

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

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

REPLY COMMENTS OF VERIZON¹

The Commission should eliminate Part 32 and “relieve price cap carriers from the regulatory compliance burden imposed by this long-ago obsolete accounting framework.”² The Part 32 Uniform System of Accounts (USOA) imposes “considerable unnecessary costs” on price cap carriers.³ The Commission has said it is “appropriate to streamline the existing rules,”⁴ and the D.C. Circuit has said the need for Part 32 accounting data “appears marginal.”⁵ There are less onerous ways to address the concerns the Commission raised in the *USTelecom Forbearance Order*,⁶ and the Commission should abolish the Part 32 accounting rules as applied to price cap carriers.

¹ In addition to Verizon Wireless, the Verizon companies participating in this filing are the regulated, wholly owned subsidiaries of Verizon Communications Inc.

² See Alaska Communications Systems Comments at 1. See also United States Telecom Association (“USTelecom”) Comments at 6 (“[T]he Part 32 rules for price cap carriers are no longer in the public interest and the Commission should eliminate those rules in this rulemaking.”); CenturyLink Comments (“Rather than focusing on streamlining the USOA, the Commission should eliminate USOA requirements for price cap carriers and allow such carriers to use Generally Accepted Accounting Principles (“GAAP”) accounting.”).

³ CenturyLink Comments at 1. See also *id.* at Attachment A.

⁴ *Comprehensive Review of the Part 32 Uniform System of Accounts*, Notice of Proposed Rulemaking, 29 FCC Rcd 10638, ¶ 1 (2014) (“NPRM”).

⁵ See *Verizon and AT&T v FCC*, No. 13-1220, 2014 U.S. App. LEXIS 20962, *13 (D.C. Cir. Oct. 31, 2014).

⁶ *Petition of USTelecom for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain Legacy Telecommunications Regulations, et al.*, Memorandum Opinion and Order and Report and Order and Further Notice of Proposed Rulemaking and Second Further Notice of Proposed Rulemaking, 28 FCC Rcd 7627 (2013) (“*USTelecom Forbearance Order*”).

DISCUSSION

Only three commenters oppose streamlining or eliminating the existing Part 32 rules. None presents a compelling argument.

1. The National Cable & Telecommunications Association (NCTA) opposes any change to the rules with respect to pole attachment data. But as Alaska Communications Systems (ACS) said, “it is utterly unnecessary for the Commission to maintain the entire USOA edifice simply on behalf of its potential use in setting pole attachment rates.”⁷ And the Commission has recognized that there are other less burdensome ways of satisfying its stated need for pole attachment data than requiring price cap carriers to maintain Part 32 data.⁸ NCTA asserts that the Commission should rely on the D.C. Circuit’s decision affirming the *USTelecom Forbearance Order* and ask no further questions. But even as it affirmed the *USTelecom Forbearance Order* the D.C. Circuit acknowledged that the Commission was considering the continuing need for Part 32 data in this rulemaking and said that it may well be the case that “Part 32 is no longer justified by the expense. . .”⁹

The Commission can and should find in this rulemaking that Part 32 is not needed for pole attachment rates. Neither the statute nor the Commission’s rules require that pole attachment rates be based on USOA data,¹⁰ and nothing in Section 224 or the Commission’s rules mandates that Part 32 data be used to populate the formula that price cap LECs use to determine the maximum allowable pole attachment rates. Moreover, in the event of a dispute, the Commission

⁷ ACS Comments at 6. *See also* CenturyLink Comments at 9 (“It makes no sense to retain the whole panoply of USOA accounting requirements simply to ensure that pole attachment data is available for states not exercising their right to regulate pole attachments under Section 224 of the Act.”)

⁸ *NPRM*, ¶ 39.

⁹ *See Verizon and AT&T*, 2014 U.S. App. LEXIS 20962 at *13.

¹⁰ *See Verizon and AT&T*, 2014 U.S. App. LEXIS 20962 at *12; *see also NPRM* ¶ 37.

can “order the preparation of whatever cost data would be required to resolve the matter, even if a carrier were no longer maintaining USOA data in the ordinary course.”¹¹ Whatever data the Commission might need could be maintained under GAAP,¹² and USTelecom and its price cap member companies have volunteered to maintain and file this information, which would assure the continued public availability of cost data that a party challenging a pole attachment rate could include in its complaint.¹³

In addition, NCTA mischaracterizes USTelecom’s filings in the forbearance proceeding when it asserts that carriers subject to Part 32 conceded that continued compliance with Part 32 for pole attachments is reasonable.¹⁴ Rather, USTelecom said its price cap member companies “would voluntarily commit to continue filing the same pole attachment information that is filed today. In the future most of this information will be based on GAAP or an analogous successor accounting regime....”¹⁵ That voluntary commitment – which the price cap companies offered as an approach that “would avoid requiring price cap carriers to continue to bear the burdens associated with maintaining hundreds of Part 32 accounts”¹⁶ – cannot be read as a concession that maintaining Part 32 for pole attachments is reasonable. As the D.C. Circuit noted, “neither the statute nor the FCC’s implementing rules explicitly require submission of Part 32 data.”¹⁷

¹¹ ACS Comments at 7, *citing* 47 USC 218.

¹² *See* CenturyLink Comments at 10.

¹³ *See* Letter from Bennett L. Ross, counsel to USTelecom, to Marlene H. Dortch, FCC, *Petition of the United States Telecom Association for Forbearance From Certain Legacy Telecommunications Regulations*, WC Docket No. 12-61, at 5 (Apr. 18, 2013) (“USTelecom April 18 *Ex Parte*”); Letter from Walter McCormick, USTelecom, to Chairman Genachowski, *et al.*, FCC, WC Docket No. 12-61, at 4 (May 3, 2013).

¹⁴ NCTA Comments at 3-4.

¹⁵ USTelecom April 18 *Ex Parte* at 5-6.

¹⁶ *Id.* at 5.

¹⁷ *See Verizon and AT&T*, 2014 U.S. App. LEXIS 20962 at *12.

There are other far less burdensome ways to maintain cost data that the Commission may need for pole attachment purposes, and the price cap members of USTelecom proposed one such way.

2. The Ad Hoc Telecommunications Users Committee raises a purported need for Part 32 because of ongoing proceedings related to special access services.¹⁸ The Commission's ongoing special access investigation in WC Docket 05-25 has nothing to do with Part 32 accounting data. The Commission in that proceeding is collecting an overwhelming amount of data. It will conduct a comprehensive analysis of the marketplace, based in part on the data collects.¹⁹ While the Commission has requested extensive details about the special access services that companies are buying and selling, it has never asked for Part 32 data in the context of price cap special access regulation, and it has not requested information related to Part 32 in the data collection. This makes sense. The link between price cap carriers' rates and their costs has been severed. Part 32 data are not needed to determine the lawfulness of a price cap carrier's special access rates. Price cap carriers are permitted to set their rates at or below the applicable price cap indices, and as long as their rates do not exceed the indices, their rates are just and reasonable, without regard to the cost.²⁰

¹⁸ Ad Hoc Telecommunications Users Committee Comments at 2-3.

¹⁹ *Special Access for Price Cap Local Exchange Carriers, et al.*, Report and Order and Further Notice of Proposed Rulemaking, 27 FCC Rcd 16318 (2014).

²⁰ *Special Access for Price Cap Local Exchange Carriers*, Order and Notice of Proposed Rulemaking, 20 FCC Rcd 1994, ¶ 11 (2005); *Policy and Rules Concerning Rates for Dominant Carriers*, Second Report and Order, 5 FCCR 6786, ¶¶ 290-95 (1990).

CONCLUSION

The Part 32 accounting rules and the Uniform System of Accounts create unnecessary burdens and yield no benefits. The Commission should eliminate them, or at a minimum align the Uniform System of Accounts with GAAP in all of the ways it has proposed and suggested in the *NPRM*.

MICHAEL E. GLOVER
Of Counsel

Respectfully submitted,

/s/ Curtis L. Groves
CHRISTOPHER M. MILLER
CURTIS L. GROVES
VERIZON
1320 North Courthouse Road, 9th Floor
Arlington, VA 22201-2909
(703) 351-3084

Counsel for Verizon

December 15, 2014