



PUBLIC NOTICE

Federal Communications Commission
445 12th St., S.W.
Washington, D.C. 20554

News Media Information: 202-418-0500
Internet: <https://www.fcc.gov>
TTY: 888-835-5322

DA 17-154

Released: February 9, 2017

INCENTIVE AUCTION TASK FORCE AND MEDIA BUREAU FINALIZE CATALOG OF REIMBURSEMENT EXPENSES

MB Docket No. 16-306
GN Docket No. 12-268

I. INTRODUCTION

1. The Commission delegated authority to the Media Bureau (Bureau) to, among other things, develop a catalog of eligible reimbursement expenses (Catalog) to facilitate the process of reimbursing eligible broadcasters and Multichannel Video Programming Distributors (MVPDs) from the \$1.75 billion TV Broadcaster Relocation Fund (Fund).¹ The Catalog is a non-exhaustive list, organized by category, of the equipment and services broadcasters and MVPDs are most likely to incur as a result of the 39-month post-incentive auction broadcast transition. The Bureau sought and received comment on the Catalog in September 2013,² March 2014,³ and, most recently, October 2016 after proposing to update the Catalog's expense categories and baseline costs.⁴ After considering the comments received in response to the *Catalog Update Public Notice*, we have now revised the Catalog as set forth in the

¹ See *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, GN Docket No. 12-268, Report and Order, 29 FCC Rcd 6567, 6820 para. 619 (2014) (delegating authority to the Bureau "to establish the timing and calculate the amount of allocations to eligible entities from the Reimbursement Fund, develop a final Catalog of Eligible Expenses, and make other determinations regarding eligible costs and the reimbursement process."), *aff'*, *Nat'l Ass. of Broadcasters, et al. v. FCC*, 789 F.3d 165 (D.C. Cir. 2015) (*Incentive Auction R&O*); and *Middle Class Tax Relief and Job Creation Act of 2012*, Pub. L. No. 112-96, §§ 6402, 6403, 125 Stat. 156 (2012) (Spectrum Act) at § 6403(d)(1); and see 47 U.S.C. §§ 309(j)(8)(G)(iii)(I), 1452(b)(4)(A)(i)-(ii). See also *Expanding the Economic and Innovation Opportunities of Spectrum Through Incentive Auctions*, GN Docket No. 12-268, Second Order on Reconsideration, 30 FCC Rcd 6746 at 6820-6828, paras. 167-189 (2015) (addressing reimbursement issues) (subsequent citations omitted).

² *Media Bureau Seeks Comment on Catalog of Eligible Expenses and Other Issues Related to the Reimbursement of Broadcaster Channel Reassignment Costs*, GN Docket No. 12-268, Public Notice, 28 FCC Rcd 13787 (MB 2013).

³ *Media Bureau Seeks Comment on Widelity Report and Catalog of Potential Expenses and Estimated Costs*, GN Docket No. 12-268, Public Notice, 29 FCC Rcd 2989 (MB 2014) (*Widelity Report and Second Catalog Comment Public Notice*). After considering the comments, we released a public notice announcing that we would submit the Reimbursement Form to the Office of Management and Budget (OMB) for approval under the Paperwork Reduction Act (PRA), adopted the Catalog, and provided guidance on certain aspects of the reimbursement process. See *Media Bureau Finalizes Reimbursement Form for Submission to OMB and Adopts Catalog of Expenses*, GN Docket No. 12-268, Public Notice, 30 FCC Rcd 11701 (MB 2015) (*Reimbursement Form Public Notice*).

⁴ *Media Bureau Seeks Comment on Updates to Catalog of Reimbursement Expenses*, MB Docket No. 16-306, GN Docket No. 12-268, Public Notice, 31 FCC Rcd 11467 (MB 2016) (*Catalog Update Public Notice*). The Bureau again engaged Widelity, Inc. (Widelity) to update the prior results and determine whether any of the Catalog's expense categories and baseline costs should be modified or supplemented to more accurately reflect the current market.

Appendix to this Public Notice,⁵ for use by eligible broadcasters and MVPDs during the post-incentive auction reimbursement period,⁶ and address herein some specific issues raised by commenters. For the reasons set forth herein, we adopt the updated Catalog. The updated Catalog will be made available for reference on the Commission's website, and the updated line items and price ranges will be viewable to users of the online Reimbursement Form.⁷ We also adopt the methodology proposed for annually adjusting the Catalog's prices in accordance with the Bureau of Labor Statistics' (BLS) Producer Price Index (PPI).⁸

II. DISCUSSION

2. We received eight initial comments and one reply comment in response to the *Catalog Update Public Notice*. Comments were generally positive,⁹ and most suggestions fell into one of three broad categories: (1) requests to add expense categories to the Catalog; (2) requests to modify existing expense categories in the Catalog; and (3) requests to adopt or clarify particular reimbursement policies and/or processes.¹⁰ We discuss each category in turn below. In subsection (4) we discuss the methodology for updating baseline costs.

3. (1) *Requests to Add Expense Categories*. Certain commenters suggested that we add to the Catalog specific additional expense categories for reimbursable services and equipment.¹¹ For example, Rohde & Schwarz suggested the addition of site surveys, a system dummy load, and a switch, if needed, to the expense categories for new transmitter installations.¹² PTV requested additional line items

⁵ The revised Catalog is appended to this Public Notice. See Appx., Catalog. The Catalog will be embedded within the FCC Form 2100, Schedule 399 (Reimbursement Form or Form) available in the Commission's Licensing and Management System (LMS). We have also added features to the online version of the Form that are designed to make it more user-friendly. For example, we have added check boxes that allow entities to easily indicate if they are seeking optional equipment upgrades or requesting partial payment of particular expenses.

⁶ The "reimbursement period" is the 36-month period beginning upon the Commission's release of the *Closing and Channel Reassignment Public Notice* announcing that the forward auction has concluded. See 47 U.S.C. § 1452(b)(4)(D); 47 CFR § 73.3700(a)(13). See also *Incentive Auction R&O*, 29 FCC Rcd at 6812, para. 598 (internal citations omitted).

⁷ As previously announced, we will resubmit the Reimbursement Form to the OMB for approval under the PRA of the minor changes resulting from these modifications to the Catalog, as well as the other minor modifications, discussed herein, that are designed to assist filers in describing their claims. *Reimbursement Form Public Notice*, 30 FCC Rcd at 11702 n.9.

⁸ Specifically, we will rely on the WPUFD4 series to annually adjust the Catalog's costs. *Catalog Update Public Notice*, 31 FCC Rcd at 11469.

⁹ Several commenters commended the Bureau's efforts to facilitate the post-incentive auction reimbursement process by updating the Catalog. See e.g., Cordillera Communications (Cordillera) Comments at 1; National Association of Broadcasters (NAB) Comments at 2.

¹⁰ In a separate public notice, we invited broadcasters to participate in a beta test of the online Reimbursement Form, and to provide us with feedback on the Form. *Media Bureau Announces Beta Testing of Post-Incentive Auction Broadcaster Relocation Reimbursement System*, Public Notice, 31 FCC Rcd 10992 (MB 2016). Feedback on the beta Form largely consisted of typo corrections, identification of field validation errors, and other suggestions to make the online Form more user-friendly.

¹¹ See e.g., Rohde & Schwarz USA, Inc. (Rohde & Schwarz) Comments at 2; The Public Broadcasting Service, America's Public Television Stations, and the Corporation for Public Broadcasting (collectively, PTV) Comments at 4-7; NAB Comments at 2-4; The Internet & Television Association (NCTA) Comments at 2; Cohen, Dippell and Everist, P.C. (Cohen Dippell) Comments at 2-3.

¹² Rohde & Schwarz Comments at 2. We note that expenses associated with transmitter siting are included elsewhere in the Catalog. We expect transmitter installation costs to vary based on the unique circumstances of each installation (e.g., existing equipment, channel reassignment, location, manufacturer, etc.). See Appx., Catalog at 4,

(continued....)

for new backup generators, increased post-transition operating costs, tower elevators for tall towers, and the cost of acquiring land for a tower.¹³ We do not believe it is necessary to add these specific items to the Catalog because, to the extent that stations reasonably incur such expenses, they can be claimed within the appropriate cost categories or on the catch-all “Other” line in the Reimbursement Form that is available for expenses not listed within a particular category.¹⁴ As previously noted, the Catalog is not intended to be all-inclusive of every possible expense category. Rather, it is intended to serve as a reference guide that will add structure to the process of claiming reimbursement by identifying the types of equipment and services that are most commonly required to construct new broadcast facilities, as well as their price ranges, based on Widelity’s recently updated research with industry stakeholders.¹⁵ Accordingly, to the extent that certain pieces of equipment, such as a system dummy load and switch, are not explicitly listed in the Catalog, we note that the Reimbursement Form provides flexibility for users to claim reimbursement for such expenses.

4. We likewise decline PTV’s request to include a line item cost category for increased post-auction operating costs. We do not expect stations’ operating costs to increase post-auction and thus do not agree that this will be a commonly incurred expense for reasons specifically related to the auction.¹⁶ Moreover, post-auction operating costs would not be incurred “in order for the licensee to relocate its television service from one channel to the other,” as required by the statute creating the Fund,¹⁷ but rather only *after* a station had already relocated to a new channel. We find that this interpretation is consistent with the Commission’s decision that only the “non-recurring costs to *set up* delivery” of a signal that the MVPD is required to carry would be eligible for reimbursement to MVPDs.¹⁸ PTV also requested that we include a line item for various professional services.¹⁹ As noted

(Continued from previous page) _____

Section A, Transmitters and In-Building Expenses (“Solid State Transmitter Prices [are] based on specific channel move and would include field engineering...,” and noting, “[c]osts vary widely by manufacturer and power level.”).

¹³ PTV Comments at 6-7 (*citing* PTV comments filed Nov. 4, 2013). We note that the Catalog does address elevator costs for taller towers, and additionally contains a section for interim facilities, such as backup generator. *See* Appx., Catalog at 10, Section D, Tower Equipment and Rigging (noting, “Costs may be higher for tower sites with difficult soil or other site conditions and *for towers with an elevator.*”) (emphasis added); *and see id.* at 11, Section E, Interim Facilities (noting that some “stations currently either have a licensed auxiliary facility or own backup equipment that they can repurpose for this use post-auction, while others may need to purchase or rent equipment or facilities.”).

¹⁴ The Reimbursement Form includes catch-all entries (labeled “Other”) for each major equipment and professional services cost category at the end of each section (e.g., “Other Transmitter Costs”). Reimbursement-eligible entities will be able to enter expenses that are not specifically listed in the Catalog using one of these fields on the online Form. As we have explained previously, we believe this approach provides sufficient flexibility for applicants to seek reimbursement for any expense without searching through an expansive catalog that includes every conceivable potential cost, including those that might be claimed by only a small sub-section of broadcasters. *Reimbursement Form Public Notice*, 30 FCC Rcd at 11702-03.

¹⁵ *See, e.g.,* Appx., Catalog at 2, About this Catalog; *Widelity Report and Second Catalog Comment Public Notice*, 29 FCC Rcd at 3064.

¹⁶ On the contrary, we expect that in some cases efficiency gains and corresponding decreases in operating costs may result from the purchase of new equipment. *See id.* at 29 FCC Rcd 3015 (“Early solid-state devices are now superseded by more efficient devices that save significantly on the power requirements and thus expenses.”). We note that stations can also employ measures to mitigate post-transition operating costs. *Id.* at 39 (noting that individual stations can help mitigate their costs, for example, by sharing sites).

¹⁷ 47 U.S.C. § 1452(b)(4)(A)(i).

¹⁸ *See Incentive Auction R&O*, 29 FCC Rcd at 6824, paras. 628-629 (emphasis added).

¹⁹ PTV Comments at 4-5 (requesting the addition of professional service expense categories for initial engineering and legal consultations, ongoing transition consultations, assistance in filing the Reimbursement Form, and for assistance with filing modifications to construction permits during the transition).

above, because the Catalog is not intended to cover every potential expense that reimbursement-eligible entities may incur to complete their post-auction transition and because the Reimbursement Form provides users with the flexibility to submit reimbursement claims for professional services that are not identified in the Catalog,²⁰ we do not find that adding the various professional services line items requested by PTV is warranted.²¹

5. NAB requested adding line items to the Catalog for expenses related to voluntary temporary channel sharing.²² As previously addressed, reasonably incurred costs associated with obtaining any interim facilities necessary to successfully transition would be eligible for reimbursement.²³ NAB also requested clarification as to whether temporary alternative delivery systems, such as fiber feed or a microwave link, would be eligible for reimbursement if a station experiences a temporary increase in interference of up to two-percent during the transition, and such interference prevents the delivery of a good quality signal to MVPDs.²⁴ Expenses incurred by reimbursement-eligible stations to purchase alternative delivery systems would be eligible for reimbursement to the extent such expenses were reasonably incurred. However, the Commission's recommendation in the *Incentive Auction R&O* that entities seeking reimbursement "should reuse their own equipment, to the extent possible, rather than obtain[] new equipment paid for by the [] Fund," is particularly germane in the context of temporary equipment.²⁵ Accordingly, entities should attempt to repurpose any existing equipment for use on a temporary or interim basis during the transition, prior to seeking reimbursement for new equipment from the Fund.²⁶

²⁰ Despite the fact that the Catalog does not contain an equivalent catch-all line item, we note that the Form does have a separate field for "Other Professional Service Expenses Not Listed," where entities may submit claims for professional services that are not listed in the Catalog. When requesting reimbursement for expenses in one of these catch-all fields, users will be prompted to provide a brief description of the expense and to upload documentation (e.g., estimate, invoice, etc.) substantiating the expense. *See supra* note 14.

²¹ In response to requests to add "project management" to the Catalog (*see, e.g.* Rohde & Schwarz Comments at 2), we note that this line item already exists under "Other Transition-Related Professional Services." Appx., Catalog at 14, Section H, Project Management.

²² NAB Comments at 4; *see also Incentive Auction Task Force and Media Bureau Adopt A Post-Incentive Auction Transition Scheduling Plan*, GN Docket No. 12-268; MB Docket No. 16-306, DA No. 17-701 at 24-27, paras. 53-58 (rel. Jan. 27, 2017) (*Transition Scheduling Adoption Public Notice*) (permitting reassigned Class A and full power stations to make a request to operate on a temporary channel either on an individual or joint basis).

²³ *Incentive Auction R&O*, 29 FCC Rcd at 6823-24, para. 627 ("We will treat interim facilities as a relocation expense eligible for reimbursement and will reimburse costs for such facilities that are reasonably incurred in order for a station to meet its construction deadline or to avoid prolonged periods off the air while repacking changes are made."); *id.* at n.1756 (explaining that one appropriate use of an interim facility is when "a station may need to operate on a different channel with different facilities than its final channel or facilities"). The Reimbursement Form and Catalog include categories for claiming expenses related to interim equipment. *See* Appx., Catalog at 11, Section E, Interim Facilities.

²⁴ NAB Comments at 4. *See Transition Scheduling Adoption Public Notice* at 8, para. 16 (allowing temporary increased pairwise (station-to-station) interference of up to two percent during the transition).

²⁵ *Incentive Auction R&O*, 29 FCC Rcd at 6832, para. 651.

²⁶ Entities must certify that the equipment and services paid for with money from the Fund are necessary to change channels or continue carrying a station that has changed channels. *Id.* at 6825, para. 633 (describing the documentation requirements for reimbursement, stating that entities must make "certifications . . . under penalty of perjury under 18 U.S.C. § 1001 in order to ensure that money from the Reimbursement Fund will be used only for eligible costs."). If a station or MVPD seeks reimbursement for new equipment, it must provide a justification as to why it is reasonable under the circumstances to purchase new equipment rather than modify its current equipment in order to change channels or to continue to carry the signal of a station that has changed channels. *See* 47 CFR § 73.3700(e)(2)(iii).

6. Finally, we decline to modify the Catalog to include reimbursement for salaries of stations' internal salaried and hourly employees whose work may involve tasks related to a station's channel reassignment during the transition period.²⁷ As explained previously, the Catalog is intended to reflect categories of expenses that stations will "most commonly incur."²⁸ The Widely Report did not include salaries of station employees as a commonly incurred cost, but instead included a category in the Catalog entitled "Outside Professional Costs."²⁹ Nonetheless, as explained previously, whether an expense is "reasonably incurred . . . in order for the licensee to relocate its television service from one channel to the other" will be assessed on a case-by-case basis regardless of whether the expense appears in the Catalog.³⁰ A station seeking reimbursement for an internal salary will have to demonstrate how such salary qualifies for reimbursement under the statutory standard.

7. (2) *Requests to Modify Existing Expense Categories.* One commenter recommended adding lower power ranges for liquid cooled transmitters.³¹ We do not agree that this change is necessary, because the corresponding field in the Reimbursement Form will accept any power range indicated and, as discussed, the Catalog is not intended to be exhaustive. We also decline requests to increase any of the baseline costs for the various professional services identified in comments³² because we believe that Widely's recent thorough survey of industry manufacturers and service providers reasonably identified relevant cost increases. In contrast, none of the commenters who advocated for these changes submitted documentation to support their proposed increases. Users will be able to request reimbursement for equipment or services greater than the Catalog's predetermined cost but we note that they will be prompted by the Form to provide a justification for the increased cost and to upload supporting documentation (e.g., estimate, invoice, etc.) substantiating the expense.³³

²⁷ See e.g., NAB Comments at 3; Cohen Dippell Comments at 3 (reimbursement for station technical personnel).

²⁸ *Reimbursement Form Public Notice*, 30 FCC Rcd at 11702.

²⁹ *Widely Report and Second Catalog Comment Public Notice*, 29 FCC Rcd at 3074 ("Stations without sufficient internal resources, either at the station itself or at an affiliated station or company, may have to obtain professional services from an outside source to complete the station's channel relocation.").

³⁰ *Reimbursement Form Public Notice*, 30 FCC Rcd at 11701-02. See also *Incentive Auction R&O*, 29 FCC Rcd at 6821, para. 622 ("The appropriate scope of 'costs reasonably incurred' necessarily will have to be decided on a case-by-case basis.").

³¹ Rohde & Schwarz Comments at 2 (recommending that liquid cooled transmitter start from 2.5 kW, rather than 4.9 kW, because, "[p]roducts in that power class are available and . . . [often] the most suitable.").

³² See, e.g., Cohen Dippell Comments at 2-3 (requesting increases to the cost ranges for various engineering services, including: (1) preparing the engineering section of construction permit applications; (2) performing engineering studies for new channel assignments and antenna development; and (3) performing impact studies to assess tower effects on AM stations; and (4) remedies for AM pattern disturbance); NCTA Comments at 2 (requesting increased cost ranges for equipment installations on towers over 400 feet, and for clarification that the upper range of the cost listed in the Catalog for new receivers and other RF processing equipment does not also include installation); PTV Comments at 6 (requesting increased cost ranges for NEPA Section 106 environmental review and FAA consulting to account for added costs in the event of challenge) (*citing* May, 2014, PTV Comment).

³³ Entities that submit their own cost estimates, as opposed to the predetermined cost estimates provided in the Reimbursement Form, via the Catalog, must submit supporting evidence and certify that the estimate is made in good faith. See 47 CFR § 73.3700(e)(2)(iv); see also *Incentive Auction R&O*, 29 FCC Rcd at 6821, para. 622 ("The appropriate scope of 'costs reasonably incurred' necessarily will have to be decided on a case-by-case basis."). The Commission explained that the Catalog will include a "predetermined estimate of the cost, or range of costs, for equipment and other expenses," and that, when submitting estimates, eligible entities may select either the predetermined cost from the Catalog or provide its own estimate. If an entity rejects the predetermined cost estimate as too low, it will be required to justify the higher cost by submitting supporting evidence, and to certify that the estimate is made in good faith. *Id.* at 6817-18, para. 611. After reviewing the justification, the Bureau may accept the entity's cost estimate or substitute a different amount from that claimed on the Form, for purposes of calculating

(continued....)

(3) *Requests to Clarify Reimbursement Policies.*

8. (a) *Exclusion of Foreign Suppliers.* GatesAir requested that the Commission adopt reimbursement policies that prefer U.S. manufacturers and service providers by excluding foreign manufacturers and service providers.³⁴ This request is beyond the scope of the *Catalog Update Public Notice*, which sought comment on two discrete issues: (1) updates made to the Catalog; and (2) an economic methodology for updating the costs contained therein.³⁵

9. (b) *Shared Costs.* Some commenters requested guidance concerning how to account for, and present on the Reimbursement Form, shared costs, such as those incurred by multiple repacked broadcasters at a shared tower site.³⁶ When expenses are shared among more than one reimbursement-eligible entity, it is incumbent on the claimants to determine the relative proportion of the expenses for which each will claim reimbursement, and to present the claims in as clear, accurate, and consistent a manner as possible.³⁷ The Reimbursement Form accommodates requests for reimbursement by two or more stations sharing equipment such as an antenna.³⁸ Guidance was also requested about how to treat costs incurred by non-reimbursement-eligible entities that are affected by the transition.³⁹ The Commission addressed this issue in the *Incentive Auction R&O*,⁴⁰ explaining that reimbursement claims from reassigned stations for costs incurred by non-eligible entities would be limited to instances in which “the reassigned broadcaster has a contractual obligation to pay these expenses through a contract” that was entered into on, or before, June 2, 2014 (the release date of the *Incentive Auction R&O*).⁴¹ Reimbursement-eligible entities with such contractual obligations may submit for consideration reimbursement claims only for expenses incurred by non-eligible entities that they are obligated to pay under timely-entered contracts.

(Continued from previous page) _____

the initial allocation. This determination is based on the Bureau’s reasonableness review of the justification and the supporting documentation. *Id.* at 6818, para. 613.

³⁴ Citing the 1933 “Buy American Act,” GatesAir voiced concerns about foreign manufacturers’ inferior products, the loss domestic jobs, and potential competitive harms to domestic businesses arising from foreign manufacturers’ entry into the reimbursement process. GatesAir, Inc. (GatesAir) Comments at 2-3 (*citing* 41 U.S.C. §§ 8301-03).

³⁵ Also outside the scope of this Public Notice was Cohen Dippell’s request for clarification regarding whether any repacked channel would “automatically force [a] DTV station from its current licensed site.” Cohen Dippell Comments at 2. We note that the Commission already addressed this issue and stated, “no broadcaster will be required to change the location of its transmission facility as a result of the reverse auction and repacking processes.” *Incentive Auction R&O*, 29 FCC Rcd at 6796, para. 559 n.1587.

³⁶ NAB Comments at 4.

³⁷ We note that the Reimbursement Form will facilitate this process by asking whether equipment is shared and, if so, prompting the station to identify the other stations with which the equipment is shared.

³⁸ To do so, the eligible entity must upload the contract and any other pertinent documentation into the appropriate field of the Reimbursement Form (e.g., “Other Expenses Not Listed”) in a manner that clearly identifies the contractual arrangement.

³⁹ See PTV Comments at 5-6 (requesting the Bureau to clarify how entities should handle transition expenses for multi-tenant towers, and how affected, non-eligible entities would be handled); see also Word of God Fellowship, Inc. Comments at 2 (requesting clarification of responsible party for compensating affected, non-eligible parties).

⁴⁰ See *Incentive Auction R&O*, 29 FCC Rcd at 6814, para. 602.

⁴¹ *Id.* The Commission further explained that, “[p]arties may receive such reimbursement with respect to contracts entered into after that date if they can show good cause for such reimbursement.” *Id.* at para. 602 n.1700. The Commission also noted the possibility of non-reassigned stations indirectly benefiting from reimbursement to an eligible station if, for example, a reassigned station were reimbursed for new equipment that was to be shared with non-reassigned stations. *Id.* at para. 602 n.1701 (internal citations omitted).

10. (c) *Leasing*. NAB sought guidance regarding how to account on the Reimbursement Form for the specific cost and time ranges for leased equipment.⁴² We expect that stations may lease equipment necessary for interim or temporary use during their transition, and the Reimbursement Form will accommodate this provided that the time frame for the lease periods falls within the reimbursement period. Because we are limited to reimbursing for expenses incurred during the three-year period, the reimbursement process does not accommodate long-term lease arrangements that extend beyond that period.⁴³ Since leasing expenses do not have predetermined prices listed in the Catalog, entities requesting reimbursement for such costs must enter into the Reimbursement Form their own individualized cost information and supporting documentation.⁴⁴

11. (d) *IOT and Solid State Transmitters*. Certain commenters requested that we clarify that broadcasters could be reimbursed for replacing older inductive output tube (IOT) transmitters with solid state transmitters, even if the replacement cost exceeded the cost of retuning the existing IOT transmitter.⁴⁵ At this time, we decline to adopt a policy of reimbursing for the cost of a solid-state transmitter for every eligible station that currently uses an IOT transmitter.⁴⁶ We note, however, that stations may change from an IOT to a solid-state transmitter during the transition, for all of the reasons cited by commenters that make IOTs difficult to modify, and a portion, or total, of the cost to do so may be eligible for reimbursement. The reimbursement process permits stations to upgrade their equipment – for example, changing from an IOT transmitter to a solid-state transmitter – by requiring stations to pay any difference between equipment comparable to their pre-auction facilities and the upgraded equipment they seek to purchase for use on their post-auction channel.⁴⁷ If, on the other hand, modifying an IOT transmitter or replacing all or part of an existing IOT transmission system is demonstrably *more* expensive than purchasing a replacement solid state transmitter, the station can submit the lower-priced solid state option for reimbursement if it prefers to change to a solid state transmitter. In that case, as required when requesting an upgrade, documentation demonstrating the cost differential for each option, must also be submitted with the request.

12. (4) *Methodology for Updating Baseline Costs*. In order to ensure that the baseline costs remain current throughout the reimbursement period, we adopt our proposal in the *Catalog Update Public Notice* to adjust the Catalog's baseline costs annually using the PPI, WPUFD4 series, as calculated by the BLS.⁴⁸ We also agree with NAB's suggestion that we continue proactively to monitor the

⁴² NAB Comments at 3-4.

⁴³ We are statutorily limited to making reimbursements during the three-year reimbursement period. 47 U.S.C. § 1452(b)(4)(D); 47 CFR § 73.3700(a)(13).

⁴⁴ *Incentive Auction R&O*, 29 FCC Rcd at 6818, para. 611 (“For any expenses for which there is not a predetermined cost estimate, the station or MVPD will be required to provide an individualized cost estimate. We will require entities that provide such individualized cost estimates to submit supporting evidence and to certify that the estimate is made in good faith.”).

⁴⁵ Hitachi Kokusai Electric Comark LLC Comments at 1; Cordillera Comments at 1.

⁴⁶ We note that Commission policy favors equipment modification over replacement. The Commission explained that, “[i]n light of the limited amount of money available for reimbursement of relocation costs from the [] Fund, we will be reluctant to reimburse for the cost of new equipment when a broadcaster or MVPD could modify its corresponding current equipment. We will assess the justification provided with the estimated cost form to determine whether the cost of new equipment is reasonably incurred under the circumstances.” *Incentive Auction R&O*, 29 FCC Rcd at 6814, para. 651 n.1814.

⁴⁷ *Id.* at 6822-23, para. 624 (explaining that entities “may elect to purchase optional equipment capability or make other upgrades at their own cost, but only the cost of the equipment without optional upgrades is a reimbursable expense.”).

⁴⁸ *Catalog Update Public Notice*, 31 FCC Rcd at 11468-69. We proposed to update the Catalog's costs annually using this methodology, after the annual average PPI value for the WPUFD4 dataset was released by the BLS (internal citations omitted).

Catalog's baseline costs. If actual price increases outpace the PPI average, we will propose to adjust the baseline costs accordingly. This will ensure that the Catalog continues to reflect accurate costs for equipment and services throughout the reimbursement period.⁴⁹

III. ADMINISTRATIVE MATTERS

13. For additional information on this proceeding, contact Pamela Gallant, Pamela.Gallant@fcc.gov, (202-418-0614), or Raphael Sznajder, Raphael.Sznajder@fcc.gov, (202-418-1648), of the Media Bureau, Video Division. Press contact: Charles Meisch, Charles.Meisch@fcc.gov, (202-418-2943), of the Incentive Auction Task Force.⁵⁰

– FCC –

⁴⁹ NAB Comments at 5 (noting that technological advancements could warrant additions to the Catalog as the transition unfolds).

⁵⁰ The actions in this Public Notice have not changed our Final Regulatory Flexibility Analysis, which was set forth in the *Incentive Auction R&O*. *Incentive Auction R&O*, 29 FCC Rcd at 6947, Appx. B.