

# ARTHUR ANDERSEN

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Arthur Andersen LLP

November 10, 1998

Suite 3100  
1225 17th Street  
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303 295 1900

Ex Parte

Ms. Magalie R. Salas  
Secretary  
Federal Communications Commission  
The Portals  
445 Twelfth Street, S.W.  
TW - A325  
Washington, D.C. 20554

Re: CC Docket No. 98-81, In the Matter of 1998 Biennial Regulatory Review – Review of Accounting and Cost Allocation Requirements

CC Docket No. 98-117, In the Matter of 1998 Biennial Regulatory Review – Review of ARMIS Reporting Requirements

ASD File No. 98-64, United States Telephone Association Petition for Rulemaking

CC Docket No. 96-150, In the Matter of Accounting Safeguards Under the Telecommunications Act of 1996

Dear Ms. Salas:

As part of the 1998 Biennial Regulatory Review required under Section 11 of the Communications Act, the Federal Communications Commission ("FCC" or "Commission") initiated a proceeding to review and modify accounting and cost allocation regulations in Parts 32 and 64 of the Commission's Rules.<sup>1</sup> In conjunction with that proceeding, Arthur Andersen LLP prepared and filed as an Ex Parte with the Commission on July 15, 1998, a position paper titled "Accounting Simplification in the Telecommunications Industry" (the "Andersen Paper").

In the Andersen Paper, we discussed recommendations that can be implemented today to streamline and simplify the accounting and reporting requirements for all incumbent local exchange carriers ("ILECs") to facilitate the industry's move to a competitive, deregulated environment. Arthur Andersen believes that the proposals for simplification and/or elimination discussed in the Andersen Paper should be adopted expeditiously by the Commission. They provide a framework for a *transition* from today's detailed Part 32 regulatory accounting and recordkeeping

<sup>1</sup> See 1998 Biennial Regulatory Review - Review of Accounting and Cost Allocation Requirements; United States Telephone Association Petition for Rulemaking, CC Docket No. 98-91, ASD File No. 98-64, Notice of Proposed Rulemaking, FCC 98-108, rel. June 17, 1998 (Accounting Notice).

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requirements to more of a "level playing field" where all carriers are subject to the same requirements under GAAP. The proposed recommendations further do not compromise the Commission's statutory or mandated oversight or enforcement responsibilities.

The attached paper supplements the Andersen Paper. The purpose of this supplement is to:

- Discuss in greater detail the recommendations contained in the Andersen Paper, particularly those areas of greatest opportunity, such as moving to a Class B account structure, that would provide for an effective and efficient transition from the current Class A Uniform System of Accounts ("USOA")<sup>2</sup> to the long-term goal of generally accepted accounting principles ("GAAP") for all telecommunications carriers;
- Present the findings from our additional analyses of potential cost savings to be realized by certain large ILECs from adopting the recommendations contained in the Andersen Paper;
- Respond to reply comments filed by several parties to the above proceedings, in particular the "Report of Andersen Position Paper" prepared by Snavely King Majoros O'Connor & Lee, Inc. (the "Snavely King Report").

An original and one copy of this letter and the attachments are being submitted. Acknowledgement and date of receipt of this transmittal are requested. A duplicate transmittal letter is attached for this purpose.

Please include this letter in the record of these proceedings in accordance with Section 1.1206(a)(2) of the Commission's Rules.

If you have any questions on this, please do not hesitate to contact Mr. Carl R. Geppert, Arthur Andersen LLP, at 303-291-9249.

Very truly yours,

ARTHUR ANDERSEN LLP

By   
Carl R. Geppert

Attachment

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<sup>2</sup> 47 C.F.R. § 32 et seq. (1997).