



# PUBLIC NOTICE

Federal Communications Commission  
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DA 01-1403

Released: June 8, 2001

## **Commission Seeks Further Comment in Phase 2 of the Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers**

On October 18, 2000, the Commission released a Notice of Proposed Rulemaking in CC Docket No. 00-199,<sup>1</sup> seeking comment on, *inter alia*, changes to our Part 32 Uniform System of Accounts ("USOA"). One of the goals in this comprehensive review proceeding is to update our accounting system based on changes in the marketplace and in technology. Based on our review of the specific accounts and comments filed in this proceeding, we now wish to focus the record on streamlining the Commission's Class A and Class B accounts, as shown in the attachment to this Public Notice. We expressly seek comment on additions, consolidations, or eliminations of accounts on this proposed list.

Comments are due on the attached proposal 20 days after date of publication in the Federal Register. Reply comments are due 30 days after date of publication in the Federal Register. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS) or by filing paper copies.<sup>2</sup>

Comments filed through the ECFS can be sent as an electronic file via the Internet to <<http://www.fcc.gov/e-file/ecfs.html>>. Generally, only one copy of an electronic submission must be filed. If multiple docket or rulemaking numbers appear in the caption of this proceeding, however, commenters must transmit one electronic copy of the comments to each docket or rulemaking number referenced in the caption. In completing the transmittal screen, commenters should include their full name, Postal Service mailing address, and the applicable docket or rulemaking number. Parties may also submit an electronic comment by Internet e-mail. To get filing instructions for e-mail comments, commenters should send an e-mail to [ecfs@fcc.gov](mailto:ecfs@fcc.gov), and should include the following words in the body of the message, "get form <your e-mail address." A sample form and directions will be sent in reply.

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<sup>1</sup> 2000 Biennial Regulatory Review – Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2 and Phase 3, CC Docket No. 00-199, *Notice of Proposed Rulemaking*, FCC 00-364 (rel. Oct. 18, 2000).

<sup>2</sup> See Electronic Filing of Documents in Rulemaking Proceedings, 63 Fed. Reg. 24,121 (1998).

Parties who choose to file by paper must file an original and four copies of each filing. If more than one docket or rulemaking number appear in the caption of this proceeding, commenters must submit two additional copies for each additional docket or rulemaking number. All filings must be sent to the Commission's Secretary, Magalie Roman Salas, Office of the Secretary, Federal Communications Commission, 445 12th Street, S.W., Washington, D.C. 20554.

Parties who choose to file by paper should also submit their comments on diskette. These diskettes should be submitted to: Ernestine Creech, Room 6-C317 Accounting Safeguards Division, 445 12th Street, S.W., Washington, D.C. 20554. Such a submission should be on a 3.5-inch diskette formatted in an IBM compatible format using Word or compatible software. The diskette should be accompanied by a cover letter and should be submitted in "read only" mode. The diskette should be clearly labeled with the commenter's name, proceeding (including the docket number, in this case CC Docket No. 00-199, type of pleading (comment or reply comment), date of submission, and the name of the electronic file on the diskette. The label should also include the following phrase "Disk Copy - Not an Original." Each diskette should contain only one party's pleadings, preferably in a single electronic file. In addition, commenters must send diskette copies to the Commission's copy contractor, International Transcription Service, Inc., 1231 20th Street, N.W., Washington, D.C. 20037.

#### INITIAL REGULATORY FLEXIBILITY ANALYSIS

As required by the Regulatory Flexibility Act (RFA),<sup>3</sup> the Commission has prepared this Initial Regulatory Flexibility Analysis (IRFA) of any possible significant economic impact on small entities by the policies and rules proposed in this Public Notice. Written public comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments on this Public Notice, which are set out in the Public Notice. The Commission will send a copy of this Public Notice, including this IRFA, to the Chief Counsel for Advocacy of the Small Business Administration.<sup>4</sup> In addition, this Public Notice and IRFA (or summaries thereof) will be published in the Federal Register.<sup>5</sup>

##### A. Need for, and Objectives of, the Proposed Rules:

The Commission has initiated this proceeding to determine whether it should streamline or modify the current accounting and reporting requirements. This Public Notice seeks comment on further reducing the accounting requirements for incumbent local exchange carriers.

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<sup>3</sup> See 5 U.S.C. § 603. The RFA, *see* 5 U.S.C. § 601 *et seq.*, has been amended by the Contract with America Advancement Act of 1996, Pub. L. No. 104-121, 110 Stat. 847 (1996) (CWAAA). Title II of the CWAAA is the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA).

<sup>4</sup> See 5 U.S.C. § 603(a).

<sup>5</sup> *Id.*

B. Legal Basis:

The legal basis for the action as proposed for this rulemaking is contained in sections 4(i), 4(j), 11, 201(b), 303(r), and 403 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), 161, 201(b), 303(r), and 403.

C. Description and Estimate of the Number of Small Entities to which the Proposed Action May Apply:

The RFA directs agencies to provide a description of, and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted.<sup>6</sup> To estimate the number of small entities that may be affected by the proposed rules, we first consider the statutory definition of "small entity" under the RFA. The RFA generally defines "small entity" as having the same meaning as the term "small business," "small organization," and "small governmental jurisdiction."<sup>7</sup> In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act, unless the Commission has developed one or more definitions that are appropriate to its activities.<sup>8</sup> Under the Small Business Act, a "small business concern" is one that: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) meets any additional criteria established by the Small Business Administration (SBA).<sup>9</sup>

We have included small incumbent local exchange carriers (LECs) in this present RFA analysis. As noted above, a "small business" under the RFA is one that, *inter alia*, meets the pertinent small business size standard (*e.g.*, a telephone communications business having 1,500 or fewer employees), and "is not dominant in its field of operation."<sup>10</sup> The SBA's Office of Advocacy contends that, for RFA purposes, small incumbent LECs are not dominant in their field of operation because any such dominance is not "national" in scope.<sup>11</sup> We have therefore included small incumbent LECs in this RFA analysis, although we emphasize that this RFA

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<sup>6</sup> 5 U.S.C. § 603(b)(3).

<sup>7</sup> 5 U.S.C. § 601(6).

<sup>8</sup> 5 U.S.C. § 601(3) (incorporating by reference the definition of "small business concern" in 15 U.S.C. § 632). Pursuant to 5 U.S.C. § 601(3), the statutory definition of a small business applies "unless an agency after consultation with the Office of Advocacy of the Small Business Administration and after opportunity for public comment, establishes one or more definitions of such term which are appropriate to the activities of the agency and publishes such definition in the Federal Register."

<sup>9</sup> 15 U.S.C. § 632.

<sup>10</sup> 5 U.S.C. § 601(3).

<sup>11</sup> See letter from Jere W. Glover, Chief Counsel for Advocacy, SBA, to William E. Kennard, Chairman, FCC (May 27, 1999). The Small Business Act contains a definition of "small business concern," which the RFA incorporates into its own definition of "small business." See U.S.C. § 632(a) (Small Business Act); 5 U.S.C. § 601(3) (RFA). SBA regulations interpret "small business concern" to include the concept of dominance on a national basis. 13 C.F.R. § 121.102(b). Since 1996, out of an abundance of caution, the Commission has included small incumbent LECs in its regulatory flexibility analyses. See, *e.g.*, *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*, CC Docket, 96-98, First Report and Order, 11 FCC Rcd 15499, 16144-45 (1996).

action has no effect on the Commission's analyses and determinations in other, non-RFA contexts.

The SBA has developed a definition of small entities for telephone communications companies other than radiotelephone companies. The SBA has defined a small business for Standard Industrial Classification (SIC) categories 4812 (Radiotelephone Communications) and 4813 (Telephone Communications, Except Radiotelephone) to be small entities when they have no more than 1,500 employees.<sup>12</sup> The Census Bureau reports that, there were 2,321 such telephone companies in operation for at least one year at the end of 1992.<sup>13</sup> All but 26 of the 2,321 non-radiotelephone companies listed by the Census Bureau were reported to have fewer than 1,000 employees. Thus, even if all 26 of those companies had more than 1,500 employees, there would still be 2,295 non-radiotelephone companies that might qualify as small entities or small incumbent LECs. It seems certain that some of these carriers are not independently owned and operated, but we are unable at this time to estimate with greater precision the number of wireline carriers that would qualify as small business concerns under SBA's definition. Consequently, we estimate that fewer than 2,295 small telephone communications companies other than radiotelephone companies are small entities or small incumbent LECs that may be affected by the proposed rules, if adopted.

The proposed changes to the accounting requirements in this Public Notice, which are reductions in the Commission's accounting requirements, could affect all incumbent local exchange carriers. Some of these companies may be considered "small entities" under the SBA definition. Therefore, it is possible that some of the 2,295 small entity telephone companies may be affected by the proposals in this Public Notice.

D. Description of Proposed Reporting, Recordkeeping, and Other Compliance Requirements:

This Public Notice seeks to further reduce accounting requirements for all incumbent local exchange companies. These proposals, if adopted, would result in fewer accounting requirements for all incumbent local exchange carriers, including small entities.

E. Steps Taken to Minimize Significant Economic Impact on Small Entities, and Significant Alternatives Considered:

The RFA requires an agency to describe any significant alternatives that it has considered in reaching its proposed approach, which may include the following four alternatives (among others): (1) the establishment of differing compliance or reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance or reporting requirements under the rule for small entities; (3) the use of performance, rather than design, standards; and (4) an exemption from coverage of the rule, or any part thereof, for small entities. 5 U.S.C. § 603(c).

The rule changes proposed in this Public Notice are reductions in our accounting requirements for all incumbent local exchange carriers. Our proposals, if adopted, would streamline the accounting rules and would significantly lessen regulatory requirements for all

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<sup>12</sup> 13 C.F.R. § 121.201, SIC Code 4813.

<sup>13</sup> *1992 Census at Firm Size* 1-123.

carriers, including small entities. This should produce a significant economic benefit to small entities. Alternatives considered for small entities subject to our accounting and reporting requirements were to maintain our current rules or to consider changes proposed in this Public Notice on a case-by-case basis in ongoing proceedings where related accounting changes may properly be considered within the scope of such proceedings. Streamlining our current rules will reduce regulatory burdens on carriers, including small entities.

F. Federal Rules that May Duplicate, Overlap, or Conflict With the Proposed Rule:

None.

ATTACHMENT A

PART 32 CLASS ACCOUNTS (PROPOSED)

1120 Cash and equivalents	2231 Radio system
1170 Receivables	2232 Circuit equipment
1171 Allowances for doubtful accounts	-- Electronic
1220 Inventories	-- Optical
-- Materials and supplies	2311 Station apparatus
-- Property held for sale or lease	2321 Customer premises wiring
1280 Prepayments	2341 Large private branch exchanges
	2351 Public telephone terminal equipment
1350 Other current assets	2362 Other terminal equipment
1406 Nonregulated investments	2411 Poles
-- Permanent investment	2421 Aerial cable
-- Receivable/payable	-- Nonmetallic cable
-- Current net income or loss	-- Metallic cable
1410 Noncurrent assets	2422 Underground cable
1437 Deferred tax regulatory asset	-- Nonmetallic cable
1438 Other deferred charges	-- Metallic cable
1500 Other jurisdictional assets-net	2423 Buried cable
2001 Telecommunications plant in service	-- Nonmetallic cable
2002 Property held for future telecommunications use	-- Metallic cable
2003 Telecommunications plant under construction	2426 Intrabuilding network cable
2005 Telecommunications plant adjustment	-- Nonmetallic cable
2006 Nonoperating plant	-- Metallic cable
2007 Goodwill	2431 Aerial wire
2111 Land	2441 Conduit systems
2112 Motor vehicles	2681 Capital leases
2113 Aircraft	2682 Leasehold improvements
2114 Tools and other work equipment	2690 Intangibles
2121 Buildings	-- Network Software
2122 Furniture	-- Other
2123 Office equipment	3100 Accumulated depreciation
-- Office support equipment	3200 Accumulated depreciation-held for future telecommunications use
-- Company communications equipment	3300 Accumulated depreciation- nonoperating
2124 General purpose computers	3410 Accumulated amortization-capitalized leases
2211 Non-digital switching	4000 Current accounts and notes payable
2212 Digital electronic switching	4070 Income taxes-accrued
-- Circuit	4080 Other taxes-accrued
-- Packet	4100 Net current deferred operating income taxes
2213 Optical switching	4110 Net current deferred nonoperating income taxes
-- Circuit	4130 Other current liabilities
-- Packet	4200 Long term debt and funded debt
2220 Operator system	4300 Other long-term liabilities and deferred credits

4320	Unamortized operating investment tax credits-net	6220	Operator systems expense
4330	Unamortized nonoperating investment taxcredits-net	6231	Radio systems expense
4340	Net noncurrent deferred operating income taxes	6232	Circuit equipment expense
4341	Net deferred tax liability adjustments		-- Electronic
4350	Net noncurrent deferred nonoperating income taxes		-- Optical
4361	Deferred tax regulatory liability	6311	Station apparatus expense
4370	Other jurisdictional liabilities & deferred credits-net	6341	Large private branch exchange expense
4510	Capital stock	6351	Public telephone terminal equipment expense
4520	Additional paid-in-capital	6362	Other terminal equipment expense
4530	Treasury stock	6411	Poles expense
4540	Other Capital	6421	Aerial cable expense
4550	Retained earnings		-- Nonmetallic cable
5000	Basic local service revenue		-- Metallic cable
5080	Network access revenue	6422	Underground cable expense
5081	End user revenue		-- Nonmetallic cable
5082	Switched access revenue		-- Metallic cable
5083	Special access revenue	6423	Buried cable expense
5086	Interconnection revenue		-- Nonmetallic cable
	-- UNE revenue		-- Metallic cable
	-- Resale revenue	6426	Intrabuilding network cable expense
	-- Reciprocal Compensation revenue		-- Nonmetallic cable
	-- Other Interconnection revenue		-- Metallic cable
5090	USF support revenue	6431	Aerial wire expense
5105	Long distance message revenue	6441	Conduit systems expense
5200	Miscellaneous revenue	6510	Property held for future telecommunications use expense
5280	Nonregulated operating revenue	6512	Provisioning expense
5300	Uncollectible revenue	6531	Power expense
6112	Motor vehicle expense	6532	Network administration expense
6113	Aircraft expense	6533	Testing expense
6114	Tools and other work equipment expense	6534	Plant operations administration expense
6121	Land & building expense	6535	Engineering expense
6122	Furniture & artworks expense	6540	Access expense
6123	Office equipment expense	6551	Interconnection expense
6124	General purpose computers expense		-- UNE expense
6210	Central office switching expenses		-- Resale expense
6211	Non-digital expense		-- Reciprocal Compensation expense
6212	Digital electronic expense		-- Other interconnection expense
	-- Circuit	6554	USF support expense
	-- Packet	6560	Depreciation & amortization expenses
6213	Optical expense	6610	Marketing
	-- Circuit	6620	Customer services
	-- Packet	6720	General and administrative
		7100	Other operating income & expenses
		7200	Operating taxes
		7210	Operating investment tax credits net

7220 Operating federal income taxes  
7230 Operating state and local income taxes  
7240 Operating other taxes  
7250 Provision for deferred operating income  
taxes--net  
7300 Nonoperating income & expense

7400 Nonoperating taxes  
7500 Interest and related items  
7600 Extraordinary items-net  
7910 Income effect of jurisdictional  
ratemaking differences-net  
7990 Nonregulated net income

**ACCOUNT TOTAL 178**



ATTACHMENT B

PART 32 CLASS B ACCOUNTS (PROPOSED)

1120 Cash and equivalents	4300 Other long-term liabilities and deferred credits
1170 Receivables	4320 Unamortized operating investment tax credits--net
1171 Allowance for doubtful accounts	4330 Unamortized nonoperating investment tax credits--net
1220 Inventories	4340 Net noncurrent deferred operating income taxes
-- Materials and supplies	4341 Net deferred tax liability adjustments
-- Property held for sale or lease	4350 Net noncurrent deferred nonoperating income taxes
1280 Prepayments	4361 Deferred tax regulatory liability
1350 Other current assets	4370 Other jurisdictional liabilities and deferred credits-net
1406 Nonregulated investments	4510 Capital stock
-- Permanent investment	4520 Additional paid-in-capital
-- Receivable/payable	4530 Treasury stock
-- Current net income or loss	4540 Other capital
1410 Other noncurrent assets	4550 Retained earnings
1437 Deferred tax regulatory asset	5000 Basic local service revenue
1438 Other deferred charges	5080 Network access revenue
1500 Other jurisdictional assets--net	5081 End user revenue
2001 Telecommunications plant in service	5082 Switched access revenue
2002 Property held for future telecommunications use	5083 Special access revenue
2003 Telecommunications plant under construction	5086 Interconnection revenue
2005 Telecommunications plant adjustment	5090 USF support revenue
2006 Nonoperating plant	5105 Long distance message revenue
2007 Goodwill	5200 Miscellaneous revenue
2110 Land and support assets	5280 Nonregulated operating revenue
2210 Central Office--Switching	5300 Uncollectible revenue
2220 Operator systems	6110 Network support expense
2230 Central office--Transmission	6120 General support expenses
2310 Information origination/termination	6210 Central office switching expense
2410 Cable and wire facilities	6220 Operator system expense
2680 Amortizable tangible assets	6230 Central office transmission expenses
2690 Intangibles	6310 Information origination/termination expense
3100 Accumulated depreciation	6410 Cable and wire facilities expenses
3200 Accumulated depreciation--Held for future telecommunications use	6510 Other property, plant and equipment expenses
3300 Accumulated depreciation--nonoperating	6530 Network operations expenses
3410 Accumulated amortization--capital leases	6540 Access expense
4000 Current accounts and notes payable	6551 Interconnection expense
4070 Income taxes--accrued	6554 USF support expense
4080 Other taxes--accrued	6560 Depreciation and amortization expenses
4100 Net current deferred operating income taxes	6610 Marketing
4110 Net current deferred nonoperating income taxes	6620 Services
4130 Other current liabilities	
4200 Long term funded debt	

6720 General and administrative  
7100 Other operating income and expense  
7200 Operating taxes  
7300 Nonoperating income and expense  
7400 Nonoperating taxes  
7500 Interest and related items  
7600 Extraordinary items  
7910 Income effect of jurisdictional  
ratemaking deffferences-net  
7990 Nonregulated net income

Account Total 89

