

Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Phase 2 of the Comprehensive Review of the)
Accounting Requirements and ARMIS Reporting)
Requirements for Incumbent Local Exchange)
Carriers)

CC Docket No. 00-199

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

The record before the Commission supports the accounting streamlining proposals contained in the Public Notice released June 8, 2001. In its comments, USTA supported the Commission's efforts and provided several recommendations to clarify and improve them. USTA urged the Commission to adopt the proposed Class B accounts as modified in its comments for all incumbent LECs, without any new accounts or subaccounts, and to set a firm date by which the transition to deregulation will be completed.

Specifically, USTA recommended the following points regarding the Public Notice:

- Roll up Account 1406 with accounts 1401, 1402, 1407 and 1408 since this account does not contain sufficient information to be kept separately.
- Classify consolidated accounts 5301 and 5302 as an expense account rather than a contra-revenue account to be consistent with GAAP.
- Correct the account number listed in the Public Notice for Property Held for Future Use as 6511.
- Retain the current account number for Long Distance Message Revenue.
- Eliminate the inconsistencies in the Class A listing relative to the rollup accounts.
- Eliminate the Jurisdictional Difference Accounts 1500, 4370 and 7910 since they are not required under GAAP and are not used for Federal ratemaking purposes.

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USTA also provided a mapping of the Commission's proposal that inadvertently omitted the proposed interconnection and USF expense accounts. A revised version of the mapping is attached hereto. The revised version also retains Account 5084, State Access Revenue as recommended in the comments filed by Sprint. USTA agrees that the information should be included in that account rather than spread across End User, Switched Access and Special Access revenues.

Several state commissions maintain their previous position that new accounts and/or subaccounts should be created. Replacing current regulation with more burdensome requirements is not consistent with the Telecommunications Act of 1996 and that Act does not provide the Commission with the authority to promulgate accounting requirements on behalf of the states. Section 11 requires the Commission to examine regulations "in effect at the time of the review" and to determine if such rules are no longer necessary in the public interest as a result of meaningful economic competition between providers of telecommunications services. Contrary to the rationale of the Ohio Consumer's Counsel, if the regulation does not serve a Federal regulatory purpose, it should not be adopted. Specific state requests for information should be handled by the states, as needed.

The Commission clearly understands that, "as a part of the biennial review process, we do not intend to impose new obligations on parties in lieu of current ones, unless we are persuaded that the former are less burdensome than the latter and are necessary to protect the public interest."¹ The state commissions have made no such showing. In fact, the opposite is true; the state proposals will impose new obligations that are more burdensome and bereft of any public interest benefit. Some of the proposals would even require the Class B carriers to maintain Class A accounts. Such proposals are without merit and should be rejected.

The Commission should continue its efforts to eliminate unnecessary regulation as it explained in adopting the temporary freeze of the separations process, “Today we take a significant step towards reforming outdated regulatory mechanisms that are out of step with today’s rapidly-evolving telecommunications marketplace...we need to reexamine regulatory structures that apply only to incumbent local exchange carriers. We take the first step in this Report and Order towards the eventual reform or elimination of one such regulatory structure.”² The Part 32 requirements only apply to incumbent LECs. Reform and/or elimination of these requirements are long overdue. USTA responds to specific comments below.

As USTA explained in its comments, the proposals to add new interconnection and USF accounts would create new, overly burdensome obligations because they are contrary to the purpose of the Part 32 accounts. The new interconnection accounts would require incumbent LECs to conduct extensive new cost studies each month. BellSouth estimates that the cost of the new studies could total, at a minimum, \$3.7 million.³

If it is the Commission’s intent to have the studies reflect forward looking costs , the results of the studies would be inappropriate for journalization in Part 32 because Part 32 is a historical financial accounting system. UNEs, in contrast, are based on forward-looking, hypothetical costs that are not relevant to Part 32. As USTA pointed out in its comments, Part 32 should not reflect an *a priori* allocation of revenues, investments or expense to products or services. In addition, as explained by SBC, “this proposal is contrary to the very foundation of Part 32 because Part 32(b) specifically states that the basis of the expense accounts are the

¹ The 2000 Biennial Regulatory Review, CC Docket No. 00-175, *Report*, FCC 00-456 (rel. Jan. 17, 2001).

² Jurisdictional Separations and Referral to the Federal State Joint Board, CC Docket No. 80-286, *Report and Order*, FCC No.01-162 (rel. May 22, 2001) at 1.

³ BellSouth at 2-3.

'functions performed by individuals.' UNE, resale and other interconnections are products and services."⁴

During the recent meeting of the National Association of Regulatory Utility Commissioners in Seattle, Washington, Commission staff explained that they intend the proposed Interconnection accounts to be used to record the expense incurred when incumbent LECs purchase interconnection services (UNEs, resale, etc.), rather than what it costs the incumbent LEC to provide the interconnection service. It is unclear why the Commission would propose that incumbent LECs record costs related to CLEC operations. Most incumbent LECs conduct their CLEC operations in a separate subsidiary. If the Commission truly intends to begin collecting information on CLEC operations, which it should not, it should seek comments on such a proposal in a separate proceeding that would apply to all CLECs, not just the CLEC operations of incumbent LECs.

WorldCom is simply wrong in claiming that accounts that separately track total UNE, resale, reciprocal compensation and other interconnection revenues will assist the Commission in monitoring competition. Because interconnection pricing varies by state, interconnection revenue accounts cannot be used as a benchmark to compare carriers or to measure the number of end user customers served by competitors. And, of course facilities-based competition would not be reflected. Carriers already provide data on competition on Form 477 Local Competition and Broadband Reporting. This form is a better indicator of competition because carriers other than incumbent LECs are required to complete it. Further, as USTA explained in its comments, the proposed USF accounts would distort the reporting of USF revenues by making it impossible to characterize the support portion of the revenues as state, interstate, nonregulated, etc.

⁴SBC at 2-3.

GSA and the Ohio Consumer's Counsel suggest a further breakdown of Account 6620 Customer Service expense between wholesale and retail. GSA is mistaken when it states that such activities are easy to identify. Incumbent LECs must perform special studies to identify wholesale and retail activities. For example, Account 6620 includes white pages listings. Both wholesale and retail customer names are listed in the same white pages book. Incumbent LECs would still have to perform special studies to provide this breakdown. USTA has already explained that subdividing certain plant accounts into loop and interoffice transport as suggested by the Wisconsin PSC would also require a burdensome special study.⁵

Sprint and New York DPS expressed concern about eliminating the Submarine Cable account. The concern is unfounded. ARMIS results for the year 2000 reveal that Submarine Cable is less than one fifth of one percent of the total of Submarine and Buried Cable. Further, with the separations freeze, it is no longer necessary to record the amounts in this account. Sprint also claims that the Class A depreciation expense and Class A Cable and Wire Plant and Maintenance are needed for tracking UNE prices and universal service support. However, these Class A accounts are not necessary. The nonrural proxy model used for universal service high cost support calculates its own depreciation expense instead of using as input embedded depreciation expense dollars. Likewise, UNE prices are developed using forward looking costs instead of embedded costs. Forward looking cost depreciation relies on the basic assumptions included in the forward looking cost models. Since embedded depreciation reflects historical plant purchases and retirements, embedded depreciation expense is not a UNE input or a universal service model input. To the extent forward looking models do make use of a carrier's

⁵ USTA Reply Comments filed Jan. 30, 2001 at 10 and Cincinnati Bell Comments filed Dec. 21, 200 at 5.

depreciation, statistics created from asset lives, salvage and/or curves are used, not the expense recorded in the Part 32 chart of accounts.⁶

The Wisconsin PSC and the New York DPS suggest that two subaccounts, affiliate and nonaffiliate, are needed for certain balance sheet accounts to prohibit affiliate transaction cross-subsidy and to meet the requirements of §272(b)(5) of the Act. Balances in these accounts cannot be used for those purposes for two reasons. First, the balances in the receivable and payables represent only a timing difference of billing and payments rendered on a given date, not a summary of the total transactions over a given period. Second, the Commission has already instituted detailed Internet posting requirements to satisfy the requirements of the Act. This suggestion should be rejected.

⁶ Forward Looking Mechanism for High Cost Support for Nonrural LECs, CC Docket No. 96-45, *Tenth Report and Order*, FCC 99-304 (rel. Nov. 2, 1999) at ¶ 426. (“In estimating depreciation expenses, the model uses the projected lives and future net salvage percentages for the asset accounts in Part 32 of the Commission’s rules. Traditionally, the projected lives and future net salvage values used in setting a carrier’s rates have been determined in a triennial review process involving the state commission, the Commission and the carrier.”).

The comprehensive review initiated by the Commission should permit all incumbent LECs to utilize the Class B accounts. New accounts must be rejected and the Commission should move forward to streamline the accounting, affiliate transaction and reporting requirements as recommended in USTA's comments in this proceeding.

Respectfully submitted,

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Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
1120 Cash and cash equivalents	x	x	1120 Cash and cash equivalents	FROM: Accounts 1120, 1130, 1140, 1150, 1160
1130 Cash				TO: Account 1120
1140 Special cash deposits				TO: Account 1120
1150 Working cash advances				TO: Account 1120
1160 Temporary investments				TO: Account 1120
	x	x	1170 Receivables	FROM: Accounts 1180, 1190, 1200, 1210
	x	x	1171 Allowance for doubtful accounts	FROM: Accounts 1181, 1191, 1201
1180 Telecommunications accounts receivables				TO: Account 1170
1181 Accounts receivable allowance - telecom.				TO: Account 1171
1190 Other accounts receivable				TO: Account 1170
1191 Accounts receivable allowance – other				TO: Account 1171
1200 Notes receivable				TO: Account 1170
1201 Notes receivable allowance				TO: Account 1171
1210 Interest and dividends receivable				TO: Account 1170
1220 Inventories	x	x	1220 Inventories	
.1 Materials and supplies	x		.1 Materials and supplies	
.2 Property held for sale or lease	x		.2 Property held for sale or lease	
1280 Prepayments	x	x	1280 Prepayments	FROM: Accounts 1280, 1290, 1300, 1310, 1320, 1330
1290 Prepaid rents				TO: Account 1280
1300 Prepaid taxes				TO: Account 1280
1310 Prepaid insurance				TO: Account 1280
1320 Prepaid directory expense				TO: Account 1280
1330 Other prepayments				TO: Account 1280
1350 Other current assets	x	x	1350 Other current assets	

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
1410 Other noncurrent assets	x	x	1410 Noncurrent Assets	FROM: Accounts 1401, 1402, 1406, 1407, 1408 and 1410 (Industry proposes to include 1406)
1401 Investments in affiliated companies				TO: Account 1410
1402 Investments in nonaffiliated companies				TO: Account 1410
1406 Non-regulated investments	x	x	1406 Non-regulated investments	USTA proposes to include in 1410
1407 Unamortized debt issuance expense				TO: Account 1410
1408 Sinking funds				TO: Account 1410
1437 Deferred tax regulatory asset	x	x	1437 Deferred tax regulatory asset	
1438 Deferred maintenance and retirements	x	x	1438 Other deferred charges	FROM: Accounts 1438, 1439
1439 Deferred charges				
1500 Other jurisdictional assets – net	x	x	1500 Other jurisdictional assets – net	USTA proposes to delete. Details provided through state reporting (see comments)
2001 Telecommunications plant in service	x	x	2001 Telecommunications plant in service	
2002 Property held for future telecommunications	x	x	2002 Property held for future telecommunications	
2003 Telecommunications plant under construction	x	x	2003 Telecommunications plant under construction	
2005 Telecommunications plant adjustment	x	x	2005 Telecommunications plant adjustment	
2006 Non-operating plant	x	x	2006 Non-operating plant	

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
2007 Goodwill	x	x	2007 Goodwill	
2110 Land and support assets	x	x	2110 Land and support assets	
2111 Land	x		2111 Land	
2112 Motor vehicles	x		2112 Motor vehicles	
2113 Aircraft	x		2113 Aircraft	
2114 Tools and other work equipment	x		2114 Tools and other work equipment	
2121 Buildings	x		2121 Buildings	
2122 Furniture	x		2122 Furniture	
2123 Office equipment	x		2123 Office equipment	
.1 Office support equipment	x		.1 Office support equipment	
.2 Company communication equip	x		.2 Company communication equip	
2124 General purpose computers	x		2124 General purpose computers	
2210 Central Office -- switching	x	x	2210 Central Office -- switching	
2211 Analog electronic switching	x		2211 Nondigital switching	FROM: Accounts 2211 and 2215
2212 Digital electronic switching	x		2212 Digital electronic switching	
	x		— Circuit	USTA proposes not to add (see comments)
	x		— Packet	USTA proposes not to add (see comments)
2215 Electro-mechanical switching				TO: Account 2211
.1 Step by step switching				TO: Account 2211
.2 Crossbar switching				TO: Account 2211
.3 Other electro-mechanical switching				TO: Account 2211
	x		2213 Optical switching	USTA proposes not to add (see comments)
	x		— Circuit	USTA proposes not to add (see comments)
	x		— Packet	USTA proposes not to add (see comments)

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
2220 Operator systems	x	x	2220 Operator systems	
2230 Central office – transmission	x	x	2230 Central office – transmission	
2231 Radio Systems	x		2231 Radio Systems	
.1 Satellite earth stations				TO: Account 2231
.2 Other radio facilities				TO: Account 2231
2232 Circuit Equipment	x		2232 Circuit Equipment	
			Electronic	USTA proposes not to add (see comments)
			Optical	USTA proposes not to add (see comments)
2310 Information Origination/Termination	x	x	2310 Information Origination/Termination	
2311 Station Apparatus	x		2311 Station Apparatus	
2321 Customer premises wiring	x		2321 Customer premises wiring	
2341 Large private branch exchanges	x		2341 Large private branch exchanges	
2351 Public telephone terminal equipment	x		2351 Public telephone terminal equipment	
2362 Other terminal equipment	x		2362 Other terminal equipment	
2410 Cable and wire facilities	x	x	2410 Cable and wire facilities	
2411 Poles	x		2411 Poles	
2421 Aerial cable	x		2421 Aerial cable	
.1 Non-metallic cable	x		.1 Non-metallic cable	
.2 Metallic cable	x		.2 Metallic cable	
2422 Underground cable	x		2422 Underground cable	
.1 Non-metallic cable	x		.1 Non-metallic cable	
.2 Metallic cable	x		.2 Metallic cable	
2423 Buried cable	x		2423 Buried cable	FROM: Accounts 2423, 2424, and 2425
.1 Non-metallic cable	x		.1 Non-metallic cable	FROM: Accounts 2423, 2424, and 2425
.2 Metallic cable	x		.2 Metallic cable	FROM: Accounts 2423, 2424, and 2425

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
2424 Submarine cable				TO: Account 2423
.1 Non-metallic cable				TO: Account 2423
.2 Metallic cable				TO: Account 2423
2425 Deep Sea				TO: Account 2423
.1 Non-metallic cable				TO: Account 2423
.2 Metallic cable				TO: Account 2423
2426 Intra-building network cable	x		2426 Intra-building network cable	
.1 Non-metallic cable	x		.1 Non-metallic cable	
.2 Metallic cable	x		.2 Metallic cable	
2431 Aerial wire	x		2431 Aerial wire	
2441 Conduit systems	x		2441 Conduit systems	
2680 Amortizable tangible assets	x	x	2680 Amortizable tangible assets	
2681 Capital leases	x		2681 Capital leases	
2682 Leasehold improvements	x		2682 Leasehold improvements	
2690 Intangibles	x	x	2690 Intangibles	
	x		Network Software	USTA proposes not to add (see comments)
	x		Other	USTA proposes not to add (see comments)
3100 Accumulated depreciation	x	x		
3200 Accumulated depr. Held for future telcom use	x	x		
3300 Accumulated depreciation – non-operating	x	x		

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
3400 Accumulated amortization – tangible				TO: Account 3410
3410 Accumulated amortization – capitalized leases	x	x	3410 Accumulated amortization – capitalized leases	FROM: Account 3400(Class B) or 3410 and 3420 (Class A)
3420 Accumulated amortization – lease hold imp.				TO: Account 3410
3500 Accumulated amortization – intangible				TO Account 3100, 3200 or 3300 as appropriate
3600 Accumulated amortization – other				TO Account 3100, 3200 or 3300 as appropriate
	x	x	4000 Current accounts and notes payable	FROM: Accounts 4010, 4020, 4030, 4040, 4050, and 4060
4010 Account payable				TO: Account 4000
4020 Notes payable				TO: Account 4000
4030 Advance billing and payments				TO: Account 4000
4040 Customer deposits				TO: Account 4000
4050 Current maturities – long term debt				TO: Account 4000
4060 Current maturities – capital leases				TO: Account 4000
4070 Income taxes – accrued	x	x	4070 Income taxes – accrued	
4080 Other taxes – accrued	x	x	4080 Other taxes – accrued	
4100 Net current deferred operating income taxes	x	x	4100 Net current deferred operating income taxes	
4110 Net current deferred non-operating income taxes	x	x	4110 Net current deferred non-operating income taxes	

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
4120 Other accrued liabilities				TO: Account 4130
4130 Other current liabilities	x	x	4130 Other current liabilities	FROM: Accounts 4120 and 4130
	x	x	4200 Long term debt and funded debt	FROM: Accounts 4210, 4220, 4230, 4240, 4250, 4260, 4270
4210 Funded debt				TO: Account 4200
4220 Premium on long-term debt				TO: Account 4200
4230 Discount on long-term debt				TO: Account 4200
4240 Required debt				TO: Account 4200
4250 Obligations under capital leases				TO: Account 4200
4260 Advances from affiliated companies				TO: Account 4200
4270 Other long-term debt				TO: Account 4200
	x	x	4300 Other long term liabilities and deferred credits	FROM: Accounts 4310 and 4360
4310 Other long-term liabilities				TO: Account 4300
4360 Other Deferred Credits				TO: Account 4300
4330 Unamortized non-operating investment tax credits - net	x	x	4330 Unamortized non-operating investment tax credits - net	
4340 Net non-current deferred operating income taxes	x	x	4340 Net non-current deferred operating income taxes	
4341 Net deferred tax liability adjustments	x	x	4341 Net deferred tax liability adjustments	
4361 Deferred tax regulatory liability	x	x	4361 Deferred tax regulatory liability	
4370 Other jurisdictional liabilities and deferred credits - net	x	x	4370 Other jurisdictional liabilities and deferred credits - net	USTA proposes to delete. Details provided through state reporting (see comments)

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
4510 Capital stock	x	x	4510 Capital stock	
4520 Additional paid-in capital	x	x	4520 Additional paid-in capital	
4530 Treasury stock	x	x	4530 Treasury stock	
4540 Other capital	x	x	4540 Other capital	
4550 Retained earnings	x	x	4550 Retained earnings	
5000 Basic local revenue	x	x	5000 Basic local revenue	FROM: Accounts 5001, 5002, 5003, 5004, 5040, 5050, 5060, 5069
5001 Basic area revenue				TO: Account 5000
5002 Optional extended area revenue				TO: Account 5000
5003 Cellular mobile revenue				TO: Account 5000
5004 Other mobile services revenue				TO: Account 5000
5040 Local private line revenue				TO: Account 5000
5050 Customer premises revenue				TO: Account 5000
5060 Other local exchange revenue				TO: Account 5000
5069 Other local exchange revenue settlements				TO: Account 5000
5080 Network access revenue	x	x	5080 Network access revenue	
5081 End user revenue	x	x	5081 End user revenue	
5082 Switched revenue	x	x	5082 Switched revenue	
5083 Special access revenue	x	x	5083 Special access revenue	
5084 State access revenue	x	x	5084 State access revenue	USTA proposes to retain this Class B account (see comments)

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
	x	x	5086 Interconnection revenue	
	x		— UNE revenue	USTA proposes not to add (see comments)
	x		— Resale revenue	USTA proposes not to add (see comments)
	x		— Reciprocal compensation revenue	USTA proposes not to add (see comments)
	x		— Other interconnection revenue	USTA proposes not to add (see comments)
	x	x	5090 USF support revenue	USTA proposes not to add (see comments)
5100 Long distance message revenue	x	x	5105 5100 Long distance message revenue	USTA proposes to retain the Class B account number 5100 (see comments) FROM: Accounts 5110, 5111, 5112, 5120, 5121, 5122, 5123, 5124, 5125, 5126, 5128, 5129, 5160, 5169
5110 Unidirectional long distance revenue				TO: Account 5100
5111 Long distance inward-only revenue				TO: Account 5100
5112 Long distance outward-only revenue				TO: Account 5100
5120 Long distance private network revenue				TO: Account 5100
5121 Subvoice grade long distance private ntwk				TO: Account 5100
5122 Voice grade long distance private ntwk rev				TO: Account 5100
5123 Audio program grade L D private ntwk rev				TO: Account 5100
5124 Video program grade LD private ntwk rev				TO: Account 5100
5125 Digital transmission LD private ntwk rev				TO: Account 5100
5126 Long distance private ntwk switching rev				TO: Account 5100
5128 Other LD private network revenue				TO: Account 5100
5129 Other LD private ntwk revenue settlements				TO: Account 5100
5160 Other long distance				TO: Account 5100
5169 Other long distance revenue settlements				TO: Account 5100

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
5200 Miscellaneous revenue	x	x	5200 Miscellaneous Revenue	FROM: Account 5230, 5240, 5250, 5260, 5261, 5262, 5263, 5264, 5269, 5270
5230 Directory revenue				TO: Account 5200
5240 Rent revenue				TO: Account 5200
5250 Corporate operations revenue				TO: Account 5200
5260 Miscellaneous Revenue				TO: Account 5200
5261 Special billing arrangements revenue				TO: Account 5200
5262 Customer operations revenue				TO: Account 5200
5263 Plant operations revenue				TO: Account 5200
5264 Other incidental regulated revenue				TO: Account 5200
5269 Other revenue settlements				TO: Account 5200
5270 Carrier billing and collections revenue				TO: Account 5200
5280 Non-regulated operating revenue	x	x	5280 Nonregulated revenue	
5300 Uncollectible revenue	x	x	5300 Uncollectible revenue 6720 Other General and Administrative	FROM: Account 5300 (Class B) and Accounts 5301 and 5302 (Class A) See USTA Comments
5301 Uncollectible revenue – telecommunications				TO: Account 5300 6720
5302 Uncollectible revenue - other				TO: Account 5300 6720
6110 Network support expense	x	x	6110 Network support expense	
6112 Motor vehicle expense	x		6112 Motor vehicle expense	
6113 Aircraft expense	x		6113 Aircraft expense	
6114 Tools and other work equipment expense	x		6114 Tools and other work equipment expense	

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
6120 General support expense	x	x	6120 General support expense	
6121 Land and buildings expense	x		6121 Land and buildings expense	
6122 Furniture and artworks expense	x		6122 Furniture and artworks expense	
6123 Office equipment expense	x		6123 Office equipment expense	
6124 General purpose computers expense	x		6124 General purpose computers expense	
6210 Central office switching equipment	x	x	6210 Central office switching equipment	
6211 Analog expense	x		6211 Nondigital expense	FROM: Accounts 6211 and 6215
6212 Digital electronic expense	x		6212 Digital electronic expense	
			— Circuit	USTA proposes not to add (see comments)
			— Packet	USTA proposes not to add (see comments)
6215 Electro-mechanical expense				TO: Account 6211
.1 Step by step switching				TO: Account 6211
.2 Crossbar switching				TO: Account 6211
.3 Other electro-mechanical switching				TO: Account 6211
	x		6213 Optical expense	USTA proposes not to add (see comments)
	x		— Circuit	USTA proposes not to add (see comments)
	x		— Packet	USTA proposes not to add (see comments)
6220 Operator systems expense	x	x	6220 Operator systems expense	
6230 Central office transmission expense	x	x	6230 Central office transmission expense	
6231 Radio systems expense	x		6231 Radio systems expense	
.1 Satellite earth stations				TO: Account 6231
.2 Other radio facilities				TO: Account 6231

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
6232 Circuit equipment expense	x		6232 Circuit equipment expense	
	x		Electronic	USTA proposes not to add (see comments)
	x		Optical	USTA proposes not to add (see comments)
6310 Information origination / termination expense	x	x	6310 Information origination / termination expense	
6311 Station apparatus expense	x		6311 Station apparatus expense	
6341 Large private branch exchange expense	x		6341 Large private branch exchange expense	
6351 Public telephone terminal equipment	x		6351 Public telephone terminal equipment	
6362 Other terminal equipment expense	x		6362 Other terminal equipment expense	
6410 Cable and wire facilities expense	x	x	6410 Cable and wire facilities expense	
6411 Poles expense	x		6411 Poles expense	
6421 Aerial cable expense	x		6421 Aerial cable expense	
.1 Non-metallic cable	x		.1 Non-metallic cable	
.2 Metallic cable	x		.2 Metallic cable	
6422 Underground cable expense	x		6422 Underground cable expense	
.1 Non-metallic cable	x		.1 Non-metallic cable	
.2 Metallic cable	x		.2 Metallic cable	
6423 Buried cable expense	x		6423 Buried cable expense	FROM: Accounts 6423, 6424 and 6425
.1 Non-metallic cable	x		.1 Non-metallic cable	FROM: Accounts 6423, 6424 and 6425
.2 Metallic cable	x		.2 Metallic cable	FROM: Accounts 6423, 6424 and 6425
6424 Submarine cable expense				TO: Account 6423
.1 Non-metallic cable				TO: Account 6423
.2 Metallic cable				TO: Account 6423
6425 Deep Sea				TO: Account 6423
.1 Non-metallic cable				TO: Account 6423
.2 Metallic cable				TO: Account 6423

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
6426 Intra-building network cable expense	x		6426 Intra-building network cable expense	
.1 Non-metallic cable	x		.1 Non-metallic cable	
.2 Metallic cable	x		.2 Metallic cable	
6431 Aerial wire expense	x		6431 Aerial wire expense	
6441 Conduit systems expense			6441 Conduit systems expense	
6510 Other property, plant and equipment expense	x	x	6510 Other property, plant and equipment expense	
6511 Property held for future telecommunications	x		6511 Property held for future telecommunications	
6512 Provisioning expense	x		6512 Provisioning expense	
6530 Network operations expense	x	x	6530 Network operations expense	
6531 Network operations expense	x		6531 Network operations expense	
6532 Network administration expense	x		6532 Network administration expense	
6533 Testing expense	x		6533 Testing expense	
6534 Plant operations administration expense	x		6534 Plant operations administration expense	
6535 Engineering expense	x		6535 Engineering expense	
6540 Access expense	x	x	6540 Access expense	
	x	x	6551 Interconnection Expense	USTA proposes not to add (see comments)
	x		— UNE Expense	USTA proposes not to add (see comments)
	x		— Resale Expense	USTA proposes not to add (see comments)
	x		— Reciprocal Compensation Expense	USTA proposes not to add (see comments)
	x		— Other Interconnection Expense	USTA proposes not to add (see comments)
	x	x	6554 USF Support Expense	USTA proposes not to add (see comments)

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
6560 Depreciation expense	x	x	6560 Depreciation expense	FROM: Accounts 6561, 6562, 6563, 6564. And 6565
6561 Depr. exp – telecommunications plant in service				TO: Account 6560
6562 Depr. exp. – property held for future telecom				TO: Account 6560
6563 Amortization expense – tangible				TO: Account 6560
6564 Amortization expense – intangible				TO: Account 6560
6565 Amortization expense – other				TO: Account 6560
6610 Marketing	x	x	6610 Marketing	FROM: Accounts 6611, 6612 and 6613
6611 Product management				TO: Account 6610
6612 Sales				TO: Account 6610
6613 Product advertising				TO: Account 6610
6620 Services	x	x	6620 Customer Services	
6621 Call completion services				
6622 Number services				
6623 Customer services				
6710 Executive and planning				TO: Account 6720
6711 Executive				TO: Account 6720
6712 Planning				TO: Account 6720

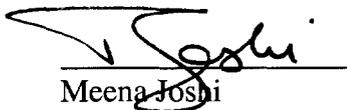
Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
				FROM: Accounts 6710, 6720 and 6790 (Class B) and Accounts 6711, 6712, 6721, 6722, 6723, 6724, 6725, 6726, 6727, 6728, 6790 (Class A) Also USTA proposes from 5300, 5301 and 5302 (See comments)
6720 General and administrative	x	x	6720 General and administrative	
6721 Accounting and finance				TO: Account 6720
6722 External relations				TO: Account 6720
6723 Human relations				TO: Account 6720
6724 Information management				TO: Account 6720
6725 Legal				TO: Account 6720
6726 Procurement				TO: Account 6720
6727 Research and development				TO: Account 6720
6728 Other general and administrative				TO: Account 6720
6790 Provision for uncollectible notes receivable				TO: Account 6720
7100 Other operating income and expense	x	x	7100 Other operating income and expense	FROM: Accounts 7110, 7120, 7140, 7150, 7160
7110 Income from custom work				TO: Account 7100
7130 Return from non-regulated use of regulated facilities				TO: Account 7100
7140 Gains and losses from foreign exchange				TO: Account 7100
7150 Gains and losses from the disposition of land and artworks				TO: Account 7100
7160 Other operating gains and losses				TO: Account 7100

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
7200 Operating taxes	x	x	7200 Operating taxes	
7210 Operating investment tax credits-net	x		7210 Operating investment tax credits-net	
7220 Operating Federal income taxes	x		7220 Operating Federal income taxes	
7230 Operating state and local income taxes	x		7230 Operating state and local income taxes	
7240 Operating other taxes	x		7240 Operating other taxes	
7250 Provision for def. operating income taxes – net	x		7250 Provision for def. operating income taxes – net	
7300 Non-operating income and expense	x	x	7300 Non-operating income and expense	FROM: Accounts 7310, 7320, 7330, 7340, 7350, 7360, and 7370
7310 Dividend income				TO: Account 7300
7320 Interest income				TO: Account 7300
7330 Income from sinking and other funds				TO: Account 7300
7340 Allowance for funds used during construction				TO: Account 7300
7350 Gains or losses from the disposition of certain property				TO: Account 7300
7360 Other non-operating income				TO: Account 7300
7370 Special charges				TO: Account 7300
7400 Non-operating income taxes	x	x	7400 Non-operating income taxes	FROM: Accounts 7410, 7420, 7430, 7440, 7450
7410 Non-operating investment tax credits – net				TO: Account 7400
7420 Non-operating Federal income taxes				TO: Account 7400
7430 Non-operating state and local income taxes				TO: Account 7400
7440 Non-operating other taxes				TO: Account 7400
7450 Provision for def. non-operating inc. taxes –				TO: Account 7400
7500 Interest and related items	x	x	7500 Interest and related items	FROM: Accounts 7510, 7520, 7530, 7540
7510 Interest on funded debt				TO: Account 7500
7520 Interest expense – capital leases				TO: Account 7500
7530 Amortization of debt issuance expense				TO: Account 7500
7540 Other interest deductions				TO: Account 7500

Current Part 32 Account	Class A	Class B	Proposed Part 32 Account	Action Required
7600 Extraordinary items	x	x	7600 Extraordinary items	FROM: Accounts 7610, 7620, 7630, 7640
7610 Extraordinary income credits				TO: Account 7600
7620 Extraordinary income charges				TO: Account 7600
7630 Current inc. tax effect of extraordinary items				TO: Account 7600
7640 Provision for deferred income tax effect of				TO: Account 7600
7910 Income effect of jurisdictional ratemaking differences - net	x	x	7910 Income effect of jurisdictional ratemaking differences - net	USTA proposes to delete. Details provided through state reporting (see comments)
7990 Non-regulated net income	x	x	7990 Non-regulated net income	

CERTIFICATE OF SERVICE

I, Meena Joshi, do certify that on July 26, 2001, Reply Comments of The United States Telecom Association was either hand-delivered, or deposited in the U.S. Mail, first-class, postage prepaid to the attached service list.


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