

- a new Subpart D to address the apportionment of expenses between interexchange, billing and collection and the new access elements;
- the elimination of the common line segregation rules; and,
- moving the universal service funding rules to Part 54.

PART XX - Price Cap Regulation (Competitive Pricing Division).

As noted earlier, USTA is resubmitting its proposal to consolidate and streamline the rules for incumbent price cap LECs from Parts 61 and 69 of the current rules into a new Part XX. The rules changes are attached. This is necessary to eliminate the vestiges of rate of return regulation which are no longer required for those incumbent LECs under price cap regulation. USTA has updated its proposal to reflect the petitions for forbearance of regulation for high capacity special access and dedicated switched transport services filed by several price cap carriers.

USTA's recommended rules changes include the following:

- eliminate regulation of high capacity special access and dedicated switched transport services;
- eliminate the study area averaging rule;
- permit zone pricing for all service categories, including common line, and permit different zone plans to be established for individual services; e.g., switched transport and special transport (zones may be initialized at the same price level when the zone pricing plan is based upon traffic density or zones may be initialized at different price levels for EUCLs when the zone pricing plan is based upon a cost demonstration);⁷⁸
- establish a simplified price cap basket structure consisting of a single Network Services basket with service categories for Tandem Switching and Transport, Local Switching, Common Line and Marketing, and Database Services thereby eliminating many of the existing service categories and subcategories such as High Capacity, DS1 and DS3;

⁷⁸ The Commission recently expanded the zone pricing for services within the trunking basket for price cap LECs. See, Pricing Flexibility News Release.

- modify the SLC and PICC rate calculations so that the maximum SLC is calculated based on common line revenue per line and the PICC is the difference between the maximum SLC and any SLC cap that is imposed; PICC caps are eliminated;
- eliminate the CCL;
- convert the residual interconnection charge to a flat rate charge recovered on a trunk port basis;
- exclude universal service contributions from the X Factor adjustment;
- create new rules to permit price cap LECs pricing flexibility based upon a demonstration that appropriate criteria have been satisfied. Such pricing flexibility includes the ability to offer volume and term discounts, including customer specific contracts, promotional offerings and the removal of competitive services from price cap regulation.⁷⁹

The streamlined rules included in USTA's proposal will encourage efficient competition thus providing greater choices for customers.

VI. CONCLUSION.

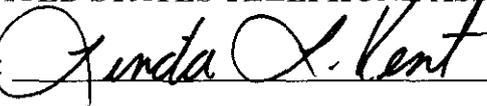
USTA urges the Commission to initiate a rulemaking proceeding incorporating USTA's proposed rules changes as the basis for a comprehensive review of its rules as required under Section 11 of the 1996 Act. As USTA has proposed, any regulation which does not further the pro-competitive, de-regulatory policy established by Congress and which imposes unnecessary costs must be eliminate or streamlined as suggested above. The convergence of the communications marketplace makes the continued micro-management of incumbent LEC business operations obsolete. Removing such regulatory burdens and avoiding placing additional restrictions and barriers on the efforts of incumbent LECs to compete in nascent markets such as advanced services will permit incumbent LECs to serve their customers in the most efficient and effective manner, will provide the appropriate incentives to encourage

⁷⁹ The Commission recently adopted such a mechanism at its August 5, 1999 Open Meeting.

investment in the telecommunications infrastructure necessary for the provision of advanced services to all consumers, promote consumer welfare, reduce administrative burdens and will enhance the development of economically efficient and fair competition.

Respectfully submitted,

UNITED STATES TELEPHONE ASSOCIATION

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August 11, 1999

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

PART 1

**USTA
BIENNIAL REVIEW PETITION
AUGUST 11, 1999**

§1.3 Suspension, amendment, or waiver of rules.

The provisions of this chapter may be suspended, revoked, amended, or waived for good cause shown, in whole or in part, at any time by the Commission, subject to the provisions of the Administrative Procedure Act and the provisions of this chapter. Any provision of the rules may be waived by the Commission on its own motion or on petition if good cause therefor is shown. Any filing to suspend, revoke, amend or waive the rules shall be deemed to be granted if the Commission does not deny the filing within one year after the Commissioner receives it.

§1.106 Petitions for reconsideration.

(a)(1) Petitions requesting reconsideration of a final Commission action shall be acted on by the Commission within one year after the Commission receives them. Petitions requesting reconsideration of other final actions taken pursuant to delegated authority will be acted on by the designated authority or referred by such authority to the Commission. A petition for reconsideration of an order designating a case for hearing will be entertained if, and insofar as, the petition relates to an adverse ruling with respect to petitioner's participation in the proceeding. Petitions for reconsideration of other interlocutory actions will not be entertained. (For provisions governing reconsideration of Commission action in notice and comment rule making proceedings, see §1.429. This §1.106 does not govern reconsideration of such actions.)

§1.115 Application for review of action taken pursuant to delegated authority.

(d) Except as provided in paragraph (e) of this section, the application for review and any supplemental thereto shall be filed within 30 days of public notice of such action, as that date is defined in section 1.4(b). Opposition to the application shall be filed within 15 days after the application for review is filed. Except as provided in paragraph (e)(3) of this section, replies to oppositions shall be filed within 10 days after the opposition is filed and shall be limited to matters raised in the opposition. Applications for review shall be deemed granted if the Commission does not deny the application within one year after the Commission receives them.

§1.1417

(d) Each utility shall establish a presumptive average number of attachers.

Rule No.	Action	Justification
1.3	Require FCC action within one year	Adds certainty to regulatory process, eliminates regulatory delay
1.106	Require FCC action within one year	Adds certainty to regulatory process, eliminates regulatory delay
1.115	Require FCC action within one year	Adds certainty to regulatory process, eliminates regulatory delay
1.1417	Reduce calculation of presumptive average number of attachers	Reduce administrative burden

PART 17

**USTA
BIENNIAL REVIEW PETITION
AUGUST 11, 1999**

Rule	Action	Justification
17.7	Delete	FCC rules contained in §17.7 are a duplication of FAA rules, specifically rule 77.17. The FAA rule is contained in the FCC Form 854.
17.14	Delete	FCC rules contained in §17.14 are a duplication of FAA rules, specifically rule 77.15. The FAA rule is contained in the FCC Form 854.
17.17	Modify	Remove reference to §17.23. Reference eliminated per information provided below.
17.21 - 17.23	Delete	The provisions set forth in 17.21-17.23 originate from and are contained in FAA Part 77 rules. In addition, FAA Advisory Circulars AC 70/7460-1H and AC 150/5345-43D provide provisions relative to painting and lighting.
17.24 - 17.43	Delete	This was "reserved" space.
17.45 - 17.51	Delete	The provisions set forth in 17.45-17.51 originate from and are contained in FAA Part 77 rules. In addition, FAA Advisory Circulars AC 70/7460-1H and AC 150/5345-43D provide provisions relative to painting and lighting.
17.52	Delete	This was "reserved" space.
17.53 - 17.56	Delete	FAA rules and Advisory Circulars address the issues covered in these sections.

PART 17 - CONSTRUCTION, MARKING AND LIGHTING OF ANTENNA STRUCTURES

Subpart A - General Information

§17.1 Basis and purpose.

(a) The rules in this part are issued pursuant to the authority contained in Title III of the Communications Act of 1934, as amended, which vest authority in the Federal Communications Commission to issue licenses to radio stations when it is found that the public interest, convenience, and necessity would be served thereby, and to require the painting, and/or illumination of antenna structures if and when in its judgment such structures constitute, or there is reasonable possibility that they may constitute, a menace to air navigation.

(b) The purpose of this part is to prescribe certain procedures for antenna structure registration and standards with respect to the Commission's consideration of proposed antenna structures which will serve as a guide to antenna structure owners. The standards are referenced from two Federal Aviation Administration (FAA) Advisory Circulars.

§17.2 Definitions.

(a) *Antenna structure*. The term antenna structure includes the radiating and/or receive system, its supporting structures and any appurtenances mounted thereon.

(b) An *antenna farm area* is defined as a geographical location, with established boundaries, designated by the Federal Communications Commission, in which antenna towers with a common impact on aviation may be grouped.

(c) *Antenna structure owner*. For the purposes of this part, an antenna structure owner is the individual or entity vested with ownership, equitable ownership, dominion, or title to the antenna structure. Notwithstanding any agreements made between the owner and any entity designated by the owner to maintain the antenna structure, the owner is ultimately responsible for compliance with the requirements of this part.

(d) *Antenna structure registration number*. A unique number, issued by the Commission during the registration process, which identifies an antenna structure. Once obtained, this number must be used in all filings related to this structure.

§17.4 Antenna structure registration.

(a) Effective July 1, 1996, the owner of any proposed or existing antenna structure that requires notice of proposed construction to the Federal Aviation Administration must register the structure with the Commission. This includes those structures used as part of stations licensed by the Commission for the transmission of radio energy, or to be used as part of a cable television head end system. If a Federal Government antenna structure is to be used by a Commission licensee, the structure must be registered with the Commission.

(1) For a proposed antenna structure or alteration of an existing antenna structure, the owner must register the structure prior to construction or alteration.

(2) For an existing antenna structure that had been assigned painting or lighting requirements prior to July 1, 1996, the owner must register the structure prior to July 1, 1998.

(3) For a structure that did not originally fall under the definition of "antenna structure," the owner must register the structure prior to hosting a Commission licensee.

(b) Except as provided in paragraph (e) of this section, each owner must file FCC Form 854 with the Commission. Additionally, each owner of a proposed structure referred to in paragraphs (a)(1) or (a)(3) of this section must submit a valid FAA determination of "no hazard." In order to be considered valid by the Commission, the FAA determination of "no hazard" must not have expired prior to the date on which FCC Form 854 is received by the Commission. The height of the structure will include the highest point of the structure including any obstruction lighting or lighting arrester.

(c) If an Environmental Assessment is required under §1.1307 of this chapter, the Bureau will address the environmental concerns prior to processing the registration.

(d) If a final FAA determination of "no hazard" is not submitted along with FCC Form 854, processing of the registration may be delayed or disapproved.

(e) If the owner of the antenna structure cannot file FCC Form 854 because it is subject to a denial of federal benefits under the Anti-Drug Abuse Act of 1988, 21 USC 862, the first tenant licensee authorized to locate on the structure (excluding tenants that no longer occupy the structure) must register the structure using FCC Form 854, and provide a copy of the Antenna Structure Registration (FCC Form 854R) to the owner. The owner remains responsible for providing a copy of FCC Form 854R to all tenant licensees on the structure and for posting the registration number as required by paragraph (g) of this section.

(f) The Commission shall issue, to the registrant, FCC Form 854R, Antenna Structure Registration, which assigns a unique Antenna Structure Registration Number. The structure owner shall immediately provide a copy of Form 854R to each tenant licensee and permittee.

(g) Except as described in paragraph (h) of this section, the Antenna Structure Registration Number must be displayed in a conspicuous place so that it is readily visible near the base of the antenna structure. Materials used to display the Antenna Structure Registration Number must be weather-resistant and of sufficient size to be easily seen at the base of the antenna structure.

(h) The owner is not required to post the Antenna Structure Registration Number in cases where a federal, state, or local government entity provides written notice to the owner that such a posting would detract from the appearance of a historic landmark. In this case, the owner must make the Antenna Structure Registration Number available to representatives of the Commission, the FAA, and the general public upon reasonable demand.

§17.5 Commission consideration of applications for station authorization.

(a) Applications for station authorization, excluding services authorized on a geographic basis, are reviewed to determine whether there is a requirement that the antenna structure in question must be registered with the Commission.

(b) If registration is required, the registrant must supply the structure's registration number upon request by the Commission.

(c) If registration is not required, the application for authorization will be processed without further regard to this chapter.

§17.6 Responsibility of Commission licensees and permittees.

(a) The antenna structure owner is responsible for maintaining the painting and lighting in accordance with this part. However, if a licensee or permittee authorized on an antenna structure is aware that the structure is not being maintained in accordance with the specifications set forth on the Antenna Structure Registration (FCC Form 854R) or the requirements of this part, or otherwise has reason to question whether the antenna structure owner is carrying out its responsibility under this part, the licensee or permittee must take immediate steps to ensure that the antenna structure is brought into compliance and remains in compliance. The licensee must:

- (1) Immediately notify the structure owner;
- (2) Immediately notify the site management company (if applicable);
- (3) Immediately notify the Commission; and,
- (4) Make a diligent effort to immediately bring the structure into compliance.

(b) In the event of non-compliance by the antenna structure owner, the Commission may require each licensee and permittee authorized on an antenna structure to maintain the structure, for an indefinite period, in accordance with the Antenna Structure Registration (FCC Form 854R) and the requirements of this part.

(c) If the owner of the antenna structure cannot file FCC Form 854 because it is subject to a denial of federal benefits under the Anti-Drug Abuse Act of 1988, 21 USC 862, the first licensee authorized to locate on the structure must register the structure using FCC Form 854, and provide a copy of the Antenna Structure Registration (FCC Form 854R) to the owner. The owner remains responsible for providing a copy of FCC Form 854R to all tenant licensees on the structure and for posting the registration number as required by §17.4(g).

Subpart B - Federal Aviation Administration Notification Criteria

§17.8 Establishment of antenna farm areas.

(a) Each antenna farm area will be established by an appropriate rule making proceeding, which may be commenced by the Commission on its own motion after consultation with the FAA, upon request of the FAA, or as a result of a petition filed by any interested person. After receipt of a petition from an interested person disclosing sufficient reasons to justify institution of a rule making proceeding, the Commission will request the advice of the FAA with respect to the considerations of menace to air navigation in terms of air safety which may be presented by the proposal. The written communication received from the FAA in response to the Commission's request shall be placed in the Commission's public rule making file containing the

petition, and interested persons shall be allowed a period of 30 days within which to file statements with respect thereto. Such statements shall also be filed with the Administrator of the FAA with proof of such filing to be established in accordance with §1.47 of this chapter. The Administrator of the FAA shall have a period of 15 days within which to file responses to such statements. If the Commission, upon consideration of the matters presented to it in accordance with the above procedure, is satisfied that establishment of the proposed antenna farm would constitute a menace to air navigation for reasons of air safety, rule making proceedings will not be instituted. If rule making proceedings are instituted, any person filing comments therein which concern the question of whether the proposed antenna farm will constitute a menace to air navigation shall file a copy of the comments with the Administrator of the FAA. Proof of such filing shall be established in accordance with §1.47 of this chapter.

(b) Nothing in this subpart shall be construed to mean that only one antenna farm area will be designated for a community. The Commission will consider on a case-by-case basis whether or not more than one antenna farm area shall be designated for a particular community.

§17.9 Designated antenna farm areas. - The areas described in the following paragraphs of this section are established as antenna farm areas: [appropriate paragraphs will be added as necessary].

§17.10 Antenna structures over 304.80 meters (1000 feet) in height. - Where one or more antenna farm areas have been designated for a community or communities (see §17.9), the Commission will not accept for filing an application to construct a new station or to increase height or change antenna location of an existing station proposing the erection of an antenna structure over 304.80 meters (1000 feet) above ground unless:

(a) It is proposed to locate the antenna structure in a designated antenna farm area, or

(b) It is accompanied by a statement from the Federal Aviation Administration that the proposed structure will not constitute a menace to air navigation, or

(c) It is accompanied by a request for waiver setting forth reasons sufficient, if true, to justify such a waiver.

§17.17 Existing structures.

(a) The requirements relating to painting and lighting of antenna structures shall not apply to those structures authorized prior to July 1, 1996. Previously authorized structures may retain their present painting and lighting specifications, so long as the overall structure height or site coordinates do not change. The Antenna Structure Registration requirements found in §17.5, however, shall apply to all antenna structures that have been assigned painting or lighting requirements by the Commission, regardless of prior authorization.

(b) No change in any of these criteria or relocation of airports shall at any time impose a new restriction upon any then existing or authorized antenna structure or structures.

Subpart C - Specifications for Obstruction Marking and Lighting of Antenna Structures

§17.57 Report of radio transmitting antenna construction, alteration, and/or removal. - The owner of an antenna structure for which an Antenna Structure Registration Number has been obtained must notify the Commission within 24 hours of completion of construction (FCC Form 854-R) and/or dismantlement (FCC Form 854). The owner must also immediately notify the Commission using FCC Form 854 upon any change in structure height or change in ownership information.

§17.58 Facilities to be located on land under the jurisdiction of the U.S. Forest Service or the Bureau of Land Management. - Any application proposing new or modified transmitting facilities to be located on land under the jurisdiction of the U.S. Forest Service or the Bureau of Land Management shall include a statement that the facilities will be so located, and the applicant shall comply with the requirements of §1.70 of this chapter.

PART 32

USTA
BIENNIAL REVIEW PETITION
AUGUST 11, 1999

RULE	ACTION	JUSTIFICATION															
<p>47 CFR 32, Sections C, D, E, F</p> <p>Also 32.2(f) 32.12 32.13(a)</p>	<p>Consolidate from Class A to Class B Accounting.</p> <p>Eliminate required: subaccounts, subsidiary records as well as Jurisdictional Difference Accounts.</p>	<p>Small rate of return companies are already using Class B accounts. These accounts exist today in Part 32 of the Commission's rules.</p> <ul style="list-style-type: none"> • Part 36 and 69 are both based on the Class B set of accounts. • Part 64 CAM processes can be adapted to Class B accounting. • LECs would continue to track necessary information for pole attachment rates, Universal Service, and interconnection cost studies. • Companies would accommodate state regulatory needs <p>Price cap regulation breaks the link between prices and costs. Yet price cap companies are required to keep more detailed accounts than some companies that are on rate of return regulation.</p> <p>In addition, carriers should not be forced into maintaining subaccounts or subsidiary records that are not necessary to meet business requirements. Removing the requirement to keep more detailed accounts for everyone gives flexibility to all ILECs to maintain sub accounts and subsidiary records according to business needs, while still allowing for regulatory monitoring. Jurisdictional Difference Accounts do not contain USOA dollars and should not be required in Part 32 USOA. These differences are not used in the federal process and are already provided to individual states.</p> <table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="3" style="text-align: center;"><u>Class A/B Comparison</u></th> </tr> <tr> <th></th> <th style="text-align: center;">A</th> <th style="text-align: center;">B</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">Accounts</td> <td style="text-align: center;">261</td> <td style="text-align: center;">109</td> </tr> <tr> <td style="text-align: right;">Sub Accounts</td> <td style="text-align: center;">12</td> <td style="text-align: center;">5</td> </tr> <tr> <td style="text-align: right;">Subsidiary Records*</td> <td style="text-align: center;">179</td> <td style="text-align: center;">0</td> </tr> </tbody> </table> <p>*Subsidiary records are required further breakdowns within each account for items such as metallic and nonmetallic plant, and salary and wages, benefits, rents, other and clearances for expenses. The Class A subsidiary record count of 179 does not reflect the many additional subsidiary (perhaps hundreds) records required in Part 32.5280 where a record must be kept for each nonregulated revenue item.</p>	<u>Class A/B Comparison</u>				A	B	Accounts	261	109	Sub Accounts	12	5	Subsidiary Records*	179	0
<u>Class A/B Comparison</u>																	
	A	B															
Accounts	261	109															
Sub Accounts	12	5															
Subsidiary Records*	179	0															

RULE	ACTION	JUSTIFICATION
47 CFR 32 Section 32.16	Eliminate preliminary notification requirements to the FCC for adoption of changes to Generally Accepted Accounting Principles into Part 32.	<p>Even though the current rules permit LECs to adopt new standards or changes to existing standards, LECs must file complex revenue requirement forecasts and seek permission to adopt Financial Accounting Standards Board (FASB) approved changes to Generally Accepted Accounting Principles (GAAP). This process delays implementation on the regulated books. The delay creates additional documentation burdens for LECs that competitive carriers do not have – keeping the same information in GAAP format for external reporting and in a different format for regulatory reporting, performing costly revenue requirement studies, etc. Once the FASB provides authoritative guidance, LEC competitors simply implement the GAAP change in the most cost efficient manner.</p> <p>Today's LEC rules should be modified to automatically allow LECs to adopt new standards as they are approved by the FASB without the need to seek Commission approval and without performing a costly revenue requirement study. The FASB provides a process through which proposed changes in GAAP are exposed for debate, discussion and evaluation of rules take place in this forum. Companies already report implementation of new FASB on both the 10K report and the regulatory ARMIS 43-02 report.</p>
32.25 32.2002(b) 32.13(a)(3)	Eliminate notification requirements for contingent liabilities, property held for future use, and the establishment of temporary accounts.	Identifying unusual items and contingent liabilities are a GAAP requirement and should not also need regulatory preapproval. Nor should preapproval be necessary for reflecting property as held for future use if longer than two years. Additionally, companies should not need to seek Commission approval merely to set up temporary/experimental accounts such as clearing accounts. No only do such preapprovals exceed GAAP, they further complicate the accounting process and are no longer necessary for regulatory oversight in today's environment.
32.1220(h) 32.2311(f) 32.1437 32.4340 32.4361	Allow for GAAP requirements relative to inventories and deferred tax accounting to be followed.	<p>GAAP requirements should be the basis for performing inventories for material and supplies and station apparatus instead of the detailed annual inventory requirements in the rules. Companies should be able to perform inventories based on risk assessment and on existing controls.</p> <p>GAAP should be followed for deferred tax accounting. The level of detail required in recording the taxes in the regulated books exceeds GAAP requirements.</p>
32.26	Materiality standards would also be dependent upon GAAP requirements.	With the advent of price cap pricing environments where cost accounting is not a driver of pricing and the increasing growth of competition as generated by cable companies, CLECs, wireless carriers, and CAPS, there should be no need in the longer term for detailed financial monitoring and accounting provisions from the FCC.

RULE	ACTION	JUSTIFICATION
47 CFR 32.23	<p>Section 271(g) activities that are tariffed should be accounted for as a regulated activity.</p> <p>All telephone company nonregulated activities that are de minimis should be accounted for as incidental regulated activities.</p>	<p>The tariff process already provides for ratepayer protection. Tariffed services should not also have to be accounted for as nonregulated. This accounting treatment provides no added ratepayer protection as the ratepayer is already paying the tariff rate. Section 271(g) activities that are tariffed should be accounted for as regulated activities. Section 271(g) activities that have been deregulated should be accounted for as nonregulated activities.</p> <p>Activities that are not tariffed, that are nonregulated, but are de minimis should be accounted for as regulated incidental activities (CAM Section III). De minimis is defined by the cap already established for incidental activities accounted for as regulated.</p>
47 CFR 32.27(b), (c), (d)	<p>Use of fully distributed cost (in lieu of comparing cost to market) should be allowed for the following types of transactions:</p> <ul style="list-style-type: none"> - Telephone company sales to service companies - Specific centralized services that are performed solely for members of the corporate family, regardless of whether an affiliate or the telephone company performs the service 	<p>The hierarchical affiliate pricing processes need to be simplified whenever possible. Simple cost based pricing (when tariff and prevailing price situations are not applicable) should be allowed in those situations where the transaction is simply an internal administrative activity being performed within the corporate family or where transactions are not significant in magnitude.</p> <p>A service company provides centralized services to members of the corporate family. Operating telephone companies (OTCs) are recipients of these services. OTCs also provide services to the service company, the costs of which the service company in turn includes in the cost of its centralized services. Requiring the OTC to charge HIGHER of cost or market (for other than tariffed or prevailing price services) to a service company inflates that service company's cost. OTCs should be allowed to simply charge service companies the OTC's cost.</p> <p>Internal centralized services are not resold outside the corporate family and as such these activities should be simply priced at cost instead of the higher (or lower) of cost or market. Today's rules do allow cost based pricing for services provided from an administrative affiliate provided to the telephone company. This recommendation would focus on the service being provided rather than the company providing the service. The proposal would allow cost based pricing when the centralized service is provided by the telephone company to the administrative affiliate as well as when the service is provided by the administrative affiliate to the telephone company.</p>

RULE	ACTION	JUSTIFICATION
<p>47 CFR 32.27(b), (c), (d) (continued)</p>	<p>- Affiliate transactions with an annual threshold of \$250,000 or less</p> <p>Affiliate transaction rules should not be applied to transactions involving telephone company nonregulated activities.</p> <p>Use of fully distributed cost (rather than comparing cost to fair market value) should be allowed for all affiliate transactions</p> <p>There should be no limiting criteria for use of prevailing price as the pricing method</p>	<p>Service provision and asset transfers less than this annual level are not material in any respect to the overall operations of the telephone company. Thus the simpler cost based pricing method should be sufficient for these smaller affiliate transactions.</p> <p>For LEC nonregulated activities, these costs are not included in ratemaking. There is no need to also subject these activities to a second set of rules - the affiliate transaction rules. Furthermore, neither the Part 64 cost allocations, nor the resulting journalization of Part 32 affiliate transactions is used to set prices for nonregulated services. It is the antitrust laws that protect against predatory pricing of these services (see CC Docket No. 86-111, par 40). Finally competition and price caps already protects ratepayers.</p> <p>The overly complex/detailed technique of comparing a cost based price to a fair market value price to determine which is higher (or lower depending upon the transaction) and thus to determine the resultant transfer value to the OTC's books should be eliminated altogether. Completing fair market value studies are tedious, expensive, and provide no marginal value. Data provided in the Andersen report filed on July 15, 1998, (CC Docket No. 98-81, pages 43,44) reflects the fact that fair market value adjustments to affiliate transactions modify the transfer value levels of these transactions by less than 1%. Completing such detailed studies frequently performed by outside consultants does not provide benefit to the ratepayer and does not pass any type of cost/benefit review.</p> <p>Today's rules require an outside sale benchmark to be met in order to employ this market based pricing technique. A prevailing price can be utilized only when there are a substantial amount of sales to third parties that represent over 50% of the sales of that product or service. USTA believes that the 50% benchmark on a product by product basis is another administrative burden insofar as tracking product detail and pricing in those given situations. Further, it effectively eliminates the vast majority of products that could be valued via this technique. Benchmarks such as 5% or 10% can be an effective method of establishing a market based price. It certainly does not require half of the sales of a given service being provided to determine a realistic transfer value for that service.</p>

RULE	ACTION	JUSTIFICATION
47 CFR 32.2000	<p>Replace Specific Implementation Methods and Procedures in the rules for Telecommunications Plant Accounts with Policy Requirements.</p> <p><u>This includes:</u> Purpose of Plant Accounts, Plant Acquired, Plant Retired, Depreciation Accounting, and Amortization Accounting.</p> <p>Basic Property Records, and Practices for Establishing and Maintaining Continuing Property Records.</p>	<p>Maintaining the details prescribed in this section is costly and burdensome. This level of detail, especially for Property Records, has no relationship to the prices charged for services in today's environment. The public is already protected with the internal controls of the SEC required annual financial audit, the Foreign Corrupt Practices Act (FCPA) of 1977 as well as Generally Accepted Accounting Principles. Companies should be afforded the flexibility to keep records at a level of detail necessary for meeting business needs along with meeting SEC, FCPA and GAAP requirements. An additional layer of regulatory implementation methods and procedures is no longer necessary.</p> <p>For companies to become competitive, they must differentiate themselves in the market place. Uniformity in methods and procedures is counterproductive to this goal and is not necessary for regulatory oversight. Companies structure and manage their business in different ways as well as offer different products and services.</p> <p>FCC rules and prescribed accounting methods/systems are closely tied together today. Companies should be allowed to move to different software packages for record keeping without the added cost of modifying packages to meet regulatory methods and procedures requirements, develop work-arounds or special processes.</p> <p>The FCC should forbear from regulating depreciation rates. Depreciation no longer impacts interstate access rates for price cap companies or for companies facing competition. Any company filing a low end adjustment increase to access rates would demonstrate the reasonableness of the depreciation rates.</p> <p>Detail property record rules do not impact the establishment of access rates and only serve to require LECs to maintain an extraordinary array of records. On average, BOCs involved in the Andersen report (filed on July 15, 1998 in CC Docket No. 98-81, page 32) maintain in excess of 50 million property records whereas nonregulated companies involved in the survey maintained less than 1 million property records. As the exchange market becomes more competitive (some markets including transport are already very competitive), these property record rules will only serve to hamper LEC efforts to compete against entrants to the access market. CLECs entering the access market certainly will not strive to amass a multiple of databases containing 50 million records.</p>

PART 32 – UNIFORM SYSTEM OF ACCOUNTS FOR TELECOMMUNICATIONS COMPANIES

Subpart A - Preface

§ 32.1 Background.

The revised Uniform System of Accounts (USOA) is a financial accounting structure intended to enable both management and regulators to assess financial results. The USOA has generally been designed to be consistent with the well-established accounting theories and principles commonly referred to as generally accepted accounting principles (GAAP).

§ 32.2 Basis of the accounts.

(a) The financial accounts of a company are used to record financial transactions these transactions can be the grouped by business processes or functions and by time period.

(b) Within the telecommunications industry companies, certain recurring functions (natural groupings) do take place in the course of providing products and services to customers. These accounts reflect, to the extent feasible, those functions. For example, the primary bases of the accounts containing the investment in telecommunications plant are the functions performed by the assets.

(c) These accounts, then, are intended to reflect a functional and technological view of the telecommunications industry. This view will provide a stable and consistent foundation for the recording of financial data.

(d) The financial data contained in the accounts, together with the detailed information contained in the underlying financial and subsidiary records required by GAAP, tax purposes and internal business requirements, will provide the information necessary to support separations, costs of service and management reporting requirements.

§ 32.3 Authority.

This Uniform System of Accounts has been prepared under the following authority: Section 4 of the Communications Act of 1934, as amended, 47 U.S.C. Section 154 (1984); Sections 401, 402 of the Telecommunications Act of 1996. Sections 219, 220 of the Communications Act of 1934, as amended, 47 U.S.C. Sections 219, 220 (1984).

§ 32.4 Communications Act.

Attention is directed to the following extract from Section 220 of the Communications Act of 1934, 47 U.S.C. § 220 (1984):

(e) Any person who shall willfully make any false entry in the accounts of any book of

accounts or in any record or memoranda kept by any such carrier, or who shall willfully destroy, mutilate, alter, or by any other means or device falsify any such account, or memoranda, or who shall willfully neglect or fail to make full, true, and correct entries in such accounts, records, or memoranda of all facts and transactions appertaining to the business of the carrier, shall be deemed guilty of a misdemeanor, and shall be subject, upon conviction, to a fine of not less the \$1,000 nor more than \$5,000 or imprisonment for a term of not less than one year nor more than three years, or both such fine and imprisonment: Provided, that the Commission may in its discretion issue orders specifying such operating, accounting or financial papers, records, books, blanks, or documents which may after a reasonable time, be destroyed, and prescribing the length of time such books, papers, or documents shall be preserved.

For regulations governing the periods for which records are to be retained, see Part 42, Preservation of Records of Communications Common Carriers, of this chapter which relates to preservation of records.

Subpart B - General Instructions

§ 32.11 [Reserved]

§ 32.12 Records.

(a) The company's financial records shall be kept in accordance with generally accepted accounting principles to the extent permitted by this system of accounts.

(b) The company's financial records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in these accounts. The detail records shall be maintained in such manner as required under GAAP to be readily accessible for examination by representatives of this Commission and retained according to Part 42 of the Commission's rules.

§ 32.13 Accounts - General.

(a) As a general rule, all accounts kept by reporting companies shall conform in numbers and titles to those prescribed herein. However, reporting companies may use different numbers for internal purposes when separate accounts (or subaccounts) maintained are consistent with the title and content of accounts and subaccounts prescribed in this system.

(1) A company may subdivide any of the accounts prescribed. The titles of all such subaccounts shall refer by number or title to the controlling account.

(2) A company may establish temporary or experimental accounts.

(b) Exercise of the preceding option shall be allowed only if the integrity of the prescribed accounts is not impaired.

(c) As of the date a company becomes subject to this system of accounts, the company is authorized to make any such subdivisions, reclassifications or consolidations of existing balances as are necessary to meet the requirements of this system of accounts.

(d) Nothing contained in this Part shall prohibit or excuse any company, receiver, or operating trustee of any carrier from subdividing the accounts hereby prescribed for the purpose of:

- (1) Complying with the requirements of the state commission(s) having jurisdiction;
- or
- (2) Securing the information required in the prescribed reports to such commission(s).
- or
- (3) Complying with GAAP Requirements
- or
- (4) Complying with Federal, State and Local Tax Requirements

(e) Subsidiary records will be maintained as needed in order to secure the information required in reports to any state commission.

§ 32.14 Regulated accounts.

(a) In the context of this part, the regulated accounts shall be interpreted to include the investments, revenues and expenses associated with those telecommunications products and services to which the tariff filing requirements contained in Title II of the Communications Act of 1934, as amended, are applied, except as may be otherwise provided by the Commission. Regulated telecommunications products and services are thereby fully subject to the accounting requirements as specified in Title II of The Communications Act of 1934, as amended and as detailed in Subpart A through F of this Part of the Commission's rules and Regulations.

(b) In addition to those amounts considered to be regulated by the provisions of (a) above, those telecommunications products and services to which the tariff filing requirements of the several state jurisdictions are applied shall be accounted for as regulated, except where such treatment is proscribed or otherwise excluded from the requirements pertaining to regulated telecommunications products and services by this Commission.

(c) In the application of the detailed accounting requirements contained in this part, when a regulated activity involves the common or joint use of assets and resources in the provision of regulated and nonregulated products and services, companies shall account for these activities within the accounts prescribed in this system for telephone company operations. Companies shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission. Nonregulated revenue items not qualifying for incidental treatment, as provided in § 32.4999(i) shall be recorded in Account 5280, Nonregulated operating revenue.

(d) Other income items which are incidental to the provision of regulated products and services shall be accounted for as regulated activities.

(e) All costs and revenues related to the offering of regulated products and services which result from arrangements for joint participation or apportionment between two or more telephone companies (e.g., joint operating agreements, settlement agreements, cost-pooling agreements) shall be

recorded within the detailed regulated accounts. Under joint operating agreements, the creditor will initially charge the entire expenses to the appropriate primary accounts. The proportion of such expenses borne by the debtor shall be credited by the creditor and charged by the debtor to the account initially charged. Any allowances for return on property used will be accounted for as provided in Account 5240, Rent Revenue.

(f) All items of nonregulated revenue, investment and expense that are not properly includable in the detailed, regulated accounts prescribed in Subparts A through F of this Part, as determined by paragraphs (a) through (e) of this section shall be accounted for and included in reports to this Commission as specified in § 32.23 of this subpart.

§ 32.15 [Reserved]

§ 32.16 Changes in accounting standards.

(a) The company's records and accounts shall be adjusted to apply new accounting standards prescribed by the Financial Accounting Standards Board or successor authoritative accounting standard-setting groups, in a manner consistent with generally accepted accounting principles. Companies are required to notify the Commission of new accounting standards that will not be adopted on a USOA basis.

(b) The changes in accounting standards, which the carriers adopt, will not necessarily be binding on the ratemaking practices of the various state commissions.

§ 32.17 Interpretation of accounts.

To the end that uniform accounting shall be maintained within the prescribed system, questions involving matters of significance which are not clearly provided for shall be submitted to the Chief, Common Carrier Bureau, for explanation, interpretation, or resolution. Questions and answers thereto with respect to this system of accounts will be maintained by the Common Carrier Bureau.

§ 32.18 Waivers.

A waiver from any provision of this system of accounts shall be made by the Federal Communications Commission upon its own initiative or upon the submission of written request therefor from any telecommunications company, or group of telecommunications companies, provided that such a waiver is in the public interest and each request for waiver expressly demonstrates that: existing peculiarities or unusual circumstances warrant a departure from a prescribed procedure or technique; a specifically defined alternative procedure or technique will result in a substantially equivalent or more accurate portrayal of operating results or financial condition, consistent with the principles embodied in the provisions of this system of accounts, and the application of such alternative procedure will maintain or improve uniformity in substantive results as among telecommunication companies.