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

In the Matter of	)	
	)	
Comprehensive Review of the	)	WC Docket No. 14-130
Part 32 Uniform System of Accounts	)	

COMMENTS OF THE AD HOC TELECOMMUNICATIONS USERS COMMITTEE

Susan M. Gately
SMGately Consulting, LLC
84 Littles Ave
Pembroke, MA 02359
(781) 679-0150

Economic Consultant

Colleen L. Boothby
Levine, Blaszak, Block and Boothby, LLP
2001 L St., NW, Suite 900
Washington, DC 20036
(202) 857-2550

Counsel for Ad Hoc Telecommunications Users Committee

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

In the Matter of	)	
	)	
Comprehensive Review of the	)	WC Docket No. 14-130
Part 32 Uniform System of Accounts	)	

COMMENTS OF
THE AD HOC TELECOMMUNICATIONS USERS COMMITTEE

The Ad Hoc Telecommunications Users Committee ("the Committee" or "Ad Hoc") files these comments in response to the Commission's Notice of Proposed Rulemaking ("NPRM" or "Notice")[1] in the docket captioned above.

The Commission's Uniform System of Accounts ("USOA")[2] continues to be relevant to the Commission's performance of its statutory functions for incumbent local exchange carriers ("ILECs") large and small, whether they are regulated under a traditional rate of return regime or under the Commission's price caps regime. A powerful example of the Commission's continuing need for the USOA is the Commission's special access investigation in WC Docket 05-25. The initial responses to the Commission's data request in that docket are due in just a month.[3] Now is hardly

1 *Comprehensive Review of the Part 32 Uniform System of Accounts,* WC Docket No. 14-130, Notice of Proposed Rulemaking, 29 9FCC Rcd 10638 (2014).

2 Codified at 47 C.F.R. Part 32.

3 *Special Access for Price Cap Local Exchange Carriers, WC Docket No. 05-25, AT&T Corporation Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services, RM-10593,* Order on Reconsideration, 29 FCC Rcd 10899 (2014).

the time to eliminate the very cost accounting records that will most likely be necessary to analyze that data and resolve the most significant issues in that proceeding. The continuing relevance of USOA data for purposes of developing appropriate remedies in the special access investigation is documented in greater detail in a whitepaper filed by Ad Hoc in WC Dkt. 05-25[4] and incorporated herein by reference.

A. The Class A and Class B carrier classes should be retained

The Notice's proposal to streamline the accounting rules applicable to the Class A incumbent LECs (the largest carriers) by eliminating the Class A and Class B distinctions in Part 32[5] would unreasonably hobble the Commission's ability in the future to fulfill its statutory duty of ensuring just and reasonable rates and practices for the largest ILECs.[6]

It is also unnecessary. If the Commission ultimately determines that identical accounting rules should, at this time, be applied to all ILECs regardless of size, then that decision can easily be accommodated in the Part 32 rules without eliminating the Class A and Class B distinctions. Retaining the two classes, on the other hand, will allow the Commission to target its streamlining efforts to those USOA rules for which there is no foreseeable use while preserving the Commission's ability to more easily

---

[4] See *Longstanding Regulatory Tools Confirm BOC Market Power: A Defense of ARMIS,* Attachment B to Comments of the Ad Hoc Telecommunications Users Committee, filed Jan 19, 2010, *Analytical Framework Necessary to Resolve Issues in the Special Access NPRM*, WC Docket No. 05-25, RM-10593. The paper points out at p. 5 that it uses the term "ARMIS data" to refer to regulatory accounting data.

[5] *Notice* at ¶¶ 10-13.

[6] Once again, the rate levels for the special access services under investigation in WC Docket 05-25 provide a useful illustration of the need for the information at risk under the proposal in the Notice. As FCC counsel recently observed to the U.S. Court of Appeals for the D.C. Circuit in defense of the Commission's Part 32 rules, they are necessary for the FCC "to move forward with the agency's special access proceeding." *Telcos Face Tough Questions in Appeal of Forbearance Decision*, TR Daily (Telecommunications Reports Int'l. Inc., Washington, D.C.), Sept. 5, 2014. To the extent that the Commission's investigation in that docket confirms the problems identified by Ad Hoc in its pleadings, the additional detail found in some of the Part 32 subcategories that the Commission is proposing to eliminate will likely be necessary to quantify the extent of special access overpricing and to fashion a remedy to bring prices back into a "just and reasonable" range.

revive requirements in the future (including those suspended via streamlining) that differentiate between the two carrier types, should that prove necessary.

If the Commission decides, however, to eliminate the requirement that Class A carriers separately record the dollar amounts associated with each of the Part 32 subaccounts, it should do so without disturbing the rules' specification of which subaccounts must be included in the higher account levels. This can be accomplished by revising the rule language for only 17[7] of the 138 accounts referenced in the Notice in the following manner:

> Example of Existing Rule:
> §32.2210 Central office—switching. This account shall be used by Class B companies to record the original cost of switching assets of the type and character required of Class A companies in Accounts 2211 through 2212.
>
> Example of Revised Rule:
> §32.2210 Central office—switching. This account shall be used by Class A and Class B companies to record the original cost of switching assets of the type and character required ~~of Class A companies~~ in Accounts 2211 through 2212.

B. Streamlining some Part 32 Accounts applicable to Class A carriers may be appropriate

Ad Hoc agrees that the elimination of requirements for several, though not all, of the categories affected by the streamlining proposed in the *Notice* is reasonable. USOA subcategories are no longer necessary, even for the largest carriers presently categorized as "Class A," if they do not aid in the fulfillment of the Commission's statutory obligations nor offer insights into the underlying costs of provisioning service. At this time,[8] it appears that the recording and reporting requirements for the following accounts can be streamlined in the manner suggested above to the "0" account level:

---

[7] The 17 categories are identified specifically in Section B, following.

[8] To the extent that the comments of other parties identify reasons to avoid streamlining, Ad Hoc's position on these categories may change.

Balance Sheet Accounts: §32.2110 – Land and support assets, §32.2210 – Central office-switching, §32.2230 – Central office-transmission, §32.2310 – Information origination/termination.

Expense Accounts: §32.6110 – Network support expenses, §32.6120 – General Support Expenses, §32.6210 – Central office switching expenses, §32.6230 – Central office transmission expenses, §32.6310 – Information origination/termination expenses, §32.6530 – Network operations expense, §32.6610 – Marketing, §32.6620 – Services.

The existing level of record-keeping detail should be retained for the remaining five categories that the *Notice* has proposed to streamline, specifically the asset and expense accounts associated with last-mile network facilities found in the accounts subtending §32.2410 and §32.6410 (cable and wire facilities), the asset and expense categories related to depreciation, amortization, and amortizable assets (§32.2680 and §32.6560) and the revenue reporting required for the basic local exchange category that includes private line revenue (§32.5000). These cable and wire facility subcategories have obvious import, both for the setting of pole and conduit rates and for the ongoing special access proceeding referenced above. The depreciation, amortization, and amortizable asset subcategory data will allow the Commission to perform time-series analyses of any unanticipated effects from the further movement towards GAAP-based accounting treatment contemplated by the Notice. Finally, the breakout of private line revenue from the other revenues in the basic local exchange revenue reporting category will be necessary for evaluating whether rates in the special access category are just and reasonable.

C. USOA requirements should continue to apply to Price Caps carriers

The Commission should not replace the existing USOA record-keeping rules codified in Part 32 of its rules with "targeted accounting requirements."[9] The time, effort, and expense (including the burden of participation on non-carrier parties) required to develop adequate replacements are likely to outweigh any reduction in the ILECs' "burden" that would be achieved by relieving price caps carriers of compliance with the Part 32 record-keeping requirement. Moreover, the accounting data will most likely have uses in the future that the Notice has not identified, e.g., developing remedies in enforcement activities to ensure just and reasonable rates or resolving still pending FCC proceedings. For example, the failure of the FCC's ICC reform plan to treat toll-free originating access minutes the same as terminating access minutes (despite the fact that this traffic is subject to precisely the same market failure as terminating traffic) is an open issue in that proceeding.[10] Now that the ICC transformation is well underway, resolution of this problem is likely to require examination of both the costs of provisioning and the revenues derived from this access service.

D. Rate impacting Exogenous Adjustments should not be allowed

The *Notice* acknowledges that, although the changes it proposes are designed specifically to accommodate the requests and concerns of carriers and are aimed at reducing regulatory burdens for those carriers, the possibility exists that several of the

---

[9] *Notice* at ¶ 33.

[10] See Comments of the Ad Hoc Telecommunications Users Committee (filed February 24, 2012) in *Connect America Fund,* WC Docket No. 10-90, *A National Broadband Plan for Our Future,* GN Docket No. 09-51, *Establishing Just and Reasonable Rates for Local Exchange Carriers,* WC Docket No. 07-135, *High-Cost Universal Service Support,* WC Docket No. 05-337, *Developing an Unified Intercarrier Compensation Regime,* CC Docket No. 01-92, *Federal-State Joint Board on Universal Service,* CC Docket No. 96-45, *Lifeline and Link-Up,* WC Docket No. 03-109, *Universal Service Reform – Mobility Fund,* WT Docket No. 10-208.

proposed changes (other than streamlining) could ultimately be rate-affecting.[11] The Commission must ensure that it adopts changes in a manner that will preclude increases in rates resulting from this proceeding, either through exogenous changes for price cap carriers or through rate of return-driven increases for rate of return carriers.

Conclusion

Ad Hoc urges the Commission to retain its Part 32 USOA rules subject to only the streamlining discussed above and to continue applying those rules to price cap carriers.

Respectfully submitted,

By: Colleen Boothby

Susan M. Gately
SMGately Consulting, LLC
84 Littles Ave
Pembroke, MA 02359
(781) 679-0150

Economic Consultant

Colleen Boothby
Levine, Blaszak, Block and Boothby, LLP
2001 L St., NW, Suite 900
Washington, DC 20036
(202) 857-2550

Counsel for Ad Hoc Telecommunications Users Committee

[11] *Notice* at ¶ 52.