

INSTRUCTIONS FOR FCC FORM 1240 ANNUAL UPDATING OF MAXIMUM PERMITTED RATES FOR REGULATED CABLE SERVICES

"Annual Update Form"

Purpose of This Form

On September 15, 1995, the Federal Communications Commission adopted rules giving regulated cable operators the option of filing for rate adjustments on an annual basis instead of the existing quarterly system.

Pursuant to the rules adopted February 22, 1994 as amended November 10, 1994 and September 15, 1995, this Form 1240 (all references to forms are to official FCC forms, exact photocopies of such forms, or copies generated by Commission software) may be used to adjust your maximum permitted rate (which was determined either by your Form 1200, a previously filed Form 1210 or Form 1240, a cost-of-service showing, or election of a streamlined rate reduction for qualified systems) for the following reasons: increases or decreases in external costs; the addition and deletion of channels from regulated tiers; and inflation. **Please be sure to review all relevant FCC regulations and these instructions before completing this Form.**

Overview

The Commission's Order establishing the annual system (the "Order") calls for a series of calculations, involving both the projection of future events and an accounting of events which are known to have happened. In order for operators to take advantage of the annual system, the Commission has created the Form 1240. Form 1240 implements the rules described in the Order and the Commission's existing rules, described in the sixth Order on Reconsideration (the "going forward" order), pertaining to the costs of a system's regulated tiers. While many of the filing procedures of the going forward order do not apply to the annual system, a number of substantive rules are still in effect. The important rules that are still in effect are discussed briefly in the "Rules Carrying Over From the Quarterly Rate Adjustment System" section below. A general description of the new annual system is also provided, followed by line by line instructions on how to fill out Form 1240. FCC Forms policy allows respondents to create their own computer generated versions of forms provided prior FCC approval is obtained.

Rules Carrying Over From the Quarterly Rate Adjustment System

On February 22, 1994, the Federal Communications Commission adopted rules that allow cable operators to adjust their permitted rates to account for the addition and deletion of channels from regulated program tiers. The Commission also revised its rules that allow operators to pass through to subscribers certain external costs and cost increases due to inflation. On November 10, 1994, the Commission further revised its rules in the going forward order. The new rules permitted operators to markup existing cable programming services tier ("CPST," see the General Instructions section for a full definition) rates by a flat per channel markup subject to a cap through December 31, 1997 ("Caps Method) or using the previously existing 7.5% markup ("Markup Method").

Pursuant to the rules adopted February 22, 1994 as amended November 10, 1994, operators may file Form 1240 for the following reasons: increases or decreases in external costs; the addition and deletion of channels from regulated tiers; and inflation.

Filing Instructions

- If this is your first time filing Form 1240 (assuming your franchise area is already subject to regulation), and if your most recent Form 1210 does not incorporate changes through June 30, 1995, there are two circumstances under which you must file a Form 1210 which records the changes in your system's costs which have occurred between the last Form 1210 and June 30, 1995. The first is if you moved any channels between regulated tiers in this time period. The second is if you have added channels to your regulated tier(s) during this time period and you wish to claim Caps Method or Markup Method adjustments for these channels. Any Form 1210 you file to meet these two conditions should not be treated as a separate filing, but rather as an attachment to your Form 1240. If your most recent Form 1210 does incorporate changes through June 30, 1995, you do not have to perform this first step.
- If this is your first time filing Form 1240 and your CPST is not subject to regulation, in order to meet your burden of showing that your CPST rate is not unreasonable, you may have to provide details about your previous increases.

- If your local franchising authority becomes certified to regulate the basic service tier ("BST", see the General Instructions section for a full definition), you are required to follow the Commission's existing rules and file a Form 1200, a Form 1205, and a Form 1210. Once those have been filed, you may switch to the annual filing system.
- The Commission's rules recognize seven categories of external costs: retransmission consent fees, copyright fees, programming costs, certain cable specific taxes, franchise-related costs, franchise fees and Commission regulatory fees. You may adjust your maximum permitted rate for changes in these categories of costs except for franchise fees, which are not included in your permitted rates but rather are simply added to them.
- Form 1240 must be filed with your local franchising authority at least 90 days before you plan to implement a change in your basic rates if your local franchising authority is certified to regulate basic rates. You must notify your local franchising authority of the annual filing date prior to filing Form 1240.
- If the Commission found your cable programming service rates to be unreasonable less than one year ago, or if a complaint about a CPST rate is pending before the Commission, and you now wish to increase your CPST rates, you must submit FCC Form 1240 to the Commission at least 30 days before raising your rates.

Annual Rate Adjustments vs. Quarterly Adjustments

Making an easy transition from the Commission's Form 1210 quarterly filing process to the new Form 1240 annual process requires understanding the differences between the two. Form 1210 examines the state of your system at a specific point in time, compares this picture with the state of the system at a previous point in time, and updates the maximum permitted rate to take into account the differences. Thus, the effects of a series of Form 1210 filings are cumulative. The rate established on one filing leads naturally to the rate established on the next filing.

In contrast, Form 1240 looks at a stream of changes undergone by your system over a specific period of time and averages that information to calculate a maximum permitted rate for that period. Form 1240 takes both the magnitude of the changes and when they occurred into account. For example, if an operator claims a new \$0.20 cost at the half-way point of a 12 month period, the new rate would be adjusted \$0.10 a month for the whole year. Over the next 12 month period when this cost is in effect for the whole period, the average monthly rate adjustment would be \$0.20. Using this method means that while the actual costs in each month will rarely equal the rate charged in that month, over the course of 12 months, the appropriate amount of revenue will be received.

While Form 1210 only calculates one maximum permitted rate, Form 1240 calculates two or three maximum permitted rates, one for the coming year (the "Projected Period") and one or two for a period of time which has already passed (the "True-Up Period"). (For detailed definitions of these terms, see the "Timing" section below.) All of these calculations follow essentially the same process. You define the beginning and ending dates of the period, make a list of your system's changes during the period, and average this list into a single, maximum rate which is appropriate for the whole period. The only difference between the two periods is that the Projected Period uses estimates of what will happen while the True-Up Period relies on what is known to have happened.

Timing

When you fill out Form 1240, you may have to draw upon information covering a number of years. It is important to understand both the timing of the process and the terminology used to describe the timing. Each filing of Form 1240 deals with two time periods.

The first of these periods is called the Projected Period. To establish a new maximum permitted rate, you will be asked to make predictions about what changes will happen to your system during this period. If the franchise area for which you are filing a Form 1240 is already subject to regulation, there are only two requirements related to defining a Projected Period. First, you must file your Form 1240 with your local franchising authority a minimum of 90 days prior to the start of the Projected Period for rate adjustments to the basic tier, and with the Commission a minimum of 30 days before the Projected Period for adjustments to the CPST. If you wish, the time between the filing date and the beginning of the Projected Period can be more than 90 days. Second, the Projected Period must always be 12 months long.

If your CPST is not subject to regulation and you are filing this Form 1240 in response to a CPST rate complaint, the Projected Period must run from the day the new rate increase which resulted in the complaint went into effect to one year from that date. For example, if the complained about rate increase went into effect on January 1, the Projected Period would run from January 1 to December 31.

The second period is called the True-Up Period. When you file your Form 1240, you must define the period of time on which you will perform a true-up (for a full discussion of this process, see the section "The True-Up Process" below.) There are two requirements for defining a True-Up Period. The first is that you may not perform a true-up on the same period of time twice. The

second is that you must have actual data available to verify all of the rate adjustments you are claiming for the True-Up Period. This means that with each Form 1240 filing there will be a space of time between the end of the True-Up Period and the beginning of the Projected Period on which you cannot perform a true-up.

If your franchise area is not subject to CPST regulation and you are filing this Form 1240 in response to a rate complaint, you will not perform a true-up with this initial Form 1240 filing.

Segmenting the Maximum Permitted Rate

In setting your maximum permitted rates, Form 1240 accomplishes several tasks. First, it calculates two maximum permitted rates and, because these rates are averages of changes over a period of time, one rate cannot naturally be derived from the other. In addition, because of the flexible timing of the process, the rates on the current filing cannot naturally be derived from the rates on the previous filing. So, while one Form 1210 builds off of the previous Form 1210, Form 1240 cannot do this. Instead, with each filing of a Form 1240, you strip away most of the additions you have made to the maximum permitted rate under the annual adjustment process to arrive what is called the base rate. The base rate is then used to calculate both the True-Up Period rate and the Projected Period rate.

To facilitate this process, Form 1240 breaks the additions made to the maximum permitted rate into seven segments. There is one segment for each of the rate adjustments allowed under the Commission's rules. Each segment is the monthly, per-subscriber addition which results when you average a stream of changes which occur over a period of time.

The seven segments are:

- 1) **Headend Upgrade Segment.** This segment contains the incentives the Commission offers to certified small systems encouraging the improvement of headend facilities for offering more channel capacity.
- 2) **External Costs Segment.** This segment contains the six external costs which operators are allowed to pass through directly to subscribers: programming fees associated with channels added prior to May 15, 1994 or added after May 15, 1994 using the Markup Method, retransmission consent fees, copyright fees, cable specific taxes, franchise related costs, and Commission regulatory fees.
- 3) **Caps Method Segment.** This segment contains the incentives allowing operators to add channel capacity to their systems and claim a flat, per-channel markup subject to a cap through December 31, 1997.
- 4) **Markup Method Segment.** This segment contains the incentives allowing operators to add channel capacity to their systems and claim a per-channel adjustment based on a sliding scale of the system's existing channel capacity. (The 7.5% markup on the programming costs associated with those channels is taken into account in the External Costs segment.)
- 5) **Channel Residual Segment.** In general, when dropping a channel from a regulated tier, operators are required to make their rates reflect the net reduction in non-external costs. This segment tracks a channel's movement between tiers and its removal from tiers.
- 6) **True-Up Segment.** This segment contains the compensation for overcharges and undercharges which have occurred during True-Up Periods.
- 7) **Inflation Segment.** This segment contains allowances for the effects of inflation on the operator's costs of doing business.

The True-Up Process

The purpose of the true-up process is to compare the revenue you collected during the True-Up Period with the amount of revenue you should have been able to collect. If the sum collected is less than what should have been collected, then you are allowed to collect that difference during later rate periods. If the sum collected is more than what should have been collected, then you must lower your rates in future rate periods to compensate subscribers for the difference. In both cases, interest can be earned on the true-up sum.

The true-up process in Form 1240 has two parts. The first part calculates the lump sum true-up adjustment for overcharges or undercharges which occurred in the True-Up Period (called the True-Up Period Adjustment). The second part is to add this adjustment to a cumulative, running total of previous adjustments (called the Total True-Up Adjustment) which has yet to be factored into the rates.

Calculating the True-Up Period Adjustment

At the heart of the true-up process is an equation which compares the average amount of revenue you should have been able to collect over the course of the True-Up Period with the average amount of revenue you did collect during the True-Up Period. In conducting this true-up you will have to take into account two issues.

First, while a True-Up Period can be longer than 12 months, officials must be able to verify whether any overcharges occurred during the first 12 months of the True-Up Period. So, if you are performing a true-up on a period time greater than 12 months, you must, to the extent possible, break it up into periods which are 12 months in length. For example, if your True-Up Period is 18 months long, you must break it up into two pieces. The first piece should contain the first 12 months of the True-Up Period and the second piece should contain the last six months of the True-Up Period. Form 1240 has been constructed to accommodate a maximum of two 12 month pieces. If you are performing a true-up on a period of time greater than 24 months, you will have to construct your own filing mechanism which follows the rules and methodologies set out in the Order and in these instructions. In the modules of the Form and the instructions which follow, these two pieces are sometimes referred to as "True-Up Period 1" and "True-Up Period 2", or "Period 1" and "Period 2".

Second, the accrual of interest is cut off at the end of the most recent Projected Period (except for first time filers of Form 1240.) For example, if, on your most recent Form 1240, you defined the Projected Period as running from January 1 to December 31, your next true-up has the accrual of interest stopping at the end of December 31. All of Period 1 is eligible for the accrual of interest. However, Period 2 may straddle the end of the most recent Projected Period. Therefore, part of Period 2 may be eligible for the accrual of interest and part of it may not be.

Performing the true-up in Period 1 has four steps:

Step 1. The first step in this process is to calculate the maximum rate you should have been able to charge during True-Up Period 1 (the "Period 1 rate"). This requires taking a record of all the changes which occurred to your system during the True-Up Period and calculating the appropriate values for each of the seven segments described above. This step is completed using Module F and the appropriate worksheets.

Step 2. Next, you must determine how much revenue you collected during True-Up Period 1. This is done by multiplying your actual service rates in effect during Period 1 by the number of months in Period 1 and the average number of subscribers in Period 1. Then, you determine how much revenue you should have been able to collect during Period 1. This is done by multiplying the Period 1 rate by the number of months in Period 1 and the average subscribership during Period 1.

Step 3. Once these two sums have been calculated, you subtract the revenue collected from what should have been collected. The result represents a total amount by which subscribers were either overcharged or undercharged during True-Up Period 1. If this total is positive, you undercharged subscribers during True-Up Period 1 and are entitled to be compensated. If the result is negative, your subscribers were overcharged for the services they received and are entitled to be compensated. In the event of an overcharge for Period 1, you are required to file a Form 1240 which changes rates beginning at the end of the Projected Period you defined in your most recent Form 1240.

Step 4. To complete the true-up calculation, you then calculate the interest on the amount calculated in Step 3. The Commission has developed a formula which assumes the amount by which subscribers were overcharged or undercharged occurred evenly throughout the course of the True-Up Period and calculates the interest based on those evenly spaced amounts. The formulas are described in the instructions for Module H. If True-up Period 1 is less than or equal to 12 months in length, you are done with the true-up.

Calculating the true-up adjustment for Period 2 is done in much the same manner as for Period 1. The only difference is that instead of one lump sum, two lump sums must be calculated. The first is eligible for the accrual of interest (in the same manner as Step 4 above) and the second is not.

Calculating the Total True-Up Adjustment

The second piece of the true-up process is to combine the True-Up Period Adjustment with any previously unclaimed true-up adjustments to form the Total True-Up Adjustment. If this combined total is greater than 0, then you have the option of deciding how much of it you wish to claim during the Projected Period. You are never required to pass through any of your true-up adjustment at any particular time. If you choose, you can hold onto any portion of the adjustment until a later date. However, if the Total True-Up Adjustment is negative, you are required to pass all of it through to your subscribers during the Projected Period. In either case, the sum is turned into a monthly, per-subscriber rate by dividing the adjustment by 12 and by your estimate of average subscribership during the Projected Period. You will perform this calculation when you fill out Module I.

For first time filers of Form 1240, the beginning date of the True-up Period on the initial filing is: a) July 1, 1995 if the first rate adjustment after the release date of the Order (September 22, 1995) was done with Form 1240 or b) the end of the last quarter to which your most recently filed Form 1210 applied if the first rate adjustment after the release date of the Order (September 22, 1995) was done with Form 1210. The end date of True-Up Period for first time filers of Form 1240 is the date your new rates go into effect (the beginning of your first Projected Period.) Because you will only have actual data on your system's costs for part of this time period, you will not be able to perform a true-up on all of it with your first Form 1240. Therefore, you should true-up part of it with the first filing and the remainder with your second filing.

Setting a Maximum Permitted Rate For the Projected Period

Calculating a new maximum permitted rate is much like the first step of the true-up process. Instead of working from a record of what has happened to your system, you need to make a projection of what you think is going to happen over the course of the 12 month Projected Period. These figures are then averaged to calculate one rate for the whole period. While this average rate will probably never exactly equal your costs in any given month, it will allow you to recover all of your year's costs by the end of the Projected Period. This process is completed by using Module I and the appropriate worksheets.

General Instructions

Tier and Channel Definitions

- Basic Service refers to the lowest level of cable service you offer, and is the package of channels (or "tier") that includes signals from local television stations (such as ABC, NBC, and CBS affiliates and independent television stations) and Public, Educational, and Governmental channels (PEG channels).
- Cable Programming Service includes all program channels offered in your cable franchise area that are not included in basic service and are not separately offered as pay-per-channel programming or pay-per-program services. For the purposes of this form, Cable Programming Services do not include New Product Tiers ("NPTs").
- In several places, this form will ask you to insert the number of channels or regulated channels. These terms are shorthand references to channels subject to rate regulation. Thus, in those entries insert the number of channels subject to rate regulation, i.e., those offered on basic or cable programming service tiers.
- Channels should be classified according to their preponderance of use. Thus, a channel that carries a regulated service more than half the time should be considered a regulated channel.

Precision of Calculation: Rounding and Months

- 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 display numbers rounded to four decimal places but will perform its calculations on the full numbers; you do not need to display additional decimal places.
- The unit of measurement used by Form 1240 is the month. The Projected Period is defined as being 12 months long. In addition the True-Up Period must be defined in whole months. For example, you cannot perform a true-up a period from August 1 of one year to September 15 of the following year, making the period 13.5 months long. The period must run from August 1 to either September 1 or October 1.

Worksheets

Attached to Form 1240 is Appendix A which contains a number of worksheets. In order to complete this form, you will have to use most of these worksheets more than once. For example, in order to calculate the Caps Method Segment for both a 12 month True-Up Period and the Projected Period for two tiers (the BST and one CPST), you may need to fill out Worksheet 2 four times, once for each tier in each period. To do this, you should photocopy each worksheet as many times as necessary. The spreadsheet version of FCC Form 1240 will have pre-made worksheets for all tiers in both periods.

Additional Information and Attachments

When you file your Form 1240 you must include the following information with the filing.

- Include information showing the complete rate structure you plan to put into effect at the beginning of the Projected Period.
- Include a complete listing of your channel line-up at the beginning of the True-Up Period, the end of the True-Up Period, the beginning of the Projected Period, and the end of the Projected Period. In addition, for each month of the True-Up Period and the Projected Period in which you have made, or plan to make, a change in your system's channel line-up, you must include a new channel listing which shows these changes.
- Include information about your monthly, per subscriber programming costs for the beginning of the True-Up Period, the end of the True-Up Period, the beginning of the Projected Period, and the end of the Projected Period. In addition, for each month of the True-Up Period and the Projected Period in which you have made, or plan to make, a change in your system's channel line-up, you must include a new description of your monthly, per subscriber programming costs which takes these changes into account.
- Include a complete list of all of the types of and amounts of franchise related costs being claimed in Line 707 of Worksheet 7 and include information on how these costs were calculated and when they occurred (or are projected to occur).

Mid-Year Channel Additions

The Order has provisions which allow operators to add channels to their systems during a Projected Period and raise their rates without having to wait for approval of their next Form 1240. For rate adjustments for the addition of channels to the BST that are required by federal or local law, the rate adjustment will go into effect 60 days after filing for the adjustment, unless your franchising authority finds the adjustment unreasonable.

You may also make a one time adjustment to a regulated CPST (or to the BST for a single tier system) for adding channels. The regulatory review period for channel additions to CPSTs is the same as under the annual adjustment for CPST. For channel additions to single tier systems, rate adjustments will go into effect 60 days after filing with the local franchising authority, unless the local authority finds the rate unreasonable. Attached in Appendix B is FCC Form 1240 Supplement: Mid-Year Channel Additions worksheet which operators should file when requesting approval of such rate increases. Any channel additions made pursuant to a system upgrade (See FCC Form 1235), and not covered by the incentives offered to certified small systems for headend upgrades, are separate from the mid-year channel additions described above and should not be included on Form 1240.

Line References

- The main body of Form 1240 has eight module labeled A through I. In the instructions below, each line of the form can be referred to by using a shorthand system containing a letter and a number. For example, the phrases "Line G7" and "G7" refer to line 7 of Module G.
- Form 1240 has nine worksheet labeled 1 through 9. In the instructions below, each line of a worksheet can be referred to by using a shorthand, three digit system combining the number of the worksheet with the specific line. For example, the phrases "Line 314" and "314" refer to the 14th line of Worksheet 3.

How to File the Form

- You may submit a completed version of an official Form 1240, an exact photocopy of that form, or a copy generated by Commission software, provided that it has the appearance of an actual Form 1240.
- The mailing address for submissions to the Commission is:

Federal Communications Commission
 Form 1240
 445 12th Street, S.W.
 Washington, DC 20554

Help

If you require assistance in completing FCC Form 1240, please call the Commission at (202) 418-2381.

Miscellaneous

- Information must be provided on a franchise wide basis, unless the franchising authority or the FCC has specifically agreed to accept system wide information.

FCC NOTICE TO INDIVIDUALS REQUIRED BY THE PAPERWORK REDUCTION ACT

We have estimated that each response to this collection of information will take 15 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, e-mail them to pra@fcc.gov or send them to the Federal Communications Commission, AMD-PERM, Paperwork Reduction Project (3060-0685), 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 3060-0685.

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

INSTRUCTIONS FOR FORM 1240 COVER SHEET

Operator

Identification Enter the requested information about your system.

Question 1. Indicate if this filing involves only a single local franchise authority and only a single community unit. Enter the community unit identification number and complete the franchise authority information section.

Question 2. Indicate if this filing involves a single franchise authority but multiple community units. If yes, enter the associated CUIDs and complete the franchise authority information section.

Question 3. If this filing involves multiple franchise authorities, provide the requested franchise authority information, using a separate sheet for each additional franchise authority with its associated CUID(s).

Question 4. Identify the purpose of this filing. Is it for the Basic or CPS tier? Is it an original or amended filing? Please put an "X" in the appropriate box.

Question 5. Indicate the one year time period for which you are using this form to set rates, i.e., the starting and ending date for the Projected Period.

Question 6. Indicate the period on which you are performing a true-up.

Question 7. Indicate whether you previously have filed a Form 1240 for this franchise area, and if so, with which agency or authority. Enter the date of your most recent Form 1240 filing. For submissions to the FCC, if your most recent filing of Form 1240 was not with the FCC, include a copy of that filing.

Question 8. Indicate whether you previously have filed a Form 1210 for this franchise area, and if so, with which agency or authority. Enter the date of your most recent Form 1210 filing. If your most recent filing of the Form 1210 was not with the FCC, include a copy of that filing.

Question 9. Indicate whether you previously have filed a Form 1200 for this franchise area and if so, with which agency or authority. Enter the date of your Form 1200 filing. A copy of your Form 1200 must either accompany your Form 1240 filing or have been previously submitted.

Question 10. Indicate whether this Form 1240 is being filed in response to a valid complaint about cable programming service rates (Form 329). Enter the date the complaint was served on you.

Question 11. Indicate whether you are filing FCC Form 1205 along with this form.

Question 12. Question 10 asks which "going forward" methodology you wish to use for your CPST (or your BST if your system does not have any CPSTs). Indicate which methodology you wish to use and whether you elect to update channel additions for the period between May 15, 1994, and December 31, 1994. Please note that if you elect to use the new methodology, you will be required to continue using this methodology in future filings until December 31, 1997. (See the "Rules Carrying Over From the Quarterly Rate Adjustment System" for an explanation.) For adjustments to BSTs on systems with multiple regulated tiers, you must use the Markup Methodology.

Question 13. Indicate here if you are a qualifying small system and will be using the streamlined headend upgrade methodology. A qualifying small system is one which has no more than 15,000 subscribers and is owned by a company with no more than 400,000 subscribers across all of its systems and incurs additional monthly per subscriber headend costs of one full cent or more for an additional channel.

REMINDER:

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

Part I: Preliminary Information

MODULE A: MAXIMUM PERMITTED RATE FROM PREVIOUS FILING

Line A1 Current Maximum Permitted Rate. For each tier, enter the maximum rate which you are currently permitted to charge for regulated programming services according to Commission regulations. If you have previously filed Form 1240, this figure is on I9. If this is your first Form 1240, this figure can be found on the last line of your most recently filed Form 1210. This includes one you may have filed to document the changes in your system's costs up to July 1, 1995. If your franchise area is not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, enter the rate you were charging prior to the rate increase which triggered the rate complaint.

MODULE B: SUBSCRIBERSHIP

In order to complete Form 1240 you will have to provide three subscribership numbers. The first two are the average monthly subscribership during True-Up Period 1 and True-Up Period 2. The easiest way to calculate these numbers is to estimate the total subscribership at the beginning and end of each period and average those two figures. If you track subscribership with greater frequency, you may use that information in calculating your average. The third number is your estimate of average monthly subscribership during the 12 months of the Projected Period. There are a number acceptable methods of estimating average subscribers for the Projected Period. For example, you may use utilize historical growth for the most recent 12 months for which you have actual data. In addition, you may take into account such factors as: historical growth, plans to build out your system to pass more homes during the Projected Period, and any other events which will affect the growth of subscribership.

Line B1 **Average Subscribership During True-Up Period 1.** Enter the average number of subscribers on your system per month during the course of True-Up Period 1.

Line B2 **Average Subscribership During True-Up Period 2.** Enter the average number of subscribers on your system per month during the course of True-Up Period 2.

Line B3 **Estimated Average Subscribership For Projected Period.** For each tier, enter your projection of the average number of subscribers on your system during the Projected Period.

MODULE C: INFLATION INFORMATION

In conjunction with creating Form 1240, the Commission is starting a new method of calculating the inflation factors used by operators in their filings. Under the old method, the Commission announced a single inflation figure a year, on or around October 1. This figure would take into account inflation which occurred from July 1 of one year to June 30 of the following year.

Under the new method, the Commission will publish four quarterly figures and one annual figure each year. The quarterly figures will cover the following periods: January 1 to March 31 (the First Quarter Inflation Figure), April 1 to June 30 (the Second Quarter Inflation Figure), July 1 to September 30 (the Third Quarter Inflation Figure), October 1 to December 31 (the Fourth Quarter Inflation Figure). When these figures are published, they will be in the form of an annualized number. So, for example, if the economy experienced 0.5% inflation during the first quarter of the year, the First Quarter Inflation Figure would be 2.01%.

These figures are to be used when you perform a true-up. If your True-Up Period includes months in a quarter for which the Commission has not released an inflation figure, you should use the figure for the most recent quarter for which there is a figure available.

The Commission will release these figures by public notice four times each year. To learn the most recently released figure, call the Commission at (202) 418-2225 [(202) 418-2226 for Spanish speakers]. A complete list of all the inflation figures released to date is also available on the Cable Services Bureau's World Wide Web Internet site. The address for that site is below.

<http://www.fcc.gov/Bureaus/Cable/WWW/mb.html>

Line C1 **Unclaimed Inflation: Operator Switching From 1210 To 1240.** If this is not your first Form 1240, enter a "1" here and in Line C2, and skip to Line C3.

If this is your first Form 1240 after switching from Form 1210, you may not have claimed previously announced inflation adjustments which are still eligible to be built into your True-Up Period and Projected Period rates. There are two situations where this may be the case.

If, before switching to Form 1240, your system has not claimed an annual FCC Form 1210 inflation figure, it may be entered here. For example, the Commission has announced that systems using Form 1210 are eligible to receive 2.96% inflation for the period from July 1, 1994 to June 30, 1995. If you never filed Form 1210 to claim this

adjustment you should do so here. The number should be entered in the form of 1 plus the inflation adjustment. In the foregoing example, you would enter "1.0296."

If your most recently filed Form 1210 covered a period of time after July 1, 1995, the True-Up Period in your first Form 1240 may begin after that period. However, this does not mean that you are ineligible to claim an inflation adjustment which covers the period between July 1, 1995 and the beginning of the True-Up Period. To calculate this adjustment, you should use the methodology described in Worksheet 1 and apply it to your period of unclaimed inflation. Please include an attachment describing these calculations.

It is possible that both of these situations will apply to a system at once. If this is the case, you should calculate the two numbers separately and then multiply them together. For example, if your unclaimed Form 1210 adjustment is 1.0296 and the result of your calculation in the second situation is 1.005, your total previously unclaimed inflation would be "1.034748."

If there are no previously unclaimed inflation adjustments which you are eligible to receive, enter "1."

Line C2 **Unclaimed Inflation: Unregulated Operator Responding to Rate Complaint.** If you are not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, enter an inflation factor appropriate for the amount of inflation experienced by your system's non-external costs for which you have not already made rate increases but now wish to include in the rate. Use the examples from the instructions for Line C1 as guidelines to assist in calculating this number. Please include an attachment describing these calculations.

If all of the inflationary increases of non-external costs are already included in the rate, enter "1."

Line C3 **Inflation Factor For True-Up Period 1.** Enter the factor which will be used to calculate the inflation segment for True-Up Period 1. Fill out Worksheet 1: True-Up Period Inflation, multiply the result from Line 113 by Line C1, and enter the result here.

Line C4 **Inflation Factor For True-Up Period 2.** Enter the factor which will be used to calculate the inflation segment for True-Up Period 2. To calculate this factor, fill out Worksheet 1: True-Up Period Inflation and enter the result from Line 126 here.

Line C5 **Current FCC Inflation Factor.** Enter the factor which will be used to calculate the inflation segment for the Projected Period. Multiply Line C2 by the quarterly inflation factor most recently released by the Commission. The quarterly inflation factor should be in the form "1" plus the inflation figure. So, if the figure announced by the Commission is 3%, perform the multiplication with "1.03".

MODULE D: CALCULATING THE BASE RATE

Before you can calculate Maximum Permitted Rates for either the True-Up Period or the Projected Period, you must create a base rate on which these two figures can be built. The lines below ask for the value of each of the seven segments which can be used to adjust the Maximum Permitted Rate. These values are then subtracted from the current Maximum Permitted Rate to arrive at the base rate.

Line D1 **Current Headend Upgrade Segment.** Enter the segment of your current maximum permitted rates associated with the Commission's small system headend upgrade incentives. This figure can be found on I6 of your previously filed Form 1240. If this is your first Form 1240 and you have claimed this incentive on previous Form 1210 filings, enter the sum of all headend upgrade incentives you have claimed on those filings, plus any inflation which you have taken on those amounts. If this is your first Form 1240 and you have never claimed this incentive on your previous Form 1210 filings, enter "0". If your franchise area is not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, enter "0".

Line D2 **Current External Costs Segment.** Enter the segment of your current maximum permitted rates associated with external costs. This figure can be found on I7 of your previously filed Form 1240. If this is your first Form 1240, enter the current external costs from D9 of your most recent Form 1210. If you are not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, enter, as a monthly, per subscriber figure, your external costs exclusive of those for which you have not already made rate increases but now wish to include in the rate.

Line D3 **Current Caps Method Segment.** Enter the segment of your current maximum permitted rates associated with the Commission's Caps Method incentives. This figure can be found on I1 of your previously filed Form 1240. If this

is your first Form 1240, enter the sum of all Caps Method incentives you have claimed on filings of the Form 1210. If your franchise area is not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, enter "0."

Line D4 **Current Markup Method Segment.** Enter the segment of your current maximum permitted rates associated with the Commission's per-channel Markup Method incentives. This figure can be found on I2 of your previously filed Form 1240. If this is your first Form 1240 for whatever reason, enter "0."

Line D5 **Current Channel Movement and Deletion Segment.** Enter the segment of your current maximum permitted rates associated with the movement of channels between tiers and the deletion of channels for tiers. This figure can be found on I3 of your previously filed Form 1240. If this is your first Form 1240 for whatever reason, enter "0."

Line D6 **Current True-Up Segment.** Enter the segment of your current maximum permitted rates associated with the true-up of your projected rates. This figure can be found on I8 of your previously filed Form 1240. If this is your first Form 1240 for whatever reason, enter "0."

Line D7 **Current Inflation Segment.** Enter the segment of your current maximum permitted rates associated with inflation. This figure can be found on I5 of your previously filed Form 1240. If this is your first Form 1240 for whatever reason, enter "0."

Line D8 **Base Rate.** Add together Lines D1 through D7, subtract that total from A1, and enter the result here.

Part II: True-Up Period

MODULE E: TIMING INFORMATION

Form 1240 allows for the accrual of interest on true-up adjustments. To calculate the interest accurately, you need to provide information regarding the length of the True-Up Period and the timing of this filing. The questions below are related to two important issues.

The first issue is that, if you are performing a true-up on a period time greater than 12 months, you must, to the extent possible, break it into periods of, 12 months in length. For example, if your True-Up Period is 18 months long, you must break it into two pieces. The first piece should be the first 12 months of the True-Up Period and the second piece should be the last six months of the True-Up Period. Form 1240 has been constructed to accommodate a maximum of two such 12 months pieces.

The second issue is that the accrual of interest is cut off at the end of the most recent Projected Period (except for first time filers of Form 1240.) For example, if, on your most recent Form 1240, you defined the Projected Period as running from January 1 to December 31, your next true-up has the accrual of interest stopping at the end of December 31. All of Period 1 is eligible for the accrual of interest. However, Period 2 may straddle the end of the most recent Projected Period. Therefore, part of Period 2 may be eligible for the accrual of interest and part of it may not.

If your franchise area is not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, you should skip this module and Modules F through H, and complete Module I.

Line E1 **What Type of True-Up Is Being Performed?**

- If you are not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, put a "1" in the box and proceed to Module I.

- If you are subject to CPST regulation and your True-Up Period is less than or equal to 12 months, put a "2" in the box and complete Lines E2 and E3.

- If you are subject to CPST regulation and your True-Up Period is greater than 12 months, put a "3" in the box and complete Lines E2, E3, E4 and E5.

Line E2 **Number of Months in True-Up Period 1.** In months, enter the length of True-Up Period 1.

Line E3 **Number of Months between the end of True-Up Period 1 and the end of the most recent Projected Period.** If you are not a first time filer, enter in months this length of time. If you are a first time filer, enter in months the length of time between the end of True-up Period 1 and the beginning of the Projected Period.

- Line E4** **Number of Months in True-Up Period 2 Eligible for Interest.** In months, enter the portion of True-Up Period 2 which came prior to the end of the most recent Projected Period.
- Line E5** **Number of Months in True-Up Period 2 Ineligible for Interest.** In months, enter the portion of True-Up Period 2 which came after the end of the most recent Projected Period.

MODULE F: MAXIMUM PERMITTED RATE FOR TRUE-UP PERIOD 1

The first step of the true-up process is to determine what the maximum permitted rate should have been during True-Up Period 1. For each of the seven segments, complete the appropriate worksheet, which will account for the changes which occurred to your system during True-Up Period 1. Each worksheet will, based on the changes, provide an average, monthly, per-subscriber rate which, had you been able to charge this rate at the time, would have allowed you to recover all your costs over the course of True-Up Period 1. With this module, you then can combine the seven segments into a single monthly rate.

If your franchise area is not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, you should skip this module and complete Module I.

- Line F1** **Caps Method Segment For True-Up Period 1.** For each tier, enter the "trued-up" average permitted charge for Caps Method adjustments during True-Up Period 1. To do this, you need to complete a Worksheet 2: Caps Method for each tier for True-Up Period 1 and enter the figure from Line 214 here.
- Line F2** **Markup Method Segment For True-Up Period 1.** For each tier, enter the "trued-up" average permitted charge for Markup method adjustments during True-Up Period 1. To do this, you need to complete a Worksheet 3: Markup Method for each tier for True-Up Period 1 and enter the figure from Line 314 here.
- Line F3** **Channel Movement and Deletion Segment For True-Up Period 1.** For each tier, enter the "trued-up" average permitted charge for the movement and deletion of channels during True-Up Period 1. To do this, you need to complete a Worksheet 4: Residual for the True-Up Period and a Worksheet 5: Channel Movement and Deletion for each tier for True-Up Period 1 and enter the figure from Line 514 here.
- Line F4** **True-Up Period 1 Rate Eligible For Inflation.** Add together Lines D8, F1, F2, and F3 and enter the result here.
- Line F5** **Inflation Segment for True-Up Period 1.** Multiply F4 by C3. From the result of this multiplication, subtract F4 and enter the result here.
- Line F6** **Headend Segment For True-Up Period 1.** For each tier, enter the "trued-up" average permitted charge for the small system headend upgrade adjustments during True-Up Period 1. To do this, you need to complete a Worksheet 6: Headend Upgrade for each tier for True-Up Period 1 and enter the figure from Line 616 here.
- Line F7** **External Costs Segment For True-Up Period 1.** For each tier, enter the "trued-up" average permitted charge for external costs during True-Up Period 1. To do this, you need to complete a Worksheet 7: External Costs for each tier for True-Up Period 1 and enter the figure from Line 710 here.
- Line F8** **True-Up Segment For True-Up Period 1.** For each tier, enter the "trued-up" average permitted charge to compensate for overcharges and undercharges which occurred in previous True-Up Periods. To calculate these figures, take the figure from H14 of your previously filed Form 1240, divide it by the number of months in the entire True-Up Period (Period 1 plus Period 2) and by B1 (your estimated average subscribership during True-Up Period 1). If this is your first Form 1240, enter "0".
- Line F9** **Maximum Permitted Rate for True-Up Period 1.** Add together F4, F5, F6, F7, and F8, and enter the result here.

MODULE G: MAXIMUM PERMITTED RATE FOR TRUE-UP PERIOD 2

The next step of the true-up process is to determine what the maximum permitted rate should have been during True-Up Period 2. For each of the seven segments, complete the appropriate worksheet, which will account for the changes which occurred to your system during True-Up Period 2. Each worksheet will, based on the changes, provide an average, monthly, per-subscriber rate which, had you been able to charge this rate at the time, would have allowed you to recover all your costs over the course of True-Up Period 2. With this module, you then can combine the seven segments into a single monthly rate.

If your franchise area is not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, you should skip this module and complete Module I.

If your True-Up Period is less than or equal to 12 months long, skip this module and proceed directly to Module H.

- Line G1** **Caps Method Segment For True-Up Period 2.** For each tier, enter the "trued-up" average permitted charge for Caps Method adjustments during True-Up Period 2. To do this, you need to complete a Worksheet 2: Caps Method for each tier for True-Up Period 2 and enter the figure from Line 227 here.
- Line G2** **Markup Method Segment For True-Up Period 2.** For each tier, enter the "trued-up" average permitted charge for Markup method adjustments during True-Up Period 2. To do this, you need to complete a Worksheet 3: Markup Method for each tier for True-Up Period 2 and enter the figure from Line 327 here.
- Line G3** **Channel Movement and Deletion Segment For True-Up Period 2.** For each tier, enter the "trued-up" average permitted charge for the movement and deletion of channels during True-Up Period 2. To do this, you need to complete a Worksheet 4: Residual for the True-Up Period and a Worksheet 5: Channel Movement and Deletion for each tier for True-Up Period 2 and enter the figure from Line 527 here.
- Line G4** **True-Up Period 2 Rate Eligible For Inflation.** Add together Lines D8, F5, G1, G2, and G3 and enter the result here.
- Line G5** **Inflation Segment for True-Up Period 2.** Multiply G4 by C4. From the result of this multiplication, subtract G4 and enter the result here.
- Line G6** **Headend Segment For True-Up Period 2.** For each tier, enter the "trued-up" average permitted charge for the small system headend upgrade adjustments during True-Up Period 2. To do this, you need to complete a Worksheet 6: Headend Upgrade for each tier for True-Up Period 2 and enter the figure from Line 632 here.
- Line G7** **External Costs Segment For True-Up Period 2.** For each tier, enter the "trued-up" average permitted charge for external costs during True-Up Period 2. To do this, you need to complete a Worksheet 7: External Costs for each tier for True-Up Period 2 and enter the figure from Line 720 here.
- Line G8** **True-Up Segment For True-Up Period 2.** For each tier, enter the "trued-up" average permitted charge to compensate for overcharges and undercharges which occurred in previous True-Up Periods. To calculate these figures, take the figure from H14 of your previously filed Form 1240, divide it by the number of months in the entire True-Up Period (Period 1 plus Period 2) and by B2 (your estimated average subscribership during True-Up Period 2). If this is your first Form 1240, enter "0".
- Line G9** **Maximum Permitted Rate for True-Up Period 2.** Add together G4, G5, G6, G7, and G8, and enter the result here.

MODULE H: TRUE-UP ADJUSTMENT

This module compares the rates from Modules F and G with the rates in effect during the True-Up Period and calculates the related overcharges and undercharges. See The True-Up Process section in the introduction for a full description of the True Up Calculation.

If your franchise area is not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, you should skip this module and complete Module I.

Adjustment For True-Up Period 1

- Line H1** **Revenue From Period 1.** For each tier, calculate the total revenue you collected during the portion of True-Up Period 1. This is done by multiplying the average rate you elected to charge during Period 1 (to calculate this figure complete Worksheet 8) by the number of months in Period 1 and by the average number of subscribers served during Period 1. Use the following formula:

$$813 * E2 * B1.$$

- Line H2** **Revenue From Maximum Permitted Rate for Period 1.** For each tier, enter the amount of revenue that would have been collected had you charged the Maximum Permitted Rate calculated in Module F. This is done by

multiplying the rate calculated in Module F by the number of months in Period 1 and by the average number of subscribers served during Period 1. Use the following formula:

$$F9 * E2 * B1.$$

Line H3 True-Up Period 1 Adjustment. Enter the amount by which subscribers were overcharged or undercharged during True-Up Period 1. To calculate this, subtract H1 from H2.

Line H4 Interest on Period 1 Adjustment. Calculate the amount of interest earned on the adjustment in H3 using the formula below. The first bracketed section of the formula calculates the amount of interest earned during Period 1 and the second bracketed section of the formula calculates the amount of interest earned between the end of Period 1 and the end of the most recent Projected Period.

$$[(H3/2) * 0.1125 * (E2/12)] + [(H3 + ((H3/2) * 0.1125 * (E2/12))) * ((0.1125 * (E3/12)))]$$

Adjustment For True-Up Period 2

If your True-Up Period is less than or equal to 12 months long, skip Lines H5 through H11 and proceed to Line H12.

Line H5 Revenue From Period 2 Eligible For Interest. For each tier, calculate the total revenue you collected during the portion of True-Up Period 2 eligible for the accrual of interest. This is done by multiplying the average rate you elected to charge during Period 2 by the number of months in Period 2 and by the average number of subscribers served during Period 2. Use the formula below.

$$[826 * E4 * B2]$$

Line H6 Revenue From Maximum Permitted Rate for Period 2 Eligible for Interest. For each tier, enter the amount of revenue which would have been collected had you charged the Maximum Permitted Rate calculated in Module G. This is done by multiplying the rate calculated in Module G by the number of months in Period 2 eligible for interest and by the average number of subscribers served during Period 2. Use the formula below.

$$[G9 * E4 * B2.]$$

Line H7 Period 2 Adjustment Eligible for Interest. Enter the amount by which subscribers were overcharged or undercharged during the portion of True-Up Period 2 eligible for the accrual of interest. To calculate this, subtract H5 from H6.

Line H8 Interest on Period 2 Adjustment. Calculate the amount of interest earned on the adjustment in H7. Use the formula below.

$$[(H7/2) * 0.1125 * (E4/12)]$$

Line H9 Revenue From Period 2 Ineligible for Interest. For each tier, calculate the total revenue you collected during the portion of True-Up Period 2 ineligible for the accrual of interest. This is done by multiplying the average rate you elected to charge during Period 2 by the number of months in Period 2 ineligible for interest and by the average number of subscribers served during Period 2. Use the formula below.

$$[826 * E5 * B2]$$

Line H10 Revenue From Maximum Permitted Rate for Period 2 Ineligible for Interest. For each tier, enter the amount of revenue which would have been collected had you charged the Maximum Permitted Rate calculated in Module G. This is done by multiplying the rate calculated in Module G by the number of months in Period 2 ineligible for interest and by the average number of subscribers served during Period 2. Use the formula below.

$$[G9 * E5 * B2.]$$

Line H11 Period 2 Adjustment Ineligible for Interest. Enter the amount by which subscribers were overcharged or undercharged during the portion of True-Up Period 2 ineligible for the accrual of interest. To calculate this, subtract H9 from H10.

Total True-Up Adjustment

- Line H12** **Previous Remaining True-Up Adjustment.** Enter the figure in H15 of you previously filed Form 1240. If this is your first Form 1240, enter "0."
- Line H13** **Total True-Up Adjustment.** Add together H3, H4, H7, H8, H11, and H12. This combines the total overcharge or undercharge for the True-Up Period with any true-up adjustments you did not claim in previous Form 1240 filings.
- Line H14** **Amount of True-Up Adjustment Claimed For This Projected Period.** Enter the amount of the True-Up Adjustment being passed through to your subscribers during the Projected Period. If H13 is greater than 0, the amount passed through is left to your discretion. If H13 is less than 0, you must pass it all through in this Projected Period. If H13 is equal to 0, enter "0" here.
- Line H15** **Remaining True-Up Adjustment.** Subtract H14 from H13 and enter the result here.

Part III: Projected Period

MODULE I: NEW MAXIMUM PERMITTED RATE

This module is much like Module F, except that instead of looking at changes to your system which have already occurred, you must project what changes you think will occur during the 12 months of the Projected Period. As before, you will use the worksheets to turn these projections into average, monthly, per-subscriber rates which will allow you to recover all of your projected costs over the course of the Projected Period.

- Line I1** **Caps Method Segment For Projected Period.** For each tier, enter the average rate you will be allowed to charge or Caps Method adjustments during the Projected Period. To do this, you need to complete a Worksheet 2: Caps Method for each tier for the Projected Period and enter the figure from Line 214 here.
- Line I2** **Markup Method Segment For Projected Period.** For each tier, enter the average rate you will be allowed to charge for Markup Method adjustments during the Projected Period. To do this, you need to complete a Worksheet 3: Markup Method for each tier for the Projected Period and enter the figure from Line 314 here.
- Line I3** **Channel Residual Segment For Projected Period.** For each tier, enter the average rate you will be allowed to charge for the movement and deletion of channels during the Projected Period. To do this, you need to complete a Worksheet 4: Residual for the Projected Period and a Worksheet 5: Channel Movement and Deletion for each tier for the Projected Period and enter the figure from Line 514 here.
- Line I4** **Projected Period Rate Eligible For Inflation.** Add together Lines D8, F5, G5, I1, I2, and I3 and enter the result here.
- Line I5** **Inflation Segment for Projected Period.** Multiply I4 by C5. From the result of this multiplication, subtract I4 and enter the result here.
- Line I6** **Headend Upgrade Segment For Projected Period.** For each tier, enter the average rate you will be allowed to charge for the small system headend upgrade adjustments during the Projected Period. To do this, you need to complete a Worksheet 6: Headend Upgrade for each tier for the Projected Period and enter the figure from Line 616 here.
- Line I7** **External Costs Segment For Projected Period.** For each tier, enter the average rate you will be allowed to charge for the external costs during the Projected Period. To do this, you need to complete an Worksheet 7: External Costs for each tier for the Projected Period and enter the figure from Line 710 here.
- Line I8** **True-Up Segment For Projected Period.** For each tier, enter the average rate you will be required to deduct or allowed to charge during the Projected Period to compensate for overcharges and undercharges which occurred in the True-Up Period. To calculate these figures, divide the portion of the Total True-Up Adjustment which you are electing to pass through in this Projected Period (found in H14) by the Estimated Average Subscribership For The Projected Period in B3 and by 12 for the number of months in the Projected Period.
- Line I9** **Maximum Permitted Rate for the Projected Period.** Add together I4, I5, I6, I7, and I8 and enter the result here.

Line I10 **Operator Selected Rate.** Enter the rate you are electing to charge in the Projected Period.

Exclusion of Franchise Fees. Franchise fees have been excluded from this analysis in order to compare your monthly rate to the maximum permitted rate. The franchise fees you pay should be added to your monthly rate when billing your subscribers.

Relationship of Maximum Permitted Rates to Refund Liability. The maximum permitted rate figure calculated on Form 1240 does not take into account any refund liability that you may have. If you previously have been ordered by the FCC or your local franchising authority to make refunds to subscribers, you are not relieved of your obligation to make such refunds, regardless of whether the maximum permitted rate may be higher than the contested rate that resulted in your refund liability or your current rate.

Certification Statement Enter the signature of the person responsible for certifying the accuracy of this filing and the date this form is certified. Please enter the requested information for the person completing this form.

APPENDIX A FCC FORM 1240 WORKSHEETS

WORKSHEET 1: TRUE-UP PERIOD INFLATION

To calculate the maximum permitted rate for the True-Up Period accurately, you need to know the inflation factor you should have been able to use during those months. To calculate this figure, you may need to know one or more of the Commission's officially released inflation figures, depending on the length of your True-Up Period. The inflation figure for the entire True-Up Period is a weighted average of these monthly numbers.

In conjunction with creating Form 1240, the Commission is starting a new method of calculating the inflation factors used by operators in their filings. Under the old method, the Commission announced a single inflation figure a year, on or around October 1. This figure would take into account inflation which occurred from July 1 of one year to June 30 of the following year.

Under the new method, the Commission will publish four quarterly figures and one annual figure each year. The quarterly figures will cover the following periods: January 1 to March 31 (the First Quarter Inflation Figure), April 1 to June 30 (the Second Quarter Inflation Figure), July 1 to September 30 (the Third Quarter Inflation Figure), October 1 to December 31 (the Fourth Quarter Inflation Figure). When these figures are published, they will be in the form of an annualized number. So, for example, if the economy experienced 0.5% inflation during the first quarter of the year, the First Quarter Inflation Figure would be 2.01%.

These figures are to be used when you perform a true-up. If your True-Up Period includes months in a quarter for which the Commission has not released an inflation figure, you should use the figure for the most recent quarter for which there is a figure available.

The Commission will release these figures by public notice four times each year. To learn the figures which have been released to date, call the Commission at (202) 418-2225 [(202) 418-2226 for Spanish speakers]. They are also available on the Media Bureau's World Wide Web Internet site. The address for that site is below.

<http://www.fcc.gov/Bureaus/Cable/WWW/mb.html>

This worksheet has two sections designed to accommodate two 12 month periods. If you are filling out this worksheet for a True-Up Period which is no more than 12 months long, you should only fill out the first section (Lines 101 through 113) and leave the second section blank. If you are filling it out for a True-Up Period between 13 and 24 months long, you should fill out the first section and however much of the second section applies to your True-Up Period.

Step 1

For each month in True-Up Period 1, enter the Commission's inflation figure for the corresponding quarter using the methodology laid out in the following example. Assume that the First Quarter Inflation Figure for a given year was 3%; the Second Quarter Inflation Figure for the same year was 2%; and, the Commission has not yet released its Third Quarter Inflation Figure. If you were to perform a true-up on the 7 month period from January 1 to July 31, you would fill out Lines 101 through 107 of this worksheet. In Lines 101 through 103 (covering the period from January 1 to March 31), you would use the 3% First Quarter Inflation Figure. In Lines 104 through 106 (covering the period from April 1 to June 30), you would use the 2% Second Quarter Inflation Figure. In Line 107, because the Third Quarter Inflation Figure is unavailable, you would use the 2% Second Quarter Inflation Figure again.

Enter these figures as decimal numbers. For example, if the inflation figure is 3%, enter ".03." You should have one figure for each of the months in True-Up Period 1.

Step 2

Add up all of the figures entered in Line 101 through Line 112 and divide them by 12. (This is the shortened version of a formula which averages the monthly figures and then prorates that result over the correct number of months in the True-Up Period. The full formula is:

$$[(\text{The sum of Line 101 to Line 112})/(\text{Length of True-Up Period 1})]*[(\text{Length of True-Up Period 1})/12]$$

Since the length of the period is in both the numerator and the denominator, the final result is the sum of Line 101 through Line 112 divided by 12.) Take this result and add "1" to it. Enter this final result in Line 113 and in Line C1 of the Form 1240. For example, if your average inflation figure is ".03," enter it as "1.03."

If you are completing this worksheet for a True-Up Period less than or equal to 12 months long, you are now done and should not complete Steps 4 and 5. If you are completing this worksheet for a True-Up Period between 13 and 24 months long, continue on to Steps 4 and 5.

Step 3

For each month in True-Up Period 2, enter the appropriate Commission inflation figure, using the same methodology described in Step 2.

Step 4

Add up all of the figures entered in Line 114 through Line 125 and divide them by 12. Enter the result in Line 126 and in line C2 of the Form 1240.

WORKSHEET 2: CAPS METHOD

This worksheet is designed to help you calculate the Caps Method segments for either your Projected Period or your True-Up Period. You must file a separate sheet for both the Projected Period and the True-Up Period for each of your system's tiers for which you are claiming this adjustment.

This worksheet will help you calculate your total per channel adjustments and costs of programming applied against the license fee reserve for the rate period. These adjustments are subject to a cap. Using this methodology you may add channels and charge up to an additional \$0.20 for each channel for a total of \$1.20 from January 1, 1995 through December 31, 1996. You may also pass through up to \$0.30 in licensing fees during the same period. You may pass through more than \$0.30 in licensing fees but if you do so that portion of the licensing fees must be deleted from the \$1.20 operator's cap. Thus you may not charge more than \$1.50 for the additional channels. Between January 1, 1997 and December 31, 1997, you are allowed to add one more channel for an additional \$0.20, bringing the total Caps Method adjustment you can claim over the three years to \$1.70.

It is important to note that only those operators increasing the total number of channels on their systems may take advantage of the going forward methodologies in order to increase their rates. However, if you are converting channels from the markup methodology to the caps methodology, any increase resulting from that conversion may be passed through.

This worksheet has four introductory questions and two sections, designed to accommodate two, 12 month periods. If you are filling out this worksheet for the Projected Period, you should only fill out the first section (Lines 201 through 214) and leave the second section blank. If you are filling it out for a True-Up Period which is no more than 12 months long, you should only fill out the first section and leave the second section blank. If you are filling it out for a True-Up Period between 13 and 24 months long, you should fill out the first section and however many of the second section's line are applicable.

Step 1 - Initial Questions

- Question 1** Indicate the purpose for which this worksheet is being filled out. Place an "X" in either the "True-Up Period" box or the "Projected Period" box.
- Question 2** Put an "X" in the box indicating the tier to which these calculations are related.
- Question 3** Indicate the number of months in the first period for which rates are being calculated with this worksheet. If you are completing the worksheet for the Projected Period or a True-Up Period more than 12 months long, this number must be 12.
- Question 4** Indicate the number of months in the second period for which rates are being calculated with this worksheet.

Step 2 - Filling out Line 201: Previous Month

In Column 7 you should enter the amount of the license fee reserve you have already claimed. In Column 8 you should enter the amount of the operator's cap you have already claimed. In Column 9, enter the sum of these two numbers.

- If you have never claimed any Caps Method adjustments, enter "0" in all three columns.

- If you are not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, enter the Caps Method adjustments for channels added to your system prior to the Projected Period for which you have not already made rate increases but now wish to include in the rate. These channels must have been added to the system on or after May 15, 1994. Include an attachment detailing how many channels were added, when they were added, and how much of the Operator's Cap and License Fee Reserve were claimed for them.

- If this is your first Form 1240 but you have claimed Caps Method adjustments on a previously filed Form 1210, enter the sum of all adjustments claimed on those filings.

- If you have claimed Caps Method adjustments on a previously filed Form 1240 and you are filling this worksheet out for the True-Up Period, you should take the figures from the last month of the True-Up Period of your most recent Form 1240.

- If you have claimed Caps Method adjustments on a previously filed Form 1240 and you are filling this worksheet out for the Projected Period and you will not have claimed any Caps Method adjustments between the end of the True-Up Period and the beginning of the Projected Period, you should take the figure from the last month of the True-Up Period.

- If you have claimed Caps Method adjustments on a previously filed Form 1240 and you are filling this worksheet out for the Projected Period and you will have claimed any Caps Method adjustments between the end of the True-Up Period and the beginning of the Projected Period, you should take the figure from the last month of the True-Up Period and adjust it to reflect these events.

Step 3 - Filling Out Line 202 through Line 213

Use these lines to calculate the amount of the Caps Method adjustments you plan to claim in each of the rate period's 12 months. If you plan to add channels in a certain month, you need to fill out all nine columns for that month's line. If a previously added Caps Method channel experiences an increase in programming costs and you wish to pass that increase through to your subscribers, you must deduct this increase from either the operator's cap or the license fee reserve in the appropriate month. In each month you do not plan to make any changes, fill out columns 7, 8, and 9 with the information from the preceding line.

Column 1 **Previous Number of Regulated Channels.** Enter the total number of regulated channels on your system prior to the additions you are claiming for this month.

Column 2 **Current Number of Regulated Channels.** Enter the total number of regulated channels on your system after the additions you are claiming for this month.

Column 3 **Net Change in Regulated Channels.** Subtract the entry in Column 1 from the entry in Column 2. Enter the result here.

Column 4 **Operator's Cap Used For Channel Additions.** Indicate the total adjustment taken for channels added in each month. The adjustment may not exceed \$.20 per channel for channels added in this filing period.

Column 5 **Operator's Cap Used For License Fees.** Indicate the amount of the operator's cap you are using to cover the programming costs of channels added in each month. Also add any programming cost increases for previously added Caps Method channels which you are passing through to subscribers in each month.

Column 6 **License Fee Reserve Used.** For each channel added in this month, indicate the total amount of programming applied against the license fee reserve. Also add any programming cost increases for previously added Caps Method channels which you are passing through to subscribers in each month.

Column 7 **Total License Fee Reserve Used.** Add the amount in Column 6 to the amount in Column 7 of the previous month's line. Please note that you are allowed to apply more than \$.30 to the programming cap; however, any amount in excess of \$.30 must be included in Column 5 so it can be deleted from the \$1.20 of your Operator's Cap. The figure in this line must be less than or equal to \$.30.

Column 8 **Total Operator's Cap Used.** Add the figures in Columns 4 and 5 to the figure in Column 8 of the previous month's line. Prior to January 1, 1997, the figure in Column 8 must be less than or equal to \$1.20. Between January 1, 1997 and December 31, 1997, the figure must be less than or equal to \$1.70.

Column 9 **Total Caps Method Adjustment.** Add Column 7 to Column 8. Enter the results here. This amount may not exceed \$1.50.

Step 4 - Line 214 - Average Period 1 Caps Method Adjustment

Add up the figures in Column 9 for Line 202 through Line 213 and divide this total by the figure in Question 3. Enter the result in Line 214. This figure should also be entered on Line F1 of Form 1240, if the worksheet is being completed for True-Up Period 1, or Line I1 of Form 1240, if the worksheet is being completed for the Projected Period.

If you are completing this worksheet for the Projected Period or a True-Up Period less than or equal to 12 months long, you are now done and should not complete Steps 5 and 6. If you are completing this worksheet for a True-Up Period between 13 and 24 months long, continue on to Steps 5 and 6.

Step 5 - Filling Out Line 215 through Line 226

To complete Lines 215 through 226, use the same instructions laid out in Step 3, above.

Step 6 - Line 227 - Average Period 2 Caps Method Adjustment

Add up the figures in Column 9 for Line 215 through Line 226 and divide this total by the figure in Question 4. Enter the result in Line 227. This figure should also be entered on Line G1 of Form 1240.

WORKSHEET 3: MARKUP METHOD

This Worksheet is designed to help you calculate the Markup Method segments (the change in non-programming costs that results when channels are added) for either your Projected Period or your True-Up Period. You must file a separate sheet for both the Projected Period and the True-Up Period for each of your system's tiers for which you are claiming this adjustment.

This worksheet has four introductory questions and two sections, designed to accommodate two, 12 month periods. If you are filling out this worksheet for the Projected Period, you should only fill out the first section (Lines 301 through 314) and leave the second section blank. If you are filling it out for a True-Up Period which is no more than 12 months long, again you should only fill out the first section and leave the second section blank. If you are filling it out for a True-Up Period between 13 and 24 months long, you should fill out the first section and however much of the second section applies to your True-Up Period.

Step 1 - Initial Questions

Question 1 Indicate the purpose for which this worksheet is being filled out. Place an "X" in either the "True-Up Period" box or the "Projected Period" box.

Question 2 Put an "X" in the box indicating the tier to which these calculations are related.

Question 3 Indicate the number of months in the first period for which rates are being calculated with this worksheet. If you are completing the worksheet for the Projected Period or a True-Up Period more than 12 months long, this number must be 12.

Question 4 Indicate the number of months in the second period for which rates are being calculated with this worksheet.

Step 2 - Filling out Line 301: Previous Month

Line 301 is for recording the total per-channel adjustments you have already claimed. Lines 302 through 313 are to record any additional amounts you claim during the 12 months of the rate period.

In Column 7 (Cumulative Adjustment) you should enter the markup method adjustment you have already claimed.

- If this is your first Form 1240, enter "0" in Column 7.

- If you are not subject to CPST regulation and you are filing this Form 1240 in response to a CPST rate complaint, enter the Markup Method adjustments for channels added to your system prior to the Projected Period for which you have not already made rate increases but now wish to include in the rate. Include an attachment detailing how many channels were added, when they were added, and the non-external cost adjustments which were claimed for them.

- If you have claimed Markup Method adjustments on a previously filed Form 1240 and you are filling this worksheet out for the True-Up Period, you should take the figures from the last month of the True-Up Period of your most recent Form 1240.

- If you have claimed Markup Method adjustments on a previously filed Form 1240 and you are filling this worksheet out for the Projected Period and you will not have claimed any Markup Method adjustments between the end of the True-Up Period and the beginning of the Projected Period, you should take the figure from the last month of the True-Up Period.

- If you have claimed Markup Method adjustments on a previously filed Form 1240 and you are filling this worksheet out for the Projected Period and you will have claimed any Markup Method adjustments between the end of the True-Up Period and the beginning of the Projected Period, you should take the figure from the last month of the True-Up Period and adjust it to reflect these events.

Step 3 - Filling Out Line 302 through Line 313

Use these lines to calculate the amount of the markup method adjustment you plan to claim in each month of the rate period. If you plan to add channels in a certain month, you need to fill out all seven columns for that month's line. For each of the months you do not plan to add channels, fill out Column 7 with the information from Column 7 of the preceding line.

Column 1 **Sum of Previous Regulated Channels.** Enter the total number of regulated channels on your system prior to the additions you are claiming for this month.

Column 2 **Sum of Current Regulated Channels.** Enter the total number of regulated channels on your system after the additions you are claiming for this month.

Column 3 **Average of Previous and Current Regulated Channels.** Add Column 1 to Column 2 and divide this total by 2 and enter result here.

Column 4 **Adjustment per Channel.** Enter from Table A (attached to the Markup Method Worksheet) the non-external cost adjustment per channel. Find the range in the first two columns of Table A (attached to Worksheet 3), in which the figure in column 3 falls. Then select the corresponding figure from the third Column of Table A and enter here. This is your allowed per channel adjustment for non-external costs.

Column 5 **Channels Added.** Enter the number of channels for which you are claiming the Markup Method adjustment.

Column 6 **Total Adjustment.** Multiply the allowed Adjustment per Channel (Column 4) by the number of channels added, which represent a net increase in the total number of channels on your system (Column 5). The result is the total permitted adjustment for that tier.

Column 7 **Cumulative Adjustment.** Add the figure in Column 6 to the figure in Column 7 of the previous month's line.

Step 4 - Line 314 - Average Period 1 Markup Method Adjustment

Add up the figures in Column 7 for Line 302 through Line 313 and divide this total by the figure in Question 3. Enter the result in Line 314. This figure should also be entered on Line F2 of Form 1240, if the worksheet is being completed for True-Up Period 1, or Line I2 of Form 1240, if the worksheet is being completed for the Projected Period.

If you are completing this worksheet for the Projected Period or a True-Up Period less than or equal to 12 months long, you are now done and should not complete Steps 5 and 6. If you are completing this worksheet for a True-Up Period between 13 and 24 months long, continue on to Steps 5 and 6.

Step 5 - Filling Out Line 315 through Line 326

To complete Lines 315 through 326, use the same instructions laid out in Step 3, above.

Step 6 - Line 327 - Average Period 2 Caps Method Adjustment

Add up the figures in Column 7 for Line 315 through Line 326 and divide this total by the figure in Question 4. Enter the result in Line 327. This figure should also be entered on Line G2 of Form 1240.

WORKSHEET 4: CHANNEL RESIDUAL

In general, when dropping channels from regulated tiers or moving channels between regulated tiers, operators are required to make their rates reflect the net change in non-external costs. Operators are also to reduce the price of that tier by the "residual" associated with that channel. For channels that were on a regulated tier on or before May 14, 1994 or added after that date pursuant to the markup rules, the per channel residual is the charge for the tier, minus the external costs for the tier and minus any per channel adjustments made after that date, divided by the number of channels on the tier (less the number of channels added after May 14, 1994). For channels added on or after May 15, 1994 pursuant to the Caps rules, the residuals shall be the actual per channel adjustment taken for that channel when it was added to the tier plus any inflation adjustment since that time. Since this worksheet can be used for either a True-Up Period or a Projected Period and since it relies on some data from other worksheets, you will have to complete other worksheets to be able to fill in some of the lines on this worksheet.

The worksheet for "appropriate period" referenced in the instructions to Lines 402, 403, 405, and 406 refers to either the True-Up Period worksheets or the Projected Period worksheets prepared in conjunction with this filing.

This worksheet has one introductory question and two sections, designed to accommodate two periods. If you are filling out this worksheet for the Projected Period, you should only fill out the first section (Lines 401 through 408) and leave the second section blank. If you are filling it out for a True-Up Period which is no more than 12 months long, again you should only fill out the first section and leave the second section blank. If you are filling it out for a True-Up Period between 13 and 24 months long, you should fill out the first section and however much of the second section applies to your True-Up Period.

Question 1 Put an "X" in the box indicating the period to which these calculations are related.

Step 1 - Lines 401 through 408 - Calculating the Period 1 Residual

Line 401 Average Rate During Period.

- If this worksheet is being filled out for the True-Up Period, enter the figure from Line 813 of Worksheet 8.

- If this worksheet is being filled out for the Projected Period, enter the figure from Line A1 of Form 1240.

Line 402 Average External Costs. For each tier, enter the figure from Line 710 of the Worksheet 7 you completed for the appropriate period.

Line 403 Average Total Per Channel Adjustments after May 14, 1994 for Channels Added Using the Caps Method by Tier. For each tier, enter the figure from Line 214 of the Worksheet 2 you completed for the appropriate period.

Line 404 Average Residual Per Tier. For each tier, subtract the figures in Lines 402 and 403 from the figures in Line 401, and enter the result here.

Line 405 Average Channels per Regulated Tier. For each tier, enter the average number of channels on your system for the appropriate period.

Line 406 Average Caps Method Channels Per Tier. For each tier, enter the average number of channels on your system which were added using the Caps Method for the appropriate period.

Line 407 Average Remaining Channels. Subtract the figures in Line 406 from the figure in Line 405. Enter the results here.

Line 408 Average Per Channel Residual. Divide the figures in Line 404 by the respective figures in Line 407. Enter the results in the appropriate column.

If you are completing this worksheet for the Projected Period or a True-Up Period less than or equal to 12 months long, you are now done and should not complete Step 2. If you are completing this worksheet for a True-Up Period between 13 and 24 months long, continue on to Step 2.

Step 2 - Lines 409 through 416 - Calculating the Period 2 Residual

Complete Lines 409 through 416 using the same instructions described in Step 1 above, with the following exceptions:

Line 409 Enter the figure from Line 826.

Line 410 Enter the figure from Line 720.

Line 411 Enter the figure from Line 227.

WORKSHEET 5: CHANNEL MOVEMENT AND DELETION

This worksheet uses the residuals calculated in Worksheet 4 to calculate Channel Movement and Deletion Segments for either your Projected Period or your True-Up Period. You must file a separate sheet for both the Projected Period and the True-Up Period for each of your system's tiers for which you are claiming this adjustment.

Before completing this worksheet, you must first fill out Worksheet 4 for the appropriate period. The result of those calculations will be, for each tier, the residual for non-Caps channels. You must then use those figures to complete this worksheet to determine the effects of channel movements and deletions which will occur during either the True-Up Period or the Projected Period.

This worksheet has four introductory questions and two sections, designed to accommodate two, 12 month periods. If you are filling out this worksheet for the Projected Period, you should only fill out the first section (Lines 501 through 514) and leave the second section blank. If you are filling it out for a True-Up Period which is no more than 12 months long, again you should only fill out the first section and leave the second section blank. If you are filling it out for a True-Up Period between 13 and 24 months long, you should fill out the first section and however much of the second section applies to your True-Up Period.

Step 1 - Initial Questions

- Question 1** Indicate the purpose for which this worksheet is being filled out. Place an "X" in either the "True-Up Period" box or the "Projected Period" box.
- Question 2** Put an "X" in the box indicating the tier to which these calculations are related.
- Question 3** Indicate the number of months in the first period for which rates are being calculated with this worksheet. If you are completing the worksheet for the Projected Period or a True-Up Period more than 12 months long, this number must be 12.
- Question 4** Indicate the number of months in the second period for which rates are being calculated with this worksheet.

Step 2 - Filling out Line 501: Previous Period

Line 501 is for recording the portion of the operator's cap and license fee reserve you have already claimed. Lines 502 through 513 are to record any additional amounts you claim during the 12 months of the rate period.

In Column 4 you should enter the channel movement and deletion adjustment you have already claimed.

- If this is your first Form 1240, enter "0" in Column 4.

- If you have claimed Channel Movement and Deletion adjustments on a previously filed Form 1240 and you are filling this worksheet out for the True-Up Period, you should take the figures from the last month of the True-Up Period of your most recent Form 1240.

- If you have claimed Channel Movement and Deletion adjustments on a previously filed Form 1240 and you are filling this worksheet out for the Projected Period and you will not have claimed any Channel Movement and Deletion adjustments

between the end of the True-Up Period and the beginning of the Projected Period, you should take the figure from the last month of the True-Up Period.

- If you have claimed Channel Movement and Deletion adjustments on a previously filed Form 1240 and you are filling this worksheet out for the Projected Period and you will have claimed any Channel Movement and Deletion adjustments between the end of the True-Up Period and the beginning of the Projected Period, you should take the figure from the last month of the True-Up Period and adjust it to reflect these events.

Step 3 - Filling Out Line 502 through Line 513

Use these lines to calculate the amount of the channel movement and deletion adjustment you plan to claim in each of the rate period's 12 months. If you plan to add channels in a certain month, you need to fill out all four columns for that month's line. For each of the months you do not plan to add channels, fill out Column 4 with the information from Column 4 of the preceding line.

Column 1 Residual of Channels Deleted From Tier. For channels that were on the system prior to May 14, 1994 or were added on or after May 14, 1994 using the Markup methodology, multiply the residual from Line 408 by the total number of channels being deleted from that tier. For channels added on or after May 14, 1994 using the Caps methodology, use the actual per channel adjustment taken at the time the channel was added plus any inflation adjustments taken since that time. This calculation will require you to review all previously filed Form 1210s and Form 1240s and the associated work papers. These calculations will result in the residuals associated with both kinds of channels. For each tier add the residuals for all channels being deleted from that tier. Enter the result of this calculation here.

Column 2 Residual of Channels Moved (Added) to Tiers. For each channel being moved from one tier to another, multiply the residual from Line 408 by the average number of subscribers on the tier from which the channel is being removed during the period for which the worksheet is being completed. Divide this result by the average number of subscribers on the tier to which the channel is being added during the period for which the worksheet is being completed. The result of this calculation is the Migrated Channel Residual. Repeat this calculation for each individual channel being moved between tiers. Then, for each tier, add together all of the Migrated Channel Residuals for channels being added to that tier. Enter the result here for each tier. If you have not added any channels to a tier enter "0" for that tier.

Column 3 Net per Channel Cost Adjustment per Tier. For each tier, subtract the figures from Column 1 from the corresponding figures in Column 2. Enter the results here in the appropriate column.

Column 4 Cumulative Net Per-Channel Cost Adjustment. Add the figure in Column 3 to the figure in Column 4 of the previous month's line.

Step 4 - Line 514 - Average Period 1 Channel Movement and Deletion

Add up the figures in Column 4 for Line 502 through Line 513 and divide this total by the figure in Question 3. Enter the result here. This figure should also be entered on Line F3 of Form 1240, if the worksheet is being completed for the True-Up Period, or Line I3 of Form 1240, if the worksheet is being completed for the Projected Period.

If you are completing this worksheet for the Projected Period or a True-Up Period less than or equal to 12 months long, you are now done and should not complete Steps 5 and 6. If you are completing this worksheet for a True-Up Period between 13 and 24 months long, continue on to Steps 5 and 6.

Step 5 - Filling Out Line 515 through Line 526

To complete Lines 515 through 526, use the same instructions laid out in Step 3, above.

Step 6 - Line 527 - Average Period 2 Channel Movement and Deletion Adjustment

Add up the figures in Column 4 for Line 515 through Line 526 and divide this total by the figure in Question 4. Enter the result in Line 527. This figure should also be entered on Line G3 of Form 1240.

WORKSHEET 6: HEADEND UPGRADE

This worksheet is designed to help you calculate Headend Upgrade segments for either your Projected Period or your True-Up Period. You must file a separate sheet for both the Projected Period and the True-Up Period for each of your system's tiers for which you are claiming this adjustment.

Cable systems qualifying for this headend upgrade are systems that meet the Commission's new small system definition. To qualify, the system must have no more than 15,000 subscribers and be affiliated with a company which controls no more than 400,000 subscribers. In addition, the additional monthly per subscriber headend cost must be at least 1 cent in order to be passed through to subscribers.

This adjustment may be taken by qualifying small systems to recover the actual cost of the headend equipment required to add up to seven channels to CPSTs and to single tier systems, not to exceed \$5,000 per additional channel. Rate increases pursuant to this provision may occur between January 1, 1995 and December 31, 1997 as a result of additional channels offered on those tiers after May 14, 1994.

If you offer more than one tier of service, enter the figures for the CPSTs only. Enter the figures for the Basic tier only if you offer a single tier of regulated service.

This worksheet has four introductory questions and two sections, designed to accommodate two, 12 month periods. If you are filling out this worksheet for the Projected Period, you should only fill out the first section (Lines 601 through 616) and leave the second section blank. If you are filling it out for a True-Up Period which is no more than 12 months long, again you should only fill out the first section and leave the second section blank. If you are filling it out for a True-Up Period between 13 and 24 months long, you should fill out the first section and however much of the second section applies to your True-Up Period.

Step 1 - Initial Questions

- Question 1** Indicate the purpose for which this worksheet is being filled out. Place an "X" in either the "True-Up Period" box or the "Projected Period" box.
- Question 2** Put an "X" in the box indicating the tier to which these calculations are related.
- Question 3** Indicate the number of months in the first period for which rates are being calculated with this worksheet. If you are completing the worksheet for the Projected Period or a True-Up Period more than 12 months long, this number must be 12.
- Question 4** Indicate the number of months in the second period for which rates are being calculated with this worksheet.

Step 2 - Filling Out Line 601: Previous Investments

Line 601 is for recording total investment you have made to upgrade your headend equipment prior to the start of the rate period for which you are filling out this worksheet. Lines 602 through 613 are to record any additional investments you are planning to claim during the 12 months of the rate period.

- Column 1** **Original Cost of Headend Equipment.** Enter the lesser of the actual cost of the headend equipment or \$5,000 for each channel you have added prior to the start of the rate period.
- Column 2** **Original Cost of Equipment Less Depreciation.** Enter the depreciated value of your headend equipment at the start of the rate period.
- Column 3** **Computed Return on Equipment.** Multiply the amount in Column 2 by .1125 and enter the result here.
- Column 4** **Depreciation Expense For Previous Year.** Enter the amount of depreciation expense for the headend equipment on your books for the past year. Depreciation expense is the amount of decrease in value that the equipment has sustained on your books.
- Column 5** **Headend Upgrade Adjustment.** Add the amounts in Columns 3 and 4. Enter the results here.

Step 3 - Filling Out Line 602 through Line 613

Use these lines to calculate the amount of the Headend Upgrade adjustment you plan to claim in each of the rate period's 12 months. If you plan to add channels in a certain month, you need to fill out columns 1, 2, 3, and 5 for that month's line. For each of the months you do not plan to add channels, enter "0" in Column 5 for that month's line.

Column 1 **Original Cost of Headend Equipment.** Enter the lesser of the actual cost of the headend equipment or \$5,000 for each channel you plan to add.

Column 2 **Original Cost of Equipment Less Depreciation.** Enter the same value you put in Column 1.

Column 3 **Computed Return on Equipment.** Multiply the amount on Column 2 by 0.1125. Then multiply that result by the ratio of the number of months left in the period (including the month in which the investment was made) to the total number of months in that period. For example, if you made an investment in the third month of a 12 month period, the formula would be: $[(\text{Column 2}) * 0.1125 * (10/12)]$.

Column 5 **Headend Upgrade Adjustment.** Add the amounts in Columns 3 and 4. Enter the result here.

Step 4 - Lines 614 to 616 - Calculating the Monthly Per Subscriber Adjustment For Period 1

- 1) Add up all of the figures in Column 5 and enter the result in Line 614
- 2) Divide Line 614 by the average subscribership for the appropriate period (Line B1 for True-Up Period 1 or Line B3 for the Projected Period) and enter the final result in Line 615.
- 3) Divide Line 615 by the figure in Question 3 and enter the result in Line 616. This figure should also be entered on Line F6 of Form 1240, if the worksheet is being completed for the True-Up Period, or Line I6 of Form 1240, if the worksheet is being completed for the Projected Period.

If you are completing this worksheet for the Projected Period or a True-Up Period less than or equal to 12 months long, you are now done and should not complete Steps 5, 6, and 7. If you are completing this worksheet for a True-Up Period between 13 and 24 months long, continue on to Steps 5, 6, and 7.

Step 5 - Filling Out Line 617: Previous Investments

To complete Line 617, use the same instructions laid out in Step 2 above, taking into account the investments and depreciation which occurred during True-Up Period 1.

Step 6 - Filling Out Line 618 through Line 629

To complete Lines 618 through 629, use the same instructions laid out in Step 3, above.

Step 7 - Lines 630 to 632 - Calculating the Monthly Per Subscriber Adjustment For Period 2

- 1) Add up all of the figures in Lines 618 through 629 in Column 5 and enter the result in Line 630.
- 2) Divide Line 630 by the average subscribership for True-Up Period 2 (Line B2) and enter the final result in Line 631.
- 3) Divide Line 631 by the figure in Question 4 and enter the result in Line 632. This figure should also be entered on Line G6 of Form 1240.

WORKSHEET 7: EXTERNAL COSTS

This worksheet is designed to help you calculate External Cost segments for either your Projected Period or your True-Up Period. The worksheet can be used to calculate these segments for all of your system's tiers at once, but you must file a separate sheet for both the Projected Period and the True-Up Period.

Note: The elimination of "use or lose" for operators that use the annual rate adjustment system is effective as of September 22, 1995. Any cost increases that occurred prior to September 22, 1994 and were not passed through to subscribers must be excluded when answering the questions below. If the next filing after September 22, 1995 uses a Form 1210, the "use or lose" requirement remains, but would not apply to subsequently incurred costs should a subsequent filing use the annual method.

This worksheet has three introductory questions and two sections, designed to accommodate two periods. If you are filling out this worksheet for the Projected Period, you should only fill out the first section (Lines 701 through 710) and leave the second section blank. If you are filling it out for a True-Up Period which is no more than 12 months long, again you should only fill out the first section and leave the second section blank. If you are filling it out for a True-Up Period between 13 and 24 months long, you should fill out the first section and however much of the second section applies to your True-Up Period.

Step 1 - Initial Questions

- Question 1** Indicate the purpose for which this worksheet is being filled out. Place an "X" in either the "True-Up Period" box or the "Projected Period" box.
- Question 2** Indicate the number of months in the first period for which rates are being calculated with this worksheet. If you are completing the worksheet for the Projected Period or a True-Up Period more than 12 months long, this number must be 12.
- Question 3** Indicate the number of months in the second period for which rates are being calculated with this worksheet.

Step 2 - Lines 701 through 710 - Cost Calculations for Period 1

- Line 701** **Cost of Programming For Channels Added Prior to May 15, 1994 or Added After May 15, 1994 Using the Markup Methodology For The Period.** For each tier, enter the total cost of all programming that was on that tier prior to May 15, 1994 or added to the tier after May 15 using the markup methodology for the period.
- Line 702** **Retransmission Consent Fees For The Period.** Enter the total amount of retransmission consent fees for the period. Retransmission consent fees must be assigned to the tier with which they are associated.
- Line 703** **Copyright Fees For The Period.**
- Line 704** **External Costs Eligible for 7.5% Markup.** For each tier, add Lines 701, 702, and 703. Enter the result here.
- Line 705** **Marked Up External Costs.** For each tier multiply Line 704 by 1.075 and enter the amount.

Note: The costs in Lines 706 and 707 should be allocated among the regulated tiers, the equipment basket, and non-regulated service cost categories according to FCC cost allocation rules. See 47 C.F.R. § 76.924.

- Line 706** **Cable Specific Taxes For The Period.** Enter the total cable specific tax costs for the period.
- You should include on this line taxes imposed by state or local authorities on transactions between cable operators and cable subscribers. You should exclude assessments of general applicability imposed by a governmental entity applied against cable operators or cable subscribers. Thus, for example, federal or state income taxes must not be included here. These costs should be assigned to the appropriate tier boxes on Line 706 according to FCC cost allocation rules. See 47 C.F.R. § 76.924. Also, do not include franchise fees on this line.
- Line 707** **Franchise Related Costs For The Period.** Enter the total monthly franchise related costs for the period. You should attach a complete list of all costs being claimed in Line 707 and include information on how they were calculated and when they occurred (or are projected to occur).
- Enter the costs associated with Public, Educational, or Governmental Access (PEG) channels in the tier on which the channels are carried. Assign other direct and verifiable costs of satisfying franchise requirements to the appropriate tier boxes on Line 707 according to FCC cost allocation rules. See 47 C.F.R. § 76.924(g) and 76.925. Do not include franchise fees.
- Line 708** **Commission Regulatory Fees For The Period.** Enter the total Commission regulatory fees for the period.
- Line 709** **Total External Costs For The Period.** For each tier, enter the sum of Lines 705, 706, 707, and 708.
- Line 710** **Monthly Per-Subscriber External Costs For The Period.** For each tier, divide Line 9 by the average subscribership for the appropriate period (Line B1 for True-Up Period 1 or Line B3 for the Projected Period) and by

the figure in Question 2. Enter the final result in Line 710. This figure should also be entered on Line F7 of Form 1240, if the worksheet is being completed for True-Up Period 1, or Line I7 of Form 1240, if the worksheet is being completed for the Projected Period.

Step 3 - Lines 711 through 720 - Cost Calculations for Period 2

Complete Lines 711 through 720 using the same instructions are for Line 701 through 710 with one exception. The instructions for Line 720 should read:

For each tier, divide Line 719 by the average subscribership for True-Up Period 2 (Line B2) and by the figure in Question 3. Enter the final result in Line 720. This figure should also be entered on Line G7 of Form 1240.

WORKSHEET 8: TRUE-UP PERIOD RATE CHARGED

Half of the formula in the true-up calculation performed in Module H is an estimate of how much money you collected from subscribers for each of your regulated tiers. To perform this calculation, you need to know what the average rate you charged during the True-Up Period was. This worksheet is designed to help you calculate this figure.

This worksheet has two introductory questions and two sections, designed to accommodate two periods. If you are filling out this worksheet for the Projected Period, you should only fill out the first section (Lines 601 through 616) and leave the second section blank. If you are filling it out for a True-Up Period which is no more than 12 months long, again you should only fill out the first section and leave the second section blank. If you are filling it out for a True-Up Period between 13 and 24 months long, you should fill out the first section and however much of the second section applies to your True-Up Period.

Step 1 - Initial Questions

Question 1 Indicate the number of months in True-Up Period 1. If you are completing the worksheet for a True-Up Period more than 12 months long, this number must be 12.

Question 2 Indicate the number of months in True-Up Period 2.

Step 2 - Lines 801 through 812 - Period 1 Monthly Rates

For each tier, enter the rate which was in effect for each month of True-Up Period 1. The rate used should be the figure from your rate card at the time. It should not be adjusted to reflect any discounts or other promotions you ran during the period.

Step 3 - Line 813 - Period 1 Average Monthly Rate Charged

For each tier, add together all of the figures in Lines 801 through 812 and divide this total by the figure in Question 1. Enter the result in Line 813.

If you are completing this worksheet for a True-Up Period less than or equal to 12 months long, you are now done and should not complete Steps 4 and 5. If you are completing this worksheet for a True-Up Period between 13 and 24 months long, continue on to Steps 4 and 5.

Step 4 - Lines 814 through 825 - Period 2 Monthly Rates

For each tier, enter the rate which was in effect for each month of True-Up Period 2. The rate used should be the figure from your rate card at the time. It should not be adjusted to reflect any discounts or other promotions you ran during the period.

Step 5 - Line 826 - Period 2 Average Monthly Rate Charged

For each tier, add together all of the figures in Lines 814 through 825 and divide this total by the figure in Question 2. Enter the result in Line 826.

APPENDIX B
INSTRUCTIONS FOR FCC FORM 1240: SUPPLEMENT
MID-YEAR CHANNELS ADDITIONS

When filing this supplement, please attach a revised rate card, a revised channel line-up, and revised data on your monthly, per subscriber programming costs.

Operator

Identification Enter the requested information about your system.

Question 1. Indicate if this filing involves only a single local franchise authority and only a single community unit. Enter the community unit identification number and complete the franchise authority information section.

Question 2. Indicate if this filing involves a single franchise authority but multiple community units. If yes, enter the associated CUIDs and complete the franchise authority information section.

Question 3. If this filing involves multiple franchise authorities, provide the requested franchise authority information, using a separate sheet for each additional franchise authority with its associated CUID(s).

Franchise Area Enter the requested information about your franchise area.

Line 1 **Current Maximum Permitted Rate.** Enter the maximum permitted rate which you justified with you last Form 1240. This will be on Line H9 of your most recently filed Form 1240.

Line 2 **External Cost Adjustment.** For each tier, enter the change in external costs due to your mid-year channel addition.

Line 3 **Caps Method Adjustment.** For each tier, enter the amount of the Caps Method adjustment you are claiming because of your mid-year channel adjustment.

Line 4 **Markup Method Adjustment.** For each tier, enter the amount of the Markup Method adjustment you are claiming because of your mid-year channel adjustment.

Line 5 **New Maximum Permitted Rate.** Add together Lines 1, 2, 3, and 4, and enter the result here.

Certification Statement Enter the signature of the person responsible for certifying the accuracy of this filing and the date this form is certified. Please enter the requested information for the person completing this form.