

**FCC Form 1235**  
**Instructions for Completion of**  
**Abbreviated Cost of Service Filing for Cable Network Upgrades**

**PURPOSE AND FILING INSTRUCTIONS**

**Abbreviated Cost of Service Filing for Network Upgrades - General.** An abbreviated cost of service filing for network upgrades allows cable operators to justify rate increases related to significant capital expenditures used to improve rate-regulated cable services. This option is available only for significant upgrades requiring added capital investment, such as band width capacity and conversion to fiber optics, and for system rebuilds. Normal improvements and expansions of service will remain subject to the usual rate review process. These rate increases (the "network upgrade add-on") are limited to: (1) the actual cost of the capital improvement, less any gains realized from the disposition of property, plant, and equipment used prior to the upgrades; (2) a reasonable return on the net investment in property, plant, and equipment used to provide the upgraded services; and (3) additional expenses necessary for the delivery of upgraded services, including changes in operating expenses and depreciation on property, plant, and equipment. The return on investment is designed to provide a fair return on equity as well as to provide for recovery of interest and the income taxes applicable to the equity portion of the return. Cable operators that incur increases in operating costs associated with a significant network upgrade will be permitted to charge additional rates as justified in this upgrade cost of service showing. The recoverable costs of the upgrade would be added to the rates permitted under the benchmark and price cap approach to the extent these costs could not be recovered under that approach. The recovery period for upgrade costs would be the weighted average of the useful lives for the plant placed in service from this upgrade.

**When to File Form 1235.** An operator wishing to establish a network upgrade should file this form following the end of the month in which upgraded cable services become available and are providing benefits to customers of rate-regulated services. The form may be filed on either a system-wide or franchise-wide basis. The date on which such upgraded cable services become available and are providing benefits to customers of rate-regulated services may be no earlier than May 15, 1994, the date on which the rules, policies and requirements established by the Federal Communications Commission (the Commission) in its Order in MM Docket 93-215 became effective.

In addition, this form can be filed for pre-approval any time prior to the upgrade services becoming available to subscribers using projected upgrade costs. The pre-approval option is provided to assist operators in projecting cash flows and obtaining capital for the construction of upgraded cable systems- The network upgrade add-on, however, cannot be charged to subscribers until upgraded cable services become available and are providing benefits to customers of rate-regulated services The pre-approval upgrade incentive add-on may be charged to subscribers as subsections of the filing entity are completed and begin providing service to subscribers in those subsections (Phased-In Approach). For operators electing to use the Phased-In Approach, the operator should ensure that the recovery period for each subsection does not exceed the maximum recovery period for upgrade costs.

If the pre-approval option is exercised, the operator must file the form again following the end of the month in which upgraded cable services become available and are providing benefits to all customers of rate-regulated services in the filing entity, using actual costs where applicable. This second submission will not duplicate the pre-approval process, but will primarily entail the substitution of actual costs for projected costs.

**Where to File Form 1235.** The operator may recover its upgrade costs by establishing an add-on rate for both the basic service tier and the cable programming service tier(s), or may elect to recover those costs by establishing an add-on rate only for the cable programming service tier(s). If the operator is seeking to establish a basic service add-on rate, Form 1235 should be filed with the local franchising authority, if the local franchising authority has been authorized by the Commission to regulate rates. If the form is filed on a system-wide basis, Form 1235 should be filed with each certified local franchising authority within the system area.

In the event the cable operator's cable programming services are subject to federal regulation pursuant to Section 623(c) of the Communications Act, please file an original and two copies of the Form 1235 with the Commission at the following address:

Federal Communications Commission  
FCC Form 1235  
445 12<sup>th</sup> Street, SW  
Washington, D.C. 20554

## OVERVIEW

Form 1235 consists of three reporting sections:

**Part I (Qualification for Upgrade Rate Adjustment)** of this form is used to determine whether the capital improvement is eligible for a rate increase on the basic service tier (BST) and cable programming services tiers (CPSTs).

**Part II (Revenue for Upgrade Requirement Computation)** is used to compute separate upgrade revenue requirements for the BST and CPST service tiers.

**Part III (Allocation of Upgrade Requirement to Basic and Cable Programming Service Tiers)** is used to compute the appropriate rate increase for each CPST offered and, if the operator so chooses, for the BST. (For Part III and Worksheet A, there are two columns provided for CPSTs. If the system for this filing has more than two CPSTs, including all New Product Tiers (NPTs), please prepare an attachment showing each additional CPST with the appropriate allocations.)

In conjunction with the filing of Parts II and III, three cost allocation worksheets must be completed and filed to support the revenue requirement and service charge computations:

**Worksheet A (Cost Assignments and Allocations)** provides a summary trial balance of the elements (net investment in property plant and equipment includible in the upgrade rate base and net operating expenses recoverable in charges for services) necessary to compute the upgrade revenue requirement for improved cable services and discloses the distribution of the elements to service cost categories.

**Worksheet B (Allocation Key)** provides a description of the cost allocation methodology used to distribute investment and expenses to the service cost categories; should be referenced by a number key to line items on **Worksheet A**.

**Worksheet C (Supplemental Data)** provides financial data necessary for cost analysis and disclosures necessary to support amounts included in the regulated service cost categories.

**NOTE:** The cost assignments and allocations reflected on the worksheets shall be made in accordance with the provisions in §76.924(f) of the Federal Communications Commission Rules. Worksheet A should be completed before starting Parts II and III.

## GENERAL INSTRUCTIONS

The test date for the data included in this filing shall be the end of the month in which upgraded cable services became available for use and were providing benefits to subscribers of either the BST or CPSTs. The test date can be no earlier than May 31, 1994. For pre-approval filings, projected upgrade costs and changes in operating expenses shall be as of the end of the projected month of completion of the upgrade project. These instructions are consistent with the general cost-of-service standard that only "used and useful" property should be included in the ratebase. Any costs that are not used and useful, such as frivolous or inefficiently incurred costs, will be deducted from total cost.

The summary account amounts included shall be based on amounts recorded in the operator's accounts at the end of the month in which upgraded cable services became available and were providing benefits to customers of rate-regulated services (or the anticipated date in the case of pre-approval filings), regardless of the date the filing operator actually files this form. Account balances related to the upgrade may be combined or separated to the extent necessary to conform amounts recorded in the filing operator's financial accounting records to the summary accounts specified in this form. This may require initial assignments or allocations to summary accounts, and the operator shall establish a sufficient audit trail to allow verification of cost assignments and allocations against its accounting records.

Cost elements (investments includible in the upgrade rate base and net changes to operating and depreciation expenses recoverable in charges for services) shall be included in service cost categories using the cost assignment and cost allocation procedures in §76.924 of the Commission's Rules. Under these requirements, assignments and allocations are to be made to specific service cost categories at the organizational level used for accounting purposes. This form reflects the cost categories as amended by the Commission's final cost of service rules, which removed the requirement that non-regulated costs be allocated among multiple categories. Instead, the final cost of service rules replaced these multiple categories with a single "all other" services category, which includes all costs not included in the BST or CPST cost categories. (See Second Report and Order, First Order on Reconsideration, and Further Notice of Proposed Rulemaking, FCC 95-502, MM Docket No. 93-215 and CS Docket No. 94-28, released January 26, 1996.) All amounts identified at each organizational level shall then be allocated to lower organizational levels in an attachment on the basis of the number of subscribers, regardless of whether amounts were first included in service cost categories. For operators filing at the system level, no further allocation to the franchise level is required as in §76.924(g).

## **INSTRUCTIONS FOR PART I QUALIFICATION FOR UPGRADE RATE ADJUSTMENT**

### **Section A -- Significance of Upgrade Qualification:**

**Line 1.** Check whether upgrade meets either of the following Minimum Technical Specifications: (1) an increase in usable bandwidth to at least 550 MHz capacity with upgrade capability to 750 MHz, fiber to the node or beyond, and no more than 1,500 homes per node; or (2) for systems that meet the definition of "small system" under the Commission's rules, an increase in usable bandwidth to at least 550 MHz, fiber to the node or beyond, and no more than 3,000 homes per node. If "yes" is marked, proceed to Line 3; the upgrade will be deemed "significant" and a benefit to subscribers of rate-regulated cable services.

**Line 2.** If Line 1 is marked "no," attach a brief description of the upgrade and how the upgrade will be significant and will benefit subscribers of rate-regulated cable services. For instance, such a description should include, if applicable, the number and percentage of channels that will be added to the various service tiers, the level of improvement in picture quality and/or reliability, or new regulated services that will be available to subscribers as a result of the upgrade.

**Line 3.A.** Enter the net upgrade rate base (from Worksheet A, Column 4a)

**Line 3.B.** Enter the total rate base after the upgrade.

**Line 3.C.** Divide 3.B. by 3.A. Enter as a percentage.

### **Section B -- Used & Useful Qualification**

If this is a pre-approval skip to Line 3.

**Line 1.** State whether the upgrade been completed for the entire filing entity.

**Line 2.** If Line 1 was answered "yes," enter the date on which the upgrade was completed and began providing service to all customers of regulated services within the filing entity.

**Line 3.** The Phased-In Approach allows operators to charge the pre-approved add-on to subsections within a filing entity as those subscribers receive upgraded services. If the

Phased-In Approach is elected, attach a description of the subsections involved and the projected dates on which the upgrade will be completed and providing service to subscribers of rate-regulated services within those subsections.

## **INSTRUCTIONS FOR PART II UPGRADE REVENUE REQUIREMENT COMPUTATION**

**NOTE:** Before completing Part II, filer should complete Worksheet A. Data items for the computation of revenue requirement are calculated on Worksheet A.

**Line 1.** Include in Column (b) the respective **Net Upgrade Rate Base** amounts for BST and CPSTs from Line 4, Column (e) on Worksheet A completed for the filing level.

**Line 2.a.** Enter in Column (a) either the current FCC approved **Rate of Return Percentage** or operator justified **Rate of Return Percentage**.

**Line 2.b.** Enter in Column (c) the **Computed Return on Upgrade Rate Base** for BST and CPSTs by multiplying the respective amounts on Line 1 of this computation by the rate of return on Line 2.a. of this computation.

**Line 3.a.** Enter in Column (a) the applicable **Federal Income Tax Rate**.

**Line 3.b.** Enter in Column (a) the applicable **State Income Tax Rate**.

**Line 3.c.** Enter in Column (b) the **Computed Return on Upgrade Rate Base**, respectively for BST and CPSTs, from Line 2.b. of this computation.

**Line 3.d.** Include in Column (b) the **Interest Expense Related to Upgrade** for debt acquired for the completion of the upgrade applicable respectively to BST and CPSTs from Line 9, Column (e) of Worksheet A completed for the filing level.

**Line 3.e.** Operators organized as Subchapter S corporations, partnerships, and sole proprietorships must include a portion of any earnings or returns of capital distributed to owners (**Distributions**) during the filing period multiplied by the percentage of capital improvement to total rate base from Part I Section A, Line 3(c). This portion in each regulated service cost category must be based on a ratio of the upgrade investment allocated to the service cost category to the total upgrade investment allocated to all service cost categories.

**Line 3.f.** Operators organized as Subchapter S corporations, partnerships, and sole proprietorship shall include, in a manner as described on Line 3.e., a portion of any capital

contributions made by owners (**Contributions**) during the filing period.

**Line 3.g.** Include in Column (b) the portion, respectively for BST and CPST, of the **Return Amount Subject to Income Tax** by subtracting the amounts on Line 3.d. and Line 3.e. from the Computed Return on Rate Base on Line 3.c., then adding the lesser of the amounts on Line 3.e. or Line 3.f.

**Line 3.h.** Include in Column (c) the **Income Tax Allowance** for Basic and CPS by multiplying a tax gross-up rate to the respective Basic and CPS Return Amounts Subject to Tax from Line 3.g. The tax gross-up rate is computed as follows:  $[(\text{Federal Income Tax Rate} + \text{State Income Tax Rate}) - (\text{Federal Income Tax Rate} * \text{State Income Tax Rate})] / 1 - [(\text{Federal Income Tax Rate} + \text{State Income Tax Rate}) - (\text{Federal Income Tax Rate} * \text{State Income Tax Rate})]$

**Line 4.** Include in Column (c) the **Projected Net Impact of Upgrade on Operating Expenses** allowed respectively for BST and CPSTs from Line 8, Column (e) of Worksheet A completed at the filing level.

**Line 5.** Include in Column (c) the **Net Revenue and Income Adjustments Related to Upgrade** allowed respectively for BST and CPSTs from Line 12, Column (e) of Worksheet A completed at the filing level. Unless this total is a net loss for which approval has been obtained by regulatory authority for inclusion in rates for service, show this amount as a negative.

**Line 6.** Compute the **Total Upgrade Revenue Requirement** (excluding Franchise Fees) for BST and CPSTs separately by totaling the amounts in Column (c) (i.e., the amounts on Lines 2.b., 3.h., 4 and 5 of this computation).

### **INSTRUCTIONS FOR PART III ALLOCATION OF UPGRADE REVENUE REQUIREMENT TO BASIC AND CABLE PROGRAMMING SERVICE TIERS**

#### **Instructions by Column**

**Column (a) BST.** Each line item in this column relates exclusively to the BST tier.

**Column (b) CPST - 1 & 2.** Each line item in these columns relate exclusively to the CPS tiers. Allocate each line item to each CPST offered in the filing area, including any NPTs. The allocation method along with the rationale for using that method must be described in detail.

**Column (c) Total.** Each line item in this column shall be the sum of amounts included in columns (a) and (b).

## Instructions by Line

**Line 1.** Insert the **Upgrade Revenue Requirements** from the Total Upgrade Revenue Requirement amounts on Line 6 of Part II (Upgrade Revenue Requirement Computation).

**Line 2.** Include either the **Number of Subscribers** on the Date of Filing, or in the case of a pre-approval filing, the estimated number of subscribers upon completion of the upgrade. For pre-approval filings, the rationale for estimating the number of subscribers must be described in detail.

**Line 3.** Compute the **Annual Revenue Requirement per Subscriber** by dividing the Upgrade Revenue Requirements amounts on Line 1 by the Number of Subscriber amounts on Line 2.

**Line 4.** Compute the **Monthly Network Upgrade Add-on (excluding Franchise Fees)** by dividing the Annual Revenue Requirement per Subscriber from Line 3 by the number 12 (12 months).

**Line 5.** Check the appropriate method of subscriber recovery. Selection of the **CPSTs & BST** method allows operators to recover the charges calculated in Line 4, columns (a) and (b) from the respective tier subscribers. Selection of the **CPSTs Only** method allows the operator to recover the charge calculated in Line 4, column (c) from CPST tier subscribers consistent with the CPST tier allocation, where applicable.

## INSTRUCTIONS FOR WORKSHEET A COST ASSIGNMENTS AND ALLOCATIONS

### Instructions by Column

**Column (a) Balance.** Each line item included in this column is the total amount identified at the filing level plus amounts allocated from higher organizational levels both of which relate directly to the upgrade. For Rate Base line items (Lines 1 through 4), the amounts reported should be based on the balances at the closing date used for this filing. For Projected Operating Expense and Net Revenue and Expense Adjustment line items (Lines 5 through 12), the estimated annual (12 month) operating efficiency savings or excesses resulting from the upgrade



should be reported. All balances should include amounts related to both regulated and nonregulated operations applicable to the operator's network upgrade.

**Column (b) Directly Assigned Cost Elements.** Include in this column, by service cost category, the portion of each itemized summary account directly assignable to each service category at the filing level. The service cost categories are defined in §76.924(e) and are designated on the worksheets as follows: Basic Service (BST), Cable Programming Services (CPST), and "All Other" services. **(Please Note: There are two CPST columns on the form to accommodate allocations in systems with more than one CPST. If the system has more than two CPSTs, including NPTs, please prepare an attachment with the additional columns showing all appropriate allocations.)** The category defined as All Other should be used to assign costs which are allocable to the Equipment Basket.

**Column (c) Allocated Cost Elements.** Include in this column, by service cost category, the portion of each itemized summary account allocated to service cost categories as required in §76.924(f).

**Column (d) Allocation Key.** Include in this column a key to explanations of the cost allocation methodology for each itemized summary account. Explanations of the keys are to be provided on supporting Worksheet B to this form. (See Instructions for Worksheet B.)

**Column (e) Total Cost Elements.** Include in this column, by service cost category, the total of the amounts included in Columns (b) and (c).

## Instructions by Line

**Rate Base Line Items (Lines 1 through 4):** The amounts recorded on Lines 1 through 4 shall be the summary Upgrade Rate Base account balances as of the end of the month in which upgraded cable services became available and were providing benefits to customers of rate-regulated services (or the anticipated date in the case of pre-approval filings).

**Line 1 Total Plant and Equipment.** Include the total upgrade investment in operating cable plant, plant construction and maintenance operations (including land, buildings, vehicles, and equipment invested in headend, trunk and distribution systems) while excluding capitalized construction interest. Also include additional investments in production and office facilities (including the investment in land, buildings, vehicles, tools, programming production equipment and business office facilities), provided that each item is capitalized on the operator's books as a result of the upgrade capital improvement. This total amount should agree to Worksheet C, Line 9.

**Line 2 Allowance for Funds Used During Construction.** Compute the total return on funds used to finance construction of the upgrade during the period of construction. This amount is to be calculated using the rate of return from Line 2.a., Part II and shall be offset by income realized on these funds during this period. An attachment shall be provided which details all elements of the calculation.

**Line 3 Other Adjustments.** Include the amount of any other adjustments to be made to the rate base. Provide a description of the adjustments and a justification for any changes in the rate base for regulated items.

**Line 4 Net Upgrade Rate Base.** Compute the net upgrade rate base. This is the sum of Lines 1, 2 and 3.

**Projected Operating Expense Line Items (Lines 5 through 8):** Lines 5 through 8 shall reflect projected annual operating savings or increases resulting from the upgrade as of the end of the month in which upgraded cable services became available and were providing benefits to customers of rate-regulated services (or the anticipated date in the case of pre-approval filings). Do not include interest expense or franchise fees in this account grouping.

**Line 5 Change in Plant Related Operating Expenses.** Include the present value of projected net increases or decreases in salaries, wages, and benefits expense for laborers, technicians, and their supervisors involved in the construction, maintenance, testing and operation of headend, trunk and distribution facilities, drops, and customer premises facilities related directly or indirectly to the capital improvement upgrade over its estimated useful life. This projection should take into consideration changes in all taxes on cable service resulting from the upgrade. An attachment shall be provided which describes all assumptions and elements used in determining the balance.

**Line 6 Change in Plant Related Support Expenses.** Include the present value of pro forma net increases or decreases in salaries, wages, and benefits' expenses of employees engaged in plant support operations including the maintenance of buildings, vehicles, tools and equipment, the warehousing and provisioning of supplies, and other such support operations directly or indirectly related to the upgrade (excluding customer premise equipment). Include the net impact of all other expenses associated with these activities including power, fuel, supplies, rental of poles, rental of ducts, and other such rental items, except for depreciation expense and general and administrative overhead expenses. This projection should take into consideration changes in all taxes on cable service resulting from the upgrade. An attachment shall be provided which describes all assumptions and elements used in determining the balance.

**Line 7 Upgrade Related Depreciation Expense.** Include annual depreciation expense on property, plant and equipment directly related to the upgrade.

**Line 8 Projected Net Impact of Upgrade on Operating Expenses (Excluding Franchise Fees).** Compute the total operating expenses. This is the sum of Lines 5 through 7.

**Line 9 Interest Expense Related to Upgrade.** Include the interest expense accrued or paid on bank debt, mortgage bonds, collateral trust bonds, income bonds, convertible debt, debt securities with detachable warrants, and other similar obligations acquired for the capital improvement upgrade. Include also the interest portion of capital lease payments for the year and other interest payments, including amortization of debt issuance expenses and other debt related amortization acquired for the capital improvement upgrade.

**Projected Revenue and Income Adjustments Line Items (Lines 10 through 12):** Lines 10 and 12 shall reflect the projected annual change in ancillary cable revenue and other adjustments resulting from the upgrade as of the end of the month in which upgraded cable services became available and were providing benefits to customers of regulated services (or the anticipated date in the case of pre-approval filings).

**Line 10 Other Cable Revenue.** Include the projected annual net increases or decreases in ancillary revenues earned due to the implementation of the upgrade, such as leased commercial access revenues, billing and collection revenues, advertising revenues and commissions. (Exclude ancillary revenues related to customer premises equipment such as converters and remote control devices.) Provide a description of the source of such amounts in an attachment as well as its relation to the upgrade. (Be certain to allocate such amounts to regulated service cost categories if such revenues are associated with program offerings on regulated channels.)

**Line 11 Other Adjustments.** Include the amount of any other annual adjustments to be made to the upgrade revenue requirement. Provide a description of the adjustments and a justification for any changes to the revenue requirement for regulated items.

**Line 12 Net Revenue and Income Adjustments Related to Upgrade.** Compute the total of the revenue and income adjustments. This is the sum of Lines 10 and 11.

## **INSTRUCTIONS FOR WORKSHEET B ALLOCATION KEY**

**Worksheet B, Allocation Key, consists of a number key and a complete description of allocation methodologies used to include capital improvement upgrade investments and pro forma changes in operating expenses in the service cost categories on Worksheet A. This worksheet must be completed as part of the Form 1235 cost of service filing for network upgrades.**

**Column (a), Allocation Key.** In Column (a) number each methodology used for determining upgrade cost of service balances and allocations. The line items on Worksheet A shall be keyed in Column (d) of Worksheet A to the appropriate methodology or methodologies described on Worksheet B.

**Column (b), Allocation Methodologies.** In Column (b) describe each allocation methodology used to allocate upgrade investments and pro forma net changes in expenses to the service cost categories. The descriptions should include the allocation bases (i.e., the actual factors applied) and the applicable statistical and financial data used to derive the bases. The same reference key may be used for more than one summary account provided the methodology and basis is the same. If multiple allocators apply for any summary account, describe the sequence under a separate key.

## **INSTRUCTIONS FOR WORKSHEET C SUPPLEMENTAL INFORMATION**

Worksheet C requests specific financial data related to the capital improvement upgrade's rate base components. This must be completed as part of the Form 1235 upgrade cost of service showing and should reconcile to Worksheet A Line 5, Column (a). Accounts should be classified on Worksheet C consistent with §76.924(d).

**FCC NOTICE TO INDIVIDUALS REQUIRED BY THE PAPERWORK REDUCTION ACT**

We have estimated that each response to this collection of information will take 20 hours. Our estimate includes the time to read the instructions, look through existing records, gather and maintain the required data, and actually complete and review the form or response. If you have any comments on this burden estimate, or on how we can improve the collection and reduce the burden it causes you, please e-mail them to [pra@fcc.gov](mailto:pra@fcc.gov) or send them to the Federal Communications Commission, AMD-PERM, Paperwork Reduction Project (3060-0688), Washington, DC 20554. Please **DO NOT SEND COMPLETED APPLICATIONS TO THIS ADDRESS**. Remember - you are not required to respond to a collection of information sponsored by the Federal government, and the government may not conduct or sponsor this collection, unless it displays a currently valid OMB control number or if we fail to provide you with this notice. This collection has been assigned an OMB control number of 3060-0688.

**THE FOREGOING NOTICE IS REQUIRED BY THE PAPERWORK REDUCTION ACT OF 1995, P.L. 104-13, OCTOBER 1, 1995, 44 U.S.C. 3507.**

### Abbreviated Cost of Service Filing For Cable Network Upgrades

Community Unit or System Operating Name	Community Unit ID - CUID(s)	Date of Filing
Name of Cable Operator		
Mailing Address		
City	State	Zip Code
Ownership of Franchise or System (Place an "X" to the left of the appropriate answer.):		
<input type="checkbox"/> C-Corp	<input type="checkbox"/> Subchapter S	
<input type="checkbox"/> Partnership	<input type="checkbox"/> Sole Proprietor	<input type="checkbox"/> Other
Person to contact regarding this form:		
Telephone (     )	Fax Number (     )	
Local Franchising Authority		
Mailing Address		
City	State	Zip Code

**This form is being filed for: (Check One)**

Pre- Approval                      OR                       Final Approval

Note: If Final Approval filing, attach all Pre-Approval filings, if any, relating to the upgrade.

**Scope of Filing: (Check One)**

Franchise level                      OR                       System level

Note: Cable System is defined in Section 602(7) of the Communications Act.

## Abbreviated Cost of Service Filing For Cable Network Upgrades

### Part I. Qualification for Upgrade Rate Adjustment

#### A. Significance of Upgrade Qualification

1. Does the upgrade meet the minimum technical specifications described in the Instructions for Part I. Qualification for Upgrade Rate Adjustment, Line 1?

\_\_\_\_\_ Yes    \_\_\_\_\_ No

2. If "No" was answered in question 1, attach a brief description of how subscribers to Basic and Cable Programming Service Tiers will benefit from the capital improvements.
3. Complete the following items to determine the cost of the capital improvement as a percentage of rate base (Investment in cable property, plant and equipment for the area over which the improvement will be used):

A. The net upgrade rate base	\$ _____
B. Total rate base after upgrade	\$ _____
C. Percentage of upgrade to total rate base	_____ %

#### B. Used & Useful Qualification

If this form has been completed for a pre-approval, please skip to line 3.

1. Has the upgrade been completed?

\_\_\_\_\_ Yes    \_\_\_\_\_ No

2. If question 1 was answered "yes", enter the date the upgrade was completed and began providing service to subscribers of regulated services: \_\_\_\_\_
3. If the Phased-In Approach is elected, attach a description of the subsections involved and the projected dates on which the upgrade will be completed and providing service to subscribers of rate regulated services within those subsections.

**Abbreviated Cost of Service Filing  
For Cable Network Upgrades**

**Part II. Upgrade Revenue Requirement Computation**

	(a)	(b)		(c)	
		BST	CPSTs	BST	CPSTs
1. Net Upgrade Rate Base (Worksheet A, Line 4e)					
2. Return on Investment					
a. Rate of Return Percentage					
b. Computed Return on Upgrade Rate Base (Line 1 x Line 2a)					
3. Allowance for Income Taxes					
a. Federal Income Tax Rate					
b. State Income Tax Rate					
c. Computed Return on Upgrade Rate Base (Line 2b)					
d. Interest Expense Related to Upgrade (Worksheet A, Line 9e)					
e. Distributions (Non-C Corp. Filers Only)					
f. Contributions (Non-C Corp. Filers Only)					
g. Return Amount Subject to Income Tax					
h. Income Tax Allowance					
4. Projected Net Impact of Upgrade on Operating Expenses (Worksheet A, Line 8e)					
5. Net Revenue and Income Adjustments Related to Upgrade (Worksheet A, Line 12e)					
6. Total Upgrade Revenue Requirement (Line 2 + 3 + 4 + 5)					

**Part III. Allocation of Upgrade Revenue Requirement to Basic and Cable Programming Service Tiers**

	(a)	(b)		(c)
	BST	CPST - 1	CPST - 2	TOTAL
1. Upgrade Revenue Requirements * (Part II, Line 6)				
2. Number of Subscribers				
3. Annual Revenue Requirement Per Subscriber (Line 1 / Line 2)				
4. Monthly Network Upgrade Add-on (Line 3 / 12)				

5. Selected method of subscriber recovery: (Check One)     CPSTs & BST                      OR                       CPSTs Only

\* Provide description for allocation of CPST Revenue Requirement to CPS Tiers:

**CERTIFICATION STATEMENT**

WILLFUL FALSE STATEMENTS MADE ON THIS FORM ARE PUNISHABLE BY FINE AND/OR IMPRISONMENT (U.S. CODE TITLE 18, SECTION 1001), AND/OR FORFEITURE (U.S. CODE, TITLE 47, SECTION 503).

I certify that the statements made in this form are true and correct to the best of my knowledge and belief, and are made in good faith

Name and Title of Person Completing this Form.	Signature
Date	Telephone Number



**Abbreviated Cost of Service Filing for Cable Network Upgrades**

Name of Operator: \_\_\_\_\_  
 CUID (s): \_\_\_\_\_  
 Date of Filing: \_\_\_\_\_

**Worksheet A Cost Assignments and Allocations (part 1)**  
 (\$ 000's)

Line Number and Description	Balance (a)	Directly Assigned Cost Elements (b)		
		BST	CPST - 1	CPST - 2 All Other
1. Plant and Equipment				
2. Allowance for Funds Used During Construction				
3. Other Adjustments				
<b>4. NET UPGRADE RATE BASE (Sum Lines 1 - 3)</b>				
<b>PROJECTED:</b>				
5. Change in Plant Related Operating Expenses				
6. Change in Plant Related Support Expenses				
7. Upgrade Related Depreciation Expense				
<b>8. PROJECTED NET IMPACT OF UPGRADE ON OPERATING EXPENSES (Sum Lines 5 - 7)</b>				
<b>9. INTEREST EXPENSE RELATED TO UPGRADE</b>				
<b>PROJECTED:</b>				
10. Other Cable Revenue				
11. Other Adjustments				
<b>12. NET REVENUE AND INCOME ADJUSTMENTS RELATED TO UPGRADE (Sum Lines 10 - 11)</b>				

**Abbreviated Cost of Service Filing for Cable Network Upgrades**

Name of Operator: \_\_\_\_\_  
 CUID (s): \_\_\_\_\_  
 Date of Filing: \_\_\_\_\_

**Worksheet A Cost Assignments and Allocations (part 2)**  
 (\$ 000's)

Line Number and Description	Allocated Cost Elements (c)			Allocation Key (d)
	BST	CPST - 1	CPST - 2 All Other	
1. Plant and Equipment				
2. Allowance for Funds Used During Construction				
3. Other Adjustments				
<b>4. NET UPGRADE RATE BASE (Sum Lines 1 - 3)</b>				
<b>PROJECTED:</b>				
5. Change in Plant Related Operating Expenses				
6. Change in Plant Related Support Expenses				
7. Upgrade Related Depreciation Expense				
<b>8. PROJECTED NET IMPACT OF UPGRADE ON OPERATING EXPENSES (Sum Lines 5 - 7)</b>				
<b>9. INTEREST EXPENSE RELATED TO UPGRADE</b>				
<b>PROJECTED:</b>				
10. Other Cable Revenue				
11. Other Adjustments				
<b>12. NET REVENUE AND INCOME ADJUSTMENTS RELATED TO UPGRADE (Sum Lines 10 - 11)</b>				

**Abbreviated Cost of Service Filing for Cable Network Upgrades**

Name of Operator: \_\_\_\_\_  
 CUID (s): \_\_\_\_\_  
 Date of Filing: \_\_\_\_\_

**Worksheet A Cost Assignments and Allocations (part 3)**  
 (\$ 000's)

Line Number and Description	Total Cost Elements (e)		
	BST	CPST - 1	CPST - 2 All Other
1. Plant and Equipment			
2. Allowance for Funds Used During Construction			
3. Other Adjustments			
<b>4. NET UPGRADE RATE BASE (Sum Lines 1 - 3)</b>			
<b>PROJECTED:</b>			
5. Change in Plant Related Operating Expenses			
6. Change in Plant Related Support Expenses			
7. Upgrade Related Depreciation Expense			
<b>8. PROJECTED NET IMPACT OF UPGRADE ON OPERATING EXPENSES (Sum Lines 5 - 7)</b>			
<b>9. INTEREST EXPENSE RELATED TO UPGRADE</b>			
<b>PROJECTED:</b>			
10. Other Cable Revenue			
11. Other Adjustments			
<b>12. NET REVENUE AND INCOME ADJUSTMENTS RELATED TO UPGRADE (Sum Lines 10 - 11)</b>			

**Abbreviated Cost of Service Filing for Cable Network Upgrades  
Worksheet B: Allocation Key**

Name of Operator: \_\_\_\_\_  
Franchise CUID: \_\_\_\_\_  
Organizational Level: \_\_\_\_\_  
Date of Filing: \_\_\_\_\_

Page \_\_\_\_\_ of \_\_\_\_\_

<b>Allocation Key (a)</b>	<b>Allocation Methodology Description (b)</b>

**Abbreviated Cost of Service Filing For Cable Network Upgrades**

Worksheet C: Supplemental Data			
Name of Operator:			Page: _____ of _____
Franchise CUID:			Date of Filing: _____
Org Level:			Date of Report: _____

For each of the following property and equipment categories state the gross depreciable balance resulting from the upgrade along with the average depreciation life which comprise the property and equipment balance reported in Worksheet A.			
Description	Cost of Upgrade	Yrs.	Method of Depreciation
1. Headend			
2. Transmission Facilities and Equipment			
3. Distribution facilities (Trunk, drops, etc.)			
4. Circuit Equipment (amplifiers, power boosters, etc.)			
5. Maintenance Facilities (garages, warehouses, etc.)			
6. Maintenance Vehicles and Equipment			
7. Buildings (office)			
8. Office Furniture and Equipment			
9. Total Upgrade Rate Base			

If you wish to disaggregate any of the above because they are not readily combined or if you wish to add others not shown, report such below:			
Line Number	Description	Cost of Upgrade	Yrs. Method of Depreciation
10. (Specify)			
11. (Specify)			
12. (Specify)			