stereo tv sets and they want us to be passing stereo sound. And they read about other channels being offered in other cable systems and they want us to offer those services in their own system.

We heard an instance of that this morning. To add channels, very expensive, and to be able to spread those payments, or to attract investment in the cable system, and to keep rates down, to keep rates down as the DPUC said, it takes 15 years and that has been the norm in the industry across the country. Fifteen years. We did a survey. The DPUC did a survey. Fifteen years is what's typically granted. There are places that grant 20 years and places that grant 25 years, and a couple of places that grant 10, but they don't have the requirements on their cable systems that we do here.

We heard, for instance, about not wiring low density areas. Well, do you know in New York, in New York, you don't have to wire any area with fewer than 35 homes a mile, and in Rhode Island, you don't have to wire any area less than 40 homes a mile, but here in the Groton area, they're wiring two homes a mile, and one home a mile. And obviously, that's going to have an impact on rates. It cost the same per mile, \$10 to \$15,000. You

have five homes on the mile, or you have 50 homes on the mile, the cost is going to be borne by more subscribers. And that's what we're grappling with here. Break even for cable is 35 homes a mile.

Last year, the Committee put off the effective date of the five year bill, but we have been already seeing the affects of that bill, the deleterious affects. In New Haven, the cable system in New Haven is up for renewal and has had hearings, and who came in and asked for 15 years? The City of New Haven did. The City of New Haven said, we want more channels, and we want two-way services to link our municipal buildings together, and the City of New Haven's witness said, could this be done in five years, and he said no. You would need 15 years to accomplish this.

And Cox Cable is proposing a \$15 million upgrade to serve the Manchester, Newington, Glastonbury, Rocky Hill area. And the cost differential between the \$15 million over five years and over 15 years is approximately \$5.25 a month per subscriber.

And in Colebrook, the town that the DPUC forgot when it gave out the franchises. In Colebrook when a cable system came forward and offered the wire, a very low density town, it asked for a separate franchise because it was afraid that the existing franchise would be opened up and then revert back to a five year term when it had something like 12 or 13 years left and it could not afford that.

So we have already been seeing the deleterious affects of the bill that was passed last year. We have national companies in the State, but we have independent operators in the State, and the DPUC's report, which a point I would like to correct in the DPUC's report, was that cable systems in this state are largely owned by multiple system operators, big national companies. And it's true, they are able to generate cash internally.

But when you have such a climate, environment in this State where the franchise terms have been changed twice since 1982, and the heads of those companies have to decide where to allocate these fine art resources, would they be encouraged by allocating that money into Connecticut. And what

about the individual operator? The Valley Cables and the Northwest Cables. The Eastern Connecticut Cables that stand on their own. They don't have any outside sources to go to. They have the bank, and the 15 year is better for the large guy, and it's better for the small guy, and the State should not be, and I'm sure that this Committee would not want to discourage the independent operator, because they bring something to the table.

We believe in the (inaudible) of the DPUC's report and the bill before the Committee is what's most appropriate, and best for the customer. We are willing to have flexible terms. We think it's good. We're willing to go in and dicker with the DPUC and the Consumer Counsel's office. But we're concerned that a five year floor is a too low floor. That the technology that we deal with changes so rapidly. Our stuff doesn't get to linger on the poles and deteriorate. We don't have the opportunity to do that. The new technologies are so rapidly developing, and so quick, VCRs were only here six years, that we have to change out the plant much sooner than that. So we do need the flexibility to come in and say, ten years and over a longer portion of that ten year period, have the ability to adjust, to improve the services and improve the plant.

At the coincidence of renewal, a cable system may not be aware of the new technology that's just beyond it's site on the horizon. A ten year term which is again the very minimum granted at a national level, is what's appropriate.

As the DPUC said, it does have ongoing enforcement authority over customer service. We agree with that. We have seen the DPUC exercise of authority. It works well, and we have been working with it. Now on entering, one of the DPUC's recommendation was to tier. I think what the DPUC, the DPUC has a concern about low income services being available, excuse me, services being available to low income people, and we share that concern and many of the cable systems in the State have been on their own, offering a different type of rate, a discount for low income elderly, based on CONNPACE. Other systems have been doing a variation of that. A tier may work in some systems, may not work in

others. We have systems that still do have tiers, and one of those systems has 68 subscribers out of 17,000 taking cable tv. Another system had one subscriber taking a tier out of close to 50,000 subscribers when they discontinued it. A tier may not be the best approach.

We have been looking at the CONNPACE type of proposal. Many systems have already implemented it. Tomorrow there may be another, more innovative or (inaudible) or just as innovative an approach, and we think it's best to leave that type of flexibility to the cable operator. I don't mean to throw the cable act at the Committee, but the FCC has said it's illegal to mandate a tier. It's illegal to abolish order a tier be abolished.

The State policy regarding tiering has swung back and forth several times during recent years. We're afraid that such a policy being mandated, would end up being confusing for our customers.

Before I conclude, I wanted to deal with some of the issues that were raised by Representative Courtney this morning. Representative Courtney indicated that a lot of people in his district

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would like to have WOR Channel 9 added to the cable system and that instead, the cable system added some other channels.

Well, if the cable system is concerned. Obviously, it's not in the business of providing channels that people don't want. It did a survey. It was done by an outside marketing research firm, totally independently, survey. The survey found that customers in that franchise are most pleased with the independent channels that are being carried now WPIX, Channel 11, and WSBK. There are more Yankee and Red Sox fans in Vernon, apparently than Mets fans.

The fact WOR came out last in that survey. To add one independent channel like that, a distant channel from out of state, brings us in under federal regulations, to give you an idea of how complicated the federal state layers of regulation are. Federal regulations would end up, to bring

that one channel in, would add \$250,000 to the cost of the cable system. You would have to pay for that one channel, 3.75% of its gross revenue for basic cable, if you calculate it out, divide it by its subscribers, that's \$14 a year, more than a dollar a month, just for that one channel.

That's the type of problems we deal with. The cable system in there, in that system, started out with a rate of \$13.45 in 1983. It raised its rate by 50 cents, a 4% increase in 1985 and it raised its rate again, as Representative Courtney said, but it wasn't by 20%, it was 14%, they raised it \$2 from \$13.95 to \$15.95. For a very expansive package, combined 18% over five years, about a 4% increase a year. I just wanted to point that out because what we dealt with last year was a lot of information, and not all the information bore up under closer scrutiny.

In conclusion, our customer service problems have been abating. Six hundred eighty-three complaints out of 800,000 last, subscribers last year. And we are competitive, because while we dwell on the 800,000 who do subscribe, there are 400,000 in the State who don't. They could, but they don't. How are we going to get them to subscribe if we have a reputation for raising rates when they're just as quick to go to the video rental store, and they are spending \$15, \$17 a month. The average home with a video cassette rental, a video cassette recorder, rents four to eight tapes a month, \$2 a tape. People spend money on tv and we're trying to get them into our store and not the video rental store.

Fifteen years is the best choice for subscribers. It allows us to expand our technology, to provide the services that they're going to be asking us for. I want to thank the Committee.

SEN. HALE: Andrew.

REP. NORTON: I'll defer to Senator Powers.

SEN. POWERS: Thank you, Mr. Chairman and Representative Norton also. Mr. Dorfsman, I'm very new to this Committee. It's my first or second public hearing, so I'm trying to kind of learn as I go along. I've been trying to pay, during my eight

years in the General Assembly, some attention to cable tv issues, and I found them very interesting. I certainly find your testimony very interesting. I'm not ready to carry your flag at this point, or shed too many tears quite frankly, especially when I hear some of the comments from constituents of mine concerning service or just the complete lack of service.

I wanted to get something a little more clear in my mind, and that's something you mentioned either from your own information, or possibly, it was from the DPUC report, that cable costs to subscribers have increased on the average of 5.8%. Now, I think you mentioned that that's the total, that's total service. What kind of an increase, percentage increase has there been for just basic service? And I understand some of the comments you made earlier, but I'd still like to get that information.

MICHAEL DORFSMAN: The DPUC says basic service rose by 18%, to add to that. Last year was an extraordinary year. It was the first year, when not only basic rates went up, but rates were really restructured, rather markedly. Sammons Cable in Waterbury had a basic rate of \$7.90 when it went into business in 1974. It lowered its rate to \$7.35 a year later. For the next 10 years, you had no rate increase at all. Never asked for one. You had \$7.35 through the years of some of the highest inflation this country has seen. It then, under the cable act raised its rates 5% a year in 85 and 86 to bring it up to \$8.09.

In 1987, it raised it's rate from \$8.09 to \$12, 48%. At the same time, it lowered its rates on HBO by \$2. And it lowered its rates on Cinemax and the Disney Channel by \$1. Or it might have been the movie channel, I forget which.

The company still has the lowest revenue per subscriber in the State. Despite a 48% increase. That type of increase of course will pull up everyone's average.

Another example, Laurel Cable in Torrington had two packages of services. I believe it was a \$7.65 basic and a \$6.95 tier, which a lot of people took,

probably the majority because they had things on like ESPN, Cable News Network. Since so many people were taking them anyway, they merged the two together. DPUC said, they went from \$7.65 to I believe \$12 and something. Those people who took both were actually paying less and that's the majority, but the DPUC looked at basic, and at a different basic rate without regard for all the additional channels. Again, it pulls up everybody's average.

SEN. POWERS: I appreciate that. What was the percentage increase or decrease in the cost of premium channels? What I'm getting at, I'm trying to separate the basic and the premium. You've given it as a bulk, the 5.8%. The basic service you said last year, increased on an average of 18% which says to me some cable companies may have increased it 25%, 30%, others increased it obviously less than 18%. What was the average increase for premium channels.

MICHAEL DORFSMAN: The premium channels went down, or stayed the same, despite the rising cost the companies receive from the suppliers.

SEN. POWERS: In the increased competition.

MICHAEL DORFSMAN: Yes.

SEN. POWERS: Which, in my estimation at least had more to do with it, more to do with decreases than anything else. I mean, I don't blame you for trying to stay competitive, that's the business world. It's my understanding, I'm trying to learn all this and I appreciate the Committee's patience. You've also in some cases, and I think you mentioned this, combined service, so that you're more or less requiring some previous service be included in what's now called the basic service.

MICHAEL DORFSMAN: There was a good bit of, yes, there was a good bit of merging of different packages. Not every system, though, I would say it was roughly half, the less than half that did that.

SEN. POWERS: Wouldn't you say then that that artificially decreases the overall increase in the cost of cable service? Because you're requiring

people to take a premium channel that you've actually reduced the cost of.

MICHAEL DORFSMAN: Well, what we were finding was, I'm not sure I understand, but what we were finding was that most people were taking those services anyway, and we did combine them. One, it's less confusing. Most people were taking them. For many years the DPUC used to discourage tiers, because they thought it was a way for us to circumvent regulations. They actually tried to get us not to do that. They found it was pre-empted. But if there's a concern about, and for that matter in the Hartford area, never had a tier. Many parts of the State never had tiers. Because, if you had a tier, it would be primarily made up of off air signals that most people could get anyway.

The other problem with tiers is that it gets people upset because they come to the cable system and say, wait a minute, why should I pay extra for ESPN or Cable News when the guy next door has it for free? They didn't see that they were paying less for that basic package, and they saw the guy next door getting it for free.

Or, the other thing we see is that people say, I bought a cable ready tv set. And now I need a converter because I want that package on the tier. And so we get, it's hard to decide what the consumer is going to want. Consumers are not a homogeneous group when it comes to cable. I could go up and down the Committee here and give you all the services available, and you would each come up with a different mix. I hear a lot of comment about the shopping channels, and I'm certainly not here to defend the shopping channel, but for that matter it does provide a service to people in these busier days, it's like a catalog. But, that contributes revenue, yes, we do get a commission from that. Nothing to be ashamed of there. It keeps the basic rate down.

One of the cable systems in the State had a bigger than 5.8% increase in revenue. Its expenses were, it's expense increase was larger than what its revenue increase was. About three points different, 25% difference. Its expenses had gone up faster. It was paying its employees more so

that it got a better caliber of employees. One of the ways they're making that up, through the shopping channel and pay per view, another service that people want. And another way for us to compete. There are degrees of competition between our services.

SEN. POWERS: Let me just give you my, now this isn't really in the form of a question at all, but it concerns me when we're told, and this appears to be accurate, that the increase was only 5.8%. I look upon the basic service and premium service as two separate areas. When we're talking about an increase of 18% for basic service, which I personally do not consider to be competitive. I think you either for the most part take it, or you don't have cable tv as opposed to a much lower increase in premium channels, which I consider to be very competitive, with VCRs, with movies, etc. I think the much more significant (inaudible) is the basic service that people have to have and that's been an 18% increase. I think that's what we should be focusing on. Be that as it may, that's (inaudible) I'm sure we disagree.

The other is more probably a comment than anything else, too, that I was interested in your comments on the DPUC report that you quoted quite extensively that I assume you agree with. I'm concerned, I happen to represent, as has been mentioned, Old Lyme and Lyme, which fall within, to their great misfortune, the area of Century Cable and Century Cable as I think Representative Norton has mentioned, since 1982 has been under an order by the DPUC to expand its service.

They have chosen for whatever reasons, not to have done that, or to have done it very, very slightly. I just, I guess, find a little inconsistency and in one hand, quoting the DPUC report and putting a certain amount of gospel to it, and at the same time, having one of the cable companies completely ignoring a DPUC order and it's very difficult for me, as an elected official, to have a great deal of sympathy for in this case, a particular company that for six years has decided not to provide the service that they've been ordered to provide to people in a particular area.

MICHAEL DORFSMAN: I don't know if I can respond for Century, but I would point out that this State is the most cabled state in the country. We are in front of 93% of all the households of the State. We've done that over 15 years, at an extraordinary amount of investment. As I understand the Century situation, and again, I would say that one difficulty with one cable system, that one cable system can be dealt with in one way or another, whether the cable system was right or wrong. But to have a whole industry come under the strictures, because of one, no matter what the system is, would be self-defeating. To require five year franchise won't help that cable system, Century Old Lyme, build any deeper than it has. Or it won't help a new operator come in. It will act, in fact, as a disincentive.

SEN. POWERS: What options do we have as legislators, as the group we're representing the people who are not being given the service when they're supposed to be given it, what do we tell our constituents when they say, look, don't you have any control at all? Do we blame Congress, which deserves a lion's share of the amount of blame, because for some reason they passed that ridiculous law that they passed. What do we tell people when they're not getting that service over six years?

I mean, as I mentioned to you before, it's very difficult for me to give you another example of what comes close to the real hatred people feel toward a particular cable company because they've been thumbing their noses and not paying any attention to their needs. I mean, what other options do we have besides attempting to pass legislation that we think might give us some type of control over a cable company that's not doing what it's supposed to be doing and is not following the mandates of the Department of Public Utility Control.

MICHAEL DORFSMAN: Well, again, mandating shorter terms is a tangential way to deal with this issue, and probably would be off the mark. I mean, if you want me to comment about Century, it is my understanding that in 1982, the DPUC, after hearings, did order it to extend cable to the

entire franchise area. As a whole, that is a very low density area, and if I can remember the former Consumer Counsel, Barry Zitser, said there are just some areas in the State that are very, almost impossible, and that was one of them and the other was up in the northwest corner of the State.

Because, as I mentioned earlier, Senator Powers, for a cable system to break even, you need at least 35 homes a mile, and most places don't require anything below that. Now as I understood the Century situation, and I'm not totally familiar with all legal details here, but it was ordered to build 100%. It had said that it could build when it got the franchise, no more than 60 miles. And it has, in fact, built 63. And that the DPUC subsequently came in and had a long, extensive proceeding and told it to build the entire franchise, after the company had said it doesn't make economic sense to do so.

It would be confiscatory. Company appeal. I don't know what happened to that appeal. The DPUC back in 1985 perhaps because it thought there was some merit, I don't know, but opened a second docket on the line extension for that system. Something prompted it to do that though. Something said, let's take another look at this and we come to today, where there have been hearings going on recently and we're waiting for a resolution on that.

I believe there is some discussion going on between the DPUC, the Consumer Counsel's office and the company.

SEN. POWERS: I'm aware of those, but I again, I apologize to the Committee. I'll wind up with just a comment, that much to my surprise and delight, I've learned as we've heard earlier today, that another firm is interested in coming into that area. That says to me pretty clearly that there's got to be some kind of a financial incentive for another company to come in, completely rewire that area. There's got to be, despite your figures of 35 homes per mile, there's got to be some kind of financial incentive for the company to come in. They're not doing it out of the goodness of their hearts to provide service to people. If they are,

let me know, I'll bring them up here and bronze them. But, I don't see that as happening.

I see what is happening, so they've looked at it in hard business terms and found out that they're able to make a profit. Why this other cannot, or refuses to do that is beyond me, but again, I more than allotted my time, Mr. Chairman and Representative Norton. Thank you.

REP. JOYCE: Representative Norton.

REP. NORTON: Yeah, I just wanted to say, thank you very much. 48. I just wanted to, Mark and I both happen to represent towns in that particular area and this Committee should not have to suffer along with us, but however, it is a situation to me that makes me wonder what the value of the argument is when you say, without 15 years, we need, that's the only way we can have capital.

With 15 year franchises, we can sort of martial our capital efforts and really get something done, and if you make it 10 years or seven years or five years, you're really, you know, tying our hands and when indeed you have a situation like this with a 15 year franchise, and nothing gets done, I mean, the argument, and again, I don't want to judge the entire industry by just one company, and yet you know, what am I going to judge it from. This is what I'm representing and it just seems to me that if you need 15 years to invest a lot of capital, and what did this company need, 25 years, 30 years, they didn't take advantage of their 15 year franchise and so, you've got to wonder about the value of that.

The other thing, I understand the situation here. You're competing with other utilities as such, for service judgments. I mean, people are looking at you and sort of comparing you with the phone company and another company. I mean, their electricity always comes through. If it doesn't you can look outside and know why, and the same with the phones.

MICHAEL DORFSMAN: We are actually held to a higher standard, because your phone could be out for hours and not know it. But people spend, the average

family spends 7-1/2 hours in front of the tv set, and the phone company doesn't have to have a 99.8% reliability factor before it has to issue credits. It only has to give it for one full day.

REP. NORTON: Say that again?

MICHAEL DORFSMAN: The phone company only issues credits if it has a continuous outage of a full day, or more.

REP. NORTON: And you have to --

MICHAEL DORFSMAN: We do it for 99.8% reliability, which equates to every subscriber being out for four hours in a month.

REP. NORTON: Well, the Super Bowl is more important than talking to a relative, you know.

MICHAEL DORFSMAN: As a matter of fact, you'd just as soon as have your phone being out during Super Bowl.

REP. NORTON: The other thing I just wanted to make a comment about. I am negligent. I have not read the report. I'm looking at your report of the report. But, I mean, if, maybe I will believe that there has been a concomitative decrease in peoples' satisfaction, dissatisfaction with the companies to go along with 1925 down to 683, but I just want to sort of say that no one thinks that that means that there's only 683 people in Connecticut who are dissatisfied because that's how many people call the DPUC. I know 683 who aren't really dissatisfied with the thing. I mean, a lot of people I don't think it occurs, to call the DPUC.

MICHAEL DORFSMAN: No, they call us, and you know, we're dealing with 800,000 subscribers every day, in one way or another. You know, when Channel 3 pre-empts a show to show President Reagan, which CBS declined to do recently, but when they pre-empt, we'll get 200 phone calls in an hour. People, you know, we are compared, as you said, Representative Norton, to the other utilities, but people care more about cable or television than they do about the other utilities.

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REP. NORTON: The last thing is just a comment for you to feed back to your association. The people who come out and install cable are typically young men and I found, and the people I have talked to have found they are usually very often polite, courteous, efficient, intelligent, and the people who answer the phones of the company are sort of the (inaudible) polite, efficient, courteous and intelligent and you very often get someone who has just started there and (inaudible) that typically, you could call the same person and it sounds familiar with a year before, but they just started and don't ask her. I would say that that is a large degree of the dissatisfaction that I get. The largest complaint I get is not so much the substance of the complaint they're calling about, but when they turn around to make a call, they don't get an answer. If they do get an answer, it's rather gruff and curt.

MICHAEL DORFSMAN: Well, I hope you feel that you're seeing some white smoke now because the companies are improving the wage scales for those people who answer the phones, for exactly the reason you're describing. One of the systems told me just last week that they've raised their wages for customer service reps from \$5.50 to \$9 to \$10 in the last year and a half. We're competing. We need people who can intelligently answer those questions and to describe the various services that are available so that the customer can make the choice that they want.

REP. NORTON: Thank you for your time and I'll thank the Committee.

REP. JOYCE: Any other questions? Thank you, Mike. You're free.

MICHAEL DORFSMAN: Thank you.

REP. JOYCE: I would just suggest this, that we've had six speakers and we've taken more than two hours, so, for the benefit of everybody here, those who are waiting to speak, in order to maybe create more attention on the Committee, there are many people who have gone out because it's just so long that you can concentrate, I would ask maybe to try to

keep your remarks down. If you have written testimony, it's perfectly a good procedure just to summarize your remarks and leave the testimony, if you do have it written. The next speaker will be Eric Kemmler from ESPN.

ERIC KEMMLER: Chairman Joyce, Members of the Committee, my name is Eric Kemmler, I'm assistant general counsel at ESPN, which has a principal place of business in Bristol, Connecticut.

ESPN does not own any cable systems, but I am here because the cable systems in this state and other states has a conduit for us to reach a 95% measure of the television viewers in this country that we do reach, which is about 45 million at this time. I will keep my remarks very short.

My main thrust is that we have found at ESPN that deregulation, that in its wisdom Congress enacted in 1984, has been very good for the consumer in the sense that it has been very good for the cable programmer, allowing the ESPNs, the CNNs, and the other programmers of the world to improve their programming to create better quality, better variety, to create more interesting entertainment for the consumers, and in the past three years, we've seen cable subscriptions continue to rise even in the states, like Connecticut, which is the third most penetrated in the country, only surpassed by Wyoming and Montana, where cable is probably the only choice for television, where in Connecticut has one of the strongest off air markets possible in this country.

In those three years, the programmers have become successful. From businesses there were many channels (inaudible) that disappear within a couple of years, to businesses that now seem to have a long term potential. If the value of cable systems has gone up in the last three years, it's because the programming is more desirable. It's because what ESPN and USA Network and all the others have been able to do, which we could not do during the time of regulation because we could not support our businesses solely on the advertising revenues. The interest on the part of the advertisers was not there.

At this time, about half of the ESPN's revenues comes from fees from the cable operators and half comes from advertising, and we are selling out our advertising this time. We are selling it all out, which is something we never thought would happen. We lost \$45 million in 1981, in one year. Now, we are very successful and in no danger of disappearing any time soon, barring changes in the business.

Therefore, we feel that regulation and our success are completely interdependent. There's no coincidence that we're now doing very well and the cable subscriber is finding a lot of programming that he wants to see. The ratings for the broadcast network has dropped drastically and deregulation, no coincidence, it's because we now have the funding to provide the programming that people are voting with by turning their sets to our channels.

We also would like to point out that there seems to be an agenda here that certain interests in the state feel that they have to regulate cable rates and they possibly are interested in regulating programming offerings that cable is a monopoly. Cable is a necessity. Cable is a utility. I wish it were true. I wish that cable were a necessity. Then ESPN would be in 100% of the homes in this country and be able to compete even better with the broadcast networks. We're in half the homes, and that's the highest number of any cable network. We are the largest single cable network.

It's not a necessity, and it seems useless to regulate any aspect of a business which is entertainment. It's a luxury. People buy cable tv because they want to be entertained, not because they need it to contact their relatives, or to be apprised of an emergency or anything of that nature. We still compete with people in the networks who have the advantage of the broadcast signals. Channel 30, or rather, Channel 3 in Hartford can reach millions of people with one transmitter. We have to deal with thousands and thousands of cable systems. We have 18,000 different cable systems that we have to have business relations with to reach half of what the

broadcast networks do that only have 200 entities to deal with, 200 television stations across the country. Each network has about 200 affiliates.

And we don't see newspapers, movies, other forms of entertainment, the other choice that people have for spending their disposable income, being regulated, or even being considered to being regulated, and I'm sure we all have our differences with the quality of the newspapers or the price of the movie theatres, or any of these things. But, it's not an area that would seem to merit regulation. I think that the problems that were discussed earlier about the farmers and electricity would be much more deserving of the DPUC's, and the General Assembly's time than cable television, which, as much as I don't like to say it, is a frill. It's a luxury. People don't need ESPN. We have to make them want us, and the cable operators are integral to that effort.

We feel that any regulation of the operators in terms of rates or anything that might tend toward regulating content will have its ultimate impact not on the operators, but on the programmers and then subsequently the consumers to the degree that the programmers are forced to cut back. That, for example makes us concern about any move to create low income tiers.

We've just gone through an era between prior to regulation, in which we suffered, because there was regulation of rates and tiers, basic tiers were kept low, ESPN, and the other original programming on cable was not able to get into all the homes that subscribed to cable. That time has by and large passed in the way that Mr. Dorfsman has described, and we're now reaching most of the viewers who do subscribe to cable.

If the DPUC were to regulate a tier in that fashion, they would have to regulate rates in some form and almost inevitably they would end up regulating the content. That is, they would be saying, what program services should be included in that basic tier? It would be likely that they would say the first thing to be included would be the broadcast signals, which would then put ESPN and the other satellite programs at a competitive

disadvantage that we thought we had overcome, through the present competitive environment that exists. Thank you very much.

REP. JOYCE: Thank you. Any questions? Thank you, Eric. The next speaker will be Chris Byrd from Connecticut National Bank.

CHRISTOPHER BYRD: Good afternoon, Representative Joyce, Members of the Committee. I'm Chris Byrd. I'm a vice-president with Connecticut National. For the last six years I've been actively involved in financing cable television operations on a nationwide basis.

I'm here primarily to speak about the effect of shorter franchise terms on the availability of bank capital to cable operators as they seek loans to rebuild and upgrade and expand their cable television plant.

In October, I gave some testimony before the DPUC. I'll summarize that briefly here. We make project loans primarily to smaller operators, independent operators. We require that the terms of those loans be shorter than the remaining term of the franchise. The loan must be repaid before the franchise expires. There are two reasons for that.

The first is that the franchise equates to a license to do business for the cable operator. A license to do business means the cable operator can generate cash flow to repay our loan. Without a franchise, we have a bad loan.

The second reason is that hard assets, i.e., cable, electronics, tangible assets are inadequate collateral for a cable television loan. Lenders must look at the cable television company as a going concern. Without a franchise, cable company is not a going concern. We are under collateral (inaudible).

What would shortening franchise terms do to the availability of bank capital? It would require that the loans that were made to rebuild and upgrade and expand television systems, be repaid within a shorter term. What that means is, greater cash flows in shorter period of time, higher rates

to the subscriber.

Another way of dealing with that would be to have the cable company borrow less and raise more equity to make the same project. Again, higher cost of capital and equity. Therefore, higher payback required. Higher rates to the subscriber.

The third possibility of course, is a deferral, or a reduction in the planned capital projects and that's not going to help the cable subscriber either.

I'm submitting written testimony. In that testimony, I'm replying in four areas to comments that were made in the DPUC report which I feel requires some comment because they speak to my area of expertise, and I would ask that those who have read the report, please read my written testimony and it expands on what I'm about to say.

The first is, that the DPUC says that lenders and investors should take some comfort because the cable act of 1984 requires that cable assets be valued at market rather than book value if a franchise is revoked. That really doesn't give us any comfort, because we don't value hard assets. As I said before, we look at the franchise as an intangible asset that enhances the value of the cable company and that's what's necessary to collateralize our loan. So, any distinction between market and book value part assets is splitting hairs for me as a cable lender.

Second, there was comment made in the DPUC report that the structure of cable loans from banks are often revolving, that the loans are often revolving in nature and that they are required to be paid back in short periods of time. That's simply not true. All of the loans I've ever made in the cable television industry have required at least eight years to pay out, based on our projections of future cash flows of the company, which fairly well mirror the company's projection of future cash flows. So that a five year franchise term would require a shortening of the payback period of the loans.

The third comment that the DPUC made, which I would like to comment on is that, large cable companies, multiple system operators or MSOs, don't require from their banks, any concessions regarding certain franchise terms. In other words, if I'm dealing with a very large cable company and they have 100 franchises, I'm not going to worry about one franchise. That's true. But, the cable companies themselves, and some of the cable companies had testified in front of the DPUC, do make that distinction when they are allocating internal capital. And they have a fixed pool of capital from which to draw and they have to allocate that among their various cable projects all over the country. So to the extent that there's a shorter franchise term here, they are more likely to allocate that capital elsewhere.

A corollary to that is that the small independent operator who relies on a bank like Connecticut National for financing is hurt even worse by a short franchise term because as Mike mentioned before, they don't have a large subscriber base over a number of states to mitigate the risks of franchise non-renewal or franchise revocation. Therefore, they're being financed by people like me, and I'm going to look very hard at the remaining term of the franchise.

Finally, there was a comment made by the DPUC that banks and investors should take some comfort from provisions in the cable act that appear to give a strong presumption of renewal, and those are the words of the DPUC, not my words, to the cable operator.

I would just say from my perspective as a lender, that we don't see it that way, at least not yet. We as lenders, don't feel that the cable act has been in force for long enough for us to say that there is or there isn't a presumption of renewal. Perhaps in five or ten years we'll feel that way, but until we as lenders can be comfortable that there in case history has been a good track record established for presumption of renewal, we're going to take a wait and see attitude.

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Those conclude my formal comments. If anybody has any questions, I'd be happy to answer them.

REP. JOYCE: Thank you, Chris. You're speaking not for the banking industry, but for Connecticut National Bank.

CHRISTOPHER BYRD: That's correct. Although, I would add we do business on a nationwide basis. We participate with other banks in financings and I don't presume to speak for every bank in the country, but we, our attitudes mirror the attitudes of most of the cable sophisticated banks in the industry.

REP. JOYCE: I would suggest that the DPUC report didn't base their opinions and their premises on one bank, or apparently, in their investigation, they didn't find banks that didn't use these practices, using the market values, the revolving funds and (inaudible) value the renewal, the difficulty of non-renewing the franchise. So I can presume that the DPUC in their report have sections for these premises they made.

CHRISTOPHER BYRD: I can't make that presumption. I can't speak one way or the other. I do know that I am the only banker who testified orally in front of the DPUC. There were several banks who submitted letters early in the process to the DPUC. I believe that that written testimony fairly well mirrored mine. There were no other bankers who testified or submitted expanded written testimony to the DPUC, so I would have to assume, unless I was told otherwise, that the DPUC may have misunderstood some of my comments, or may, the DPUC staffers, may not have completely understood what goes through a banker's mind when a banker is (inaudible).

REP. JOYCE: Did you see the written testimony of these other banks?

CHRISTOPHER BYRD: I did not, no.

REP. JOYCE: Thank you. Any other questions?

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SEN. POWERS: I have just a short question. One of our comments generated a question in my mind, and I hadn't really thought about it before. But let me spell out a little scenario and you tell me if it makes any sense whatsoever.

You mentioned that without a franchise, you then have a bad loan, which certainly would make sense. But what would happen if there was a franchise X that's going along and it's franchise license was revoked from the DPUC for whatever reason. They had a loan with you. It's my assumption that someone would come in fairly quickly after that and take over the franchise, so then you have franchise Y that comes in and takes over. Wouldn't franchise Y then be assuming the loan that franchise X had and you would then be, you would then have your loan covered.

CHRISTOPHER BYRD: No, that would not be the case. What would happen in the case that you're describing, what would happen would be that franchise Y, the new franchisee would come in and bargain with franchise X who owns wire and electronics on poles and head (inaudible) that franchisee Y would bargain with franchisee X to buy the assets that were already in place, the hard assets. Franchisee Y in the real world, has a great deal of bargaining leverage over franchisee X. The reason for that is that franchisee X's equipment is used. It's partially depreciated from a real standpoint as well as from a book standpoint. Franchisee Y does have the ability to say, I'm going to put up my own equipment, I'll just build my own system. I'll build brand new state-of-the-art, I don't need our old assets. Franchisee X as I understand the law, in that case, would be required to take down the assets off the poles at franchisee X's own expense.

So there's a great deal of bargaining leverage that the new franchisee has over the old franchisee. As a lender, my loan is to a company or a partnership that owns those hard assets. Franchisee X. That's a company without a franchise. Franchisee Y could come to me and say, I'll assume your loan or it could not, but there's no presumption that that company would.

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SEN. POWERS: So there's no obligation at all, then.

CHRISTOPHER BYRD: Absolutely not to franchisee Y to assume that loan.

SEN. POWERS: Okay, thanks.

REP. JOYCE: Any other questions? Thank you, Chris. The next speaker will be Tom Clifford, from Ansonia.

MAYOR THOMAS CLIFFORD: Senator Hale, Representative Joyce, Members of the Joint Standing Committee on Energy and Public Utilities.

It's a pleasure to be here. I appreciate the courtesy extended to me by this Committee to address it. This morning, speaking of flag raising, I had the opportunity to participate in a flag raising ceremony in the City of Ansonia. It is Lithuanian Independence Day. And now I come up here to Hartford the gold dome building, there's another flag which I would, on behalf of the citizens of Ansonia, like to raise and bring to the attention of this Committee, and it's a very important piece of legislation from my vantage point, being the chief elected official in the city.

And that is Raised Committee Bill 216, which is AN ACT CONCERNING THE SALE OF WATER COMPANY LAND THAT'S OWNED BY THE ANSONIA-DERBY WATER COMPANY. We have always in the lower Naugatuck Valley embraced economic development. In fact, I recall back in 1960, Theodore White who wrote the Pulitzer Prize winning work The Making of the President in 1960, recounted his trip up through the lower Naugatuck Valley and referred to the valley communities as the seed bed of American technology, and we've always embraced that principle.

However, within recent times, we've fallen upon a bit of drawback. Last year, as I heard Senator Hale mention, Ansonia was the only community of 169 communities in the State of Connecticut to experience a drop, a decrease in its grand list, which is so mind boggling when you consider the great state of the economy within Connecticut that