

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554**

In the Matter of)	
)	
Comprehensive Review of the Part 32)	
Uniform System of Account)	WC Docket No. 14-130
)	
Jurisdictional Separations and Referral to the)	
Federal –State Joint Board)	CC Docket No. 80-286
)	

**COMMENTS OF THE
USTELECOM ASSOCIATION**

Pursuant to the Notice of Proposed Rulemaking (NPRM) adopted in the above-referenced dockets,¹ the USTelecom Association (USTelecom)² respectfully submits these comments in support of the Commission’s proposal to adopt recommendations from the Federal-State Joint Board on Jurisdictional Separations (Joint Board)³ that would amend Part 36 of the Commission’s rules to reflect the reforms made to Part 32 of the Commission’s rules.⁴ More, specifically, in the *Part 32 Reform Order* the Commission adopted rule changes that included the

¹ See *In the Matter of Comprehensive Review of the Uniform System of Accounts; Jurisdictional Separations and Referral to the Federal-State Joint Board*, WC Docket No. 14-130 and CC Docket No. 80-286, Notice of Proposed Rulemaking, FCC 18-22 (Feb.21, 2017) (*NPRM*).

²USTelecom is the nation’s leading trade association representing service providers and suppliers for the broadband innovation industry. Its diverse member base ranges from large publicly traded communications corporations to small companies and cooperatives – all providing advanced communications and broadband services to hundreds of millions of customers around the world.

³ See *In the Matter of Comprehensive Review of the Uniform System of Accounts; Jurisdictional Separations and Referral to the Federal-State Joint Board*, WC Docket No. 14-130 and CC Docket No. 80-286, Recommended Decision, 32 FCC Rcd 8678 (Fed.-State Jt. D. 2017) (*Recommended Decision*).

⁴ See *In the Matter of Comprehensive Review of the Part 32 Uniform System of Accounts*, WC Docket No. 14-130, Report and Order, 32 FCC Rcd 1735 (2017) (*Part 32 Reform Order*).

elimination of the Part 32 distinction between Class A and Class B incumbent LECs, allowing all carriers subject to Part 32 to keep only the less onerous Class B accounts. Class A carriers had previously been required to maintain 138 accounts, providing more detailed records of investment, expense, and revenue compared to the 80 accounts that smaller Class B carriers are required to maintain.⁵ In the *Part 32 Reform Order* the Commission determined that in light of the Commission's actions in areas of price cap regulation, universal service reform, and intercarrier compensation reform, as well as the advancement of robust intermodal competition in the market for telephone services, the duty to maintain two sets of accounts is generally not necessary for price cap carriers and, moreover, with respect to all carriers, it is necessary to streamline and eliminate outdated accounting rules no longer needed to fulfill our statutory or regulatory duties.⁶

In order to create consistency, the Joint Board recommends removing all of the provisions in the Part 36 rules that deal with Class A accounts, allowing former Class A carriers (carriers with revenue equal to or greater than \$157 million for calendar year 2016) to select between the former Class A and former Class B procedures for apportioning general support facilities costs as well as making certain stylistic and typographical corrections to the Part 36 rules.⁷ As a result, the Commission proposes to “(a) delete references to Class A accounts and the phrase “Class B accounts” in Part 32 rules that contain parallel references to Class A accounts and the Class B accounts into which they roll up; (b) delete references to current-year account balances and modify references to Class A carriers in other Part 36 rules; and (c) delete

⁵ See 47 CFR § 32.11(c), (d). The differences in the two account structures are set forth in tables contained in sections 32.103 (balance sheet accounts), 32.2000 (telecommunications plant accounts), 32.3000 (balance sheet accounts—depreciation and amortization), 32.3999 (balance sheet accounts—liabilities and stockholders' equity), 32.4999 (revenue accounts), 32.5999 (expense accounts), and 32.6999 (other income accounts).

⁶ See *Part 32 Reform Order* at 1735.

⁷ See *Recommended Decision* at 8060-82, paras 5-10.

references to Class A accounts in sections 36.501 and 36.505 of the rules,”⁸ as well as amend section 36.112, to reflect a carriers abilities to choose between the different separations procedures for Class A and Class carriers in apportioning their general support facilities costs.⁹

USTelecom supports all of these proposed rule changes. USTelecom was fully supportive of the changes to the Part 32 rules as an important streamlining and cost saving measure and sees these concordant changes to Part 36 as not only necessary clean-up to ensure that both rule parts work together consistently, but also to ensure that the Commission’s intent in adopting the Part 32 revisions is seen through to its completion by removing additional unnecessary and burdensome rules for carriers of all sizes.

While the primary purpose of the Part 32 rules has been to ensure price cap carriers charge just, reasonable, and non-discriminatory rates, historically, the primary purposes of the separations process has been to prevent incumbent LECs from recovering the same costs in both the interstate and intrastate jurisdictions. The rule changes proposed here, however, ultimately do not risk undermining the goal of either rule section, but instead simplify the accounting rules by removing unnecessary burdensome regulations that require carriers and ultimately consumers to incur unnecessary costs. As USTelecom pointed out in its comments in the Part 32 proceeding, “carriers collectively incur millions of dollars in maintaining two separate sets of books – costs that continue to grow with the expanding divergence between Part 32 rules, developed more than 25 years ago, and the ever-changing modern accounting techniques...”¹⁰ Carriers and consumers alike benefit from the streamlining of regulations by making the cost of providing service cheaper and easier.

⁸ *See Id.*

⁹ *See Id.*

¹⁰ *See* Comments of USTelecom, *In the Matter of Comprehensive Review of the Part 32 Uniform System of Account*, WC Docket No. 14-130 at 5 (filed Nov. 14, 2014).

Furthermore, USTelecom submits that not only *should* the Commission adopt these harmonizing changes, but in reality, the Commission *must* adopt the recommended decision. Now that the Part 32 rule changes are effective, it would make no sense to leave the Part 36 rules as is. The Part 36 rules as they stand - in light of the Part 32 revisions – could at best be considered confusing and at worst contradictory. As such, USTelecom supports the adoption of these changes as soon as possible. Since the Part 32 rules have already taken effect it is appropriate to make these harmonizing changes expeditiously. The proposed January 1, 2019 effective date¹¹ does correspond with the annual year accounting obligations and is suitable for this purpose.

The Commission also seeks comment on whether each carrier should be permitted to make an election between Class A or Class B methods only one time or be allowed to change the approach it takes over time.¹² USTelecom supports the opportunity for carriers to make these determinations as their business changes over time. In cases such as these, where the Commission gives options to carriers for the purpose of flexibility, it is reasonable that carriers be able to adjust their selection as their business needs change.

Additionally, consistent with the Joint Board’s recommendations, the Commission also proposes to make changes to its rules to reflect certain stylistic and typographical corrections to the Part 36 rules, such as correcting a spelling error in section 36.126(b) and to hyphenate the adjective “twelve month” throughout Part 36.¹³ USTelecom supports the Commission making such ministerial corrections. This sort of clean-up serves to make the rules clearer for all bound by them.

¹¹ See *NPRM* at para 12.

¹² See *Id.* at para 10.

¹³ See *Id.* at para 11.

The Commission should adopt the Joint Board's recommendations and make the necessary changes to ensure that Part 36 rules are harmonized with the recent revisions with the Part 32 rules as described herein.

Respectfully submitted,

UNITED STATES TELECOM ASSOCIATION

A handwritten signature in blue ink, reading "B. Lynn Follansbee".

By: _____
B. Lynn Follansbee
Jonathan Banks

Its Attorneys

601 New Jersey Avenue, NW, Suite 600
Washington, D.C. 20001
202-326-7300

April 12, 2018