Reporting Methods for Categorized Data in HCLS Quarterly Updates CWF Category 1 and COE Category 4.13 (Lines 710 and 250)

This document addresses what companies can report for period ending data for quarterly HCLS submissions. As current procedures describe, companies are required to submit 12 months period ending data associated with the quarter being submitted (i.e., March 31 for dash-2, June 30 for dash-3, September 30 for dash-4). Companies are required to complete a full categorization study at least once per year, preferably at the end of the year for use in the annual submission required for completion by all companies.

The following describes the data that is acceptable and not acceptable for reporting categorized level data necessary for COE and CWF.

Acceptable methods

1. Report categorized amounts (COE 4.13 and CWF 1) based on a full categorization study as of the end of period for the submission. The categorized amounts are based on CPRs and line counts as of the end of period.
2. If there have been minimal changes to non-loop categorized plant in Account 2230 – COE Transmission and Account 2410 – CWF interoffice/interexchange since the most recent full categorization study, then the abbreviated method described on the attached for Line 250 and 710 may be used.

Unacceptable methods

1. Using Line 250 and Line 710 amounts from the annual submission (or any prior submission).
2. Using average categorization ratios from the most recent annual cost study (i.e., applying the categorization ratios from the most recent annual cost study to the end of period account balances to compute end of period category amounts).
3. Any categorization that doesn't reflect updated line counts (voice/voice-data/data-only) for the end of period of the submission.

Abbreviated Method for Determining Categorized Data
for HCLS Quarterly Updates
CWF Category 1 and COE Category 4.13 (Lines 710 and 250)

CWF category 1 – Line 710

To develop the Line 710 amount for an HCLS quarterly update (period ending March 31, June 30 or September 30), begin with the period end Account 2410 balance (regulated and subject to separations). Subtract from this the category 2 (interoffice only), 3 and 4 amounts from the most recent full categorization study (period ending December 31).[1] This gives an estimate of loop plant (category 1 and category 2 loop) as of the period end.

Next, perform the standard wideband reallocation of dollars from category 1 to category 2, using loop counts as of the period-end. The remaining dollars in category 1 after the wideband reallocation are reported on Line 710 for the quarterly update. These calculations can be made at the CWF sub-account level, but results would be the same if performed on a total CWF basis.

Example:

- Identify June 30 CWF Account 2410 balance = $1,100,000
- Identify December 31 total categories 2 (interoffice only), 3 and 4 (before wideband reallocation) = $100,000.
- Estimate June 30 category 1 & category 2 loop (before wideband reallocation) = $1,100,000 - $100,000 = $1,000,000
- Identify June 30 line counts: category 1 = 700; category 2 (includes both CBOL and Non-DSL) = 300.
- Calculate wideband reallocation factor = 300/(700 + 300) = 30%
- Calculate June 30 category 1 (after wideband reallocation) = $1,00,000 * 70% = $700,000
- Results:
    - -Line 700 of June 30 HCLS Quarterly Update = $1,100,000
    - -Line 710 of June 30 HCLS Quarterly Update = $700,000

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[1] This methodology assumes that interoffice CWF plant (categories 2, 3 and 4) has not changed since the annual filing.

COE category 4.13 – Line 250

The development of the category 4.13 amount for a quarterly update begins with the December 31 categorization from the full categorization study. Any dollars that were allocated between categories 4.11 and 4.13 based on loop counts are separately identified (e.g., INID costs). These costs are then reallocated between categories 4.11 and 4.13 based on the end of period loop count for the quarterly submission. Once the reallocated 4.13 amount is computed, it is added to any other 4.13 amounts from the December 31 cost study to arrive at a new total 4.13. Then, a new power and common allocation is performed. (Essentially, the December 31 COE categorized costs have been re-stated using the quarterly update loop counts.)

Next, the newly developed category 4.13 amount is divided by the total Account 2230 (December 31), resulting in a 4.13 ratio. This ratio is then multiplied by the Account 2230 amount as of the period-end for the quarterly update. This amount is then reported on Line 250 for the quarterly update.

Example:

- Identify amount in the full categorization study that was joint use and allocate between COE 4.11 and COE 4.13 based on loop counts = $100,000
- Identify June 30 loop counts: Voice = 200; Voice/Data = 500; Data = 300
- Calculate COE 4.13 factor = (200/(300 + 200 + 500)) + ((500/(300 + 200 + 500)/2) = .45
- Calculate COE 4.13 allocation = $100,000 * .45 = $45,000
- Suppose the company had $35,000 in other 4.13 costs (costs not split between 4.11 and 4.13 based on loop counts). Then, total 4.13 = $45,000 + $35,000 = $80,000. A power and common allocation is then performed, resulting in a new 4.13 amount of $85,000
- Identify total December 31 Account 2230 amount = $255,000
- Calculate ratio of 4.13 to total 2230 = $85,000/$255,000 = 0.333
- Identify June 30 Acct 2230 = $375,000.
- Calculate the June 30 estimated COE 4.13 = $375,000 * 0.333 = $125,000.
- Results:
    - -Line 250 of June 30 HCLS Quarterly Update = $125,000