

FCC MAIL ROOM

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

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In the Matter of )  
)  
Jurisdictional Separations Reform and ) CC Docket No. 80-286  
Referral to the Federal-State Joint Board )

**REPORT AND ORDER**

Adopted: January 13, 2004

Released: January 16, 2004

By the Commission:

**I. INTRODUCTION**

1 In this Report and Order, we adopt modifications to the Commission's Part 36 Jurisdictional Separations Rules to conform those rules to revisions to the Part 32 Uniform System of Accounts adopted in the Commission's 2000 Biennial Regulatory Review.<sup>1</sup> The Part

<sup>1</sup> 47 C.F.R. Part 36. See also 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, Amendments to the Uniform System of Accounts for Interconnection, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, Local Competition and Broadband Reporting, CC Docket Nos 00-199, 97-212, 80-286, 99-301, 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, 16 FCC Rcd 19911 (2001)(Phase 2 Order). See also Federal-State Joint Conference On Accounting Issues, 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, Local Competition and Broadband Reporting, WC Docket No. 02-269, CC Docket Nos 00-199, 80-286, 99-301, Order, FCC 02-309 (November 12, 2002)(suspending the consolidation of certain accounts until July 1, 2003). See also Federal-State Joint Conference On Accounting Issues, 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, Local Competition and Broadband Reporting, WC Docket No. 02-269, CC Docket Nos 00-199, 80-286, 99-301, Order, FCC 03-141 (June 24, 2003) (extending the suspension of the consolidation of certain accounts until January 1, 2004). See also Federal-State Joint Conference On Accounting Issues, 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, Local Competition and Broadband Reporting, WC Docket No 02-269, CC Docket Nos. 00-199, 80-286, 99-301, Order, FCC 03-325 (December 23, 2003) (extending the suspension of the consolidation of certain accounts until June 30, 2004). The suspension of the consolidation of certain accounts has no effect on the modifications to Part 36 we adopt herein. We also note that, on October 9, 2003, the Federal-State Joint Conference on Accounting Issues released a report recommending that the Commission reinstate, *inter alia*, certain Part 32 accounts that were removed in the Phase 2 Order. See Federal-State Joint Conference on Accounting Issues, Recommendation by Joint Conference, WC Docket No. 02-269 (October 9, 2003). See also Federal-State Joint Conference On Accounting Issues, 2000 Biennial Regulatory Review -- Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers. Phase II, Jurisdictional Separations Reform and Referral to

(continued...)

36 modifications we adopt today will not have any effect on the assignment of costs and revenues to the state and interstate, but rather are merely ministerial in nature.

## II. BACKGROUND

2. Jurisdictional separations is the process by which incumbent local exchange carriers (ILECs) apportion regulated costs between the intrastate and interstate jurisdictions.<sup>2</sup> Jurisdictional separations is the third step in a four-step regulatory process that begins with an ILEC's accounting system and ends with the establishment of rates for the ILEC's interstate and intrastate regulated services. First, carriers record their costs, including investments and expenses, into various accounts in accordance with the Uniform System of Accounts (USOA) prescribed by Part 32 of the Commission's rules.<sup>3</sup> Second, carriers assign the costs in these accounts to regulated and nonregulated activities in accordance with Part 64 of the Commission's rules to ensure that the costs of non-regulated activities will not be recovered in regulated interstate service rates.<sup>4</sup> Third, carriers separate the regulated costs between the intrastate and interstate jurisdictions in accordance with the Commission's Part 36 separations rules, which currently are subject to an interim freeze.<sup>5</sup> Finally, carriers apportion the interstate regulated costs among the interexchange services and rate elements that form the cost basis for their interstate access tariffs.<sup>6</sup> Carriers perform this apportionment in accordance with Part 69 of the Commission's rules.<sup>7</sup> The intrastate costs that result from application of the Part 36 rules form the foundation for state determination of carriers' intrastate rate base, expenses, and taxes.

3. There are two classes of incumbent LECs for accounting purposes: Class A and Class B.<sup>8</sup> Carriers with annual revenues from regulated telecommunications operations that are equal to

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*the Federal-State Joint Board, Local Competition and Broadband Reporting*, WC Docket No. 02-269, CC Docket Nos. 00-199, 80-286, 99-301, Notice of Proposed Rulemaking, FCC 03-326 (December 23, 2003)(seeking comment on the Joint Conference's recommendation to reinstate certain accounts).

<sup>2</sup> For purposes of section 251 of the Act, a local exchange carrier (LEC) is regarded as an "incumbent local exchange carrier" (ILEC) for a specific area if, on the date of enactment of the Act, the carrier provided telephone exchange service in that area and was deemed to be a member of the National Exchange Carrier Association, Inc. (NECA), or if the carrier "became a successor or assign" of such a member on or after that date. 47 U.S.C. § 251(h)(1). For purposes of this Report and Order, the term "carriers" refers to ILECs. Competitive local exchange carriers are not subject to the requirements of Part 36. See 47 C.F.R. Part 36.

<sup>3</sup> 47 C.F.R. Part 32.

<sup>4</sup> See 47 C.F.R. §§ 64.901-904.

<sup>5</sup> 47 C.F.R. Part 36. On May 22, 2001, the Commission adopted an interim freeze of the Part 36 category relationships and jurisdictional cost allocation factors for price cap carriers and allocation factors only for rate-of-return carriers. *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 16 FCC Rcd 11382 (2001).

<sup>6</sup> Part 61 of the Commission's rules prescribes the procedures for filing and updating interstate tariffs. See 47 C.F.R. Part 61.

<sup>7</sup> 47 C.F.R. Part 69.

<sup>8</sup> 47 C.F.R. § 32.11.

or above an indexed revenue threshold are classified as Class A; those falling below that threshold are considered Class B.<sup>9</sup> Class A carriers, prior to the changes adopted in the *Phase 2 Order*, were required to maintain 296 Class A accounts, which provide more detailed records of investment, expense, and revenue than the 113 Class B accounts that Class B carriers are required to maintain. The primary difference in the number of accounts is that many of the Class A detailed accounts are aggregated into summary accounts under Class B.<sup>10</sup> Also, for some accounts, carriers are required to maintain additional subaccounts. The more generalized level of accounting required under Class B was established to accommodate smaller carriers, which number over 1,300.<sup>11</sup>

4. In the *Phase 2 Order*, the Commission eliminated certain Part 32 accounts and established several new subaccounts. With regard to Class A carriers, the *Phase 2 Order* eliminated all Class A summary accounts from Part 32 of the Commission's rules.<sup>12</sup> The *Phase 2 Order* also eliminated several accounts from both Class A and Class B accounting.<sup>13</sup> In addition, the Commission established several new subaccounts. For example, in the account for digital electronic switching (Account 2212) the Commission established new subaccounts for circuit switching and packet switching (Accounts 2212.1 and 2212.2, respectively).<sup>14</sup>

5. In the *Further Notice* accompanying the *Phase 2 Order*, the Commission tentatively concluded that revisions to Part 36 would be necessary to reflect the modifications to Part 32. With regard to the elimination of summary accounts, the Commission recognized that changes would be necessary to ensure that the Part 36 rules reference the appropriate detailed accounts that previously were separated based on summary accounts.<sup>15</sup> While the Commission stated that the newly-created subaccounts would continue to be separated in accordance with existing Part 36 rules, the Commission sought comment on whether the creation of these subaccounts warranted any Part 36 modifications. The Commission further stated that, although it believed the Part 32 revisions would have only a "ministerial impact" on Part 36, it welcomed input from the Federal-State Joint Board on Jurisdictional Separations (Joint Board). The Commission specifically indicated that, if commenters identified impacts that would require changes to Part 36 beyond merely ministerial revisions, it would refer the proposed changes to the Joint Board for its

<sup>9</sup>See "Annual Adjustment of Revenue Threshold," *Public Notice*, DA 02-957 (rel. April 26, 2002) (adjusting annual indexed revenue threshold to \$119 million).

<sup>10</sup> Summary accounts are those accounts used by Class A telephone companies to summarize for reporting purposes the contents of detailed accounts.

<sup>11</sup> See *Separation of Costs of Regulated Telephone Service from Costs of Nonregulated Activities*, Report and Order, CC Docket No. 86-111, 2 FCC Rcd 1298, 1330-31, paras. 254-56 (1987) (*Joint Cost Order*), *recon.*, 2 FCC Rcd 6283 (1987), *further recon.*, 3 FCC Rcd 6701 (1988), *aff'd sub nom.* Southwestern Bell Corp. v. FCC, 896 F.2d 1378 (D.C.Cir. 1990) (concluding that small carriers often have limited resources and have financial transactions that are smaller and fewer in number than the larger incumbent LECs.)

<sup>12</sup>See *Phase 2 Order*, para. 218.

<sup>13</sup> See *Phase 2 Order*, para. 219.

<sup>14</sup> See *Phase 2 Order*, paras. 58, 61, and 64. See Appendix A for a list of new subaccounts.

<sup>15</sup> For example, Account 6410 (Cable and Wire Facilities Expense) was used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6411 through 6441. Because the existing Part 36 rules refer to the summary Account 6410, the elimination of Account 6410 from Class A accounting requires that sections 36.310 and 36.341 of the Commission's rules be revised to reflect that Cable and Wire Facilities Expense is the sum of Accounts 6411 through 6441.

consideration.<sup>16</sup>

### III. DISCUSSION

6. We conclude that it is necessary to adopt modifications to the Commission's Part 36 rules consistent with the changes made to the Part 32 rules in the *Phase 2 Order*. With regard to the elimination of certain Part 32 accounts, we find that modifying the Part 36 rules to reflect the elimination of such accounts ensures that the Part 32 references contained in Part 36 are accurate. Because the costs recorded in the newly created subaccounts continue to be jurisdictionally separated in the Part 36 rules at the higher account level, we find that modifications to the Part 36 rules are not necessary in connection with these new subaccounts.<sup>17</sup> We therefore modify the Commission's Part 36 rules as set forth in Appendix C to reflect the revised Part 32 accounting rules as adopted in the *Phase 2 Order*.<sup>18</sup>

7. We disagree with those commenters who claim that the modifications to Part 36 we adopt in this order should have been referred to the Joint Board.<sup>19</sup> As an initial matter, we note that, although the Commission specifically invited comment from the Joint Board in order to identify any substantive impact on Part 36, the Joint Board did not file comments. Moreover, contrary to the claims by NARUC and the state of Oregon, the Part 32 changes do not require either reinitialization of the frozen category percentages or the identification of new jurisdictional allocators for the newly created subaccounts.<sup>20</sup> The changes we adopt here are purely ministerial in nature and will not have any effect on jurisdictional cost allocations. For example, section 36.352 of the Commission's rules provides that Class A summary Account 6510 (Other Property Plant and Equipment Expenses) shall be separated based on the separation of Account 2001 (Telecommunications Plant in Service).<sup>21</sup> Because the *Phase 2 Order* eliminated Class A summary Account 6510, section 36.352 is revised to direct Class A carriers to perform jurisdictional separations for detailed Accounts 6511 and 6512, rather than the summary Account 6510. Account 6510 was a summary of Accounts 6511 and 6512. Accounts 6511 and 6512, however, will continue to be separated based on Account 2001 (Telecommunications Plant in Service) as was Account 6510.<sup>22</sup> The basis for conducting separations and the allocation between

<sup>16</sup> See *Phase 2 Order*, para. 222, n. 408.

<sup>17</sup> See Verizon Comments at 2 (stating that the subaccounts created in the *Phase 2 Order* apply only to Class A accounts and because separations is designed to function at the less detailed Class B level, the addition of subaccounts to Class A accounts does not affect the separations process).

<sup>18</sup> Appendix B contains a list of the Part 32 accounts referenced in Part 36 that we modify to conform to the Part 32 Uniform System of Accounts effective thirty days after publication in the Federal Register and Appendix C contains our revised final rules.

<sup>19</sup> See NARUC Comments at 22-23, Oregon Comments at 11-12.

<sup>20</sup> See NARUC Comments at 22-23, Oregon Comments at 11-12 (arguing that the elimination of accounts and the introduction of new subaccounts may require more than a simple revision and for those carriers subject to a category and factor freeze, eliminating or introducing new categories may require reinitialization of the frozen category percentages and new subaccounts may require identification of new relative use or fixed jurisdictional allocators).

<sup>21</sup> See 47 C.F.R. § 36.352.

<sup>22</sup> Prior to the modifications adopted in the *Phase 2 Order*, for Class A telephone companies, Account 6510 summarized for reporting purposes the contents of detail Accounts 6511 and 6512. The modified account reference for Other Property Plant and Equipment Expenses we adopt today in Part 36 will state as follows: Other Property  
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the jurisdictions remains the same. Similarly, as noted above with regard to subaccounts, no Part 36 changes are needed because the existing Part 36 rules separate costs at the account level, not the subaccount level. We therefore conclude that referral to the Federal-State Joint Board on Separations was not necessary in this instance.

8. Finally, we take this opportunity to correct certain typographical errors in Part 36 of our rules. We change the reference at the end of section 36.126(e)(2) from section 36.156 to section 36.155 and remove two references to “@@Q02” from 36.321(a).<sup>23</sup> We also modify sections 36.631(a), (c) and (d) to correct typographical errors in the dates that these provisions became applicable.<sup>24</sup>

#### IV. PROCEDURAL ISSUES

##### A. Paperwork Reduction Act Analysis

9. The decision herein has been analyzed with respect to the Paperwork Reduction Act of 1995, Pub. L. 104-13. This order merely modifies account references in Part 36 to conform to the Part 32 revisions adopted in the *Phase 2 Order* to ensure that all account references in Part 36 are consistent with the Uniform System of Accounts. We find, therefore, that the modifications to Part 36 adopted in this order do not impose new or modified recordkeeping requirements or burdens on the public.

##### B. Final Regulatory Flexibility Certification

10 The Regulatory Flexibility Act of 1980, as amended (RFA),<sup>25</sup> requires that a regulatory flexibility analysis be prepared for notice-and-comment rule making proceedings, unless the agency certifies that “the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities.”<sup>26</sup> The RFA generally defines the term “small entity” as having the same meaning as the terms “small business,” “small organization,” and “small governmental jurisdiction.”<sup>27</sup> In addition, the term “small business” has the same meaning as the term “small business concern” under the Small Business Act.<sup>28</sup> A “small business concern” is one which: (1) is independently owned and operated; (2) is not dominant in its field of

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Plant and Equipment Expenses--Account 6510 (Class B telephone companies); Accounts 6511 and 6512 (Class A telephone companies) See 47 C.F.R. §§ 32.6510 and 36.352.

<sup>23</sup> See 47 C.F.R. §§ 36.126(e)(2) and 36.321(a)

<sup>24</sup> See 47 C.F.R. § 36.631(a), (c)-(d) (the correct year for § 36.631(a) is 1987, the correct year for § 36.631(c)-(d) is 1988).

<sup>25</sup> The RFA, see 5 U.S.C. § 601 – 612, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA), Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996)

<sup>26</sup> 5 U.S.C. § 605(b).

<sup>27</sup> 5 U.S.C. § 601(6).

<sup>28</sup> 5 U.S.C. § 601(3) (incorporating by reference the definition of “small-business concern” in the Small Business Act, 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(s) in the Federal Register.”

operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA).<sup>29</sup>

11. In this Order, we adopt modifications to Part 36 Jurisdictional Separations Rules to conform those rules to the revisions to the Part 32 Uniform System of Accounts adopted in our 2000 Biennial Regulatory Review.<sup>30</sup> As indicated in our Initial Regulatory Analysis, our modifications to Part 36 are due to the consolidation of several accounts that are also used in Part 36.<sup>31</sup> The alternative to not making these modifications would be that Part 36 would reference Part 32 accounts that are eliminated effective January 1, 2003. The modifications of Part 36 to conform to the revised Part 32 are necessary to eliminate the potential for confusion that may occur as a result of inconsistent account references. The conforming amendments to the Part 36 jurisdictional rules are a result of the consolidation of Part 32 accounts.

12. The modifications we adopt are ministerial in nature and merely conform Part 36 account references to the Part 32 Uniform System of Accounts. These ministerial modifications do not have a significant economic effect on any entities and only clarify existing Commission rules. Therefore, we certify that the requirements of this Report and Order will not have a significant economic impact on a substantial number of small entities.

13. The Commission will send a copy of this Report and Order, including a copy of this Final Regulatory Flexibility Certification, in a report to Congress pursuant to the Congressional Review Act.<sup>32</sup> In addition, the Report and Order and this final certification will be sent to the Chief Counsel for Advocacy of the SBA and will be published in the Federal Register.<sup>33</sup>

## V. ORDERING CLAUSES

14. Accordingly, IT IS ORDERED that, pursuant to sections 1, 4, 201-205, 215, and 218-220 of the Communications Act of 1934, as amended, 47 U.S.C. sections 151, 154, 201-205, 215 and 218-220, Part 36 of Communication's rules, 47 C.F.R. Part 36, IS AMENDED as described above and in Appendix C below.

15. IT IS FURTHER ORDERED that, pursuant to 5 U.S.C § 553(d) and section 1.427(a) of the Commission's rules, 47 C.F.R § 1.427(a), Part 36 of the Commission's rules, 47 C.F.R. Part 36, IS AMENDED as set forth Appendix C hereto, effective 30 days after publication in the Federal Register. We will, however, permit carriers to implement Part 36 changes as of January 1, 2003.

16. IT IS FURTHER ORDERED that the Commission's Consumer and Governmental Affairs Bureau, Reference Information Center, SHALL SEND a copy of this Report and Order, including the Final Regulatory Flexibility Certification, to the Chief Counsel for Advocacy of the

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<sup>29</sup> 15 U.S.C. § 632.

<sup>30</sup> See *Phase 2 Order*, paras 23 to 78.

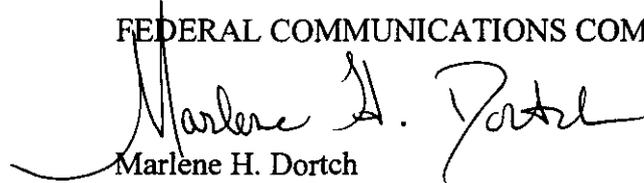
<sup>31</sup> See *Phase 2 Order*, Appendix H, para. 267.

<sup>32</sup> See 5 U.S.C. § 801(a)(1)(A)

<sup>33</sup> See 5 U.S.C § 605(b).

Small Business Administration.

FEDERAL COMMUNICATIONS COMMISSION



Marlene H. Dortch  
Secretary



**Appendix A – List of subaccounts added to Part 32 pursuant to the Phase 2 Order**

<b>Existing Part 32 Account</b>	<b>New Subaccounts</b>
Account 2212 – Digital electronic switching	Account 2212.1 – Circuit Account 2212.2 – Packet
Account 2232 – Circuit equipment	Account 2232.1 – Electronic Account 2232.2 – Optical
Account 6212 – Digital electronic switching expense	Account 6212.1 – Circuit Account 6212.2 – Packet
Account 6232 – Circuit equipment expense	Account 6232.1 – Electronic Account 6232.2 – Optical
Account 6620 – Services	Account 6620.1 – Wholesale Account 6620.2 – Retail



**Appendix B – List of Eliminated Part 32 Accounts and Revised Part 36 Account Reference**

<b>Eliminated Part 32 Class A Accounts</b>	<b>Revised Part 36 Account Reference for Class A telephone companies</b>
Electro-mechanical Switching-2215	Non-digital Switching-2211 (Sections 36.121 and 36.125)
Accumulated Amortization-Tangible-3400	Accumulated Amortization-Capital Leases-3410: (Sections 36.501 and 505)
Basic Local Service Revenue-5000	Basic Area Revenue-5001 (Sections 36.201, 36.211, and 36.212)
Network Support- 6110	Network Support –6112, 6113, and 6114 (Sections 36.301, 36.310, and 36.311)
General Support Expenses-6120	General Support Expenses-6121, 6122, 6123, and 6124 (Sections 36.301, 36.310, and 36.311)
Central Office Switching Expenses-6210	Central Office Switching Expenses-6211 and 6212 (Sections 36.112, 36.301, 36.310, 36.321, and 36.392 (Sections 36.112, 36.301, 36.310, 36.321, and 36.392)
Central Office Transmission Expenses-6230	Central Office Transmission Expenses-6231 and 6232 (Sections 36.112, 36.301, 36.310, 36.321, and 36.392)
Information Origination/Termination Expenses-6310	Information Origination/Termination Expenses-6311, 6341, 6351, and 6362 (Section 36.112, 36.301, 36.310, 36.331, and 36.392)
Cable and Wire Facilities Expenses-6410	Cable and Wire Facilities Expenses-6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Sections 36.112, 36.301, 36.310, 36.341, and 36.392)
Other Property Plant and Equipment-6510	Other Property Plant and Equipment-6511 and 6512 (Sections 36.301, 36.351, and 36.352)
Network Operations Expenses-6530	Network Operations Expenses-6531, 6532, 6533, 6534, and 6535 (Sections 36.112, 36.301, 36.351, 36.353, and 36.392)
Marketing Expenses-6610	Marketing Expenses-6611 and 6613 (Sections 36.112, 36.301, 36.371, 36.372, and 36.392)

Executive and Planning-6710	General and Administrative-6720 (Sections 36.301, 36.391 and 36.392)
Operating Taxes-7200	Operating Taxes-7210, 7220, 7230, 7240, and 7250 (Sections 36.301 and 36.411)

<b>Eliminated from both Class A and B Accounting</b>	<b>Revised Part 36 Account Reference</b>
Investment in nonaffiliated companies-1402	Other noncurrent assets-1410 (Section 36.172)
Accumulated Amortization-Intangible-3500 and Other-3600	Accumulated Amortization-Capital Leases-3410 (Section 36.505)
Network Services Access Revenues-5080 and 5084	Network Access Revenues-5081, 5082, and 5083 (Sections 36.201, 36.211, and 36.213)

**Appendix C - FINAL RULES**

For the reasons discussed in the preamble, the Federal Communications Commission amends 47 CFR part 36 as follows:

**PART 36 – JURISDICTIONAL SEPARATIONS PROCEDURES; STANDARD PROCEDURES FOR SEPARATING TELECOMMUNICATIONS PROPERTY COSTS, REVENUES, EXPENSES, TAXES AND RESERVES FOR TELECOMMUNICATIONS COMPANIES**

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

Authority: 47 U.S.C. 154(i), and 154(j) and 220 as amended, unless otherwise noted.

2. Amend § 36.112 by revising paragraph (a) to read as follows:

**§ 36.112      Apportionment procedures.**

(a) The costs of the general support facilities of Class A Companies (which are defined in part 32 of the Commission's Rules) are apportioned among the operations on the basis of the separation of the costs of the combined Big Three Expenses which include the following accounts:

**Plant Specific Expenses**

Central Office Switching Expenses-- Accounts 6211 and 6212

Operators Systems Expenses--Account 6220

Central Office Transmission Expenses-- Accounts 6231 and 6232

Information Origination/Termination Expenses-- Accounts 6311, 6341, 6351, and 6362

Cable and Wire Facilities Expenses-- Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441

**Plant Non-Specific Expenses**

Network Operations Expenses—Accounts 6531, 6532, 6533, 6534, and 6535

**Customer Operations Expenses**

Marketing-- Account 6611 and 6613

Services--Account 6620

3. Amend § 36.121 by revising paragraph (a) to read as follows:

**§ 36.121**      **General.**

(a) The costs of central office equipment are carried in the following accounts:

Central Office Switching .....	Account 2210
Non-digital Switching.....	Account 2211
Digital Electronic Switching.....	Account 2212
Operator Systems .....	Account 2220
Central Office--Transmission.....	Account 2230
Radio Systems .....	Account 2231
Circuit Equipment .....	Account 2232

4. Amend § 36.124 by revising paragraphs (a) and (c) to read as follows:

**§ 36.124**      **Tandem switching equipment—Category 2.**

(a) Tandem switching equipment is contained in Accounts 2210, 2211, and 2212. It includes all switching equipment in a tandem central office, including any associated tandem switchboard positions and any intertoll switching equipment. Intertoll switching equipment includes switching equipment used for the interconnection of message toll telephone circuits with each other or with local or tandem telephone central office trunks, intertoll dial selector equipment, or intertoll trunk equipment in No. 5 type electronic offices. Equipment, including switchboards used for recording of calling telephone numbers and other billing information in connection with customer dialed charge traffic is included with Local Switching Equipment--Category 3.

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(c) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the average balances of Accounts 2210, 2211, and 2212 to Category 2, Tandem Switching Equipment based on the relative percentage assignment of the average balances of Account 2210, 2211, 2212, and 2215 to Category 2, Tandem Switching Equipment during the twelve month period ending December 31, 2000.

5. Amend § 36.125 by revising paragraphs (a) and (h) to read as follows:

**§ 36.125**      **Local switching equipment—Category 3.**

(a) Local switching equipment is included in accounts 2210, 2211, and 2212. It comprises all central office switching equipment not assigned other categories. Examples of local switching equipment are basic switching train, toll connecting trunk equipment, interlocal trunks, tandem

trunks, terminating senders used for toll completion, toll completing train, call reverting equipment, weather and time of day service equipment, and switching equipment at electronic analog or digital remote line locations. Equipment used for the identification, recording and timing of customer dialed charge traffic, or switched private line traffic (e.g. transmitters, recorders, call identity indexers, perforators, ticketers, detectors, mastertimes) switchboards used solely for recording of calling telephone numbers in connection with customer dialed charge traffic, or switched private line traffic (or both) is included in this local switching category. Equipment provided and used primarily for operator dialed toll or customer dialed charge traffic except such equipment included in Category 2 Tandem Switching Equipment is also included in this local switching category. This includes such items as directors translators, sender registers, out trunk selectors and facilities for toll intercepting and digit absorption. Special services switching equipment which primarily performs the switching function for special services (e.g. switching equipment, TWX concentrators and switchboards) is also included in this local switching category.

\* \* \* \* \*

(h) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the average balances of Accounts 2210, 2211, and 2212 to Category 3, Local Switching Equipment, based on the relative percentage assignment of the average balances of Account 2210, 2211, 2212, and 2215 to Category 3, during the twelve month period ending December 31, 2000.

6. Amend § 36.126 by revising paragraph (e)(2) to read as follows:

**§ Section 36.126 Circuit equipment—Category 4.**

\* \* \* \* \*

(e) \*\*\*

(1) \*\*\*

(2) Interexchange Circuit Equipment Used for Wideband Service-Category 4.22-This category includes the circuit equipment portion of interexchange channels used for wideband services. The cost of interexchange circuit equipment in this category is determined separately for each wideband channel and is segregated between message and private line services on the basis of the use of the channels provided. The respective costs are allocated to the appropriate operation in the same manner as the related interexchange cable and wire facilities described in § 36.155.

\* \* \* \* \*

7. In § 36.172, revise the section heading to read as follows:

**§ 36.172 Other noncurrent assets—Account 1410.**

\* \* \* \* \*

8. Revise § 36.201 to read as follows:

**§ 36.201**      **Section arrangement.**

(a) This subpart is arranged in sections as follows:

General .....	36.202
Operating Revenues: .....	36.211
Basic local services revenue--Account 5000 (Class B telephone companies); Basic area revenue--Account 5001 (Class A telephone companies).....	36.212
Network Access Revenues--Accounts 5081 thru 5083.....	36.213
Long Distance Message Revenue--Account 5100.....	36.214
Miscellaneous Revenue--Account 5200.....	36.215
Uncollectible Revenue--Account 5300.....	36.216
Certain Income Accounts:	
Other Operating Income and Expenses--Account 7100.....	36.221
Nonoperating Income and Expenses--Account 7300.....	36.222
Interest and Related Items--Account 7500.....	36.223
Extraordinary Items--Account 7600.....	36.224
Income Effect of Jurisdictional Ratemaking Differences—Account 7910....	36.225

9. Amend § 36.202 by revising paragraph (b) to read as follows:

**§ 36.202**      **General.**

(a) \*\*\*

(b) Except for the Network Access Revenues, subsidiary record categories are maintained for all revenue accounts in accordance with the requirements of Part 32. These subsidiary records identify services for the appropriate jurisdiction and will be used in conjunction with apportionment procedures stated in this manual.

10. Revise § 36.211 to read as follows:

**§ 36.211**      **General.**

(a) Operating revenues are included in the following accounts:

Account Title	Account No.
Basic local service revenue (Class B telephone companies)....	5000
Basic Area Revenue (Class A telephone companies).....	5001
Network Access Revenues:	
End User Revenue .....	5081
Switched Access Revenue .....	5082
Special Access Revenue .....	5083
Long Distance Message Revenue .....	5100
Miscellaneous Revenue .....	5200
Uncollectible Revenue .....	5300

11. In § 36.212, revise the section heading to read as follows:

**§ 36.212 Basic local services revenue—Account 5000 (Class B telephone companies);  
Basic area revenue—Account 5001 (Class A telephone companies).**

\* \* \* \* \*

12. Amend § 36.213 by revising paragraphs (a), (b), and (c) to read as follows and by removing paragraphs (d) and (e):

**§ 36.213 Network access revenues.**

(a) End User Revenue--Account 5081. Revenues in this account are directly assigned on the basis of analysis and studies.

(b) Switched Access Revenue--Account 5082. Revenues in this account are directly assigned on the basis of analysis and studies.

(c) Special Access Revenue--Account 5083. Revenues in this account are directly assigned on the basis of analysis and studies.

13. Amend § 36.216 by revising paragraph (a) to read as follows:

**§ 36.216 Uncollectible revenue—Account 5300.**

(a) The amounts in this account are apportioned among the operations on the basis of analysis during a representative period of the portion of Account 1171, Allowance for doubtful accounts, related to telecommunications billing.

14. Revise § 36.301 to read as follows:

**§ 36.301 Section arrangement.**

(a) This subpart is arranged in sections as follows:

General ..... 36.301 and 36.302.

**Plant Specific Operations Expenses:**

General ..... 36.310.

Network Support/General Support Expenses--Accounts 6110 and 6120 (Class B Telephone Companies); Accounts 6112, 6113, 6114, 6121, 6122, 6123, and 6124 (Class A Telephone Companies)..... 36.311.

Central Office Expenses--Accounts 6210, 6220, 6230 (Class B Telephone Companies); Accounts 6211, 6212, 6220, 6231, and 6232 (Class A Telephone Companies)  
..... 36.321

Information Origination/Termination Expenses--Account 6310 (Class B Telephone Companies); Accounts 6311, 6341, 6351, and 6362 (Class A Telephone Companies)..... 36.331.

Cable and Wire Facilities Expenses--Account 6410 (Class B Telephone Companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A Telephone Companies)..... 36.341.

**Plant Nonspecific Operations Expenses:**

General ..... 36.351.

Other Property Plant and Equipment Expenses--Account 6510 (Class B Telephone Companies); Accounts 6511 and 6512 (Class A Telephone Companies)..... 36.352.

Network Operations Expenses--Account 6530 (Class B Telephone Companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A Telephone Companies).... 36.353.

Access Expenses--Account 6540..... 36.354.

Depreciation and Amortization Expenses--Account 6560.... 36.361.

**Customer Operations Expenses:**

General .....	36.371.
Marketing--Account 6610 (Class B Telephone Companies); Accounts 6611 and 6613 (Class A Telephone Companies) .....	36.372.
Services--Account 6620.....	36.373.
Telephone Operator Services .....	36.374.
Published Directory Listing .....	36.375.
All Other .....	36.376.
Category 1--Local Bus. Office Expense.....	36.377.
Category 2--Customer Services (Revenue Accounting)...	36.378.
Message Processing Expense .....	36.379.
Other Billing and Collecting Expense.....	36.380.
Carrier Access Charge Billing and Collecting Expense...	36.381.
Category 3--All other Customer Service Expense.....	36.382.

Corporate Operations Expenses:

General .....	36.391.
General and Administrative Expenses--Account 6720....	36.392.
Operating Taxes--Account 7200 (Class B Telephone Companies); Accounts 7210, 7220, 7230, 7240, and 7250 (Class A Telephone Companies).....	36.411 and 36.412.
Equal Access Expenses .....	36.421.

15. Amend § 36.310 by revising paragraph (a) to read as follows:

**§ 36.310 General.**

(a) Plant specific operations expenses include the following accounts:

Network Support Expenses ..... Account 6110 (Class B Telephone Companies); Accounts 6112, 6113, and 6114 (Class A Telephone Companies)

General Support Expenses ..... Account 6120 (Class B Telephone Companies); Accounts 6121, 6122, 6123, and 6124 (Class A Telephone Companies).

Central Office Switching Expenses...Account 6210 (Class B Telephone Companies); Accounts 6211 and 6212 (Class A Telephone Companies)

Operator System Expenses..... Account 6220

Central Office Transmission Expenses..... Account 6230 (Class B Telephone Companies); Accounts 6231 and 6232 (Class A Telephone Companies).

Information Origination/Termination Expenses... Account 6310 (Class B Telephone Companies); Accounts 6311, 6341, 6351, and 6362 (Class A Telephone Companies).

Cable and Wire Facilities Expenses..... Account 6410 (Class B Telephone Companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A Telephone Companies).

\* \* \* \* \*

16. In § 36.311, revise the section heading to read as follows:

**§ 36.311 Network Support/General Support Expenses--Accounts 6110 and 6120 (Class B Telephone Companies); Accounts 6112, 6113, 6114, 6121, 6122, 6123, and 6124 (Class A Telephone Companies).**

\* \* \* \* \*

17. Amend § 36.321 by revising the section heading and paragraph (a) to read as follows:

**§ 36.321 Central office expenses--Accounts 6210, 6220, and 6230 (Class B telephone companies); Accounts 6211, 6212, 6220, 6231, and 6232 (Class A telephone companies).**

(a) The expenses related to central office equipment are summarized in the following accounts:

Central Office Switching Expense..... Account 6210 (Class B telephone companies); Accounts 6211 and 6212 (Class A telephone companies).

Operator Systems Expense ..... Account 6220

Central Office Transmission Expense..... Account 6230 (Class B telephone companies); Accounts 6231 and 6232 (Class A telephone companies).

\* \* \* \* \*

18. In § 36.331, revise the section heading to read as follows:

**§ 36.331 Information origination/termination expenses--Account 6310 (Class B telephone companies); Accounts 6311, 6341, 6351, and 6362 (Class A telephone companies).**

\* \* \* \* \*

19 In § 36.341, revise the section heading to read as follows:

**§ 36.341 Cable and wire facilities expenses--Account 6410 (Class B telephone companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A telephone companies).**

\* \* \* \* \*

20. Revise § 36.351 to read as follows:

**§ 36.351 General.**

(a) Plant nonspecific operations expenses include the following accounts:

Other Property Plant and Equipment Expenses..... Account 6510 (Class B telephone companies); Accounts 6511 and 6512 (Class A telephone companies).

Network Operations Expenses..... Account 6530 (Class B telephone companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A telephone companies).

Access Expenses ..... Account 6540

Depreciation and Amortization Expenses..... Account 6560

21. In § 36.352, revise the section heading to read as follows:

**§ 36.352 Other property plant and equipment expenses--Account 6510 (Class B telephone companies); Accounts 6511 and 6512 (Class A telephone companies).**

\* \* \* \* \*

22. In § 36.353, revise the section heading to read as follows:

**§ 36.353 Network operations expenses--Account 6530 (Class B telephone companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A telephone companies).**

\* \* \* \* \*

23. Revise § 36.371 to read as follows:

**§ 36.371**      **General.**

(a) Customer Operations Expenses are included in the following accounts:

Marketing .....Account 6610 (Class B telephone companies); Accounts 6611 and 6613 (Class A telephone companies).

Services .....Account 6620

24. In § 36.372, revise the section heading to read as follows:

**§ 36.372**      **Marketing--Account 6610 (Class B telephone companies); Accounts 6611 and 6613 (Class A telephone companies).**

\* \* \* \* \*

25. Revise § 36.391 to read as follows:

**§ 36.391**      **General.**

(a) Corporate Operations Expenses are included in the following account:

General and Administrative.....Account 6720

26. Amend § 36.392 by revising the section heading and paragraph (c) to read as follows:

**§ 36.392**      **General and administrative--Account 6720.**

\*\*\*\*\*

(c) The expenses in this account are apportioned among the operations on the basis of the separation of the cost of the combined Big Three Expenses which include the following accounts:

Plant Specific Expenses

Central Office Switching Expenses--Account 6210 (Class B Telephone Companies); Accounts 6211 and 6212 (Class A Telephone Companies)

Operators Systems Expenses--Account 6220

Central Office Transmission Expenses--Account 6230 (Class B Telephone Companies); Accounts 6231 and 6232 (Class A Telephone Companies)

Information Origination/Termination Expenses--Account 6310 (Class B Telephone Companies); Accounts 6311, 6341, 6351, and 6362 (Class A Telephone Companies)

Cable and Wire Facilities Expense--Account 6410 (Class B Telephone Companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A Telephone Companies)

Plant Non-Specific Expenses

Network Operations Expenses--Account 6530 (Class B Telephone Companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A Telephone Companies)

Customer Operations Expenses

Marketing--Account 6610 (Class B Telephone Companies); Accounts 6611 and 6613 (Class A Telephone Companies)

Services--Account 6620

27. In § 36.411, revise the section heading to read as follows:

**§ 36.411      Operating taxes--Account 7200 (Class B Telephone Companies); Accounts 7210, 7220, 7230, 7240, and 7250 (Class A Telephone Companies).**

\* \* \* \* \*

28. Revise § 36.501 to read as follows:

**§ 36.501      General.**

(a) For separations purposes, reserves and deferrals include the following accounts:

Other Jurisdictional Assets--Net.....	Account 1500
Accumulated Depreciation .....	Account 3100
Accumulated Depreciation--Property Held for Future	
Telecommunications Use.....	Account 3200
Accumulated Amortization—Capital Leases.....	Account 3400 (Class B Telephone Companies); Account 3410 (Class A Telephone Companies)
Net Current Deferred Operating Income Taxes.....	Account 4100
Net Noncurrent Deferred Operating Income Taxes.....	Account 4340
Other Jurisdictional Liabilities and Deferred Credits--Net.....	Account 4370

29. In § 36.505, revise the section heading to read as follows:

**§ 36.505      Accumulated amortization--Tangible--Account 3400 (Class B Telephone Companies); Accumulated amortization--Capital Leases--Account 3410 (Class A Telephone Companies).**

\* \* \* \* \*

30 Amend § 36.631 by revising paragraphs (a), (c), and (d) to read as follows:

**§ 36.631      Expense adjustment.**

(a) Until December 31, 1987, for study areas reporting 50,000 or fewer working loops pursuant to § 36.611(h), the expense adjustment (additional interstate expense allocation) is equal to the sum of the following:

\* \* \* \* \*

(c) Beginning January 1, 1988, for study areas reporting 200,000 or fewer working loops pursuant to § 36.611(h), the expense adjustment (additional interstate expense allocation) is equal to the sum of paragraphs (c)(1) through (2). After January 1, 2000, the expense adjustment (additional interstate expense allocation) for non-rural telephone companies serving study areas reporting 200,000 or fewer working loop pursuant to § 36.611(h) shall be calculated pursuant to § 54.309 of this Chapter or § 54.311 of this Chapter (which relies on this part), whichever is applicable.

(d) Beginning January 1, 1988, for study areas reporting more than 200,000 working loops pursuant to § 36.611(h), the expense adjustment (additional interstate expense allocation) is equal to the sum of paragraphs (d)(1) through (4). After January 1, 2000, the expense adjustment (additional interstate expense allocation) shall be calculated pursuant to § 54.309 of this Chapter or § 54.311 of this Chapter (which relies on this part), whichever is applicable.

\* \* \* \* \*