

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

In the Matter of)	
)	
Verizon East/Verizon West)	ASD File No. 01-40
Consolidated Permanent Cost Allocation)	
Manual for the Separation of Regulated and)	
Nonregulated Costs)	

ORDER

Adopted: October 19, 2001

Released: October 22, 2001

By the Chief, Accounting Safeguards Division:

1. Section 64.903 of the Commission's Rules requires incumbent local exchange carriers (ILECs) to file cost allocation manuals (CAMs) describing the methodologies used to allocate costs between regulated and nonregulated activities.¹ These rules provide that, when a carrier revises its CAM, it must submit a statement quantifying the impact of each change on the carrier's regulated operations. Changes in cost apportionment tables must be quantified in \$100,000 increments at the cost pool level.²

2. Verizon has informed us that in November 2001 it intends to file a revised CAM that consolidates the allocation procedures of Verizon East and Verizon West into a single consolidated CAM. This consolidated CAM will result in changes to Verizon's cost apportionment tables, which under the rules Verizon must quantify by cost pool.³

3. The Commission, on its own motion, may waive any provision of its rules for good cause.⁴

¹ 47 C.F.R. §64.903. ILECs with annual operating revenues equal to or above the indexed revenue threshold are required to file CAMs.

² The joint cost procedures require that carriers categorize their costs by cost pool and that they allocate and assign these cost pools between their regulated and nonregulated activities. Cost pools are comprised of logical, homogeneous groups of costs that maximize the extent to which cost-causative allocation factors can be used to divide the costs between regulated and nonregulated activities. *See* Implementation of Further Cost Allocation Uniformity, *Order Inviting Comments*, 7 FCC Rcd 6688 (1992).

³ *See* 47 C.F.R. § 64.903(b).

⁴ 47 C.F.R. § 1.3. *See* Ameritech Operating Companies' Permanent Cost Allocation Manual; Waiver of Section 32.27 of the Commission's Rules, *Order*, 13 FCC Rcd 24251 (Com. Car. Bur. 1998); *see also* Bell Atlantic/NYNEX Consolidated Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, *Order*, 12

Waiver of the Commission's rules is appropriate only if special circumstances warrant a deviation from the general rule and such deviation will serve the public interest.⁵ In addition, the waiver must be consistent with the principles underlying the waived rule.

4. We find that granting this limited waiver will benefit ratepayers by eliminating the additional cost associated with the difficult and time consuming effort that Verizon would face in quantifying changes by cost pool. We believe a more practical approach under these circumstances is to permit Verizon to quantify the cost apportionment table changes by account. In addition, we will waive, in part, the requirement that Verizon provide a listing of each change to its CAM. We expect that there will be numerous minor changes in the consolidated CAM for which inclusion in the listing will serve no useful purpose. Therefore, we will only require Verizon to provide a listing of the substantive changes in the consolidated CAM. This listing must provide sufficient detail and explanations to aid the public and the Commission in reviewing the consolidated CAM filing. We emphasize, however, that our granting of this limited waiver of Section 64.903(b) applies only to Verizon's November 2001 CAM filing that incorporates Verizon East's CAM and Verizon West's CAM into a single consolidated CAM.

5. Accordingly, IT IS ORDERED, pursuant to Sections 4(i) and 5(c) of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i) and 155(c) and Sections 0.91, 0.291 and 1.3 of the Commission's Rules, 47 C.F.R. §§ 0.91, 0.291 and 1.3, that Section 64.903(b) is waived to permit Verizon to quantify revisions to its cost apportionment table by account rather than by cost pool in its November 2001 CAM filing. Further, in the transmittal letter associated with this CAM filing, Verizon need only list the substantive changes.

FEDERAL COMMUNICATIONS COMMISSION

Kenneth P. Moran
Chief, Accounting Safeguards Division

FCC Rcd 20539 (Com. Car. Bur. 1997).

⁵ See United States Telephone Association Petition for Waiver of Part 32 of the Commission's Rules, *Order*, 13 FCC Rcd 214 (Com. Car. Bur. 1997).