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FEDERAL COMMUNICATIONS COMMISSION  
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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

In the Matter of:	)	
	)	
Petition for Rulemaking to Amend Part 32 of	)	RM-___
the Commission's Rules to Eliminate Detailed	)	
Property Records for Certain Support Assets	)	

**PETITION FOR RULEMAKING**

The United States Telephone Association (USTA) respectfully requests that the Commission initiate a rulemaking proceeding to amend its existing rules to eliminate detailed property record requirements for the support assets in certain accounts. USTA requests that the rules be amended to permit vintage amortization level (VAL) property records for these assets.<sup>1</sup>

**I. INTRODUCTION.**

Part 32 of the FCC's rules sets out the Uniform System of Accounts (USOA) for Telecommunications Companies. The USOA is intended to permit regulators to assess the financial performance of carriers. (47 CFR § 32.1.) The provisions of Part 32 relating to balance sheet accounts include instructions to carriers on how to record their investment in telecommunications plant. (47 CFR §§ 32.101 and 32.2000.)

<sup>1</sup>USTA is the principal trade association of the local exchange carrier industry. Its members provide over 98 percent of the exchange carrier access lines in the U.S.

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Section 32.2000(e) (1) of the Commission's Rules defines the basic property records to be kept for telecommunications plant:

The basic property records are that portion of the total property accounting system which preserves the following detailed information:

- (i) The identity, vintage, location and original cost of units of property;
- (ii) Original and ongoing transactional data (plant account activity) in terms of such units; and
- (iii) Any other specific financial and cost accounting information not properly warranting separate disclosure as an account or subaccount but which is needed to support regulatory, cost, tax, management and other specific accounting information needs and requirements.

Section 32.2000(e) (4) specifically requires that basic property records, as those are defined above, be maintained for plant in service as well as that held for future use:

Companies shall establish and maintain basic property records for each class of property recorded in the several plant accounts which comprise the balance sheet Account 2001, Telecommunications Plant In Service, Account 2002, Property Held for Future Telecommunications Use, and Account 2006, Nonoperating Plant.

## **II. ACCOUNTING FOR SUPPORT ASSETS SHOULD BE SIMPLIFIED.**

By this Petition, USTA asks that the Commission eliminate the requirement to establish and maintain detailed basic property records for support assets in the following Accounts: Account 2115, Garage Work Equipment; Account 2116, Other Work Equipment; Account 2122, Furniture; Account 2123.1, Office Support Equipment; Account 2123.2, Company Communications Equipment; and the personal computers and peripheral devices recorded in Account 2124, General Purpose Computers. (Detailed property records will continue to be maintained for other items recorded in Account 2124, due to their generally larger dollar value.)

In place of detailed property records, USTA requests that the Commission permit exchange carriers to adopt a vintage amortization level property record system. Under

such a system, the net book value of existing assets in each Account will be placed in a VAL group and amortized on a straight-line basis over the remaining life that results from the asset life chosen from the FCC-approved range of lives. Likewise, a VAL group will be established for new purchases in each vintage for each Account and amortized on a straight-line basis over the asset live chosen from the FCC-approved range of lives. The assets and their associated reserves will be removed from carriers' books when the cost of the related VAL group is fully amortized. Because salvage proceeds and cost of removal are not significant for these assets, and because these cannot be identified with a specific vintage, salvage proceeds will be reflected as a reduction in amortization expense, and the cost of removal will be reflected as an increase in amortization expense.

The FCC can permit carriers to keep VAL property records for the support assets by amending Section 32.2000(e) (4). The new Rule would read as follows:

Companies shall establish and maintain basic property records for each class of property recorded in the several plant accounts which comprise the balance sheet Account 2001, Telecommunications Plant In Service; Account 2002, Property Held for Future Telecommunications Use; and Account 2006, Nonoperating Plant, except that carriers will be permitted to adopt vintage amortization level property records for support assets recorded in the following accounts: Account 2115, Garage Work Equipment; Account 2116, Other Work Equipment; Account 2122, Furniture; Account 2123.1, Office Support Equipment; Account 2123.2, Company Communications Equipment; and personal computers and peripheral devices recorded in Account 2124, General Purpose Computers. Purchases will be accumulated and amortized on a straight-line basis over the asset life chosen from the FCC-approved range of lives. The assets and their associated reserves will be removed from the carriers' books when the cost of the related VAL group is fully amortized. Salvage proceeds will be reflected as a reduction in amortization expense, and cost of removal will be reflected as an increase in amortization expense.

Permitting the adoption of VAL property records for support assets will benefit both carriers and their customers. A disproportionate amount of resources are currently being dedicated to maintaining quite detailed property records for support assets. USTA

estimates that carriers currently maintain such records for over 220,000 new items purchased annually and for over 2,000,000 items currently embedded in industry's plant accounts. The Commission should note that this estimation is extremely conservative. For several USTA members, the cost of administering support assets ranges from sixteen to twenty percent of the total administrative cost of accounting for all plant, yet support assets represent only about six to seven percent of the gross plant balance. The fact that the administrative cost of support assets is approximately triple its proportionate relationship to industry's total plant clearly illustrates that support assets are subjected to unnecessarily detailed attention under the current rules.

USTA's proposal is consistent with the Commission's stated goal of reducing administrative burden. The adoption of VAL property records would simplify the depreciation process from the Part 32 accounting perspective by eliminating traditional depreciation studies for these particular support assets. Under this proposal, the carriers would merely use an asset life from the FCC-approved range of lives as the amortization period. Because the amortization period would be based on the assets' current range of prescribed lives, adoption of this proposal could be effected on a revenue-neutral basis. Granting this Petition will not interfere with the proceedings in CC Docket No. 92-296 on depreciation simplification, as it is restricted to Part 32 treatment of a very limited category of insignificant assets.

The requested rulemaking will further the effort begun in USTA's recent Petition to increase the dollar limit for expensing more support assets. Both rule changes would be appropriate given the current economic, regulatory and competitive environment. When the Commission adopted the current rules for support assets, the regulatory environment in particular was far different than it is today. The Commission's adoption of alternative forms of regulation, including price caps, requires that carriers be granted sufficient freedom to act like other competitive industries. By adopting both USTA petitions, the Commission will ensure that both carriers and ratepayers benefit from the efficiencies gained through administrative cost reductions, and the Commission itself will

benefit by reducing the oversight efforts it must devote to these assets in the depreciation process.

USTA's proposal to adopt a VAL system is not a novel or untried concept. The Florida Public Service Commission (FPSC) implemented vintage-level property records for support assets during its initial consideration and adoption of Part 32. The FPSC's experience should prove valuable to the Commission during a rulemaking proceeding generated by this Petition.

### III. CONCLUSION.

Based on the foregoing, USTA urges the Commission to initiate a rulemaking proceeding as soon as possible to permit carriers to adopt vintage amortization level property records for support assets.

Respectfully submitted,

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