

Notes on FCC OpEx Limits

- Operating expenses (OpEx) are limited by determining a required percent reduction of applicable OpEx accounts for HCLS, CAF BLS or both by comparing each carrier's annual OpEx to the maximum allowable annual OpEx amount.
- The maximum allowable OpEx is equal to the regression model-generated annual OpEx per location plus 1.5 standard deviations (defined as the mean standard error of the regression) multiplied by the number of locations. The regression model is based on housing units (locations) and density and is described in detail in §54.303(a)(1) of the FCC's rules.
- OpEx accounts used for determining the limitation are:
 - CWF Maintenance (Acct. 6410)
 - COE Switching (Acct. 6210)
 - Operator Systems (Acct. 6220)
 - COE Transmission (Acct. 6230)
 - Network Support (Acct. 6110)
 - General Support (Acct. 6120)
 - Network Operations (Acct. 6530)
 - Limited Corporate Op. Expense (Acct. 6720 Limited by corp op limit)
 - Information origination/termination expense (Acct 6310)
 - Other property plant and equipment expenses (Acct 6510)
 - Customer operations expense: Marketing (Acct 6610)
 - Customer operations expense: Services (Acct 6620)
- The same expense accounts are used both for CAF BLS and HCLS to calculate a required percent reduction of respective OpEx accounts.
 - Maximum allowable OpEx is the same for CAF BLS and HCLS purposes for carriers without acquired exchanges.
 - Carriers with acquired exchanges have two different maximum allowable amounts, one for HCLS purposes and a different one for CAF BLS purposes:
 - For HCLS the maximum allowable OpEx is based on housing units and density of the original exchanges only. The acquired exchanges are not subject to OpEx limits.
 - For CAF BLS the maximum allowable OpEx is based on housing units and density of the entire study area including the acquired exchanges.
 - Thus, a carrier with acquired exchanges has two different maximum allowable OpEx amounts for HCLS and CAF BLS and possibly different required percent reductions of OpEx costs for HCLS and CAF BLS purposes
- If a carrier's annual OpEx for any particular 12 months period are lower than the maximum allowable OpEx then the carrier is not impacted by OpEx limits for that period; if OpEx costs are higher than the maximum allowable amount then all of its applicable OpEx accounts are proportionately reduced to meet the limit.
- Limit Application Example:
 - Maximum allowable OpEx = \$100
 - 2015 OpEx = \$125 (Opex limit factor for HCLS payments in 2017 = $100/125 = 0.8$)
 - 2017/18 forecasted OpEx = \$111 (Opex limit factor for forecasted CAF BLS in 2017/18 = $100/111 = 0.9$)
 - Multiply each 2015 OpEx account (at Part 32 level) used in HCLS calculation by 0.8 and recalculate HCLS based on reduced accounts.
 - Multiply each 2017/18 OpEx account (at Part 32 level) used for CAF BLS by 0.9 and recalculate CAF BLS by reducing OpEx at the total account level and processing through the Part 36 and 69 cost allocations to produce a reduced revenue requirement amount.