ORIGINAL

EX PARTE OR LATE FILED

FCC MAIL ROOM

State of North Carolina
Utilities Commission

2001 SEP -5 A 11: 34

PO Box 29510
Raleigh, NC 27626-0510

RECEIVED

SEP 05 2001

FCC MAIL ROOM

September 4, 2001

RECEIVED

SEP 5 2001

FCC MAIL ROOM

Commissioner Gloria Tristani
Federal Communications Commission
445 12th Street, SW Portals II Building
Washington, DC 20554

RE: *Ex Parte Letter of the North Carolina Utilities Commission filed In the Matter of 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers*, CC Docket No. 00-199

Dear Commissioner Tristani:

In accordance with Section 1.1206(b)(1) of the FCC's rules, the North Carolina Utilities Commission (NCUC) submits for filing this *ex parte* letter for inclusion in the public record of this proceeding.

The NCUC strongly supports NARUC's position on this issue as outlined in NARUC's December 21, 2000 Comments filed in this regard.

Specifically, the NCUC has the following comments:

(1) The NCUC urges the FCC to reject in toto the USTA's Proposal to eliminate Class A accounting for large ILECs, which would, if adopted, take them down to a Class B level of reporting.

Elimination of Class A accounting requirements would undermine a state's ability to understand the nature of the carriers' costs – and make it more difficult for states to evaluate ILEC cost studies prepared for determining universal service support, UNE prices, and interconnection prices. ILEC costs are largely driven by network plant investments. Class B accounting reveals little about such investments. For example, under Class B, all outside cable and wire investments are contained in one account. No detail

No. of Copies rec'd 0+2
List A B C D E

430 North Salisbury Street • Raleigh, North Carolina 27603
Telephone No: (919) 733-4249
Facsimile No: (919) 733-7300

would be provided regarding the construction or makeup of the various types of outside plant. All fiber, copper, aerial, underground, and buried cables as well as poles and conduit would be combined together in one account. These separate accounts are critical cost components used to establish proper universal service support, UNE, pole attachment, and other rates that ILECs charge their customers and competitors. Furthermore, it would undermine the states' ability to set or assess the carriers' depreciation rates or even the FCC's life and salvage rates. This is because various types of plant inherently have widely diverse life and salvage factors. Combining them would seriously distort the usefulness of the current prescribed ranges and undermine all of the programs that rely on them (i.e., universal service model, UNE pricing).

The USTA's argument that Class A accounting requirements are too burdensome for the largest ILECs is disingenuous as the data is already collected – whether it is reported or not. Today these carriers maintain from 2,500 to 4,500 accounts in each of their own accounting systems. To comply with Class A accounting, all that they do is aggregate their own account balances into the standard Class A format of about 300 accounts. If carriers are allowed to move to Class B accounting, only the ILECs would have the detailed data critical to evaluate the appropriate rates and support levels for these federal and State activities. State and Federal regulators would lack access to the critical data needed to assess appropriate rates and funding levels.

The USTA argument that no accounting and reporting requirements are necessary under a price cap/"CALLS" regulatory regime is false. Carriers may still justify rate increases based on low-end adjustment claims and other measures that rely on cost data that are in place under current federal and State regulatory schemes.

Accounting and reporting requirements are clearly necessary for monitoring UNE pricing and universal service support, both critical elements in promoting competition and connectivity as required by the Telecommunications Act of 1996.

(2) The NCUC generally supports the NPRM Proposal to eliminate 125 of 296 Class A accounts (mostly revenue, expense, and liability accounts) and retain 171 current accounts.

In general, we applaud the FCC's efforts to simplify and streamline its accounting and reporting requirements and certainly agree with the elimination of any overlap of federal and state reporting requirements (one focus of this proceeding) as well as elimination of other unnecessary reporting requirements. The NCUC generally agrees with the streamlined Class A level detail, as proposed by the FCC; however, there are a few areas where additional detail, as proposed by the States, will be necessary to ensure that the accounting system reflects recent technological changes and allow both federal and State regulators to carry out their mandates under TA96.

We appreciate the fact that we were invited into the process early to work with the FCC on reforming these accounts. We believe the process worked. Not only were their informal discussions in advanced of the notice – but 16 states (including the Public Staff – NCUC) and NARUC filed comments in various stages of the proceeding. The streamlining suggested has eliminated about 40 percent of the unneeded accounts – but we believe the right balance – with the addition of several new accounts – has been struck. The FCC's proposal for Class A streamlining generally maintains sufficient detail for regulators, but some crucial areas are ignored in plant, expense, and revenue accounts. These are covered by the proposed new accounts.

(3) The NCUC generally supports the State proposals to add several new accounts to reflect new technologies and the requirements of TA96 (e.g., universal service support, UNE pricing, and number portability).

The accounts suggested by states for new technologies are appropriate and necessary to enable the FCC to maintain an up-to-date accounting system. These accounts will enable the FCC and states to continue to understand the nature of the carrier's investment and ensure that prices are reflective of their actual costs. Moreover, such information will enable the FCC and states to monitor issues such as deployment, collocation, and interconnection cooperation.

Creation of the following few additional accounts, along with the proposed Class A structure, are necessary for both federal and State regulators to appropriately determine universal service funding levels, pole attachment rates, customer rates in rate of return States, and UNE and interconnection rates:

> Expense and revenue accounts for UNEs and interconnection to help states administer the prices of these services.
>
> A new account for packet and ATM switches to reflect the planned wide-scale deployment of such facilities.

Expense and revenue accounts for universal service funding, reciprocal compensation, resale, and collocation activities.

(4) The NCUC supports (1) elimination of reporting requirements in ARMIS that are less useful and/or obsolete, and (2) upgrades of ARMIS to collect information on new technologies. Further, the NCUC believes that elimination of state-by-state ARMIS data would be counterproductive.

The NCUC fully supports the FCC's proposal to eliminate the collection of obsolete data and to update its ARMIS reports to obtain information on new technologies (upgrades and investments in switching and transmission capacity) that are critical components of the carrier's network infrastructure. The information that the FCC proposes to collect is basic to the FCC's responsibilities to assure the integrity of the country's network and should impose minimal burden on the carriers. The elimination of data (approximately half of what is collected today) will further ease the data collection burden on the carrier.

The NCUC believes the USTA's proposal to eliminate state-by-state ARMIS information would undermine the states' ability to use any data provided in ARMIS. Moreover, it would harm the FCC's ability to monitor and investigate ILEC activities, especially in cases where a targeted investigation may be warranted. ARMIS was designed to accommodate both FCC and state needs. To eliminate the information provided on a state basis would undermine the goals that ARMIS sought to achieve. The carriers are required by most states to maintain this data on a state basis. Thus, no additional burden is placed on the carrier to maintain the state data, and the burden to report it is minimal.

Thank you for your consideration of the NCUC's *ex parte* letter in this regard.

Very truly yours,

Jo Anne Sanford

Jo Anne Sanford
Chair

cc: Magalie R. Salas
Deena Shetler