

FCC FORM 1205
INSTRUCTIONS FOR DETERMINING COSTS OF
REGULATED CABLE EQUIPMENT AND INSTALLATION

"Equipment Form"

Purpose of this Form

This FCC Form 1205 and the accompanying instructions take you step-by-step through the calculations needed to determine the costs associated with regulated equipment and installation for the basic service tier. Under the rules of the Federal Communications Commission (the "FCC" or "Commission"), the actual cost of regulated equipment and installations plus a reasonable profit must be separated, or "unbundled," from your maximum permitted rates for regulated cable services.¹

The Commission's rules define equipment and installation for the basic service tier as any customer equipment and installation that is used to receive the basic service tier, even if that equipment is also used to receive cable programming service tiers (that is, non-basic services that are not offered on a per-channel or pay-per-view basis) or unregulated services such as pay-per-channel or pay-per-view programming. Local franchise authorities (or the Commission where it is certified to regulate basic tier services) will review the rates for regulated equipment and installations. The Commission will review appeals of local franchising authority decisions concerning these rates.

The FCC is charged with reviewing complaints concerning charges for equipment and installation used to receive cable programming services. Commission rules define equipment and installation used to receive cable programming services as all equipment and installation on a subscriber's premises that is used to receive either: (1) exclusively cable programming services; or (2) both cable programming services and pay-per-channel or pay-per-view programming. The Commission will accept petitions for Commission review of the costs and rates associated with such equipment and installation on a case-by-case basis in accordance with its rules.

Filing Instructions

- If you are filing an FCC Form 1200 (Setting Maximum Initial Permitted Rates for Regulated Cable Services Pursuant to Rules Adopted February 22, 1994 -- "First-Time Filers Form") with either your local franchising authority or with the FCC, then you must attach at least one completed FCC Form 1205 to that form. The calculations made in the Form(s) 1205 will be used to establish equipment and installation costs that you are required to separate out in the determination of initial rates for regulated cable services. See the instructions for Form 1200 concerning your options as to how to separate out equipment and installation costs.

¹ Systems qualifying for small systems administrative relief do not have to unbundle equipment pending the development of average cost schedules, nor do such systems have to file this Form 1205.

- If you are filing an FCC Form 1220 (Cost of Service Filing for Regulated Cable Services) or an FCC Form 1225 (Cost of Service Filing for Regulated Cable Services for Small Systems) with either your local franchising authority or with the FCC, then you must attach at least one completed FCC Form 1205 to that form. The calculations made in the Form 1205 will be used to establish equipment and installation costs that you are required to separate out in the determination of initial permitted rates for regulated cable services. Eligible small systems may use Form 1225.
- You must use this form to update regulated equipment and installation charges on an annual basis. You must file a Form 1205 with your local franchising authority (or the Commission where it is certified to regulate basic tier services²) within 60 days after the end of your fiscal year. ✓ Moreover, you must file a Form 1205 at least 30 days before the effective date of any increase in regulated charges for equipment and installations for the basic service tier. If you have already unbundled equipment and installation charges at cost, however, you must wait one year from the date on which you unbundled equipment and installation charges before changing these charges.

Overview

This form comprises the following sections:

- *Cover Sheet.* This solicits information on who you are and the reason that you are submitting this Form 1205.
- *Schedule A: Capital Costs of Service Installation and Maintenance of Equipment and Plant.* This schedule is used to compute the annual costs of the equipment and plant necessary for the installation and maintenance of customer equipment used to receive basic tier services. It excludes the annual capital costs of customer equipment, however.

In order to reduce the administrative burden on operators who face difficulties in identifying on their books the capital and other costs specifically to maintain and install customer equipment, Schedule A allows the operator to report on Schedule A annual costs for equipment and plant necessary for the installation and maintenance of cable facilities generally. These costs may include the investment in property, plant and equipment for a range of cable maintenance and construction activities in addition to customer equipment and installation activities. Then, in worksheets described below, this number is reduced by a percentage that estimates the amount of these costs that represents maintenance and installation of regulated customer premises equipment. Capital amounts are converted to annual expenses based on a prescribed rate of return and accounting depreciation.

² If you are submitting this Form 1205 to the Commission and it is not attached to any other form, send it to Federal Communications Commission, FCC Form 1205, 1919 M Street NW, Washington, D.C. 20554.

- *Schedule B: Annual Operating Expenses for Service Installation and Maintenance of Equipment.* This schedule collects total annual operating expenses for installation and maintenance of cable facilities. The costs collected here include salaries, benefits, and supplies.
- *Schedule C: Capital Costs of Leased Customer Equipment.* This schedule computes the annual capital costs for each model or category of customer premises equipment that you offer in connection with regulated service. The method of computing capital costs is the same as that used in Schedule A.
- *Schedule D: Average Hours Per Installation.* This schedule is used only if you choose to charge average rates for different types of installation services, as opposed to an hourly service charge. This schedule collects the average hours required to complete various types of installations.
- *Worksheet for Calculating Permitted Equipment and Installation Charges.* You must complete this worksheet only if you are calculating the costs of specific equipment and installations to derive the maximum rates you may charge for regulated equipment and installations.
- *Worksheet for Calculating Total Equipment and Installation Costs.* Utilizing the data collected and computed in Schedules A through D, this worksheet calculates a monthly per subscriber cost of regulated equipment and installations that is used to separate these costs from cable services rates. You must complete this worksheet only if you are filing this form in conjunction with a FCC Form 1200, Form 1220, or Form 1225 to establish maximum permitted rates for regulated cable services.
- *Summary Schedule: Current Equipment and Installation Rates.* This Schedule collects information determined on the Worksheet for Calculating Permitted Equipment and Installation Charges and presents it in summary form together with your actual equipment and installation charges.

General Instructions

You should complete this Form using financial data from the company's general ledger and subsidiary records maintained in accordance with generally accepted accounting principles. The Commission's cost accounting rules require that cable operators maintain their accounts in accordance with these requirements and in a manner that will enable identification of appropriate costs and application of the Commission's cost assignments and allocation procedures (see 47 C.F.R. § 76.924). The data submitted in this Form 1205 should be from the operator's fiscal year indicated on the cover sheet. However, when there has been an unusual change in operations, data from a representative month may be used for the calculation of rates, subject to acceptance by the franchising authority or, when applicable, by the FCC. You must attach justification for this approach.

To the extent you have not previously maintained accounts in a manner consistent with our rules, and do not have fully developed cost data, you must indicate on this Form that you are using estimates, where necessary, in calculating equipment and installation costs and rates, and provide justification that the estimates are reasonable.

The data for customer equipment and for the installation and repair of customer equipment and service (includable on Schedules A,B, and C) may be identified on a franchise, system, regional, or company level. For purposes of calculating cable service rates on an FCC Form 1200, 1220, or 1225, the cost data developed on this Form 1205 must be adjusted to the franchise area level (see Worksheet for Calculating Permitted Equipment and Installation Charges or Worksheet for Calculating Total Equipment and Installation Costs below for instructions).

Cable operators completing this Form in conjunction with FCC Form 1200 should be aware that the figure entered on line 14 of the Worksheet for Calculating Total Equipment and Installation Costs will be entered on either line D2 or line E2, and on line I2 of FCC Form 1200.

Precision of Calculation; Rounding

If you are performing the calculations required by this form by hand, you must display at least four decimal places. If you are using a calculator or computer, you must carry out the calculation to the full precision afforded by your calculator or computer and display at least four decimal places. If you are using the spreadsheet version of this form, the spreadsheet will round calculations for you; you do not need to display additional decimal places.

The only place you should round the figures is in the Summary Schedule. These figures should be rounded to the nearest cent.

About the Spreadsheet

The FCC has developed an electronic spreadsheet to assist you in making the necessary calculations on the Form 1205. We strongly recommend that you make use of this spreadsheet.

If you use the spreadsheet, the values for the shaded boxes on the Form 1205 will be calculated automatically and filled in for you. Instructions for the corresponding line numbers are italicized.

You may submit a completed version of an official Form 1205, an exact photocopy of that form, or a copy generated by Commission software, provided that it has the appearance of an actual Form 1205.

If You Need Help

If you have any questions while completing this Form, please call the FCC's Cable Services Bureau between 9:30 a.m. and 5:30 p.m. Eastern Standard Time on Monday through Friday at (202) 418-7200.

FCC NOTICE TO INDIVIDUALS REQUIRED BY THE PRIVACY ACT AND THE PAPERWORK REDUCTION ACT

The solicitation of personal information in this form is authorized by the Communications Act of 1934, as amended. The Commission and/or the local franchising authority will use the information provided in this form to determine the reasonableness of a cable company's rates. In reaching that determination, or for law enforcement purposes, it may become necessary to provide personal information contained in this form to another government agency. If information requested on this form is not provided, processing may be delayed. All information provided in this form will be available for public inspection. Your response is required to apply the Commission's cable rate standards and to provide a response to consumer complaints. Respondents are not required to respond to this collection of information unless it displays a currently valid Office of Management and Budget control number.

Public reporting burden for this information is estimated to average 20 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden, to the Federal Communications Commission, Records Management Division, Washington, D.C. 20554. **Do not send completed forms to this address.**

THE FOREGOING NOTICE IS REQUIRED BY THE PRIVACY ACT OF 1974, P.L. 93-579, DECEMBER 31, 1975, 5 U.S.C. 522a(e)(3) AND THE PAPERWORK REDUCTION ACT OF 1995, 104-13, May 22, 1995, 47 U.S.C. 3507.

INSTRUCTIONS FOR FORM 1205 COVER SHEET

Complete the first block of the Cover Sheet.

Operator Identification Enter the requested information about your cable system.

Franchising Authority Enter the requested information about your local franchising authority.

Question 1. Why You Are Filing This Form. Enter an "x" in the appropriate box to indicate why you are filing this Form. You must complete and submit this Form if you are submitting FCC Form 1200, FCC Form 1220, or FCC Form 1225, or if you are satisfying FCC rules requiring an annual filing of this Form.

Question 2. Date Your Books Closed. Enter the date on which you closed your books for the 12-month fiscal year reflected in this Form. You must reflect the most recent fiscal year in this Form if you are filing to satisfy FCC rules requiring an annual filing of this Form.

Question 3. Organizational/Ownership Status. Indicate the status of your cable system by entering "x" in the appropriate box to indicate whether the entity is part of an entity organized as a C corporation, Subchapter S corporation, partnership, sole proprietorship, or other. This information is used to determine your Income Tax Allowance.

REMINDER:

- When responding to any requests in the Instructions for additional information or explanation, please remember to attach such information to the form itself.

**INSTRUCTIONS FOR SCHEDULE A
CAPITAL COSTS OF SERVICE INSTALLATION AND
MAINTENANCE OF EQUIPMENT AND PLANT**

Schedule A computes the annual capital costs for equipment and plant necessary for installation and maintenance of cable facilities. It does not cover the annual capital costs of customer equipment such as remotes and converter boxes. (These are included in Schedule C; see instructions below.) For each category of plant and equipment, follow the instructions below.

Operators who face difficulties in identifying on their books the capital and other costs specifically to maintain and install customer equipment, may elect to report annual costs for equipment and plant necessary for the installation and maintenance of cable facilities generally. These costs may include the investment in property, plant and equipment for a range of cable maintenance and construction activities in addition to customer equipment and installation activities. (For example, they may include maintenance of headend and installation of distribution plant.) In worksheets described below, this number will be reduced by a percentage that estimates the amount of these costs that represents maintenance and installation of regulated customer premises equipment.

Line A Equipment and Plant. List the types of equipment and plant for which capital cost information is required, such as vehicles, tools, and buildings. You should include all equipment that you own as well as equipment you hold under capital or financing leases. The tools column refers to those tools that are used to perform installation and maintenance of network facilities and customer equipment. The maintenance facilities column refers to buildings, tools, and equipment necessary for the repair and maintenance of vehicles and equipment. If you need more than two "Other" boxes, enter the total amount for all "other" items in the boxes in the column labeled "Other 1 (Specify below)" on Schedule A. Write "see attached" on the line above the column labeled "Other 1 (Specify below)" and attach a separate sheet on which you identify the individual items and the associated amounts represented by the total amounts entered in this column.

Line B Gross Book Value. For each category of equipment and plant listed on line A, enter the gross book value as of the date you closed books for the time period covered by this Form.

Line C Accumulated Depreciation. For each category of equipment, state the accumulated depreciation and amortization on the gross book values listed on line B.

Line D Deferred Taxes. State the deferred tax balance associated with the each category of equipment listed on line A as of the date you closed books for the time period covered by the filing of this Form. (Generally, such amounts result from the use of faster depreciation write-offs for tax purposes than for financial reporting purposes. Amounts written-off faster for tax purposes result in a deferral of taxes which are expected to be paid at a later date.)

Line E Net Book Value. For each column, add line C to line D, and subtract the sum from line B. The resulting entry in each column is the net book value for each corresponding category of equipment and plant.

Line F Rate of Return. The rate of return is presumed to be 11.25% (enter 0.1125). If, due to special circumstances, you can justify a higher rate of return, attach on additional sheets a justification for that rate of return and enter that percentage, using a decimal number.

Our previous rules, as reflected in FCC Form 393, permitted only C corporations to gross-up their rate of return. The Commission's rules adopted on February 22, 1994 allow cable operators that are organized in forms other than C corporations (e.g., partnerships, Subchapter S corporations, and sole proprietorships) to gross-up their rate of return for state and federal income taxes according to the instructions below.

Line G Calculation of Gross-up Rate. The Commission's rules allow you to recoup a return on investment that is adjusted ("grossed-up") to account for your payment of federal and state income taxes. The following steps explain how to make this grossing-up calculation. You need only make this calculation once, and you then apply this result separately to each category of equipment listed on line A. All data on line G should be reported at the level of organization recognized for purposes of state and federal taxation. (For a Subchapter S corporation, this shall be the level at which you complete an IRS Form 1120S that includes the operating results for your filing of FCC Form 1205. For a partnership, it shall be the level at which you complete IRS Form 1065 that includes the operating results for your filing of FCC Form 1205. The data on line G shall be based on the investments, contributions, distributions, and results of operations for the Subchapter S corporation or partnership defined in these IRS filings.)

Line G1 Federal Income Tax Rate. Enter your federal income tax rate. Use a decimal number, not a percentage. For example, if your tax rate is 30 percent enter ".30," not "30%."

Line G2 State Income Tax Rate. Enter your state income tax rate. Use a decimal number, not a percentage.

Line G3 Computation of Net Total Income Tax Rate. Add line G1 to line G2. From that sum, subtract the product of lines G1 and G2. This latter calculation is included since state income taxes are deductible from federal income taxes, and it is necessary to compute your net total income tax rate.

Line G4 Adjustment to Reflect Interest Deductibility. Since interest you pay in connection with the operation of your system is tax deductible, it is necessary to adjust the treatment of income taxes to reflect that fact. The following steps compute an Interest Deductibility Factor used to associate a portion of your total interest expense to the Schedule A investment. (An association will be made on Schedule C below.) The complement of this factor (i.e., 1 - Interest Deductibility Factor) will be applied to the tax rates on lines G1 and G2 to

compute an Effective Tax Rate reflecting the deduction of interest from the allowed return.

Line G4a Actual Interest Amount. Enter the actual amount of your interest payments over the past year.

Line G4b Total Net Assets. Enter here the value of your total net assets.

Line G4c Base Return on Investment Amount. *Multiply line G4b by line F and enter the result here. This figure represents a return amount computed on total investment for the purpose of this calculation only. It will be used as a base for allocating a portion of actual interest expense, actual distributions, and actual capital contributions to the return on investment in property, plant, and equipment on Schedule A (and subsequently on Schedule C).*

Line G4d Interest Deductibility Factor. *Divide line G4a by line G4c. If the result is greater than or equal to one, enter "1". If the result is less than one, enter that result.*

Line G5 Effective Tax Rate. *Subtract the figure on line G4d from the number 1. Multiply the result by the line G3 and enter the new result here. This figure represents your effective tax rate, i.e., your tax rate adjusted to take account of the deductibility of your interest payments.*

If you are organized as a C corporation, skip lines G6 parts a through e. Proceed directly to line G7. If you are organized in a form other than a C corporation, you must complete lines G6 a through e. These steps will permit you to gross-up commensurate with the extent you have retained your entity's earnings in the entity rather than distributed them.

Line G6 Adjustments for Non-C Corporations.

Line G6a Base Return on Investment Amount. *Enter the figure from line G4c.*

Line G6b Distributions. Enter the amount you distributed over the past fiscal year from the entity, including distributions from earnings and returns of capital invested.

Line G6c Contributions. Enter the amount of contributions made over the past fiscal year to the entity by those holding ownership interests in the entity. Do not include loans on which interest is paid. For purposes of these calculations, your reported contributions cannot exceed your distributions. Therefore, if the amount of actual contributions is greater than the amount of distributions reported on line G6b, then enter the amount of distributions indicated on line G6b on line G6c as well.

Line G6d Returns Subject to Income Tax. Subtract the figure on line G6b from the figure on line G6a, then add the figure on line G6c. If the result is less than or equal to zero, enter "0". If the result is greater than zero, enter that result. This figure represents your return on investment subject to income tax gross-up.

Line G6e Returns Percentage Subject to Income Tax. Divide line G6d by line G6a. This figure represents your theoretical earnings retained in the business as a percentage of your base return on investment.

Line G7 Gross-Up Rate.

If you are a C corporation, use the following formula to calculate your gross-up rate: 1 divided by (1 - the figure on line G5).

If you are not organized as a C corporation, use the following formula to calculate your gross-up rate: 1 divided by (1 - the product of lines G5 and G6e).

Enter the result on line G7.

Line H Grossed-Up Rate of Return. Multiply line F by line G7 and enter the result here. This will apply the gross-up rate that you calculated in steps G1 through G7 to your return on investment. The resulting figure represents your grossed-up rate of return on investment (i.e., a pre-tax return rate).

Line I Return on Investment Grossed-Up for Taxes. Multiply the amount on line E by the rate on Line H. This will provide a return on investment plus a provision for the income taxes applicable to that return.

Line J Current Provision for Depreciation. Enter here your current provision for depreciation based on the ending balance for equipment included on this schedule.

Line K Annual Capital Costs. Add the figures on lines I and J and enter the results here. The figures in this row represent your total grossed-up returns on investment with a provision for depreciation.

Line L GRAND TOTAL. Sum the entries on line K and enter on line L in Box 1.

**INSTRUCTIONS FOR SCHEDULE B
ANNUAL OPERATING EXPENSES FOR SERVICE
INSTALLATION AND MAINTENANCE OF EQUIPMENT AND PLANT**

Schedule B includes all annual operating expenses (excluding depreciation on property, plant and equipment) for installation and maintenance of all cable facilities for the fiscal year used to complete this Form 1205. As in Schedule A, operators who face difficulties in identifying on their books the operating expenses specifically to maintain and install customer equipment may elect to report annual operating expenses necessary for the installation and maintenance of cable facilities generally. If this election is made, then an appropriate adjustment will be made in the worksheets below.

This schedule requires you to list on line A your operating expenses, including salary and benefits, supplies, utilities, other taxes and any other applicable expenses. Other expenses included must be identified. If you would otherwise need more than two boxes, enter the total amount of all other annual operating expenses in the box in the Schedule labeled "Other 1 (Specify below)." Write "see attached" on the line below the schedule labeled "Specify: Other 1," and attach a separate sheet on which you identify the individual items and associated expenses represented by the total amount entered in the box.

Do not include interest expense on this Schedule. The Grand Total is the sum of all operating expenses for installation and maintenance and should be entered on line B in Box 2.

Generally, the results of the 12-month fiscal year must be used. However, if a defined change has occurred within the 12-month period (*e.g.*, a new wage agreement was signed during the final month of the fiscal year) you may use an annualized partial-year result that reflects the change. Such calculations must be accompanied by a supporting statement of justification.

The cost of leasing equipment under operating leases (*e.g.*, you lease a truck on a month-by-month basis from a third party) should be included on Schedule B. Equipment used under a capital or financing lease should not be included here. (It is included at book value net of depreciation on Schedules A and C.)

Note: If equipment is sent to third parties for repair (*e.g.*, an independent firm that maintains and repairs converters), include such costs as a separable item in one of the boxes marked "Other." In this case, appropriate adjustments must be made for calculations of equipment and installation charges. See the instructions for Worksheet for Calculating Permitted Equipment and Installation Charges, Steps A and B, below.

**INSTRUCTIONS FOR SCHEDULE C
CAPITAL COSTS OF LEASED CUSTOMER EQUIPMENT**

Schedule C computes the annual capital costs of equipment leased to customers. Follow the instructions below for each model or category of leased equipment.

Note:Subscriber drops up to the Commission-defined cable network demarcation point at the customer's premises are considered network equipment and may not be included as customer equipment on Schedule C.

Line A Equipment. List all customer equipment for which you wish there to be a separate charge. You may calculate separate charges for specific models of equipment including different models of remote control units, converter boxes, and other equipment (*e.g.*, splitters and amplifiers). However, at your option, customer equipment may instead be listed in broad categories, provided that each category includes only equipment of the same type, regardless of the levels of functionality of the equipment within each broad category. Under current Commission rules, there are, in effect, three types of customer equipment: converter boxes, remotes controls, and inside wiring. Aggregation of these different equipment types into broader categories would generally not be acceptable (*e.g.*, a category including both converters and remotes.) Further, customer equipment which is used by subscribers who receive only a rate regulated basic service tier, shall not be aggregated into broad cost categories with the costs of equipment used by subscribers who receive programming services in addition to the basic tier. This limitation applies to basic-only subscribers, not basic-only equipment. Costs of customer equipment used by basic-only subscribers may, however, be aggregated on a franchise, system, regional, or company level.

An alternative approach to allocating costs to basic-only subscribers is to assume that all such customers are using the lowest cost model of equipment in service regardless of whether that is actually true and thus to charge all basic-only subscribers based on the lowest cost equipment models. The basis of the charge for non-basic-only subscribers should then be the total cost of all subscribers (basic-only and non-basic-only) minus the aggregate cost assigned to the basic-only subscribers.

On an attached sheet, list separately each model or category of other equipment for which you plan to develop a separate charge and provide the necessary information as required on lines A through K of Schedule C to compute the charge. A separate charge must be developed for each model or category of other customer equipment. Enter in the "Other Equipment" column of Schedule C the total figures for the equipment included on your attachment.

Line B Total Maintenance/Service Hours. Enter the total maintenance and/or service hours. Attach a Schedule explaining how you calculated these figures.

Line C Total Number of Units in Service. Enter the total number of units in service for leased remotes and converter boxes. For other leased equipment, list the total number of units in service

or the total number of subscribers using this equipment, whichever is appropriate. Use either the number of units or subscribers for the last day of the fiscal year covered by this Form 1205.

Line D Gross Book Value. Enter the gross book value of the listed equipment as of the date you closed books for the time period covered by the filing of this Form. The gross book value includes the cost of a reasonable number of spare customer equipment units that the operator keeps on-hand as replacements for broken equipment.

Line E Accumulated Depreciation. List the accumulated depreciation and amortization for each equipment category on line A.

Line F Deferred Taxes. Enter the deferred tax balance associated with the equipment categories listed on line A as of the date you closed books for the time period covered by the filing of this Form. (Generally, such amounts result from the use of faster depreciation write-offs for tax purposes than for financial reporting purposes.)

Line G Net Book Value. *For each column, add line E to line F, and subtract the sum from line D. The resulting entry in each column is the net book value for the corresponding category of customer equipment.*

Line H Grossed-Up Rate of Return. *Enter here the figure from line H of Schedule A. Note: The spreadsheet will complete the line once you have entered the gross-up rate in the first column of line H on this Schedule C.*

Line I Return on Investment Grossed-Up for Taxes. *Multiply line G by line H of the present Schedule C. This will apply the grossed-up rate to your investment. The resulting figure represents your grossed-up return on investment.*

Line J Current Provision for Depreciation. Enter here your current provision for depreciation based on the year-end balance for the equipment included on this Schedule.

Line K Annual Capital Costs. *Add line I to line J and enter the result here. The figures on this line represent your total grossed-up returns on investment with a provision for depreciation.*

Line L GRAND TOTAL. *Sum the entries on line K and enter the sum in Box 3.*

INSTRUCTIONS FOR SCHEDULE D AVERAGE HOURS PER INSTALLATION

You must complete Schedule D if you are using this Form 1205 to establish average rates for service installations as your permitted charges for installation and maintenance of equipment used for the basic service tier. If you choose to charge average rates, you must calculate an average rate for all regulated installations. Operators choosing to calculate average rates must attach on additional sheets an explanation and justification of the average hours calculations. If you are using this Form 1205 to

establish permitted charges for installations and you elect to use your Hourly Service Charge, then you do not have to complete Schedule D.

You do not have to complete Schedule D if you have already unbundled your equipment and installation charges at cost, and you are filing this Form 1205 solely as part of establishing the initial maximum permitted rates for regulated cable services. In such circumstances, this Form 1205 will be attached to a Form 1200, 1220, or 1225.

Schedule D asks for information about four categories of installations: (a) installations of unwired homes; (b) installations of already wired homes; (c) installations of additional connections at the time of initial installation; and (d) installations of additional connections after initial installation. These data are needed in the first worksheet below to calculate the four separate average charges that the Commission requires for an operator choosing to exercise the average charge option. Spaces also are included for other specific types of installations (such as those requiring extra long drops to the home). Attach additional sheets as needed.

WORKSHEET FOR CALCULATING PERMITTED EQUIPMENT AND INSTALLATION CHARGES

Step A: Hourly Service Charge (HSC).

The Hourly Service Charge (HSC) is designed to recover the costs of service installation and maintenance of customer equipment. The HSC will be used as a factor in developing permitted charges for installation and monthly lease of individual pieces of equipment. To calculate the HSC, you will compute your annual capital costs plus expenses for the maintenance of customer equipment and the installation of basic tier service. You will divide the total costs and expenses by the total number of person-hours spent on those activities over the past year.

The HSC includes the annual capital costs for installing, maintaining, and repairing customer equipment; the capital cost of the customer equipment itself, however, is not recovered through the HSC. That cost is recovered through the lease of that type of equipment (see Steps C through E of the Worksheet for Calculating Permitted Equipment and Installation Charges).

Note 1: If an expense amount is included on Schedule B for equipment sent out for repair, an appropriate adjustment to the total labor hours reported on this Form must be made. This adjustment adds "equivalent labor hours" to the total company labor hours. This may be calculated, for example, as total costs included on Schedule B for work sent out for repair divided by the average company technician wage rate. The total cost may be recovered by including the average hours in the computation for the appropriate equipment charges computed in Steps C through E. In any case that an amount is included on Schedule B for work sent out for repair, explain all the adjustments made on the Worksheet. This explanation must include the number of hours added on line 6 below as well as a description of and the number of hours added into the charges developed in Steps C through E.

Note 2: With respect to the calculation for labor costs associated with installation of the drop up to the Commission-defined cable network demarcation point at the customer's premises, you

have two options. The first option is to include the labor costs associated with subscriber drops in the charges for installations. The second option is to capitalize such costs in distribution plant as part of the cost of drops. (In this case, the labor cost for drops is recovered in the charges for cable services only -- not in installation or customer equipment charges.) If the second option is chosen, the costs and the associated hours must be eliminated from the charges for all customer equipment and installation charges.

This choice relates specifically and exclusively to the costs and charges associated with those initial installations that include subscriber drops. This choice does not include labor costs associated with equipment or inside wiring located on customer premises.

Line 1 Total Capital Costs of Installation and Maintenance. Enter the amount from Schedule A, Box 1.

Line 2 Total Annual Operating Expenses for Installation and Maintenance. Enter the amount from Schedule B, Box 2.

Line 3 Total Capital Costs and Operating Expenses for Installation and Maintenance. Add line 1 to line 2 and enter the result here.

Line 4 Customer Equipment and Installation Percentage. Enter the percentage of the costs and expenses entered on line 3 that relate to maintenance of customer equipment and customer installations used to receive basic tier services. Enter this percentage as a decimal figure (for example 10 percent would be entered as .10). Attach an explanation of how you arrived at this percentage. If you entered data in Schedules A, B, and C solely for customer equipment and installations, then enter the number 1. The percentage must not reflect the labor expense associated with the installation and maintenance of cable drops if such costs have been capitalized.

Line 5 Annual Customer Equipment Maintenance and Installation Costs, Excluding Costs of Leased Equipment. Multiply line 3 by line 4. The result is your total annual capital costs and expenses incurred for maintenance of customer equipment and service installation used to receive the basic service tier.

Line 6 Total Labor Hours for Maintenance and Installation of Customer Equipment and Services. Calculate the total number of person-hours that were spent on maintenance of customer equipment and service installation in your fiscal year. For new equipment, use an estimate. Attach an explanation or study for your calculations.

Line 7 Hourly Service Charge. Divide line 5 by line 6. The result is the Hourly Service Charge (HSC).

Method of Billing for Installations.

An operator may elect whether to use a per-hour rate for all installations or to use several average installation charges for different types of installations. Under the latter option, the operator must determine an average charge for each type of installation. Indicate your choice by placing an "x" in the appropriate box.

Step B. Installation Charge.

Any labor costs capitalized as the cost of cable drops or other equipment must not be included in the computation of the charge for installations. See Note 2 above discussing subscriber cable drops.

If you choose to use a per-hour rate for all installations, complete line 8, skip line 9 and proceed to Step C. If you choose to use several average installation charges for different types of installations, then you should skip line 8 and complete line 9 before moving to Step C.

Line 8 Uniform HSC for all Installations. If you elect to charge customers by the hour for installations, enter the HSC from line 7.

Line 9 Average Charge for Installation Types. If you choose to develop average installation charges, the charges shall be determined using the data submitted in Schedule D.

Line 9a Unwired Home Installation.

Line 9a1 HSC. Enter the HSC from line 7.

Line 9a2 Average Hours Per Unwired Home Installation. Enter the figure from line A of Schedule D.

Line 9a3 Charge Per Unwired Home Installation. Multiply line 9a1 by line 9a2.

Line 9b Pre-wired Home Installation.

Line 9b1 HSC. Enter the HSC from line 7.

Line 9b2 Average Hours Per Pre-wired Home Installation. Enter the figure from line B of Schedule D.

Line 9b3 Charge Per Pre-wired Home Installation. Multiply line 9b1 by line 9b2.

Line 9c Additional Connection Installation at Time of Initial Installation.

Line 9c1 HSC. Enter the HSC from line 7.

Line 9c2 Average Hours Per Additional Connection Installation at Time of Initial Installation. Enter the figure from line C of Schedule D.

Line 9c3 Charge per Additional Connection Installation at Time of Initial Installation. Multiply line 9c1 by line 9c2.

Line 9d Additional Connection Installation Requiring Separate Installation.

Line 9d1 HSC. Enter the HSC from line 7.

Line 9d2 Average Hours Per Additional Connection Installation Requiring Separate Installation. Enter the figure from line D of Schedule D.

Line 9d3 Charge per Additional Connection Installation Requiring Separate Installation. Multiply line 9d1 by line 9d2.

Line 9e Other Installations (As specified in Schedule D, Line E).

If there are more than three other types of installations, attach a separate sheet showing how the charges for these other installations are calculated.

Line 9e1 HSC. Enter the HSC from line 7.

Line 9e2 Average Hours Per Installation of Item 1. Enter the figure on Schedule D, line E, Item 1.

Line 9e3 Charge per Installation of Item 1. Multiply line 9e1 by line 9e2.

Line 9e4 HSC. Enter the HSC from line 7.

Line 9e5 Average Hours Per Installation of Item 2. Enter the figure on Schedule D, line E, Item 2.

Line 9e6 Charge per Installation of Item 2. Multiply line 9e4 by line 9e5.

Line 9e7 HSC. Enter the HSC from line 7.

Line 9e8 Average Hours Per Installation of Item 3. Enter the figure on Schedule D, line E, Item 3.

Line 9e9 Charge per Installation of Item 3. Multiply line 9e7 by line 9e8.

Step C. Charges for Leased Remotes.

The rental charge for remote control units is designed to recover the costs of providing and maintaining each model or category of remote control unit leased by subscribers and includes a reasonable profit.

The charge determined in this step will not reflect the costs of installation. You must repeat the following sub-step calculations for each significantly different model or category of remote listed in Schedule C. Describe each model or category of remote in detail sufficient to identify differences among models and/or categories. Attach extra sheets as needed.

Line 10 Total Maintenance/Service Hours. Enter the total maintenance and/or service hours for each model or category of remote from the corresponding column on Schedule C, line B.

Line 11 HSC. Enter the HSC from line 7.

Line 12 Total Maintenance and Service Cost. Multiply line 10 by the HSC listed on line 11. The result is the total annual cost for repairing and servicing each model or category of remote.

Line 13 Annual Capital Costs. Enter the annual capital costs for each model or category of remote from the corresponding column of line K on Schedule C.

Line 14 Total Cost of Remote. Add line 12 to line 13. The sum is the total annual cost for each model or category of remote.

Line 15 Number of Units in Service. Enter the number of units of each model or category of remote in service from the appropriate column of line C on Schedule C.

Line 16 Unit Cost. Divide line 14 by 15. The result is the annual unit cost of each model or category of remote.

Line 17 Rate per Month. Divide the figure from line 16 by the number 12. The result will be the monthly cost of each model or category of remote including a reasonable profit. This figure is the maximum permitted monthly lease charge for each model or category of remote.

Step D. Charges for Leased Converter Boxes.

The rental charge for a converter box is designed to recover the costs of providing and maintaining that model or category of converter box leased by a subscriber and includes a reasonable profit. You must repeat the calculations in the following sub-steps for each model or category of converter box listed in Schedule C. Describe each model or category of converter box in detail sufficient to identify differences among models and/or categories. Attach extra sheets as needed.

Line 18 Total Maintenance/Service Hours. Enter the total maintenance and/or service hours for each model or category of converter box from the corresponding column of line B on Schedule C.

Line 19 HSC. Enter the HSC from line 7.

Line 20 Total Maintenance and Service Cost. Multiply the figure from line 18 by the HSC listed on line 19. The result is the total annual cost for repairing and servicing each model or category of converter box.

Line 21 Annual Capital Costs. Enter the annual capital costs for each model or category of converter box from the corresponding column of line K on Schedule C.

Line 22 Total Cost of Converters. Add line 20 to line 21. The sum is the total annual cost for each model or category of converter box.

Line 23 Number of Units in Service. Enter the number of units of each model or category of converter box from the corresponding column of line C on Schedule C.

Line 24 Unit Cost. Divide line 22 by line 23. The result is the annual unit cost of each model or category of converter box.

Line 25 Rate per Month. Divide the figure on line 24 by the number 12. The result is the monthly cost of each model or category of converter box including a reasonable profit. This figure is the maximum permitted monthly lease charge for each model of converter box.

Step E. Charges for Other Leased Equipment.

The rental charge for other leased equipment is designed to recover the costs of providing and maintaining that equipment leased by a subscriber and includes a reasonable profit. An operator choosing to establish charges for different types of other equipment must repeat the calculations in the following sub-steps for each model or category of other equipment listed in Schedule C. Describe each model or category of additional leased equipment in detail, e.g., additional connections. Attach extra sheets as needed.

Commission rules permit operators to charge for power boosters installed in connection with additional connections. Operators may establish a separate charge for the power boosters as well as for other equipment associated with additional outlets (e.g., splitters) or may recover the cost of such items by including them in the same category as the connections, thereby including such costs in the charges for connections.

Line 26 Total Maintenance/Service Hours. Enter the total maintenance and/or service hours for this other equipment. Enter the figure from the corresponding column on Schedule C, line B.

Line 27 HSC. Enter the HSC from line 7.

Line 28 Total Maintenance and Service Cost. Multiply the figure on line 26 by the HSC listed on line 27. The result is the total annual cost for repairing and servicing other equipment.

Line 29 Annual Capital Costs. Enter the amount from the corresponding column of line K on Schedule C.

Line 30 Total Cost of Equipment. Add line 28 to line 29. The sum is the total annual cost for other equipment.

Line 31 Number of Units in Service. Enter the figure from line C of the corresponding column on Schedule C. This will be either the total number of units of other equipment that were in service on the last day you closed your books or the number of subscribers using this equipment, whichever is applicable.

Line 32 Unit Cost. Divide line 30 by line 31. The result is the annual unit cost of other equipment.

Line 33 Rate per Month. Divide the figure on line 32 by the number 12. The result will be the monthly cost of other equipment. This figure is the maximum monthly lease charge for other equipment.

Method of Billing for Changing Service Tiers or Equipment

You have three alternatives for determining charges for changing service tiers or equipment:

- **Option One: Nominal Charge.** Charges for changing service tiers affected solely by coded entry on a computer terminal or by another similarly simple method must be nominal. The Commission considers any charge under \$2.00 to be nominal. To prevent an uneconomic level of churn, an operator may propose an escalating scale of charges for customers changing service tiers more than two times in one year. If you use an escalating scale of charges, you must attach a list of the charges and an explanation justifying these charges.
- **Option Two: Uniform Hourly Service Charge.** Charges for changes in service tiers or equipment may be calculated at actual cost using an hourly rate. If you elect to charge customers by the hour for changing service tiers, the hourly rate is the HSC.
- **Option Three: Average Charge.** Charges for changes in service tiers or equipment may be calculated at actual cost using an average charge that is based on the average hourly rate multiplied by the average time of service call.

Indicate your choice by placing an "x" in the appropriate box.

Step F: Charges for Changing Service Tiers or Equipment.

Complete only the line for the option that you are choosing.

Line 34 Nominal Charge for Changing Service Tiers. Enter your nominal charge. If you use an escalating scale of charges, enter the single charge for first-time and second-time tier changes and place an "x" in the box indicated.

Line 35 Uniform Hourly Service Charge. *If you elect to charge customers by the hour for changing service tiers, then enter the HSC from line 7.*

Line 36 Average Charge for Changing Service Tiers.

Line 36a HSC. *Enter the HSC from line 7.*

Line 36b Average Hours to Change Service Tiers. If you choose to develop an average charge for changing service tiers, enter the average number of hours required to change service tiers.

Line 36c Average Charge for Changing Service Tiers. *Multiply line 36a by line 36b.*

WORKSHEET FOR CALCULATING TOTAL EQUIPMENT AND INSTALLATION COSTS

This worksheet must be completed only if you are determining equipment costs in order to establish permitted rates for regulated cable services pursuant to FCC Form 1200, 1220, or 1225.

Equipment and service installation costs must be removed from charges for regulated service. To be consistent with the calculations of permitted rates, these costs must be presented at the franchise area level.

Line 1 Total Capital Costs of Installation and Maintenance. *Enter the figure from Schedule A, Box 1.*

Line 2 Total Annual Operating Expenses for Installation and Maintenance. *Enter the figure from Schedule B, Box 2.*

Line 3 Total Annual Capital Costs of Installation and Maintenance. *Add line 1 to line 2 and enter the result here.*

Line 4 Customer Equipment and Installation Percentage. Enter the percentage of the costs and expenses entered on line 3 that relate to maintenance of customer equipment and customer installations used to receive basic tier services. Enter this percentage as a decimal figure (for example 10 percent would be entered as .10). Attach an explanation of how you arrived at this percentage. If you entered data in Schedules A, B, and C solely for customer equipment and installations, then enter the number 1. The percentage must not reflect the labor expense associated with the installation and maintenance of cable drops if such costs have been capitalized.

Line 5 Annual Customer Equipment Maintenance and Installation Costs, Excluding Costs of Leased Equipment. Multiply line 3 by line 4. The result is your total annual capital costs and expenses incurred for maintenance of customer equipment and service installation used to receive the basic service tier.

Line 6 Total Capital Costs of Leased Customer Equipment. Enter the figure from Schedule C, Box 3.

Line 7 Annual Customer Equipment and Installation Costs. Add line 5 and line 6.

Line 8 Percentage Allocation to Franchise Area. This line is used to adjust line 7 to reflect equipment costs on the franchise area level, if your accounting records are kept at a different level of organization. For example, if your accounting records cover franchise areas with similar subscriber equipment profiles, you may use a ratio of the number of subscribers in the franchise area to the total number of subscribers:

$$\text{Line 8} = \frac{\text{number of subscribers in the franchise area}}{\text{the total number of subscribers in area used for cost data.}}$$

Enter the percentage figure as a decimal number. Attach an explanation of the allocation method that you use. If you keep records at the franchise area level, enter the number 1.

Line 9 Allocated Annual Equipment and Installation Cost. Multiply line 7 by line 8.

Line 10 Monthly Equipment and Installation Cost. Divide line 9 by the number 12.

Line 11 Number of Basic Subscribers in Franchise. Enter the number of basic subscribers in your franchise area for the last day of the fiscal year covered by this Form 1205.

Line 12 Monthly Equipment and Installation Cost per Subscriber. Divide line 10 by line 11.

Line 13 Inflation Adjustment Factor. If you are using a fiscal year that closed on or before September 30, 1993 enter 1.03. If you are using a fiscal year that closed after September 30, 1993 enter 1.00.

Line 14 Adjusted Monthly Equipment and Installation Cost per Subscriber. Multiply line 12 by line 13. The result will be the monthly equipment and installation cost to be entered on either line D2 or line E2, and on line I2 of FCC Form 1200.

SUMMARY SCHEDULE CURRENT EQUIPMENT AND INSTALLATION RATES

This Schedule summarizes the permitted charges calculated on the Worksheet for Calculating Permitted Equipment and Installation Charges and compares them with the rates you actually charge subscribers for each type of installation and equipment. You should complete this summary only if you have completed the Worksheet for Calculating Permitted Equipment and Installation Charges.

For each type of installation and equipment, enter in the spaces under the column labeled "Permitted" the data you have determined on the Worksheet for Calculating Permitted Equipment and Installation Charges. On each line of this Schedule under the column labeled "Actual" enter the rate you actually charge for each type of installation and equipment. Your actual equipment and installation charges may not exceed the permitted rates, although they may be lower.

Line 1 Charges for Cable Service Installations. This line compares the rates you are permitted to charge for service installations, as determined on this Form, with the rates you actually charge.

Line 1.a Hourly Rate.

Permitted: enter the HSC from Step A, line 7.

Actual: enter the hourly service rate you actually charge subscribers.

Line 1.b Average Installation Charges.

Line 1.b.1 Installation of Unwired Homes.

Permitted: enter the figure from Step B, line 9a3.

Actual: enter the average rate you actually charge for installations of cable service at unwired homes.

Line 1.b.2 Installation of Pre-wired Homes.

Permitted: enter the figure from Step B, line 9b3.

Actual: enter the actual average rate you charge for installations of cable service at pre-wired homes.

Line 1.b.3 Installation of Additional Connections at Time of Initial Installation.

Permitted: enter the figure from Step B, line 9c3.

Actual: enter the actual average rate you charge for installations of additional connections of cable service at the time of initial installation of cable service.

Line 1.b.4 Installation of Additional Connections Requiring Separate Installation.

Permitted: enter the figure from Step B, line 9d3.

Actual: enter the actual average rate you charge for installations of additional connections that require a separate installation of cable service.

Line 1.b.5 Other Installations. Attach separate sheets as needed.

Permitted: enter the number(s) from the corresponding line(s) of Step B (Step B, lines 9e3, 9e6, and 9e9).

Actual: enter the actual average rate you charge for each type of installation.

Line 2 Monthly Charge for Lease of Remote Controls. Attach separate sheets as needed.

Line 2, Type 1 Remote Control Type 1.

Permitted: enter the figure from Step C, line 17, Column a.

Actual: enter the actual monthly rate you charge for this type of remote control unit.

Line 2, Type 2 Remote Control Type 2.

Permitted: enter the figure from Step C, line 17, Column b.

Actual: enter the actual monthly rate you charge for this type of remote control unit.

Line 2, Type 3 Remote Control Type 3.

Permitted: enter the figure from Step C, line 17, Column c.

Actual: enter the actual monthly rate you charge for this type of remote control unit.

Line 3 Monthly Charge for Lease of Converter Boxes. Attach separate sheets as needed.

Line 3, Type 1 Converter Box Type 1.

Permitted: enter the number from Step D, line 25, Column a.

Actual: enter the monthly rate you actually charge for this type of converter box.

Line 3, Type 2 Converter Box Type 2.

Permitted: enter the number from Step D, line 25, Column b.

Actual: enter the monthly rate you actually charge for this type of converter box.

Line 3, Type 3 Converter Box Type 3.

Permitted: enter the number from Step D, line 25, Column c.

Actual: enter the monthly rate you actually charge for this type of converter box.

Line 4 Monthly Charge for Lease of Other Equipment. Attach separate sheets as needed.

Permitted: enter the number from Step E, line 33.

Actual: enter the monthly rate you actually charge for this type of equipment.

Line 5 Charge for Changing Tiers.

Permitted: enter the appropriate number from Step F, lines 34, 35, or 36c.

Actual: enter the rate you actually charge for changing tiers.

**INFORMATION ON LABOR COSTS OF SUBSCRIBER
CABLE DROPS AND POLICY CHANGES**

Enter an "x" in the appropriate box to indicate your answers to the following questions.

Question 1 Inclusion of Labor Costs in Charges for Cable Drops. Indicate whether you have included the labor costs associated with subscriber cable drops in your charges for initial installation. See Schedule D, and Step A of the Worksheet for Calculating Permitted Equipment and Installation Charges.

Question 2 Capitalization of Labor Costs for Cable Drops. Indicate whether you have capitalized the labor costs associated with subscriber cable drops. See Schedule D, and Step A of the Worksheet for Calculating Permitted Equipment and Installation Charges.

Question 3 Policy Change. If you have filed this Form previously, indicate whether you have changed any policy since that filing, such as accounting or cost allocation policy, that causes an increase in the cost data reflected in this Form.