

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

In the Matter of  
Revision of ARMIS  
USOA Report  
(FCC Report 43-02)  
for Tier 1 Telephone Companies

AAD 91-46

**MEMORANDUM OPINION AND ORDER**

Adopted: January 21, 1992; Released: January 31, 1992

By the Chief, Common Carrier Bureau:

**I. INTRODUCTION AND BACKGROUND**

1. In an Order Inviting Comments (OIC),<sup>1</sup> we proposed to revise four Form M schedules, and incorporate these four and eight additional Form M schedules into the Commission's Automated Reporting Management Information System (ARMIS). Based on an analysis of the pleadings received in this proceeding, we have decided to adopt the proposals in our OIC with some modifications, as discussed in the succeeding paragraphs. In order to allow adequate time for preparation of these reports, the due date for the 1991 submittal is hereby extended to 90 days after publication of a summary of this Order in the Federal Register.

2. Form M is a paper report comprised of 45 schedules which contain financial, corporate, and statistical data. Communications common carriers having annual operating revenues in excess of \$100 million must file this report annually. ARMIS is an automated report which contains financial and statistical data required by the Commission to administer its accounting, joint cost, jurisdictional separations, rate base, and access charge rules. ARMIS consists of nine reports<sup>2</sup> and is filed by all Tier 1 local exchange carriers.<sup>3</sup>

3. When the Commission established ARMIS in 1987, two Form M schedules, the balance sheet and income statement, were incorporated into ARMIS. The Commission also directed the Common Carrier Bureau to review the Form M to determine which schedules were no longer necessary, which schedules required revision, which new schedules must be added to satisfy our data collection

needs, and which additional schedules should be considered for inclusion into ARMIS.<sup>4</sup> After completing a further review of the Form M, in September 1991 we released the OIC proposing that twelve additional schedules be incorporated into ARMIS.

**II. SUMMARY OF PROPOSAL**

4. The twelve Form M schedules<sup>5</sup> selected for incorporation into ARMIS contain information pertaining to the statement of cash flows, investments in affiliated companies, transactions between affiliates, deferred income taxes, pension costs and statistical data. In the OIC, we proposed to incorporate these schedules into ARMIS because automation would allow us to accumulate, check, analyze, and publish the data in a more timely and efficient manner.

5. We proposed to revise four of these schedules. We proposed to revise Form M Schedule I-3, General Services and Licenses, by expanding the information collected to cover all services provided by affiliates to the reporting company; by including information on services sold by a carrier to its affiliates; and by including information on whether the prices of services are based on tariffed rates, prevailing prices or fully distributed costs. We proposed to revise Schedule B-3c, Analysis of Assets Purchased from or Sold to Affiliates, by including information on whether the transactions were recorded at cost, fair market value, tariffed rates, or prevailing prices; and by eliminating account number and accumulated depreciation information. We also proposed to modify Form M Schedules S-2 and S-3 by providing additional information about the technology and service characteristics of carrier access lines.

6. In the OIC we sought comments on the proposed ARMIS tables, the proposed instructions to each table, including the definitions to the statistical tables, and suggestions for other Form M schedules which may lend themselves to automation and inclusion in the ARMIS reporting system. Finally, to avoid unnecessary work by carriers that are required to file both Form M and ARMIS reports, we proposed that they provide paper copies of ARMIS tables with their Form M filings in lieu of the corresponding Form M schedules.

<sup>1</sup> Revision of ARMIS USOA Report (FCC Report 43-02) for Tier 1 Telephone Companies, *Order Inviting Comments*, DA 91-1113 released September 4, 1991.

<sup>2</sup> The nine ARMIS Reports are: the Quarterly Report (43-01); the USOA Report (43-02); the Joint Cost Report (43-03); the Access Report (43-04); the Quarterly Service Quality Report (43-05); the Semi-Annual Service Quality Report (43-06); the Infrastructure Report (43-07); the Forecast Report (495-A); and the Actual Usage Report (495-B).

<sup>3</sup> Tier 1 carriers are defined as those companies having more than \$100 million in total company regulated revenues. Commission Requirements for Cost Support Material to be filed with Access Tariff on March 1, 1985, Public Notice, Mimeo No. 2133, released January 25, 1985.

<sup>4</sup> Reporting Requirements for Certain Class A and Tier 1 Telephone Companies (Parts 31, 43, 67 and 69 of the FCC's Rules) CC Docket No. 86-182, 2 FCC Rcd 5770 (1987), *modified on recon.*, 3 FCC Rcd 6375 (1988) (released October 14, 1988).

<sup>5</sup> The specific Form M schedules we proposed to include in the ARMIS USOA Report were: B-2, Statement of Cash Flows; B-3a, Investments in Affiliated Companies; B-3b, Investments in Affiliated Companies - Cost Method and Nonaffiliated Companies; B-3c, Analysis of Assets Purchased from or Sold to Affiliates; B-11, Net Deferred Operating Income Taxes; B-12, Net Deferred Nonoperating Income Taxes; I-3, General Services and Licenses; I-4, Pension Cost; S-1, Outside Plant Statistics; S-2, Switched Access Lines in Service by Technology; S-3, Access Lines in Service by Customer; and S-4, Telephone Calls.

7. Interested parties were invited to file comments on or before October 4, 1991. Reply comments were due on or before October 21, 1991. Comments were received from thirteen parties and reply comments from six parties.<sup>6</sup>

### III. COMMENTS AND DISCUSSION

#### A. Automation of Twelve Form M Schedules

8. All of the commenting parties generally support the proposal to automate and incorporate the twelve Form M schedules into ARMIS. They agree that the Commission's efforts to automate these schedules will provide an effective and efficient way to collect and analyze data, thereby conserving time and resources for both the Commission and the carriers. Because of the benefits we believe will result from the automation of these schedules we will adopt our proposal and incorporate these twelve Form M schedules into ARMIS. Some of the commenting parties do not agree, however, as to the amount of information needed on the new ARMIS tables and the timetable for filing the new ARMIS tables with the Commission. Several of these parties recommended changes to the OIC proposal to alleviate the reporting burden, to make the new ARMIS tables more useful, and to facilitate access to the ARMIS data. These recommendations and other concerns raised by commenting parties are addressed in the succeeding paragraphs.

#### B. Operational Statistics

9. USTA and several of the carriers oppose our proposal to incorporate statistical data into FCC Report 43-02.<sup>7</sup> USTA states that financial data and statistical data should be segregated into different reports. It states that requiring separate reports would enhance accountability because it would allow carriers to more easily designate appropriate officers to certify the validity of the data.<sup>8</sup> The Pacific Companies generally support separate reports for statistical and financial data; however, they state that there is value in including certain statistical data with the financial reports.

10. We see merit in having the carriers provide the statistical and financial data in separate reports, because we believe this will aid the Commission and others in collecting and analyzing the data. In addition, we agree with the carriers that this may improve the officer certification process. Therefore, we will adopt this recommendation and create a separate ARMIS Report (FCC Report 43-08, Operating Data) for the statistical data.

11. The Michigan staff requests that the statistical data report be changed to require carriers to report the number of multi-party lines in service. We understand Michigan's concerns about multi-party lines, inasmuch as some carriers may still have a substantial number in service. The reports under consideration here, however, are for very large carriers (i.e., those with annual revenues of \$100 million or more). For these carriers, fewer than .6%

of their lines are multi-party, and this figure is declining.<sup>9</sup> Therefore, we see no need to expand these reporting requirements to include multi-party lines.

#### C. Statement of Cash Flows

12. USTA, Bell Atlantic, and BellSouth request that the Commission allow the substitution of the cash flow statement contained in the SEC Form 10-K in lieu of the Statement of Cash Flows proposed in FCC Report 43-02, Table III. They claim that the minor differences in the reports do not justify the time and resources necessary to complete the proposed Table III. USTA states that, if the Bureau insists that the Statement of Cash Flows be submitted, the reporting carriers should be permitted to populate it using the SEC Form 10-K data.

13. We will not adopt USTA's suggestion that we replace the Statement of Cash Flows proposed in FCC Report 43.02 with the SEC Form 10-K Statement of Cash Flows. The Statement of Cash Flows is one of the basic financial statements which, together with the Balance Sheet and Income Statement, make up a complete set of financial statements. The balance sheets and income statements filed in ARMIS are prepared at the operating telephone company level following the accounting requirements prescribed in the USOA. The Statements of Cash Flows filed in SEC Form 10-K, on the other hand, are prepared at the holding company level and reflect accounting used for financial reporting that may depart from the USOA. Thus, cash flow statements based on SEC Form 10-K data would not match the ARMIS balance sheets and income statements. Moreover, the SEC Form 10-K Statement of Cash Flows would most likely not be uniform in format and presentation which would inhibit our ability to do computerized edit checks and compilations of the data, which would defeat the purpose of automation. Accordingly, we require that carriers file a statement of cash flows at the operating company level following the USOA accounting, as proposed.

#### D. Affiliate Transactions Tables

14. USTA and SNET oppose our proposal to require reporting of affiliate transaction sales volumes categorized by how they were priced (e.g., cost or tariff). They argue that the Bureau did not adequately justify the need for this data<sup>10</sup> and that, in any case, similar data are already provided in the Cost Allocation Manuals (CAMs).<sup>11</sup> We disagree with both USTA and SNET. Our affiliate transaction rules<sup>12</sup> specify the pricing techniques that carriers are allowed to use and the conditions under which each of these techniques can be applied. The information we are requesting is essential for our determination of whether the carriers are following these rules. Currently, these data are gathered during our audits of carriers. We have reviewed our audit program and determined that the routine reporting of these data would improve the efficiency of this program, by enhancing our ability to compare and contrast the carriers' data and thereby helping us to focus

<sup>6</sup> Appendix A lists the parties filing comments and reply comments as well as the abbreviations this Order uses to identify the parties to this proceeding.

<sup>7</sup> BellSouth comments at p. 3; USWC comments at p. 6; United comments at p. 1, n.1; SWBT comments at p. 3; GTE comments at p. 1; Bell Atlantic comments at p. 3; the Pacific

Companies comments at p. 5; and USTA comments at p. 3.

<sup>8</sup> USTA comments at pp. 3 and 4.

<sup>9</sup> See USTA *ex parte* submission dated December 19, 1991.

<sup>10</sup> SNET comments at p. 2.

<sup>11</sup> USTA reply comments at p. 5.

<sup>12</sup> 47 C.F.R. §32.27 and §64.902.

### G. Extension of Filing Dates

22. In the OIC we stated that we intended to incorporate the new ARMIS tables into the USOA Report in time for the carriers' 1991 annual submissions, scheduled to be filed on April 1, 1992. USTA and the commenting carriers state that an extension of the filing date for the FCC Report 43-02 is required because of the large number of Form M schedules being automated and the short time available to implement the required changes.<sup>23</sup> These parties request that the 1991 Form M and FCC Report 43-02 be due 120 days after the issuance of a final Order including the data specifications or on May 1, 1992, whichever is later.<sup>24</sup> These parties also request that the effective date of proposed new Tables V and VI<sup>25</sup> be deferred for one year until the filing of calendar year 1992 reports in April 1993<sup>26</sup> because of the significant effort needed to track and assemble the information for these tables.<sup>27</sup> Finally, these parties request that the filing date for Form M be extended from the current March 31 due date to 120 days after the issuance of this Order and the associated data specifications and that the Form M filing date be changed to coincide with the April 1 filing date of the FCC Report 43-02. MCI does not oppose an extension of the filing date for the revised Report 43-02.<sup>28</sup>

23. We will require the carriers to file FCC Report 43-02 and FCC Report 43-08 90 days after publication of a summary of this Order in the Federal Register.<sup>29</sup> We believe that this provides sufficient time for the carriers to prepare and file these reports.

24. We do not agree with GTE's suggestion that filing tables which include new data elements be deferred until April 1993. Such a deferral would result in incomplete ARMIS filings for both FCC Reports 43-02 and 43-08. We believe that the collection of the additional information on affiliate transactions is necessary for monitoring carriers' compliance with the Commission's affiliate transaction rules. The additional data elements are integral parts of the information concerning the carriers' affiliate transactions and their exclusion would not provide us with a complete and meaningful picture of these activities between affiliates. Furthermore, only the requirement to report these data in an automated format is new; the existence of these data are already required by the Commission's Joint Cost Order<sup>30</sup> which established rules for recording the transfer of assets and the provision of services between carriers and their affiliates.<sup>31</sup> Since the information we are requesting should already be available for the independent CAM audits, it needs only to be automated. In addition to facilitating the collection of this information for the annual CAM audit, the automation of

the affiliate transaction data will provide the information to the Commission from all reporting carriers at the same time. Therefore, we are not granting a deferral for the reporting of data in Tables V and VI.

25. We agree with those commenters who requested an extension of time to file the Form M for 1991 and who asked that we make the Form M filing date coincide with the filing date of the FCC Reports 43-02 and 43-08. Since we are allowing carriers that file both Form M and ARMIS reports to file paper Reports 43-02 and 43-08 in lieu of the corresponding Form M schedules to avoid redundant reporting, it is important that the filing dates of Form M and the Reports 43-02 and 43-08 coincide. Therefore, we are granting a waiver for the 1991 Form M to be filed on the same date that the FCC Reports 43-02 and 43-08 are due, that is, 90 days after publication of a summary of this Order in the Federal Register. The Bureau will recommend to the Commission that it revise the rules so that these filing dates will coincide in the future.

### H. Requirement for Alascom to File ARMIS Reports

26. GCI states that Alascom, Inc. (Alascom) should be required to file ARMIS reports. It claims that Alascom is the only dominant Tier 1 carrier that does not file ARMIS reports with the Commission. GCI acknowledges that Alascom does file Form M reports, but states that because the Form M does not provide jurisdictionally separated data, it is not useful in evaluating many of the issues that are before the Federal-State Joint Board. MCI agrees with GCI that the Bureau should require Alascom to file ARMIS reports.

27. GCI's proposal to require that Alascom file ARMIS reports is clearly outside the scope of this proceeding and we will therefore deny it. Alascom is still required to file Form M, however, and it must do so consistent with the changes in the Form M schedules adopted in this order.

### I. State Access to FCC Report 43-02 Data

28. The Michigan staff contends that the usefulness of FCC Report 43-02 to state regulators will be greatly improved if the Commission makes it accessible on an on-line, dial-up basis. Michigan states that it is willing to work with the FCC Staff and other parties to make Michigan's Electronic Mail and Bulletin Board Service available for this purpose.<sup>32</sup>

29. We agree with Michigan that the usefulness of data is enhanced by increased accessibility. With this objective in mind, the Bureau has developed a PC-based bulletin board system, with electronic mail capability, known as

MCI's request goes beyond the requirements of our Part 32 USOA, and MCI has not convinced us that these requirements need to be changed.

<sup>23</sup> USTA comments at pp. 5-9; Bell Atlantic comments at pp. 1 and 2; BellSouth comments at p. 2; the Pacific Companies comments at pp. 2-5; SNET comments at p. 2; SWBT comments at p. 2; United comments at pp. 2 and 3; USWC comments at p. 9; and GTE comments at pp. 3-6.

<sup>24</sup> Bell Atlantic requests that the new automated tables not be required until June 1, 1992. Bell Atlantic comments at pp. 1 and 2.

<sup>25</sup> Table V is entitled "Analysis of Assets Purchased From or Sold To Affiliates;" and Table VI is entitled "Analysis of Services Purchased From or Sold To Affiliates."

<sup>26</sup> USTA comments at p. 7; Bell Atlantic comments at p. 2;

GTE comments at p. 4; the Pacific Companies comments at p. 5; SWBT comments at p. 4; SNET comments at p. 5; and United comments at p. 2.

<sup>27</sup> GTE requests that all automated tables requiring new data elements be due in April 1993. GTE comments at p. 4.

<sup>28</sup> MCI reply comments at p. 3.

<sup>29</sup> Appendices D and E include the data specifications.

<sup>30</sup> Separation of Costs and regulated Telephone Service from Costs of Nonregulated Activities, *Report and Order*, 2 FCC Rcd 1298 (1987), *recon.*, 2 FCC Rcd 6283 (1987), *further recon.*, 3 FCC 6701 (1988), *aff'd subnom.* Southwestern Bell Corp. v. FCC, 896 F.2d 1378 (D.C. Cir. 1990).

<sup>31</sup> 47 C.F.R. §32.27.

<sup>32</sup> The Michigan Staff comments at p. 1.

our audits on areas which are most questionable. Finally, contrary to USTA's contention, the carriers' CAMs do not contain sales volumes of affiliate transactions.

15. In our review of our audit program we have also determined that it is not necessary, at this time, to require carriers to routinely report affiliate transactions data by transaction, transaction type, or account, as suggested by several parties.<sup>13</sup> We believe we can adequately focus our audit efforts without this additional information. However, once we undertake an audit or investigation we may require this detailed information. Therefore, carriers are advised that they must maintain this information so that it can be provided, in a timely manner, upon request. Of course, the states remain free to require the reporting of any additional information which they need for state regulatory purposes.

16. USTA and USWC suggest that the reporting threshold for Tables V and VI be set at \$100,000 for each affiliate. They believe this requirement will provide some relief from the reporting of insignificant transactions and will ensure that the Commission receives relevant information.<sup>14</sup> USTA states that the \$100,000 threshold is consistent with the current threshold established by the Commission for reporting services provided to affiliates on Schedule I-3 and other Form M schedules.<sup>15</sup> We agree with USTA that a \$100,000 threshold is adequate for our purposes at this time. Therefore, we will revise Tables V and VI to require reporting for each affiliate with whom the carriers purchased or sold assets or services of \$100,000 or more.

#### E. Redundant Reports

17. GTE proposes that the Commission reduce redundant reporting requirements by eliminating data that are already available in existing ARMIS reports.<sup>16</sup> GTE believes that the requirement to file the same data under two different report headings, ARMIS and Form M, and in two different media, paper and diskette, is an unreasonable burden. USTA claims that requiring paper copies of the ARMIS report is burdensome and costly. USTA states that the inclusion in the Form M of a paper copy of the financial schedules incorporated in the ARMIS Report 43-02 may be useful, but that, once all the necessary schedules have been incorporated in ARMIS, Form M reporting should be eliminated for the Tier 1 LECs. MCI agrees with the elimination of redundant reporting requirements but believes that the Bureau should not eliminate any reporting requirements without first publishing its proposal for comment.<sup>17</sup>

18. We are sensitive to the concerns expressed by the carriers that we should not establish reporting requirements that place an undue burden on them. However, we

believe that the printing and copying efforts associated with providing paper copies of data comprise only a minor share of the total reporting costs. As a result, we do not believe that requiring an extra copy of these data constitutes an undue burden on the carriers. Moreover, paper filings of these reports are necessary because the data must be made available in a format and media appropriate for public use. Much of the public does not have access to computer equipment necessary to extract data from the computer readable media used in ARMIS filings, i.e., diskettes. Moreover, the FCC does not have the necessary equipment to allow the public access. Therefore, we will require the carriers to file a paper copy of FCC Reports 43-02 and 43-08 in the Form M.

19. We will not adopt GTE's suggestion that we avoid redundancy by eliminating statistical data which are available in other ARMIS reports. We are well aware of the statistical data currently required in other ARMIS reports. However, not all the ARMIS reports are filed by the same carriers, filed at the same time, or used for the same purpose. For example, the Infrastructure Report (43-07) is filed only by mandatory price cap companies; it is filed at the study area level; it is not filed until June 30; and it is designed specifically to monitor price cap regulation. In our continuing study of which Form M schedules are suitable for inclusion in ARMIS, we will eliminate redundant data reporting requirements to the extent practical. Finally, as suggested by MCI, we intend to continue our practice of seeking public comment on proposals to eliminate reporting requirements.<sup>18</sup>

#### F. Study Area Level Reporting on FCC Report 43-02

20. MCI states that it supports the modernization of FCC Report 43-02 but believes that this report should be supplied on a study area basis (i.e., by state).<sup>19</sup> The LECs disagree, arguing that this report was designed to provide company-wide data and not study area data.<sup>20</sup>

21. The LECs are correct that FCC Report 43-02 was designed to contain company-wide data. This report contains company level reporting for every account in the Uniform System of Accounts,<sup>21</sup> including those accounts for which study area disaggregation would serve no regulatory purpose. For example, we see no reason to assign the various long-term debt accounts by study area since the carriers do not issue debt by state. The data for monitoring requested by MCI are available in other ARMIS reports. The FCC Reports 43-01, 43-03 and 43-04 are available by study area and are the appropriate reports for monitoring as suggested by MCI. Therefore, we will not expand the FCC Report 43-02 to include study area data.<sup>22</sup>

<sup>13</sup> Michigan at p. 1; Iowa at pp. 2 and 3; and MCI at pp. 2 and 3.

<sup>14</sup> USTA comments at p. 12 and Appendix B; USWC comments at p. 4.

<sup>15</sup> Instruction 2 of Schedule I-3, General Services and Licenses, requires the companies to enter in column (a), the name of the affiliate to whom respondents paid \$100,000 or more for services received under a license agreement, a general service contract, or other arrangement providing for the furnishing of general accounting, engineering, financial, legal, patent and other general services.

<sup>16</sup> GTE comments at p. 7.

<sup>17</sup> MCI reply comments at p. 3.

<sup>18</sup> We will not address USTA's recommendation to eliminate the monthly operating and expense reports (MR-1, MR-4 and MR-5) in this Order since it is outside the scope of the instant proceeding.

<sup>19</sup> MCI comments at p. 5.

<sup>20</sup> SWBT reply comments at p. 2; USTA reply comments at pp. 8 and 9 footnote 25.

<sup>21</sup> 47 C.F.R. Part 32.

<sup>22</sup> We also do not agree with MCI's request that FCC Report 43-02 be modified to capture the net prorated allocation of corporate expenses and investments between affiliated LECs.

7. Interested parties were invited to file comments on or before October 4, 1991. Reply comments were due on or before October 21, 1991. Comments were received from thirteen parties and reply comments from six parties.<sup>6</sup>

### III. COMMENTS AND DISCUSSION

#### A. Automation of Twelve Form M Schedules

8. All of the commenting parties generally support the proposal to automate and incorporate the twelve Form M schedules into ARMIS. They agree that the Commission's efforts to automate these schedules will provide an effective and efficient way to collect and analyze data, thereby conserving time and resources for both the Commission and the carriers. Because of the benefits we believe will result from the automation of these schedules we will adopt our proposal and incorporate these twelve Form M schedules into ARMIS. Some of the commenting parties do not agree, however, as to the amount of information needed on the new ARMIS tables and the timetable for filing the new ARMIS tables with the Commission. Several of these parties recommended changes to the OIC proposal to alleviate the reporting burden, to make the new ARMIS tables more useful, and to facilitate access to the ARMIS data. These recommendations and other concerns raised by commenting parties are addressed in the succeeding paragraphs.

#### B. Operational Statistics

9. USTA and several of the carriers oppose our proposal to incorporate statistical data into FCC Report 43-02.<sup>7</sup> USTA states that financial data and statistical data should be segregated into different reports. It states that requiring separate reports would enhance accountability because it would allow carriers to more easily designate appropriate officers to certify the validity of the data.<sup>8</sup> The Pacific Companies generally support separate reports for statistical and financial data; however, they state that there is value in including certain statistical data with the financial reports.

10. We see merit in having the carriers provide the statistical and financial data in separate reports, because we believe this will aid the Commission and others in collecting and analyzing the data. In addition, we agree with the carriers that this may improve the officer certification process. Therefore, we will adopt this recommendation and create a separate ARMIS Report (FCC Report 43-08, Operating Data) for the statistical data.

11. The Michigan staff requests that the statistical data report be changed to require carriers to report the number of multi-party lines in service. We understand Michigan's concerns about multi-party lines, inasmuch as some carriers may still have a substantial number in service. The reports under consideration here, however, are for very large carriers (i.e., those with annual revenues of \$100 million or more). For these carriers, fewer than .6%

of their lines are multi-party, and this figure is declining.<sup>9</sup> Therefore, we see no need to expand these reporting requirements to include multi-party lines.

#### C. Statement of Cash Flows

12. USTA, Bell Atlantic, and BellSouth request that the Commission allow the substitution of the cash flow statement contained in the SEC Form 10-K in lieu of the Statement of Cash Flows proposed in FCC Report 43-02, Table III. They claim that the minor differences in the reports do not justify the time and resources necessary to complete the proposed Table III. USTA states that, if the Bureau insists that the Statement of Cash Flows be submitted, the reporting carriers should be permitted to populate it using the SEC Form 10-K data.

13. We will not adopt USTA's suggestion that we replace the Statement of Cash Flows proposed in FCC Report 43.02 with the SEC Form 10-K Statement of Cash Flows. The Statement of Cash Flows is one of the basic financial statements which, together with the Balance Sheet and Income Statement, make up a complete set of financial statements. The balance sheets and income statements filed in ARMIS are prepared at the operating telephone company level following the accounting requirements prescribed in the USOA. The Statements of Cash Flows filed in SEC Form 10-K, on the other hand, are prepared at the holding company level and reflect accounting used for financial reporting that may depart from the USOA. Thus, cash flow statements based on SEC Form 10-K data would not match the ARMIS balance sheets and income statements. Moreover, the SEC Form 10-K Statement of Cash Flows would most likely not be uniform in format and presentation which would inhibit our ability to do computerized edit checks and compilations of the data, which would defeat the purpose of automation. Accordingly, we require that carriers file a statement of cash flows at the operating company level following the USOA accounting, as proposed.

#### D. Affiliate Transactions Tables

14. USTA and SNET oppose our proposal to require reporting of affiliate transaction sales volumes categorized by how they were priced (e.g., cost or tariff). They argue that the Bureau did not adequately justify the need for this data<sup>10</sup> and that, in any case, similar data are already provided in the Cost Allocation Manuals (CAMs).<sup>11</sup> We disagree with both USTA and SNET. Our affiliate transaction rules<sup>12</sup> specify the pricing techniques that carriers are allowed to use and the conditions under which each of these techniques can be applied. The information we are requesting is essential for our determination of whether the carriers are following these rules. Currently, these data are gathered during our audits of carriers. We have reviewed our audit program and determined that the routine reporting of these data would improve the efficiency of this program, by enhancing our ability to compare and contrast the carriers' data and thereby helping us to focus

<sup>6</sup> Appendix A lists the parties filing comments and reply comments as well as the abbreviations this Order uses to identify the parties to this proceeding.

<sup>7</sup> BellSouth comments at p. 3; USWC comments at p. 6; United comments at p. 1, n.1; SWBT comments at p. 3; GTE comments at p. 1; Bell Atlantic comments at p. 3; the Pacific

Companies comments at p. 5; and USTA comments at p. 3.

<sup>8</sup> USTA comments at pp. 3 and 4.

<sup>9</sup> See USTA *ex parte* submission dated December 19, 1991.

<sup>10</sup> SNET comments at p. 2.

<sup>11</sup> USTA reply comments at p. 5.

<sup>12</sup> 47 C.F.R. §32.27 and §64.902.