(d) * * *

(e) * * *

(f) * * *

(g) *Expense accounts to be maintained.*

Account Title	Class A account	Class B account
Income Statement Accounts		
Plant specific operations expense:		
Network support expense		6110
Motor Vehicle Expense	6112	....
Aircraft expense	6113	....
Tools and other work equipment expense	6114	....
General support expenses		6120
Land and Building expenses	6121	....
Furniture and artworks expense	6122	....
Office equipment expense	6123	....
General purpose computers expense	6124	....
Central Office switching expense		6210
Non-digital switching expense	6211	....
Digital electronic switching expense	6212	....
Operators system expense	6220	6220
Central office transmission expenses		6230
Radio systems expense	6231	....
Circuit equipment expense	6232	....
Information origination/termination expense		6310
Station apparatus expense	6311	....
Large private branch exchange expense	6341	....
Public telephone terminal equipment expense	6351	....
Other terminal equipment	6362	....

expense		
Cable and wire facilities expenses		6410
Poles expense	6411	....
Aerial cable expense	6421	....
Underground cable expense	6422	....
Buried cable expense	6423	....
Submarine and deep sea cable expense	6424	....
Intrabuilding network cable expense	6426	....
Aerial wire expense	6431	....
Conduit systems expense	6441	....
Plant nonspecific operations expense:		
Other property plant and equipment expenses		6510
Property held for future Telecommunications use expense	6511	...
Provisioning expense	6512	....
Network operations expenses		6530
Power expense	6531	....
Network administration expense	6532	....
Testing expense	6533	....
Plant operations administration expense	6534	....
Engineering expense	6535	....
Access expense	6540	6540
Depreciation and amortization expenses	6560	6560
Customer operations expense:		
Marketing		6610
Product management and sales	6611	
Product advertising	6613	
Services	6620	6620
Corporate operations expense:		
General and administrative	6720	6720
Provision for uncollectible	6790	6790

notes receivable		

Section 32.6110 Network support expenses is revised to read as follows:

§ 32.6110 Network support expenses.

(a) Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6112 through 6114.

(b) Credits shall be made to this account by Class B companies for amounts transferred to Construction and/or other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

Section 32.6112 Motor vehicle expense is amended by revising paragraph (b) as follows:

§ 32.6112 Motor vehicle expense.

* * * * *

(b) Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

Section 32.6113 Aircraft expense is amended by revising paragraph (b) as follows:

§ 32.6113 Aircraft expense.

* * * * *

(b) Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

Section 32.6114 Tools and other work equipment expense is amended by revising paragraph (b) as follows:

§ 32.6114 Tools and other work equipment expense.

* * * * *

(b) Credits shall be made to this account for amounts related to special purpose vehicles and other work equipment transferred to

Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

Section 32.6120 General support expenses is revised to read as follows:

§ 32.6120 General support expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6121 through 6124.

Section 32.6124 General purpose computers expense is revised to read as follows:

§ 32.6124 General purpose computers expense.

This account shall include the costs of personnel whose principal job is the physical operation of general purpose computers and the maintenance of operating systems. This excludes the cost of preparation of input data or the use of outputs which are chargeable to the accounts appropriate for the activities being performed. Also excluded are costs incurred in planning and maintaining application systems and databases for general purpose computers. (See also § 32.6720, General and administrative.) Separately metered electricity for general purpose computers shall also be included in this account.

Section 32.6210 Central office switching expenses is revised to read as follows:

§ 32.6210 Central office switching expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6211 through 6212.

Section 32.6211 Analog electronic expense is renamed and revised to read as follows:

§ 32.6211 Non-digital switching expense.

This account shall include expenses associated with non-digital electronic switching and electro-mechanical switching.

Section 32.6212 Digital electronic expense is renamed and revised to read as follows:

§ 32.6212 Digital electronic switching expense.

(a) This account shall include expenses associated with digital electronic switching. Digital electronic switching expenses shall be maintained in the following subaccounts:

6212.1 Circuit
6212.2 Packet

(b) *6212.1 Circuit.* This subaccount shall include expenses associated with digital electronic switching equipment used to provide circuit switching.

(c) *6212.2 Packet.* This subaccount shall include expenses associated with digital electronic switching equipment used to provide packet switching.

Section 32.6215 Electro-mechanical expense is deleted.

Section 32.6230 Central office transmission expense is revised to read as follows:

§ 32.6230 Central office transmission expense.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6231 and 6232.

Section 32.6231 Radio systems expense is amended by deleting paragraph (b).

§ 32.6231 Radio systems expense.

(a) * * *

(b) [Deleted]

Section 32.6232 Circuit equipment expense is revised to read as follows:

§ 32.6232 Circuit equipment expense.

(a) This account shall include expenses associated with circuit equipment. Circuit equipment expenses shall be maintained in the following subaccounts:

6232.1 Electronic
6232.2 Optical

(b) *6232.1 Electronic.* This subaccount shall include expenses associated with electronic circuit equipment.

(c) *6232.2 Optical.* This subaccount shall include expenses associated with optical circuit equipment.

Section 32.6310 Information origination/termination expenses is revised to read as follows:

§ 32.6310 Information origination/termination expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A telephone companies in Accounts 6311 through 6362.

Section 32.6410 Cable and wire facilities expenses is revised to read as follows:

§ 32.6410 Cable and wire facilities expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6411 through 6441.

Section 32.6424 Submarine cable expense is renamed and revised to read as follows:

§ 32.6424 Submarine and deep sea cable expense.

(a) This account shall include expenses associated with submarine and deep sea cable.

(b) Subsidiary record categories shall be maintained as provided in § 32.2424 (a) of subpart C.

Section 32.6425 Deep sea cable expense is deleted.

Section 32.6510 Other property, plant and equipment expenses is revised to read as follows:

§ 32.6510 Other property, plant and equipment expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6511 and 6512.

Section 32.6512 Provisioning expense is revised to read as follows:

§ 32.6512 Provisioning expense.

(a) This account shall include costs incurred in provisioning material and supplies, including office supplies. This includes receiving and stocking, filling requisitions from stock, monitoring and replenishing stock levels, delivery of material, storage, loading or unloading and administering the reuse or refurbishment of material. Also included are adjustments resulting from the periodic inventory of material and supplies.

(b) Credits shall be made to this account for amounts transferred to construction and/or to Plant Specific Operations Expense. These costs are to be cleared by adding to the cost of material and supplies a suitable loading charge.

Section 32.6530 Network operations expense is revised to read as follows:

§ 32.6530 Network operations expense.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6531 through 6535.

Section 32.6560 Depreciation and amortization expenses is revised to read as follows:

§ 32.6560 Depreciation and amortization expenses.

(a) This account shall include:

(1) The depreciation expense of capitalized costs in Accounts 2112 through 2441, inclusive.

(2) The depreciation expense of capitalized costs included in Account 2002, Property held for future telecommunications use.

(3) The amortization of costs included in Accounts 2681, Capital leases, 2682, Leasehold improvements, and Account 2690, Intangibles.

(4) The amortization of costs included in Account 2005, Telecommunications plant adjustment, and lump-sum write-offs of amounts of plant acquisition adjustment as provided for in § 32.2005(b)(4) of Subpart C.

(b) Subsidiary records shall be maintained so as to show that character of the amounts related to plant acquisition adjustments.

Section 32.6561 Depreciation expense—telecommunications plant in service is deleted.

Section 32.6562 Depreciation expense—property held for future telecommunications is deleted.

Section 32.6563 Amortization expense—tangible is deleted.

Section 32.6564 Amortization expense—intangible is deleted.

Section 32.6565 Amortization expense—other is deleted.

Section 32.6610 Marketing is revised to read as follows:

§ 32.6610 Marketing.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6611-6613.

Section 32.6611 Product management is renamed and revised to read as follows:

§ 32.6611 Product management and sales.

(a) This account shall include:

(1) 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.

(2) 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.

Section 32.6612 Sales is deleted.

Section 32.6620 Services is amended by adding two subaccounts and is revised to read as follows:

§ 32.6620 Services.

(a) This account shall include:

(1) 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.

(2) 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.

(3) Costs incurred in establishing and servicing customer accounts. This includes:

(i) Initiating customer service orders and records;

(ii) Maintaining and billing customer accounts;

(iii) Collecting and investigating customer accounts, including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;

(iv) Collecting and reporting pay station receipts; and

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

(b) This account shall also include amounts paid by interexchange carriers or other exchange carriers to another exchange carrier for billing and collection services. Subsidiary record categories shall be maintained in order that the entity may separately report interstate and intrastate amounts. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

(c) Class A companies, except mid-sized incumbent local exchange carriers, shall maintain the following subaccounts for expenses recorded in this account:

6620.1 Wholesale
6620.2 Retail

(1) *6620.1 Wholesale.* This subaccount shall include costs associated with telecommunications services provided for resale to other telecommunications carriers.

(2) *6620.2 Retail.* This subaccount shall include costs associated with telecommunications services provided to subscribers who are not telecommunications carriers.

Section 32.6621 Call completion services is deleted.

Section 32.6622 Number services is deleted.

Section 32.6623 Customer services is deleted.

Section 32.6710 Executive and planning is deleted.

Section 32.6711 Executive is deleted.

Section 32.6712 Planning is deleted.

Section 32.6720 General and administrative is revised to read as follows:

§ 32.6720 General and administrative.

This account shall include costs incurred in the provision of general and administrative services as follows:

(a) 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) 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.

(c) 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.

(d) 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, for 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. This excludes sales contracts (See also Account 6611, Product management and sales.); and

(5) Administering investor relations.

(e) 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.

(f) Planning and maintaining application systems and databases for general purpose computers.

(g) 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.

(h) 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.

(i) 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. This excludes making routine alterations to existing products, processes, and other ongoing operations even though those alterations may represent improvements.

(j) Performing general administrative activities not directly charged to the user, and not provided for above. 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.

Section 32.6721 Accounting and finance is deleted.

Section 32.6722 External relations is deleted.

Section 32.6723 Human resources is deleted.

Section 32.6724 Information management is deleted.

Section 32.6725 Legal is deleted.

Section 32.6726 Procurement is deleted.

Section 32.6727 Research and development is deleted.

Section 32.6728 Other general and administrative is deleted.

Section 32.6790 Provision for uncollectible notes receivable is revised to read as follows:

§ 32.6790 Provision for uncollectible notes receivable.

This account shall be charged with amounts concurrently credited to Account 1170, Receivables.

Section 32.6999 General is revised to read as follows:

§ 32.6999 General.

(a) Structure of the 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	Class A Account	Class B Account
Other operating income and expense:		
Other operating income and expense	7100	7100
Operating taxes:		
Operating taxes		7200
Operating investment tax credits-net	7210	....
Operating Federal income taxes	7220	....
Operating State and Local income taxes	7230	....

Operating other taxes	7240	....
Provision for deferred operating income taxes--net	7250	....
Nonoperating income and expense:		
Nonoperating income and expense	7300	7300
Nonoperating taxes:		
Nonoperating taxes	7400	7400
Interest and related items:		
Interest and related items	7500	7500
Extraordinary items	7600	7600
Jurisdictional Differences and non-regulated income items:		
Income effect of jurisdictional ratemaking difference--net	7910	7910
Nonregulated net income	7990	7990

Section 32.7099 Content of accounts is deleted.

Section 32.7100 Other operating income and expenses shall be revised to read as follows:

§ 32.7100 Other operating income and expenses.

(a) This account shall be used 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. It shall be used to record all items of an operating nature such as incidental work performed for others not provided for elsewhere. Whenever practicable the inflows and outflows associated with a transaction, event or circumstances shall be matched and the result shown as a net gain or loss. This account shall include the following:

(1) 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. The records supporting the entries in this account for income and custom work shall be maintained with sufficient particularity to identify separately the revenue and costs associated with each undertaking.

(2) Return on investment for the use of regulated property plant and equipment to provide nonregulated products and services.

(3) All gains and losses resulting from the exchange of foreign currency. Transaction (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.

(4) Gains or losses resulting from the disposition of land or artworks.

(5) Charges or credits, 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.

Section 32.7110 Income from custom work is deleted.

Section 32.7130 Return from nonregulated use of regulated facilities is deleted.

Section 32.7140 Gains and losses from foreign exchange is deleted.

Section 32.7150 Gains and losses from the disposition of land and artworks is deleted.

Section 32.7160 Other operating gains and losses is deleted.

Section 32.7200 Operating taxes is revised to read as follows:

§ 32.7200 Operating taxes.

Class B telephone companies shall use this account for operating taxes of the type and character required of Class A companies in Accounts 7210 through 7250.

Section 32.7210 Operating investment tax credits—net is amended by revising paragraph (b) as follows:

§ 32.7210 Operating investment tax credits--net.

* * * * *

(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. 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.

Section 32.7240 Operating other taxes is amended by revising paragraph (d), (e), and (g) as follows:

§ 32.7240 Operating other taxes.

* * * * *

(d) Interest on tax assessments which are not paid when due shall be included in Account 7500, Interest and related items.

(e) Taxes paid by the company under tax-free covenants on indebtedness shall be charged to Account 7300, Nonoperating income and expense.

(f) * * *

(g) Taxes on rented telecommunications plant which are borne by the lessee shall be credited by the owner to Account 5200, Miscellaneous revenue, and shall be charged by the lessee to the appropriate Plant Specific Operations Expense account.

Section 32.7299 Content of accounts is deleted.

Section 32.7300 Nonoperating income and expense is revised to read as follows:

§ 32.7300 Nonoperating income and expense.

(a) This account shall be used to record the results of transactions, events and circumstances affecting the company during a period and which are not operational in nature. This account 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. This account shall include the following:

(1) 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 including sinking or other funds, or otherwise controlled.

(2) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 1410, Other noncurrent assets, as a reduction of the carrying value of the investments.

(3) 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 including sinking or other funds, or otherwise controlled. It shall also include interest on cash bank balances, certificates of deposits, open accounts, and other analogous items.

(4) 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 or held in sinking or other funds, the income from which is includable in this account. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried.

(5) Amounts charged to the telecommunications plant under construction account related to allowance for funds used during construction. (See § 32.2000(c)(2)(x).)

(6) Gains or losses resulting from:

(i) The disposition of land or artworks;

(ii) The disposition of plant with traffic;

(iii) The disposition of nonoperating telecommunications plant not previously used in the provision of telecommunications services.

(7) All other items of income and gains or losses from activities not specifically provided for elsewhere, including representative items such as:

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

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

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

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

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

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

(vii) Amortization of goodwill

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

(ix) 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.

(8) 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 costs of service in setting rates.

(i) 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 repeal or modification of existing 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;

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

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

(iv) 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. antitrust statutes, including judgements and payments in settlement of civil and criminal suits alleging such violations; and

(v) Abandoned construction projects.

(9) Cash discounts on bills for material purchased shall not be included in this account.

Section 32.7310 Dividend income is deleted.

Section 32.7320 Interest income is deleted.

Section 32.7330 Income from sinking and other funds is deleted.

Section 32.7340 Allowance for funds used during construction is deleted.

Section 32.7350 Gains or losses from the disposition of certain property is deleted.

Section 32.7360 Other operating income is deleted.

Section 32.7370 Special charges is deleted.

Section 32.7399 Content of accounts is deleted.

Section 32.7400 Nonoperating taxes is revised to read as follows:

§ 32.7400 Nonoperating taxes.

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

(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 and state and local 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 more current 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) Taxes (both Federal and state) shall be accrued each month on an estimated basis and adjustments made as later data becomes available.

(h) 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.

(i) This account shall be charged or credited, as appropriate, with contra entries recorded to the following accounts for nonoperating tax expenses 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

(j) Subsidiary record categories shall be maintained to distinguish between property and nonproperty related deferrals and so that the company may separately report the amounts contained herein that relate to Federal, state and local income taxes. Such subsidiary record categories shall be reported as required by part 43 of this Commission's
Rules and Regulations.

Section 32.7410 Nonoperating investment tax credits—net is deleted.

Section 32.7420 Nonoperating Federal income taxes is deleted.

Section 32.7430 Nonoperating state and local income taxes is deleted.

Section 32.7440 Nonoperating other taxes is deleted.

Section 32.7450 Provision for deferred nonoperating income taxes—net is deleted.

Section 32.7499 Content of accounts is deleted.

Section 32.7500 interest and related items is revised to read as follows:

§ 32.7500 Interest and related items.

(a) This account shall include the current accruals of interest on all classes of funded debt the principal of which is includable in Account 4200, Long term debt and funded debt. It shall also include the interest on funded debt the maturity of which has been extended by specific agreement. This account shall be kept so that the interest on each class of funded debt may be shown separately in the annual reports to this Commission.

(b) 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.

(c) Interest expressly provided for and included in the face amount of securities issued shall be charged at the time of issuance to Account 1280, Prepayments, and cleared to this account as the term expires to which the interest applies.

(d) This account shall also include monthly amortization of balances in Account 4200, Long-term debt and funded debt.

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

(f) This account shall include the monthly amortization of the balances in Account 1410, Other noncurrent assets.

(g) 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.

(h) 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.

Section 32.7510 Interest on funded debt is deleted.

Section 32.7520 Interest expense—capital leases is deleted.

Section 32.7530 Amortization of debt issuance expense is deleted.

Section 32.7540 Other interest deductions is deleted.

Section 32.7599 Content of accounts is deleted.

Section 32.7600 Extraordinary items is revised to read as follows:

§ 32.7600 Extraordinary items.

(a) 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. This account shall also include the related income tax effect of the extraordinary items.

(b) This account shall be credited and/or charged with nontypical, noncustomary and infrequently recurring gains and/or losses which would significantly distort the current year's income computed before such extraordinary items, if reported other than as extraordinary items.

(c) 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) of extraordinary items.

(d) This account shall also 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) of extraordinary items that have been deferred in accordance with § 32.22 of Subpart B.

Section 32.7610 Extraordinary income credits is deleted.

Section 32.7620 Extraordinary income charges is deleted.

Section 32.7630 Current income tax effect of extraordinary items—net is deleted.

Section 32.7640 Provision for deferred income tax effect of extraordinary items—net is deleted.

Section 32.9000 Glossary of terms is amended by revising the definition of *Mid-sized incumbent local exchange carrier* to read as follows:

§ 32.9000 Glossary of terms.

* * * * *

Mid-sized incumbent local exchange carrier is a carrier whose annual revenue from regulated telecommunications operations equals or exceeds the indexed revenue threshold and whose revenue when aggregated with the revenues of any local exchange carrier that it controls, is controlled by, or with which it is under common control is less than $7 billion (indexed for inflation as measured by the Department of Commerce Gross Domestic Product Chain-type Price Index (GDP-CPI)).

* * * * *

Part 43 of Title 47 of the C.F.R. is amended as follows:

PART 43-REPORTS OF COMMUNICATION COMMON CARRIERS AND CERTAIN AFFILIATES

1. The authority citation for Part 43 continues to read as follows:

Authority: 47 U.S.C. 154; Telecommunications Act of 1996, Pub. L. 104-104, secs. 402(b)(2)(B), (c), 110 Stat. 56 (1996) as amended unless otherwise noted. 47 U.S.C. 211, 219, 220 as amended.

2. Section 43.21 Annual reports of carriers and certain affiliates is amended by revising paragraph (e) to read as follows:

§ 43.21 Annual reports of carriers and certain affiliates.

* * * * *

(e) Each incumbent local exchange carrier, except mid-sized incumbent local exchange carriers, as defined by § 32.9000 with annual operating revenues equal to or above the indexed revenue threshold shall file, no later than April 1 of each year:

(1) * * *

(2) * * *

(3) * * *

In addition to the amendment set forth above, Section 43.21 is amended by revising all references to "Each local exchange carrier" in paragraphs (f) through (j) to read "Each incumbent local exchange carrier".

(k) * * *

Part 51 of Title 47 of the C.F.R. is amended as follows:

PART 51 - INTERCONNECTION

Subpart G Resale

1. The authority citation for Part 51 continues to read as follows:

Authority: 47 U.S.C. §161

2. Section 51.609 Determination of avoided retail costs is amended by revising paragraphs (c)(1),(2) and (3) and (d) to read as follows:

§ 51.609 Determination of avoided retail costs.

* * * * *

(c) * * *

(1) Include, as direct costs, the costs recorded in USOA accounts 6611(product management and sales), 6613 (product advertising) and 6620 (Services) (Secs. 32.6611, 32.6613 and 32.6620 of this chapter);

(2) Include, as indirect costs, a portion of the costs recorded in USOA accounts 6121-6124 (general support expenses), 6720 (corporate operations expenses), and uncollectible telecommunications revenue included in 5300 (uncollectible revenue) (Secs. 32.6121-32.6124, 32.6720 and 32.5300 of this chapter); and

(3) Not include plant-specific expenses and plant non-specific expenses, other than general support expenses (Secs. 32.6112-32.6114, 32.6211-32.6560 of this chapter).

(d) Costs included in accounts 6611, 6613 and 6620 described in paragraph (c) of this section (Secs. 32.6611, 32.6613 and 32.6620 of this chapter) may be included in wholesale rates only to the extent that the incumbent LEC proves to a state commission that specific costs in these accounts will be incurred and are not avoidable with respect to services sold at wholesale, or that specific costs in these accounts are not included in the retail prices of resold services. Costs included in accounts 6112-6114 and 6211-6560 described in paragraph (c) of this section (Secs. 32.6112-32.6114, 32.6211-32.6560 of this chapter) may be treated as avoided retail costs, and excluded from wholesale rates, only to the extent that

a party proves to a state commission that specific costs in these accounts can reasonably be avoided when an incumbent LEC provides a telecommunications service for resale to a requesting carrier.

* * * * *

Part 54, Subpart D of Title 47 of the C. F. R. is amended as follows:

5. Part 54 – UNIVERSAL SERVICE

Subpart D – Universal Service Support for High Cost Areas

1. The authority citation for Part 54 continues to read as follows:

Authority: 47 U.S.C. §§ 1,4(i) 201, 205, 214, and 254

2. Section 54.301 Local switching support is amended by revising the table in paragraph (b), and revising paragraphs (c)(2), (c)(5), and (d)(4) to read as follows:

§ 54.301 Local switching support.

* * * * *

(b) * * *

I

Telecommunications Plant in Service (TPIS)----------Account 2001
Telecommunications Plant—Other----------Accounts 2002, 2003, 2005
General Support Assets----------Account 2110
Central Office Assets----------Accounts 2210, 2220, 2230
Central Office-switching, Category 3 (local switching)------Account 2210, Category 3
Information Origination/termination Assets----------Account 2310
Cable and Wire Facilities Assets----------Account 2410
Amortizable Tangible Assets----------Account 2680
Intangibles----------Account 2690

II

Rural Telephone Bank (RTB) Stock---------- Included in Account 1410
Materials and Supplies---------- Account 1220.1
Cash Working Capital----------Defined in 47 CFR 65.820(d)

III

Accumulated Depreciation---------- Account 3100
Accumulated Amortization----------Included in Accounts 2005, 2680, 2690, 3410
Net Deferred Operating Income Taxes----------Accounts 4100, 4340
Network Support Expenses----------Account 6110
General Support Expenses----------Account 6120
Central Office Switching, Operator Systems, and Central Office Transmission Expenses ----------Accounts 6210, 6220, 6230
Information Origination/Termination Expenses---------- Account 6310
Cable and Wire Facilities Expenses----------Account 6410
Other Property, Plant and Equipment Expenses ----------Account 6510
Network Operations Expenses----------Account 6530
Access Expense ----------Account 6540
Depreciation and Amortization Expense----------Account 6560
Marketing Expense----------Account 6610
Services Expense----------Account 6620
Corporate Operations Expense----------Account 6720
Operating Taxes----------Accounts 7230, 7240
Federal Investment Tax Credits---------- Account 7210
Provision for Deferred Operating Income Taxes-Net----------Account 7250
Allowance for Funds Used During Construction----------Included in Account 7300
Charitable Contributions----------Included in Account 7300
Interest and Related Items----------Account 7500

IV

Other Non-Current Assets----------Included in Account 1410
Deferred Maintenance and Retirements----------Included in Account 1438
Deferred Charges----------Included in Account 1438
Other Jurisdictional Assets and Liabilities----------Accounts 1500, 4370
Customers' Deposits----------Account 4040
Other Long-Term Liabilities----------Included in Account 4300

(c) * * *

(2) Telecommunications Plant--Other (Accounts 2002, 2003, 2005); Rural Telephone Bank (RTB) Stock (included in Account 1410); Materials and Supplies (Account 1220.1); Cash Working Capital (Sec. 65.820(d) of this chapter); Accumulated Amortization (Included in Accounts 2005, 2680, 2690, 3410); Net Deferred Operating Income Taxes (Accounts 4100, 4340); Network Support Expenses (Account 6110); Other Property, Plant and Equipment Expenses (Account 6510); Network Operations Expenses (Account 6530); Marketing Expense (Account 6610); Services Expense (Account 6620);

Operating Taxes (Accounts 7230, 7240); Federal Investment Tax Credits (Accounts 7210); Provision for Deferred Operating Income Taxes--Net (Account 7250); Interest and Related Items (Account 7500); Allowance for Funds Used During Construction (Included in Account 7300); Charitable Contributions (included in Account 7300); Other Non-current Assets (Included in Account 1410); Other Jurisdictional Assets and Liabilities (Accounts 1500, 4370); Customer Deposits (Account 4040); Other Long-term Liabilities (Included in Account 4300); and Deferred Maintenance and Retirements (Included in Account 1438) shall be allocated according to the following factor:

Account 2210 Category 3÷Account 2001.

(3) * * *

(4) * * *

(5) Corporate Operations Expenses (Account 6720) shall be allocated according to the following factor:

[[Account 2210 Category 3 ÷ (Account 2210 + Account 2220 + Account 2230)]] x (Account 6210 + Account 6220 + Account 6230)] + [(Account 6530 + Account 6610 + Account 6620) x (Account 2210 Category 3 ÷ Account 2001)] ÷ (Account 6210 + Account 6220 + Account 6230 + Account 6310 + Account 6410 + Account 6530 + Account 6610 + Account 6620).

(6) * * *

(d) * * *

(4) Federal income tax attributable to COE Category 3 shall be calculated using the following formula; the accounts listed shall be allocated pursuant to paragraph (c) of this section:

[Return on Investment attributable to COE Category 3 – Included in Account 7300 - Account 7500-Account 7210)] x [Federal Income Tax Rate ÷ (1 - Federal Income Tax Rate)].

* * * * *

VII. Part 64 of Title 47 of the C.F.R. is amended as follows:

PART 64 - MISCELLANEOUS RULES RELATING TO COMMON CARRIERS

Subpart I Allocation of Costs

1. The authority citation for Part 64 continues to read as follows:

Authority: 47 U.S.C. §161

2. Section 64.901 Allocation of costs is amended by revising paragraph (b)(1) to read as follows:

§ 64.901 Allocation of costs.

* * * * *

b. * * *

(1) Tariffed services provided to a nonregulated activity will be charged to the nonregulated activity at the tariffed rates and credited to the regulated revenue account for that service. Nontariffed services, offered pursuant to a section 252(e) agreement, provided to a nonregulated activity will be charged to the nonregulated activity at the amount set forth in the applicable interconnection agreement approved by a state commission pursuant to section 252(e) and credited to the regulated revenue account for that service.

* * * * *

3. Section 64.903 Cost allocation manuals is amended by revising paragraph (a) to read as follows:

§ 64.903 Cost allocation manuals.

(a) Each incumbent local exchange carrier having annual revenues from regulated telecommunications operations that are equal to or above the indexed revenue threshold (as defined in § 32.9000 of this chapter) except mid-sized incumbent local exchange carriers is required to file a cost allocation manual describing how it separates regulated from nonregulated costs. The manual shall contain the following information regarding the carrier's allocation of costs between regulated and nonregulated activities:

* * * * *

4. Section 64.904 Independent audits is amended by deleting paragraphs (b) and (c) and revising paragraph (a) to read as follows:

§ 64.904 Independent audits.

(a)Each carrier required to file a cost allocation manual shall elect to either (1) have an attest engagement performed by an independent auditor every two years, covering the prior two year period, or (2) have a financial audit performed by an independent auditor every two years, covering the prior two year period. In either case, the initial engagement shall be performed in the calendar year after the carrier is first required to file a cost allocation manual.

(b)The attest engagement shall be an examination engagement and shall provide a written communication that expresses an opinion that the systems, processes, and procedures applied by the

carrier to generate the results reported pursuant to § 43.21(e)(2) of this chapter comply with the Commission's Joint Cost Orders issued in conjunction with CC Docket No. 86-111, the Commission's Accounting Safeguards proceeding in CC Docket No. 96-150, and the Commission's rules and regulations including §§ 32.23 and 32.27 of this chapter, § 64.901, and § 64.903 in force as of the date of the auditor's report. At least 30 days prior to beginning the attestation engagement, the independent auditors shall provide the Commission with the audit program. The attest engagement shall be conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, except as otherwise directed by the Chief, Common Carrier Bureau.

(c)The biennial financial audit shall provide a positive opinion on whether the applicable data shown in the carrier's annual report required by § 43.21(e)(2) of this chapter present fairly, in all material respects, the information of the Commission's Joint Cost Orders issued in conjunction with CC Docket No. 86-111, the Commission's Accounting Safeguards proceeding in CC Docket No. 96-150, and the Commission's rules and regulations including §§ 32.23 and 32.27 of this chapter, and § 64.901, and § 64.903 in force as of the date of the auditor's report. The audit shall be conducted in accordance with generally accepted auditing standards, except as otherwise directed by the Chief, Common Carrier Bureau. The report of the independent auditor shall be filed at the time that the carrier files the annual reports required by § 43.21(e)(2) of this chapter.

(b) [Removed]

(c) [Removed]

5. Section 64.905 Annual certification is added to read as follows:

§ 64.905 Annual certification.

A mid-sized incumbent local exchange carrier, as defined in § 32.9000, shall file a certification with the Commission stating that it is complying with § 64.901 of the Commission's rules. The certification must be signed, under oath, by an officer of the mid-sized incumbent LEC, and filed with the Commission on an annual basis at the time that the mid-sized incumbent LEC files the annual reports required by § 43.21(e)(2) of this chapter.
Part 65 of Title 47 of the C.F.R. is amended as follows:

PART 65 - INTERSTATE RATE OF RETURN PRESCRIPTION PROCEDURES AND METHODOLOGIES

Subpart C Exchange Carriers

1. The authority citation for Part 65 continues to read as follows:

Authority: 47 U.S.C. §161

2. In Section 65.300(a) remove the words "in excess of 100 million" and add, in their place, the words "equal to or above the indexed revenue threshold as defined in Section 32.9000."

3. In Sections 65.302, 65.303, 65.304, remove the words "of 100 million or more" and add, in their place, the words "equal to or above the indexed revenue threshold as defined in Section 32.9000".

4. Section 65.450 Net Income is amended by revising paragraphs (a),(b)(1), (b)(2)and (d) to read as follows:

§ 65.450 Net Income.

(a) Net income shall consist of all revenues derived from the provision of interstate telecommunications services regulated by this Commission less expenses recognized by the Commission as necessary to the provision of these services. The calculation of expenses entering into the determination of net income shall include the interstate portion of plant specific operations (Accounts 6110-6441), plant nonspecific operations (Accounts 6510-6560), customer operations (Accounts 6610-6620), corporate operations (Accounts 6720-6790), other operating income and expense (Account 7100), and operating taxes (Accounts 7200-7250), except to the extent this Commission specifically provides to the contrary.

(b) * * *

(1) Gains related to property sold to others and leased back under capital leases for use in telecommunications services shall be recorded in Account 4300 (Other long-term liabilities and deferred credits) and credited to Account 6560 (Depreciation and Amortization Expense) over the amortization period established for the capital lease;

(2) Gains or losses related to the disposition of land and other nondepreciable items recorded in Account 7100 (Other operating income and expense) shall be included in net income for ratemaking purposes, but adjusted to reflect the relative amount of time such property was used in regulated operations and included in the rate base; and

(3) * * *

(c) * * *

(d) Except for the allowance for funds used during construction, reasonable charitable deductions and interest related to customer deposits, the amounts recorded as nonoperating income and expenses and taxes (Accounts 7300 and 7400) and interest and related items (Account 7500) and extraordinary items (Account 7600) shall not be included unless this Commission specifically determines that particular items recorded in those accounts shall be included.

5. Section 65.820 Included items is amended by revising paragraphs (a) and (c) to read as follows:

§ 65.820 Included items.

(a) *Telecommunications Plant.* The interstate portion of all assets summarized in Account 2001 (Telecommunications Plant in Service) and Account 2002 (Property Held for Future Use), net of

accumulated depreciation and amortization, and Account 2003 (Telecommunications Plant Under Construction), and, to the extent such inclusions are allowed by this Commission, Account 2005 (Telecommunications Plant Adjustment). Any interest cost for funds used during construction capitalized on assets recorded in these accounts shall be computed in accordance with the procedures in Sec. 32.2000(c)(2)(x) of this chapter.

(b) * * *

(c) *Noncurrent Assets*. The interstate portion of Class B Rural Telephone Bank stock contained in Account 1410 and the interstate portion of assets summarized in Account 1410 (Other Noncurrent Assets) and Account 1438 (Deferred Maintenance, Retirements and Deferred Charges), only to the extent that they have been specifically approved by this Commission for inclusion (Note: The interstate portion of assets summarized in Account 1410 should not include any amounts related to investments, sinking funds or unamortized debt issuance expense). Except as noted above, no amounts from accounts 1406-1500 shall be included.

* * * * *

6. Section 65.830 Deducted items is amended by revising paragraphs (a)(3), (a)(4), and (c) to read as follows:

§ 65.830 Deducted items.

(a) ***

(a)(3) The interstate portion of other long-term liabilities in (Account 4300 Other long-term liabilities and deferred credits) that were derived from the expenses specified in Sec. 65.450(a).

(a)(4) The interstate portion of other deferred credits in (Account 4300 Other long-term liabilities and deferred credits) to the extent they arise from the provision of regulated telecommunications services. This shall include deferred gains related to sale-leaseback arrangements.

(b) * * *

(c) The interstate portion of other long-term liabilities included in (Account 4300 Other long-term liabilities and deferred credits) shall bear the same proportionate relationships as the interstate/intrastate expenses which gave rise to the liability.

Part 69, Subparts A through E of Title 47 of the C.F.R. is amended as follows:

PART 69 ACCESS CHARGES

1. The authority citation for Part 69 continues to read as follows:

Authority: 47 U.S.C. §§154, 201, 202, 203, 205, 218, 220, 254, 403

2. Section 69.2 Definitions is amended by revising paragraphs (j) and (z) to read as follows:

§ 69.2 Definitions.

* * * * *

(j) *Corporate Operations Expenses* are included in General and Administrative Expenses (Account 6720);

* * * * *

(z) *Net Investment* means allowable original cost investment in Accounts 2001 through 2003, 1220 and the investments in nonaffiliated companies included in Account 1410, that has been apportioned to interstate and foreign services pursuant to the Separations Manual from which depreciation, amortization and other reserves attributable to such investment that has been apportioned to interstate and foreign services pursuant to the Separations Manual have been subtracted and to which working capital that is attributable to interstate and foreign services has been added;

* * * * *

3. Section 69.302 Net Investment is amended by revising paragraph (a) to read as follows:

§ 69.302 Net Investment.

(a) Investment in Accounts 2001, 1220 and Class B Rural Telephone Bank Stock booked in Account 1410 shall be apportioned among the interexchange category, billing and collection category and appropriate access elements as provided in Secs. 69.303 through 69.309.

* * * * *

4. Section 69.409 Corporate operations expenses (Accounts 6710 and 6720) is amended by changing the section title to read as follows:

§ 69.409 Corporate operations expenses (included in Account 6720).

* * * *

APPENDIX G – FCC Report 43-04 Table I – Separations and Access Table

FCC Report 43-04
ARMIS ACCESS REPORT

COMPANY: XXXXXXXXXXXXXX
STUDY AREA: XXXXXXXXXXXX
PERIOD: From: mm yyyyy To mm yyyyy
COSA: XXXX

XXXX Version
SUBMISSION XXX
TABLE I
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(i) TABLE I - SEPARATIONS AND ACCESS TABLE

(Dollars in thousands, except where noted, i.e. #, %)

ROW	Category	Subject to Separation	State	Interstate	Common Line	Traffic Sensitive			Special Access	Billing & Collection	IX
						Switch	Transport	Total			
	(a)	(b)	(c)	(d)	(i)	(j)	(l)	(n)	(o)	(q)	(r)
EQUAL ACCESS											
30	Total Equal Access Investment				N/A		N/A		N/A	N/A	N/A
40	Total Equal Access Accumulated Depreciation				N/A		N/A		N/A	N/A	N/A
44	Total Equal Access Curr. Def. Oper. Income Tax				N/A		N/A		N/A	N/A	N/A
46	Total Equal Access Non-Curr. Def. Oper. Income Tax				N/A		N/A		N/A	N/A	N/A
83	# Equal Access Minutes of Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
84	Total Equal Access Expenses				N/A		N/A		N/A	N/A	N/A
TELECOMMUNICATIONS PLANT IN SERVICE											
b.	**General Support Facilities**										
1000	GSF Investment										
1001	GSF Inv. Allocation Basis – Class A Cos. – Big 3 Exp.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1002	GSF Inv. Allocation Basis – Class B Cos. – Inv. Amts.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1003	GSF Inv. – Part 69 Allocation Basis	N/A	N/A								
Central Office Equipment (COE)											
1112	COE Cat. 1 – Switchboard Inv.				N/A		N/A		N/A	N/A	
1129	COE Cat. 1 – Service Observing Boards Inv.				N/A				N/A	N/A	
1154	COE Cat. 1 – Auxiliary Service Boards Inv.				N/A		N/A		N/A	N/A	
1168	COE Cat. 1 – Traffic Service Position System Inv.				N/A				N/A	N/A	
1170	Total COE Cat. 1 Investment				N/A				N/A	N/A	
1201	COE Cat. 2 Tandem Switching Inv. – Dir. Assg. Msg.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1202	COE Cat. 2 Tandem Switching Inv. – Joint Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1203	# Tandem Minutes of Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1204	Total COE Cat. 2 Investment				N/A				N/A	N/A	
1212	Total COE Cat. 3 Investment									N/A	
1216	# Dial Equipment Minutes of Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1220	COE Cat. 4.11 – WDBD Exch Line Ckt Eqpt – DA PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1222	COE Cat. 4.11 – WDBD Exch Line Ckt Eqpt – Joint Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1223	# WDBD Minutes of Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1224	Total COE Cat. 4.11 – WDBD Exch. Line Ckt. Eqpt. Inv.				N/A	N/A				N/A	
1230	COE Cat. 4.12 Basic Exch. Trunk Ckt. – Dir. Assg. – PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1231	COE Cat. 4.12 Basic Exch. Trunk Ckt. –Dir. Assg. – Msg				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1232	COE Cat. 4.12 Basic Exch. Trunk Ckt. – Joint Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1233	# Exchange Trunk Minutes of Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A

1234	Total COE Cat. 4.12 Basic Exch. Trunk Ckt. Eqpt. Inv.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1240	COE Cat. 4.12 Special Exch. Trk. Ckt. – Dir. Assg. – PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1250	COE Cat. 4.12 WDBD Exch. Trk. Ckt. – Dir. Assg. – PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1252	COE Cat. 4.12 WDBD Exch. Trunk Ckt. – Joint Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1254	Total COE Cat. 4.12 WDBD Exch. Trunk Ckt. Eqpt.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1260	Total COE Cat. 4.12 Exch. Trunk Ckt. Eqpt. Inv.				N/A					N/A	
1274	COE Cat. 4.13 Basic Exch. Ckt. Eqpt. – Dir. Assg. PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A

FCC Report 43-04
ARMIS ACCESS REPORT

COMPANY: XXXXXXXXXXXXXX
STUDY AREA: XXXXXXXXXXXX
PERIOD: From: mm yyyyy To mm yyyyy
COSA: XXXX

XXXX Version
SUBMISSION XXX
TABLE I
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(i) TABLE I - SEPARATIONS AND ACCESS TABLE

(Dollars in thousands, except where noted, i.e. #, %)

ROW	Category (a)	Subject to Separation (b)	State (c)	Interstate (d)	Common Line (i)	Traffic Sensitive Switch (j)	Traffic Sensitive Transport (l)	Traffic Sensitive Total (n)	Special Access (o)	Billing & Collection (q)	IX (r)
1275	COE Cat. 4.13 Basic Exch. Ckt. Eqpt. – Joint Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1276	% Loop Allocation Factor				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1277	Total COE Cat. 4.13 Basic Exch. Ckt. Eqpt.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1280	Tot. COE Cat. 4.13 Spl. Exch. Ckt. Eqpt.– Dir. Assg. PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1290	Total COE Cat. 4.13 Exch. Ckt. Eqpt. Inv.					N/A	N/A	N/A		N/A	N/A
1300	Total COE Cat. 4.1 – Exch. Line Ckt. Eqpt.									N/A	
1310	Total COE Cat. 4.21 IX Ckt. Eqpt. Furnished to Others		N/A		N/A	N/A	N/A	N/A	N/A	N/A	
1320	COE Cat. 4.22 WDBD IX Ckt. Eqpt. – Dir. Assg. PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1322	COE Cat. 4.22 WDBD IX Ckt. Eqpt. – Joint Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1323	# Conversation Minute Kilometers				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1324	Total COE Cat. 4.22 WDBD IX Ckt. Eqpt. Inv.				N/A	N/A	N/A			N/A	
1336	COE Cat. 4.23 Basic IX Ckt. Eqpt. – Dir. Assg. PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1338	COE Cat. 4.23 Basic IX Ckt. Eqpt. – Joint Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1339	# Conversation Minutes				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1342	Total COE Cat. 4.23 Basic IX Ckt. Eqpt. Inv.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1350	COE Cat. 4.23 Spl. IX Ckt. Eqpt. - Dir. Assg. PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1370	Total COE Cat. 4.23 IX Ckt. Eqpt. Inv.				N/A					N/A	
1380	Total COE Cat. 4.2 IX Ckt. Eqpt. Inv.				N/A					N/A	
1392	COE Cat. 4.3 Host/Remote Ckt. Eqpt. – Joint Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1393	# Minutes of Use Kilometers				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1394	Total COE Cat. 4.3 COE – Host/Remote Ckt. Eqpt. Inv.									N/A	
1400	Total COE Cat. 4 – COE Ckt. Eqpt. Inv.									N/A	
1410	Total COE Investment									N/A	
Information Origination/Termination (IOT) Equipment											
1420	IOT Cat. 1 – Other IOT Inv.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1425	IOT Cat. 1 – Other IOT - Part 69 Allocation	N/A	N/A			N/A	N/A	N/A		N/A	N/A
1426	# Equivalent Lines	N/A	N/A			N/A	N/A	N/A		N/A	N/A
1428	Total IOT Cat. 1 Investment					N/A	N/A	N/A		N/A	N/A
1430	IOT Cat. 2 New Cust. Premises Eqpt. - Dir. Assg. State			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
1440	Total Information Origination/Termination Investment					N/A	N/A	N/A		N/A	N/A
Cable and Wire Facilities (C&WF)											
1454	C&WF Cat. 1 - Exch. Line – Dir. Assg. PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1455	C&WF Cat. 1 - Exch. Line – Joint Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1460	Total C&WF Cat. 1 – Exch. Line Inv.					N/A	N/A	N/A		N/A	N/A
1470	C&WF Cat. 2 – Exch. Trunk – Dir. Assg. PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1471	C&WF Cat. 2 – Exch. Trunk – Dir. Assg. Msg.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1472	C&WF Cat. 2 – Exch. Trunk – Joint Use Msg.				N/A	N/A	N/A	N/A	N/A	N/A	N/A

1474	Total C&WF Cat. 2 – Exch. Trunk Inv.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1480	C&WF Cat. 2 - WDBD – Dir. Assg. PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1481	C&WF Cat. 2 - WDBD – Dir. Assg. Msg.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1484	Total C&WF Cat. 2 – Wideband Inv.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1485	Total C&WF Cat. 2 Investment				N/A					N/A	

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(ii) TABLE I - SEPARATIONS AND ACCESS TABLE

(Dollars in thousands, except where noted, i.e. #, %)

ROW	Category	Subject to Separation	State	Interstate	Common Line	Traffic Sensitive			Special Access	Billing & Collection	IX
						Switch	Transport	Total			
	(a)	(b)	(c)	(d)	(i)	(j)	(l)	(n)	(o)	(q)	(r)
1496	C&WF Cat. 3 Interexchange – Dir. Assg. PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1497	C&WF Cat. 3 Interexchange – Dir. Assg. Msg.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1498	C&WF Cat. 3 Interexchange – Joint Use Msg.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1510	Total C&WF Cat. 3 – Interexchange Inv.				N/A					N/A	
1522	C&WF Cat. 4 Host/Remote – Joint Use Msg.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
1524	Total C&WF Cat. 4 – Host/Remote Inv.					N/A				N/A	
1530	Total Cable & Wire Facilities Investment									N/A	
1540	Total Telephone Plant Investment - All Categories										
	Tangible and Intangible Assets										
2001	Tangible Assets – Capital Leases – GSF										
2003	Tangible Assets – Capital Leases – CO Sw.									N/A	
2013	Tangible Assets – Capital Leases – For Pt. 69 Alloc.	N/A	N/A								
2020	Total Tangible Assets – Capital Leases										
2070	Tangible Assets – Leasehold Improvements – GSF				N/A	N/A	N/A	N/A	N/A	N/A	N/A
2130	Tangible Assets Leasehold Imp. – For Pt. 69 Alloc.	N/A	N/A								
2131	Combined Investment per Part 69.309	N/A	N/A								
2140	Total Tangible Assets – Leasehold Improvements										
2150	Total Tangible Assets										
2160	Intangible Assets										
2161	Tel. Plant In Service less Intangible Assets				N/A	N/A	N/A	N/A	N/A	N/A	N/A
	OTHER TELECOMMUNICATIONS PLANT										
2190	Property Held for Future Telecommunications Use										
2191	Telecommunications Plant under Construction										
2193	Telecommunications Plant Adjustment										
2194	Telecommunications Plant in Service										
2203	Total Other Plant Investment										
2210	Rural Telephone Bank Stock										
2224	Materials and Supplies										
2230	Cash Working Capital	N/A	N/A								
2240	Total Other Investment										
2250	FCC Investment Adjustment	N/A	N/A								
2260	Total Telecommunications Plant Investment										
	RESERVES AND DEFERRALS										
3000	Res./Def. – Other Jurisdictional Assets			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Accumulated Depreciation										
3010	Res./Def. – Accum. Deprec. – GSF										
3020	Res./Def. – Accum. Deprec. – CO Sw. Eqpt.									N/A	

3021	Res./Def. – CO Switching Inv. for Allocation									N/A	
3030	Res./Def. – Accum. Deprec. – Opr.Svc. Eqpt.									N/A	
3040	Res./Def. – Accum. Deprec. – CO Ckt. Eqpt.									N/A	
3050	Res./Def. – Accum. Deprec. – IOT					N/A	N/A	N/A		N/A	N/A

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(iii) TABLE I - SEPARATIONS AND ACCESS TABLE

(Dollars in thousands, except where noted, i.e. #, %)

ROW	Category (a)	Subject to Separation (b)	State (c)	Interstate (d)	Common Line (i)	Traffic Sensitive Switch (j)	Traffic Sensitive Transport (l)	Traffic Sensitive Total (n)	Special Access (o)	Billing & Collection (q)	IX (r)
3060	Res./Def. – Accum. Deprec. – C&WF									N/A	
3070	Res./Def. – Accum. Deprec. – Prop. Held for Future Use										
3080	Total Accumulated Depreciation										
Accumulated Amortization											
3090	Res./Def. – Accum. Amort. Capital Leases - GSF										
3100	Res./Def. – Accum. Amort. Capital Leases - CO Sw. Eqpt.									N/A	
3150	Total Accum. Amort. – Capital Leases										
3220	Total Accum. Amort. – Leasehold Improvements										
3230	Total Accumulated Amortization – Tangible Assets										
3240	Res./Def. – Accum. Amort. – Intangible Assets										
3250	Res./Def. – Other Accum. Amort.										
3260	Total Accumulated Amortization – Intangible Assets										
3270	Total Accumulated Amortization										
Net Current Deferred Operating Income Taxes											
3280	Res./Def. – Current Def. Oper. Inc. Tax – GSF										
3290	Res./Def. – Current Def. Oper. Inc. Tax – CO Sw. Eqpt.									N/A	
3300	Res./Def. – Current Def. Oper. Inc. Tax – Opr. Svc. Eqpt.									N/A	
3310	Res./Def. – Current Def. Oper. Inc. Tax – CO Ckt. Eqpt.									N/A	
3320	Res./Def. – Current Def. Oper. Inc. Tax – IOT					N/A	N/A	N/A		N/A	N/A
3330	Res./Def. – Current Def. Oper. Inc. Tax – C&WF									N/A	
3332	Res./Def. – Other Current Def. Oper. Inc. Tax										
3340	Total Net Current Deferred Operating Income Tax										
Net Non-current Deferred Operating Income Taxes											
3350	Res./Def. – Noncurr. Def. Oper. Inc. Tax – GSF										
3360	Res./Def. – Noncurr. Def. Oper. Inc. Tax – CO Sw. Eqpt.									N/A	
3370	Res./Def. – Noncurr. Def. Oper. Inc. Tax – Opr. Svc. Eqpt.									N/A	
3380	Res./Def. – Noncurr. Def. Oper. Inc. Tax – CO Ckt Eqpt.									N/A	
3390	Res./Def. – Noncurr. Def. Oper. Inc. Tax – IOT					N/A	N/A	N/A		N/A	N/A
3400	Res./Def. – Noncurr. Def. Oper. Inc. Tax – C&WF									N/A	
3402	Res./Def. – Other Noncurrent Def. Oper. Income Tax										
3410	Total Net Noncurrent Deferred Operating Income Tax										
Other Jurisdictional Liabilities, Deferred Credits and Reserve Adjustment											
3420	Res./Def. – Other Jurisdictional Liabilities			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3421	Res./Def. – FCC Reserve Adjustment	N/A	N/A								
3422	Res./Def. – Customer Deposits										
3423	Res./Def. – Other Deferred Credits										

3430	Total Reserves and Deferrals										

OPERATING REVENUES AND CERTAIN INCOME ACCOUNTS

Operating Revenues

4000	Basic Local Service Rev. – PL				N/A	N/A	N/A	N/A	N/A	N/A	N/A
4001	Basic Local Service Rev. – Foreign Exchange				N/A	N/A	N/A	N/A	N/A	N/A	N/A
4002	Basic Local Service Rev. – WDBD Message				N/A	N/A	N/A	N/A	N/A	N/A	N/A

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(iv) TABLE I - SEPARATIONS AND ACCESS TABLE

(Dollars in thousands, except where noted, i.e. #, %)

ROW	Category	Subject to Separation	State	Interstate	Common Line	Traffic Sensitive			Special Access	Billing & Collection	IX
						Switch	Transport	Total			
	(a)	(b)	(c)	(d)	(i)	(j)	(l)	(n)	(o)	(q)	(r)
4004	All Other Basic Local Service Rev.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
4005	Total Basic Local Service Revenue				N/A	N/A	N/A	N/A		N/A	N/A
4010	Network Access Service Rev. – End User		N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A
4011	Network Access Service Rev. – Switched Access		N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A
4012	Network Access Service Rev. – Special Access		N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A
4013	Network Access Service Rev. – State Access			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4014	Total Network Access Service Revenue									N/A	
4020	Long Distance Message Rev. – Wideband				N/A	N/A	N/A	N/A	N/A	N/A	N/A
4022	Long Distance Message Rev. – Private Line				N/A	N/A	N/A	N/A	N/A	N/A	N/A
4023	Long Distance Message Rev. – Other				N/A	N/A	N/A	N/A	N/A	N/A	N/A
4024	Total Long Distance Message Service Revenue									N/A	
4030	Misc. Rev. – Directory				N/A	N/A	N/A	N/A	N/A	N/A	N/A
4031	Misc. Rev. – Billing and Collections				N/A	N/A	N/A	N/A	N/A	N/A	N/A
4032	Misc. Rev. – All Other				N/A	N/A	N/A	N/A	N/A	N/A	N/A
4033	Total Miscellaneous Revenue										
4040	Uncollectible Revenue										
4050	Total Revenue										

Certain Income Accounts

4060	Other Operating Income – Foreign Exchange Service		N/A		N/A	N/A	N/A	N/A	N/A	N/A	N/A
4061	Other Operating Income – Directly Assigned				N/A	N/A	N/A	N/A	N/A	N/A	N/A
4062	Other Operating Income – Joint Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
4064	Total Other Operating Income – Part 69	N/A	N/A								
4066	Total Other Operating Income										
4070	Allowance for Funds used during Construction										
4072	Social and Community Welfare Contributions										
4076	Total Non-operating Income & Expenses										
4080	Interest Paid – Capital Leases										
4090	Extraordinary Items										
4100	Income Effect Jurisdictional Rate-making Difference			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
4120	Total Operating Revenues (plus) Jurisdictional Diff.										

OPERATING EXPENSES

Plant Specific Operations Expense

5000	Network Support Expense										
5010	General Support Expense										
5013	Total Network & General Support Expense										
5026	Total COE Expense									N/A	
5042	Other IOT Expense					N/A	N/A	N/A		N/A	N/A

5050	CPE Expense – Dir. Assg.			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
5060	Total IOT Expense					N/A	N/A	N/A		N/A	N/A
5076	Total C&WF Expense									N/A	
5080	Total Plant Specific Operations Expense										

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(v) TABLE I – SEPARATIONS AND ACCESS TABLE

(Dollars in thousands, except where noted, i.e. #, %)

ROW	Category	Subject to Separation	State	Interstate	Common Line	Traffic Sensitive			Special Access	Billing & Collection	IX
						Switch	Transport	Total			
	(a)	(b)	(c)	(d)	(i)	(j)	(l)	(n)	(o)	(q)	(r)
	Plant Nonspecific Operations Expense										
6000	Other Property Plant and Equipment Expense									N/A	
6010	Network Operations Expense									N/A	
6012	Access Expense – Directly Assigned				N/A	N/A	N/A	N/A	N/A	N/A	
6020	Depreciation Exp. – GSF										
6030	Depreciation Exp. – CO Sw. Eqpt.									N/A	
6040	Depreciation Exp. – Opr. Svc. Eqpt.									N/A	
6050	Depreciation Exp. – CO Ckt. Eqpt.									N/A	
6060	Depreciation Exp. – IOT					N/A	N/A	N/A		N/A	N/A
6070	Depreciation Exp. – C&WF									N/A	
6080	Depreciation Exp. – Plant Held for Future Use										
6090	Total Depreciation Expense										
6100	Amortization Exp. - Capital Leases – GSF										
6110	Amortization Exp. – Capital Leases – CO Sw. Eqpt.									N/A	
6160	Total Amortization Exp. – Capital Leases										
6230	Total Amortization Exp. - Leasehold Improv. – GSF										
6240	Total Amortization Expense - Tangible Assets										
6250	Amortization Expense – Intangible Assets										
6252	Other Depreciation/Amortization Expense										
6254	Total Other Depreciation/Amortization Expense										
6260	Total Depreciation/Amortization Expense										
6270	Total Plant Nonspecific Operations Expense										
	Customer Operations Expense										
6998	Marketing Exp. – Dir. Assg.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
6999	Marketing Exp. – Allocated				N/A	N/A	N/A	N/A	N/A	N/A	N/A
7000	Total Marketing Expense									N/A	
7001	Current Billing Analysis				N/A	N/A	N/A	N/A	N/A	N/A	N/A
7002	Combined Investment for Part 69	N/A	N/A							N/A	
7052	# Weighted Standard Work Seconds	N/A	N/A		N/A		N/A		N/A	N/A	
7060	Total Telephone Operator Service Expense				N/A		N/A		N/A	N/A	
7070	Directory Exp. – Classified – Dir. Assg.			N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
7073	Directory Exp. – Alphabetical				N/A	N/A	N/A	N/A	N/A	N/A	N/A
7074	# Subscriber Line Minutes-of-Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
7075	Directory Expense – Foreign – Dir. Assg.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
7076	Total Directory Expense				N/A	N/A	N/A		N/A	N/A	N/A
7220	Other Cust. Svc. Exp. – Cat. 1 – Local Bus. Ofc. Exp.										
7290	Other Cust. Svc. Exp. – Cat. 2 – Rev. Acctg. Exp.										N/A

7300	Other Cust. Svc. Exp. – Cat. 3 – Customer Svc. Exp.										
7310	Total Other Customer Services Expense										
7320	Total Customer Operations Expense										

Corporate Operations Expense & FCC Expense Adjustment

7330	Corp. Oper. Exp. – EAS – Dir. Assg. Exchange			N/A						N/A	N/A
7331	Corporate Operations Exp. – All Other										

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(vi) TABLE I – SEPARATIONS AND ACCESS TABLE

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ROW	Category	Subject to Separation	State	Interstate	Common Line	Traffic Sensitive			Special Access	Billing & Collection	IX
						Switch	Transport	Total			
	(a)	(b)	(c)	(d)	(i)	(j)	(l)	(n)	(o)	(q)	(r)
7334	Total Corporate Operations Expense										
7350	FCC Expense Adjustment	N/A	N/A								
7351	Total Operating Expense										
Operating Taxes											
8000	Operating Taxes – State and Local Income										
8001	Approximate Net Taxable Income – SIT										
8002	Oper. Taxes – Other State and Local – Dir. Assg.				N/A	N/A	N/A	N/A	N/A	N/A	N/A
8003	Oper. Taxes – Other State and Local – Joint Use				N/A	N/A	N/A	N/A	N/A	N/A	N/A
8005	Oper. Taxes – Other State and Local – Pt. 69	N/A	N/A								
8007	Total State & Local Taxes										
8010	Operating Taxes – Fixed Charges										
8011	Operating Taxes – Net Investment				N/A	N/A	N/A	N/A	N/A	N/A	N/A
8013	Operating Taxes – IRS Income Adjustment										
8014	Operating Taxes – FCC Taxable Income Adjustment	N/A	N/A								
8015	Operating Taxes – Amortization of Invest. Tax Credit										
8018	Operating Taxes – FCC Invest. Tax Credit	N/A	N/A								
8020	Operating Taxes – Federal Income Tax										
8021	Approximate Net Taxable Income – FIT										
8030	Total Operating Taxes										
RETURN DATA											
8040	Return Data – Average Net Investment										
8041	Return Data – Net Return	N/A	N/A							N/A	N/A
8042	% Return Data – Rate of Return	N/A	N/A							N/A	N/A

Note: The symbol "#" preceding the applicable row description would indicate items that are not dollars or percentages (e.g., minutes of use, conversation minutes, minutes of use kilometers, etc.) The symbol "%" preceding the applicable row description indicates items to be entered as a percent (e.g. rate of return).

APPENDIX H – Regulatory Flexibility Analyses

A. Final Regulatory Flexibility Analysis

240. As required by the Regulatory Flexibility Act (RFA),[413] an Initial Regulatory Flexibility Analysis (IRFA) was incorporated in the Notice of Proposed Rulemaking and the *June 8 Public Notice* seeking further comment in this proceeding.[414] The Commission has prepared this Final Regulatory Flexibility Analysis (FRFA) of any possible significant economic impact on small entities by the adoption of rules in the attached Report and Order.

241. *Need for, and Objectives of, this Report and Order*. Under our rules, there are two classes of incumbent LECs for accounting purposes: Class A and Class B.[415] Carriers with annual revenues from regulated telecommunications operations that are equal to or above the indexed revenue threshold, currently $117 million, are classified as Class A; those falling below that threshold are considered Class B.[416] Class A carriers (operating companies of SBC, Qwest, Verizon, and BellSouth) have been required to maintain 296 Class A accounts,[417] which provide more detailed records of investment, expense, and revenue than the 113 Class B accounts that Class B carriers are required to maintain.[418] The more generalized level of accounting required under Class B was established to accommodate smaller carriers. In the attached Report and Order, the Commission streamlines the Class A and Class B accounts[419] and ARMIS reporting requirements for incumbent LECs,[420] and further reduces the accounting and reporting requirements for mid-sized incumbent LECs.[421] In addition, this Report and Order eliminates the certain inventory requirements; allows carriers to adopt SFAS-116 for federal accounting purposes; eliminates the requirement for a fair market value comparison for asset transfers under $500,000; eliminates the "treated traditionally" requirement from "incidental activities"; modifies the expense limit rules to include central office tools and test equipment in the expense limit; and amends section 32.11 of the Commission's rules to expressly limit the rule to incumbent LECs.[422] Finally, the Commission modifies the ARMIS reporting

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[413] *See* 5 U.S.C. § 603. The RFA, *see* 5 U.S.C. § 601 *et seq.*, has been amended by the Contract with America Advancement Act of 1996, Pub. L. No. 104-121, 110 Stat. 847 (1996) (CWAAA). Title II of the CWAAA is the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA).

[414] 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3, CC Docket No. 00-199, *Notice of Proposed Rulemaking*, FCC 00-364 (rel. Oct. 18, 2000) (*Notice*). The Commission sought further comment on streamlining Class A and Class B accounts. *See* "Commission Seeks Further Comment in Phase 2 of the Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers," *Public Notice*, DA 01-1403 (rel. June 8, 2001) (*June 8 Public Notice*).

[415] 47 C.F.R. § 32.11.

[416] *See* "Annual Adjustment of Revenue Threshold," *Public Notice*, DA 01-903 (rel. Apr. 11, 2001) (adjusting annual indexed revenue threshold to $117 million).

[417] Other Class A carriers include ALLTEL, Citizens Communications, Cincinnati Bell, C-TEC, Sprint, Roseville, and CenturyTel. These carriers are "mid-sized" LECs. We reduced accounting requirements for mid-sized LECs and allow them to maintain their accounts on a Class B level. *See ARMIS Reductions Report and Order*, 14 FCC Rcd at 11449, ¶ 11.

[418] The difference in the number of accounts is that many of the Class A accounts are aggregated into summary accounts under Class B.

[419] *See* Report and Order at ¶¶ 27-43, 77.

[420] *See id.* at ¶¶ 135-183.

[421] *See id.* at ¶¶ 190-198.

[422] *See id.* at ¶¶ 80-113.

requirements to eliminate out-of-date requirements and to add reporting for new technologies. These rule changes generally reduce the accounting and reporting requirements for all incumbent LECs.[423]

242. *Summary of Significant Issues Raised by Commenters.* No comments were received in response to the IRFA in the Notice of Proposed Rulemaking or the IRFA in the *June 8 Public Notice*. Several commenters, in the initial comments in this proceeding, suggested completely eliminating ARMIS reporting for mid-sized LECs.[424]

243. *Description and Estimate of the Number of Small Entities to which the Rules Will Apply.* The RFA directs agencies to provide a description of, and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted.[425] To estimate the number of small entities that may be affected by the proposed rules, we first consider the statutory definition of "small entity" under the RFA. The RFA generally defines "small entity" as having the same meaning as the term "small business," "small organization," and "small governmental jurisdiction."[426] In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act, unless the Commission has developed one or more definitions that are appropriate to its activities.[427] Under the Small Business Act, a "small business concern" is one that: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) meets any additional criteria established by the Small Business Administration (SBA).[428]

244. The Commission has included small incumbent LECs[429] in this present RFA analysis. A "small business" under the RFA is one that, *inter alia*, meets the pertinent small business size standard (*e.g.*, a telephone communications business having 1,500 or fewer employees), and "is not dominant in its field of operation."[430] The SBA's Office of Advocacy contends that, for RFA purposes, small incumbent LECs are not dominant in their field of operation because any such dominance is not "national" in scope.[431] We have therefore included small incumbent LECs in this RFA analysis, although we emphasize that this RFA action has no effect on Commission analyses and determinations in other, non-RFA contexts.

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[423] No small entities are affected by the additional ARMIS reporting requirements. *See id.* at ¶ 175 describing the new rows to the ARMIS 43-07. The ARMIS 43-07 is filed by mandatory price cap carriers only (*i.e.*, SBC, Verizon, Qwest, and BellSouth). There are also several new subaccounts adopted in the Report and Order for Class A carriers, although the total number of accounts is substantially reduced. These new subaccounts are Class A subaccounts, and will be maintained by the Bell Operating Companies only. *See* Report and Order at ¶¶ 59-61, 75.

[424] *See* Report and Order at ¶ 193.

[425] 5 U.S.C. § 603(b)(3).

[426] 5 U.S.C. § 601(6).

[427] 5 U.S.C. § 601(3) (incorporating by reference the definition of "small business concern" in 15 U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies "unless an agency after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition in the Federal Register."

[428] 15 U.S.C. § 632.

[429] *See* 47 U.S.C. § 251(h) (defining "incumbent local exchange carrier").

[430] 5 U.S.C. § 601(3).

[431] Letter *from* Jere W. Glover, Chief Counsel for Advocacy, SBA, *to* William E. Kennard, Chairman, FCC (May 27, 1999). The Small Business Act contains a definition of "small business concern," which the RFA incorporates into its own definition of "small business." *See* 15 U.S.C. § 632(a) (Small Business Act); 5 U.S.C. § 601(3) (RFA). SBA regulations interpret "small business concern" to include the concept of dominance on a national basis. 13 C.F.R. § 121.102(b).

245. Wireline carriers (incumbent LECs). According to Trends in Telephone Service, there were 1,335 incumbent local exchange carriers filing the FCC Form 499-A on April 1, 2000.[432] Of these carriers, 1,037 had, in combination with affiliates, 1,500 or fewer employees and 298 had, in combination with affiliates, more than 1,500 employees.[433] Some of these carriers may not be independently owned or operated, but we are unable at this time to estimate with greater precision the number of wireline carriers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 1,037 wireline small entities that may be affected by the rules adopted in the Report and Order.

246. The changes to the accounting and reporting requirements in this Report and Order, are for the most part, reductions in the Commission's accounting and reporting requirements. These rule changes could affect all incumbent local exchange carriers. Some of these companies may be considered "small entities" under the SBA definition. Therefore, it is possible that some of the 1,037 small entity telephone companies may be affected by the rule changes. The increased ARMIS reporting requirements will only affect the Bell Operating Companies, none of which are small entities. There are several new subaccounts adopted in this Report and Order for Class A carriers, although the total number of accounts is substantially reduced. These new subaccounts are Class A subaccounts, and will be maintained by the Bell Operating Companies only.

247. *Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements.* This Report and Order generally reduces accounting and reporting requirements for all incumbent local exchange companies. These rule changes will result in fewer accounting and reporting requirements for all incumbent local exchange carriers, including small entities. This Report and Order has several new accounting and ARMIS reporting requirements that apply to the Bell Operating Companies only. For instance, the Report and Order adds several Class A subaccounts; however, these will be maintained by the largest incumbent LECs (*i.e.*, Bell Operating Companies) only. Small entities will not have any additional accounting or ARMIS reporting requirements.[434]

248. *Steps Taken to Minimize Significant Economic Impact on Small Entities, and Significant Alternatives Considered.* The RFA requires an agency to describe any significant alternatives that it has considered in reaching its proposed approach, which may include the following four alternatives (among others): (1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance or reporting requirements under the rule for small entities; (3) the use of performance, rather than design, standards; and (4) an exemption from coverage of the rule, or any part thereof, for small entities.[435]

249. This Report and Order significantly reduces accounting and reporting requirements for the smaller (*i.e.*, "mid-sized") incumbent LECs, which may include small entities. Specifically, the Report and Order eliminates the cost allocation manual filing requirements and biennial attestation requirement for mid-sized LECs.[436] In addition, the Report and Order eliminates the requirement that mid-sized LECs file ARMIS 43-02, 43-03, and 43-04 Reports.[437] Generally, the rule changes adopted herein result in fewer accounting and reporting requirements for all incumbent LECs (except for several new accounting and ARMIS reporting requirements that apply to the Bell Operating Companies only). Several commenters suggested completely eliminating ARMIS reporting for

[432] Trends in Telephone Service, Table 5.3, Number of Telecommunications Service Providers That are Small Businesses (Industry Analysis Division, Common Carrier Bureau, August 2001).

[433] *Id.*

[434] *See* footnote 423, *supra.*

[435] 5 U.S.C. § 603(c).

[436] *See* Report and Order at ¶¶ 190-192.

[437] *See id.* at ¶¶ 193-198.

mid-sized carriers.[438] The Commission rejected that alternative primarily due to the need to obtain information used to compute non-rural carrier universal service high-cost support. The Commission retains the requirement that mid-sized carriers file the ARMIS 43-01and 43-08 Reports. Data in these reports are used to develop inputs to the high cost model for universal service purposes and develop inputs to models used to determine forward-looking economic costs in UNE ratemaking proceedings.

250. *Report to Congress.* The Commission's Consumer Information Bureau, Reference Information Center shall include a copy of this Report and Order and Final Regulatory Flexibility Analysis in a report to be sent to Congress pursuant to the Congressional Review Act.[439] In addition, the Commission will send a copy of the Report and Order, including the Final Regulatory Flexibility Analysis, to the Chief Counsel for Advocacy of the Small Business Administration. A copy of the Report and Order, including the Final Regulatory Flexibility Analysis (or summaries thereof) will also be published in the Federal Register.[440]

B. Initial Regulatory Flexibility Analysis

251. As required by the Regulatory Flexibility Act (RFA),[441] the Commission has prepared this present Initial Regulatory Flexibility Analysis (IRFA) of the possible significant economic impact on small entities by the policies and rules proposed in this Further Notice of Proposed Rulemaking (Further Notice). Written public comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments on this Further Notice, which are set out in paragraphs 226-230 of the Report and Order and Further Notice of Proposed Rulemaking. The Commission will send a copy of this Further Notice, including this IRFA, to the Chief Counsel for Advocacy of the Small Business Administration (SBA).[442] In addition, this Further Notice and IRFA (or summaries thereof) will be published in the Federal Register.[443]

252. *Need for, and Objectives of, the Proposed Action.* The Commission has initiated this Further Notice to seek comment on whether we should sunset our accounting and reporting rules; whether ARMIS information, particularly infrastructure data, would be better captured in the Local Competition and Broadband Data Gathering Program instead of through ARMIS; eliminating or streamlining our rules for continuing property records and our affiliate transactions rules; and what, if any, conforming amendments the Commission should make to its Part 36 rules to reflect the revisions to the Part 32 rules set forth in the attached Report and Order. The first issue, which discusses in general terms sunsetting our accounting rules, would not increase the reporting or recordkeeping requirements for small entities. The third and fourth issues, regarding streamlining or eliminating our continuing property records rules and our affiliate transactions rules, would probably not significantly affect small entities. Our proposals in these two areas would, if adopted, result in decreasing recordkeeping requirements and reducing the number of fair market value estimations. The fifth issue merely seeks to conform Part 36 to the rule changes adopted in the Report and Order. The second issue, however, would probably impact small entities. The second issue addresses the means by which the Commission collects ARMIS data, particularly infrastructure data. The Commission seeks comment on whether such collection should be implemented through the Local Competition and Broadband Data Gathering Program instead of through ARMIS. Under the Local Competition and Broadband Data Gathering Program, facilities-based service providers with at least 250 full or one-way

[438] *See id.* at ¶ 193.

[439] *See* 5 U.S.C. § 801(a)(1)(A).

[440] *See* 5 U.S.C. § 604(b).

[441] *See* 5 U.S.C. § 603. The RFA, *see* 5 U.S.C. § 601 *et. seq.*, has been amended by the Contract With America Advancement Act of 1996, Pub. L. No. 104-121, 110 Stat. 847 (1996) (CWAAA). Title II of the CWAAA is the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA).

[442] *See* 5 U.S.C. § 603(a).

[443] *See id.*

broadband lines or wireless channels in a given state complete applicable portions of the Form 477 for that state and local exchange carriers with 10,000 or more local telephone service lines, or fixed wireless channels, in a state must complete the applicable portions of the Form 477 for each state in which they serve 10,000 or more subscribers. This is a larger group of service providers than the 30 mandatory price cap LECs that file infrastructure reporting requirements.[444] The objective for this proposed action – to collect this data from smaller companies, in addition to the Bell Operating Companies – would be to give the Commission more information about the infrastructure of these companies.

253. *Legal Basis.* The legal basis for the action as proposed for this rulemaking is contained in sections 1-5, 10, 11, 201-205, 215, 218-220, 251-271, 303(r), 332, 403, 502, and 503 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151-155, 160, 161, 201-205, 215, 218-220, 251-271, 303(r), 332, 403, 502, and 503.

254. *Description and Estimate of the Number of Small Entities to which the Proposed Action May Apply.* The Commission seeks comment on whether it should revise its rules so that data collection in ARMIS, particularly infrastructure data, should be collected pursuant to the Local Competition and Broadband Data Gathering Program. Under the Local Competition and Broadband Data Gathering Program, facilities-based service providers with at least 250 full or one-way broadband lines or wireless channels in a given state complete applicable portions of the Form 477 for that state. In addition, local exchange carriers with 10,000 or more local telephone service lines, or fixed wireless channels, in a state must complete the applicable portions of the Form 477 for each state in which they serve 10,000 or more subscribers. Currently, 30 mandatory price cap LECs file infrastructure reporting requirements.[445] Fifty-two LECs file the financial ARMIS reports.[446] Additional LECs are subject to service quality reporting requirements.[447] Thus, if ARMIS information were captured pursuant to the Local Competition and Broadband Data Gathering Program, the data would be collected from more entities than from which the ARMIS data are collected today.[448] The Commission sets out below a description of the types of entities that could possibly be required to comply with the proposed reporting

255. The RFA directs agencies to provide a description of and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted.[449] To estimate the number of small entities that may be affected by the proposed rules, we first consider the statutory definition of "small entity" under

[444] There are 30 mandatory price cap incumbent LECs that are subject to ARMIS customer satisfaction and infrastructure reporting requirements. They are Verizon (19 operating companies); SBC (9 operating companies); BellSouth (1 operating company); and Qwest (1 operating company).

[445] There are 30 mandatory price cap incumbent LECs that are subject to ARMIS customer satisfaction and infrastructure reporting requirements. They are Verizon (19 operating companies); SBC (9 operating companies); BellSouth (1 operating company); and Qwest (1 operating company).

[446] Specifically, 52 incumbent LECs have annual operating revenues exceeding the indexed revenue threshold and file financial ARMIS reports. These incumbent LECs include the operating companies of Verizon (19 operating companies); SBC (9 operating companies); BellSouth; and Qwest. The other 22 incumbent LECs are considered mid-sized carriers. They are Cincinnati Bell (1 operating company), C-TEC (1 operating company), Sprint (13 operating companies), ALLTEL (5 operating companies), and Citizens Communications (2 operating companies). Unless granted a waiver or extension, Roseville and CenturyTel will be required to file certain ARMIS reports this year. The attached Report and Order reduces the ARMIS filing requirements for mid-sized carriers, but does not eliminate all ARMIS filing for these carriers.

[447] There are 93 price cap LECs subject to service quality reporting requirements. They are Verizon (19 operating companies); SBC (9 operating companies); BellSouth (1 operating company); Qwest (1 operating company); Sprint (17 operating companies); Citizens Communications (45 operating companies); and Cincinnati Bell (1 operating company).

[448] As of December 31, 2000, incumbent LECs filed 165 state reports and CLECs filed 86 state reports, for a given state. In addition, wireless carriers filed 77 state reports, for a given state, as of December 31, 2000. *See* Local Telephone Competition: Status as of December 31, 2000 (Industry Analysis Division, Common Carrier Bureau, May 2001).

[449] 5 U.S.C. § 603(b)(3).

the RFA. The RFA generally defines "small entity" as having the same meaning as the term "small business," "small organization," and "small governmental jurisdiction."[450] In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act, unless the Commission has developed one or more definitions that are appropriate to its activities.[451] Under the Small Business Act, a "small business concern" is one that: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) meets any additional criteria established by the SBA.[452] Recently, the SBA has defined a small business for "wired telecommunications carriers," "paging," "cellular and other wireless telecommunications," and "telecommunications resellers" to be small entities when they have no more than 1,500 employees.[453]

256. The most reliable source of information regarding the total numbers of common carrier and related providers nationwide, as well as the numbers of commercial wireless entities, appears to be data derived from filings made in connection with the Telecommunications Reporting Worksheet (FCC Form 477).[454] According to data in the most recent report, there are 4,822 interstate service providers.[455] These providers include, *inter alia*, local exchange carriers, wireline carriers and service providers, interexchange carriers, competitive access providers, operator service providers, pay telephone operators, providers of telephone toll service, providers of telephone exchange service, and resellers.

257. We have included small incumbent LECs[456] in this present RFA analysis. As noted above, a "small business" under the RFA is one that, *inter alia*, meets the pertinent small business size standard (*e.g.*, a telephone communications business having 1,500 or fewer employees), and "is not dominant in its field of operation."[457] The SBA's Office of Advocacy contends that, for RFA purposes, small incumbent LECs are not dominant in their field of operation because any such dominance is not "national" in scope.[458] We have therefore included small incumbent LECs in this RFA analysis, although we emphasize that this RFA action has no effect on Commission analyses and determinations in other, non-RFA contexts.

258. Total Number of Telephone Companies Affected. The Commission's Industry Analysis Division of the Common Carrier Bureau complies a report, Trends in Telephone Service, based on data from various sources, including the FCC Form 499-A worksheets filed by telecommunications carriers. According to Trends in Telephone Service, there were 4,822 service providers filing the FCC Form 499-A on April 1, 2000. Of these carriers, 3,875 had, in combination with affiliates, 1,500 or fewer employees and 947 had, in combination with

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[450] 5 U.S.C. § 601(6).

[451] 5 U.S.C. § 601(3) (incorporating by reference the definition of "small business concern" in 15 U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies "unless an agency after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition in the Federal Register."

[452] 15 U.S.C. § 632. *See, e.g., Brown Transport Truckload, Inc. v. Southern Wipers, Inc.*, 176 B.R. 82 (N.D. Ga. 1994).

[453] 13 C.F.R. § 121.201, NAICS codes 51331, 51333, 51322, and 51321.

[454] FCC, *Carrier Locator: Interstate Service Providers*, Table 1 (Oct. 2000) (*Carrier Locator*).

[455] *Carrier Locator* at Table 1.

[456] *See* 47 U.S.C. § 251(h) (defining "incumbent local exchange carrier").

[457] 5 U.S.C. § 601(3).

[458] Letter *from* Jere W. Glover, Chief Counsel for Advocacy, SBA, *to* William E. Kennard, Chairman, FCC (May 27, 1999). The Small Business Act contains a definition of "small business concern," which the RFA incorporates into its own definition of "small business." *See* 15 U.S.C. § 632(a) (Small Business Act); 5 U.S.C. § 601(3) (RFA). SBA regulations interpret "small business concern" to include the concept of dominance on a national basis. 13 C.F.R. § 121.102(b).

affiliates, more than 1,500 employees.[459] These numbers contains a variety of different categories of carriers, including local exchange carriers, interexchange carriers, competitive access providers, cellular carriers, mobile service carriers, operator service providers, pay telephone operators, personal communications service (PCS) providers, covered specialized mobile radio (SMR) providers, and resellers. It seems certain that some of those telephone service firms may not qualify as small entities or small incumbent LECs because they are not "independently owned and operated."[460] For example, a PCS provider that is affiliated with an interexchange carrier having more than 1,500 employees would not meet the definition of a small business. It seems reasonable to conclude, therefore, that fewer than 3,875 telephone service firms are small entity telephone service firms or small incumbent LECs that may be affected by the decisions and rules proposed in the Further Notice.

259. Wireline carriers (incumbent LECs). According to Trends in Telephone Service, there were 1,335 incumbent local exchange carriers filing the FCC Form 499-A on April 1, 2000. Of these carriers, 1,037 had, in combination with affiliates, 1,500 or fewer employees and 298 had, in combination with affiliates, more than 1,500 employees.[461] Some of these carriers may not be independently owned or operated, but we are unable at this time to estimate with greater precision the number of wireline carriers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 1,037 wireline small entities that may be affected by the decisions and rules proposed in the Further Notice.

260. Other wireline carriers (other than incumbent LECs). According to Trends in Telephone Service, there were 496 fixed local service providers, other than incumbent LECs, filing the FCC Form 499-A on April 1, 2000. Of these carriers, 439 had, in combination with affiliates, 1,500 or fewer employees and 57 had, in combination with affiliates, more than 1,500 employees.[462] These companies include competitive access providers, competitive local exchange providers, resellers, and other local exchange carriers. Some of these carriers may not be independently owned or operated, but we are unable at this time to estimate with greater precision the number of wireline carriers (other than incumbent LECs) that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 439 wireline small entities (other than incumbent LECs) that may be affected by the decisions and rules proposed in the Further Notice.

261. Wireless telecommunications service providers. According to Trends in Telephone Service, there were 1,495 wireless service providers filing the FCC Form 499-A on April 1, 2000. Of these carriers, 989 had, in combination with affiliates, 1,500 or fewer employees and 506 had, in combination with affiliates, more than 1,500 employees.[463] The wireless service providers include cellular, PCS, SMR, paging and messaging service, SMR dispatch, wireless data service providers, and other mobile service providers. Some of these carriers may not be independently owned and operated; however, we are unable at this time to estimate with greater precision the number of wireless carriers and service providers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 989 small entity "cellular and other wireless telecommunications" providers that may be affected by the rules proposed in the Further Notice.

262. Payphone service providers. According to Trends in Telephone Service, there were 758 payphone service providers filing the FCC Form 499-A on April 1, 2000. Of these carriers, 755 had, in combination with

[459] Trends in Telephone Service, Table 5.3, Number of Telecommunications Service Providers That are Small Businesses (Industry Analysis Division, Common Carrier Bureau, August 2001).

[460] 15 U.S.C. § 632(a)(1).

[461] Trends in Telephone Service, Table 5.3, Number of Telecommunications Service Providers That are Small Businesses (Industry Analysis Division, Common Carrier Bureau, August 2001).

[462] *Id.*

[463] *Id.*

affiliates, 1,500 or fewer employees and 3 had, in combination with affiliates, more than 1,500 employees.[464] Some of these companies may not be independently owned and operated; however, we are unable at this time to estimate with greater precision the number of payphone service providers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 755 small entity payphone service providers that may be affected by the rules proposed in the Further Notice.

263. Toll service providers. According to Trends in Telephone Service, there were 738 toll service providers filing the FCC Form 499-A on April 1, 2000. Of these carriers, 656 had, in combination with affiliates, 1,500 or fewer employees and 82 had, in combination with affiliates, more than 1,500 employees.[465] The toll service providers include interexchange carriers, operator service providers, prepaid calling card providers, satellite service providers, toll resellers, and other toll carriers. Some of these carriers may not be independently owned and operated; however, we are unable at this time to estimate with greater precision the number of toll service providers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that there are fewer than 656 small entity toll service providers that may be affected by the rules proposed in the Further Notice.

264. *Description of Proposed Reporting, Recordkeeping, and Other Compliance Requirements.* The Further Notice seeks comment on whether ARMIS information, particularly infrastructure data, would be better captured in the Commission's *Local Competition and Broadband Data Gathering Program.* Pursuant to the current *Local Competition and Broadband Data Gathering Program*, certain providers of broadband services and of local telephone services must complete FCC Form 477, which collects data on their deployment of those services.[466] Specifically, under the *Local Competition and Broadband Data Gathering Program*, facilities-based service providers with at least 250 full or one-way broadband lines or wireless channels in a given state complete applicable portions of the FCC Form 477 for that state. In addition, local exchange carriers with 10,000 or more local telephone service lines, or fixed wireless channels, in a state must complete the applicable portions of the Form 477 for each state in which they serve 10,000 or more subscribers. These reporting entities may include more companies than the incumbent LECs currently reporting in ARMIS.

265. Currently, 30 mandatory price cap LECs, the operating companies of Verizon, BellSouth, SBC, and Qwest, file infrastructure reporting requirements. The financial ARMIS reports are filed by 52 local exchange carriers.[467] Additional LECs are subject to service quality reporting requirements; however, service quality reporting issues are not addressed in this proceeding.[468] Thus, if ARMIS information were captured pursuant to the *Local Competition and Broadband Data Gathering Program*, the data may be collected from more entities than from which the ARMIS data is collected today.[469] The Further Notice also seeks comment on whether the data discussed in paragraphs 67, 160, and 167 of the attached Report and Order should be captured in the *Local Competition and Broadband Data Gathering Program*, instead of ARMIS.

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[464] *Id.*

[465] *Id.*

[466] *See* Local Competition and Broadband Reporting, CC Docket No. 99-301, *Report and Order*, 15 FCC Rcd 7717 (2000) (*Data Gathering Order*).

[467] The operating companies of Verizon (19 operating companies); SBC (9 operating companies); BellSouth; and Qwest. The other 22 incumbent LECs (mid-sized carriers) are Cincinnati Bell (1 operating company), C-TEC (1 operating company), Sprint (13 operating companies), ALLTEL (5 operating companies), and Citizens Communications (2 operating companies). The attached Report and Order reduces the ARMIS filing requirements for mid-sized carriers, but does not eliminate all ARMIS filing for these carriers.

[468] There are 93 price cap LECs subject to service quality reporting requirements. They are Verizon (19 operating companies); SBC (9 operating companies); BellSouth (1 operating company); Qwest (1 operating company); Sprint (17 operating companies); Citizens Communications (45 operating companies); and Cincinnati Bell (1 operating company).

[469] *See* footnote 448, *supra.*

266. *Steps Taken to Minimize Significant Economic Impact on Small Entities, and Significant Alternatives Considered.* The RFA requires an agency to describe any significant alternatives that it has considered in reaching its proposed approach, which may include the following four alternatives (among others): (1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance or reporting requirements under the rule for small entities; (3) the use of performance, rather than design, standards; and (4) an exemption from coverage of the rule, or any part thereof, for small entities.[470]

267. The Further Notice seeks comment on whether the Commission should sunset the accounting and reporting rules; whether ARMIS information, particularly infrastructure data, would be better captured in the *Local Competition and Broadband Data Gathering Program* instead of through ARMIS; and what, if any, conforming amendments the Commission should make to its Part 36 rules to reflect the revisions to the Part 32 rules set forth in the attached Report and Order. The first, third, and fourth issues, which seek comment on reducing accounting and reporting requirements in the future and discusses sunsetting accounting rules and reporting requirements, would not increase reporting or recordkeeping requirements for small entities. The fifth issue merely seeks to conform Part 36 to the rule changes adopted in the Report and Order. This is needed due to the consolidation of several Class B accounts that are also used in Part 36. The alternative to conforming our Part 36 rules would be not to streamline the Part 32 rules. Without the Part 32 rule changes, there would be no need to conform the Part 36 rules. The Part 32 rule changes in the attached Report and Order, however, represent a significant reduction in both Class A and Class B accounts. Therefore, conforming amendments to the Part 36 jurisdictional separations rules would be a result of the consolidation of Part 32 accounts and should not be a significant economic impact on small entities.

268. The data collection issue, however, would probably have a reporting and recordkeeping requirement small entities. This issue addresses the means in which the Commission collects ARMIS data, particularly infrastructure data. The Commission seeks comment on whether such collection should be implemented through the *Local Competition and Broadband Data Gathering Program* instead of through ARMIS. Currently, the *Local Competition and Broadband Data Gathering Program* does not collect infrastructure data, and any rule change adopted to expand that program in order to collect data currently collected in ARMIS may involve information collection from more entities, including small entities. With respect to minimizing the significant economic impact on small entities, the Commission could reduce the data requested from the rows currently reported in the relevant ARMIS reports. Any such reporting on the part of small entities would, however, be an increase over the current reporting requirement, as these entities do not currently report ARMIS infrastructure data at all. With respect to significant alternatives, the Commission could continue to collect such information in ARMIS. Currently, the infrastructure data in ARMIS 43-07 are collected from 30 mandatory price cap carriers (operating companies of Verizon, SBC, BellSouth, and Qwest.) The Commission does not collect this information from other, smaller entities. If the Commission does not adopt such a rule change, small entities will not be affected. Alternatively, the Commission could adopt the rule change but specify that the data collection applies only to the mandatory price cap companies. We seek comment on these options.

269. Federal Rules that may Duplicate, Overlap, or Conflict With the Proposed Rules. None.

[470] 5 U.S.C. § 603(c).

SEPARATE STATEMENT OF CHAIRMAN MICHAEL K. POWELL

Re: Report and Order in CC Docket Nos. 00-199, 97-212 and 80-286; Further Notice of Proposed Rulemaking in CC Docket Nos. 00-199, 99-301 and 80-286

In this *Order,* we conclude the second phase of the comprehensive review of our accounting rules and the Automated Reporting Management Information System (ARMIS). This review began two years ago, under the able leadership of the previous Chairman, and has progressed to this stage through the tireless efforts of my colleagues, our staff, state commissions, various aspects of the industry and other interested parties. This *Order* is the culmination of all these efforts.

As one who feels strongly that we must take seriously our duty, under the 1996 Act, to prune unnecessary regulation, I find much to support in this *Order*. First, we substantially consolidate and streamline Class A accounting requirements. Second, we relax certain aspects of our affiliate transaction rules. Third, we significantly reduce the cost of regulatory compliance with our cost allocation rules for mid-sized carriers. Finally, we reduce the ARMIS reporting requirements for both large and mid-sized LECs.

But given the current heavy public reliance on aspects of the requirements we have attempted to reform during this longstanding proceeding, I also support the manner in which we have chosen to move forward in this second phase. Specifically, in adopting these rule changes, we have attempted to steer a course that avoids both deregulation simply for its own sake and the countervailing temptation to retain legacy rules in their current form. Just as importantly, we have repeatedly engaged interested parties to ensure that we have fully considered their views and arguments in reaching the decisions reflected here, even when we ultimately do not find those arguments persuasive.

I would note, in particular, that I, my fellow federal commissioners and our staff have expended a great deal of time wrestling with the many positions advocated by our state commission colleagues. Indeed, the Commission is adopting this *Order* several weeks after we had originally planned to do so primarily because we wanted to satisfy ourselves that we had heard, one last time, some of the states' arguments. Certainly, some of these conversations retraced old ground or underscored philosophical differences that will take additional time to explore. In some cases, however, these conversations persuaded us that it would be more prudent to preserve existing requirements or even add new ones, at least until we progress to the next phase of comprehensive accounting and reporting reform. Although I generally do not find it beneficial for the Commission to delay action in proceedings that have gone on this long, the brief delay under the specific circumstances here has yielded some marginal benefits.

As we move forward into the final stage of this comprehensive review of the Commission's accounting and reporting requirements, I look forward to hearing from

state commissions and other interested parties earlier in the process leading to the next *Order* in this proceeding. Accordingly, I strongly encourage all concerned to review the companion *Further Notice* and any of our previous notices carefully and then file comments, so that a useful record can be developed. The Commission has long since, pursuant to the mandates of the 1996 Act, committed to following a path toward greater and greater deregulation in this area and interested parties should not lightly decline to influence that path.

As has been the case throughout this proceeding, it will be difficult for the Commission to resolve the highly-complex and contentious issues that will no doubt arise. For example, some state commissions have emphasized that historically they have used the information made available under our rules to replace or supplement that which is or, in principle, could be made available by other means. Yet I have serious concerns about whether *federal* accounting and reporting requirements should be retained to the extent they serve solely *state* purposes. The Commission will need to work closely with all participants in the proceeding so that it can determine which arguments have the most merit, which can form the basis for a rough consensus and which will remain irreconcilable terms of an agreement to disagree. I look forward, in particular, to working with my state colleagues on further reform in this area.

SEPARATE STATEMENT OF COMMISSIONER KATHLEEN Q. ABERNATHY

Re: Report and Order in CC Docket Nos. 00-199, 97-212 and 80-286; Further Notice of Proposed Rulemaking in CC Docket Nos. 00-199, 99-301 and 80-286

I support the action taken by the Commission in this Report and Order and Further Notice of Proposed Rulemaking, and I write separately to emphasize a few points regarding the benefits of the streamlining we have ordered, our cooperation with state commissions, and future directions for our Uniform System of Accounts, ARMIS reporting requirements, and related rules.

There are a number of reasons why it is critical for the Commission to undertake such reviews of its complex and detailed legacy rules. First, section 11 of the Act requires us to consider whether the development of meaningful economic competition has rendered such requirements unnecessary, and to eliminate regulations where we determine that to be the case.[1] The increasingly competitive environment fostered by the Commission's implementation of section 251 therefore suggests that the need for regulatory strictures on a carrier's accounting practices is on the wane.[2]

Second, even apart from marketplace developments, there have been significant changes in the regulatory landscape that call into question the rationale for our various accounting safeguards. Most notably, the Commission's adoption of price cap regulation for large ILECs — the only carriers subject to the detailed Class A accounting requirements — has significantly diminished the incentive of these carriers to engage in improper cost-shifting or similar anticompetitive conduct. The accounting requirements and affiliate-transaction rules at issue were adopted in large part to address threats of cost misallocation associated with rate-of-return regulation. If a carrier is assured of a prescribed rate of return on its investment in regulated operations, it arguably has an incentive to shift costs from any nonregulated operations to its regulated operations. In a price cap regime, by contrast, it is not clear that an incumbent LEC would profit from such cost-shifting, since its ability to raise rates is only indirectly related to its costs. And where incumbent LECs have obtained pricing flexibility — and thereby have waived low-end formula adjustments[3] — their incentive to misallocate costs is further diminished.

Third, the accelerating convergence of the telecommunications marketplace suggests the possibility that imposing detailed accounting and reporting obligations only

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1 47 U.S.C. § 161.

2 While some commenters have decried the pace at which local competition has developed, there is little question that, notwithstanding some much-publicized failures, competitive carriers have made significant inroads in local markets, particularly among business customers. Last year, the share of competitive local carriers doubled in the market for medium and large business customers, moving from 4.9 million to 9.7 million access lines in that category. *See* FCC, Industry Analysis Division, *Local Telephone Competition: Status as of December 31, 2001*, at Table 2 (May 2001). Likewise, CLECs' share doubled in the market for residential and small business customers, moving from 3.4 million to 6.7 million. *Id.*

3 *See Phase II Report and Order, supra* ¶ 46 n.72.

on one set of providers — incumbent LECs — will distort competition and create opportunities for regulatory arbitrage. Providers from formerly distinct market segments — local telephony, long distance telephony, wireless telephony, cable television, and satellite communications — are increasingly competing in the provision of functionally equivalent voice, data, and video services. While this convergence has not occurred as rapidly as some anticipated following the passage of the 1996 Act, we are clearly seeing the emergence of a converged broadband marketplace. Requiring incumbent LECs, but no one else, to comply with costly regulations and to open their books to competitors raises obvious questions of competitive neutrality. I accordingly believe that we have a heightened responsibility to ensure that, if we impose burdensome rules on only one set of providers, those rules have sound justifications.

While some commenters in this proceeding have discounted the burdens associated with our accounting and reporting requirements, it is clear to me that requiring a carrier to establish the systems necessary to collect particular investment, expense, and revenue information, and to report that information in prescribed formats, imposes substantial costs. And it is equally clear that our decision to impose such costs necessarily diverts scarce resources away from other uses, including investment in infrastructure and the deployment of innovative new services.

In light of all these factors, I came to this proceeding with a fair amount of skepticism toward our requirements that Class A carriers maintain 296 separate accounts and file 10 detailed ARMIS reports. At the same time, however, I recognize that eliminating safeguards prematurely can stifle competition and undermine our implementation of the Telecommunications Act of 1996. What is required, therefore, is a careful balancing of the asserted justifications for these rules and the burdens they impose.

I believe that the Report and Order we have adopted reflects an appropriate balancing of these costs and benefits. We have reviewed the record closely; in particular, we have considered extensive submissions from state commissions and taken their views very seriously. I am convinced that the accounts and requirements that we have eliminated cannot be justified in light of the various factors discussed above. Similarly, the purported benefits of the proposed new accounts that we have declined to adopt failed to outweigh the costs associated with them, particularly in light of the increasingly competitive and converged marketplace.

Some state commissions may be disappointed by the fact that we did not accede to *all* of their requests. I strongly believe that, if anything, we have erred on the side of preserving too many rules and adopting too many new accounts. In some instances, we have relied on *potential*, rather than certain, federal regulatory needs for the information captured in the Class A accounts. For example, we have concluded that detailed investment and expense accounts are necessary for our administration of our high-cost universal service support mechanism,[4] but that will be the case only if we decide to

[4] *See Phase II Report and Order*, ¶ 45.

conduct a new proceeding on the cost-model inputs *and* we assume that relying on ad hoc information requests is somehow ineffective. Similarly, we note that price cap carriers may seek exogenous adjustments or allege that authorized rate levels are so low as to be confiscatory,[5] but again our use of Class A accounting data depends on these contingencies actually occurring as well as our assumption that collecting data on an as-needed basis would not suffice.

Moreover, we have required large incumbent LECs to continue accounting for costs at the Class A level of disaggregation notwithstanding that, in allowing smaller carriers to account for costs at the more generalized Class B level, we have implicitly determined that Class A accounting is not indispensable to our fulfillment of our regulatory responsibilities. If Class A accounting were indispensable, we would presumably not have exempted some carriers based merely on our assessment of their ability to tolerate burdens[6] — as opposed to a finding that these carriers have a diminished incentive or ability to engage in anticompetitive conduct.[7] I do not mean to suggest that smaller carriers should be subject to increased burdens; I agree that a carrier's size is a relevant consideration. But I do think it is apparent that, in exempting certain carriers from Class A accounts, we have necessarily made the judgment that regulators can manage to implement statutory mandates and promote the public interest even in the absence of any Class A information from some classes of carriers.

In spite of these arguments against preserving Class A accounts, I have supported the Report and Order — which not only preserves many Class A accounts but establishes several *new* accounts — largely in deference to our state colleagues. State commissioners hold a wide variety of viewpoints: Some believe that detailed accounting and reporting requirements are more necessary than ever, and others believe that marketplace developments and other factors warrant a substantial relaxation of these requirements. But my review of the record suggests that a substantial number of state commissions are more convinced than I that the disaggregated level of accounting preserved by the Report and Order remains necessary, and indeed that various other categories of new accounts are warranted. I have not supported establishing accounts where I believe the data in question are unnecessary or otherwise available, but I do believe that the Report and Order accommodates these state commissions' most pressing concerns.

In addition to being motivated by comity, my support for the Report and Order rests on our inclusion of the Further Notice of Proposed Rulemaking. This Further Notice asks important questions about more fundamental changes to our Uniform System of Accounts and ARMIS reporting requirements and our rules concerning continuing property record (CPR) rules and affiliate transactions. The Further Notice raises the possibility of fixed sunsets, which may be preferable to having the prospect of further

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5 *Id.*, ¶ 46.

6 *See Phase II Report and Order* ¶¶ 188-90.

7 Indeed, we have preserved the most detailed level of accounting for those carriers that, by virtue of price cap regulation, arguably have the *least* incentive to shift costs improperly.

streamlining hinge on more ambiguous trigger mechanisms.[8] By raising this issue now, we affirm that continued streamlining remains an important priority for this Commission even after the release of the Report and Order. The Further Notice also gives state commissions and other commenters an early opportunity to comment on further streamlining and to prepare for the possibility that we will eliminate many of our remaining Class A accounting rules and related requirements. I look forward to the continued participation of the state commissions as we enter Phase III of this proceeding.

[8] While I believe it is important to pose the question of whether our CPR rules should sunset automatically, I would have preferred to refrain from reaching any tentative conclusion on that issue until after we have received and reviewed the comments. I have assented to this tentative conclusion because I believed that doing so was necessary to reach agreement with my colleagues on the Report and Order and Further Notice. In any event, I look forward to hearing from state commissions and other commenters regarding this proposal.

SEPARATE STATEMENT OF COMMISSIONER KEVIN J. MARTIN

Re: *2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2*, Report and Order, CC Docket No. 00-199

This item is a next step in reducing regulatory burdens relating to our accounting and reporting requirements. The Commission's accounting and reporting rules impose real costs on incumbent local exchange carriers. As such, the Commission needs to ensure that each of these rules is truly necessary and that the benefits of retaining a rule outweigh its costs. The Commission has endeavored to do so here and has eliminated a large number of unnecessary rules.

In addition, the Commission has begun a further proceeding to address additional streamlining of these rules. The Commission concludes that many of its rules—for example the detailed requirements for continuing property records—serve no, or only a limited, federal regulatory purpose and are burdensome. We decided not to eliminate such requirements immediately—and, indeed, agreed to add several new requirements—out of deference to the State commissions. Many of these commissions currently rely on our rules to ensure that information is available to them. They assert it would cause them hardship were we to cease this function immediately.

While I believe we should—and we have—worked hard to accommodate our State colleagues' concerns, I am reluctant to continue in perpetuity federal rules that serve only State needs. Rather, as we make clear in the further notice, the Commission must, at some point in the future, eliminate requirements that no longer serve specific federal needs. I also am hopeful that the Commission will soon be able to eliminate a range of other requirements that serve only limited federal purposes and are unduly burdensome, especially in light of alternative means to gather information.

I thus look forward to engaging in a dialogue with the States on how we can develop a transition in which States can undertake greater responsibility for collecting the information they need. In conducting this dialogue and developing such a glide path, I urge all parties to consider whether we truly need much of the information that we collect. Moreover, where this information is needed, we should examine alternative, less burdensome means of collecting it. It is imperative that we move away from our narrow focus on incumbent local exchange carriers as the sole source of this information. As competition continues to develop and formerly distinct sectors of the communications industry continue to converge, remaining accounting and reporting requirements generally should fall on all classes of competitors equally.

SEPARATE STATEMENT OF COMMISSIONER MICHAEL J. COPPS, APPROVING IN PART, DISSENTING IN PART

Re: 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2; Amendment to the Uniform System of Accounts for Interconnection; Jurisdictional Separations Reform and Referral to the Federal-State Joint Board; Local competition and Broadband Reporting.

I vote to approve this Order because it maintains the substantial majority of accounts and practices that are critical to the States, some of which might not otherwise have been included. I appreciate the willingness of my colleagues to engage in a dialogue on these issues so that we could reach agreement. I still find this Order lacking, but considerably less so than it might have been.

This proceeding began with a laudable goal. We sought to streamline the accounting and reporting requirements based on changes in the regulatory environment and new technology. Our goal was to eliminate reporting of specific accounting information that is no longer relevant or useful while providing this Commission and the States with the information to do their jobs.

This proceeding also commenced with a laudable design. Recognizing that the Commission and the States use a uniformly reported system of accounts, we committed to working with the States and the industry to conduct this review. To that end, Commission staff sponsored workshops and conference calls. And together with our partners in the States, the Commission staff worked diligently to understand how to proceed.

Through these workshops and subsequent discussions, we developed a general consensus that identified the most important accounts and practices to maintain, and those that could be eliminated or streamlined. On June 8, 2001, we released a Public Notice in this docket proposing a new listing of accounts. The proposed list would have significantly reduced the number of Class A accounts by approximately forty percent.

The proceeding's design should have served as a model for future federal - state policy collaborations. Some time between the Public Notice and consideration of this Order, however, the carefully crafted consensus on accounting reductions crumbled.

Today, we fall short of our goal and run counter to our design. The Order we adopt today does not maintain all of the accounts recommended in the June 8th Notice. Nor does it include all of the information the States claim they need to do their jobs. I would have preferred to continue working more closely with the States to ensure that we preserve the Commission's and the State commissions' ability to carry out their statutory obligations under the Telecommunications Act of 1996.

The States and this Commission use the reported data to gain an understanding of the plant, revenue, and expenses of carriers and to enable comparisons among companies and over time. This information enables us, among other things, to promote local competition, develop appropriate prices for network elements, conduct rate-making proceedings, and ensure universal service support. I am concerned, however, that today's decision could undermine our ability to carry out these statutory responsibilities.

In some instances, numerous States felt so strongly about an issue that, rather than merely express their concerns through their National Association of Regulatory Utility Commissioners (NARUC), they contacted the Commission directly. Their concerns went to the data necessary to determine universal service funding levels, customer rates, and network element, interconnection, and pole attachment rates. In other instances, as with directory assistance revenue, the information was directly sought by only a few States. In all of these cases, I am disappointed that we did not more fully address the States' concerns about information needed to carry out their duties to the public.

I hope that, in the weeks and months ahead, the Commission will undertake a serious dialogue with the State commissions prior to implementation of this Order and will reexamine its decision not to collect information the States view as essential.

Although I approve the Order, I must dissent from the Further Notice of Proposed Rulemaking. I am generally not opposed to asking questions. This Further Notice, however, is so flawed in several respects that I am unable to support its adoption.

I would have unquestionably supported a balanced notice that sought to examine the information this Commission and the State commissions need to carry out their statutory obligations in the least burdensome manner possible. This Further Notice, however, seeks only to eliminate or sunset reporting requirements. There needs to be more recognition that, even as competition develops, we may need reported data that reflect new technologies or requirements of the 1996 Act, such as universal service support, network element pricing, interconnection, or number portability. The Notice also fails to realize that the information we collect may help us to determine when markets are functioning properly so that we will have the data to evaluate further deregulation.

In addition, I fear that this Further Notice endangers federal – state cooperation on accounting and depreciation issues. It concludes that we should only collect information for which there is a federal purpose, notwithstanding any State need for the data. It ignores the benefits of a uniformly reported system of accounts. In the absence of one uniform system, carriers may face the administrative burden of a myriad set of different accounting requirements in each State. As the Order recognizes, "[u]niformity provides efficiency to the regulatory process . . . [and] allows regulators or other interested parties to compare and benchmark the costs and rates of incumbent carriers operating in various states." Lack of uniformity could seriously impede effective cooperation on issues such as network element pricing, broadband deployment, and universal service.

Congress has long recognized the benefits of a uniform system of accounts. Section 220(i) expressly directs the Commission to work with the States prior to imposing changes to the accounting system. The States have recognized the benefits of a uniform system. They have historically been involved in the creation of the Uniform System of Accounts that includes not only interstate, but also intrastate revenues and expenses. States today rely on these uniformly reported data for their information. I am disappointed that today we do not appear to recognize the benefits to carriers, the public, and regulators of a uniformly reported system of accounts.

Moreover, the Further Notice appears to ignore the fact that this information is necessary for the States to carry out their mandate under the federal Telecommunications Act. Indeed, it suggests that there is only a federal purpose if this Commission uses the information, and not if the States use the information to meet the directives of Congress or the guidance from this Commission on how the States should carry out those duties.

In conclusion, this proceeding initially led to a successful process to review the accounting and reporting requirements. A reasonable set of accounts was proposed to effectively eliminate forty percent of the reported accounts and subaccounts, in addition to the accounts that were already eliminated or streamlined in the first phase of this proceeding. But we must not let our zeal to deregulate before meaningful economic competition develops cripple the ability of this Commission and State commissions to meet their statutory obligations or faithfully serve the public interest.