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

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FCC Mail Room

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

**REPORT AND ORDER**

**Adopted: May 7, 2012** **Released: May 8, 2012**

By the Commission:

## I. INTRODUCTION

1. This Report and Order extends until June 30, 2014 the existing freeze of the Federal Communications Commission's rules regarding jurisdictional separations. Specifically, the Commission extends the existing freeze of Part 36 category relationships and jurisdictional cost allocation factors.[1] Telephone companies typically use the same network facilities to provide both intrastate and interstate services.

2. Jurisdictional separations is a system of rules for allocating common network costs into interstate and intrastate jurisdictions. The allocation of common costs can affect regulated interstate and intrastate rates. The Commission froze aspects of the jurisdictional separations rules in 2001 and has periodically extended the freeze since then. The Federal-State Joint Board on Separations has been working on a recommendation for reform of the jurisdictional separations process and has dedicated significant resources to that effort. However, the issues at stake are quite complex, and are affected by ongoing reform efforts, such as reform of universal service and intercarrier compensation.[2] Extending the freeze will provide stability for carriers that must comply with the Commission's separations rules while

[1] *See Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Order and Further Notice of Proposed Rulemaking, 21 FCC Rcd 5516, 5517, 5523, paras. 1, 16 (2006) (*2006 Separations Freeze Extension and Further Notice*) (extending for three years the initial separations freeze, which was scheduled to expire June 30, 2006); *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 24 FCC Rcd 6162 (2009) (*2009 Separations Freeze Extension Order*) (extending the separations freeze until June 30, 2010); *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 25 FCC Rcd 6046 (2010) (*2010 Separations Freeze Extension Order*) (extending the separations freeze until June 30, 2011); *Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 26 FCC Rcd 7133 (2011) (*2011 Separations Freeze Extension Order*) (extending the separations freeze until June 30, 2012); 47 C.F.R. Part 36.

[2] *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing an Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform – Mobility Fund*, WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, 26 FCC Rcd 17663 (2011), (*USF/ICC Transformation Order*), *pets. for recon. pending* (*see Petitions for Reconsideration of Action in Rulemaking Proceeding*, Public Notice, Report Number 9245 (rel. Jan. 12, 2012)); *pets. for review pending sub nom. In re: FCC 11-161*, No. 11-9900 (10th Cir. filed Dec. 8, 2011)

the Joint Board completes its analysis of, and recommendations for, interim and comprehensive reform of the jurisdictional separations process.

## II. BACKGROUND

3. Jurisdictional separations is the process by which incumbent local exchange carriers (LECs) apportion regulated costs between the intrastate and interstate jurisdictions. Historically, one of the primary purposes of the separations process has been to prevent incumbent LECs from recovering the same costs in both the interstate and intrastate jurisdictions.[3]

4. Incumbent LECs first separate costs into regulated and unregulated categories.[4] Incumbent LECs then perform jurisdictional separations by apportioning the regulated costs in each category between the intrastate and interstate jurisdictions in accordance with the Commission's Part 36 separations rules.[5] After the costs are jurisdictionally separated, incumbent LECs apportion the interstate regulated costs among the interexchange services and rate elements that form the cost basis for the incumbent LECs' interstate access tariffs.[6] Incumbent LECs perform this interstate costs apportionment in accordance with Part 69 of the Commission's rules.[7] The costs allocated to the intrastate jurisdiction form the foundation for determining incumbent LECs' intrastate rate base, expenses, and taxes.

5. The jurisdictional separations process has two parts. First, incumbent LECs assign regulated costs to various categories of plant and expenses. In certain instances, costs are further disaggregated among service categories.[8] Second, the costs in each category are apportioned between the intrastate and interstate jurisdictions. These jurisdictional apportionments of categorized costs are based upon either a relative use factor, a fixed allocator, or, when specifically allowed in the Part 36 rules, by

[3] As the Supreme Court has recognized, procedures for the separation of intrastate and interstate property and expenses have been necessary for the appropriate recognition of authority between the interstate and intrastate jurisdictions. *Smith v. Illinois Bell Tel. Co.*, 282 U.S. 133, 148 (1930) (*Smith v. Illinois*). The Supreme Court added that "[w]hile the difficulty in making an exact apportionment of the property is apparent, and extreme nicety is not required, only reasonable measures being essential, it is quite another matter to ignore altogether the actual uses to which the property is put." *Id.* at 150–51 (citations omitted); *see also MCI Telecommunications Corp. v. FCC*, 750 F.2d 135, 137 (D.C. Cir. 1984) (stating that "'[j]urisdictional separation' is a procedure that determines what proportion of jointly used plant should be allocated to the interstate and intrastate jurisdictions for ratemaking purposes").

[4] 47 C.F.R. §§ 64.901–904. Non-regulated activities generally consist of activities that have never been subject to regulation under Title II of the Communications Act of 1934, as amended; activities formerly subject to Title II regulation that the Commission has preemptively deregulated; and activities formerly subject to Title II regulation that have been deregulated at the interstate level, but not preemptively deregulated at the intrastate level, which the Commission decides should be classified as non-regulated activities for Title II accounting purposes. *See* 47 C.F.R. § 32.23(a); *Accounting Safeguards under the Telecommunications Act of 1996*, CC Docket No. 96-150, Report and Order, 11 FCC Rcd 17539, 17573 (1996) (subsequent history omitted).

[5] 47 C.F.R. Part 36.

[6] Part 61 of the Commission's rules prescribes the procedures for filing and updating interstate tariffs. *See* 47 C.F.R. Part 61.

[7] 47 C.F.R. Part 69.

[8] For example, central office equipment (COE) Category 1 is Operator Systems Equipment, Account 2220. The Operator Systems Equipment account is further disaggregated or classified according to the following arrangements: (i) separate toll boards; (ii) separate local manual boards; (iii) combined local manual boards; (iv) combined toll and DSA boards; (v) separate DSA and DSB boards; (vi) service observing boards; (vii) auxiliary service boards; and (viii) traffic service positions. *See* 47 C.F.R. § 36.123.

direct assignment.[9] For example, loop costs are allocated by a fixed allocator, which allocates 25 percent of the loop costs to the interstate jurisdiction and 75 percent of the costs to the intrastate jurisdiction.[10]

6. The Commission undertakes rulemakings regarding jurisdictional separations in consultation with the Federal-State Joint Board on Jurisdictional Separations (Joint Board).[11] In 1997, the Commission initiated a proceeding seeking comment on the extent to which legislative, technological, and market changes warranted comprehensive reform of the separations process.[12] The Commission noted that the current network infrastructure is vastly different from the network and services used to define the cost categories appearing in the Commission's Part 36 rules.[13] The Commission also invited the State Members of the Joint Board to develop a report that would identify additional issues that the Commission should address in its comprehensive separations reform effort.[14] The State Members filed a report setting forth additional issues that they believe should be addressed by the Joint Board and proposing an interim freeze, among other things, to reduce the impact of changes in telephone usage patterns and resulting cost shifts from year to year.[15]

7. On July 21, 2000, the Joint Board issued its *2000 Separations Recommended Decision*, recommending that, until comprehensive reform can be achieved, the Commission (i) freeze Part 36 category relationships and jurisdictional allocation factors for incumbent LECs subject to price cap regulation (price cap carriers) and (ii) freeze allocation factors only for incumbent LECs subject to rate-of-return regulation (rate-of-return carriers).[16] In the *2001 Separations Freeze Order*, the Commission generally adopted the Joint Board's recommendation.[17] The Commission concluded that the freeze would provide stability and regulatory certainty for incumbent LECs by minimizing any impacts not contemplated by the Commission's Part 36 rules, such as growth in local competition and new

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[9] Because some costs are directly assigned to a jurisdictionally pure service category, i.e., a category used exclusively for either intrastate or interstate communications, both steps are often effectively performed simultaneously. For example, the cost of private line service that is wholly intrastate in nature is assigned directly to the intrastate jurisdiction. *See* 47 C.F.R. § 36.154(a).

[10] *See* 47 C.F.R. § 36.154(c).

[11] 47 U.S.C. § 410(c); *see also Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board*, CC Docket No. 80-286, Notice of Proposed Rulemaking and Order Establishing a Joint Board, 78 FCC.2d 837 (1980).

[12] *Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Notice of Proposed Rulemaking, 12 FCC Rcd 22120, 22126, para. 9 (1997) (*1997 Separations Notice*).

[13] *Id.* at 22126–31, paras. 9–19.

[14] *Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 16 FCC Rcd 11382, 11386, para. 5 (2001) (*2001 Separations Freeze Order*).

[15] *Id.* at 11386, para. 6.

[16] *Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Recommended Decision, 15 FCC Rcd 13160 (Fed-State Jt. Bd. 2000) (*2000 Separations Recommended Decision*). The Commission sought public comment on the *2000 Separations Recommended Decision*. *See Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Public Notice, 15 FCC Rcd 15054 (Common Carr. Bur. 2000) (*2000 Separations Public Notice*). Part 32 contains the Uniform System of Accounts for Telecommunications Companies. It specifies the accounts that incumbent LECs must use to record their costs. *See* 47 C.F.R. Part 32. "Category relationships" are the percentage relationships of each Part 36 category to the total amount recorded in its corresponding Part 32 account(s). *See* 47 C.F.R. Parts 32, 36. "Jurisdictional allocation factors" are the percentage relationships that allocate costs assigned to Part 32 accounts for jointly used plant between the interstate (federal) and intrastate (state) jurisdictions. *See 2000 Separations Recommended Decision*, 15 FCC Rcd at 13172, para. 20.

[17] *2001 Separations Freeze Order*, 16 FCC Rcd at 11387–88, para. 9.

technologies.[18] Further, the Commission found that a freeze of the separations process would reduce regulatory burdens on incumbent LECs during the transition from a regulated monopoly to a deregulated, competitive environment in the local telecommunications marketplace.[19] Under the freeze, price cap carriers calculate: (1) the relationships between categories of investment and expenses within Part 32 accounts; and (2) the jurisdictional allocation factors, as of a specific point in time, and then lock or "freeze" those category relationships and allocation factors in place for a set period of time. The carriers use the "frozen" category relationships and allocation factors for their calculations of separations results and therefore are not required to conduct separations studies for the duration of the freeze. Rate-of-return carriers are only required to freeze their allocation factors, but were given the option of also freezing their category relationships at the outset of the freeze.[20]

8. The Commission ordered that the freeze would be in effect for a five-year period beginning July 1, 2001, or until the Commission completed comprehensive separations reform, whichever came first.[21] In addition, the Commission stated that, prior to the expiration of the separations freeze, the Commission would, in consultation with the Joint Board, determine whether the freeze period should be extended.[22] The Commission further stated that any decision to extend the freeze beyond the five-year period in the *2001 Separations Freeze Order* would be based "upon whether, and to what extent, comprehensive reform of separations has been undertaken by that time."[23]

9. On May 16, 2006, in the *2006 Separations Freeze Extension and Further Notice*, the Commission extended the freeze for three years or until comprehensive reform could be completed, whichever came first.[24] The Commission concluded that extending the freeze would provide stability to incumbent LECs that must comply with the Commission's jurisdictional separations rules pending further Commission action to reform the Part 36 rules, and that more time was needed to study comprehensive reform.[25] The freeze was subsequently extended by one year in 2009,[26] 2010,[27] and again in 2011.[28]

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[18] *Id.* at 11389–90, para. 12. Jurisdictional cost shifts in separations results generally are caused by changes in any of three areas: overall cost levels, categorization of costs (i.e., relative category assignments), or jurisdictional allocation factors. A carrier's increased overall cost level in a Part 32 account that has a high cost allocation to the interstate jurisdiction will cause shifts to the interstate jurisdiction for other investment and expense accounts whose jurisdictional allocations are dependent on that account. Increasing investment in specific categories (e.g., interexchange cable and wire facilities) may also contribute to jurisdictional shifts in the final results. Likewise, changes in customer calling patterns (e.g., increased interstate calling) will cause shifts in the jurisdictional allocation factors, many of which are based on usage. These factors allocate a significant portion of a carrier's investment between the interstate and intrastate jurisdictions.

[19] Although incumbent LECs were required under the Part 36 rules to perform separations studies, competitive carriers had no similar requirements. The Commission found that a freeze would further the Commission's goal of achieving greater competitive neutrality during the transition to a competitive marketplace by simplifying the separations process for those carriers subject to Part 36. *Id.* at 11390, para. 13.

[20] *Id.* at 11388–89, para. 11.

[21] *See id.* at 11387–88, para. 9.

[22] *See id.* at 11397, para. 29.

[23] *Id.*

[24] *See Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Order and Further Notice of Proposed Rulemaking, 21 FCC Rcd 5516, 5523, para. 16 (2006) (*2006 Separations Freeze Extension and Further Notice*).

[25] *Id.* We note that the Commission conditionally forbore from applying Part 36 jurisdictional separations to AT&T, Verizon, and Qwest in 2008. *See Petition of AT&T Inc. for Forbearance Under 47 U.S.C. § 160 from Enforcement of Certain of the Commission's Cost Assignment Rules; Petition of BellSouth Telecommunications, Inc. for Forbearance Under 47 U.S.C. § 160 from Enforcement of Certain of the Commission's Cost Assignment Rules*, WC Docket Nos. 07-21, 05-342, Memorandum Opinion and Order, 23 FCC Rcd 7302, 7307, para. 12 (2008), *pet. for*

(continued . . .)

10. When it extended the freeze in 2009, the Commission referred a number of issues to the Joint Board and asked the Joint Board to prepare a recommended decision. The Commission stated that it was "committed to working with the Joint Board to develop an efficient system for the jurisdictional separation of regulated costs in light of the dynamic nature of the telecommunications market place and the dramatic changes to the telecommunications industry since the separations freeze was first adopted in 2001."[29] The Commission asked the Joint Board to consider comprehensive jurisdictional separations reform, as well as an interim adjustment of the current jurisdictional separations freeze, and whether, how, and when the Commission's jurisdictional separations rules should be modified.[30]

11. On March 15, 2012, the Commission sought comment on extending the freeze once more.[31]

## III. EXTENSION OF THE FREEZE

12. We extend until June 30, 2014, the freeze on Part 36 category relationships and jurisdictional cost allocation factors that the Commission adopted in the *2001 Separations Freeze Order*. As a result, price cap carriers will use the same relationships between categories of investment and expenses within Part 32 accounts and the same jurisdictional allocation factors that have been in place since the inception of the current freeze on July 1, 2001; rate-of-return carriers will use the same frozen jurisdictional allocation factors, and will use the same frozen category relationships if they had opted previously to freeze those.

13. We conclude that extending the freeze will provide stability to carriers that must comply with the Commission's jurisdictional separations rules while the Joint Board continues its analysis of reform of the jurisdictional separations process. The majority of commenters support extending the freeze for at least two years.[32] We agree with the Wisconsin PSC, which states that "[i]n light of the significant changes to intercarrier compensation and universal service, Joint Board members will likely spend significant time and effort to educate themselves about the impacts of these reforms on separations. This educational effort may take the better part of a year in and of itself, leaving little time to develop and

(. . . continued from previous page)
*recon. pending, pet. for review pending, NASUCA v. FCC*, Case No. 08-1226 (D.C. Cir., filed June 23, 2008); *Petition of Qwest Corporation for Forbearance from Enforcement of the Commission's ARMIS and 492A Reporting Requirements Pursuant to 47 U.S.C. § 160(c); Petition of Verizon for Forbearance Under 47 U.S.C. § 160(c) from Enforcement of Certain of the Commission's Recordkeeping and Reporting Requirements*, WC Docket Nos. 07-204, 07-273, Memorandum Opinion and Order, 23 FCC Rcd 13647, 13660, para. 23 (2008). The grants were expressly conditioned on, among other things, approval of compliance plans to be filed by AT&T, Verizon, and Qwest; the Wireline Competition Bureau approved these plans on December 31, 2008. *See Wireline Competition Bureau Approves Compliance Plans*, WC Docket Nos. 07-21, 07-204, 07-273, Public Notice, 23 FCC Rcd 18417 (Wireline Comp. Bur. 2008).

[26] *2009 Separations Freeze Extension Order*, 24 FCC Rcd at 6165, para. 11.

[27] *2010 Separations Freeze Extension Order*, 25 FCC Rcd at 6049, para. 11.

[28] *2011 Separations Freeze Extension Order*, 26 FCC Rcd at 7137, para. 11.

[29] *2009 Separations Freeze Extension Order*, 24 FCC Rcd at 6167, para. 15.

[30] *Id.* at 6167–69, paras. 15–20.

[31] *Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Further Notice of Proposed Rulemaking, FCC 12-27 (rel. Mar. 15, 2012) (*2012 Separations Freeze Extension FNPRM*). Appendix A lists the parties that commented on the FNPRM.

[32] *See* Wisconsin PSC Comments at 2–3; CenturyLink Comments at 1–2 (arguing that extension is "plainly warranted [and will] allow the Commission to complete comprehensive reform); NECA et al. Comments at 1–2; GVNW Comments at 2; USTelecom Comments at 1. *But see* NASUCA Comments at 1–4; Sprint Comments at 1.

properly vet separations reform proposals."[33] We also agree with those commenters who argue that allowing the separations freeze to lapse—meaning carriers would have to comply with the pre-2001 separations procedures—would be burdensome, especially for small rate-of-return carriers,[34] and would not produce meaningful separations data.[35]

14. Eliminating the freeze would create undue instability and administrative burdens while the Joint Board is considering comprehensive separations reform.[36] We disagree with commenters that suggest that we should let the freeze expire.[37] If the Commission allowed the earlier separations rules to return to force, carriers would be required to reinstitute their separations processes even though many carriers no longer have the necessary employees and systems in place to comply with the old jurisdictional separations process and likely would have to hire or reassign and train employees and redevelop systems for collecting and analyzing the data necessary to perform separations.[38] The Commission has referred to the Joint Board comprehensive separations reform, and depending upon the Joint Board's recommendations and reforms that the Commission may ultimately adopt, comprehensive reform could render the pre-freeze separations rules obsolete.[39] To require carriers to reinstitute their separations systems "would be unduly burdensome when there is a significant likelihood that there would be no lasting benefit to doing so."[40]

15. Some commenters recommend that the Commission extend the freeze for longer than two years,[41] maintain the freeze until the Commission has completed universal service and intercarrier compensation reform[42] or until carriers have completed implementation of the reforms required by the *USF/ICC Transformation Order*.[43] Some commenters advocate allowing modification of frozen category relationships[44] or other modifications to the separations process.[45] Each of these issues falls within the referral to the Joint Board in the *2009 Separations Freeze Extension Order* and may be addressed in the Joint Board's recommended decision.[46] We therefore decline to address them in this order.

## IV. PROCEDURAL MATTERS

16. *Final Regulatory Flexibility Certification.* The Regulatory Flexibility Act of 1980, as amended (RFA),[47] requires that a regulatory flexibility analysis be prepared for notice-and-comment

[33] Wisconsin PSC Comments at 2.

[34] *See* NECA et al. Comments at 3.

[35] *See* USTelecom Comments at 1.

[36] *See 2010 Separations Freeze Extension Order*, 25 FCC Rcd at 6049, para. 11.

[37] Sprint Comments at 1; NASUCA Comments at 1-2.

[38] *2009 Separations Freeze Extension Order*, 24 FCC Rcd at 6165-66, para 12.

[39] *See supra* para. 10; *2009 Separations Freeze Extension Order*, 24 FCC Rcd at 6167–69, paras. 15–20.

[40] *2006 Separations Freeze Extension and Further Notice*, 21 FCC Rcd at 5525, para. 23.

[41] *See, e.g.*, GVNW Comments at 1; CenturyLink Comments at 5.

[42] *See* NECA et al. Comments at 1–2.

[43] CenturyLink Comments at 4.

[44] *See* USTelecom Comments at 8–9; GVNW Comments at 3.

[45] *See, e.g.*, Sprint Comments at 8–9; NASUCA Comments at 2–3.

[46] *2009 Separations Freeze Extension Order*, 24 FCC Rcd at 6167–69, paras. 15–20; *supra* para. 10.

[47] *See* 5 U.S.C. § 604. 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).

rulemaking proceedings, unless the agency certifies that "the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities."[48] The RFA generally defines the term "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction."[49] In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act.[50] A "small business concern" is one that: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA).[51]

17. As discussed above, in 2001 the Commission adopted a Joint Board recommendation to impose an interim freeze of the Part 36 category relationships and jurisdictional cost allocation factors, pending comprehensive reform of the Part 36 separations rules.[52] The Commission ordered that the freeze would be in effect for a five-year period beginning July 1, 2001, or until the Commission completed comprehensive separations reform, whichever came first.[53] On May 16, 2006, concluding that more time was needed to implement comprehensive separations reform, the Commission extended the freeze for three years or until such comprehensive reform could be completed, whichever came first.[54] On May 15, 2009, the Commission extended the freeze until June 30, 2010,[55] on May 24, 2010, extended the freeze until June 30, 2011,[56] and on May 3, 2011, extended the freeze until June 30, 2012.[57]

18. The purpose of the current extension of the freeze is to allow the Commission and the Joint Board additional time to consider changes that may need to be made to the separations process in light of changes in the law, technology, and market structure of the telecommunications industry without creating the undue instability and administrative burdens that would occur were the Commission to eliminate the freeze.[58]

19. Implementation of the freeze extension will ease the administrative burden of regulatory compliance for LECs, including small incumbent LECs. The freeze has eliminated the need for all incumbent LECs, including incumbent LECs with 1500 employees or fewer, to complete certain annual studies formerly required by the Commission's rules. The effect of the freeze extension is to reduce a regulatory compliance burden for small incumbent LECs, by abating the aforementioned separations studies and providing these carriers with greater regulatory certainty. Therefore, we certify that the requirement of the report and order will not have a significant economic impact on a substantial number of small entities.

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[48] 5 U.S.C. § 605(b).

[49] 5 U.S.C. § 601(6).

[50] 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."

[51] 15 U.S.C. § 632.

[52] *See supra* paras. 7–8; *2001 Separations Freeze Order*, 16 FCC Rcd at 11387–88, para. 9.

[53] *2001 Separations Freeze Order*, 16 FCC Rcd at 11387–88, para. 9.

[54] *2006 Separations Freeze Extension and Further Notice*, 21 FCC Rcd at 5523, para. 16.

[55] *2009 Separations Freeze Extension Order*, 24 FCC Rcd at 6165–69, paras. 11–20.

[56] *2010 Separations Freeze Extension Order*, 25 FCC Rcd at 6049, para. 10.

[57] *2011 Separations Freeze Extension Order*, 26 FCC Rcd at 7137, para. 11.

[58] *See supra* para. 10.

20. The Commission will send a copy of the report and order, including a copy of this Final Regulatory Flexibility Certification, in a report to Congress pursuant to the Congressional Review Act.[59] 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.[60]

21. *Paperwork Reduction Act Analysis.* This report and order does not contain new, modified, or proposed information collections subject to the Paperwork Reduction Act of 1995.[61] In addition, therefore, it does not contain any new, modified, or proposed "information collection burden for small business concerns with fewer than 25 employees" pursuant to the Small Business Paperwork Relief Act of 2002.[62]

22. *Congressional Review Act.* The Commission will send a copy of this report and order in a report to be sent to Congress and the Government Accountability Office pursuant to the Congressional Review Act.[63]

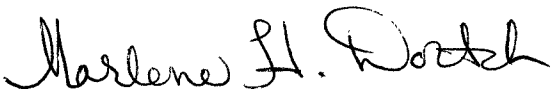
## V. ORDERING CLAUSES

23. Accordingly, IT IS ORDERED, pursuant to sections 1, 4(i), 4(j), 214(e), 254, and 410 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 154(i), 154(j), 214(e), 254, 410, that this Report and Order is ADOPTED.

24. 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 Small Business Administration.

25. IT IS FURTHER ORDERED that this Report and Order SHALL BE EFFECTIVE thirty days after the date of publication of the text of a summary thereof in the Federal Register, pursuant to section 1.427(a) of the Commission's rules, 47 C.F.R. § 1.427(a).

FEDERAL COMMUNICATIONS COMMISSION



Marlene H. Dortch
Secretary

[59] *See* 5 U.S.C. § 801(a)(1)(A).

[60] *See* 5 U.S.C. § 605(b).

[61] Paperwork Reduction Act of 1995, Pub. L. No. 104-13, 109 Stat. 163 (1995).

[62] Small Business Paperwork Relief Act of 2002, Pub. L. No. 107-198, 116 Stat. 729 (2002); 44 U.S.C. § 3506(c)(4).

[63] *See* 5 U.S.C. § 801(a)(1)(A).

## APPENDIX A

### List of Commenters

| Commenter | Abbreviation |
|---|---|
| CenturyLink | CenturyLink |
| GVNW Consulting, Inc. | GVNW |
| The National Association of State Utility Consumer Advocates | NASUCA |
| National Exchange Carrier Association, Inc., National Telecommunications Cooperative Association, Organization for the Promotion of Advancement of Small Telecommunications Companies, Eastern Rural Telecom Association, Western Telecommunications Alliance | NECA et al. |
| Public Service Commission of Wisconsin | Wisconsin PSC |
| Sprint Nextel Corporation | Sprint |
| United States Telecom Association | USTelecom |

| Reply Commenter | Abbreviation |
|---|---|
| National Exchange Carrier Association, Inc., National Telecommunications Cooperative Association, Organization for the Promotion of Advancement of Small Telecommunications Companies, Eastern Rural Telecom Association, Western Telecommunications Alliance | NECA et al. |
| Sprint Nextel Corporation | Sprint |

## APPENDIX B

### Final Rules

The attached rules differ from the existing Part 36 rules in the end date of the separations freeze, which has changed to June 30, 2014.

**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 Part 36 continues to read as follows:

AUTHORITY: 47 U.S.C. Secs. 151, 154(i) and (j), 205, 221(c), 254, 403, and 410.

**Subpart A – General**

2. Amend Section 36.3 by revising paragraphs (a), (b), (c), (d) and (e) to read as follows:

**§ 36.3 Freezing of jurisdictional separations category relationships and/or allocation factors**

(a) Effective July 1, 2001, through June 30, 2014, all local exchange carriers subject to Part 36 rules shall apportion costs to the jurisdictions using their study area and/or exchange specific jurisdictional allocation factors calculated during the twelve month period ending December 31, 2000, for each of the categories/sub-categories as specified herein. Direct assignment of private line service costs between jurisdictions shall be updated annually. Other direct assignment of investment, expenses, revenues or taxes between jurisdictions shall be updated annually. Local exchange carriers that invest in telecommunications plant categories during the period July 1, 2001, through June 30, 2014, for which it had no separations allocation factors for the twelve month period ending December 31, 2000, shall apportion that investment among the jurisdictions in accordance with the separations procedures in effect as of December 31, 2000 for the duration of the freeze.

(b) Effective July 1, 2001, through June 30, 2014, local exchange carriers subject to price cap regulation, pursuant to § 61.41, shall assign costs from the Part 32 accounts to the separations categories/sub-categories, as specified herein, based on the percentage relationships of the categorized/sub-categorized costs to their associated Part 32 accounts for the twelve month period ending December 31, 2000. If a Part 32 account for separations purposes is categorized into more than one category, the percentage relationship among the categories shall be utilized as well. Local exchange carriers that invest in types of telecommunications plant during the period July 1, 2001, through June 30, 2014, for which it had no separations category investment for the twelve month period ending December 31, 2000, shall assign such investment to separations categories in accordance with the separations procedures in effect as of December 31, 2000. Local exchange carriers not subject to price cap regulation, pursuant to § 61.41 of this chapter, may elect to be subject to the provisions of § 36.3(b). Such election must be made prior to July 1, 2001. Local exchange carriers electing to become subject to § 36.3(b) shall not be eligible to withdraw from such regulation for the duration of the freeze. Local exchange carriers participating in Association tariffs, pursuant to § 69.601 et seq., shall notify the Association prior to July 1, 2001, of such intent to be subject to the provisions of § 36.3(b). Local exchange carriers not participating in Association tariffs shall notify the Commission prior to July 1, 2001, of such intent to be subject to the provisions of § 36.3(b).

(c) Effective July 1, 2001, through June 30, 2014, any local exchange carrier that sells or otherwise transfers exchanges, or parts thereof, to another carrier's study area shall continue to utilize the factors and, if applicable, category relationships as specified in §§ 36.3(a) and (b).

(d) Effective July 1, 2001, through June 30, 2014, any local exchange carrier that buys or otherwise acquires exchanges or part thereof, shall calculate new, composite factors and, if applicable, category relationships based on a weighted average of both the seller's and purchaser's factors and category relationships calculated pursuant to §§ 36.3(a) and (b). This weighted average should be based on the number of access lines currently being served by the acquiring carrier and the number of access lines in the acquired exchanges.

* * * * *

(e) Any local exchange carrier study area converting from average schedule company status, as defined in § 69.605(c), to cost company status during the period July 1, 2001, through June 30, 2014, shall, for the first twelve months subsequent to conversion categorize the telecommunications plant and expenses and develop separations allocation factors in accordance with the separations procedures in effect as of December 31, 2000. Effective July 1, 2001 through June 30, 2014, such companies shall utilize the separations allocation factors and account categorization subject to the requirements of §§ 36.3(a) and (b) based on the category relationships and allocation factors for the twelve months subsequent to the conversion to cost company status.

* * * * *

**Subpart B - Telecommunications Property**
**Central Office Equipment**

3. Amend Section 36.123 by revising paragraphs (a)(5) and (a)(6) to read as follows:

**§ 36.123 Operator systems equipment - Category 1.**

(a) * * *

(5) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the average balance of Account 2220, Operator Systems, to the categories/subcategories, as specified in § 36.123(a)(1), based on the relative percentage assignment of the average balance of Account 2220 to these categories/subcategories during the twelve month period ending December 31, 2000.

(6) Effective July 1, 2001 through June 30, 2014, all study areas shall apportion the costs assigned to the categories/subcategories, as specified in § 36.123(a)(1), among the jurisdictions using the relative use measurements for the twelve month period ending December 31, 2000 for each of the categories/subcategories specified in §§ 36.123 (b) through 36.123(e).

* * * * *

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

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

* * * * *

(c) Effective July 1, 2001, through June 30, 2014, 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.

(d) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion costs in Category 2, Tandem Switching Equipment, among the jurisdictions using the relative number of study area minutes of use, as specified in § 36.124(b), for the twelve month period ending December 31, 2000. Direct assignment of any subcategory of Category 2 Tandem Switching Equipment between jurisdictions shall be updated annually.

* * * * *

5. Amend Section 36.125 by revising paragraphs (h), (i), and (j) to read as follows:

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

* * * * *

(h) Effective July 1, 2001, through June 30, 2014, 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.

(i) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion costs in Category 3, Local Switching Equipment, among the jurisdictions using relative dial equipment minutes of use for the twelve month period ending December 31, 2000.

* * * * *

(j) If the number of a study area's access lines increases such that, under section 36.125(f) of this part, the weighted interstate DEM factor for 1997 or any successive year would be reduced, that lowered weighted interstate DEM factor shall be applied to the study area's 1996 unweighted interstate DEM factor to derive a new local switching support factor. If the number of a study area's access lines decreases or has decreased such that, under section 36.125(f) of this part, the weighted interstate DEM factor for 2010 or any successive year would be raised, that higher weighted interstate DEM factor shall be applied to the study area's 1996 unweighted interstate DEM factor to derive a new local switching support factor.

6. Amend Section 36.126 by revising paragraphs (b)(5), (c)(4), (e)(4), and (f)(2) to read as follows:

**§ 36.126 Circuit equipment - Category 4.**

* * * * *

(b) * * *

(6) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41, shall assign the average balances of Accounts 2230 through 2232 to the categories/subcategories as specified in §§ 36.126(b)(1) through (b)(4) based on the relative percentage assignment of the average balances of Accounts 2230 through 2232 costs to these categories/subcategories during the twelve month period ending December 31, 2000.

(c) * * *

(4) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion costs in the categories/subcategories, as specified in §§ 36.126(b)(1) through (b)(4), among the jurisdictions using the relative use measurements or factors, as specified in §§ 36.126(c)(1) through (c)(3) for the twelve month period ending December 31, 2000. Direct assignment of any subcategory of Category 4.1 Exchange Circuit Equipment to the jurisdictions shall be updated annually.

* * * * *

(e) * * *

(4) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion costs in the categories/subcategories specified in §§ 36.126(e)(1) through (e)(3) among the jurisdictions using relative use measurements or factors, as specified in §§ 36.126(e)(1) through (e)(3) for the twelve month period ending December 31, 2000. Direct assignment of any subcategory of Category 4.2 Interexchange Circuit Equipment to the jurisdictions shall be updated annually.

(f) * * *

(2) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion costs in the subcategory specified in § 36.126(f)(1) among the jurisdictions using the allocation factor, as specified in § 36.126(f)(1)(i), for this subcategory for the twelve month period ending December 31, 2000. Direct assignment of any Category 4.3 Host/Remote Message Circuit Equipment to the jurisdictions shall be updated annually.

* * * * *

**Information Origination/Termination Expenses**

7. Amend Section 36.141 by revising paragraph (c) to read as follows:

**§ 36.141 General.**

* * * * *

(c) Effective July 1, 2001, through June 30, 2014, local exchange carriers subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the average balance of Account 2310 to the categories, as specified in § 36.141(b), based on the relative percentage assignment of the average balance of Account 2310 to these categories during the twelve month period ending December 31, 2000.

* * * * *

8. Amend Section 36.142 by revising paragraph (c) to read as follows:

**§ 36.142 Categories and apportionment procedures.**

* * * * *

(c) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion costs in the categories, as specified in § 36.141(b), among the jurisdictions using the relative use measurements or factors, as specified in § 36.142(a), for the twelve month period ending December 31, 2000. Direct assignment of any category of Information Origination/Termination Equipment to the jurisdictions shall be updated annually.

* * * * *

**Cable and Wire Facilities**

9. Amend Section 36.152 by revising paragraph (d) to read as follows:

**§ 36.152 Categories of Cable and Wire Facilities (C&WF).**

* * * * *

(d) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41, shall assign the average balance of Account 2410 to the categories/subcategories, as specified in §§ 36.152(a) through (c), based on the relative percentage assignment of the average balance of Account 2410 to these categories/subcategories during the twelve month period ending December 31, 2000.

* * * * *

10. Amend Section 36.154 by revising paragraph (g) to read as follows:

**§ 36.154 Exchange Line Cable and Wire Facilities (C&WF) - Category 1 – apportionment procedures.**

* * * * *

(g) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion Subcategory 1.3 Exchange Line C&WF among the jurisdictions as specified in § 36.154(c). Direct assignment of subcategory Categories 1.1 and 1.2 Exchange Line C&WF to the jurisdictions shall be updated annually as specified in § 36.154(b).

* * * * *

11. Amend Section 36.155 by revising paragraph (b) to read as follows:

**§ 36.155 Wideband and exchange trunk (C&WF) - Category 2 - apportionment procedures.**

* * * * *

(b) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion Category 2 Wideband and exchange trunk C&WF among the jurisdictions using the relative number of minutes of use, as specified in § 36.155(a), for the twelve-month period ending December 31, 2000. Direct assignment of any Category 2 equipment to the jurisdictions shall be updated annually.

* * * * *

12. Amend Section 36.156 by revising paragraph (c) to read as follows:

**§ 36.156 Interexchange Cable and Wire Facilities (C&WF) - Category 3 - apportionment procedures.**

* * * * *

(c) Effective July 1, 2001, through June 30, 2014, all study areas shall directly assign Category 3 Interexchange Cable and Wire Facilities C&WF where feasible. All study areas shall apportion the non-

directly assigned costs in Category 3 equipment to the jurisdictions using the relative use measurements, as specified in § 36.156(b), during the twelve-month period ending December 31, 2000.

* * * * *

13. Amend Section 36.157 by revising paragraph (b) to read as follows:

**§ 36.157 Host/remote message Cable and Wire Facilities (C&WF) - Category 4 - apportionment procedures.**

* * * * *

(b) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion Category 4 Host/Remote message Cable and Wire Facilities C&WF among the jurisdictions using the relative number of study area minutes-of-use kilometers applicable to such facilities, as specified in § 36.157(a)(1), for the twelve month period ending December 31, 2000. Direct assignment of any Category 4 equipment to the jurisdictions shall be updated annually.

* * * * *

**Equal Access Equipment**

14. Amend Section 36.191 by revising paragraph (d) to read as follows:

**§ 36.191 Equal access equipment.**

* * * * *

(d) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion Equal Access Equipment, as specified in § 36.191(a), among the jurisdictions using the relative state and interstate equal access traffic, as specified in § 36.191(c), for the twelve month period ending December 31, 2000.

* * * * *

**Subpart C - Operating Revenues and Certain Income Accounts**
**Operating Revenues**

15. Amend Section 36.212 by revising paragraph (c) 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).**

* * * * *

(c) Wideband Message Service revenues from monthly and miscellaneous charges, service connections, move and change charges, are apportioned between state and interstate operations on the basis of the relative number of minutes-of-use in the study area. Effective July 1, 2001, through June 30, 2014, all study areas shall apportion Wideband Message Service revenues among the jurisdictions using the relative number of minutes of use for the twelve-month period ending December 31, 2000.

* * * * *

16. Amend Section 36.214 by revising paragraph (a) to read as follows:

**§ 36.214 Long distance message revenue - Account 5100.**

(a) Wideband message service revenues from monthly and miscellaneous charges, service connections, move and change charges, are apportioned between state and interstate operations on the basis of the relative number of minutes-of-use in the study area. Effective July 1, 2001, through June 30, 2014, all study areas shall apportion Wideband Message Service revenues among the jurisdictions using the relative number of minutes of use for the twelve-month period ending December 31, 2000.

* * * * *

**Subpart D - Operating Expenses and Taxes**
**Customer Operations Expenses**

17. Amend Section 36.372 by revising to read as follows:

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

The expenses in this account are apportioned among the operations on the basis of an analysis of current billing for a representative period, excluding current billing on behalf of others and billing in connection with intercompany settlements. Effective July 1, 2001, through June 30, 2014, all study areas shall apportion expenses in this account among the jurisdictions using the analysis, as specified in § 36.372(a), during the twelve-month period ending December 31, 2000.

* * * * *

18. Amend Section 36.374 by revising paragraphs (b) and (d) to read as follows:

**§ 36.374 Telephone Operator Services.**

* * * * *

(b) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the Telephone operator expense classification based on the relative percentage assignment of the balance of Account 6620 to this classification during the twelve month period ending December 31, 2000.

* * * * *

(d) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion Telephone operator expenses among the jurisdictions using the relative number of weighted standard work seconds, as specified in § 36.374(c), during the twelve-month period ending December 31, 2000.

* * * * *

19. Amend Section 36.375 by revising paragraphs (b)(4) and (b)(5) to read as follows:

**§ 36.375 Published directory listing.**

* * * * *

(b) * * *

(4) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41, shall assign the balance of Account 6620-Services to the classifications, as specified in §§ 36.375(b)(1) through 36.375(b)(4), based on the relative percentage assignment of the balance of Account 6620 to these classifications during the twelve month period ending December 31, 2000.

(5) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion Published directory listing expenses using the underlying relative use measurements, as specified in §§ 36.375(b)(1) through 36.375(b)(4), during the twelve-month period ending December 31, 2000. Direct assignment of any Publishing directory listing expense to the jurisdictions shall be updated annually.

* * * * *

20. Amend Section 36.377 by revising paragraphs (a), (a)(1)(ix), (a)(2)(vii), (a)(3)(vii), (a)(4)(vii), (a)(5)(vii), and (a)(6)(vii) to read as follows:

**§ 36.377 Category 1 - Local business office expense.**

(a) The expense in this category for the area under study is first segregated on the basis of an analysis of job functions into the following subcategories: End user service order processing; end user payment and collection; end user billing inquiry; interexchange carrier service order processing; interexchange carrier payment and collection; interexchange carrier billing inquiry; and coin collection and administration. Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in § 36.377(a), based on the relative percentage assignment of the balance of Account 6620 to these categories/subcategories during the twelve month period ending December 31, 2000.

(1) * * *

(ix) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the categories/subcategories, as specified in §§ 36.377(a)(1)(i) through 36.377(a)(1)(viii), based on the relative percentage assignment of the balance of Account 6620 to these categories/subcategories during the twelve month period ending December 31, 2000. Effective July 1, 2001, through June 30, 2014, all study areas shall apportion TWX service order processing expense, as specified in § 36.377(a)(1)(viii) among the jurisdictions using relative billed TWX revenues for the twelve-month period ending December 31, 2000. All other subcategories of End-user service order processing expense, as specified in §§ 36.377(a)(1)(i) through 36.377(a)(1)(viii), shall be directly assigned.

(2) * * *

(vii) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620- Services to the subcategories, as specified in §§ 36.377(a)(2)(i) through 36.377(a)(2)(vi), based on the relative percentage assignment of the balance of Account 6620 to these categories/subcategories during the twelve month period ending December 31, 2000. All other subcategories of End User payment and collection expense, as specified in §§ 36.377(a)(2)(i) through 36.377(a)(2)(v), shall be directly assigned.

(3) * * *

(vii) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in §§ 36.377(a)(3)(i) through 36.377(a)(3)(vi), based on the relative percentage assignment of

the balance of Account 6620 to these subcategories during the twelve month period ending December 31, 2000. All other subcategories of End user billing inquiry expense, as specified in §§ 36.377(a)(3)(i) through 36.377(a)(3)(vi) shall be directly assigned.

(4) * * *

(vii) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in §§ 36.377(a)(4)(i) through 36.377(a)(4)(vi), based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve month period ending December 31, 2000. All subcategories of Interexchange carrier service order processing expense, as specified in §§ 36.377(a)(4)(i) through 36.377(a)(4)(vi), shall be directly assigned.

(5) * * *

(vii) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in §§ 36.377(a)(5)(i) through 36.377(a)(5)(vi), based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve month period ending December 31, 2000. All subcategories of Interexchange carrier payment expense, as specified in §§ 36.377(a)(5)(i) through 36.377(a)(5)(vi), shall be directly assigned.

(6) * * *

(vii) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in §§ 36.377(a)(6)(i) through 36.377(a)(6)(vi), based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve month period ending December 31, 2000. All subcategories of Interexchange carrier billing inquiry expense, as specified in §§ 36.377(a)(6)(i) through 36.377(a)(6)(vi), shall be directly assigned.

* * * * *

21. Amend Section 36.378 by revising paragraph (b)(1) to read as follows:

**§ 36.378 Category 2 - Customer services (revenue accounting).**

* * * * *

(b) * * *

(1) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the classifications, as specified in § 36.378(b), based on the relative percentage assignment of the balance of Account 6620 to those classifications during the twelve month period ending December 31, 2000.

* * * * *

22. Amend Section 36.379 by revising paragraphs (b)(1) and (b)(2) to read as follows:

**§ 36.379 Message processing expense.**

* * ** *

(b) * * *

(1) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in § 36.379(b), based on the relative percentage assignment of the balance of Account 6620 to those subcategories during the twelve month period ending December 31, 2000.

(2) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion Toll Ticketing Processing Expense among the jurisdictions using the relative number of toll messages for the twelve-month period ending December 31, 2000. Local Message Process Expense is assigned to the state jurisdiction.

* * * * *

23. Amend Section 36.380 by revising paragraphs (d) and (e) to read as follows:

**§ 36.380 Other billing and collecting expense.**

* * * * *

(d) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the Other billing and collecting expense classification based on the relative percentage assignment of the balance of Account 6620 to those subcategory during the twelve month period ending December 31, 2000.

(e) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion Other billing and collecting expense among the jurisdictions using the allocation factor utilized, pursuant to §§ 36.380(b) or (c), for the twelve month period ending December 31, 2000.

* * * * *

24. Amend Section 36.381 by revising paragraphs (c) and (d) to read as follows:

**§ 36.381 Carrier access charge billing and collecting expense.**

* * * * *

(c) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the Carrier access charge billing and collecting expense classification based on the relative percentage assignment of the balance of Account 6620 to that classification during the twelve month period ending December 31, 2000.

(d) Effective July 1, 2001, through June 30, 2014, all study areas shall apportion Carrier access charge billing and collecting expense among the jurisdictions using the allocation factor, pursuant to § 36.381(b), for the twelve-month period ending December 31, 2000.

* * * * *

25. Amend Section 36.382 by revising paragraph (a) to read as follows:

**§ 36.382 Category 3 - All other customer services expense.**

(a) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to this category based on the relative percentage assignment of the balance of Account 6620 to this category during the twelve month period ending December 31, 2000.

* * * * *