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MARCH 30, 2017

SPECIAL BULLETIN

Capital Investment Allowance *Locations and Projects*

In the FCC's March 2016 *RoR USF Reform Order*, a limitation on capital expenditures (capital investment allowance or CIA) was adopted that constrains recoverable loop plant investment in two ways: (1) overall annual loop plant investment, and (2) on a per location, per project basis. While the annual loop plant investment limitation is fairly straightforward, there are several issues that make the per location limit substantially less so.

The construction limit test is based on several factors:

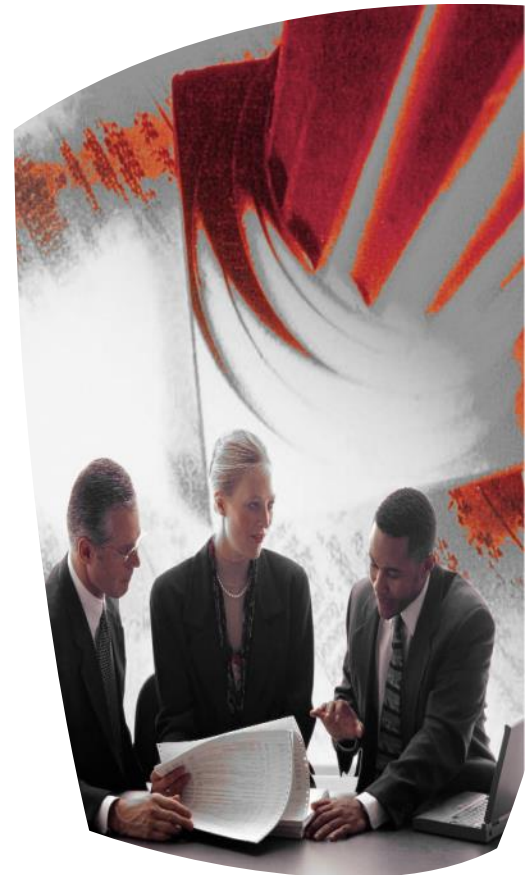
- ⇒ Total actual loop plant investment per location
- ⇒ The FCC's adjusted construction project loop plant investment (per location). Initially established at \$10,000, to be adjusted with inflation.
- ⇒ The loop cap adjustment factor (relates to the overall \$3,000 annual HCLS limit per loop)
- ⇒ Construction limitation factor (compares company actual investment with the RoR company average across all study areas)

The latest CIA information can be found [here](#).

As can be seen, the definition and determination of *locations* and *projects* is of substantial importance in ensuring future investment plans do not exceed the limitation. If a specific project exceeds the per-location limit, then the entire cost of the project must be permanently excluded from HCLS and CAF BLS reporting.

Projects

In order to comply with the FCC rule, new loop investment must be tracked on a per-project basis. While *project* is not specifically defined in the rule, companies should track projects consistently and in line with past practices. In addition, it should be noted that (1) projects are not necessarily tied to calendar years, and (2) are not necessarily equal to work orders. Finally, it is important that all companies subject to this rule define and treat projects consistently and not change definitions in reaction to the construction limit test, and that companies maintain documentation supporting their calculations.



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Questions? Comments?

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Locations

There is no definition for *location* in the FCC’s CIA rules ([47 CFR §54.303](#)), thus providing some level of flexibility for RoR carriers subject to the rule. In general, a location (passed) is a housing unit or business where broadband service meeting the FCC’s threshold definition (10/1 mbps, etc) can be provided within 10 days. While carriers are not required to comply with the following, the Wireline Competition Bureau offered some assistance ([link](#)) in defining locations in the context of reporting newly served broadband locations.

Residential Locations

For purposes of filing residential location data with USAC, carriers should report the housing units (as defined by the Census Bureau) in their eligible service area to which they have made broadband service available. We use this definition across all recipients to ensure consistency in reporting.

Housing units are defined by the Census Bureau as living quarters in which the occupant or occupants live separately from any other individuals in the building and have direct access to their living quarters from outside the building or through a common hall.

Apartment Buildings. Multiple housing units in a single structure at a single street address, such as apartment buildings, must be reported as a single record even though each unit will be counted as a separate location. Filers should report such buildings in a single record with a single latitude/longitude, and enter the number of units of the building in the Number of Units field.

Group Quarters. The Census Bureau does not classify group quarters, such as college dormitories, as housing units. Therefore, filers should not report group quarters as residential locations in their location data.

Business Locations

In addition to residential locations, filers should report the locations of businesses to which they have made mass market broadband service available. ... Filers should count each developed commercial property that meets those criteria and has its own street address as a separate location.

For purposes of deciding what business locations “count,” filers should consider the nature of the service offered to the location. A “small business” would typically subscribe to mass market “best efforts” broadband Internet access service. This does not mean the business actually is subscribing to this service, but rather this is a location where the carrier is commercially offering mass market broadband Internet access service to end users and would provide this type of service if the customer requested it.

Office Buildings. If an office building or commercial property has one street address with multiple units or suites, filers should list that property in a single record with a single pair of latitude/longitude coordinates and then report the number of units/suites that meet the criteria described above in the Number of Units field.

Adding to the above, it should be noted that empty plots of land (such as when building out new residential subdivisions) can be counted as a “location” for the construction limit test. As with the definition and treatment of projects in the context of the CIA, carriers should maintain detailed documentation supporting the locations served and passed that could be used in the case of an audit or other review.

Please let us know if you have any questions.



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