

§ 76.924

47 CFR Ch. I (10-1-11 Edition)

§ 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
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:

**Federal Communications Commission**

**§ 76.924**

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 Oper-  
ations Expense  
Programming Production and Acquisition  
Expense  
Customer Services Expense  
Advertising Activities Expense  
Management Fees  
Selling, General and Administrative Ex-  
penses  
Depreciation Expense  
Amortization Expense—Goodwill  
Amortization Expense—Other Intangibles  
Other Operating Expense (Excluding Fran-  
chise 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, ex-  
penses, and revenues contained in the  
summary accounts identified in para-  
graph (d) of this section shall be allo-  
cated 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 allow-  
able costs as defined by §§76.922(g)  
through 76.922(k).

(ii) Cable programming services cost  
category. The cable programming serv-  
ices category shall include the cost of  
providing cable programming services  
as defined by §76.901(b). This service  
cost category shall contain subcat-  
egories that represent each program-

ming tier that is offered as a part of  
the operator's cable programming serv-  
ices. 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 serv-  
ice cost category may include only al-  
lowable 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 the  
basic service or a cable programming  
services cost categories as defined in  
paragraphs (e)(1)(i) and (ii) of this sec-  
tion.

(2) Cable operators seeking an adjust-  
ment due to changes in external costs  
identified in FCC Form 1210 shall allo-  
cate such costs among the equipment  
basket, as specified in §76.923, and the  
following service cost categories:

(i) The basic service category as de-  
fined by paragraph (e)(1)(i) of this sec-  
tion;

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

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

(f) *Cost allocation requirements.* (1) Al-  
locations of investments, expenses and  
revenues among the service cost cat-  
egories 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 re-  
transmission consent fees shall be di-  
rectly assigned or allocated only to the  
service cost category in which the pro-  
gramming or broadcast signal at issue  
is offered.

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

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

(5) Commission cable television sys-  
tem 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 cost 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:

(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.

## Federal Communications Commission

## § 76.930

(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 non-affiliates. 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.

(b) The costs of satisfying franchise requirements to support public, educational, and governmental channels shall consist of the sum of:

(1) All per channel costs for the number of channels used to meet franchise requirements for public, educational, and governmental channels;

(2) Any direct costs of meeting such franchise requirements; and

(3) A reasonable allocation of general and administrative overhead.

(c) The costs of satisfying any requirements under the franchise other than PEG access costs shall consist of the direct and indirect costs including a reasonable allocation of general and administrative overhead.

[58 FR 29753, May 21, 1993, as amended at 60 FR 52119, Oct. 5, 1995]

### §76.930 Initiation of review of basic cable service and equipment rates.

A cable operator shall file its schedule of rates for the basic service tier and associated equipment with a franchising authority within 30 days of receiving written notification from the franchising authority that the franchising authority has been certified by the Commission to regulate rates for the basic service tier. Basic service and equipment rate schedule filings for existing rates or proposed rate increases (including increases in the baseline channel change that results from reductions in the number of channels in a tier) must use the appropriate official FCC form, a copy thereof, or a copy generated by FCC software. Failure to file on the official FCC form, a copy thereof, or a copy generated by