

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

In the matter of	)	
	)	
Financial Accounting Standards Board	)	
	)	WCB/Pricing 02-35
Statement of Financial Accounting	)	
Standards No. 143, Accounting for Asset	)	
Retirement Obligations	)	
	)	
	)	

**ORDER**

Adopted: December 20, 2002

Released: December 20, 2002

By the Chief, Wireline Competition Bureau:

1. In June 2001, the Financial Accounting Standards Board (FASB)<sup>1</sup> adopted Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations (SFAS 143). SFAS 143 requires companies to record liabilities for asset retirement obligations at fair value in the period that the obligation is incurred and to increase the liability over the life of the related asset through periodic charges to expense. The fair value of the retirement obligation is also capitalized as part of the carrying value of the asset and is depreciated over the remaining life of the asset. This accounting is followed only when the company determines that it has an actual legal obligation associated with an asset retirement.

2. In a letter dated December 4, 2002, BellSouth Corporation notified the Commission that it would adopt SFAS 143 for financial reporting purposes beginning January 1, 2003, as required by SFAS 143.<sup>2</sup> BellSouth states that it does not plan to adopt the new standard for the Commission’s regulatory accounting purposes, however, because it believes the new accounting required in SFAS 143 conflicts with the Commission’s accounting rules prescribed in Part 32.<sup>3</sup>

3. The Commission’s rules do not provide for capitalization of an asset and recognition of a liability for asset retirement obligations. Instead, the Commission’s rules account for the cost of asset retirements as part of the net salvage estimates included in the calculation of depreciation rates, and under §32.3100(c)<sup>4</sup> costs associated with plant removal are charged to Account 3100, Accumulated

<sup>1</sup> The Financial Accounting Standards Board is the authoritative standard setting body responsible for accounting and disclosure practices to be used for published financial statements in the American business community.

<sup>2</sup> Letter from Mary L. Henze, Executive Director, Federal Regulatory Affairs, BellSouth, to William Maher, Chief, Wireline Competition Bureau, FCC (December 3, 2002).

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

<sup>4</sup> 47 C.F.R. § 32.3100(c).

depreciation, rather than charging them to a liability account. Moreover, the Commission's accounting rules and prescribed depreciation rates include the cost of plant removal in depreciation whether or not an actual legal obligation exists. The accounting required by SFAS 143, therefore, is not only inconsistent with the Commission's accounting rules, but its implementation also could require revision of prescribed depreciation rates.

4. It is the Commission's policy to incorporate changes in generally accepted accounting principles into its regulatory accounting, unless the changes conflict with its regulatory objectives.<sup>5</sup> Section 32.16 of the Commission's rules, Changes in Accounting Standards, provides for automatic adoption of new FASB standards unless the Commission notifies carriers that a new standard should not be adopted within 90 days after receiving notification.<sup>6</sup> After reviewing SFAS 143, we conclude that its adoption for federal accounting purposes would conflict with the Commission's current accounting rules. Accordingly, we are notifying carriers that they shall not adopt SFAS 143 for Part 32 federal accounting purposes unless the Commission specifically requires the adoption of SFAS 143 accounting in the future.

5. ACCORDINGLY, IT IS ORDERED, pursuant to Section 4(i), 4(j), and 220 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154 (i), 154(j), and 220, section 32.16 of the Commission's rules, 47 C.F.R. § 32.16, and the authority delegated pursuant to 0.91 and 0.291 of the Commission's rules, 47 C.F.R. §§ 0.91, 0.291, that all subject carriers are notified that they shall not adopt SFAS 143 for federal accounting purposes.

FEDERAL COMMUNICATIONS COMMISSION

William F. Maher, Jr.  
Chief, Wireline Competition Bureau

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<sup>5</sup> *Revision of the Uniform System of Accounts for Telephone Companies to Accommodate Generally Accepted Accounting Principles*, CC Docket No. 84-469, Report and Order, 50 F.R. 48408 (November 25, 1985).

<sup>6</sup> 47 CFR § 32.16.