

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY
CABLE TELEVISION DIVISION

In re:)
Revision of Financial Reporting Forms)
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)

July 18, 2000

**ORDER REQUESTING COMMENTS ON PROPOSED ANNUAL FINANCIAL AND
STATISTICAL DATA FORMS**

I. INTRODUCTION

Pursuant to G.L. c. 166A, §8, cable operators are required to file annually with the Department of Telecommunications and Energy’s Cable Television Division (“Cable Division”) a statement of revenues and expenses, a financial balance sheet, and a statement of ownership. These filings are to be made on forms prescribed by the Cable Division. G.L. c. 166A, §8. In compliance with state law, the Cable Division prescribed the following forms: Form 200 – Financial Balance Sheet, Form 300 – Statement of Revenues and Expenses, and Form 400 - Statement of Funds Flow (“Financial Forms”). The Cable Division had not prescribed a specific form for the statement of ownership. Forms 200, 300 and 400, together with a Uniform Reporting System, which describes how the forms are to be completed, were incorporated previously into the Cable Division’s regulations at 207 CMR §7.02.

Consistent with the Secretary of State’s policy,¹ the Cable Division removed the forms and the accompanying Uniform Reporting System from its regulations in 1996. Report and Order, R-25 at 25 (1996). This change allows the Cable Division greater flexibility in making revisions to the Financial Forms because we need not invoke the formal rulemaking process, but could do so through an informal proceeding.

¹ The applicable administrative regulations, at 950 CMR 20.03(6), provide that “[r]egulations shall be in conformance with the Secretary’s policies as stated in the Regulations Manual.” Office of the Secretary of the Commonwealth State Publications and Regulations Manual, October 1995 Edition, states, at page 6: “[f]orms by their nature are not regulations and should not be part of a regulation.”

In July 1997, the Cable Division determined that modifications to our Financial Forms were warranted. As an initial step, we held a technical session that was attended by municipal and company representatives. Based on the discussions held during the technical session, we developed the proposed Financial Forms. In this Order, we solicit comments from all interested persons on our proposed revisions.

II. THE PROPOSED REVISIONS

The current forms were originally adopted 25 years ago. At that time, the market was relatively nascent: companies were just beginning to build their cable systems and acquire local franchises. Since that time, cable services have become ubiquitous and the cable market has become financially sound. Most cable companies are now owned and operated by well-established multiple system operators, telephone or Internet companies and, as a result, have greater financial resources. We suggest that our current Financial Forms be modified to reflect these types of changes.

The Cable Division proposes an updated financial balance sheet and an updated statement of revenues and expenses. The statement of funds flow currently included in the Form 400, is not required by statute, and we propose to eliminate it. We propose a new one-page Form 400, which will satisfy the statement of ownership required by G.L. c. 166A, § 8. In connection with proposed Forms 200 and 300, the Cable Division is also proposing a streamlined Uniform Reporting System, with item numbers and instructions that are compatible with the new forms (See Attachment B).

A. The Revised Form 200: Balance Sheet

The proposed financial balance sheet includes broader asset categories (See Attachment C). For example, four individual operating asset items; "Tower and Antenna," "Electronic Equipment," "Program Origination Equipment" and "Other," have been eliminated and replaced by a single combined category, "Headend Equipment." Similarly, we have combined the "Poles," "Cable" and "Amplifier" items into a single "Trunk and Distribution System" category, and "Drops" and "Terminal Devices" have been combined into "Subscriber Devices." These changes reflect the level of record keeping that is, in our view, appropriate for the large national cable companies now operating in the Commonwealth. The broader categories would also allow the Cable Division to collect general information about assets without having to amend the form as the technology changes. We seek comment on these changes and specifically seek comment on the usefulness of the financial information provided on the current Form 400, and whether a new statement of cash flows (which has replaced the statement of funds flow in current accounting practice) should be incorporated into Form 200 as a part of the financial balance sheet.

B. The Revised Form 300: Statement of Revenues and Expenses

The Proposed Form 300 is separated into Part A and Part B (See Attachment D). Part A is the Income Statement and the reporting categories on the proposed income statement have been reconfigured to more accurately reflect both how cable operators currently provide services and the manner in which expense records are kept. For example, Part A of the proposed form would no longer require percentages based on "Signal," "Mile," "Subscriber," and "Overhead" as they are not, in our view, relevant to the broadband fiber optic systems that are used today. Additionally, the form has been modified to reflect the expanding number of programming services offered by cable operators today.

The Cable Division also proposes a new gross receipts statement as Part B of the Form 300. The gross receipts statement would require operators to provide a single gross revenue figure covering all Massachusetts franchises owned by the operator as of the end of the calendar year regardless of the reporting level used to complete other sections of the forms. A separate page would require a breakdown of the gross receipts by system to ensure that all of the multiple system operators' Massachusetts operations have been included in the total figure. This form will allow the Cable Division to easily access operator's gross revenue amounts used in calculating the industry's annual assessment.

C. The Revised Form 400: Statement of Ownership

Proposed Form 400, the statement of ownership, would require cable operators to provide the following information for each community (See Attachment E).

1. The name of the legal entity holding the license, and, if applicable, the d/b/a or generally used name of the entity within the community;
2. The name of the ultimate parent entity;
3. The name, address, telephone number and title of the company contact person for:
 - (a) The regional office or offices managing the cable licenses in Massachusetts;
 - (b) The corporate office of the ultimate parent entity.

This information would be filed on an aggregate basis, where the cable operator serving a number of communities has the same legal name and regional office.

III. AGGREGATE DATA AND FORM CERTIFICATION

The current forms require that cable operators report financial data at a level of detail that we find is no longer practical. Cable operators aggregate financial data at either the corporate, regional or system levels. Due to the nature of the industry, little meaningful financial data is available at the local level. The presentation of data at the local level will simply be an allocation based on the percentage of a cable operator's total subscribers in the aggregated grouping that reside in a given community and will not provide a true reflection of the fiscal health of that operator. The Cable Division proposes a reporting standard that would

give cable operators the choice of providing the data on either a franchise, system, legal entity or statewide basis. The information would not include data from states other than Massachusetts. In addition, the Division proposes that publicly traded companies provide a copy of the company Form 10K and a current annual report. Privately held companies must provide an audited set of financial statements.

The new financial forms would require that all financial data be provided under the pains and penalties of perjury. Additional information, such as the number of franchises and subscribers at the end of the previous year, is also required on the certification page (See Attachment F). This information is useful to the Cable Division in collecting information about the size and ownership of Massachusetts cable providers.

IV. ORDER SOLICITING COMMENTS

The Cable Division invites written comments on the proposed changes to our Financial Forms. Comments may be filed with the Cable Division at One South Station, Boston, Massachusetts 02110. Commenters are also encouraged to file an electronic version of their comments either on disk or via e-mail at andrea.nixon@state.ma.us. Comments must be received by the Cable Division on or before Monday, August 21, 2000.

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

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