

Description of 2017 “CIA Results” Worksheet and “CIA Template” Workbook

The “CIA Results” worksheet and “CIA Template” workbook are provided to show the effects of the Capital Investment Allowance described in the Commission’s *Rate-of-Return Reform Order*¹ and §54.303 of the Commission’s rules.

In accordance with the annual reporting requirements in §54.303, the “CIA Results” spreadsheet contains the following, which are defined in §54.303(k), available at <http://www.ecfr.gov>:

- Annual Allowed Loop Plant Investment (AALPI)
- Broadband Deployment AALPI Adjustment
- Maximum Average Per Location Construction Project Loop Plant Investment Limitation
- Loop Cap Adjustment Factor, and
- Construction Limit Factor

These results are based on 2015 cost study data submitted to NECA by common line pool members and to USAC by other carriers.² The “Adjusted AALPI” is also provided in the results worksheet, which shows a study area’s AALPI after adjustment for its level of broadband deployment relative to the national average.

The “CIA Template” workbook shows how the data provided in the “CIA Results” spreadsheet were calculated and enables each carrier to reproduce the results for its study area by inputting its relevant cost study data. Each field in the CIA Template is labeled to describe the input data required. The CIA Template also automatically populates certain fields from publicly available data that is reproduced in automatic pre-populated look-up tables found in workbook’s “Admin Inputs” tab.

Additionally, by using their own forecasted cost study data, carriers can use the “CIA Template” workbook to forecast whether they will remain within their Adjusted Allowed Annual Loop Plant Investment. They can also determine whether any planned network construction projects might exceed their Maximum Average Per Location Construction Project Loop Plant Investment Limitation. The data in the automatic look-up tables can also be replaced by forecasted data, if available.

Additional Information

- The new CIA limits are applicable to investments beginning with calendar year 2017 and will be applied to loop investments used to calculate final CAF Broadband Loop Support (BLS) payments for 2017 and High Cost Loop Support (HCLS) payments when the 2017 investment data is used for 2019 HCLS payments.
- The CIA limits for 2017 are calculated using calendar year 2015 investment data following the *Rate-of-Return Reform Order* CIA requirements and as reflected in a CIA spreadsheet available on the NECA and USAC websites. The CIA spreadsheet is prepopulated with FCC released location counts and Form 477 deployment data.

¹ *Connect America Fund et al.*, WC Docket No. 10-90 et al., Report and Order, Order and Order on Reconsideration and Further Notice of Proposed Rulemaking, 31 FCC Rcd 3087 (2016) (*Rate-of-Return Reform Order and Further Notice*).

² The submitted cost study data are continuing to be reviewed by NECA and USAC and are subject to on-going revision to correct any errors and omissions.

- CIA limits will be recalculated and published on an annual basis. For example, CIA limits for calendar year 2018 will be calculated in 2017 using 2016 investment data.
- Average schedule companies can use the spreadsheet to see their individual results calculated as if they were a cost company. However, average schedule formulas are developed based on average costs and therefore CIA adjustments will be applied to average schedule companies' investment data used in the development of the average schedule formulas applicable to CAF BLS and HCLS based on the overall impact of the CIA limitations to the sample population used in development of the average schedule formulas.
- Capital investment allowance is calculated by first determining a carrier's total loop plant investment (TLPI) based upon that individual carrier's inflation-adjusted loop plant. Because each carrier's total loop plant investment is based on confidential information, it is not provided in the "CIA Results" worksheet.
- Total Allowed Loop Plant Investment (TALPI) is established based on each carrier's TLPI and accumulated depreciation.
- Using each carrier's TLPI, an AALPI is calculated. The AALPI is designed so that in any given year the AALPI will never be less than 5 percent nor greater than 20 percent of its TLPI. The AALPI is adjusted further based on broadband availability and may be adjusted further based on special circumstances. If the adjusted AALPI is less than \$4,000,000, the AALPI may be increased up to \$4,000,000. The AALPI cannot exceed the TALPI.
- Accounts used for determining the limitation are:
 - (Year End Regulated Financial Account Balances Subject to Separations)
 - 2110: TPIS-Land and support assets
 - 2210: TPIS-Central Office Switching
 - 2220: TPIS-Operator Systems
 - 2230: TPIS-Central Office Transmission
 - 2310: TPIS-Information Origination/Termination
 - 2410: TPIS-Cable and Wire Facilities
 - 2680: TPIS-Amortizable Tangible Assets
 - 2690: TPIS-Amortizable Intangible Assets
 - 1220: Inventories
 - 1410: Other Noncurrent Assets
 - 1438: Deferred Maintenance, Retirements and Other Deferred Charges
 - 2002: Property Held for Future Telecommunications Use
 - 2003: Telecommunications Plant Under Construction
 - 2005: Telecommunications Plant Adjustment
 - Cash Working Capital
 - 3100-2110: Accumulated depreciation-Land and support assets
 - 3100-2210: Accumulated depreciation-Central office switching
 - 3100-2220: Accumulated depreciation-Operator systems
 - 3100-2230: Accumulated depreciation-Central office transmission
 - 3100-2310: Accumulated depreciation-Information origination/termination
 - 3100-2410: Accumulated depreciation-Cable and wire facilities
 - 3400: D&A-Accumulated amortization—Tangible assets

Weighted Average Depreciation Rates

- Account 2110: TPIS-Land and support assets
- Account 2230: TPIS-Central office transmission
- Account 2310: TPIS-Information origination/termination
- Account 2410: TPIS-Cable and wire facilities
- Account 2680 & 2690: TPIS-Amortizable tangible assets

Demand

- Total Category 1 loops
- Total Category 1.3 loops (including voice/data DSL)
- Voice/data DSL lines
- Data only DSL lines

Categorized Investment

- Category 1 (Cable & wire facilities) loop portion
- Category 2 (Cable & wire broadband) loop portion
- Category 4.11 (Circuit equipment broadband) loop portion
- Category 4.13 (Circuit equipment) loop portion

- Several other factors are used in determining the CIA and are described in detail in Part 54.303 (b)-(m) of the FCC's rules. Documentation associated with Special Circumstances described in (k) should be reported to USAC and NECA once known, or as directed by the FCC in a future public notice.
- Capital Investment may also be limited by the construction allowance adjustment. The \$10,000 per location construction limit is adjusted for inflation. The inflation adjusted limit is also normalized by applying a loop cap adjustment factor and a construction limitation factor. The limit is applied on an individual project basis.