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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY



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Gerald Asch  
Director  
Federal Regulatory

December 16, 2002

Ms. Marlene H. Dortch  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W.  
TW-A325-12<sup>th</sup> Street Lobby  
Washington, D.C. 20554

**EX PARTE**

**CC Docket No. 00-199 – 2000 Biennial Review – Comprehensive Review of Accounting Requirements; WC Docket No. 02-269 – Federal-State Joint Conference on Accounting Issues**

Dear Ms. Dortch:

On December 13, 2002 Joann Barron representing Verizon met with Commissioner J. Terry Deason and Cayce Hinton of the Florida Public Service Commission on the above referenced matters. A copy of the discussion guide used in the meeting is attached.

An original and one copy of this Ex Parte are being filed in the Office of the Secretary today, December 16, 2002. Please include it in the public record of the above referenced proceeding as required under Section 1.1206(b)(1) of the Commission's rules.

Sincerely,

cc: Mr. Deason  
Mr. Hinton  
Ms. Barron

Attachment

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# NARUC Staff Subcommittee on Telecom Accounting and ARMIS Issues

Chicago, IL  
November 9, 2002

Large ILECs

# Federal Accounting & Reporting

- Phase 2 - Streamline existing accounting rules
  - What parties wanted
    - Class A large carriers asked for less detailed Class B accounting, streamlined ARMIS reporting and some changes to affiliate rules.
    - Class B midsize carriers asked for relief from ARMIS reporting, from filing Cost Manual & from audit of reg/nonreg allocations.
    - Class B small carriers never had ARMIS reporting, Cost Manual or audit of reg/nonreg allocations.
    - States generally supported some streamlining but also looked to collect new information.
  - What happened (November 2001)
    - For large carriers—some Class A accounts kept, other accounts rolled-up reducing Class A accounts from 296 to 178. New information ordered—packet switching equipment, optical circuit equipment and wholesale/retail breakdown for Services.
    - For midsize carriers—some accounts rolled-up, most ARMIS reports not required, Cost Manual and audit of regulated/nonregulated allocations not required.
    - **All** carriers—minor, cost-effective, revisions to affiliate rules.
    - Joint large carrier Petition for Reconsideration
    - States with special requirements are working directly with carriers.

# Federal Accounting & Reporting

- Phase 2 - Petition for Reconsideration (filed 3/8/02)
  - Impacts Large ILECs
  - Loop Sheath Kilometers
    - Individual plats would have to be manually reviewed to determine loop portion of sheath kilometers
    - Total sheath kilometers are already reported
  - Wholesale/Retail Breakdown for Services
    - Purpose of breakdown is to support UNE rate development; however, UNEs are not required for Call Completion Services and for Number Services
    - Journalizing a breakdown of Customer Services would require special studies, an allocation and then the journalization of the allocation result. Allocations normally happen outside Part 32.
    - Journalized numbers would not match what is needed for UNE studies – causing more confusion. Carriers must continue providing most recent forward-looking studies for UNE proceedings.
    - Journalization occurs monthly compared to as needed UNE proceedings which are even less frequent than annually.
  - Broadband information
    - All broadband information should be reported on one report like the Form 477.
    - Carriers have made Form 477 available to states who have asked for it.

# Federal Accounting & Reporting

- Phase 3 – Long term transition to deregulation
  - What FCC proposed
    - Sunset of FCC accounting and reporting requirements (3 to 5 years)
    - Transition period for states
    - More immediate items
      - For infrastructure data, use Local Competition and Broadband Data Gathering Program rather than **ARMIS**
      - Eliminate rules for continuing property records and jurisdictional difference accounts
      - Refresh record on affiliate transactions
  - What parties wanted
    - Price cap carriers asked for reliance on GAAP and SEC reporting rather than “how to” USOA and ARMIS.
      - Carriers would continue to provide special information as needed for universal service calculations and pole attachments
      - States would continue to receive detailed studies for UNE proceedings.
      - Use FCC Broadband and local competition Form 477 instead of ARMIS
      - SEC reports are publicly available
      - **GAAP** requires carriers to maintain property records.

# Federal Accounting & Reporting

- Phase 3 – Long term transition to deregulation (cont)
  - What parties wanted (cont)
    - Mid size carriers asked for true Class B treatment (all ARMIS reporting eliminated)
    - NARUC wanted to retain Part 32 and ARMIS until carriers become nondominant.
    - Some states supported use of Form 477 and the streamlining of continuing property record rules.
    - ILEC proposed 3-year transition plan:
      - Eliminate detailed "how to" Part 32 rules. but maintain account listing during transition
      - Eliminate ARMIS non-financial reports, but maintain ARMIS financial reports during transition
      - Further affiliate transaction simplification – eliminate EFMV comparison during transition
  - What happened to date
    - ENRON, Worldcom, etc., accounting issues surfaced.
    - Phase 3 put on hold awaiting Joint Federal/State Conference.
    - NARUC wants to revisit some relief already granted in Phase 2.