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NECA NATIONAL EXCHANGE CARRIER ASSOCIATION

100 South Jefferson Road
Whippany, New Jersey 07981
201/884-8350

Richard A. Askoff
Associate General Counsel

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MAY 13 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

May 13, 1993

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

Re: Accounting and Ratemaking Treatment for AFUDC

CC Docket No. 93-50

Dear Ms. Searcy:

Enclosed herewith for filing with the Commission are the original and five copies of the National Exchange Carrier Association, Inc.'s Comments in the above-captioned matter.

Please acknowledge receipt hereof by affixing a notation on the duplicate copy of this letter furnished herewith for such purposes and remitting same to bearer.

Very truly yours,

Richard A. Askoff

RAA/bs
enclosures

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of	)	
	)	
Accounting and Ratemaking Treatment for AFUDC	)	CC Docket No. 93-50
	)	

COMMENTS

The National Exchange Carrier Association, Inc. (NECA)[1] submits its comments in response to the Commission's March 22, 1993 Notice of Proposed Rulemaking.[2] The Commission proposes to amend its Part 32 and 65 rules relating to accounting and ratemaking treatment of the Allowance for Funds Used During Construction (AFUDC).

Under the proposed amendments, AFUDC amounts will no longer be treated differently based on whether the related construction accounting is short-term or long-term. Subject carriers will be required to capitalize AFUDC on all construction at the cost of debt; include all plant under construction in the rate base; and reduce revenue requirements in the capitalized period by the amount of AFUDC capitalized.

NECA does not oppose adoption of the proposed rules. There is a concern, however, that smaller exchange carriers may incur

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[1] NECA is a not-for-profit, membership association, serving over 1400 local exchange carrier (EC) study areas. NECA members include all local exchange carriers in the United States, Puerto Rico and the U. S. Virgin Islands.

[2] The Accounting and Ratemaking Treatment for the Allowance for Funds Used During Construction (AFUDC), CC Docket No. 93-50, Notice of Proposed Rulemaking, FCC 93-126 (released March 22, 1993) (NPRM).

significant incremental bookkeeping expenses associated with the capitalization of interest expenses. Companies may also initially experience settlement reductions related to capitalization of interest under the revised rules. These amounts will not be recovered until plant is transferred to Account 2001 (Plant-in-Service).

In view of these concerns, the Commission may wish to permit smaller carriers to continue to use the current rate base method for all construction where the amount of the adjustment is not material in comparison to the additional bookkeeping requirements associated with capitalization.

NECA also recommends that the Commission adopt conforming amendments to section 36.222(c) of the rules, 47 C.F.R. § 36.222(c). This provision currently refers to Account 2004, which would be eliminated under the proposals set forth in the NPRM. If the Commission adopts the proposals set forth in the NPRM this paragraph should be revised to refer to Account 2003 (Telephone Plant Under Construction).

Respectfully submitted,

NATIONAL EXCHANGE CARRIER
ASSOCIATION, INC.

Richard A. Askoff
100 South Jefferson Road
Whippany, New Jersey 07891

Its Attorney

May 13, 1993