

NYNEX Telephone Companies  
One Call Communications, Inc.  
Operator Service Company  
Pacific Bell and Nevada Bell  
People of the State of California, et al.  
Public Utility Commission of Texas  
Southwestern Bell Telephone Company  
Sprint Communications Co.  
State of Michigan, Attorney General  
State of Wisconsin, Attorney General  
State of New York, Attorney General  
Telecommunications Company of the Americas, Inc.  
Telecommunications Resellers Association  
Touch 1, Inc. and Touch 1 Communications, Inc.  
William Malone

#### *Reply Comments Filed*

ACC Corporation  
Alabama Public Service Commission  
Allnet Communication Services, Inc.  
Ameritech Operating Companies  
AT&T Corp.  
Bell Atlantic Telephone Companies  
BellSouth Telecommunications, Inc.  
Commonwealth Long Distance  
Communications Telesystems International  
Competitive Telecommunications Association  
Custom Telecommunications Network of Arizona, Inc.  
General Communication, Inc.  
GTE Service Corporation  
Hi-Rim Communications, Inc.  
L.D. Services, Inc.  
LDDS Communications, Inc.  
Local Area Telecommunications, Inc.  
MCI Telecommunications Corporation  
National Association of Regulatory Utility Commissioners  
Oncor Communications, Inc.  
One Call Communications, Inc.  
Operator Service Company  
Pennsylvania Public Utility Commission  
Pacific Bell and Nevada Bell  
Southwestern Bell Telephone Company  
Sprint Communications Co.  
Telecommunications Resellers Association  
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#### **47 CFR Part 76**

[MM Dockets Nos. 92-266 and 93-215; FCC 95-196]

#### **Cable Act of 1992—Small Systems**

**AGENCY:** Federal Communications Commission.

**ACTION:** Final rule.

**SUMMARY:** Based on comments filed in response to the Further Notice of Proposed Rulemaking, 59 FR 51934 (October 13, 1994) and in order to implement the provisions of the Cable Television Consumer Protection and Competition Act of 1992, this Sixth Report and Order and Eleventh Order on Reconsideration amends the Commission's rules regarding rates for small cable systems in order to ease the

burdens of rate regulation on small systems.

**EFFECTIVE DATE:** The requirements and regulations established in this decision shall become effective upon approval by OMB of the new information collection requirements adopted herein, but no sooner than August 11, 1995. The Commission will issue a notice indicating the effective date.

**FOR FURTHER INFORMATION CONTACT:** Tom Power or Meryl S. Icove, Cable Services Bureau, (202) 416-0800. Form 1230 information: Alex Byron, Cable Services Bureau, (202) 416-0800.

**SUPPLEMENTARY INFORMATION:** This is a synopsis of the Commission's Sixth Report and Order and Eleventh Order on Reconsideration in MM Docket Nos. 92-266 and 93-215, FCC 95-196, adopted May 5, 1995, and released June 5, 1995. The complete text of this document is available for inspection and copying during normal business hours in the FCC Reference Center, 1919 M St., NW., Washington, DC, and also may be purchased from the Commission's copy contractor, International Transcription Service, (ITS), at 2100 M St., NW., Washington, DC 20037, (202) 857-3800.

#### **I. Introduction**

In this Sixth Report and Order and Eleventh Order on Reconsideration we amend our definitions of small cable entities to encompass a broader range of cable systems that will be eligible for special rate and administrative treatment. In addition to amending our definitions, we make available to this expanded category a new regulatory scheme that will be available immediately for use by certain small cable companies. This new form of regulation should provide both rate relief and reduced administrative burdens.

#### **II. Summary**

1. The Commission issued the Further Notice of Proposed Rulemaking, 59 FR 51934 (October 13, 1994), seeking to establish a more complete record for purposes of promulgating final rate rules applicable to small operators, independent small systems, and small systems owned by small MSOs by soliciting comment on possible alternative definitions that we could use for purposes of determining eligibility for special rate or administrative treatment. We sought comment on whether we should retain current definitions or use different definitions for purposes of establishing special rate or administrative treatment for small systems and small operators. We

specifically sought comment on these issues in light of section 3(a) of the Small Business Act, and on whether we should employ the current SBA definition of a small cable company in our cable rules.

2. In amending our definitions and introducing a new, simplified form of small system rate relief in this Order, the Commission continues its ongoing efforts to offer small cable companies administrative relief from rate regulation in furtherance of congressional intent. In each of the orders that we have adopted in this rate proceeding, small cable companies have been afforded flexibility in how they can comply with rate regulations while reducing burdens on themselves and providing good service to subscribers. Through our actions today, the Commission expands the category of systems eligible for such opportunities to include approximately 66% of all cable systems in the nation serving approximately 12.1% of all cable subscribers.

3. Specifically, we amend our definitions so that systems serving 15,000 or fewer subscribers that are owned by small cable companies of 400,000 or fewer subscribers are eligible to elect small system cost-of-service relief, as well as certain other relief previously made available to small systems and operators. The new cost-of-service approach will involve a very simple, five element calculation based upon a system's costs. The calculation will produce a per channel rate for regulated services that will be presumed reasonable if it is no higher than \$1.24 per channel. If the formula generates a higher rate, the operator still will be permitted to charge that rate if not challenged by the franchising authority or, upon being challenged, if the operator meets its burden of proving that the rate is reasonable. This new regulation will accord these small substantial flexibility in establishing the types of costs to be included and in allocating those costs among services. Our analysis of cost data, when combined with our understanding of the many unique challenges facing small cable companies, leads us to conclude that a simplified approach will best serve a segment of the cable industry that needs assistance in coping with rate regulation in order to serve subscribers better and to grow its business. In addition, this approach should facilitate regulation of cable rates by small local franchising authorities who wish to have a procedure for doing so that is simpler than existing forms of regulation.