

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

In the Matter of
2000 Biennial Regulatory Review --
Comprehensive Review of the Accounting
Requirements and ARMIS Reporting
Requirements for Incumbent Local Exchange
Carriers
CC Docket No. 00-199

ORDER ON RECONSIDERATION

Adopted: March 6, 2002

Released: March 8, 2002

By the Commission:

I. INTRODUCTION and BACKGROUND

1. The Commission undertook a comprehensive review of the accounting rules and Automated Reporting Management Information System (ARMIS) reporting requirements in the Phase 2 Report and Order. Among other things, the Commission eliminated many Part 32 accounts and reduced ARMIS reporting requirements for mid-sized local exchange carriers (LECs). On our own motion, pursuant to section 1.108 of the Commission's rules, we issue this limited reconsideration of the rules adopted in our Phase 2 Report and Order. In this Order, we reinstate Account 3400, Accumulated amortization - tangible, a Class B account, at the request of United States Telecom Association (USTA). At Sprint's request, we clarify that mid-sized carriers are not required to file ARMIS 43-02 (USOA Report), 43-03 (Joint Cost Report), and 43-04 (Separations and Access Report). Finally, at the request of the Bell Operating Companies (BOCs), we extend the effective date of the changes to the Part 32 chart of accounts, and

1 2000 Biennial Regulatory Review - Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 2, CC Docket No. 00-199, Report and Order in CC Docket Nos. 00-199, 97-212, and 80-286, FCC 01-305 (rel. Nov. 5, 2001) (Phase 2 Report and Order).

2 A mid-sized incumbent LEC is a carrier whose operating revenue equals or exceeds the indexed revenue threshold and whose revenue when aggregated with the revenues of any LEC that it controls, is controlled by, or with which it is under common control is less than \$7 billion.

3 47 C.F.R. § 1.108.

4 See January 8, 2002 letter from Lawrence E. Sarjeant, Vice President - Law and General Counsel, USTA to Clifford M. Rand, Deputy Division Chief, Accounting Safeguards Division, Common Carrier Bureau, FCC ("USTA Letter").

5 See January 18, 2002 letter from Mary L. Henze, Executive Director Federal Regulatory Affairs, BellSouth to Magalie R. Salas, Secretary, FCC ("BellSouth Letter"); January 30, 2002 letter from Albert M. Syeles, CMA, SBC to Timothy Peterson, Deputy Division Chief, Accounting Safeguards Division, Common Carrier Bureau, FCC ("SBC Letter"); January 31, 2002 letter from Gerald Asch, Director Federal Regulatory, Verizon to Magalie Roman Salas, Secretary, FCC ("Verizon Letter"); February 4, 2002 letter

derivative changes to Parts 51 and 54, adopted in the *Phase 2 Report and Order*, to January 1, 2003.

II. DISCUSSION

2. *Account 3400, Accumulated amortization – tangible.* In the *Phase 2 Report and Order* we consolidated many of the Class A and Class B accounts. We reduced the number of Class A accounts by 45 percent while retaining the accounts needed by the Commission or the states for regulatory purposes. We also added several Class A subaccounts requested by commenters.⁶ We concluded that our Class B account consolidation should correspond with our Class A account consolidation; otherwise, the result would be contrary to our intent to adopt a less burdensome accounting system for the Class B carriers. We therefore reduced the number of Class B accounts by 27 percent. One of the Class B accounts eliminated was Account 3400, Accumulated amortization – tangible.

3. Account 3400, Accumulated amortization – tangible is used by Class B companies to record accumulated amortization of the type and character required of Class A companies in Accounts 3410 and 3420. We eliminated this account in the *Phase 2 Report and Order*, but required Class B carriers to use Account 3410, Accumulated amortization – capitalized leases for part of what was entered into Account 3400. The remaining portion of what was in Account 3400 was intended to go into Account 2682, Leasehold improvements.

4. USTA states that it would be easier for the Class B companies to use Account 3400, rather than allocate what formerly was in this account between two other accounts. USTA therefore proposes that we reinstate Account 3400.⁷ Our streamlining measures adopted in the *Phase 2 Report and Order* were intended to benefit LECs, both large and small, by reducing the number of accounts they were required to maintain, while maintaining those needed for regulatory purposes. In light of USTA's assertion that it is less burdensome for the Class B carriers to keep Account 3400, we conclude that it would be appropriate to retain this account. Therefore, on reconsideration, and at the request of USTA, we will retain Account 3400, Accumulated amortization – tangible.

5. *ARMIS Reports.* ARMIS is an automated reporting system developed by the Commission to collect financial, operating, service quality, and network infrastructure information that carriers are required to collect under Commission rules. ARMIS Reports 43-01, 43-02, 43-03, and 43-04 contain financial information of carriers with annual operating revenues that are equal to or above the indexed revenue threshold, currently \$117 million. ARMIS 43-04 (Separations and Access Report) collects information on how costs are separated between the federal and state jurisdictions.

from R. William Johnston, Executive Director Federal Regulatory, Qwest to William F. Caton, Acting Secretary, FCC (“Qwest Letter”).

⁶ We added new Class A subaccounts for circuit and packet digital electronic switching, electronic and optical circuit equipment, and wholesale and retail services. See *Phase 2 Report and Order* at ¶¶ 57-64.

⁷ See USTA Letter.

6. At the request of Sprint, we clarify that mid-sized carriers are not required to file the ARMIS 43-02, 43-03, and 43-04 reports on April 1, 2002.⁸ As Sprint observes, one of our goals in this proceeding is to reduce reporting requirements for the mid-sized carriers. In paragraph 194 of the *Phase 2 Report and Order*, the Commission concluded that “it is appropriate *at this time* to provide additional reporting relief to mid-sized carriers. In balancing the carriers’ costs and our regulatory needs, we conclude that the mid-sized carriers *will no longer* be required to file ARMIS 43-02, 43-03, or 43-04 Reports.⁹ There was no accompanying ordering clause, however, effectuating this directive with respect to mid-sized carriers. Rather, the ordering clause in paragraph 235 directed that the revised ARMIS 43-04 Report would be effective for the April 1, 2002 filing, and the ordering clause in paragraph 236 directed that revisions to ARMIS reports 43-01, 43-02, 43-03, 43-07, and 43-08 would be effective for filings due April 1, 2003. We hereby clarify that our intention was to eliminate the obligation of mid-sized carriers to file ARMIS 43-02, 43-03, and 43-04 on April 1, 2002, and to require the mid-sized carriers to file the revised 43-01 and 43-8 reports on the same schedule as the larger companies.

7. *Extending the effective date of revisions to the Part 32 chart of accounts to January 1, 2003.* In the *Phase 2 Report and Order*, we adopted changes to our accounting rules that, pursuant to section 220(g) of the Communications Act, would be effective six months after publication in the Federal Register (and following Office of Management and Budget approval).¹⁰ BellSouth, on behalf of itself and SBC, Verizon, and Qwest, requests that we extend the effective date of the changes to the Part 32 chart of accounts to January 1, 2003.¹¹

8. We agree with the BOCs that extending the effective date of the new Part 32 chart of accounts to January 1, 2003 would allow the accounting changes to be implemented at the beginning of the fiscal year and would avoid the dual data capturing that could occur if the Part 32 chart of accounts changes were implemented in mid-year.¹² We also note that this extension will give carriers additional time to revise their accounting systems to incorporate the many changes to the Part 32 chart of accounts adopted in the *Phase 2 Report and Order*. Therefore, on reconsideration, and at the request of the BOCs, we are extending the effective date of the changes to the Part 32 chart of accounts to January 1, 2003. The remaining rule changes in the *Phase 2 Report and Order* – such as our modifications to the affiliate transactions rules contained in section 32.27 and our modifications to Part 64 -- will go into effect six months after publication in the Federal Register (following Office of Management and Budget approval). As a result of this change in the effective date for the accounting rules, carriers will not be able to report revised 2002 data on April 1, 2003. Therefore, the revisions to the ARMIS Reports 43-01, 43-02, and 43-03 shall be effective for filings due April 1, 2004.

⁸ See letter from Jay C. Keithley, Vice President Federal Regulatory Affairs, Sprint, to Carol Matthey, Deputy Bureau Chief, Common Carrier Bureau, FCC (“Sprint Letter”).

⁹ See *Phase 2 Report and Order* at ¶ 194 (emphasis added).

¹⁰ 47 U.S.C. § 220(g). We permitted carriers to implement the rule changes as of January 1, 2002 in order to avoid the difficulty inherent in having one accounting system for part of the year and another system for the rest of the year.

¹¹ See BellSouth Letter at 1.

¹² See BellSouth Letter; SBC Letter.

9. Therefore, on our own motion, pursuant to section 1.108 of the Commission's rules,¹³ we are extending the effective date of the new Part 32 chart of accounts and derivative changes to Parts 51 and 54 adopted in the *Phase 2 Report and Order* to January 1, 2003, we are retaining Account 3400, Accumulated amortization – tangible, and we are clarifying that mid-sized LECs are not required to file the ARMIS 43-02, 43-03, and 43-04 reports on April 1, 2002. We hereby modify the rules in section 32.3400 as set forth in Appendix A.

III. PROCEDURAL MATTERS

10. *Final Regulatory Flexibility Certification.* The Regulatory Flexibility Act of 1980, as amended, (RFA),¹⁴ requires that a regulatory flexibility analysis be prepared for notice and comment proceedings, unless the agency certifies that "the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities."¹⁵ The RFA generally defines "small entity" as having the same meaning as the term "small business," "small organization," and "small governmental jurisdiction."¹⁶ 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.¹⁷ 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).¹⁸

11. In the *Phase 2 Report and Order*, the Commission streamlined the Class A and Class B accounts¹⁹ and ARMIS reporting requirements for incumbent LECs,²⁰ and further reduced the accounting and reporting requirements for mid-sized incumbent LECs.²¹ These rule changes generally reduced the accounting and reporting requirements for all incumbent LECs. In this Order on Reconsideration, the Commission is reinstating one Class B account, at the request of USTA. The Commission is also clarifying that mid-sized carriers are not required to file the ARMIS 43-02, 43-03, and 43-04 Reports, also at the request of USTA. Finally, the Commission

¹³ 47 C.F.R. § 1.108.

¹⁴ The RFA, *see* 5 U.S.C. § 601 *et seq.*, has been modified 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).

¹⁵ 5 U.S.C. § 605(b).

¹⁶ 5 U.S.C. § 601(6).

¹⁷ 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."

¹⁸ 15 U.S.C. § 632.

¹⁹ *See Phase 2 Report and Order* at ¶¶ 27-43, 77.

²⁰ *See id.* at ¶¶ 135-183.

²¹ *See id.* at ¶¶ 190-198.

is extending the effective date for the new chart of accounts adopted in the *Phase 2 Report and Order* to January 1, 2003, pursuant to the BOCs' request. This will allow carriers, including small entities, more time to make the necessary changes to their accounting systems. These rule changes and clarification will further reduce accounting and reporting burdens for incumbent LECs. Therefore, we certify, pursuant to section 605(b) of the RFA, that the rules adopted herein will not have a significant economic impact on a substantial number of small entities.

12. *Paperwork Reduction Act of 1995 Analysis.* The decision herein has been analyzed with respect to the Paperwork Reduction Act of 1995, Pub. L. 104-13, and found to impose new or modified recordkeeping requirements or burdens on the public. Implementation of these new or modified reporting or recordkeeping requirements will be subject to approval by the Office of Management and Budget (OMB) and will go into effect upon announcement in the Federal Register of OMB approval.

IV. ORDERING CLAUSES

13. Accordingly, IT IS ORDERED that, pursuant to sections 4(i), 4(j), and 220 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 154(i), 154(j), and 220, and 47 C.F.R. § 1.108, Part 32 of the Commission's rules is amended as set forth in Appendix A attached hereto.

14. IT IS FURTHER ORDERED that, pursuant to section 220(g) of the Communications Act of 1934, as amended, 47 U.S.C. § 220(g), changes to the chart of accounts in Part 32, System of Accounts, adopted in the Report and Order in CC Docket No. 00-199 shall take effect January 1, 2003, following OMB approval, unless a notice is published in the Federal Register stating otherwise. We will, however, permit carriers to implement the section 32.3400 rule change in Appendix A as of January 1, 2002.

15. IT IS FURTHER ORDERED that, pursuant to the authority contained in sections 1, 4(i), 4(j), 201-205, and 218-220 of the Communications Act of 1934, as amended, 47 U.S.C. sections 151, 154(i), 154(j), 201-205, and 218-220, that mid-sized incumbent local exchange carriers are not required to file FCC Report 43-02, the USOA Report; FCC Report 43-03, the Joint Cost Report; and FCC Report 43-04, the Separations and Access Report for filings due April 1, 2002.

16. IT IS FURTHER ORDERED that, pursuant to the authority contained in sections 1, 4(i), 4(j), 201-205, and 218-220 of the Communications Act of 1934, as amended, 47 U.S.C. sections 151, 154(i), 154(j), 201-205, and 218-220, that revisions to FCC Report 43-01, the Annual Summary Report; FCC Report 43-02, the USOA Report; and FCC Report 43-03, the Joint Cost Report as set forth above shall be effective for filings due April 1, 2004.

17. IT IS FURTHER ORDERED that, pursuant to the authority contained in section 0.291 of the Commission's rules, 47 C.F.R. § 0.291, that the Common Carrier Bureau IS DELEGATED authority to implement all changes to ARMIS reporting as above set forth.

FEDERAL COMMUNICATIONS COMMISSION

William F. Caton
Acting Secretary

APPENDIX A—Final Rules

Part 32 of title 47 of the CFR is amended as follows:

**PART 32 – UNIFORM SYSTEM OF ACCOUNTS FOR TELECOMMUNICATIONS
COMPANIES**

The authority citation for part 32 continues to read as follows:

Authority: 47 U.S.C. 154(i), 154(j), and 220 as amended, unless otherwise noted.

Section 32.3400 is added to read as follows:

§ 32.3400 Accumulated amortization – tangible.

This account shall be used by Class B companies to record accumulated amortization of the type and character required of Class A companies in Accounts 3410 and 3420.