

§ 32.6610 Marketing.

This account number shall be used for expenses of the type and character listed below.

- (a) This account shall include costs incurred in performing administrative activities related to marketing products and services. This includes competitive analysis, product and service identification and specification, test market planning, demand forecasting, product life cycle analysis, pricing analysis, and identification and establishment of distribution channels.
- (b) This account shall include costs incurred in selling products and services. This includes determination of individual customer needs, development and presentation of customer proposals, sales order preparation and handling, and preparation of sales records.
- (c) This account shall include costs incurred in developing and implementing promotional strategies to stimulate the purchase of products and services. This excludes nonproduct-related advertising, such as corporate image, stock and bond issue and employment advertisements, which shall be included in the appropriate functional accounts.

§ 32.6620 Services.

This account shall be for expenses of the type and character listed below.

- (a) This account shall include costs incurred in helping customers place and complete calls, except directory assistance. This includes handling and recording; intercept; quoting rates, time and charges; and all other activities involved in the manual handling of calls.
- (b) This account shall include costs incurred in providing customer number and classified listings. This includes preparing or purchasing, compiling, and disseminating those listings through directory assistance or other means.
- (c) This account shall include costs incurred in establishing and servicing customer accounts. This includes:
 - (1) Initiating customer service orders and records;
 - (2) Maintaining and billing customer accounts;
 - (3) Collecting and investigating customer accounts, including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;

(4) Collecting and reporting pay station receipts; and

(5) Instructing customers in the use of products and services.

(d) This account shall also include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for billing and collection services.

§ 32.6710 Executive and planning.

This account shall be for expenses of the type and character listed below.

(a) This account shall include costs incurred in formulating corporate policy and in providing overall administration and management. Included are the pay, fees and expenses of boards of directors or similar policy boards and all board-designated officers of the company and their office staffs, e.g., secretaries and staff assistants.

(b) This account shall include costs incurred in developing and evaluating long-term courses of action for the future operations of the company. This includes performing corporate organization and integrated long-range planning, including management studies, options and contingency plans, and economic strategic analysis.

§ 32.6720 General and administrative.

This account shall be used for expenses of the type and character listed below.

(a) This account shall include costs incurred in providing accounting and financial services. Accounting services include payroll and disbursements, property accounting, capital recovery, regulatory accounting (revenue requirements, separations, settlements and corollary cost accounting), non-customer billing, tax accounting, internal and external auditing, capital and operating budget analysis and control, and general accounting (accounting principles and procedures and journals, ledgers, and financial reports). Financial services include banking operations, cash management, benefit investment fund management (including actuarial services), securities management, debt trust administration, corporate financial planning and analysis, and internal cashier services.

(b) This account shall include costs incurred in maintaining relations with government, regulators, other companies and the general public. This includes:

1. Reviewing existing or pending legislation (See also Account 7300, Nonoperating Income and Expense Lobbying expenses.);
2. Preparing and presenting information for regulatory purposes, including tariff and service cost filings, and obtaining radio licenses and construction permits;
3. Performing public relations and non-product-related corporate image advertising activities;

4. Administering relations, including negotiating contracts with telecommunications companies and other utilities, businesses, and industries; and
5. Administering investor relations.

(c) This account shall include costs incurred in performing personnel administration activities. This includes:

1. Equal Employment Opportunity and Affirmative Action Programs;
2. Employee data for forecasting, planning and reporting;
3. General employment services;
4. Occupational medical services;
5. Job analysis and salary programs;
6. Labor relations activities;
7. Personnel development and staffing services, including counseling, career planning, promotion and transfer programs;
8. Personnel policy development;
9. Employee communications;
10. Benefit administration;
11. Employee activity programs;
12. Employee safety programs; and
13. Nontechnical training course development and presentation.

(c) This account shall include costs incurred in planning and maintaining application systems and databases for general purpose computers.

(d) This account shall include costs incurred in providing legal services. this includes conducting and coordinating litigation, providing guidance on regulatory and labor matters, preparing, reviewing and filing patents and contracts and interpreting legislation. Also included are court costs, filing fees, and the costs of outside counsel, depositions, transcripts and witnesses.

(e) This account shall include costs incurred in procuring material and supplies, including office supplies. This includes analyzing and evaluating suppliers' products, selecting appropriate suppliers, negotiating supply contracts, placing purchase orders, expediting and controlling orders placed for material, developing standards for material purchased and administering vendor or user claims.

- (f) This account shall include costs incurred in making planned search or critical investigation aimed at discovery of new knowledge. It also includes translating research findings into a plan or design for a new product or process or for a significant improvement to an existing product or process, whether intended for sale or use.
- (g) This account shall include costs incurred in performing general administrative activities not directly charged to the user, and not provided for in other accounts. This includes providing general reference libraries, food services (e.g., cafeterias, lunch rooms and vending facilities), archives, general security investigation services, operating official private branch exchanges in the conduct of the business, and telecommunications and mail services. Also included are payments in settlement of accident and damage claims, insurance premiums for protection against losses and damages, direct benefit payments to or on behalf of retired and separated employees, accident and sickness disability payments, supplemental payments to employees while in governmental service, death payments, and other miscellaneous costs of a corporate nature. This account excludes the cost of office services, which are to be included in the accounts appropriate for the activities supported.

§ 32.6790 Provision for uncollectible notes receivable.

This account shall be charged with amounts concurrently credited to Account 1200, Notes Receivable, or to Account 1201, Notes Receivable Allowance, when such allowance is maintained.

Subpart F - Instructions for Other Income Accounts

§ 32.6999 General.

(a) **Structure of Other Income Accounts.** The Other Income Accounts are designed to reflect both operating and nonoperating income items including taxes, extraordinary items and other income and expense items not properly included elsewhere.

(b) **Other Income Accounts Listing.**

Account Title	Account
Other operating income and expense	7100
Operating taxes	7200
Nonoperating income and expense	7300
Nonoperating taxes	7400
Interest and related items	7500
Extraordinary items	7600
Nonregulated net income	7990

§ 32.7099 Contents of accounts.

Other Operating Income and Expense accounts are intended to record the results of transactions, events or circumstances during the periods which are incidental or peripheral to the major or central operations of the company. They shall include all items of an operating nature as incidental work performed for others not provided for elsewhere. Whenever practicable the inflows and outflows associated with a transaction, event or circumstance shall be matched and the results shown as a net gain or loss.

§ 32.7100 Other operating income and expenses.

This account number shall be used for other operating income and expense items of the type and character listed below.

(a) This account shall include profits realized from custom work (plant construction) performed for others incident to the company's regulated telecommunications operations. This includes profits from the incidental performance of nontariffed construction activities (including associated engineering and design) for others which are similar in nature to those activities which are performed by the company in constructing its own telecommunications plant facilities.

(b) The records supporting the entries in this account shall be maintained in accordance with GAAP.

(c) This account shall include a return on investment for the use of regulated property plant and equipment to provide nonregulated products and services.

(d) This account shall include all gains and losses resulting from the exchange of foreign currency. Transactions (realized) gains or losses shall be measured based on the exchange rate in effect on the transaction date. Unrealized gains or losses shall be measured based on the exchange rate in effect at the balance sheet date.

(e) This account shall include gains or losses resulting from the disposition of land or artworks.

(f) This account shall be charged or credited, as appropriate, to record the results of transactions, events or circumstances which are of an operational nature, but occur irregularly or are peripheral to the major or central operations of the company and not provided for elsewhere.

§ 32.7199 Content of accounts.

The Operating Tax accounts shall include the taxes arising from the central operations of the company.

§ 32.7200 Operating taxes.

This account number shall be for operating taxes of the type and character listed below.

- (a) This account shall be charged and Account 4320, Unamortized Operating Investment Tax Credits-Net, shall be credited with investment tax credits generated from qualified expenditures related to regulated operations which the company defers rather than recognizes currently in income.
- (b) This account shall be credited and Account 4320 shall be charged ratably with the amortization of each year's investment tax credits included in Account 4320 for investment services for ratemaking purposes. (See also Account 7400, Nonoperating Taxes.) Such amortization shall be determined in relation to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.
- (c) This account shall be charged and Account 4070, Income Taxes-Accrued, shall be credited for the amount of Federal Income Taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.
- (d) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available.
- (e) Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits and shall be amortized to income as directed by this Commission.
- (f) No entries shall be made to this account to reflect interperiod tax allocations.

- (g) This account shall be charged and Account 4070, Income Taxes - Accrued, shall be credited for the amount of state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.
- (h) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available.
- (i) No entries shall be made to this account to reflect interperiod tax allocations.
- (j) This account shall be charged and Account 4080, Other Taxes-Accrued, shall be credited for all taxes, other than Federal, state, and local income taxes and payroll related taxes, related to regulated operations applicable to current periods. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes; this account shall also reflect subsequent adjustments to amounts previously charged.
- (k) Special assessments for street and other improvements and special benefit taxes, such as water taxes and the like, shall be included in the operating expense accounts or investment accounts, as may be appropriate.
- (l) Discounts allowed for prompt payment of taxes shall be credited to the account to which the taxes are chargeable.
- (m) Interest on tax assessments which are not paid when due shall be included in Account 7500, Interest and Related Items.
- (n) Taxes paid by the company under tax-free covenants on indebtedness shall be charged to Account 7300, Nonoperating Income and Expense.
- (o) Sales and use taxes shall be accounted for, so far as practicable, as part of the cost of the items to which the taxes relate.
- (p) Taxes on rented telecommunications plant which are borne by the lessee shall be credited by the owners to Account 5200, Miscellaneous Revenue, and shall be charged by the lessee to the appropriate Plant Specific Operations Expense account.
- (q) This account shall be charged or credited, as appropriate, with contra entries recorded to the following accounts for income tax expense that has been deferred in accordance with § 32.22 of Subpart B:

- 4100 Net Current Deferred Operating Income Taxes
- 4340 Net Noncurrent Deferred Operating Income Taxes

§ 32.7299 Content of accounts.

The nonoperating income and expense accounts are intended to record the results of transactions, events and circumstances affecting the company during a period and which are not operational in nature. They shall include such items as nonoperating taxes, dividend income and interest

income. Whenever practicable the inflows and outflows associated with a transaction or event shall be matched and the result shown as a net gain or loss.

§ 32.7300 Nonoperating income and expense.

This account number shall be used for nonoperating income and expense items of the type and character listed below.

(a) This account shall include dividends on investments in common and preferred stock, which is the property of the company, whether such stock is owned by the company and held in its treasury, or deposited in trust or otherwise controlled.

(b) These accounts shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking or other funds.

(c) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 1401, Investments in Affiliated Companies, as a reduction of the carrying value of the investments.

(d) This account shall include interest on securities, including notes and other evidences of indebtedness, which are the property of the company, whether such securities are owned by the company and held in its treasury, or deposited in trust or otherwise controlled. It shall also include interest on bank balances, certificates of deposits, open accounts, and other analogous items.

(e) There shall be included in this account for each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and date of maturity, the difference between the purchase price and the par value of securities owned, the income from which is includable in this account.

(f) This account shall include the income accrued on cash, securities issued by other companies, and other assets (not including securities or assumed by the company) held in sinking and other funds.

(g) There shall be included in this account for each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and the date of maturity, the difference between the purchase price, and the par value of securities held in sinking or other funds.

§ 32.7340 Allowance for funds used during construction.

This account shall be credited with amounts charged to the telecommunications plant under construction account.

(a) This account shall include gains or losses resulting from the disposition of the following:

(1) Gains or losses from the disposition of land or artworks;

(2) Gains or losses from the disposition of plant with traffic; and

(3) Gains or losses from the disposition of nonoperating telecommunications plant not previously used in the provision of telecommunications services.

(b) This account shall include all other items of income and gains or losses from activities not specifically provided for elsewhere.

(c) This account shall include representative items as follows:

(1) Fees collected in connection with the exchange of coupon bonds for registered bonds;

(2) Gains or losses realized on the sale of temporary cash investments or marketable equity securities;

(3) Uncollectible amounts previously credited to this account

(4) Net unrealized losses on investments in current marketable equity securities;

(5) Write-downs or write-offs of the book costs of investment in equity securities due to permanent impairment;

(6) Gains or losses of nonoperating nature arising from foreign currency exchange or translation;

(7) Gains or losses from the extinguishment of debt made to satisfy sinking fund requirements;

(8) Amortization of Goodwill;

(9) Company's share of the earnings or losses of affiliated companies accounted for on the equity method; and

(10) The net balance of the revenue from and the expenses (including depreciation, amortization and insurance) of property, plant, and equipment, the cost of which is includable in Account 2006, Nonoperating Plant.

(d) This account shall include the following costs that are typically given special regulatory scrutiny for ratemaking purposes. Unless specific justification to the contrary is given, such costs are presumed to be excluded from the cost of service in setting rates.

(e) Lobbying includes expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances) or approval, modification, or revocation of franchises, or for the purpose of influencing the decisions of public officials. This also includes advertising, gifts, honoraria, and political contributions. This does not include such expenditures

which are directly related to communications with and appearances before regulatory or other governmental bodies in connection with the reporting utility's existing or proposed operations;

(f) Contributions for charitable, social or community welfare purposes;

(g) Membership fees and dues in social, service and recreational or athletic clubs and organizations;

(h) Penalties and fines paid on account of violations of statutes. This account shall also include penalties and fines paid on account of violations of U.S. statutes including judgments arising from a violation of antitrust laws, and payments in settlement of civil and criminal suits alleging such violations; and

(i) Abandoned construction projects.

§ 32.7399 Content of accounts.

The Nonoperating Tax account shall include taxes arising from activities which are not a part of the central operations of the entity.

§ 32.7400 Nonoperating taxes.

This account number shall be used for nonoperating taxes of the type and character listed below.

(a) This account shall be charged and Account 4330, Unamortized Nonoperating Investment Tax Credits-Net, shall be credited with investment tax credits generated from qualified expenditures related to other operations which the company has elected to defer rather than recognize currently in income.

(b) This account shall be credited and Account 4330 shall be charged with the amortization of each year's investment tax credits included in such accounts relating to amortization of previously deferred investment tax credits of other property or regulated property, the amortization of which does not serve to reduce costs of service (but the unamortized balance does reduce rate base) for ratemaking purposes. Such amortization shall be determined with reference to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

(c) This account shall be charged and Account 4070, Income Taxes - Accrued, shall be credited for the amount of nonoperating Federal income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(d) Taxes shall be accrued each month on an estimated basis and adjustments made as later data becomes available.

(e) Companies that adopt the flow-through method of accounting for investment tax credits shall reduce the calculated provision in this account by the entire amount of the credit realized during the

year. Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits.

(f) No entries shall be made to this account to reflect interperiod tax allocation.

(g) This account shall be charged and Account 4070, Income Taxes -Accrued, should be credited for the amount of state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(h) Taxes shall be accrued each month on an estimated basis and adjustments made as later data becomes available.

(i) No entries shall be made to this account to reflect interperiod tax allocation.

(j) This account shall be charged and Account 4080, Other Taxes--Accrued, shall be credited for all nonoperating taxes, other than Federal, state and local income taxes, and payroll related taxes for the current period. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes. This account shall also reflect subsequent adjustments to amounts previously charged.

(k) This account shall be charged or credited, as appropriate, with contra entries recorded to the following accounts for nonoperating tax expense that has been deferred in accordance with § 32.22 of Subpart B:

4110 Net Current Deferred Nonoperating Income Taxes
4350 Net Noncurrent Deferred Nonoperating Income Taxes

§ 32.7499 Content of accounts.

Interest and related amounts shall be included in this account.

(a) This account number shall be used for interest and related items of the type and character listed below.

(1) This account shall include the current accruals of interest on all classes of debt the principal of which is includable in Account 4210, Funded Debt. It shall also include the interest on funded debt the maturity of which has extended by specific agreement.

(2) These accounts shall not include charges for interest on funded debt issued or assumed by the company and held by or for it, whether pledged as collateral or held in its treasury, in special deposits or in sinking or other funds.

(3) Interest expressly provided for and included in the face amount of securities issued shall be charged at the time of issuance to Account 1330, Other Prepayments, and cleared to this account as the term expires to which the interest applies.

(4) This account shall also include monthly amortization of balances in Accounts 4220,

Premium on Long-Term Debt, and 4230, Discount on Long-Term Debt.

(b) This account shall include the interest portion of each capital lease payment.

(c) This account shall include the monthly amortization of the balances in Account 1407, Unamortized Debt Issuance Expense.

(d) This account shall include all interest deductions not provided for elsewhere, e.g., discount, premium, and expense on notes maturing one year or less from date of issue.

(e) A list of representative items of indebtedness, the interest on which is chargeable to this account, follows

- (1) Advances from affiliated companies;
- (2) Advances from nonaffiliated companies and other liabilities
- (3) Assessments for public improvements past due;
- (4) Bond coupons, matured and unpaid;
- (5) Claims and judgments;
- (6) Customers' deposits;
- (7) Funded debt mature, with respect to which a definite agreement as to extension has not been made;
- (8) Notes payable on demand or maturing one year or less from date of issue;
- (9) Open accounts;
- (10) Tax assessments, past due; and
- (11) Discount, premium, and issuance expense of notes maturing one year or less from date of issue.

(f) Interest payable on notes or other evidences of indebtedness maturing serially shall be charged to Account 7510, Interest of Funded Debt, if any portion of the obligation matures more than one year from date of issue.

§ 32.7599 Content of accounts.

This account is intended to segregate the effects of events or transactions that are extraordinary. Extraordinary events and transactions are distinguished by both their unusual nature and by the infrequency of their occurrence, taking into account the environment in which the company operates. These accounts shall also include the related income tax effect of the extraordinary items.

§ 32.7600 Extraordinary items.

This account shall be for expenses of the type and character listed below.

(a) This account shall be credited with nontypical, noncustomary and infrequently recurring gains or losses which would significantly distort the current year's income computed before such extraordinary items, if reported other than as extraordinary items. Income tax relating to the amounts recorded in this account shall be recorded in Account 7600, Extraordinary Items.

(b) This account shall be charged or credited and Account 4070, Income Taxes-Accrued, shall be credited or charged for all current income tax effects (Federal, state and local).

(c) This account shall be charged or credited, as appropriate, with a contra amount recorded to Account 4350, Net Noncurrent Deferred Nonoperating Income Taxes or Account 4110, Net Current Deferred Nonoperating Income Taxes for the income tax effects (Federal, state and local).

§ 32.7899 Content of accounts.

Nonregulated income amounts shall be included in Accounts 7990.

§ 32.7990 Nonregulated net income.

(a) This account shall be used by those companies who offer nonregulated activities that do not involve the joint or common use of assets or resources used in the provision of both regulated and nonregulated products and services, and which have not established a separate subsidiary for that purpose.

(b) All revenue and expenses (including taxes) incurred in these nonregulated activities shall be recorded on separate books of account for such operations. Only the net of the total revenues and total expenses shall be recorded in this account, with a contra debit or credit to account 1406.

Subpart G - Glossary

§ 32.9000 Glossary of terms.

When used in this system of accounts:

"Accelerated depreciation" means a depreciation method or period of time, including the treatment given cost of removal and gross salvage, used in calculating depreciation deductions on income tax returns which is different from the depreciation method or period of time prescribed by this Commission for use in calculating depreciation expense recorded in a company's books of account.

"Account" means a specific element of a chart of accounts used to record, classify and accumulate similar financial transactions resulting from the operations of the entity. "Accounts" or "these accounts" refer to the accounts of this system of accounts.

"Accounting System" means the total set of interrelated principles, rules, requirements, definitions, accounts, records, procedures and mechanisms necessary to operate and evaluate the entity from a financial perspective. An accounting system generally consists of a chart of accounts, various parallel subsystems and subsidiary records. An accounting system is utilized to provide the necessary financial information to the financial community.

"Affiliated companies" means companies that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the accounting company. See also Control.

"Amortization" means the systematic recoveries, through ratable charges to expense, of the cost of assets.

"Associated equipment" means that equipment which functions with a specific type of plant or with two (2) or more types of plant. Associated equipment shall be classified to the account appropriate for the type of equipment with which it is predominately used rather than on its own characteristics.

"Basic service area" means the minimum specified calling area for which a tariff is prescribed.

"Book cost" means the amount at which property is recorded in these accounts, without deduction of related allowances.

"Common carrier" or "carrier" means any person engaged as a common carrier for hire, in interstate or foreign communication by wire or radio or in interstate or foreign radio transmission of energy, except where reference is made to common carriers not subject to this Act; but a person engaged in radio broadcasting shall not, insofar as such person is so engaged, be deemed a common carrier.

"Company" or "the company" when not otherwise indicated in the context, means the accounting entity. It includes such unincorporated entities, which may be subject to the Communications Act of 1934, as amended.

"Control" (including the terms "controlling," "controlled by," and "under common control with") means the possession directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more

intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stock-holders, voting trusts, holding trusts, affiliated companies, contract, or any other direct or indirect means.

"Cost", except as applied to telecommunications plants, franchises, and patent rights, means the amount of money actually paid (or the current money value of any consideration other than money exchanged) for property or services. See also Original Cost.

"Cost of removal" means the cost of demolishing, dismantling, removing, tearing down, of otherwise disposing of telecommunications plant and recovering the salvage, including the cost of transportation and handling incident thereto.

"Depreciation" means the loss not restored by current maintenance, in connection with the consumption of telecommunications plant in the course of service from wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in technology, changes in demand and requirements of public authorities.

"Entity" means a legal enterprise (common carrier) engaged in interstate communications within the meaning of the Communications Act of 1934, as amended.

"Group plan," as applied to depreciation accounting, means the plan under which depreciation charges are accrued upon the basis of the original cost of all property included in each depreciable plant account. Upon the retirement of any depreciable property its cost is charged to the depreciation reserve whether or not the particular item has attained the average service life.

"Indexed revenue threshold for a given year" means \$100 million, adjusted for inflation, as measured by the Department of Commerce Gross Domestic Product Chain-type Price Index (GDP-CPI), for the period from October 19, 1992 to the given year. The indexed revenue threshold for a given year shall be determined by multiplying \$100 million by the ratio of the annual value of the GDP-CPI for the given year to the estimated seasonally adjusted GDP-CPI on October 19, 1992. The indexed revenue threshold shall be rounded to the nearest \$1 million. The seasonally adjusted GDP-CPI on October 19, 1992 is determined to be 100.69.

"Intangible property" means assets that have no physical existence but instead have value because of the rights which ownership confers.

"Minor items," as applied to depreciable telecommunications plant, means any part or element of such plant, which when removed, (with or without replacement) does not initiate retirement accounting.

"Original cost" or "cost," as applied to telecommunications plant, rights of way and other intangible property, means the actual money cost of (or the current money value of any consideration or other than money exchanged for) property at the time when it was first dedicated to use by a regulated telecommunications entity.

"Plant retired" means plant, which has been removed, sold, abandoned, destroyed, or otherwise withdrawn from service.

"Salvage value" means the amount received for property retired, if sold, or if retained for reuse, the amount at which the material recovered is chargeable to Account 1220, Material and Supplies,

or other appropriate account.

"Straight-line method," as applied to depreciation accounting, means the plan under which the cost of property is charged to operating expenses and credited to accumulated depreciation through equal annual charges as nearly as may be during its service life.

"Subsidiary record" means detailed information which is maintained in support of entries to the accounts.

"Subsystems, parallel mechanisms" means processes or procedures, which augment the use of a chart of accounts in the financial operation of the entity. These subsystems operate on and/or process account and subsidiary record information for specific purposes.

"Telecommunications" means any transmission, emission, or reception of signs, signals, writing, images or sounds or intelligence of any nature by wire, radio, visual or other electromagnetic systems. This encompasses the aggregate of several modes of conveying information, signals or messages over a distance. Included in the telecommunications industry is the transmitting, receiving, or exchanging of information among multiple locations. The minimum elements required for the telecommunications process to occur are a message source, a transmission medium and a receiver.

"Time of installation" means the date at which telecommunications plant is placed in service.

"Time of retirement" means the date at which telecommunications plant is retired from service.

"Tangible property" means assets characterized by physical existence, such as land, buildings, equipment, furniture, fixtures and tools.

PART 36

USTA
BIENNIAL REVIEW PETITION
AUGUST 11, 1999

Rule No.	Action	Justification
36.3	<p>For Price Cap Companies, freeze categories and factors as of 12/31/97</p> <p>For Rate of Return Companies, freeze factors based on three-year average and maintain categories</p>	<p>Provide competitively neutral, administratively simple separations process. Avoids cost shifts and introduces stability into the process.</p>

APPENDIX B

DRAFT RULES

§ 36.3 Freezing of jurisdictional separations allocation factors and/or account categorization levels.

(a) Effective January 1, 1998, local exchange carriers subject to price cap regulation shall freeze their study area-specific separations allocation factors at the annual levels for the period ending December 31, 1997 using the procedures in effect at that time with the exception of the following:

(1) Effective January 1, 1998, twenty-five percent of the cost assigned to Exchange Cable and Wire Facilities - Subcategory 1.3 shall be allocated to the interstate jurisdiction and seventy-five percent shall be allocated to the state jurisdiction.

(2) Effective January 1, 1998, local exchange carriers that bill or collect for interstate services from end users on behalf of interexchange carriers shall allocate one third of the expenses assigned to Account 6620 - Category 2, Other Billing and Collection, to the interstate jurisdiction and two thirds of the expenses assigned this classification to the state jurisdiction.

(3) Effective January 1, 1998, local exchange carriers that do not bill or collect from end users on behalf of interexchange carriers shall allocate five percent of the expenses assigned to Account 6620 - Category 2, Other Billing and Collection, to the interstate jurisdiction and ninety-five percent of the expenses assigned this classification to the state jurisdiction.

(b) Effective January 1, 1998, all other local exchange carriers shall freeze their study area-specific separations allocation factors based on a three year average of each individual separations allocation factor for years 1994 through 1996, using the procedures in effect at that time with the exception of the items identified in 36.3(a) or (b) above.

(c) Effective January 1, 1998, local exchange carriers subject to price cap regulation shall freeze the separations categorization relationships of all account balances at the annual data for the period ending December 31, 1997, using the procedures in effect at that time.

(d) Any newly established local exchange carrier study area desiring cost company status will categorize telecommunications plant in service and develop separations allocation factors in accordance with the rules outlined in this manual. The separations allocation factors and/or account categorization relationships will be frozen subject to the requirements of §36.3(a) or (b).

(e) Any local exchange carrier study area that is party to a merger, acquisition, or similar transaction will categorize telecommunications plant in service and develop separations allocation

factors in accordance with the rules outlined in this manual. The separations allocation factors and/or account categorization levels will be frozen subject to the requirements of §36.3(a) or (b).

(f) Any local exchange carrier converting from average schedule to cost status will categorize telecommunications plant in service and develop separations allocation factors in accordance with the rules outlined in this manual. The separations allocation factors and/or account categorization levels will be frozen subject to the requirements of §36.3(a) or (b).

Overview of Affected Rules

USTA Appendix A

Account #	Part 36 Rule #	Account Title	Separations Category (Includes sub-categories)	Jurisdictional Allocation Basis Price Cap Companies	Jurisdictional Allocation Basis Rate of Return Companies
INVESTMENT					
2110	111-112	General Support Facilities	No Categories	Class A: Big 3 Expenses ¹ Maintain existing rules	Class B: Big 3 Investment ² Maintain existing rules
2210	121-126	Central Office Switching Equipment	Tandem Switching: Category 2 Local Switching: Category 3	Freeze Categories Freeze Jurisdictional Allocators as of 12/31/97	Maintain Categorization Freeze Jurisdictional Allocators with average allocator used in 1994-96
2220	121-126	Operator Systems Equipment	Operator Systems: Category 1	Freeze Categories Freeze Jurisdictional Allocators as of 12/31/97	Maintain Categorization Freeze Jurisdictional Allocators with average allocator used in 1994-96
2230	121-126	Central Office Transmission Equipment	Exchange Circuit Equipment: Category 4.1 Interexchange Circuit Equipment: Category 4.2 Host Remote Message Circuit: Category 4.3	Freeze Categories Freeze Jurisdictional Allocators as of 12/31/97	Maintain Categorization • MTS • Private Line • Terminations • Circuits Freeze Jurisdictional Allocators with average allocator used in 1994-96
2310	141-142	Information Origination Termination Equipment	Other IOT: Category 1 Customer Premises Equipment: Category 2	Freeze Categories Freeze Jurisdictional Allocators as of 12/31/97	Maintain Categories Freeze Jurisdictional Allocators with average allocator used in 1994-96
2410	151-157	Cable and Wire Facilities	Exchange Line CW&F Excluding Wideband: Category 1 Wideband and Exchange Trunk CW&F: Category 2 Interexchange C&WF: Category 3 Host Remote Message CW&F: Category 4	Freeze Categories Freeze Jurisdictional Allocators as of 12/31/97	Maintain Categorization • MTS • Private Line • Loops • Circuits • Circuit Mileage Freeze Jurisdictional Allocators with average allocator used in 1994-96
2680	161	Tangible Assets	Categories based on A/C 2681 & 2682	Freeze Categories Freeze Jurisdictional Allocators as of 12/31/97	Maintain Categorization Maintain existing rules
2690	162	Intangible Asset	One Category	Maintain existing rules	Maintain existing rules

¹ Big 3 Expense Factor is comprised of Accounts 6210, 6220, 6230, 6310, 6410, 6530, 6610, 6620, and its ratio of the interstate portion of these accounts to the total regulated amount of these accounts.

² Big 3 Investment is Comprised of Central Office Equipment (A/C 2210, 2220, & 2230), information origination/termination equipment (A/C 2310) and cable and wire facilities (A/C 2410)

Overview of Affected Rules

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2002	171	Property Held for Future Use	One Category	Maintain existing rules	Maintain existing rules
2003	171	Telecommunications Plant Under Construction (TPUC)	One Category	Maintain existing rules	Maintain existing rules
2005	171	Telecommunications Plant Adjustment	One Category	Maintain existing rules	Maintain existing rules
1402	172	Investment in Non-Affiliated Companies	Class BRTB Category All Other Category	Freeze Categories Maintain existing rules	Maintain Categories Maintain existing rules
1220	181	Material and Supplies	CPE Category All Other Category	Freeze Categories Maintain existing rules	Maintain Categorization Maintain existing rules
	182	Cash Working Capital	No Categories	Maintain existing rules	Maintain existing rules
All Primary Accounts	191	Equal Access Equipment	Amounts relating to incremental Expenditure for Equal Access	Maintain existing rules	Maintain existing rules
OPERATING REVENUES & CERTAIN INCOME ACCOUNTS					
5000	212	Local Service Revenues	Existing Accounts	Maintain existing rules	Maintain existing rules
5080	213	Network Access Revenues	Existing Accounts	Maintain existing rules	Maintain existing rules
5100	214	Long Distance Message Revenues	Existing Accounts	Maintain existing rules	Maintain existing rules
5200	215	Miscellaneous Revenues	Existing Accounts	Maintain existing rules	Maintain existing rules
5300	216	Uncollectible Revenues	Existing Accounts	Maintain existing rules	Maintain existing rules
7100	221	Other Operating Income and Expenses	Amounts relating to Foreign Exchange Amounts based on TPIS	Freeze Category Relationships Maintain existing rules	Maintain Categories Maintain existing rules
7300	222	Nonoperating Income and Expense	Existing Accounts	Freeze Category Relationships Maintain existing rules	Maintain Account/Category Maintain existing rules
7500	223	Interest and Related Items	Capital Leases	Freeze Category Relationships Maintain existing rules	Maintain Account/Category Maintain existing rules
7600	224	Extraordinary Items	Existing Accounts	Maintain existing rules	Maintain existing rules
7910	225	Income Effect of Jurisdictional Rate-making Differences	Existing Accounts	Maintain existing rules	Maintain existing rules
OPERATING EXPENSES & TAXES					
6110	310	Network Support Expenses	No Categories	Maintain existing rules	Maintain existing rules
6120	311	General Support Expenses	No Categories	Maintain existing rules	Maintain existing rules
6210	321	Central Office Switching Equipment Expense	No Categories	Maintain existing rules	Maintain existing rules
6220	321	Operator Systems Equipment Expense	No Categories	Maintain existing rules	Maintain existing rules
6230	321	Central Office Transmission Equipment Expense	No Categories	Maintain existing rules	Maintain existing rules
6310	331	Information Origination Termination Equipment Expense	Other IOT: Category 1 Customer Premises Equipment: Category 2	Freeze Categories Freeze Jurisdictional Allocators as of 12/31/97	Maintain Categorization Freeze Jurisdictional Allocators with average allocator used in 1994-96
6410	341	Cable and Wire Facilities	No Categories		

Overview of Affected Rules

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6510	352	Expense Other Property Plant and Equipment Expense	No Categories	Maintain existing rules	Maintain existing rules
6530	353	Network Operations Expense	No Categories	Maintain existing rules	Maintain existing rules
6540	354	Access Expenses	Existing Categories Accounts	Maintain existing rules	Maintain existing rules
6560	361	Depreciation and Amortization Expense	Follows Investments	Maintain existing rules	Maintain existing rules
6610	372	Marketing Expense	No Categories	Maintain existing rules	Maintain existing rules
6620	373-382	Customer Services Expenses	Telephone Operator Services Category Publish Directory Listing Category All Other Category	Freeze Category relationships Freeze Jurisdictional Allocators as of 12/31/97	Maintain Categories Freeze Jurisdictional Allocators with average allocator used in 1994-96
6710	392	Executive & Planning Expense	EAS Category All Other Category	Freeze Categories Maintain existing rules	Maintain Categories Maintain existing rules
6720	392	General and Administrative Expense	EAS Category All Other Category	Freeze Categories Maintain existing rules	Maintain Categories Maintain existing rules
7200	411-412	Operating Taxes	Existing Accounts	Maintain existing rules	Maintain existing rules
Plant Specific Accounts	421	Equal Access Expenses	Amounts relating to incremental Expenditure for Equal Access	Maintain existing rules	Maintain existing rules
1500	502	Other Jurisdictional Assets-Net	Existing Accounts	Maintain existing rules	Maintain existing rules
3100	503	Accumulated Depreciation- Primary Plant	Existing Accounts	Maintain existing rules	Maintain existing rules
3200	504	Accumulated Depreciation- PIIFU	Existing Accounts	Maintain existing rules	Maintain existing rules
3400	505	Accumulated Amortization- Tangible	Existing Accounts	Maintain existing rules	Maintain existing rules
3500	505	Accumulated Amortization- Intangible	Existing Accounts	Maintain existing rules	Maintain existing rules
3600	505	Accumulated Amortization- Other	Existing Accounts	Maintain existing rules	Maintain existing rules
4100	506	Net Current Deferred Operating Income Taxes	Existing Accounts	Maintain existing rules	Maintain existing rules
4340	506	Net Non-current Deferred Operating Income Taxes	Existing Accounts	Maintain existing rules	Maintain existing rules
4370	507	Other Jurisdictional Liabilities and Deferred Credits-Net	Existing Accounts	Maintain existing rules	Maintain existing rules

PART 42

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

Rule	Action	Justification
42.01 thru 42.04	Delete	These sections are no longer necessary because companies already preserve records for legal and financial purposes. Specific rules on how the records should be kept are not necessary. As long as the companies are responsible for producing the records when needed it should be left up to the individual companies to determine the best manner in which to keep the records.
42.5	Delete	Specific requirements for documents in machine-readable format are no longer relevant. Today, most records are originally prepared in electronic format and carriers should be allowed to keep them as such without additional burdens being imposed. As long as the companies are responsible for producing the records when needed it should be left up to the individual companies to determine the best manner in which to keep the records. The Federal Business Records Act provides sufficient guidance to companies for the proper retention of records of all types.
42.6	Delete	It is not necessary to specify that toll records must be kept for 18 months because companies already maintain for their own purposes any records that law enforcement might need. Thus, this rule is no longer necessary.
42.7	Delete	This section is no longer necessary because companies already preserve records for legal and financial purposes. Specific rules on how the records should be kept are not necessary. As long as the companies are responsible for producing the records when needed it should be left up to the individual companies to determine the best manner in which to keep the records.
42.11	Modify	This section should be moved to the revised Part 61 which contains all tariffing rules.