

## Federal Communications Commission

§ 76.924

1205 on the anniversary date of its last Form 1205 filing; and

(4) When seeking to adjust its rates to reflect the offering of new types of customer equipment other than in conjunction with an annual filing of Form 1205, 60 days before it seeks to adjust its rates to reflect the offering of new types of customer equipment.

(o) *Introduction of new equipment.* In setting the permitted charge for a new type of equipment at a time other than at its annual filing, an operator shall only complete Schedule C and the relevant step of the Worksheet for Calculating Permitted Equipment and Installation Charges of a Form 1205. The operator shall rely on entries from its most recently filed FCC Form 1205 for information not specifically related to the new equipment, including but not limited to the Hourly Service Charge. In calculating the annual maintenance and service hours for the new equipment, the operator should base its entry on the average annual expected time required to maintain the unit, *i.e.*, expected service hours required over the life of the equipment unit being introduced divided by the equipment unit's expected life.

[58 FR 29753, May 21, 1993, as amended at 59 FR 17960, 17973, Apr. 15, 1994; 60 FR 52118, Oct. 5, 1995; 61 FR 32709, June 25, 1996; 83 FR 60776, Nov. 27, 2018]

### § 76.924 Allocation to service cost categories.

(a) *Applicability.* The requirements of this section are applicable to cable operators for which the basic service tier is regulated by local franchising authorities or the Commission, or, with respect to a cable programming services tier, for which a complaint has been filed with the Commission. The requirements of this section are applicable for purposes of rate adjustments on account of external costs and for cost-of-service showings.

(b) *Accounting requirements.* Cable operators electing cost-of-service regulation or seeking rate adjustments due to changes in external costs shall maintain their accounts:

(1) in accordance with generally accepted accounting principles; and

(2) in a manner that will enable identification of appropriate investments, revenues, and expenses.

(c) *Accounts level.* Except to the extent indicated below, cable operators electing cost of service regulation or seeking adjustments due to changes in external costs shall identify investments, expenses and revenues at the franchise, system, regional, and/or company level(s) in a manner consistent with the accounting practices of the operator on April 3, 1993. However, in all events, cable operators shall identify at the franchise level their costs of franchise requirements, franchise fees, local taxes and local programming.

(d) *Summary accounts.* (1) Cable operators filing for cost-of-service regulation, other than small systems owned by small cable companies, shall report all investments, expenses, and revenue and income adjustments accounted for at the franchise, system, regional and/or company level(s) to the summary accounts listed below.

#### RATEBASE

Net Working Capital  
Headend  
Trunk and Distribution Facilities  
Drops  
Customer Premises Equipment  
Construction/Maintenance Facilities and Equipment  
Programming Production Facilities and Equipment  
Business Offices Facilities and Equipment  
Other Tangible Assets  
Accumulated Depreciation  
Plant Under Construction  
Organization and Franchise Costs  
Subscriber Lists  
Capitalized Start-up Losses  
Goodwill  
Other Intangibles  
Accumulated Amortization  
Deferred Taxes

#### OPERATING EXPENSES

Cable Plant Employee Payroll  
Cable Plant Power Expense  
Pole Rental, Duct, Other Rental for Cable Plant  
Cable Plant Depreciation Expense  
Cable Plant Expenses—Other  
Plant Support Employee Payroll Expense  
Plant Support Depreciation Expense  
Plant Support Expense—Other  
Programming Activities Employee Payroll  
Programming Acquisition Expense

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Programming Activities Depreciation Expense  
 Programming Expense—Other  
 Customer Services Expense  
 Advertising Activities Expense  
 Management Fees  
 General and Administrative Expenses  
 Selling General and Administrative Depreciation Expenses  
 Selling General and Administrative Expenses—Other  
 Amortization Expense—Franchise and Organizational Costs  
 Amortization Expense—Customer Lists  
 Amortization Expense—Capitalized Start-up Loss  
 Amortization Expense—Goodwill  
 Amortization Expense—Other Intangibles  
 Operating Taxes  
 Other Expenses (Excluding Franchise Fees)  
 Franchise Fees  
 Interest on Funded Debt  
 Interest on Capital Leases  
 Other Interest Expenses

**REVENUE AND INCOME ADJUSTMENTS**

Advertising Revenues  
 Other Cable Revenue Offsets  
 Gains and Losses on Sale of Assets  
 Extraordinary Items  
 Other Adjustments

(2) Except as provided in § 76.934(h), small systems owned by small cable companies that file for cost-of-service regulation shall report all investments, expenses, and revenue and income adjustments accounted for at the franchise, system, regional and/or company level(s) to the following summary accounts:

**RATEBASE**

Net Working Capital  
 Headend, Trunk and Distribution System and Support Facilities and Equipment  
 Drops  
 Customer Premises Equipment  
 Production and Office Facilities, Furniture and Equipment  
 Other Tangible Assets  
 Accumulated Depreciation  
 Plant Under Construction  
 Goodwill  
 Other Intangibles  
 Accumulated Amortization  
 Deferred Taxes

**OPERATING EXPENSES**

Cable Plant Maintenance, Support and Operations Expense  
 Programming Production and Acquisition Expense  
 Customer Services Expense  
 Advertising Activities Expense

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Management Fees  
 Selling, General and Administrative Expenses  
 Depreciation Expense  
 Amortization Expense—Goodwill  
 Amortization Expense—Other Intangibles  
 Other Operating Expense (Excluding Franchise Fees)  
 Franchise Fees  
 Interest Expense

**REVENUE AND INCOME ADJUSTMENTS**

Advertising Revenues  
 Other Cable Revenue Offsets  
 Gains and Losses on Sale of Assets  
 Extraordinary Items  
 Other Adjustments

(e) *Allocation to service cost categories.*

(1) For cable operators electing cost-of-service regulation, investments, expenses, and revenues contained in the summary accounts identified in paragraph (d) of this section shall be allocated among the Equipment Basket, as specified in § 76.923, and the following service cost categories:

(i) Basic service cost category. The basic service category, shall include the cost of providing basic service as defined by § 76.901(a). The basic service cost category may only include allowable costs as defined by §§ 76.922(g) through 76.922(k).

(ii) Cable programming services cost category. The cable programming services category shall include the cost of providing cable programming services as defined by § 76.901(b). This service cost category shall contain subcategories that represent each programming tier that is offered as a part of the operator's cable programming services. All costs that are allocated to the cable programming service cost category shall be further allocated among the programming tiers in this category. The cable programming service cost category may include only allowable costs as defined in § 76.922(g) through 76.922(k).

(iii) All other services cost category. The all other services cost category shall include the costs of providing all other services that are not included in the basic service or a cable programming services cost categories as defined in paragraphs (e)(1)(i) and (ii) of this section.

(2) Cable operators seeking an adjustment due to changes in external costs

identified in FCC Form 1210 shall allocate such costs among the equipment basket, as specified in § 76.923, and the following service cost categories:

(i) The basic service category as defined by paragraph (e)(1)(i) of this section;

(ii) The cable programming services category as defined by paragraph (e)(1)(ii) of this section;

(iii) The all other services cost category as defined by paragraph (e)(1)(iii) of this section.

(f) *Cost allocation requirements.* (1) Allocations of investments, expenses and revenues among the service cost categories and the equipment basket shall be made at the organizational level in which such costs and revenues have been identified for accounting purposes pursuant to § 76.924(c).

(2) Costs of programming and retransmission consent fees shall be directly assigned or allocated only to the service cost category in which the programming or broadcast signal at issue is offered.

(3) Costs of franchise fees shall be allocated among the equipment basket and the service cost categories in a manner that is most consistent with the methodology of assessment of franchise fees by local authorities.

(4) Costs of public, educational, and governmental access channels carried on the basic tier shall be directly assigned to the basic tier where possible.

(5) Commission cable television system regulatory fees imposed pursuant to 47 U.S.C. 159 shall be directly assigned to the basic service tier.

(6) All other costs that are incurred exclusively to support the equipment basket or a specific service cost category shall be directly assigned to that service cost category or the equipment basket where possible.

(7) Costs that are not directly assigned shall be allocated to the service cost categories in accordance with the following allocation procedures:

(i) Wherever possible, common costs for which no allocator has been specified by the Commission are to be allocated among the service cost categories and the equipment basket based on direct analysis of the origin of the costs.

(ii) Where allocation based on direct analysis is not possible, common costs for which no allocator has been specified by the Commission shall, if possible, be allocated among the service costs categories and the equipment basket based on indirect, cost-causative linkage to other costs directly assigned or allocated to the service cost categories and the equipment basket.

(iii) Where neither direct nor indirect measures of cost allocation can be found, common costs shall be allocated to each service cost category based on the ratio of all other costs directly assigned and attributed to a service cost category over total costs directly or indirectly assigned and directly or indirectly attributable.

(g) *Cost identification at the franchise level.* After costs have been directly assigned to and allocated among the service cost categories and the equipment basket, cable operators that have aggregated costs at a higher level than the franchise level must identify all applicable costs at the franchise level in the following manner:

(1) Recoverable costs that have been identified at the highest organizational level at which costs have been identified shall be allocated to the next (lower) organizational level at which recoverable costs have been identified on the basis of the ratio of the total number of subscribers served at the lower level to the total number of subscribers served at the higher level.

(2) Cable operators shall repeat the procedure specified in paragraph (g)(1) of this section at every organizational level at which recoverable costs have been identified until such costs have been allocated to the franchise level.

(h) *Part-time channels.* In situations where a single channel is divided on a part-time basis and is used to deliver service associated with different tiers or with pay per channel or pay per view service, a reasonable and documented allocation of that channel between services shall be required along with the associated revenues and costs.

(i) *Transactions and affiliates.* Adjustments on account of external costs and rates set on a cost-of-service basis shall exclude any amounts not calculated in accordance with the following:

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(1) Charges for assets purchased by or transferred to the regulated activity of a cable operator from affiliates shall equal the invoice price if that price is determined by a prevailing company price. The invoice price is the prevailing company price if the affiliate has sold a substantial number of like assets to nonaffiliates. If a prevailing company price for the assets received by the regulated activity is not available, the changes for such assets shall be the lower of their cost to the originating activity of the affiliated group less all applicable valuation reserves, or their fair market value.

(2) The proceeds from assets sold or transferred from the regulated activity of the cable operator to affiliates shall equal the prevailing company price if the cable operator has sold a substantial number of like assets to nonaffiliates. If a prevailing company price is not available, the proceeds from such sales shall be determined at the higher of cost less all applicable valuation reserves, or estimated fair market value of the asset.

(3) Charges for services provided to the regulated activity of a cable operator by an affiliate shall equal the invoice price if that price is determined by a prevailing company price. The invoice price is the prevailing company price if the affiliate has sold like services to a substantial number of nonaffiliates. If a prevailing company price for the services received by the regulated activity is not available, the charges of such services shall be at cost.

(4) The proceeds from services sold or transferred from the regulated activity of the cable operator to affiliates shall equal the prevailing company price if the cable operator has sold like services to a substantial number of nonaffiliates. If a prevailing company price is not available, the proceeds from such sales shall be determined at cost.

(5) For purposes of § 76.924(i)(1) through 76.924(i)(4), costs shall be determined in accordance with the standards and procedures specified in § 76.922 and paragraphs (b) and (d) of this section.

(6) For purposes of this section, entities are affiliated if either entity has an attributable interest in the other or

if a third party has an attributable interest in both entities.

(7) Attributable interest shall be defined by reference to the criteria set forth in Notes 1 through 5 to § 76.501 provided, however, that:

(i) The limited partner and LLC/LLP/RLLP insulation provisions of Note 2(f) shall not apply; and

(ii) The provisions of Note 2(a) regarding five (5) percent interests shall include all voting or nonvoting stock or limited partnership equity interests of five (5) percent or more.

(j) *Unrelated expenses and revenues.* Cable operators shall exclude from cost categories used to develop rates for the provision of regulated cable service, equipment, and leased commercial access, any direct or indirect expenses and revenues not related to the provision of such services. Common costs of providing regulated cable service, equipment, and leased commercial access and unrelated activities shall be allocated between them in accordance with paragraph (f) of this section.

[58 FR 29753, May 21, 1993, as amended at 59 FR 17990, Apr. 15, 1994; 59 FR 53115, Oct. 21, 1994; 60 FR 35865, July 12, 1995; 61 FR 9367, Mar. 8, 1996; 64 FR 67197, Dec. 1, 1999]

### § 76.925 Costs of franchise requirements.

(a) Franchise requirement costs may include cost increases required by the franchising authority in the following categories:

(1) Costs of providing PEG access channels;

(2) Costs of PEG access programming;

(3) Costs of technical and customer service standards to the extent that they exceed federal standards;

(4) Costs of institutional networks and the provision of video services, voice transmissions and data transmissions to or from governmental institutions and educational institutions, including private schools, to the extent such services are required by the franchise agreement; and

(5) When the operator is not already in the process of upgrading the system, costs of removing cable from utility poles and placing the same cable underground.