



COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

**DEPARTMENT OF  
TELECOMMUNICATIONS & ENERGY  
Cable Television Division**

In the Matter of	)	Docket No. CTV 01-4
Adelphia Communications Corporation	)	Date Issued: November 25, 2003
	)	
Adelphia Cablevision Associates, L.P.	)	Abington, CUID MA 0225
	)	Adams, CUID MA 0001
Campbell Communications, L.L.C.	)	Amesbury, CUID MA 0049
	)	Aquinnah, CUID MA 0275
	)	Bourne, CUID MA 0247
	)	Cheshire, CUID MA 0002
	)	Clarksburg, CUID MA 0003
Century Berkshire Cable Corp.	)	Duxbury, CUID MA 0302
	)	Edgartown, CUID MA 0273
	)	Essex, CUID MA 0153
Harron Cablevision of Cape Cod, Inc.	)	Falmouth, CUID MA 0072
	)	Gloucester, CUID MA 0136
	)	Great Barrington, CUID MA 0008
Harron Cablevision of Massachusetts, Inc.	)	Halifax, CUID MA 0229
	)	Kingston, CUID MA 0159
	)	Lee, CUID MA 0009
Martha's Vineyard Cablevision, L.P.	)	Lenox, CUID MA 0010
	)	Manchester-by-the-Sea, CUID MA 0154
	)	Marshfield, CUID MA 0191
Mountain Cable Company	)	Merrimac, CUID MA 0165
	)	North Adams, CUID MA 0004
	)	Oak Bluffs, CUID MA 0272
New England Cablevision of Massachusetts, Inc.	)	Pembroke, CUID MA 0228
	)	Plymouth, CUID MA 0123
	)	Plympton, CUID MA 0245
all d/b/a Adelphia Communications Corporation	)	Rockland, CUID MA 0224
	)	Rockport, CUID MA 0137
	)	Salisbury, CUID MA 0162
	)	Sandwich, CUID MA 0246
For a Determination of Cable Television Rates	)	Sheffield, CUID MA 0346
	)	Stockbridge, CUID MA 0011

**ORDER ACCEPTING COMPLIANCE FILING**

Gerald Buckley  
Regional Director of Government Relations  
Adelphia Communications Corporation  
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Plymouth, MA 02360  
FOR: ADELPHIA COMMUNICATIONS CORPORATION  
Petitioner

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FOR: THE TOWN OF DUXBURY  
Intervenor

Richard Carlotta  
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Housatonic, MA 01236  
FOR: THE TOWN OF SHEFFIELD  
Intervenor

Michael A. McKenna  
18 Herring Brook Lane  
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FOR: THE TOWN OF PEMBROKE  
Limited Participant

On July 18, 2002, the Cable Television Division (“Cable Division”) of the Department of Telecommunications and Energy issued an order rejecting Adelphia Communications Corporation’s (“Adelphia” or “the Company”) proposed Federal Communications Commission (“FCC”) Form 1205, reasoning that the Company had failed to properly justify certain inventory costs. Adelphia Communications Corporation, CTV 01-4 (2002) (“Rate Order”). Subsequently, the Company submitted a filing contending that a digital equipment inventory level of 24 percent of the units in service was reasonable. On October 7, 2003, the Cable Division rejected Adelphia’s filing, determining that not only had the Company failed to offer sufficient support for the newly proposed inventory costs, but had also altered the method for calculating the costs of new, undeployed units of equipment, a method that was approved in the Rate Order. Adelphia Communications Corporation, CTV-01-4, “Order Rejecting Compliance Filing,” at 2-3 (2003). We directed Adelphia to resubmit its compliance filing using the original methodology it had selected in preparing its FCC Form 1205 calculations, and also to submit documentation supporting the amount of undeployed digital inventory included in the calculation. Id. at 5.

On October 31, 2003, Adelphia submitted a revised compliance filing, with four exhibits (“Revised Filing”). In Exhibit 1, Adelphia presented an FCC Form 1205 filing, proposing a digital converter inventory level of 40 percent. In Exhibit 2, Adelphia presented an FCC Form 1205 filing, maintaining the digital converter inventory level of 24 percent presented in the original compliance filing. Exhibit 3 contained a deployment schedule. Exhibit 4 is an Affidavit from Jill McDonald, Area Vice President for the Company. In the Affidavit, Ms. McDonald stated that during the rollout of Adelphia’s digital service in Massachusetts, the demand for digital converters resulted in a lag time of approximately 60 to 90 days from the time that orders were placed until the time the converters were received from the manufacturer (Revised Filing at Exhibit 4). Thus, according to Ms. McDonald, to meet customer demand during the rollout of digital service, Adelphia found it necessary to maintain a minimum of three months’ digital converter inventory (id.).

Adelphia now takes the position that the appropriate amount of inventory is nearer to 40 percent. The Company submitted Ms. McDonald’s affidavit in support of this percentage. Ms. McDonald’s testimony certainly lends credence to the Company’s position that it is prudent to purchase larger amounts of equipment when confronted with a new product launch. The Company cited two acceptable reasons in support: first, the lead time associated with ordering new equipment; and second, the higher costs and potential implementation delays that would result from ordering a smaller amount of equipment during the year (Revised Filing at 1, and Exhibit 4). Nevertheless, the Company recognized that in the original compliance filing, it had previously selected an inventory level of 24 percent, and had been directed to justify that amount. To this end, Adelphia set forth the elements of its calculation used to arrive at the number of units in inventory (id. at 2). The Company indicated that on January 2001 it had

placed 11,398 units in service (id. at Exhibit 3). In February 2001, it had placed 10,690 units in service (id. at Exhibit 3). To calculate its inventory figure of 16,198 units, Adelphia combined its January total, one week of its February amount, and 2,100 spare units, which were 3 percent of the total units in service on December 31, 2000 (id. at 2).<sup>1</sup>

In addition, Adelphia explained why the compliance filing reported equal inventory amounts for digital remote controls and digital converters, whereas on the original filing the inventory of digital remote controls had been greater than that of digital converters. Adelphia indicated that it ordered 1.25 digital remote controls for each digital converter purchased, as replacements for broken units (id.). However, Adelphia stated that for the purpose of this filing, as it determined the inventory it needed for its new digital product, it had chosen to use the same number of inventory units for remote controls and converters (id.).

Finally, the Cable Division finds that Adelphia complied with the Order Rejecting Compliance Filing by including undeployed digital inventory units in the denominator of the rate calculations for both converters and remote controls (Revised Filing at 2; and at Exhibits 1 and 2, at 3, Schedule C, Line B, and at 5, Lines 15 and 23). The Cable Division finds that the Company has properly justified its costs associated with digital inventory. Because the FCC Form 1205 Adelphia submitted as Exhibit 2 also complies with our directive to include undeployed digital inventory amounts in the denominator of the rate calculation, we will accept this form as being in compliance with our Rate Order.

The Company's Exhibit 2 establishes an MPR of \$3.04 for its digital and addressable converters, which is \$0.21 less than the actual rate of \$3.25 charged to subscribers (id., at Exhibit 2, at 7). Accordingly, Adelphia must refund monies to subscribers due to converter overcharges during the 12 months covered by the form.

Accordingly, the Cable Division accepts as reasonable and in compliance with applicable statutes and regulations, Adelphia's FCC Form 1205 submitted as Exhibit 2 on October 31, 2003.

The Cable Division further directs Adelphia to file a refund plan in compliance with this

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<sup>1</sup> The actual calculation is 11,398 units for January 2001, 2,700 units for February 2001, and 2,100 spare units, resulting in a total of 16,198 units (Revised Filing at 2). Because Adelphia ordered equipment in 100 unit increments, the Company rounded up to the nearest 100 units the calculation for one week in February 2001 and the spare unit amount of 3 percent (id.).

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Order on or before December 5, 2003.

**By Order of the  
Department of Telecommunications and Energy  
Cable Television Division**

**/s/ Alicia C. Matthews  
Alicia C. Matthews  
Director**