

**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)
)

**REPLY COMMENTS OF THE
UNITED STATES TELECOM ASSOCIATION**

The United States Telecom Association (USTelecom)¹ is pleased to submit its reply comments in response to the Commission’s Notice of Proposed Rulemaking (“Notice”)² in the matter of review of the Part 32 Uniform System of Accounts (“Part 32” or “USOA”).

A majority of the commenters substantially agree with USTelecom’s position that USOA requirements should be removed and support adoption of streamlining and targeted accounting proposals that only require carriers to provide accounting information as necessary upon reasonable request. We address the narrow issues raised by NCTA and the Ad Hoc Telecom User Group below. Only NASUCA maintains a position completely at odds with all other commenters.

I. THE MAJORITY OF COMMENTERS ACKNOWLEDGE CHANGES TO IRRELEVANT USOA REQUIREMENTS IS NECESSARY

The majority of commenters agree that it makes more sense to move toward a GAAP methodology and away from USOA which no longer is relevant to price-cap incumbents. For

¹ USTelecom is the premier trade association representing service providers and suppliers for the telecom industry. Its diverse member base ranges from large publicly traded communications corporations to small companies and cooperatives – all providing advanced communications service to both urban and rural markets. USTelecom members provide a full array of services, including broadband, voice, data and video over wireline and wireless networks.

² See *Notice of Proposed Rulemaking, FCC, In the Matter of Comprehensive Review of the Part 32 Uniform System of Accounts*, WC Docket No. 14-130, FCC 14-123 (rel. Aug. 20, 2014) (*Notice*).

example, in its joint comments NTCA, WTA, ERTA and NECA acknowledge that the use of GAAP makes sense.³ The group simply cautions that the Commission carefully considers the impact of such streamlining measures on other mechanisms such as USF and rural local exchange carrier rates.⁴ A part of this or any comprehensive review, the Commission should take all such considerations into account.

Alexicon Telecom Consulting (Alexicon) recommends the Part 32 USOA rules should reflect GAAP as much as possible particularly with respect to depreciation and materiality. USTelecom agrees entirely with this characterization. As we noted in our comments in this proceeding, the Commission should eliminate Part 32 rules in their entirety, but short of that the Commission at least should adopt more substantial streamlining through a thorough review of the differences between USOA and GAAP and utilizing GAAP.

Alexicon states that procedures should be aligned with GAAP to the greatest extent possible while ensuring that useful and reliable financial information is available to regulatory bodies.⁵ Specifically, Alexicon recommends that the Commission consider immediately updating the allowable depreciation rate ranges (increase them), and then adopt a procedure to: (1) update the rate range on a frequent basis; (2) allow for automatic changes to rates within the ranges adopted; and (3) allow for an expedited procedures for individual companies to adopt rates outside of the ranges for good cause shown all of which would ultimately reflect the relatively shorter expected useful life of telecommunications plant currently being deployed.⁶ USTelecom supported essentially the same concept to allow for depreciation methods that

³ See *Joint Comments of the NTCA – The Rural Broadband Association; WTA – Advocates for Rural Broadband; Eastern Rural Telecom Association and National Exchange Carrier Association, Inc.* at 2.

⁴ See *Id.* at 3-4.

⁵ See *Comments of Alexicon Telecommunications Consulting* at 2-3.

⁶ See *Id.* at 3-4.

follow GAAP which most closely reflect actual life of an asset (and decline in net realizable value) instead of utilizing Part 32 rules which result in separate schedules and depreciation modules programmed in vendor accounting systems.

In its comments, Alexicon agrees with the Commission that its “current approach to materiality is more restrictive than necessary” to meet statutory obligations, and argues that materiality should be defined to be more in line with how independent auditors view this issues and less subject to individual interpretations by regulators and “quasi-governmental agencies” such as NECA and USAC.⁷ Alexicon suggests that the Commission utilize the general materiality standard guideline promulgated by the Auditing Standards Board, which happens to closely mirrors GAAP. Under GAAP, materiality means that the nature of the economic event(s) including the dollar amount being accounted for and the *overall* economic environment, should be considered in determining how a particular transaction should be treated for reporting purposes. The Auditing Standards Board states in its most recent advisory on materiality defines performance materiality as, “the amount or amounts set by the auditor at less than materiality for the financial statements *as a whole* [emphasis added] to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.”⁸ There are clear similarities here that do not put Alexicon at odds with USTelecom’s position that the Commission should adopt the GAAP definition of materiality or, in the alternative, allow for a percentage threshold such as a 1% threshold.

⁷ See *Id.* at 4-5.

⁸ See AU-C §320.05, *Materiality in Planning and Performing an Audit* at 316 (November 18, 2014) at <http://www.aicpa.org/research/standards/auditattest/downloadabledocuments/au-c-00320.pdf> (last viewed 12/2/2014).

Additionally, the majority of commenters agree that the merge of Class A and B is appropriate at this time.⁹ The merge as proposed by the Commission is essentially the elimination of the classification of carriers into two classes which would reduce the number of accounts Class A carriers must keep by 1/3 (*i.e.*, from 138 to 80). USTelecom generally supports streamlining methods but this does nothing to reduce the burden. The same data is merely collected in summary accounts.

II. CONCERNS ABOUT POLE ATTACHMENT RATES AND SPECIAL ACCESS ARE OVERSTATED

The National Cable and Telecommunications Association (NCTA) voices only narrow concerns about how any changes to Part 32 might affect pole attachment rates.¹⁰ NCTA's concern is that because certain expense categories under Part 32 do not have a direct corollary to GAAP, there would be insufficient cost data to set rates.¹¹ Unlike what NCTA suggests, the DC Circuit decision in *Verizon and AT&T v. FCC*¹² does not end the discussion.¹³ To the contrary, the court noted that in the context of this rulemaking proceeding the Commission is free to find that Part 32 data is no longer necessary.¹⁴ Additionally, the Commission is proposing to replace the current Part 32 rule with a targeted rule that would ensure that the Commission and other regulatory bodies received the adequate amount of cost data it needs to set pole attachment rates without the same burden that is currently imposed by Part 32 rules. Neither Section 224(d) nor the pole attachment rules require the use of Part 32 data to regulate

⁹ See *Comments of Verizon* at 8; *Joint Comments of the NCTA – The Rural Broadband Association; WTA – Advocates for Rural Broadband; Eastern Rural Telecom Association and National Exchange Carrier Association, Inc.* at 2; *Comments of USTelecom* at 11; *Comments of CenturyLink* at 11; *Comments of Alaska Communications Systems* at 2.

¹⁰ See *Comments of the National Cable & Telecommunications Association* at 2.

¹¹ See *Id.* at 3.

¹² *Verizon and AT&T v. FCC*, Case No. 13-1220, slip op. (Oct. 31, 2014) (*Verizon and AT&T v. FCC*).

¹³ See *Comments of NCTA* at 2.

¹⁴ See *Id.* at 16.

pole attachment rates,¹⁵ and USTelecom supports the elimination of the USOA accounts and any cost data needed should be derived in accordance with GAAP.¹⁶

Ad Hoc Telecom Users Committee (Ad Hoc) is primarily focused on how the current special access investigation would be affected by changes to Part 32.¹⁷ USTelecom submits that all of the data necessary for the special access proceeding can be obtained through the mandatory special access data collection. In that proceeding, the Commission is collecting detailed data as part of its comprehensive evaluation of special access marketplace. Cost data, however, are not part of that analysis, and they are not relevant to how price-cap carriers set their rates. The Commission should as a result of its data collection have plenty of data with which to conduct the special access proceeding, and Part 32 has no bearing on that.

III. NASUCA’S CALL TO REVERSE COURSE IS AN OUTLIER OPINION

The National Association of State Utility Consumer Advocates (NASUCA) simply wants to turn the clock back and increase regulation, even regarding issues wholly outside the scope of the NPRM.¹⁸ All of its calls to action are based on NASUCA’s misguided premises that the burden is minimal and the data is necessary for the Commission to meet its regulatory obligations.¹⁹

¹⁵ See, 47 U.S.C. § 224(d)(1); 47 C.F.R. §§ 1.1401-1.1424.

¹⁶ See 47 C.F.R. § 1.1404(g)(2) (“Data and information should be based upon historical or original cost methodology, insofar as possible. Data should be derived from [Automated Reporting Management Information System Reports], FERC 1, or other reports filed with state or federal regulatory agencies (identify source).”).

¹⁷ See *Comments of Ad Hoc Telecommunications Users Committee* at 4-5.

¹⁸ See *Comments of the National Association of State Utility Consumer Advocates (NASUCA)* at 1.

¹⁹ See *Id.* at 8.

IV. CONCLUSION

The Commission should move aggressively to eliminate the Part 32 accounting requirements in their entirety for price cap carriers, adopt streamlining measures to more closely align with GAAP and where necessary and appropriate, adopt targeted accounting rules for price cap carriers as supported by USTelecom and others in the industry.

Respectfully submitted,

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December 15, 2014