

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

In the Matter of)	
)	
Comprehensive Review of the Part 32 Uniform System of Accounts)	WC Docket No. 14-130
)	
Jurisdictional Separations and Referral to the Federal-State Joint Board)	CC Docket No. 80-286
)	

NOTICE OF PROPOSED RULEMAKING

Adopted: February 21, 2018

Released: February 22, 2018

Comment Date: (30 days after date of publication in the Federal Register)
Reply Comment Date: (45 days after date of publication in the Federal Register)

By the Commission: Commissioner O’Rielly issuing a statement.

I. INTRODUCTION

1. In this Notice of Proposed Rulemaking (Notice), we take steps to harmonize our rules regarding jurisdictional separations to reflect the Commission’s actions in February 2017 to reduce and eliminate unnecessary accounting rules.¹ Today, we further our goal of updating and modernizing the Commission’s rules to minimize outdated compliance burdens on carriers and to free up scarce resources that can accordingly be used to expand modern networks that bring economic opportunity, job creation and civic engagement to all Americans.

2. In the *Part 32 Reform Order*, the Commission amended its Part 32 Uniform System of Accounts (USOA) to streamline or eliminate rules that had outlived their utility.² Recognizing that those amendments had implications for its Part 36 jurisdictional separations rules,³ the Commission referred to the Federal-State Joint Board on Jurisdictional Separations (Joint Board) consideration of how and when the Part 36 rules should be modified to reflect the reforms adopted in the *Part 32 Reform Order*.⁴ The Commission asked the Joint Board to consider how the Part 32 reforms “impact Part 36 and consequently the rule changes necessary to ensure the jurisdictional separations rules are consistent” with changes to Part 32.⁵ The Commission also asked that the Joint Board “prepare a recommended decision . . . regarding how and when the Commission’s jurisdictional separations rules should be modified to reflect the issues in the referral.”⁶ The Joint Board released its *Recommended Decision* on October 27, 2017.⁷

¹ *Comprehensive Review of the Part 32 Uniform System of Accounts, Jurisdictional Separations and Referral to the Federal-State Joint Board*, Report and Order, 32 FCC Rcd 1735 (2017) (*Part 32 Reform Order*), *pet. for recon. pending*.

² *Id.* at 1739-49, paras. 12-45.

³ *Id.* at 1749, para. 46.

⁴ *Id.*

⁵ *Id.*

⁶ *Id.*

3. In this Notice, we propose to adopt each of the Joint Board's recommendations and to amend the Part 36 rules consistent with those recommendations. We invite comment on these proposals.

II. BACKGROUND

4. Jurisdictional separations are the third step in a four-step regulatory process used to establish tariffed rates for interstate and intrastate regulated services for incumbent local exchange carriers (LECs). First, carriers record their costs into various accounts in accordance with the USOA prescribed by Part 32 of the Commission's rules.⁸ Second, carriers divide the costs in these accounts between regulated and nonregulated activities in accordance with Part 64 of the Commission's rules.⁹ This division ensures that the costs of nonregulated activities will not be recovered in regulated interstate service rates. Third, carriers separate the regulated costs between the intrastate and interstate jurisdictions in accordance with the Commission's Part 36 separations rules.¹⁰ This process begins with the carriers assigning regulated costs to various investment and expense categories. In certain instances, carriers further disaggregate costs among service categories.¹¹ Finally, carriers apportion the interstate regulated costs among the interexchange services and rate elements that form the cost basis for their exchange access tariffs.¹² Carriers subject to rate-of-return regulation perform this apportionment in accordance with Part 69 of the Commission's rules.¹³

5. Historically, Part 32 divided incumbent LECs into two classes for accounting purposes based on an incumbent LEC's annual regulated revenues: Class A incumbent LECs (currently those with regulated annual revenues equal to or greater than \$157 million) and Class B incumbent LECs (currently those with less than \$157 million in annual regulated revenues).¹⁴ Part 32 required Class A carriers to create and maintain substantially more accounts than it required from smaller Class B carriers.¹⁵ In all but

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⁷ *Comprehensive Review of the Part 32 Uniform System of Accounts, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, WC Docket No. 14-130 et al., Recommended Decision, 32 FCC Rcd 8678 (Fed.-State Jt. Bd. 2017) (*Recommended Decision*) (attached as Appendix B).

⁸ 47 CFR Part 32. The Part 32 USOA specifies the accounts that incumbent LECs must use to record their costs.

⁹ The Part 64 cost allocation rules are codified at 47 CFR §§ 64.901-904.

¹⁰ 47 CFR Part 36.

¹¹ For purposes of the Part 36 rules, categories are "group[s] of items of property or expense to facilitate the apportionment of their costs among the operations and to which, ordinarily, a common measure of use is applicable." 47 CFR Part 36, App. For example, central office equipment (COE) Category 1 is Operator Systems Equipment, Account 2220. The Operator Systems Equipment account is further disaggregated or classified according to the following arrangements: (i) separate toll boards; (ii) separate local manual boards; (iii) combined local manual boards; (iv) combined toll and DSA boards; (v) separate DSA and DSB boards; (vi) service observing boards; (vii) auxiliary service boards; and (viii) traffic service positions. *See* 47 CFR § 36.123.

¹² Because the separations rules directly assign some costs to a jurisdictionally pure service category, *i.e.*, a category used exclusively for either intrastate or interstate communications, categorization and apportionment are often effectively performed simultaneously. For example, the costs of private line service that is wholly intrastate in nature are assigned directly to the intrastate jurisdiction. *See* 47 CFR § 36.154(a).

¹³ 47 CFR Part 69.

¹⁴ *See* 47 CFR § 32.11(b) (2017); *Wireline Competition Bureau Announces Annual Adjustment of Revenue Thresholds*, Public Notice, 32 FCC Rcd 7646 (WCB 2017).

¹⁵ *See* 47 CFR § 32.11(c), (d) (2017). The differences in the two account structures are set forth in tables contained in sections 32.103, 32.2000, 32.3000, 32.3999, 32.4999, 32.5999, and 32.6999 of the Commission's rules. 47 CFR §§ 32.103, 32.2000, 32.3000, 32.3999, 32.4999, 32.5999, 32.6999 (2017).

one case, Class A carrier accounts could be grouped into sets that were represented by single Class B carrier accounts – that is, such Class A accounts consolidated into, or “rolled up” into Class B accounts.¹⁶

6. The reforms adopted in the *Part 32 Reform Order* include the elimination of Part 32’s distinction between Class A and Class B incumbent LECs.¹⁷ Under the new rules, effective January 1, 2018, all carriers subject to Part 32 are required to keep only the less onerous Class B accounts.¹⁸

7. At the request of the Commission, the Joint Board considered the impact of the Part 32 reforms on the Part 36 rules and released a recommended decision. In the *Recommended Decision*, the Joint Board recommends removing all of the provisions in the Part 36 rules that deal with Class A accounts, allowing former Class A carriers (carriers with revenue equal to or greater than \$157 million for calendar year 2016) to select between the former Class A and former Class B procedures for apportioning general support facilities costs, and making certain stylistic and typographical corrections to the Part 36 rules.¹⁹

III. DISCUSSION

8. We propose to adopt each of the Joint Board’s recommendations and to amend the Part 36 rules using, with minor exceptions, the language the Joint Board suggests.²⁰ We invite comment on these proposals. We also welcome comment on whether we should make other changes to the Part 36 rules to harmonize them with the changes the Commission made to Part 32 in the *Part 32 Reform Order*.²¹

9. First, we propose to adopt the Joint Board’s recommendation to remove from our Part 36 rules all the provisions that deal with Class A accounts, because carriers are no longer be required to keep such accounts since the revised Part 32 rules took effect on January 1, 2018.²² Under this approach, we propose to: (a) delete references to Class A accounts and the phrase “Class B accounts” in Part 32 rules that contain parallel references to Class A accounts and the Class B accounts into which they roll up;²³ (b) delete references to current-year account balances and modify references to Class A carriers in other Part 36 rules;²⁴ and (c) delete references to Class A accounts in sections 36.501 and 36.505 of the rules.²⁵ We

¹⁶ For example, Accounts 6211 (non-digital switching expense) and 6212 (digital electronic switching expense) were Class A-only accounts, while Account 6210 (central office switching expense) was a Class B account. *See* 47 CFR §§ 32.6211, 32.6212, 32.6210 (2017). Account 6210, however, was defined as solely representing “expenses of the type and character required of Class A companies in Accounts 6211 through 6212.” 47 CFR § 32.6210 (2017).

¹⁷ *Part 32 Reform Order*, 32 FCC Rcd at 1740-42, paras. 15-19.

¹⁸ *Recommended Decision*, 32 FCC Rcd at 8679, para. 4 (citing *Comprehensive Review of the Uniform System of Accounts, Jurisdictional Separations and Referral to the Federal-State Joint Board*, 82 Fed. Reg. 20833 (May 4, 2017)).

¹⁹ *Recommended Decision*, 32 FCC Rcd at 8680-82, paras. 5-10.

²⁰ Our proposed changes are identical to those the Joint Board recommends except that we propose to use “average balance” rather than “average balances” when referring to the costs recorded in a single account (*see* Appendix A at paras. 4(b), 5(b), 6(c) (proposed amendments to sections 36.124(c), 36.125(b), and 36.126(c)); to eliminate subsection designations in rules that have only one subsection (*see* Appendix A at paras. 8(b), 9(a), 11 (proposed amendments to sections 36.124(c), 36.125(a), and 36.301)); and to have section 36.505 read “Accounts . . . are” rather than “Accounts . . . is” (*compare* Appendix A at para. 27(b) (proposed amendment to section 36.505) *with Recommended Decision* at Appendix, p. 53 (recommended amendment to section 36.506).

²¹ *Recommended Decision*, 32 FCC Rcd at 8682, para. 10.

²² *Id.* at 8680-81, para. 5.

²³ *Id.*; *see, e.g.*, Appendix A at paras. 15(b), 18(b)-(c), 20 (proposed amendments to sections 36.321(a), 36.351, 36.371).

²⁴ *Recommended Decision*, 32 FCC Rcd at 8680-81, para. 5; *see, e.g.*, Appendix A at paras. 13, 21, 24 (proposed amendments to sections 36.310, 36.371, and 36.392).

seek comment on this proposal as well as on whether there is a different approach we should take in harmonizing the Part 36 rules with the newly amended Part 32 rules.

10. Second, we propose to amend section 36.112, which concerns the apportionment of general support facilities costs. As the Joint Board observes, this is the only Part 36 rule that provides different separations procedures for Class A and Class B carriers.²⁶ Consistent with the Joint Board's recommendation, we propose to allow former Class A carriers (carriers with revenue equal to or greater than \$157 million for calendar year 2016) to select between these two procedures in apportioning their general support facilities costs.²⁷ We seek comment on permitting such selections. We also seek comment on whether each carrier should be permitted to make an election only one time or be allowed to change the approach it takes over time. What are the practical consequences of permitting carriers to make such elections?

11. Additionally, consistent with the Joint Board's recommendations, our proposed rule changes include certain stylistic and typographical corrections to the Part 36 rules. For example, we propose to correct a spelling error in section 36.126(b) and to hyphenate the adjective "twelve month" throughout Part 36.²⁸ In addition to adopting these corrections, are there other ministerial corrections that we should make to those rules?

12. We also seek comment on the timing for making these changes to our Part 36 rules. The changes to our Part 32 rules took effect January 1, 2018. Should we make harmonizing changes to our Part 36 rules as soon as practicable, as the Joint Board recommends?²⁹ Should we make changes effective January 1, 2019? We ask commenters to explain the implications of different effective dates for any changes we make to harmonize our Part 36 rules with our newly revised Part 32 rules.

IV. PROCEDURAL MATTERS

A. Comment Filing Procedures

13. Pursuant to sections 1.415 and 1.419 of the Commission's rules, 47 CFR §§ 1.415, 1.419, interested parties may file comments and reply comments on or before the dates indicated on the first page of this document. Comments may be filed using the Commission's Electronic Comment Filing System (ECFS). *See Electronic Filing of Documents in Rulemaking Proceedings*, 63 FR 24121 (1998).

- *Electronic Filers:* Comments may be filed electronically using the Internet by accessing the ECFS: <http://apps.fcc.gov/ecfs/>.
- *Paper Filers:* Parties who choose to file by paper must file an original and one copy of each filing. If more than one docket or rulemaking number appears in the caption of this proceeding, filers must submit two additional copies for each additional docket or rulemaking number.

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²⁵ *Recommended Decision*, 32 FCC Rcd at 8681, para. 6; *see* Appendix A at paras. 26-27.

²⁶ *Recommended Decision*, 32 FCC Rcd at 8681, para. 7; 47 CFR § 36.112. General support facilities are land, buildings, motor vehicles, aircraft, special purpose vehicles, garage work equipment, other work equipment, furniture, office equipment, and general purpose computers. 47 CFR § 36.111.

²⁷ *Recommended Decision*, 32 FCC Rcd at 8682, para. 9; *see* Appendix A at para. 2.

²⁸ *Recommended Decision* 32 FCC Rcd at 8682, para. 10; *see* Appendix A at paras. 6(b), 26.

²⁹ *See Recommended Decision*, 32 FCC Rcd at 8682, para. 10.

- Filings can be sent by hand or messenger delivery, by commercial overnight courier, or by first-class or overnight U.S. Postal Service mail. All filings must be addressed to the Commission's Secretary, Office of the Secretary, Federal Communications Commission.
- All hand-delivered or messenger-delivered paper filings for the Commission's Secretary must be delivered to FCC Headquarters at 445 12th St., SW, Room TW-A325, Washington, DC 20554. The filing hours are 8:00 a.m. to 7:00 p.m. All hand deliveries must be held together with rubber bands or fasteners. Any envelopes and boxes must be disposed of before entering the building.
- Commercial overnight mail (other than U.S. Postal Service Express Mail and Priority Mail) must be sent to 9050 Junction Drive, Annapolis Junction, MD 20701.
- U.S. Postal Service first-class, Express, and Priority mail must be addressed to 445 12th Street, SW, Washington DC 20554.
- *People with Disabilities*: To request materials in accessible formats for people with disabilities (braille, large print, electronic files, audio format), send an e-mail to fcc504@fcc.gov or call the Consumer & Governmental Affairs Bureau at 202-418-0530 (voice), 202-418-0432 (tty).

B. Ex Parte Presentations

14. The proceeding this Further Notice initiates shall be treated as a “permit-but-disclose” proceeding in accordance with the Commission's *ex parte* rules.³⁰ Persons making *ex parte* presentations must file a copy of any written presentation or a memorandum summarizing any oral presentation within two business days after the presentation (unless a different deadline applicable to the Sunshine period applies). Persons making oral *ex parte* presentations are reminded that memoranda summarizing the presentation must (1) list all persons attending or otherwise participating in the meeting at which the *ex parte* presentation was made, and (2) summarize all data presented and arguments made during the presentation. If the presentation consisted in whole or in part of the presentation of data or arguments already reflected in the presenter's written comments, memoranda or other filings in the proceeding, the presenter may provide citations to such data or arguments in his or her prior comments, memoranda, or other filings (specifying the relevant page and/or paragraph numbers where such data or arguments can be found) in lieu of summarizing them in the memorandum. Documents shown or given to Commission staff during *ex parte* meetings are deemed to be written *ex parte* presentations and must be filed consistent with rule 1.1206(b). In proceedings governed by rule 1.49(f) or for which the Commission has made available a method of electronic filing, written *ex parte* presentations and memoranda summarizing oral *ex parte* presentations, and all attachments thereto, must be filed through the electronic comment filing system available for that proceeding, and must be filed in their native format (*e.g.*, .doc, .xml, .ppt, searchable .pdf). Participants in this proceeding should familiarize themselves with the Commission's *ex parte* rules.

C. Paperwork Reduction Act

15. This document does not contain proposed information collection(s) subject to the Paperwork Reduction Act of 1995 (PRA), Public Law 104-13. In addition, therefore, it does not contain any new or modified information collection burden for small business concerns with fewer than 25 employees, pursuant to the Small Business Paperwork Relief Act of 2002, Public Law 107-198, see 44 U.S.C. 3506(c)(4).

³⁰ 47 CFR §§ 1.1200 *et seq.*

D. Initial Regulatory Flexibility Act Analysis

16. As required by the Regulatory Flexibility Act of 1980 (RFA),³¹ the Commission has prepared an Initial Regulatory Flexibility Analysis (IRFA) for this Notice of Proposed Rulemaking, of the possible significant economic impact on small entities of the policies and rules addressed in this document. The IRFA is set forth in Appendix C. Written public comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments on the Notice indicated on the first page of this document. The Commission's Consumer and Governmental Affairs Bureau, Reference Information Center, will send a copy of this Notice of Proposed Rulemaking, including the IRFA, to the Chief Counsel for Advocacy of the Small Business Administration (SBA).³²

E. Contact Person

17. For further information regarding this proceeding, contact Edward B. Krachmer, Pricing Policy Division, Wireline Competition Bureau, at (202) 418-1520, or edward.krachmer@fcc.gov.

V. ORDERING CLAUSES

18. Accordingly, IT IS ORDERED that, pursuant to the authority contained in sections 1, 2, 4(i), 201–205, 215, 218, 220, and 410 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 152, 154(i), 201–205, 215, 218, 220, 410, this Notice of Proposed Rulemaking IS ADOPTED.

19. IT IS FURTHER ORDERED that the Commission's Consumer and Governmental Affairs Bureau, Reference Information Center, SHALL SEND a copy of this Notice of Proposed Rulemaking, including the Initial Regulatory Flexibility Analysis, to the Chief Counsel for Advocacy of the Small Business Administration.

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch
Secretary

³¹ See 5 U.S.C. § 603.

³² See 5 U.S.C. § 603(a).

APPENDIX A

Proposed Rules for Comment

For the reasons set forth above, the Federal Communications Commission proposes to amend Part 36 of Title 47 of the Code of Federal Regulations as follows:

PART 36—JURISDICTIONAL SEPARATIONS PROCEDURES; STANDARD PROCEDURES FOR SEPARATING TELECOMMUNICATIONS PROPERTY COSTS, REVENUES, EXPENSES, TAXES AND RESERVES FOR TELECOMMUNICATIONS COMPANIES

1. The authority citation for part 36 continues to read as follows:

AUTHORITY: 47 U.S.C. 151, 154(i) and (j), 205, 221(c), 254, 303(r), 403, 410, and 1302 unless otherwise noted.

47 CFR § 36.112

2. Amend § 36.112 by revising it to read as follows:

§ 36.112 Apportionment procedure.

(a) The costs of the general support facilities of local exchange carriers that had annual revenues from regulated telecommunications operations equal to or greater than \$157 million for calendar year 2016 are apportioned among the operations on the basis of one of the following, at the election of the local exchange carrier:

(i) The separation of the costs of the combined Big Three Expenses which include the following accounts:

Plant Specific Expenses

Central Office Switching Expenses—Account 6210
 Operators Systems Expenses—Account 6220
 Central Office Transmission Expenses—Account 6230
 Information Origination/Termination Expenses—Account 6310
 Cable and Wire Facilities Expenses—Account 6410

Plant Non-Specific Expenses

Network Operations Expenses—Account 6530

Customer Operations Expenses

Marketing—Account 6610
 Services—Account 6620; or

(ii) The separation of the costs of Central Office Equipment, Information Origination/Termination Equipment, and Cable and Wire Facilities, combined.

(b) The costs of the general support facilities of local exchange carriers that had annual revenues from regulated telecommunications operations less than \$157 million for calendar year 2016 are

apportioned among the operations on the basis of the separation of the costs of Central Office Equipment, Information Origination/Termination Equipment, and Cable and Wire Facilities, combined.

§ 36.121 [amended]

47 CFR § 36.121

3. Amend § 36.121 by revising paragraph (a) and paragraph (c)(1)(i) as follows:

- (a) Revise paragraph (a) to read as follows; and
- (b) In paragraph (c)(1)(i), remove “130 volt” and add, in its place, “130-volt”.

The revision reads as follows:

§ 36.121 General.

(a) The costs of central office equipment are carried in the following accounts:

Central Office Switching	Account 2210.
Operator Systems	Account 2220.
Central Office—Transmission	Account 2230.

§ 36.124 [amended]

47 CFR § 36.124

4. Amend § 36.124 as follows:

- (a) In paragraph (a), remove “Accounts 2210, 2211, and 2212” and add, in its place, “Account 2210”;
- (b) In paragraph (c), remove “assign the average balances of Accounts 2210, 2211, and 2212” and add, in its place, “assign the average balance of Account 2210”; and remove “assignment of the average balances of Accounts 2210, 2211, and 2212,” and add, in its place, “assignment of the average balance of Account 2210 (or, if Accounts 2211 and 2212 were required to be maintained at the applicable time, the average balances of Accounts 2211 and 2212)”.

§ 36.125 [amended]

47 CFR § 36.125

5. Amend § 36.125 as follows:

- (a) In paragraph (a), remove “Accounts 2210, 2211, and 2212” and add, in its place, “Account 2210”; remove “e.g. transmitters,” and add, in its place, “e.g., transmitters,”; remove “directors” and, add in its place, “directors,”; and remove “e.g. switching” and add, in its place, “e.g., switching”.
- (b) In paragraph (h), remove “assign the average balances of Accounts 2210, 2211, and 2212” and add, in its place, “assign the average balance of Account 2210”; and remove “assignment of the average balances of Accounts 2210, 2211, and 2212,” and add, in its place, “assignment of the average balance of Account 2210 (or, if Accounts 2211 and 2212 were required to be maintained at the applicable time, the average balances of Accounts 2211 and 2212)”.

§ 36.126 [amended]

47 CFR § 36.126

6. Amend § 36.126 as follows:

- (a) In paragraph (a), remove “Accounts 2230 through 2232 respectively” and add, in its place, “Account 2230”;
- (b) In the introductory text of paragraph (b), remove “equipment” and add, in its place, “equipment”.
- (c) In paragraphs (b)(5) and (b)(6), remove “assign the average balances of Accounts 2230 through 2232” and add, in its place, “assign the average balance of Account 2230”; and remove “assignment of the average balances of Accounts 2230 through 2232” and add, in its place, “assignment of the average balance of Account 2230 (or, if Accounts 2231 and 2232 were required to be maintained at the applicable time, the average balances of Accounts 2231 and 2232)”.

36.154 {amended}

47 CFR § 36.154

7. Amend § 36.154 by deleting “jurisdiction” and inserting, in its place, “jurisdiction”.

§ 36.201 [amended]

47 CFR § 36.201

8. Amend § 36.201 as follows:

- (a) Remove “(a) This” and add, in its place, “This”; and
- (b) Remove “(Class B telephone companies); Basic area revenue—Account 5001 (Class A telephone companies)”.

§ 36.211 [amended]

47 CFR § 36.211

9. Amend § 36.211 as follows:

- (a) Remove “(a) Operating” and add, in its place, “Operating”;
- (b) Remove “Basic local service revenue (Class B telephone companies)” and add, in its place, “Basic Local Service Revenue”; and
- (c) Remove “Basic Area Revenue (Class A telephone companies)” and “5000”.

47 CFR § 36.212

10. Amend § 36.212 by revising the section heading to read as follows:

§ 36.212 Basic local services revenue—Account 5000.

§ 36.301 [amended]

47 CFR § 36.301

11. Amend § 36.301 as follows:

- (a) Remove “(a) This subpart” and add, in its place “This subpart”;
- (b) Remove “(Class B Telephone Companies); Accounts 6112, 6113, 6114, 6121, 6122, 6123, and 6124 (Class A Telephone Companies)”;
- (c) Remove “Accounts 6210, 6220, 6230 (Class B Telephone Companies); Accounts 6211, 6212, 6220, 6231, and 6232 (Class A Telephone Companies)” and add, in its place, “Accounts 6210, 6220, and 6230”;

- (d) Remove “(Class B Telephone Companies); Accounts 6311, 6341, 6351, and 6362 (Class A Telephone Companies)”;
- (e) Remove “(Class B Telephone Companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A Telephone Companies)”;
- (f) Remove “(Class B Telephone Companies); Accounts 6511 and 6512 (Class A Telephone Companies)”;
- (g) Remove “(Class B Telephone Companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A Telephone Companies)”;
- (h) Remove “(Class B Telephone Companies); Accounts 6611 and 6613 (Class A Telephone Companies)”;
- (i) Remove “Local Bus. Office” and add, in its place, “Local Business Office”; and
- (j) Remove “(Class B Telephone Companies); Accounts 7210, 7220, 7230, 7240, and 7250 (Class A Telephone Companies)”.

§ 36.302 [amended]

47 CFR § 36.302

12. Amend § 36.302 as follows:

In the introductory text to paragraph (c)(1) and in paragraph (c)(1)(i), remove “SRC” and add, in its place, “SRCs”.

§ 36.310 [amended]

47 CFR § 36.310

13. Amend § 36.310 by revising paragraph (a) to read as follows:

§ 36.310 General.

- (a) Plant specific operations expenses include the following accounts:

Network Support Expenses.	Account 6110
General Support Expenses.	Account 6120
Central Office Switching Expenses.	Account 6210
Operator System Expenses.	Account 6220
Central Office Transmission Expenses.	Account 6230
Information Origination/ Termination Expenses.	Account 6310
Cable and Wire Facilities Expenses.	Account 6410

* * * * *

47 CFR § 36.311

14. Amend § 36.311 by revising the section heading to read as follows:

§ 36.311 Network Support/General Support Expenses—Accounts 6110 and 6120.

47 CFR § 36.321

15. Amend § 36.321 as follows:

(a) Revise the section heading to read as follows:

§ 36.321 Central office expenses—Accounts 6210, 6220, and 6230.

- (b) Remove, from paragraph (a), “(Class B telephone companies); Accounts 6211 and 6212 (Class A telephone companies)” and “(Class B telephone companies); Accounts 6231 and 6232 (Class A telephone companies)”; and
- (c) Remove, from paragraph (b), “equipment. Accounts” and adding, in its place, “equipment—Accounts”.

47 CFR § 36.331

16. Amend § 36.331 by revising the section heading to read as follows:

§ 36.331 Information origination/termination expenses—Account 6310.

47 CFR § 36.341

17. Amend § 36.341 by revising the section heading to read as follows:

§ 36.341 Cable and wire facilities expenses—Account 6410.

§ 36.351 General.

47 CFR § 36.351

18. Amend § 36.351 as follows:

- (a) Remove “(a) Plant” and add, in its place, “Plant”;
- (b) Remove “(Class B telephone companies); Accounts 6511 and 6512 (Class A telephone companies)”; and
- (c) Remove “(Class B telephone companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A telephone companies)”.

47 CFR § 36.352

19. Amend § 36.352 by revising the section heading to read as follows:

§ 36.352 Other property plant and equipment expenses—Account 6510.

47 CFR § 36.353

20. Amend § 36.353 by revising the section heading to read as follows:

§ 36.353 Network operations expenses—Account 6530.

§ 36.371 [amended]

47 CFR § 36.371

21. Amend 36.371 as follows:

Amend § 36.371 by removing “Account 6610 (Class B telephone companies); Accounts 6611 and 6613 (Class A telephone companies)”.

47 CFR § 36.372

22. Amend § 36.372 by revising the section heading to read as follows:

§ 36.372 Marketing—Account 6610.

§ 36.375 [amended]

47 CFR § 36.375

23. Amend § 36.375 as follows:

Amend § 36.375 by removing from paragraphs (b)(4) and (b)(5), “through (4)” and adding, in its place, “through (3)”.

§ 36.392 [amended]

47 CFR § 36.392

24. Amend § 36.392 by revising paragraph (c) as follows:

- (a) Remove “(Class B Telephone Companies); Accounts 6211 and 6212 (Class A Telephone Companies)”;
- (b) Remove “(Class B Telephone Companies); Accounts 6231 and 6232 (Class A Telephone Companies)”;
- (c) Remove “(Class B Telephone Companies); Accounts 6311, 6341, 6351, and 6362 (Class A Telephone Companies)”;
- (d) Remove “(Class B Telephone Companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A Telephone Companies)”;
- (e) Remove “(Class B Telephone Companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A Telephone Companies)” and
- (f) Remove “(Class B Telephone Companies); Accounts 6611 and 6613 (Class A Telephone Companies)”.

47 CFR § 36.411

25. Amend § 36.411 as follows:

(a) Revise the section heading to read as follows:

§ 36.411 Operating taxes—Account 7200.

- (b) Remove “(a) This” and add, in its place, “This”; and
- (c) Remove “Provision for” and add, in its place “Provision For”.

47 CFR § 36.501

26. Amend § 36.501 as follows:

§ 36.501 [amended]

Remove “(Class B Telephone Companies); Account 3410 (Class A Telephone Companies)”.

47 CFR § 36.505

27. Amend § 36.505 as follows:

(a) Revise the section heading to read as follows:

§ 36.505 Accumulated amortization—Tangible—Account 3400

(b) Remove “(a) Amounts in these accounts” and add, in its place, “Amounts in this account”.

47 CFR §§ 36.3(a) and (b); 36.123(a)(5) and (6); 36.124(c) and (d); 36.125(h) and (i); 36.126(b)(5) and (6); 36.126(c)(4), (e)(4), and (f)(2); 36.141(c); 36.142(c); 36.152(d); 36.157(b); 36.191(d); 36.374(b); 36.375(b)(4); 36.377 introductory text and (a)(1)(ix), (2)(vii), (3)(vii), (4)(vii), (5)(vii), and (6)(vii); 36.378(b)(1); 36.379(b)(1); 36.380(d) and (e); 36.381(c); and 36.382(a)

PART 36 – [AMENDED]

28. In Part 36, revise all references to “twelve month” to read “twelve-month”.

APPENDIX B**Federal-State Joint Board on Jurisdictional Separations Recommended Decision**

The Recommended Decision can be accessed at the following links:

https://apps.fcc.gov/edocs_public/attachmatch/FCC-17J-3A1.pdf

https://apps.fcc.gov/edocs_public/attachmatch/FCC-17J-3A2.pdf

APPENDIX C

Initial Regulatory Flexibility Analysis

1. As required by the Regulatory Flexibility Act of 1980, as amended (RFA),¹ the Commission has prepared this Initial Regulatory Flexibility Analysis (IRFA) of the possible significant economic impact on small entities by the proposals in this Notice of Proposed Rulemaking (Notice). Written public comments are requested on this IRFA. Comments must be identified as responses to the IRFA and must be filed by the deadlines for comments and reply comments on the Notice provided above. The Commission will send a copy of the Notice, including this IRFA, to the Chief Counsel for Advocacy of the Small Business Administration (SBA).² In addition, the Notice and the IRFA (or summaries thereof) will be published in the Federal Register.

A. Need for, and Objectives of, the Proposed Rules

2. In the *Part 32 Reform Order*, the Commission amended its Part 32 Uniform System of Accounts (USOA) to streamline or eliminate rules that had outlived their utility.³ Recognizing that those amendments had implications for its Part 36 jurisdictional separations rules,⁴ the Commission referred to the Federal-State Joint Board on Jurisdictional Separations (Joint Board) consideration of how and when the Part 36 rules should be modified to reflect the reforms adopted in the *Part 32 Reform Order*.⁵ The Commission asked the Joint Board to consider how those reforms “impact Part 36 and consequently the rule changes necessary to ensure the jurisdictional separations rules are consistent” with changes to Part 32.⁶ The Commission also asked that the Joint Board “prepare a recommended decision . . . regarding how and when the Commission’s jurisdictional separations rules should be modified to reflect the issues in the referral.”⁷ The Joint Board released its *Recommended Decision* on October 27, 2017.⁸ In this Notice of Proposed Rulemaking (Notice), the Commission invites comment on that *Recommended Decision* and, in particular, on the proposed amendments to the Part 36 rules recommended by the Joint Board. The purpose of those proposed amendments is to ensure that the Part 36 rules are consistent with the amendments to the Part 32 rules adopted in the *Part 32 Reform Order*.

B. Legal Basis

3. The legal basis for the Notice of Proposed Rulemaking is contained in sections 1, 2, 4(i), 201-205, 215, 218, 220, and 410 of the Communications Act of 1934, as amended.⁹

¹ See 5 U.S.C. § 603. The RFA, see 5 U.S.C. §§ 601-12, has been amended by the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, Title II, 110 Stat. 857 (1996).

² See 5 U.S.C. § 603(a).

³ *Comprehensive Review of the Part 32 Uniform System of Accounts, Jurisdictional Separations and Referral to the Federal-State Joint Board*, Report and Order, 32 FCC Rcd 1735 (2017) (*Part 32 Reform Order*), *pet. for recon. pending*.

⁴ *Id.* at 1749, para. 46.

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

⁸ *Comprehensive Review of the Part 32 Uniform System of Accounts, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board*, WC Docket No. 14-130 et al., Recommended Decision, 32 FCC Rcd 8678 (Fed.-State Jt. Bd. 2017) (*Recommended Decision*).

⁹ 47 U.S.C. §§ 151, 152, 154(i), 201–205, 215, 218, 220, 410.

C. Description and Estimate of the Number of Small Entities to Which Rules May Apply

4. The RFA directs agencies to provide a description of, and, where feasible, an estimate of the number of small entities that may be affected by the proposed rules, if adopted.¹⁰ The RFA generally defines the term “small entity” as having the same meaning as the terms “small business,” “small organization,” and “small governmental jurisdiction.”¹¹ In addition, the term “small business” has the same meaning as the term “small business concern” under the Small Business Act.¹² A “small business concern” is one which: (1) is independently owned and operated; (2) is not dominant in its field of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA).¹³ Nationwide, there are a total of approximately 27.9 million small businesses, according to the SBA.¹⁴

5. **Incumbent Local Exchange Carriers.** Neither the Commission nor the SBA has developed a small business size standard specifically for providers of incumbent local exchange services. The closest applicable size standard under the SBA rules is for Wired Telecommunications Carriers.¹⁵ Under the SBA definition, a carrier is small if it has 1,500 or fewer employees.¹⁶ According to the FCC’s Telephone Trends Report data, 1,307 incumbent local exchange carriers (LECs) reported that they were engaged in the provision of local exchange services.¹⁷ Of these 1,307 carriers, an estimated 1,006 have 1,500 or fewer employees and 301 have more than 1,500 employees.¹⁸ Consequently, the Commission estimates that most incumbent LECs are small entities that may be affected by the rules and policies adopted herein.

6. We have included small incumbent LECs in this RFA analysis. As noted above, a “small business” under the RFA is one that, *inter alia*, meets the pertinent small business size standard (e.g., a telephone communications business having 1,500 or fewer employees), and “is not dominant in its field of operation.”¹⁹ The SBA’s Office of Advocacy contends that, for RFA purposes, small incumbent LECs

¹⁰ See 5 U.S.C. § 603(b)(3).

¹¹ See 5 U.S.C. § 601(6).

¹² See 5 U.S.C. § 601(3) (incorporating by reference the definition of “small business concern” in the Small Business Act, 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(s) in the Federal Register.”

¹³ See 15 U.S.C. § 632.

¹⁴ See SBA, Office of Advocacy, Frequently Asked Questions about Small Business 1 (2016), https://www.sba.gov/sites/default/files/advocacy/SB-FAQ-2016_WEB.pdf.

¹⁵ See 13 CFR § 121.201, NAICS code 513310.

¹⁶ See 13 CFR § 121.201, NAICS code 517110.

¹⁷ See Federal Communications Commission, Wireline Competition Bureau, Industry Analysis and Technology Division, *Trends in Telephone Service*, Tbl. 5.3 (Sept. 2010) (*Trends in Telephone Service*).

¹⁸ See *id.*

¹⁹ See 5 U.S.C. § 601(3).

are not dominant in their field of operation because any such dominance is not “national” in scope.²⁰ Because our proposals concerning the Part 36 rules will affect all incumbent LECs, some entities employing 1,500 or fewer employees may be affected by the proposals made in this Notice. We have therefore included small incumbent LECs in this RFA analysis, although we emphasize that this RFA action has no effect on the Commission’s analyses and determinations in other, non-RFA contexts. We note, however, that proposals in the Notice are focused on incumbent LECs with regulated annual revenues equal to or above \$157 million, a group that excludes many small incumbent LECs.

D. Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements

7. None.

E. Steps Taken to Minimize Significant Economic Impact on Small Entities, and Significant Alternatives Considered

8. The RFA requires an agency to describe any significant alternatives that it has considered in reaching its proposed approach, which may include (among others) the following four alternatives: (1) the establishment of differing compliance and reporting requirements or timetables that take into account the resources available to small entities; (2) the clarification, consolidation, or simplification of compliance or reporting requirements under the rule for small entities; (3) the use of performance, rather than design, standards; and (4) an exemption from coverage of the rule, or part thereof, for small entities.²¹

9. As discussed above, the purpose of the proposals in this Notice is to ensure that the Part 36 rules are consistent with the amendments to the Part 32 rules adopted in the *Part 32 Reform Order*. We seek comment on the effects our proposals would have on small entities, and whether any rules that we adopt should apply differently to small entities. We request commenters to consider the costs and burdens of possible rule amendments on small incumbent LECs and whether such amendments would disproportionately affect specific types of carriers or ratepayers.

10. We believe that the proposed rules would ease the administrative burden of regulatory compliance for incumbent LECs, including any small incumbent LECs those rules might affect. The *Part 32 Reform Order* reduced the number of Part 32 accounts that incumbent LECs with regulated annual revenues equal to or above \$157 million are required to keep, and the proposed amendments to Part 36 would carry forward those reductions into the jurisdictional separations process. If those amendments can be said to have any effect under the RFA, it is to reduce a regulatory compliance burden for small incumbent LECs.

F. Federal Rules that may Duplicate, Overlap, or Conflict with the Proposed Rules

11. None.

²⁰ See Letter from Jere W. Glover, Chief Counsel for Advocacy, SBA, to Chairman William E. Kennard, FCC (filed May 27, 1999). The Small Business Act contains a definition of “small business concern,” which the RFA incorporates into its own definition of “small business.” 15 U.S.C. § 632(a); 5 U.S.C. § 601(3). SBA regulations interpret “small business concern” to include the concept of dominance on a national basis. 13 CFR § 121.102(b).

²¹ See 5 U.S.C. § 603(c)(1)-(4).

**STATEMENT OF
COMMISSIONER MICHAEL O’RIELLY**

Re: *Comprehensive Review of the Part 32 Uniform System of Accounts*, WC Docket No. 14-130;
Jurisdictional Separations and Referral to the Federal-State Joint Board, CC Docket No. 80-286

Last year, when the Commission updated its Part 32 accounting rules, it tasked the Federal-State Joint Board on Jurisdictional Separations with examining and recommending “the rule changes necessary to ensure the jurisdictional separations rules are consistent” with the revisions to Part 32.¹ Thanks to the collaborative work of the Joint Board Members and the assistance of Commission staff, the Joint Board released its Recommended Decision in October, more than three months ahead of schedule.

By initiating this Notice, the Commission takes the necessary next step to act on the Joint Board’s recommendation. I hope that the Commission will conclude this proceeding promptly. The rule changes proposed in this document are ministerial in nature and they received the unanimous support of the Joint Board.

On the larger separations front, I am disappointed to note that the Joint Board is unlikely to come to a satisfactory conclusion on its referral to review and consider recommendations pertaining to longer-term reform. Having spent much time interacting with the Joint Board Members, I have come to conclude that the viewpoints are so vastly different on this complex issue that finding commonality is not going to be possible in the near term. I have notified the Chairman of such and recommended that the Commission immediately pursue a longer extension of the current freeze than what has been done in the past (i.e., 15 years). Additionally, I have discussed with the Chairman and the staff within the Wireline Competition Bureau that the Commission, exercising its own authority, consider the pending petitions to allow minor modifications to frozen category relationships, particularly in instances where the relevant states have made no objections to the petitions. Both of these actions would be consistent with the recent record on separations reform. Additionally, absent a Joint Board consensus approach, these two steps would pave the way for market forces, technological changes, and consumer preferences to ultimately resolve longer-term separations issues.

¹ *Comprehensive Review of the Part 32 Uniform System of Accounts, Jurisdictional Separations and Referral to the Federal-State Joint Board*, Report and Order, 32 FCC Rcd 1735, 1749, para. 46 (2017).