**Attachment B**
**Rules**

1. Section 76.922 is amended by adding paragraphs (g) through (k) to read as follows:

§ 76.922 Rates for the basic service tier and cable programming services tier

* * * * *

(g) Cost of Service Charge.

(1) For purposes of this section, a monthly cost-of-service charge for a basic service tier or a cable programming service tier is an amount equal to the annual revenue requirement for that tier divided by a number that is equal to 12 times the average number of subscribers to that tier during the test year, except that a monthly charge for a system or tier in service less than one year shall be equal to the projected annual revenue requirement for the first 12 months of operation or service divided by a number that is equal to 12 times the projected average number of subscribers during the first 12 months of operation or service. The calculation of the average number of subscribers shall include all subscribers, regardless of whether they receive service at full rates or at discounts.

(2) A test year for an initial regulated charge is the cable operator's fiscal year preceding the initial date of regulation. A test year for a change in the basic service charge that is after the initial date of regulation is the cable operator's fiscal year preceding the mailing or other delivery of written notice pursuant to Section 76.932 of the Commission's Rules. A test year for a change in a cable programming service charge after the initial date of regulation is the cable operator's fiscal year preceding the filing of a complaint regarding the increase.

(3) The annual revenue requirement for a tier is the sum of the return component and the expense component for that tier.

(4) The return component for a tier is the average allowable test year ratebase allocable to the tier adjusted for known and measurable changes occurring between the end of the test year and the effective date of the rate multiplied by the rate of return specified by the Commission or franchising authority.

(5) The expense component for a tier is the sum of allowable test year expenses allocable to the tier adjusted for known and measurable changes occurring between the end of the test year and the effective date of the rate.

(6) The ratebase may include the following:

(i) Prudent investment by a cable operator in tangible plant that is used and useful in the provision of cable services less accumulated depreciation. Tangible plant in service shall be valued at the actual money cost (or the money value of any consideration other than money) of property at the time it was first used to provide cable service. The actual money cost of plant may include an allowance for funds used during construction at the prime rate or at the operator's actual cost of funds used during construction. Cost overruns are presumed to be imprudent investment in the absence of a showing that the overrun occurred through no fault of the operator.

(ii) An allowance for start-up losses, if any, that is equal to the lesser of the first two years of operating costs or accumulated losses incurred until the system reached the end of its prematurity stage as defined in Financial Accounting Standards Board Standard 51 ("FASB 51") less straight-line amortization over a reasonable period not exceeding 15 years that commences at the end of the prematurity phase of operation.

(iii) Intangible assets less amortization that reflect the original costs prudently incurred by a cable operator in organizing and incorporating a company that provides regulated cable services, obtaining a government franchise to provide regulated cable services, or obtaining patents that are used and useful in the provision of cable services.

(iv) The cost of customer lists if such costs were capitalized during the prematurity phase of operations less amortization.

(v) An amount for working capital to the extent that an allowance or disallowance for funds needed to sustain the ongoing operations of the regulated cable service is demonstrated.

(vi) Other intangible assets to the extent the cable operator demonstrates that the asset reflects costs incurred in an activity or transaction that produced concrete benefits or savings for subscribers to regulated cable services that would not have been realized otherwise and the cable operator demonstrates that a return on such an asset does not exceed the value of such a subscriber benefit.

(vii) The portion of the capacity of plant not currently in service that will be placed in service within twelve months of the end of the test year.

(7) Deferred income taxes shall be deducted from items included in the ratebase.

(8) Allowable expenses may include the following:

(i) All regular expenses normally incurred by a cable operator

in the provision of regulated cable service, but not including any lobbying expense, charitable contributions, penalties and fines paid on account of violations of statutes or rules, or membership fees in social, service, recreational or athletic clubs or organizations.

(ii) Reasonable depreciation expense attributable to tangible assets allowable in the ratebase.

(iii) Reasonable amortization expense for prematurely abandoned tangible assets formerly includable in the ratebase that are amortized over the remainder of the original expected life of the asset.

(iv) Reasonable amortization expense for start-up losses and capitalized intangible assets that are includable in ratebase.

(v) Taxes other than income taxes attributable to the provision of regulated cable services.

(vi) An income tax allowance.

(h) Network upgrade rate increase.

(1) Cable operators that undertake significant network upgrades requiring added capital investment may justify an increase in rates for regulated services by demonstrating that the capital investment will benefit subscribers.

(2) A rate increase on account of upgrades shall not be assessed on customers until the upgrade is complete and providing benefits to customers of regulated services.

(3) Cable operators seeking an upgrade rate increase have the burden of demonstrating the amount of the net increase in costs, taking into account current depreciation expense, likely changes in maintenance and other costs, changes in regulated revenues and expected economies of scale.

(4) Cable operators seeking a rate increase for network upgrades shall allocate net cost increases in conformance with the cost allocation rules as set forth in § 76.924 of this subpart.

(5) Cable operators that undertake significant upgrades shall be permitted to increase rates by adding the benchmark/price cap rate to the rate increment necessary to recover the net increase in cost attributable to the upgrade.

(i) Hardship rate relief.

A cable operator may adjust charges by an amount specified

by the Commission for the cable programming service tier or the franchising authority for the basic service tier if it is determined that:

(1) Total revenues from cable operations, measured at the highest level of the cable operator's cable service organization, will not be sufficient to enable the operator to attract capital or maintain credit necessary to enable the operator to continue to provide cable service;

(2) The cable operator has prudent and efficient management; and

(3) Adjusted charges on account of hardship will not result in total charges for regulated cable services that are excessive in comparison to charges of similarly situated systems.

(j) Cost of service showing.

A cable operator that elects to establish a charge, or to justify an existing or changed charge for regulated cable service, based on a cost-of-service showing must submit data to the Commission or the franchising authority in accordance with forms established by the Commission. The cable operator must also submit any additional information requested by franchising authorities or the Commission to resolve questions in cost-of-service proceedings.

(k) Subsequent Cost of Service Charges.

No cable operator may use a cost-of-service showing to justify an increase in any charge established on a cost-of-service basis for a period of 2 years after that rate takes effect, except that the Commission or the franchising authority may waive this prohibition upon a showing of unusual circumstances that would create undue hardship for a cable operator.

2. Section 76.924 is amended by revising paragraphs (b), (c), (d), (e), and (f) as follows:

§ 76.924 Accounting and cost allocation requirements.

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

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

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

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

(d) Summary accounts.

(1) Cable operators filing for cost-of-service regulation, other than small operators, as defined by Section 76.922(b)(5)(A) of this subpart, shall report all investments, expenses, and revenue and income adjustments accounted for at the franchise, system, regional and/or company level(s) to the summary accounts listed below.

**RATEBASE**

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

**OPERATING EXPENSES**

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

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

**REVENUE AND INCOME ADJUSTMENTS**

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

(2) Small operators, as defined by Section 922(b)(5)(A) of this subpart, that file for cost of service regulation shall report all investments, expenses, and revenue and income adjustments accounted for at the franchise, system, regional and/or company level(s) to the following summary accounts:

**RATEBASE**

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

**OPERATING EXPENSES**

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

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

**REVENUE AND INCOME ADJUSTMENTS**

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

(3) Cable operators shall not be required to report their investments, expenses and revenues to the summary accounts listed in subsections (1) and (2) of this section for purposes of adjusting rates based on changes in their external costs.

(e) Allocation to service cost categories.

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

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

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

(iii) Nonregulated cable programming services cost category. The nonregulated cable programming service cost category shall include the cost of providing video programming that is not carried on either the basic service tier or a cable programming service tier. It includes video programming that is offered (1) on a pay-per-channel basis (2) on a pay-per-program basis or (3)

as any combination of multiple channels of pay-per-channel or pay-per-program video programming offered on a multiplexed or time-shifted basis so long as the combined service consists of commonly-identified video programming and is not bundled with any regulated tier of service.

(iv) Other cable activities service cost category. The other cable activities service cost category shall include the cost of providing all cable services that are not included in the basic service, cable programming services, or nonregulated cable programming services categories. Other cable activities include leased commercial access, billing and collection services, studio and nonregulated equipment engineering and rental services, sale of nonregulated equipment, and maintenance of nonregulated equipment sold to customers.

(v) Non-cable activities service cost category. The noncable service cost category shall include the cost of providing all activities of a cable operator that are not related to the provision of cable services.

(2) Cable operators seeking an adjustment due to changes in external costs identified in FCC Form 1210 shall allocate such costs among the equipment basket, as specified in § 76.923 of this subpart, and the following service cost categories:

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

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

(iii) The nonregulated cable programming services cost category as defined by subsection (1)(iii) of this section;

(iv) The other cable activities service cost category as defined by subsection (1)(iv) of this section; and

(v) The non-cable activities service cost category as defined by subsection (1)(v) of this section.

(f) <u>Cost allocation requirements</u>.

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

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

offered.

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

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

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

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

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

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

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

3. Section 76.924 is amended to redesignate paragraph (g) as (j) and to add paragraph (g) to read as follows:

* * * * *

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

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

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

* * * * *

5. Section 76.924 shall be amended by adding the following as paragraph (i):

* * * * *

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

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

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

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

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

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

**Attachment C**

**Proposed Accounting Rules**

1. Part 76 is proposed to be amended by adding Subpart P as follows:

UNIFORM SYSTEM OF ACCOUNTS FOR CABLE SYSTEM OPERATORS


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## Subpart P -- Uniform System of Accounts for Cable System Operators

### § 76.1100 Background

The Uniform System of Accounts (USOA) for cable systems is designed for those cable operators that elect cost of service regulation. The purpose of the USOA is to help ensure that in cost of service proceedings,* regulators will have accurate records of cable operators' revenues, operating expenses, depreciation expenses and capital investments. In order for an accounting system to fulfill this purpose, it must exhibit consistency and stability in financial reporting. This USOA has, therefore, been designed to reflect stable, recurring, financial data, based to the extent regulatory considerations permit, upon the consistency of the well established body of accounting theories and principles commonly referred to as generally accepted accounting principles.

### § 76.1101 Reporting companies

(a) Cable operators, that elect cost of service regulation must have or develop accounting records in accordance with this Subpart for the relevant test year in the cost of service proceeding.

(b) If a cable operator does not develop or maintain its accounting records in accordance with this subpart for the relevant test year, the cable operator's cost of service application will be dismissed.

### § 76.1102 Records

(a) The reporting company's financial records shall be kept in accordance with generally accepted accounting principles to the extent permitted by this system of accounts.

(b) The reporting company's financial records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in these accounts. The detail records shall be filed in such manner as to be readily accessible for examination by representatives of this Commission.

(c) The Commission shall require a company to maintain financial and other subsidiary records in such a manner that specific information, of a type not warranting disclosure as an account or subaccount, will be readily available. When this occurs, or where the full information is not otherwise recorded in the general books, the subsidiary records shall be maintained in sufficient detail to facilitate the reporting of the required specific information. The subsidiary records, in which the full details are shown, shall be sufficiently referenced to permit ready identification and examination by representatives of this Commission.

### § 76.1103 Accounts-General

(a) As a general rule, all accounts kept by reporting cable companies shall conform in numbers and titles to those prescribed herein. However, reporting companies may use different numbers for internal purposes when separate accounts (or subaccounts) maintained are consistent with the title and content of accounts and subaccounts prescribed in this system. A company may subdivide any of the accounts prescribed. The titles of all such subaccounts shall refer by number or title to the controlling account.

(b) A company may make any such subdivisions, reclassifications or consolidations of existing balances as are necessary to meet requirements of this system of accounts.

### § 76.1104 Regulated Accounts

(a) In the context of this subpart, regulated accounts shall be interpreted to include the investments, revenues and expenses associated with basic cable service, cable programming services, equipment and installation and other cable activities. For those cable operators that elect cost of

service regulation, these regulated products and services are fully subject to the accounting requirements in this subpart.

(b) In the application of detailed accounting requirements contained in this subpart, when a regulated activity involves the common or joint use of assets and resources in the provision of regulated and nonregulated products and services, companies shall account for these activities within the accounts prescribed in this system. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to basic cable services, amounts solely assignable to cable programming services, amounts solely assignable to equipment and installation, amounts solely assignable to nonregulated cable programming services, amounts solely assignable to other cable activities, amounts solely assignable to noncable activities and amounts related to assets used and expenses incurred jointly or in common, which will be allocated among these service cost categories. Companies shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not qualifying for incidental treatment shall be recorded in the Nonregulated Operating Revenue account.

(c) Other income items which are incidental to the provision of regulated products and services shall be accounted for as regulated activities.

**§ 76.1105 Interpretation of accounts.**

In order to maintain uniform accounting within the prescribed system, questions involving matters of significance which are not clearly provided for, shall be submitted to the Chief, Cable Services Bureau, for explanation, interpretation, or resolution. Questions and answers thereto with respect to this system of accounts will be maintained by the Cable Services Bureau.

**§ 76.1106 Waivers.**

A waiver from any provision of this system of accounts shall be made by the Federal Communications Commission upon its own initiative or upon the submission of written request therefor from any reporting company, provided that such waiver is in the public interest and each request for waiver expressly demonstrates that: existing peculiarities or unusual circumstances warrant a departure from a prescribed procedure or technique; a specifically defined alternative procedure will result in substantially equivalent or more accurate portrayal of operating results or financial condition, consistent with the principles embodied in the provisions of this system of accounts; and the application of such alternative procedure will maintain or improve uniformity in substantive results as among reporting companies.

**§ 76.1107 Address for reports and correspondence.**

Reports, statements, and correspondence submitted to the Federal Communications in accordance with or relating to instructions and requirements contained herein shall be addressed to the Cable Services Bureau, Federal Communications Commission, Washington, D.C. 20554.

**§ 76.1108 Number convention.**

(a) The number "76" (appearing to the left of the first decimal point) indicates the part number.

(b) The numbers immediately following to the right of the decimal point indicate, respectively, the section or account. All account numbers contain 4 digits to the right of the decimal point.

(c) Cross references to accounts are made by citing the account numbers to the right of the decimal point; e.g., Account 1114, rather than the corresponding complete reference number 76.1114.

**§ 76.1109 Sequence of accounts.**

The order in which the accounts are presented in this system of accounts is not to be considered as necessarily indicative of the order in which they will be scheduled at all times in reports to this Commission.

**§ 76.1110 Nonregulated activities**

(a) This section describes the accounting treatment of activities classified for accounting purposes as "nonregulated." Activities classified as "nonregulated cable programming services" and "noncable activities" will be classified for accounting purposes as "nonregulated." Activities that qualify for incidental treatment under the policies of this Commission will be classified for accounting purposes as regulated activities. The treatment of nonregulated activities shall differ depending on the extent of the common or joint use of assets and resources in the provision of both regulated and nonregulated products and services.

(b) When a nonregulated activity does not involve the joint or common use of assets and resources in the provision of both regulated and nonregulated products and services, reporting companies shall account for these activities on a separate set of books. In the separate set of books, reporting companies may establish whatever detail they deem appropriate beyond what is necessary to provide this Commission with the information required in this subpart.

(c) When a nonregulated activity does involve the common or joint use of assets and resources in the provision of regulated and nonregulated products and services, the reporting company shall account for these activities within accounts prescribed in this system. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to nonregulated cable programming activities, amounts solely assignable to other cable activities, amounts solely assignable to noncable activities, amounts solely assignable to basic cable services, amounts solely assignable to cable programming services, amounts solely assignable to equipment and installation, and amounts related to assets used and expenses incurred jointly or in common, which will be allocated among these service cost categories. Companies shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not qualifying for incidental treatment shall be recorded in the nonregulated operating revenue account.

**§ 76.1111 Compensated absences.**

Reporting companies shall record a liability and charge the appropriate expense accounts for compensated absences (vacations, sick leave, etc.) in the year in which these benefits are earned by employees.

**§ 76.1112 Materiality**

Reporting companies shall follow this system of accounts in recording all financial and statistical data irrespective of an individual item's materiality under GAAP, unless a waiver has been granted under the provisions of § 76.1106 of this subpart to do otherwise.

**§ 76.1113 Nonregulated investments.**

Nonregulated investments shall include the investments in nonregulated activities that are conducted through the same legal entity as the cable operator, but does not involve the joint or common use of assets or resources in the provision of both regulated and nonregulated products and services.

**§ 76.1114 Cash and Equivalents.**

(a) This account shall include the following:

(1) The amount of current funds available for use on demand in the hands of financial officers and agents, deposited in banks or other financial institutions and also funds in transit for which agents have received credit.

(2) The amount of cash on special deposit, other than in sinking and other special funds provided for elsewhere, to pay dividends, interest, and other debts, when such payments are due one year or less from the date of deposit; the amount of cash deposited to insure the performance of contracts to be performed within one year from date of the deposit; and other cash deposits of a special nature not provided for elsewhere. Cash on special deposit shall include the amount of cash deposited with trustees to be held until mortgaged property sold, destroyed, or otherwise disposed of is replaced, and also cash realized from the sale of the company's securities and deposited with trustees to be held until invested in physical property of the company or for disbursement when the purposes for which the securities were sold are accomplished. Cash on special deposit to be held for more than one year from the date of deposit shall be included in the Other Noncurrent Assets Account.

(3) The amount of cash advanced to officers, agents, employees, and others as petty cash or working funds from which expenditures are to be made and accounted for.

(4) The cost of securities acquired for the purpose of temporarily investing cash, such as time drafts receivable and time loans, bankers's acceptances, United States Treasury certificates, marketable securities, and other similar investments of a temporary character. Accumulated changes in the net unrealized losses of current marketable equity securities shall be included in the determination of net income in the period in which they occur in the Other Nonoperating Income Account.

**§ 76.1115 Accounts receivable - cable services.**

(a) This account shall include all amounts due from customers for services rendered or billed and from agents and collectors authorized to make collections from customers. This account shall also include all amounts due from customers or agents for products sold. This account shall be kept in such manner as will enable the company to make the following analysis:

(1) Amounts due from customers who are receiving cable service.

(2) Amounts due from customers who are not receiving service and whose accounts are in process of collections.

(b Collections in excess of amounts charged to this account may be credited to and carried in this account until applied against charges for services rendered or until refunded.

**§ 76.1116 Accounts receivable allowance - cable services.**

(a) This account shall be credited with amounts charged to the Uncollectible Revenue Account, to provide for uncollectible amounts included in the Accounts Receivable - Cable Services account. There shall be credited to this account amounts collected which previously had been written off through charges to this account and credits to the Accounts Receivable - Cable Services Account. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to the Uncollectible Revenue account.

**§ 76.1117 Other accounts receivable.**

This account shall include all amounts currently due, and not provided for in other accounts, such as divisions of revenue, material and supplies,

matured rents, and interest receivable under monthly settlements on short term loans, advances, and open accounts.

**§ 76.1118 Accounts receivable allowance - other.**

(a) This account shall be credited with amounts charged to Uncollectible Revenue - Other account to provide for uncollectible amounts included in Other Accounts Receivable account. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credits to the Other Accounts Receivable account. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to the Uncollectible Revenue - Other account.

**§ 76.1119 Notes receivable.**

This account shall include the cost of demand or time notes, bills and drafts receivable, or other similar evidences (except interest coupons) of money receivable on demand or within a time not exceeding one year from date of issue.

**§ 76.1120 Notes receivable allowance.**

(a) This account shall be credited with amounts charged to the Provision for Uncollectible Notes Receivable account to provide for uncollectible amounts included in the Notes Receivable account. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credits to the Notes Receivable account. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to the Provision for Uncollectible Notes Receivable account.

**§ 76.1121 Interest and dividends receivable.**

(a) This account shall include the amount of interest accrued to the date of the balance sheet on bonds, notes and other commercial paper owned, on loans made, and the amounts of dividends receivable on stocks owned.

(b) This account shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking and other funds.

(c) Interest receivable under monthly settlements on short term loans, advances, and open accounts, shall be included in the Accounts Receivable - Cable Services account or the Accounts Receivable - Other account, as appropriate.

(d) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in the Investments in Affiliated Companies account, as a reduction of the carrying value of the investment.

**§ 76.1122 Inventories**

(a) This account shall include the cost of materials and supplies held in stock and inventories of goods held for resale or lease. The investment in inventories shall include materials and supplies and property held for sale or lease. This account shall not include items which are related to a nonregulated activity unless that activity involves joint or common use of assets and resources in the provision of regulated and nonregulated products and services.

(b) This account shall include cost of material and supplies held in stock, including plant supplies, motor vehicles supplies, tools, fuel, other supplies and material and articles of the company in process of manufacture for supply stock.

(c) This account shall include transportation charges and sales and use taxes, so far as practicable, as a part of the cost of the particular material to which they relate. Transportation and sales and use taxes which are not included as part of the cost of a particular material shall be equitably apportioned among the detail accounts to which material is charged.

(d) So far as practicable, cash and other discount on material shall be deducted in determining cost of the particular material to which they relate or credited to the account to which the material is charged. When such deduction is not practicable, discounts shall be equitably apportioned among the detail accounts to which material is charged.

(e) Material recovered in connection with construction, maintenance or retirement of property shall be charged to this account as follows:

(1) Reusable items that, when installed or in service, were retirement units, shall be included in this account at the original cost, estimated if not known.

(2) Reusable minor items that, when installed or in service, were not retirement units, shall be included in this account at current prices new.

(3) The cost of repairing reusable material shall be charged to the appropriate account in the Plant Specific Operations Expense accounts.

(4) Scrap and nonusable material included in this account shall be carried at the estimated amount which will be received therefor. The difference between the amounts realized for scrap and nonusable material sold and the amounts at which it is carried in this account, so far as practicable, shall be adjusted in the accounts credited when the material was taken up in this account.

**§ 76.1123 Prepayments.**

(a) This account shall include the following:

(1) The amounts of rents paid in advance of the period in which they are chargeable to income, except amounts chargeable to cable plant under construction and minor amounts which may be charged directly to the final accounts.

(2) The balance of all taxes, other than amounts chargeable to cable services plant under construction and minor amounts which may be charged to the final accounts, paid in advance and which are chargeable to income within one year.

(3) The amount of insurance premiums paid in advance of the period in which they are chargeable to income, except premiums chargeable to cable services plant under construction and minor amounts which may be charged directly to the final accounts.

(b) As the term expires for which any prepayment applies, this account shall be credited monthly and the appropriate account charged.

**§ 76.1124 Other current assets.**

This account shall include the amount of all current assets which are not includable in Accounts 1115 through 1123.

**§ 76.1125 Investments in affiliated companies.**

(a) This account shall include the acquisition cost of the company's investment in equity or other securities issued or assumed by affiliated companies, other than securities held in special funds which shall be charged to the Sinking Funds account. The carrying value of the investment (securities) accounted for on the equity method shall be adjusted to recognize the company's share of the earnings or losses and dividends received or receivable of the affiliated company from the date of acquisition.

(b) Declines in value of investments accounted for under the cost method shall be charged to the Other Capital account, if temporary and as a current period loss if permanent. Detail records shall be maintained to reflect unrealized losses for each investment.

(c) This account shall also include advances represented by book accounts only with respect to which it is agreed or intended that they shall be either settled by issuance of capital stock or debt; or shall not be subject to current cost settlement.

(d) A subsidiary record shall be kept identifying separately common stocks, preferred stocks, long-term debt, investment advances and special deposits of cash for more than one year from the date of deposit. Further, the company's record shall identify the securities pledged as collateral for any of the company's long-term debt or short-term loans or to secured performance of contracts.

(e) Amounts due from nonaffiliated companies which are subject to current settlement shall be included in the Accounts Receivable - Cable Services account or the Notes Receivable account, as appropriate.

(f) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to the equity method and the cost method.

**§ 76.1126 Investments in nonaffiliated companies.**

(a) This account shall include the acquisition cost of the company's investment in securities issued or assumed by nonaffiliated companies and individuals, other than securities held in special funds which shall be charged to the Sinking Funds account, and also its investment advances to such parties and special deposits of cash for more than one year from date of deposit.

(b) Declines in value of investment shall be charged to the Other Capital account, if temporary and as a current period loss if permanent. Detail records shall be maintained to reflect unrealized losses for each investment.

(c) This account shall also include advances represented by book accounts only with respect to which it is agreed or intended that they shall be either settled by issuance of capital stock or debt; or shall not be subject to current cost settlement.

(d) A subsidiary record shall be kept identifying separately common stocks, preferred stocks, long-term debt, investment advances and special deposits of cash for more than one year from the date of deposit. Further, the company's record shall identify the securities pledged as collateral for any of the company's long-term debt or short-term debt or short-term loans or to secure performance of contracts.

(e) Amounts due from nonaffiliated companies which are subject to current settlement shall be included in the Accounts Receivable - Cable Services account, the Accounts Receivable - Other account, or the Notes Receivable account, as appropriate.

**§ 76.1127 Nonregulated investments.**

This account shall include the reporting company's investment in nonregulated activities accounted for in a separate set of books as provided in § 76.1110(b).

**§ 76.1128 Unamortized debt issuance expense.**

(a) This account shall include the total unamortized balance of debt issuance expense for all classes of outstanding long-term debt. Amounts included in this account shall be charged to Interest and Related Items account.

(b) Debt Issuance expense includes all expenses in connection with the issuance and sale of evidence of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for issuing or recording evidences of debt; costs of engraving and printing bonds, certificates of indebtedness, and other commercial paper; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen; fees and expenses of listing on exchanges, and other like costs.

(c) A subsidiary record shall be kept of each issue outstanding.

**§ 76.1129 Sinking funds.**

(a) This account shall include the amount of cash and other assets which are held by trustees or by the company's treasurer in a distinct fund, for the purpose of redeeming outstanding obligations.

(b) Interest or other income arising from funds carried in this account shall generally be charged to this account.

(c) A subsidiary record shall be kept for each sinking fund which shall designate the obligation in support of which the fund was created.

**§ 76.1130 Other noncurrent assets.**

This account shall include the amount of all noncurrent assets which are not includable in Accounts 1125 through 1129.

**§ 76.1131 Deferred maintenance and retirements.**

This account shall include such items as the unprovided-for loss in service value of cable plant for extraordinary nonrecurring retirement not considered in depreciation and the cost of extensive replacements of plant normally chargeable to the current period Plant Specific Operations Expense accounts.

**§ 76.1132 Deferred charges.**

(a) This account shall include all deferred charges not provided for in the Deferred Maintenance and Retirements account. Such charges include unaudited amounts and other debit balances in suspense that cannot be cleared and disposed of until additional information is received; the amount, pending determination of loss, of funds on deposit with banks which have failed; revenue, expense, and income items held in suspense; amounts paid for options pending final disposition.

(b) This account shall include the cost of preliminary surveys, plans, investigation, etc., made for construction projects under contemplation. If the projects are carried out, the preliminary costs shall be included in the cost of the plant constructed. If the projects are abandoned, the preliminary costs shall be charged to the Nonoperating Income and Expense account.

(c) This account shall include also the cost of evaluations, inventories, and appraisals taken in connection with the acquisition or sale

of property. If the property is subsequently acquired, the preliminary costs shall be accounted for as a part of the cost of acquisition, or if it is sold, such costs shall be deducted from the sale price in accounting for the property sold. If purchases or sales are abandoned, the preliminary costs included herein (including options paid, if any) shall be charged to the Nonoperating Income and Expense account.

**§ 76.1133 Instructions for cable services plant accounts.**

(a) *Purpose of cable services plant accounts.*

(1) The cable services plant accounts (1134 to 1138 inclusive) are designed to show the investment in the reporting company's tangible and intangible cable services plant which ordinarily has a service life of more than one year, including such plant whether used by the company or others in providing cable service.

(2) The cable services plant accounts shall not include the cost or other value that cable plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of cable services plant shall be credited to the accounts charged with the cost of such construction. Amounts of non-recurring reimbursements based on the cost of plant or equipment furnished in rendering service to a customer shall be credited to the accounts charged with the cost of the plant or equipment. Amounts received for construction which are ultimately to be repaid wholly or in part, shall be credited to the Other Deferred Credits account; when final determination has been made as to the amount to be returned, any unrefunded amounts shall be credited to the accounts charged with the cost of such construction. Amounts received for the construction of plant, the ownership of which rests with or will revert to others, shall be credited to the accounts charged with the cost of such construction.

(b) *Cable services plant acquired.*

(1) Property, plant and equipment acquired from an entity, whether or not affiliated with the accounting company, shall be accounted for at original cost.

(2) The accounting for property plant and equipment to be recorded at original cost shall be as follows:

(i) The amount of money paid (or current money value of any consideration other than money exchanged) for the property (together with preliminary expenses incurred in connection with the acquisition) shall be charged to the Deferred Charges account.

(ii) The original cost, estimated if not known, of cable services plant, governmental franchises and other similar rights acquired shall be charged to the applicable cable services plant accounts, Cable Services Plant Under Construction, and Property Held for Future Use as appropriate, and credited to the Deferred Charges account. When the actual original cost cannot be determined and estimates are used, the company shall be prepared to furnish the Commission with the particulars of such estimates.

(iii) Depreciation and amortization of plant acquired shall be credited to the Accumulated Depreciation account, the Accumulated Depreciation-Held for Future Cable Services Use account, the Accumulated Amortization--Tangible account, the Accumulated Amortization--Capitalized Leases account, the Accumulated Amortization--Leasehold Improvements account, the Accumulated Amortization--Intangibles account and the Accumulated Amortization--Other account, and debited to the Deferred Charges account.

(iv) Any amount remaining in the Deferred Charges account, applicable to the plant acquired, shall, upon completion of the entries provided in paragraphs (b)(2)(i), (ii) and (iii) of this section, be debited or credited, as applicable to the Goodwill account, or the Plant Adjustment account, as appropriate.

(3) A memorandum record shall be kept showing the amount of contributions in aid of construction applicable to the property acquired as shown by the accounts of the previous owner.

(c) *Cost of construction.*

(1) Cable services plant represents an economic resource which will be used to provide future services, the cost of which will be allocated in a rational and systematic manner to the future periods in which it provides benefits. In accounting for construction costs, the reporting company shall charge to the cable services plant accounts, where applicable, all direct and indirect costs.

(2) Direct and indirect costs shall include, but not be limited to the following:

(i) "Labor," which includes the wages and expenses of employees directly engaged in or in direct charge of construction work. It includes expenses directly related to an employee's wages, such as worker's compensation insurance, payroll taxes, benefits and other similar items of expense.

(ii) "Engineering," which includes the portion of the wages and expenses of engineers, draftsmen, inspectors, and their direct supervision applicable to construction work. It includes expenses directly related to an employee's wages, such as worker's compensation insurance, payroll taxes, benefits and other similar items of expense.

(iii) "Material and supplies," which includes the purchase price of material used at the point of free delivery plus the costs of inspection, loading and transportation, and an equitable portion of provisioning expense. In determining the cost of material used, proper allowance shall be made for unused material, for material recovered from temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of material. This item does not include construction material that is stolen or rendered unusable due to vandalism. Such material should be charged to the applicable plant specific operations expense accounts.

(iv) "Transportation," which includes the cost of transporting employees, material and supplies, tools and other work equipment to and from the physical construction location. It includes amounts paid therefor to other companies or individuals and the cost of using the company's own motor vehicles or other transportation equipment.

(v) "Contract work," which includes amounts paid for work performed under contract or other agreement by other companies, firms or individuals; engineering and supervision applicable to such work; cost incident to the award of contracts; and the inspection of such work. The cost of construction work performed by affiliated companies and other details relating thereto shall be available from the work in progress and supporting records.

(vi) "Protection," which includes the cost of protecting the company's property from fire or other casualties and the cost of preventing damages to others or the property of others.