

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

In the Matter of

Federal-State Joint Conference
On Accounting Issues

)
)
)
)
)

WC Docket No. 02-269

ORDER

Adopted: August 27, 2002

Released: September 5, 2002

By the Commission: Commissioner Copps issuing a statement.

I. INTRODUCTION

1. In this Order, we convene a Federal-State Joint Conference on Accounting Issues to provide a forum for an ongoing dialogue between the Commission and the states in order to ensure that regulatory accounting data and related information filed by carriers are adequate, truthful, and thorough.¹ The Federal-State Joint Conference on Accounting Issues will further this goal by facilitating cooperative federal and state review of regulatory accounting and related reporting requirements in order to determine their adequacy and effectiveness in the current market and make recommendations for improvements.

II. BACKGROUND

2. Section 11 of the Communications Act requires that the Commission review every two years those regulations that are “no longer necessary in the public interest as the result of meaningful economic competition between providers of telecommunications service.”² To this end, in the *Phase II Accounting Reform* proceeding, the Commission undertook its second comprehensive, biennial review of its Part 32 accounting rules and Automated Reporting Management Information System (ARMIS) reporting requirements.³ As part of this review, the

¹ 47 U.S.C. § 410(b).

² 47 U.S.C. § 161.

³ 2000 Biennial Regulatory Review—Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2; Amendments to the Uniform System of Accounts for Interconnection; Jurisdictional Separations Reform and Referral to the Federal-State Joint Board; Local Competition and Broadband Reporting, Report and Order in CC Docket Nos. 00-199, 97-212, and 80-286; Further Notice of Proposed Rulemaking in CC Docket Nos. 00-199, 99-301, and 80-286, 16 FCC Rcd 19913 (2001)

Commission adopted changes to its accounting and related reporting rules that were intended to “reflect a sharpened focus on ongoing regulatory needs in the areas of competition and universal service[,]” and minimize the regulatory burdens and distortions that could undermine the development of new technology.⁴ In addition, in a related Further Notice of Proposed Rulemaking, the Commission sought comment on certain accounting and related reporting requirements it identified for future reform.⁵

3. The National Association of Regulatory Utility Commissioners (NARUC) recently adopted a resolution concerning regulatory accounting rules and reporting requirements.⁶ Among other things, the NARUC resolution requests that the Commission establish a Federal-State Joint Conference “to review regulatory accounting and reporting safeguards to determine their adequacy and effectiveness in current markets and make recommendations as to future accounting and reporting changes.

III. ESTABLISHMENT OF THE JOINT CONFERENCE

4. Accordingly, in order to further the development of improved regulatory accounting and reporting requirements and ensure that data filed by carriers are adequate, truthful, and thorough, we now convene a Federal-State Joint Conference on Accounting Issues (Joint Conference or Conference) pursuant to section 410(b) of the Communications Act. Section 410(b) provides that:

[t]he Commission may confer with any State commission having regulatory jurisdiction with respect to carriers regarding the relationship between rate structures, accounts, charges, practices, classifications, and regulations of carriers subject to the jurisdiction of such State commission and of the Commission.⁷

We find that the public interest will be furthered by convening an ongoing conference on regulatory accounting safeguards pursuant to this provision. The Joint Conference will provide a focused means by which we and interested state commissions may conduct an open dialogue, collect and exchange information, and consider initiatives that will improve the collection of adequate, truthful, and thorough accounting data for regulatory purposes. We expect the

(Phase II Accounting Reform); 47 C.F.R. § 32 et seq.

⁴ *Phase II Accounting Reform*, 16 FCC Rcd at 19913-14.

⁵ *Id.* At 19915.

⁶ *Resolution Seeking Termination of the Federal Communications Commission’s Further Notice of Proposed Rulemaking in CC Docket No. 00-199, 2000 Biennial Regulatory Review, and the Establishment of a Federal-State Joint Conference*, Sponsored by the Committee on Finance and Technology, adopted by the NARUC Board of Directors on July 31, 2002.

⁷ 47 U.S.C. § 410(b).

Conference will facilitate the continuing review of federal and state accounting and related reporting requirements.

5. Section 410(b) and the Commission's policies and procedures for implementing 410(b) Joint Conferences are flexible and will permit the Conference to begin rapidly an open dialogue regarding how best to make recommendations for improvements to existing regulatory accounting and related reporting requirements. Specifically, section 410(b) and our policies state that this Commission may confer with any State commission regarding matters that relate to the regulation of public utilities subject to the jurisdiction of either commission.⁸

6. We further conclude that the Conference shall be chaired by the Chairman of this Commission or his designee. Any or all of the other Federal commissioners may participate in the Conference, as may representatives from up to five State commissions, whom we will invite following recommendations from NARUC. Meetings will be called by the Conference Chairman, who may establish a regular schedule for meetings after consultations with Conference members. In addition, the Conference at any point may decide to include any of its findings and recommendations in a written report to this Commission. Finally, the Commission shall revisit the need for and utility of the Joint Conference in two years time.

7. The activities of the Joint Conference will include the reexamination of federal and state regulatory accounting and related reporting requirements. The Joint Conference will have a broad mandate to evaluate accounting requirements that state and federal regulators need to carry out their responsibilities. This analysis could include, among other things, an evaluation of current regulatory accounting rules, consideration of the scope of these rules, and an examination of any additions to or eliminations of accounting requirements. The Conference may utilize existing federal and state data collection procedures and conduct hearings to collect information necessary to further the development of improved regulatory accounting and related reporting requirements and ensure that data filed by carriers are adequate, truthful, and thorough. Moreover, we direct the Conference specifically to consider the impact of its recommendations on local exchange carriers with fewer than 2 percent of the Nation's subscriber lines installed in the aggregate nationwide. The activities of the Joint Conference, however, will not limit the ability of this Commission to take separate, independent action concerning regulatory accounting and related reporting requirements.

8. Finally, because section 410(b) provides a flexible vehicle for state-federal cooperation, we anticipate that, as appropriate, the Joint Conference will undertake efforts and utilize tools in addition to those discussed herein. We also expect that the Conference will seek the cooperation of private sector representatives, where necessary and appropriate, to assist in identifying appropriate improvements. In sum, it is our expectation that the cooperative efforts of the Conference will help restore public confidence in the telecommunications industry by

⁸ See Appendix A to Part 1, A Plan of Cooperative Procedures in Matters and Cases Under the Provisions of Section 410 of the Communications Act of 1934, 47 C.F.R. § 1, App. A.

improving regulatory accounting and related reporting requirements and ensuring that data filed by carriers are adequate, truthful, and thorough.

IV. ORDERING CLAUSES

9. Accordingly, IT IS ORDERED, pursuant to section 410(b) of the Communications Act of 1934, 47 U.S.C. § 410(b), that the Federal-State Joint Conference on Accounting Issues be convened.

IT IS FURTHER ORDERED, pursuant to section 410(b) of the Communications Act of 1934, 47 U.S.C. § 410(b), that the Federal-State Joint Conference shall be chaired by the Honorable Michael K. Powell or his designee and shall be comprised of any or all of the other Federal commissioners and representatives from up to five State commissions, who shall be recommended by the National Association of Regulatory Utility Commissioners.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch
Secretary

**STATEMENT OF
COMMISSIONER MICHAEL J. COPPS**

Re: Federal-State Joint Conference on Accounting Issues, WC Docket No. 02-269

I commend the Chairman for moving forward to establish this Federal-State Joint Conference on Accounting Issues. I am pleased that this Order provides the Joint Conference with broad authority to examine anew whatever accounting requirements federal and state regulators need to protect consumers and to ensure the integrity of the telecom network.

The Commission today charges the Joint Conference with reviewing current accounting rules, consideration of the scope of the rules, and an examination of any additions to or eliminations of accounting requirements. I support putting on hold all action to eliminate additional accounting requirements until the Joint Conference has had an opportunity to conduct its evaluation.

We must also remember, however, that the clock is rapidly running out on a number of existing accounting requirements whose scheduled elimination, effective January 1, 2003, the Commission put in motion last year. We need a prompt, pre-elimination review of these requirements, taking into consideration what we have learned through the corporate accounting excesses that have come to light this summer. While several of these rules may remain good candidates for elimination, others may still be needed in light of what we have learned. I think consumers would feel more confident, and investors more secure, by a quick, but comprehensive, review. The language establishing this Joint Conference indicates that this should be one of its early tasks.

I look forward to working with my federal and state regulator colleagues, with the industry, and with all concerned stakeholders in crafting an accounting regime that will serve the best interests of us all.