

Federal Communications Commission

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

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

RECOMMENDED DECISION

Adopted: October 26, 2017

Released: October 27, 2017

By the Federal-State Joint Board on Jurisdictional Separations:

I. INTRODUCTION

1. In this Recommended Decision, the Federal-State Joint Board on Jurisdictional Separations (Joint Board) responds to the Federal Communications Commission’s request for recommendations on the manner in which the Commission’s jurisdictional separations rules should be modified to be consistent with the Commission’s recently-adopted revisions to its Part 32 regulations.¹ The modifications we recommend, which are set forth in the Appendix,² are largely ministerial in nature, as suggested by commenters in response to the Joint Board’s April 24, 2017 public notice.³

II. BACKGROUND

2. Jurisdictional separations is the third step in a four-step regulatory process that begins with a carrier’s accounting system and ends with the establishment of tariffed rates for the incumbent local exchange carrier’s (incumbent LEC’s) interstate and intrastate regulated services. First, carriers record their costs into various accounts in accordance with the Uniform System of Accounts for Telecommunications Companies (USOA) prescribed by Part 32 of the Commission’s rules.⁴ Second, carriers divide the costs in these accounts between regulated and nonregulated activities in accordance with Part 64 of the Commission’s rules.⁵ This division ensures that the costs of nonregulated activities

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 The Appendix to this Recommended Decision reproduces Part 36 of the Commission’s rules in its entirety, with recommended modifications noted.

³ Federal-State Joint Board on Separations Seeks Comment on Referral for Recommendations of Rule Changes to Part 36 as a Result of Commission Revisions to Part 32 Account Rules, Public Notice, WC Docket No. 14-130, CC Docket No. 80-286, 32 FCC Rcd 3236 (2017). *See* NTCA-The Rural Broadband Association Comments at 12; CenturyLink Comments at 8 (recommending minimal, if any, revisions).

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

⁵ The Part 64 cost allocation rules are codified at 47 CFR §§ 64.901-904. Nonregulated activities generally consist of activities that have never been subject to regulation under Title II; activities formerly subject to Title II regulation that we have preemptively deregulated; and activities formerly subject to Title II regulation that have been deregulated at the interstate level, but not preemptively deregulated, that we decide should be classified as nonregulated activities for Title II accounting purposes. *See* 47 CFR § 32.23(a). Some regulated activities are

(continued....)

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.⁶ In certain instances, costs are further disaggregated among service categories.⁷ Finally, carriers apportion the interstate regulated costs among the interexchange services and rate elements that form the cost basis for their exchange access tariffs. For carriers subject to rate-of-return regulation, this apportionment is performed in accordance with Part 69 of the Commission's rules.⁸

3. 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 (those with regulated annual revenues equal to or above \$157 million) and Class B incumbent LECs (those with less than \$157 million in annual regulated revenues).⁹ Class A carriers were required to create and maintain substantially more accounts than smaller Class B carriers.¹⁰ In all but one case, all accounts that Class A carriers were required to keep can be grouped into sets that are represented by single accounts kept by Class B carriers – that is, such Class A accounts “roll up” into Class B accounts.¹¹

4. In the *Part 32 Reform Order*, the Commission eliminated, effective January 1, 2018,¹² the classification of carriers, so that all carriers subject to Part 32 will be required to keep only the streamlined Class B accounts and will otherwise be treated as Class B carriers for Part 32 purposes.¹³ Recognizing that “eliminating the distinctions between Class A and Class B accounts and allowing all

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treated as nonregulated activities for purposes of Part 64 cost allocation. *See Accounting Safeguards Under the Telecommunications Act of 1996*, Report and Order, CC Docket No. 96-150, 11 FCC Rcd 17539 (1996).

⁶ 47 CFR Part 36. Because some costs are directly assigned to a jurisdictionally pure service category, *i.e.*, a category used exclusively for either intrastate or interstate communications, both steps are often effectively performed simultaneously. For example, the cost of private line service that is wholly intrastate in nature is assigned directly to the intrastate jurisdiction. *See* 47 CFR § 36.154(a).

⁷ 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.

⁸ 47 CFR Part 69.

⁹ *See* 47 CFR § 32.11(b); *Wireline Competition Bureau Announces Annual Adjustment of Revenue Thresholds*, Public Notice, DA 17-1034 (WCB Oct. 19, 2017).

¹⁰ *See* 47 CFR § 32.11(c), (d). The differences in the two account structures are set forth in tables contained in sections 32.103 (balance sheet accounts), 32.2000 (telecommunications plant accounts), 32.3000 (balance sheet accounts—depreciation and amortization), 32.3999 (balance sheet accounts—liabilities and stockholders' equity), 32.4999 (revenue accounts), 32.5999 (expense accounts), and 32.6999 (other income accounts) of the Commission's rules. 47 CFR §§ 32.103, 32.2000, 32.3000, 32.3999, 32.4999, 32.5999, 32.6999.

¹¹ For example, Accounts 6211 (non-digital switching expense) and 6212 (digital electronic switching expense) are Class A-only accounts, while Account 6210 (central office switching expense) is a Class B account. *See* 47 CFR §§ 32.6211, 32.6212, 32.6210. Account 6210, however, is defined as solely representing “expenses of the type and character required of Class A companies in Accounts 6211 through 6212.” 47 CFR § 32.6210.

¹² *See 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).

¹³ *Part 32 Reform Order*, 32 FCC Rcd at 1740-42. The pending petition for reconsideration does not concern this aspect of the *Part 32 Reform Order*. *See* NCTA – The Internet & Television Association, Petition for Reconsideration, WC Docket No. 14-130, CC Docket No. 80-286 (filed June 5, 2017).

carriers to utilize the more streamlined requirements of Class B accounts has implications for the Commission’s jurisdictional separations rules pursuant to Part 36,”¹⁴ the Commission referred to the Joint Board consideration of how and when the Commission’s jurisdictional separations rules should be modified.¹⁵

III. DISCUSSION

5. As the Commission observed in the *Part 32 Reform Order*, Part 36 of the Commission’s rules is replete with references to accounts that carriers will not be required to keep after the effective date of the newly adopted Part 32 rules. The vast majority of these references to Class A accounts falls into one of two groups, which the Joint Board recommends resolving as follows:

- In many instances, references to Class A accounts for the application of Part 36 to Class A carriers are made in parallel with references to the Class B accounts into which they roll up.¹⁶ In those instances, we recommend that the Commission simply delete the references to the Class A accounts, and delete the phrase “Class B accounts” because there will no longer be a distinction between carriers.¹⁷
 - For example, section 36.321(a) includes a table listing several central office equipment expense accounts. We recommend making the following changes to the table:

Central Office Switching Expense	Account 6210 (Class B telephone companies); Accounts 6211 and 6212 (Class A telephone companies); Account 6210.
Operator Systems Expense	Account 6220.
Central Office Transmission Expense	Account 6230 (Class B telephone companies); Accounts 6231 and 6232 (Class A telephone companies); Account 6230.

- There are several other specific rules that list both Class A and Class B accounts, using identical language to refer to account balances for the current year as well as to account balances for calendar year 2000.¹⁸ Because a formerly-Class A carrier will no longer be

¹⁴ *Part 32 Reform Order*, 32 FCC Rcd at 1749, para. 46.

¹⁵ *Id.* Separately, consistent with Commission expectations, we plan to provide the Commission with our recommendations for comprehensive separations reform by the end of April 2018. *See Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Report and Order, 32 FCC Rcd 4219, 4222, para. 8 (2017); *see also Jurisdictional Separations and Referral to the Federal-State Joint Board*, CC Docket No. 80-286, Further Notice of Proposed Rulemaking, 32 FCC Rcd 2291, 2295, para. 10 (2017) (“We expect to receive the Joint Board’s recommendations for comprehensive separations reform . . . in April 2018.”).

¹⁶ For example, in describing the apportioning of central office expenses among various operations and referencing central office switching expense, section 36.321 refers to Account 6210 (central office switching expense) with respect to Class B carriers and to Accounts 6211 (non-digital switching expense) and 6212 (digital electronic switching expense) for Class A carriers. 47 CFR § 36.321.

¹⁷ *See, e.g.*, Appendix at 37-38 (recommended revised section 36.321).

¹⁸ *See, e.g.*, 47 CFR § 36.124(c). These references relate to the freeze of jurisdictional separations category relationships and, as applicable, cost allocation factors, which has been in effect since July 1, 2001. *See Jurisdictional Separations and Referral to the Federal-State Joint Board*, Report and Order, 16 FCC Rcd 11382 (2001).

required to keep Class A accounts starting January 1, 2018, we recommend that the references to current-year account balances be deleted. With regard to the references to account balances for calendar year 2000, however, we recommend maintaining the references to Class A accounts, but modifying the reference to Class A carriers so that it explicitly pertains solely to carriers that were Class A carriers for calendar year 2000.¹⁹ This will best reflect the manner in which such carriers were complying with the Commission's rules for calendar year 2000 and provide maximum clarity.

- For example, we recommend making the following changes to section 36.124(c):

Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the average balances of Accounts 2210, ~~2211, and 2212~~ to Category 2, Tandem Switching Equipment based on the relative percentage assignment of the average balances of Account 2210; (or, if Accounts 2211, 2212, were required to be maintained at the applicable time, Accounts 2211 and 2212) and 2215 to Category 2, Tandem Switching Equipment during the twelve-month period ending December 31, 2000.

6. There are a limited number of other provisions that require modification in light of the Commission's *Part 32 Reform Order*. Sections 36.501 and 36.505 make parallel references to Account 3400, a Class B Account, and Account 3410, a Class A account.²⁰ Account 3410 is the sole instance in the Commission's Part 32 rules in which a Class A account does not formally roll up into a Class B account, although the accounts are partially similar.²¹ Because Account 3410 will no longer be kept by Class A carriers, we recommend deleting the reference to the Class A account in both sections 36.501 and 36.505.

7. Further, section 36.112, concerning the apportionment among operations of general support facilities on a category-by-category basis, is the sole instance in which Part 36 procedures differ for Class A and Class B carriers.²² For both types of carriers, accounts representing general support facilities are allocated among operations using factors based on the already-determined operation allocations for the sum of a certain set of accounts.²³ While Class B carriers use a set of investment accounts, Class A carriers use a set of expense accounts which primarily, but not entirely, pertains to the same subject matter.²⁴

8. As the Commission observed in the *Part 32 Reform Order*, collapsing the classes of carriers into a single class (Class B) "ensur[es] a more uniform treatment of accounts for carriers subject to the USOA, simplifying both compliance for carriers and oversight by the Commission."²⁵ With this goal and these anticipated benefits in mind, we have identified two reasonable methods of amending

¹⁹ See, e.g., Appendix at 12-13 (recommended revised section 36.124).

²⁰ 47 CFR §§ 36.501, 36.505.

²¹ See 47 CFR §§ 32.3410, 32.3400.

²² 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. The separations rules define the term "operations" as "the general classifications of services rendered to the public for which separate tariffs are filed, namely exchange, state toll and interstate toll." 47 CFR Part 36, App.

²³ 47 CFR § 36.112.

²⁴ *Id.*

²⁵ *Part 32 Reform Order*, 32 FCC Rcd at 1741, para. 16.

section 36.112(a). The first method would require Class A carriers to use the Class B method as currently described in section 36.112(b), which would result in uniform treatment. However, this approach would impose a compliance burden on current Class A carriers because they would have to change their well-established manner of allocating general support expense, and that change could also complicate Commission oversight.

9. On the other hand, it is possible to realize many of the benefits of uniform treatment, while simplifying both compliance for carriers and oversight by the Commission by permitting Class A carriers to use the method described in section 36.112(a), but with references to Class A accounts replaced by references to the Class B accounts into which they roll up. Given the existing list of Class A accounts in section 36.112(a), this revision would have no effect on separations results.²⁶ It also would make it unnecessary for current Class A carriers to change how they allocate general support expenses, thus minimizing compliance burdens. In light of the reasonableness of both methods, we recommend providing current Class A carriers with both options for allocating general support expenses.²⁷

10. In addition to recommending the above revisions relating to the Commission's streamlining of accounts, we recommend making certain stylistic and typographical corrections to the rules contained in Part 36 as set forth in the Appendix. We recommend no other changes to Part 36 as a result of the Commission's referral in the *Part 32 Reform Order*.²⁸ For administrative simplicity, we recommend that the revisions proposed in the Appendix become effective as soon as practicable after January 1, 2018, the effective date of the *Part 32 Reform Order*.

IV. RECOMMENDATION CLAUSE

11. For the reasons discussed herein, the Federal-State Joint Board on Jurisdictional Separations, pursuant to section 410(c) of the Communications Act of 1934, as amended,²⁹ RECOMMENDS that the Commission adopt the recommendations set forth herein concerning modifications to the Commission's jurisdictional separations rules.

²⁶ There are no incomplete "sets" of Class A account references in section 36.112 – that is, whenever one of the accounts that rolls up into a particular Class B account is listed, *all other* Class A accounts that roll-up into such Class B account are also listed. Thus, the Class B account references are completely substitutable. For example, the Class A Accounts 6211 and 6212 roll up into Account 6210. 47 CFR § 32.6210. Section 36.112 lists *both* of these accounts. Thus, once formerly-Class A carriers are keeping Class B accounts, Account 6210 is completely substitutable for the no-longer applicable Class A Accounts 6211 and 6212.

²⁷ See Appendix at 6-7 (recommended revised section 36.112). Because Class A carriers will no longer be defined in Part 32 as of January 1, 2018, the effective date of the amendment to section 32.11 eliminating the definition of Class A carriers, we recommend reproducing the currently-effective definitions of Class A and Class B carriers in section 36.112, using the applicable revenue threshold for calendar year 2017. *See id.*

²⁸ Nothing in this Recommended Decision precludes a state or regulatory agency, or another party as part of a contractual requirement, from requiring a carrier to maintain the Class A accounts or otherwise maintain the USOA. *See, e.g.,* 7 CFR § 1770.11(b) (requiring certain Rural Utility Service borrowers to maintain Class A accounts); *see also Part 32 Reform Order*, 32 FCC Rcd at 1741, para. 16 & note 51.

²⁹ 47 USC § 410(c).

FEDERAL COMMUNICATIONS COMMISSION

Marlene H. Dortch
Secretary

APPENDIX

PROPOSED CHANGES TO PART 36

PART 36—JURISDICTIONAL SEPARATIONS PROCEDURES; STANDARD PROCEDURES FOR SEPARATING TELECOMMUNICATIONS PROPERTY COSTS, REVENUES, EXPENSES, TAXES AND RESERVES FOR TELECOMMUNICATIONS COMPANIES**SUBPART A—GENERAL****§ 36.1 General.**

(a) This part contains an outline of separations procedures for telecommunications companies on the station-to-station basis. These procedures are applicable either to property costs, revenues, expenses, taxes, and reserves as recorded on the books of the company or to estimated amounts.

(1) Where a value basis is used instead of book costs, the “costs” referred to are the “values” of the property derived from the valuation.

(b) The separations procedures set forth in this part are designed primarily for the allocation of property costs, revenues, expenses, taxes and reserves between state and interstate jurisdictions. For separations, where required, of the state portion between exchange and toll or for separations of individual exchanges or special services, further analyses and studies may be required to adapt the procedures to such additional separations.

(c) The fundamental basis on which separations are made is the use of telecommunications plant in each of the operations. The first step is the assignment of the cost of the plant to categories. The basis for making this assignment is the identification of the plant assignable to each category and the determination of the cost of the plant so identified. The second step is the apportionment of the cost of the plant in each category among the operations by direct assignment where possible, and all remaining costs are assigned by the application of appropriate use factors.

(d) In assigning book costs to categories, the costs used for certain plant classes are average unit costs which equate to all book costs of a particular account or subaccount; for other plant classes, the costs used are those which either directly approximate book cost levels or which are equated to match total book costs at a given location.

(e) The procedures outlined herein reflect “short-cuts” where practicable and where their application produces substantially the same separations results as would be obtained by the use of more detailed procedures, and they assume the use of records generally maintained by Telecommunications Companies.

(f) The classification to accounts of telecommunications property, revenues, expenses, etc., set forth in this manual is that prescribed by the Federal Communications Commission’s Uniform System of Accounts for Telecommunications Companies.

(g) In the assignment of property costs to categories and in the apportionment of such costs among the operations, each amount so assigned and apportioned is identified as to the account classification in which the property is included. Thus, the separated results are identified by property accounts and apportionment bases are provided for those expenses which are separated on the basis of the apportionment of property costs. Similarly, amounts

of revenues and expenses assigned each of the operations are identified as to account classification.

(h) The separations procedures described in this part are not to be interpreted as indicating what property, revenues, expenses and taxes, or what items carried in the income, reserve and retained earnings accounts, should or should not be considered in any investigation or rate proceeding.

§ 36.2 Fundamental principles underlying procedures.

(a) The following general principles underlie the procedures outlined in this part:

- (1) Separations are intended to apportion costs among categories or jurisdictions by actual use or by direct assignment.
- (2) Separations are made on the “actual use” basis, which gives consideration to relative occupancy and relative time measurements.
- (3) In the development of “actual use” measurements, measurements of use are (i) determined for telecommunications plant or for work performed by operating forces on a unit basis (e.g., conversation-minute-kilometers per message, weighted standard work seconds per call) in studies of traffic handled or work performed during a representative period for all traffic and (ii) applied to overall traffic volumes, i.e., 24-hour rather than busy-hour volumes.

(b) Underlying the procedures included in this manual for the separation of plant costs is an over-all concept which may be described as follows:

- (1) Telecommunications plant, in general, is segregable into two broad classifications, namely, (i) interexchange plant, which is plant used primarily to furnish toll services, and (ii) exchange plant, which is plant used primarily to furnish local services.
- (2) Within the interexchange classification, there are three broad types of plant, i.e., operator systems, switching plant, and trunk transmission equipment. Within the exchange classification there are four board types of plant, i.e., operator systems, switching plant, truck equipment and subscriber plant. Subscriber plant comprises lines to the subscriber.
- (3) In general, the basis for apportioning telecommunications plant used jointly for state and interstate operations are:
 - (i) Operator work time expressed in weighted standard work seconds is the basis for measuring the use of operator systems.
 - (ii) Holding-time-minutes is the basis for measuring the use of local and toll switching plant.
 - (iii) Conversation-minute-kilometers or conversation minutes is the basis for measuring the use of interexchange circuit plant and holding-time minutes is the basis for measuring the use of exchange trunk plant. While the use of holding-time-minute-kilometers is the basic fundamental allocation factor for interexchange circuit plant

and exchange trunk plant, the use of conversation-minute-kilometers or conversation-minutes for the allocation of interexchange circuit plant and holding-time minutes for the allocation of exchange trunk plant are considered practical approximations for separations between state and interstate operations when related to the broad types of plant classifications used herein.

(iv) Message telecommunications subscriber plant shall be apportioned on the basis of a Gross Allocator which assigns 25 percent to the interstate jurisdiction and 75 percent to the state jurisdiction.

(c) Property rented to affiliates, if not substantial in amount, is included as used property of the owning company with the associated revenues and expenses treated consistently: Also such property rented from affiliates is not included with the used property of the company making the separations; the rent paid is included in its expenses. If substantial in amount, the following treatment is applied:

(1) In the case of property rented to affiliates, the property and related expenses and rent revenues are excluded from the telephone operations of the owning company, and

(2) In the case of property rented from affiliates, the property and related expenses are included with, and the rent expenses are excluded from, the telephone operations of the company making the separation.

(d) Property rented to or from non-affiliates is usually to be included as used property of the owning company with the associated revenues and expenses treated consistently. In the event the amount is substantial, the property involved and the revenues and expenses associated therewith may be excluded from or included in the telecommunications operations of the company. When required, the cost of property rented to or from non-affiliates is determined using procedures that are consistent with the procedures for the allocation of costs among the operations.

(e) Costs associated with services or plant billed to another company which have once been separated under procedures consistent with general principles set forth in this part, and are thus identifiable as entirely interstate or State in nature, shall be directly assigned to the appropriate operation and jurisdiction.

§ 36.3 Freezing of jurisdictional separations category relationships and/or allocation factors.

(a) Effective July 1, 2001, through December 31, 2018, all local exchange carriers subject to part 36 rules shall apportion costs to the jurisdictions using their study area and/or exchange specific jurisdictional allocation factors calculated during the twelve-month period ending December 31, 2000, for each of the categories/sub-categories as specified herein. Direct assignment of private line service costs between jurisdictions shall be updated annually. Other direct assignment of investment, expenses, revenues or taxes between jurisdictions shall be updated annually. Local exchange carriers that invest in telecommunications plant categories during the period July 1, 2001, through December 31, 2018, for which it had no separations allocation factors for the twelve-month period ending December 31, 2000, shall apportion that investment among the jurisdictions in accordance with the separations procedures in effect as of December 31, 2000 for the duration of the freeze.

(b) Effective July 1, 2001, through December 31, 2018, local exchange carriers subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign costs from the part 32 accounts to the separations categories/sub-categories, as specified herein, based on the percentage relationships of the categorized/sub-categorized costs to their associated part 32 accounts for the twelve-month period ending December 31, 2000. If a part 32 account for separations purposes is categorized into more than one category, the percentage relationship among the categories shall be utilized as well. Local exchange carriers that invest in types of telecommunications plant during the period July 1, 2001, through December 31, 2018, for which it had no separations category investment for the twelve-month period ending December 31, 2000, shall assign such investment to separations categories in accordance with the separations procedures in effect as of December 31, 2000. Local exchange carriers not subject to price cap regulation, pursuant to § 61.41 of this chapter, may elect to be subject to the provisions of paragraph (b) of this section. Such election must be made prior to July 1, 2001. Local exchange carriers electing to become subject to paragraph (b) shall not be eligible to withdraw from such regulation for the duration of the freeze. Local exchange carriers participating in Association tariffs, pursuant to § 69.601 et seq., shall notify the Association prior to July 1, 2001, of such intent to be subject to the provisions of paragraph (b). Local exchange carriers not participating in Association tariffs shall notify the Commission prior to July 1, 2001, of such intent to be subject to the provisions of paragraph (b).

(c) Effective July 1, 2001, through December 31, 2018, any local exchange carrier that sells or otherwise transfers exchanges, or parts thereof, to another carrier's study area shall continue to utilize the factors and, if applicable, category relationships as specified in paragraphs (a) and (b) of this section.

(d) Effective July 1, 2001, through December 31, 2018, any local exchange carrier that buys or otherwise acquires exchanges or part thereof, shall calculate new, composite factors and, if applicable, category relationships based on a weighted average of both the seller's and purchaser's factors and category relationships calculated pursuant to paragraphs (a) and (b) of this section. This weighted average should be based on the number of access lines currently being served by the acquiring carrier and the number of access lines in the acquired exchanges.

(1) To compute the composite allocation factors and, if applicable, the composite category percentage relationships of the acquiring company, the acquiring carrier shall first sum its existing (pre-purchase) access lines (A) with the total access lines acquired from selling company (B). Then, multiply its factors and category relationship percentages by $(A/(A + B))$ and those of the selling company by $(B/(A + B))$ and sum the results.

(2) For carriers subject to a freeze of category relationships, the acquiring carrier should remove all categories of investment from the selling carrier's list of frozen category relationships where no such category investment exists within the sold exchange(s). The seller's remaining category relationships must then be increased proportionately to total 100 percent. Then, the adjusted seller's category relationships must be combined with those of the acquiring carrier as specified in § 36.3(d)(1) to determine the category relationships for the acquiring carrier's post-transfer study area.

(e) Any local exchange carrier study area converting from average schedule company status, as defined in § 69.605(c) of this chapter, to cost company status during the period July 1, 2001, through December 31, 2018, shall, for the first twelve months subsequent to conversion

categorize the telecommunications plant and expenses and develop separations allocation factors in accordance with the separations procedures in effect as of December 31, 2000. Effective July 1, 2001 through December 31, 2018, such companies shall utilize the separations allocation factors and account categorization subject to the requirements of paragraphs (a) and (b) of this section based on the category relationships and allocation factors for the twelve months subsequent to the conversion to cost company status.

§ 36.4 Streamlining procedures for processing petitions for waiver of study area boundaries.

Effective January 1, 2012, local exchange carriers seeking a change in study area boundaries shall be subject to the following procedure:

(a) Public Notice and Review Period. Upon determination by the Wireline Competition Bureau that a petitioner has filed a complete petition for study area waiver and that the petition is appropriate for streamlined treatment, the Wireline Competition Bureau will issue a public notice seeking comment on the petition. Unless otherwise notified by the Wireline Competition Bureau, the petitioner is permitted to alter its study area boundaries on the 60th day after the reply comment due date, but only in accordance with the boundary changes proposed in its application.

(b) Comment Cycle. Comments on petitions for waiver may be filed during the first 30 days following public notice, and reply comments may be filed during the first 45 days following public notice, unless the public notice specifies a different pleading cycle. All comments on petitions for waiver shall be filed electronically, and shall satisfy such other filing requirements as may be specified in the public notice.

SUBPART B—TELECOMMUNICATIONS PROPERTY**General****§ 36.101 SECTION ARRANGEMENT.**

(a) This subpart is arranged in sections as follows:

General

Telecommunications Plant in Service—Account 2001—36.101 and 36.102.

General Support Facilities—Account 2110—36.111 and 36.112.

Central Office Equipment—Accounts 2210, 2220, 2230—36.121 thru 36.126.

Information Origination/Termination Equipment—Account 2310—36.141 and 36.142.

Cable and Wire Facilities—Account 2410—36.151 thru 36.157.

Amortization Assets—Accounts 2680 and 2690—36.161 and 36.162.

Telecommunications Plant—Other Accounts 2002 thru 2005—36.171.

Rural Telephone Bank Stock—36.172.

Material and Supplies—Accounts 1220, and Cash Working Capital—36.181 and 36.182.

Equal Access Equipment—36.191.

§ 36.102 General.

(a) This section contains an outline of the procedures used in the assignment of Telecommunications Plant in Service—Account 2001 to categories and the apportionment of the cost assigned to each category among the operations.

(b) The treatment of rental plant is outlined in §§ 36.2(c) through 36.2(e). If the amount of such plant is substantial, the cost may be determined by using the general procedures set forth for the assignment of the various kinds of property to categories.

(c) The amount of depreciation deductible from the book cost or “value” is apportioned among the operations in proportion to the separation of the cost of the related plant accounts.

General Support Facilities**§ 36.111 General.**

(a) The costs of the general support facilities are contained in Account 2110, Land and Support Assets. This account contains land, buildings, motor vehicles, aircraft, special purpose vehicles, garage work equipment, other work equipment, furniture, office equipment and general purpose computers.

§ 36.112 Apportionment procedure.

(a) The costs of the general support facilities of ~~Class A Companies (which are defined in part 32 of the Commission's Rules)~~ 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—~~Accounts 6211 and 6212~~ Account 6210

Operators Systems Expenses—Account 6220

Central Office Transmission Expenses—~~Accounts 6231 and 6232~~ Account 6230

Information Origination/Termination Expenses—~~Accounts 6311, 6341, 6351, and 6362~~ Account 6310

Cable and Wire Facilities Expenses—~~Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441~~ Account 6410

Plant Non-Specific Expenses

Network Operations Expenses—~~Accounts 6531, 6532, 6533, 6534, and 6535~~ Account 6530

Customer Operations Expenses

Marketing—Account ~~6611 and 6613~~ 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 ~~Class B Companies (which are defined by part 32 of the Commission's Rules)~~ 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.

CENTRAL OFFICE EQUIPMENT

§ 36.121 General.

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

Central Office Switching	Account 2210.
Non-digital Switching	Account 2211.
Digital Electronic Switching	Account 2212.
Operator Systems	Account 2220.
Central Office—Transmission	Account 2230.
Radio Systems	Account 2231.
Circuit Equipment	Account 2232.

(b) Records of the cost of central office equipment are usually maintained for each study area separately by accounts. However, each account frequently includes equipment having more than one use. Also, equipment in one account frequently is associated closely with equipment in the same building in another account. Therefore, the separations procedures for central office equipment have been designed to deal with categories of plant rather than with equipment in an account.

(c) In the separation of the cost of central office equipment among the operations, the first step is the assignment of the equipment in each study area to categories. The basic method of making this assignment is the identification of the equipment assignable to each category, and the determination of the cost of the identified equipment by analysis of accounting, engineering and other records.

(1) The cost of common equipment not assigned to a specific category, e.g., common power equipment, including emergency power equipment, aisle lighting and framework, including distributing frames, is distributed among the categories in proportion to the cost of equipment, (excluding power equipment not dependent upon common power equipment) directly assigned to categories.

(i) The cost of power equipment used by one category is assigned directly to that category, e.g., 130-volt power supply provided for circuit equipment. The cost of emergency power equipment protecting only power equipment used by one category is also assigned directly to that category.

(ii) Where appropriate, a weighting factor is applied to the cost of circuit equipment in distributing the power plant costs not directly assigned, in order to reflect the generally greater power use per dollar of cost of this equipment.

(d) The second step is the apportionment of the cost of the equipment in each category among the operations through the application of appropriate use factors or by direct assignment.

§ 36.122 Categories and apportionment procedures.

(a) The following categories of central office equipment and apportionment procedures therefore are set forth in §§ 36.123 through 36.126.

Operator Systems Equipment	Category 1.
Tandem Switching Equipment	Category 2.
Local Switching Equipment	Category 3.
Circuit Equipment	Category 4.

§ 36.123 Operator systems equipment—Category 1.

(a) Operator systems equipment is contained in Account 2220. It includes all types of manual telephone switchboards except tandem switchboards and those used solely for recording of calling telephone numbers in connection with customer dialed charge traffic. It includes all face equipment, terminating relay circuits of trunk and toll line circuits, cord circuits, cable turning sections, subscriber line equipment, associated toll connecting trunk equipment, number checking facilities, ticket distributing systems, calculagraphs, chief operator and other desks, operator chairs, and other such equipment.

(1) Operator systems equipment is generally classified according to operating arrangements of which the following are typical:

- (i) Separate toll boards
- (ii) Separate local manual boards
- (iii) Combined local manual and toll boards
- (iv) Combined toll and DSA boards
- (v) Separate DSA and DSB boards
- (vi) Service observing boards
- (vii) Auxiliary service boards
- (viii) Traffic service positions

(2) If switchboards as set forth in § 36.123(a) are of the key pulsing type, the cost of the key pulsing senders, link and trunk finder equipment is included with the switchboards.

(3) DSB boards include the associated DSB dial equipment, such as link and sender equipment.

(4) Traffic service position systems include the common control and trunk equipment in addition to the associated groups of positions wherever located.

(5) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the average balance of Account 2220, Operator Systems, to the categories/subcategories, as specified in paragraph (a)(1) of this section, based on the relative percentage assignment of the average balance of Account 2220 to these categories/subcategories during the twelve-month period ending December 31, 2000.

(6) Effective July 1, 2001 through December 31, 2018, all study areas shall apportion the costs assigned to the categories/subcategories, as specified in paragraph (a)(1) of this section, among the jurisdictions using the relative use measurements for the twelve-month period ending December 31, 2000 for each of the categories/subcategories specified in paragraphs (b) through (e) of this section.

(b) The cost of the following operator systems equipment is apportioned among the operations on the basis of the relative number of weighted standard work seconds handled at the switchboards under consideration.

(1) The following types of switchboards at toll centers are generally apportioned individually:

(i) Separate toll boards. These usually include outward, through and inward positions in separate lines and associated inward toll switchboard positions in line.

(ii) Switchboards handling both local and toll, either combined or having segregated local and toll positions in the same line.

(iii) Switchboards handling both toll and DSA, either combined or having segregated toll and DSA positions in the same line.

(iv) Traffic service positions, including separately located groups of these positions when associated with a common basic control unit.

(2) The following types of switchboards at toll centers are apportioned individually, or by groups of comparable types of boards for each exchange:

(i) Separate local manual boards. This includes the local positions of manual boards where inward toll positions are in the same line.

(ii) Separate DSA boards.

(iii) Separate DSB boards.

(3) Tributary boards may be treated individually if warranted or they may be treated on a group basis.

(c) Auxiliary service boards generally handle rate and route, information, and intercept service at individual or joint positions. The cost of these boards is apportioned as follows:

(1) The cost of separate directory assistance boards is apportioned among the operations on the basis of the relative number of weighted standard work seconds

handled at the boards under consideration. Directory assistance weighted standard work seconds are apportioned among the operations on the basis of the classification of these weighted standard work seconds as follows:

(i) Directory assistance weighted standard work seconds first are classified between calls received over toll directory assistance trunks from operators or customers and all other directory assistance calls.

(ii) The directory assistance weighted standard work seconds of each type further are classified separately among the operations on the basis of an analysis of a representative sample of directory assistance calls of each type with reference to the locations of the calling and called stations for each call.

(2) The cost of separate intercept boards and automated intercept systems in the study area is apportioned among the operations on the basis of the relative number of subscriber line minutes of use.

(3) The cost of separate rate and route boards is generally included with the cost of the toll boards served and is apportioned with those boards.

(4) Where more than one auxiliary service is handled at an auxiliary board, the cost of the board is apportioned among the auxiliary services on the basis of the relative number of weighted standard work seconds for each service. The cost of that part of the board allocated to each auxiliary service is apportioned among the operations in the same manner as for a separate auxiliary board.

(d) The cost of joint exchange and toll service observing boards is first apportioned between exchange and toll use on the basis of the relative number of exchange and toll service observing units at these boards. The cost of separate toll service observing boards and the toll portion of joint service observing boards is apportioned between state and interstate operations on the basis of the relative number of toll minutes of use associated with the toll messages originating in the offices observed.

(e) Traffic Service Position System (TSPS) investments are apportioned as follows:

(1) Operator position investments are apportioned on the basis of the relative weighted standard work seconds for the entire TSPS complex.

(2) Remote trunk arrangement (RTA) investments are apportioned on the basis of the relative processor real time (i.e., actual seconds) required to process TSPS traffic originating from the end offices served by each RTA.

(3) The remaining investments at the central control location, such as the stored program control and memory, is apportioned on the basis of the relative processor real time (i.e., actual seconds) for the entire TSPS complex.

§ 36.124 Tandem switching equipment—Category 2.

(a) Tandem switching equipment is contained in Accounts 2210, ~~2211, and 2212~~. It includes all switching equipment in a tandem central office, including any associated tandem switchboard positions and any intertoll switching equipment. Intertoll switching equipment includes switching equipment used for the interconnection of message toll telephone circuits with each other or with local or tandem telephone central office trunks, intertoll dial selector equipment, or intertoll trunk equipment in No. 5 type electronic offices. Equipment, including switchboards used for recording of calling telephone numbers and other billing information in connection with customer dialed charge traffic is included with Local Switching Equipment—Category 3.

(1) At toll center toll offices, intertoll switching equipment comprises equipment in the toll office used in the interconnection of: Toll center to toll center circuits; toll center to tributary circuits; tributary to tributary circuits; toll center to tandem circuits or in the interconnection of the aforementioned types of circuits with trunks to local offices in the toll center city, i.e., interconnection with toll switching trunks, operator trunks, information trunks, testing trunks, etc. Equipment associated with the local office end of such trunks is included with local switching equipment or switchboard categories as appropriate.

(2) At tributary offices, this category includes intertoll switching equipment similar to that at toll center toll offices if it is used in the interconnection of: Tributary to tributary circuits; tributary to subtributary circuits; subtributary to subtributary circuits; toll center to subtributary circuits; or if it is used jointly in the interconnection of any of the aforementioned types of circuits and in the interconnection of such toll circuits with trunk circuits for the handling of traffic terminating in the tributary office. Where comparable equipment has no joint use but is used only for the handling of traffic terminating in the tributary office, it is included in the local switching equipment category.

(3) At all switching entities, this category includes intertoll switching equipment similar to that at toll center toll offices if it is used in the interconnection of switched private line trunks or TWX switching plant trunks when these functions are in addition to the message telephone switching function. Switching entities wholly dedicated to switching of special services are assigned to Category 3—Local Switching Equipment.

(b) The costs of central office equipment items assigned this category are to be directly assigned when possible. When direct assignment is not possible the costs shall be apportioned among the operations on the basis of the relative number of study area minutes of use of this equipment.

(c) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the average balances of Accounts 2210, ~~2211, and 2212~~ to Category 2, Tandem Switching Equipment based on the relative percentage assignment of the average balances of Accounts 2210, (or, if Accounts 2211, and 2212, were required to be maintained at the applicable time, Accounts 2211 and 2212) and 2215 to Category 2, Tandem Switching Equipment during the twelve-month period ending December 31, 2000.

(d) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion costs in Category 2, Tandem Switching Equipment, among the jurisdictions using the relative

number of study area minutes of use, as specified in paragraph (b) of this section, for the twelve-month period ending December 31, 2000. Direct assignment of any subcategory of Category 2 Tandem Switching Equipment between jurisdictions shall be updated annually.

§ 36.125 Local switching equipment—Category 3.

(a) Local switching equipment is included in ~~accounts 2210, 2211, and 2212~~. It comprises all central office switching equipment not assigned other categories. Examples of local switching equipment are basic switching train, toll connecting trunk equipment, interlocal trunks, tandem trunks, terminating senders used for toll completion, toll completing train, call reverting equipment, weather and time of day service equipment, and switching equipment at electronic analog or digital remote line locations. Equipment used for the identification, recording and timing of customer dialed charge traffic, or switched private line traffic (e.g., transmitters, recorders, call identity indexers, perforators, ticketers, detectors, mastertimes) switchboards used solely for recording of calling telephone numbers in connection with customer dialed charge traffic, or switched private line traffic (or both) is included in this local switching category. Equipment provided and used primarily for operator dialed toll or customer dialed charge traffic except such equipment included in Category 2 Tandem Switching Equipment is also included in this local switching category. This includes such items as directors, translators, sender registers, out trunk selectors and facilities for toll intercepting and digit absorption. Special services switching equipment which primarily performs the switching function for special services (e.g., switching equipment, TWX concentrators and switchboards) is also included in this local switching category.

(1) Local office, as used in § 36.125, comprises one or more local switching entities of the same equipment type (e.g., step-by-step, No. 5 Crossbar) in an individual location. A local switching entity comprises that local central office equipment of the same type which has a common intermediate distributing frame, market group or other separately identifiable switching unit serving one or more prefixes (NNX codes).

(2) A host/remote local switching complex is composed of an electronic analog or digital host office and all of its remote locations. A host/remote local switching complex is treated as one local office. The current jurisdictional definition of an exchange will apply.

(3) Dial equipment minutes of use (DEM) is defined as the minutes of holding time of the originating and terminating local switching equipment. Holding time is defined in the Glossary.

(4) The interstate allocation factor is the percentage of local switching investment apportioned to the interstate jurisdiction.

(5) The interstate DEM factor is the ratio of the interstate DEM to the total DEM. A weighted interstate DEM factor is the product of multiplying a weighting factor, as defined in paragraph (f) of this section, to the interstate DEM factor. The state DEM factor is the ratio of the state DEM to the total DEM.

(b) Beginning January 1, 1993, Category 3 investment for study areas with 50,000 or more access lines is apportioned to the interstate jurisdiction on the basis of the interstate DEM factor. Category 3 investment for study areas with 50,000 or more access lines is apportioned to the state jurisdiction on the basis of the state DEM factor.

(c)-(e) [Reserved]

(f) Beginning January 1, 1998, for study areas with fewer than 50,000 access lines, Category 3 investment is apportioned to the interstate jurisdiction by the application of an interstate allocation factor that is the lesser of either .85 or the sum of the interstate DEM factor specified in paragraph (a)(5) of this section, and the difference between the 1996 interstate DEM factor and the 1996 interstate DEM factor multiplied by a weighting factor as determined by the table below. The Category 3 investment that is not assigned to the interstate jurisdiction pursuant to this paragraph is assigned to the state jurisdiction.

Number of access lines in service in study area	Weighting factor
0-10,000	3.0
10,001-20,000	2.5
20,001-50,000	2.0
50,001-or above	1.0

(g) For purposes of this section, an access line is a line that does not include WATS access lines, special access lines or private lines.

(h) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the average balances of Accounts 2210, ~~2211, and 2212~~ to Category 3, Local Switching Equipment, based on the relative percentage assignment of the average balances of Accounts 2210, ~~(or, if Accounts 2211, and 2212 were required to be maintained at the applicable time, Accounts 2211 and 2212)~~ and 2215 to Category 3, during the twelve-month period ending December 31, 2000.

(i) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion costs in Category 3, Local Switching Equipment, among the jurisdictions using relative dial equipment minutes of use for the twelve-month period ending December 31, 2000.

(j) If the number of a study area's access lines increases such that, under paragraph (f) of this section, the weighted interstate DEM factor for 1997 or any successive year would be reduced, that lowered weighted interstate DEM factor shall be applied to the study area's 1996 unweighted interstate DEM factor to derive a new local switching support factor. If the number of a study area's access lines decreases or has decreased such that, under paragraph (f) of this section, the weighted interstate DEM factor for 2010 or any successive year would be raised, that higher weighted interstate DEM factor shall be applied to the study area's 1996 unweighted interstate DEM factor to derive a new local switching support factor.

§ 36.126 Circuit equipment—Category 4.

(a) For the purpose of this section, the term "Circuit Equipment" encompasses the Radio Systems and Circuit Equipment contained in Accounts 2230 ~~through 2232 respectively~~. It includes central office equipment, other than switching equipment and automatic message recording equipment, which is used to derive communications transmission channels or which is used for the amplification, modulation, regeneration, testing, balancing or control of signals transmitted over communications transmission channels. Examples of circuit equipment in general use include:

- (1) Carrier telephone system terminals.

- (2) Telephone repeaters, termination sets, impedance compensators, pulse link repeaters, echo suppressors and other intermediate transmission amplification and balancing equipment except that included in switchboards.
- (3) Radio transmitters, receivers, repeaters and other radio central office equipment except message switching equipment associated with radio systems.
- (4) Composite ringers, line signaling and switching pad circuits.
- (5) Concentration equipment.
- (6) Composite sets and repeating coils.
- (7) Program transmission amplifiers, monitoring devices and volume indicators.
- (8) Testboards, test desks, repair desks and patch bays, including those provided for test and control, and for transmission testing.

(b) For apportionment among the operations, the cost of circuit equipment is assigned to the following subsidiary categories:

- (1) Exchange Circuit Equipment—Category 4.1.
 - (i) Wideband Exchange Line Circuit Equipment—Category 4.11.
 - (ii) Exchange Trunk Circuit Equipment (Wideband and Non-Wideband)—Category 4.12.
 - (iii) Exchange Line Circuit Equipment Excluding Wideband—Category 4.13.
- (2) Interexchange Circuit Equipment—Category 4.2.
 - (i) Interexchange Circuit Equipment Furnished to Another Company for Interstate Use—Category 4.21.
 - (ii) Interexchange Circuit Equipment Used for Wideband Services including Satellite and Earth Station Equipment used for Wideband Service—Category 4.22.
 - (iii) All Other Interexchange Circuit Equipment—Category 4.23.
- (3) Host/Remote Message Circuit Equipment—Category 4.3.
- (4) In addition, for the purpose of identifying and separating property associated with special services, circuit equipment included in Categories 4.12 (other than wideband equipment) 4.13 and 4.23 is identified as either basic circuit equipment, i.e., equipment that performs functions necessary to provide and operate channels suitable for voice transmission (telephone grade channels), or special circuit equipment, i.e., equipment that is peculiar to special service circuits. Carrier telephone terminals and carrier telephone repeaters are examples of basic circuit equipment in general use, while audio program transmission amplifiers, bridges, monitoring devices and volume indicators are examples of

special circuit equipment in general use. Cost of exchange circuit equipment included in Categories 4.12 and 4.13 and the interexchange circuit equipment in Categories 4.21, 4.22 and 4.23 are segregated between basic circuit equipment and special circuit equipment only at those locations where amounts of interexchange and exchange special circuit equipment are significant. Where such segregation is not made, the total costs in these categories are classified as basic circuit equipment.

(5) Effective July 1, 2001, through June 30, 2014, study areas subject to price cap regulation, pursuant to § 61.41, shall assign the average balances of Accounts ~~2230 through 2232~~ to the categories/subcategories as specified in § 36.126(b)(1) through (b)(4) based on the relative percentage assignment of the average balances of Account 2230 (or, if Accounts ~~2230 through 2231~~ and 2232 were required to be maintained at the applicable time, Accounts 2231 and 2232) costs to these categories/subcategories during the twelve-month period ending December 31, 2000.

(6) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the average balances of Accounts ~~2230 through 2232~~ to the categories/subcategories as specified in paragraphs (b)(1) through (4) of this section based on the relative percentage assignment of the average balances of Account 2230 (or, if Accounts ~~2230 through 2231~~ and 2232 were required to be maintained at the applicable time, Accounts 2231 and 2232) costs to these categories/subcategories during the twelve-month period ending December 31, 2000.

(c) Apportionment of Exchange Circuit Equipment Among the Operations:

(1) Wideband Exchange Line Circuit Equipment—Category 4.11—The cost of exchange circuit equipment in this category is determined separately for each wideband facility. The respective costs are allocated to the appropriate operation in the same manner as the related exchange line cable and wire facilities described in § 36.155.

(2) Exchange Trunk Circuit Equipment (Wideband and Non-Wideband)—Category 4.12—The cost of exchange circuit equipment associated with this category for the study area is allocated to the appropriate operation in the same manner as the related exchange trunk cable and wire facilities as described in § 36.155.

(3) Exchange Line Circuit Equipment Excluding Wideband—Category 4.13—The cost of Circuit Equipment associated with exchange line plant excluding wideband for the study area is assigned to subcategories and is allocated to the appropriate operation in the same manner as the related exchange line cable and wire facilities for non-wideband service as described in § 36.154.

(4) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion costs in the categories/subcategories, as specified in paragraphs (b)(1) through (4) of this section, among the jurisdictions using the relative use measurements or factors, as specified in paragraphs (c)(1) through (3) of this section for the twelve-month period ending December 31, 2000. Direct assignment of any subcategory of Category 4.1 Exchange Circuit Equipment to the jurisdictions shall be updated annually.

(d) Apportionment of Interexchange Circuit Equipment among the Operations: Procedures to Be Used by Interexchange Carriers.

(1) Interexchange Circuit Equipment Furnished to Another Company for Interstate Use—Category 4.21—This category comprises that circuit equipment provided for the use of another company as an integral part of its interexchange circuit facilities used wholly for interstate services. This category includes such circuit equipment as telephone carrier terminals and microwave systems used wholly for interstate services. The total cost of the circuit equipment in this category for the study area is assigned to the interstate operation.

(2) Interexchange Circuit Equipment Used for Wideband Service—Category 4.22—This category includes the circuit equipment portion of interexchange channels used for wideband services. The cost of interexchange circuit equipment in this category is determined separately for each wideband channel and is segregated between message and private line services on the basis of the use of the channels provided. The respective costs are allocated to the appropriate operation in the same manner as the related interexchange cable and wire facilities as described in § 36.156.

(3) All Other Interexchange Circuit Equipment—Category 4.23—This category includes the cost of all interexchange circuit equipment not assigned to Categories 4.21 and 4.22. Interexchange carriers shall freeze the allocation factors for Category 4.23 investment at levels reached on December 31, 1985, derived by using the procedures in effect at that time. On January 1, 1988, and thereafter, that frozen allocation factor shall be applied to each interexchange carrier's Category 4.23 investment to derive the interstate allocation. On January 1, 1988, and thereafter, the amount of investment allocated to the interstate jurisdiction will vary but the relative proportion of the total investment that is allocated to the interstate jurisdiction will remain frozen at 1985 levels.

(e) Apportionment of Interexchange Circuit Equipment among the Operations: Procedures To Be Used by Exchange Carriers.

(1) Interexchange Circuit Equipment Furnished to Another Company for Interstate Use Category—4.21—This category comprises that circuit equipment provided for the use of another company as an integral part of its interexchange circuit facilities used wholly for interstate services. This category includes such circuit equipment as telephone carrier terminals and microwave systems used wholly for interstate services. The total cost of the circuit equipment in this category for the study area is assigned to the interstate operation.

(2) Interexchange Circuit Equipment Used for Wideband Service—Category 4.22—This category includes the circuit equipment portion of interexchange channels used for wideband services. The cost of interexchange circuit equipment in this category is determined separately for each wideband channel and is segregated between message and private line services on the basis of the use of the channels provided. The respective costs are allocated to the appropriate operation in the same manner as the related interexchange cable and wire facilities described in § 36.156.

(3) All Other Interexchange Circuit Equipment—Category 4.23—This category includes the cost of all interexchange circuit equipment not assigned to

Categories 4.21 and 4.22. The cost of interexchange basic circuit equipment used for the following classes of circuits is included in this category: Jointly used message circuits, i.e., message switching plant circuits carrying messages from the state and interstate operations; circuits used for state private line service; and circuits used for state private line services.

(i) An average interexchange circuit equipment cost per equivalent interexchange telephone termination for all circuits is determined and applied to the equivalent interexchange telephone termination counts of each of the following classes of circuits: Private Line, State Private Line, Message. The cost of interstate private line circuits is assigned directly to the interstate operation. The cost of state private line circuits is assigned directly to the state operation. The cost of message circuits is apportioned between the state and interstate operations on the basis of the relative number of study area conversation-minutes applicable to such facilities.

(ii) [Reserved]

(iii) The cost of special circuit equipment is segregated among private line services based on an analysis of the use of the equipment and in accordance with § 36.126(b)(4). The special circuit equipment cost assigned to private line services is directly assigned to the appropriate operations.

(4) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion costs in the categories/subcategories specified in paragraphs (e)(1) through (3) of this section among the jurisdictions using relative use measurements or factors, as specified in paragraphs (e)(1) through (3) for the twelve-month period ending December 31, 2000. Direct assignment of any subcategory of Category 4.2 Interexchange Circuit Equipment to the jurisdictions shall be updated annually.

(f) Apportionment of Host/Remote Message Circuit Equipment Among the Operations.

(1) Host/Remote Message Circuit Equipment—Category 4.3. This category includes message host/remote location circuit equipment for which a message circuit switching function is performed at the host central office associated with cable and wire facilities as described in § 36.152(c).

(i) The category 4.3 cost of host/remote circuit equipment assigned to message services for the study area is apportioned among the exchange, intrastate toll, and interstate toll operations on the basis of the assignment of host/remote message cable and wire facilities as described in § 36.157.

(ii) [Reserved]

(2) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion costs in the subcategory specified in paragraph (f)(1) of this section among the jurisdictions using the allocation factor, as specified in paragraph (f)(1)(i) of this section, for this subcategory for the twelve-month period ending

December 31, 2000. Direct assignment of any Category 4.3 Host/Remote Message Circuit Equipment to the jurisdictions shall be updated annually.

Information Origination/Termination (IOT) Equipment

§ 36.141 General.

- (a) Information Origination/Termination Equipment is maintained in Account 2310 and includes station apparatus, embedded customer premises wiring, large private branch exchanges, public telephone terminal equipment, and other terminal equipment.
- (b) The costs in Account 2310 shall be segregated between Other Information Origination/Termination Equipment—Category 1, and New Customer Premises Equipment—Category 2 by an analysis of accounting, engineering and other records.
- (c) Effective July 1, 2001, through December 31, 2018, local exchange carriers subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the average balance of Account 2310 to the categories, as specified in paragraph (b) of this section, based on the relative percentage assignment of the average balance of Account 2310 to these categories during the twelve-month period ending December 31, 2000.

§ 36.142 Categories and apportionment procedures.

- (a) Other Information Origination/Termination Equipment—Category 1. This category includes the cost of other information origination/termination equipment not assigned to Category 2. The costs of other information origination/termination equipment are allocated pursuant to the factor that is used to allocate subcategory 1.3 Exchange Line C&WF.
- (b) Customer Premises Equipment—Category 2. This category includes the cost of Customer Premises Equipment that was detariffed pursuant to the Second Computer Inquiry decision. It shall be assigned to the state operations.
- (c) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion costs in the categories, as specified in § 36.141(b), among the jurisdictions using the relative use measurements or factors, as specified in paragraph (a) of this section, for the twelve-month period ending December 31, 2000. Direct assignment of any category of Information Origination/Termination Equipment to the jurisdictions shall be updated annually.

Cable and Wire Facilities

§ 36.151 General.

- (a) Cable and Wire Facilities, Account 2410, includes the following types of communications plant in service: Poles and antenna supporting structures, aerial cable, underground cable, buried cable, submarine cable, deep sea cable, intrabuilding network cable, aerial wire and conduit systems.
- (b) For separations purposes, it is necessary to analyze the cable and wire facilities classified in subordinate records in order to determine their assignment to the categories listed in the following paragraphs.
- (c) In the separation of the cost of cable and wire facilities among the operations, the first step is the assignment of the facilities to certain categories. The basic method of making this

assignment is the identification of the facilities assignable to each category and the determination of the cost of the facilities so identified. Because of variations among companies in the character of the facilities and operating conditions, and in the accounting and engineering records maintained, the detailed methods followed, of necessity, will vary among the companies. The general principles to be followed, however, will be the same for all companies.

(d) The second step is the apportionment of the cost of the facilities in each category among the operations through the application of appropriate factors or by direct assignment.

§ 36.152 Categories of Cable and Wire Facilities (C&WF).

(a) C&WF are basically divided between exchange and interexchange. Exchange C&WF consists of the following categories:

(1) Exchange Line C&WF Excluding Wideband—Category 1—This category includes C&W facilities between local central offices and subscriber premises used for message telephone, private line, local channels, and for circuits between control terminals and radio stations providing very high frequency maritime service or urban or highway mobile service.

(2) Wideband and Exchange Trunk C&WF—Category 2—This category includes all wideband, including Exchange Line Wideband and C&WF between local central offices and Wideband facilities. It also includes C&WF between central offices or other switching points used by any common carrier for interlocal trunks wholly within an exchange or metropolitan service area, interlocal trunks with one or both terminals outside a metropolitan service area carrying some exchange traffic, toll connecting trunks, tandem trunks principally carrying exchange traffic, the exchange trunk portion of WATS access lines, the exchange trunk portion of private line local channels, and the exchange trunk portion of circuits between control terminals and radio stations providing very high frequency maritime service or urban or highway mobile service.

(3) The procedures for apportioning the cost of exchange cable and wire facilities among the operations are set forth in §§ 36.154 and 36.155.

(b) Interexchange C&WF—Category 3—This category includes the C&WF used for message toll and toll private line services. It includes cable and wire facilities carrying intertoll circuits, tributary circuits, the interexchange channel portion of special service circuits, circuits between control terminals and radio stations used for overseas or coastal harbor service, interlocal trunks between offices in the different exchange or metropolitan service areas carrying only message toll traffic and certain tandem trunks which carry principally message toll traffic.

(1) The procedures for apportioning the cost of interexchange cable and wire facilities among the operations are set forth in § 36.156.

(c) Host/Remote Message C&WF—Category 4—This category includes the cost of message host/remote location C&WF for which a message circuit switching function is performed at the host central office. It applies to C&WF between host offices and all remote locations. The procedures for apportioning the cost of these facilities among the operations are set forth in § 36.157.

(d) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the average balance of Account 2410 to the categories/subcategories, as specified in paragraph (a) through (c) of this section based on the relative percentage assignment of the average balance of Account 2410 to these categories/subcategories during the twelve-month period ending December 31, 2000.

§ 36.153 Assignment of Cable and Wire Facilities (C&WF) to categories.

(a) Cable consists of: Aerial cable, underground cable, buried cable, submarine cable, deep sea cable and intrabuilding network cable. Where an entire cable or aerial wire is assignable to one category, its cost and quantity are, where practicable, directly assigned.

(1) Cable.

(i) There are two basic methods for assigning the cost of cable to the various categories. Both of them are on the basis of conductor cross section. The methods are as follows:

(A) By section of cable, uniform as to makeup and relative use by categories. From an analysis of cable engineering and assignment records, determine in terms of equivalent gauge the number of pairs in use or reserved, for each category. The corresponding percentages of use, or reservation, are applied to the cost of the section of cable, i.e., sheath meters times unit cost per meter, to obtain the cost assignable to each category.

(B) By using equivalent pair kilometers, i.e., pair kilometers expressed in terms of equivalent gauge. From an analysis of cable engineering and assignment records, determine the equivalent pair kilometers in use for each category by type of facility, e.g., quadded, paired. The equivalent pair kilometers are then divided by a cable fill factor to obtain the equivalent pair kilometers in plant. The total equivalent pair kilometers in plant assigned to each category is summarized by type of facility, e.g., quadded and paired, and priced at appropriate average unit costs per equivalent pair kilometer in plant. If desired, this study may be made in terms of circuit kilometers rather than physical pair kilometers, with average cost and fill data consistent with the basis of the facilities kilometer count.

(ii) In the assignment of the cost of cable under the two basic methods described in § 36.153(a)(1)(i) consideration is given to the following:

(A) Method (A) described in § 36.153(a)(1)(i)(A) will probably be found more desirable where there is a relatively small amount of cable of variable make-up and use by categories. Conversely, method (B) described in § 36.153(a)(1)(i)(B) will probably be more desirable where there is a large amount of cable of variable make-

up and use by categories. However, in some cases a combination of both methods may be desirable.

(B) It will be desirable in some cases to determine the amount assignable to a particular category by deducting from the total the sum of the amounts assigned to all other categories.

(C) For use in the assignment of poles to categories, the equivalent sheath kilometers of aerial cable assigned to each category are determined. For convenience, these quantities are determined in connection with assignment of cable costs.

(D) Where an entire cable is assignable to one category, its costs and quantity are, where practicable, directly assigned.

(iii) For cables especially arranged for high-frequency transmission such as shielded, disc-insulated and coaxial, recognition is given to the additional costs which are charged to the high-frequency complement.

(2) Cable Loading.

(i) Methods for assigning the cost of loading coils, cases, etc., to categories are comparable with those used in assigning the associated cable to categories. Loading associated with cable which is directly assigned to a given category is also directly assigned. The remaining loading is assigned to categories in either of the following bases:

(A) By an analysis of the use made of the loading facilities where a loading coil case includes coils assignable to more than one category, e.g., in the case of a single gauge uniformly loaded section, the percentage used in the related cable assignment are applicable, or

(B) By pricing out each category by determining the pair meters of loaded pairs assigned to each category and multiplying by the unit cost per pair meter of loading by type.

(3) Other Cable Plant.

(i) In view of the small amounts involved, the cost of all protected terminals and gas pressure contactor terminals in the toll cable subaccounts is assigned to the appropriate Interexchange Cable & Wire Facilities categories. The cost of all other terminals in the exchange and toll cable subaccounts is assigned to Exchange Cable and Wire Facilities.

(b) Aerial Wire.

(1) The cost of wire accounted for as exchange is assigned to the appropriate Exchange Cable & Wire Facilities categories. The cost of wire accounted for as toll, which is used for exchange, is also assigned to the appropriate Exchange Cable & Wire Facilities categories. The cost of the remaining wire accounted for as toll is assigned to the appropriate Interexchange Cable & Wire Facilities categories as described in § 36.156. For companies not maintaining exchange and toll subaccounts, it is necessary to review the plant records and identify wire plant by use. The cost of wire used for providing circuits directly assignable to a category is assigned to that category. The cost of wire used for providing circuit facilities jointly used for exchange and interexchange lines is assigned to categories on the basis of the relative number of circuit kilometers involved.

(c) Poles and Antenna Supporting Structures.

(1) In the assignment of these costs, anchors, guys, crossarms, antenna supporting structure, and right-of-way are included with the poles.

(2) Poles.

(i) The cost of poles is assigned to categories based on the ratio of the cost of poles to the total cost of aerial wire and aerial cable.

(d) Conduit Systems.

(1) The cost of conduit systems is assigned to categories on the basis of the assignment of the cost of underground cable.

§ 36.154 Exchange Line Cable and Wire Facilities (C&WF)—Category 1—apportionment procedures.

(a) Exchange Line C&WF—Category 1. The first step in apportioning the cost of exchange line cable and wire facilities among the operations is the determination of an average cost per working loop. This average cost per working loop is determined by dividing the total cost of exchange line cable and wire Category 1 in the study area by the sum of the working loops described in subcategories listed below. The subcategories are:

Subcategory 1.1—State Private Lines and State WATS Lines. This subcategory shall include all private lines and WATS lines carrying exclusively state traffic as well as private lines and WATS lines carrying both state and interstate traffic if the interstate traffic on the line involved constitutes ten percent or less of the total traffic on the line.

Subcategory 1.2—Interstate private lines and interstate WATS lines. This subcategory shall include all private lines and WATS lines that carry exclusively interstate traffic as well as private lines and WATS lines carrying both state and interstate traffic if the interstate traffic on the line involved constitutes more than ten percent of the total traffic on the line.

Subcategory 1.3—Subscriber or common lines that are jointly used for local exchange service and exchange access for state and interstate interexchange services.

(b) The costs assigned to subcategories 1.1 and 1.2 shall be directly assigned to the appropriate jurisdiction.

(c) Effective January 1, 1986, 25 percent of the costs assigned to subcategory 1.3 shall be allocated to the interstate jurisdiction.

(d)-(f) [Reserved]

(g) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion Subcategory 1.3 Exchange Line C&WF among the jurisdictions as specified in paragraph (c) of this section. Direct assignment of subcategory Categories 1.1 and 1.2 Exchange Line C&WF to the jurisdictions shall be updated annually as specified in paragraph (b) of this section.

§ 36.155 Wideband and exchange trunk (C&WF)—Category 2—apportionment procedures.

(a) The cost of C&WF applicable to this category shall be directly assigned where feasible. If direct assignment is not feasible, cost shall be apportioned between the state and interstate jurisdictions on the basis of the relative number of minutes of use.

(b) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion Category 2 Wideband and exchange trunk C&WF among the jurisdictions using the relative number of minutes of use, as specified in paragraph (a) of this section, for the twelve-month period ending December 31, 2000. Direct assignment of any Category 2 equipment to the jurisdictions shall be updated annually.

§ 36.156 Interexchange Cable and Wire Facilities (C&WF)—Category 3—apportionment procedures.

(a) An average interexchange cable and wire facilities cost per equivalent interexchange telephone circuit kilometer for all circuits in Category 3 is determined and applied to the equivalent interexchange telephone circuit kilometer counts of each of the classes of circuits.

(b) The cost of C&WF applicable to this category shall be directly assigned where feasible. If direct assignment is not feasible, cost shall be apportioned between the state and interstate jurisdiction on the basis of conversation-minute kilometers as applied to toll message circuits, etc.

(c) Effective July 1, 2001, through December 31, 2018, all study areas shall directly assign Category 3 Interexchange Cable and Wire Facilities C&WF where feasible. All study areas shall apportion the non-directly assigned costs in Category 3 equipment to the jurisdictions using the relative use measurements, as specified in paragraph (b) of this section, during the twelve-month period ending December 31, 2000.

§ 36.157 Host/remote message Cable and Wire Facilities (C&WF)—Category 4—apportionment procedures.

(a) Host/Remote Message C&WF—Category 4. The cost of host/remote C&WF used for message circuits, i.e., circuits carrying only message traffic, is included in this category.

(1) The cost of host/remote message C&WF excluding WATS closed end access lines for the study area is apportioned on the basis of the relative number of study area minutes-of-use kilometers applicable to such facilities.

(2) The cost of host/remote message C&WF used for WATS closed end access for the study area is directly assigned to the appropriate jurisdiction.

(b) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion Category 4 Host/Remote message Cable and Wire Facilities C&WF among the jurisdictions using the relative number of study area minutes-of-use kilometers applicable to such facilities, as specified in paragraph (a)(1) of this section, for the twelve-month period ending December 31, 2000. Direct assignment of any Category 4 equipment to the jurisdictions shall be updated annually.

Amortizable Assets

§ 36.161 Tangible assets—Account 2680.

(a) Tangible Assets, Account 2680 includes the costs of property acquired under capital leases and the original cost of leasehold improvements.

(b) The costs of capital leases are apportioned among the operations based on similar plant owned or by analysis.

(c) The cost of leasehold improvements are apportioned among the operations in direct proportion to the costs of the related primary account.

§ 36.162 Intangible assets—Account 2690.

(a) Intangible Assets, Account 2690 includes the costs of organizing and incorporating the company, franchises, patent rights, and other intangible property having a life of more than one year.

(b) The amount included in this account is apportioned among the operations on the basis of the separation of the cost of Telecommunications Plant In Service, Account 2001, excluding the Intangible Assets, Account 2690.

Telecommunications Plant—Other

§ 36.171 Property held for future telecommunications use—Account 2002; Telecommunications plant under construction—Account 2003; and Telecommunications plant adjustment—Account 2005.

The amounts carried in Accounts 2002, 2003, and 2005 are apportioned among the operations on the basis of the apportionment of Account 2001, Telecommunications Plant in Service.

Rural Telephone Bank Stock

§ 36.172 Other noncurrent assets—Account 1410.

(a) The amounts carried in this account shall be separated into subsidiary record categories:

(1) Class B RTB Stock and

(2) All other.

(b) The amounts contained in category (2) all other of § 36.172(a)(2), shall be excluded from part 36 jurisdictional separations.

(c) The amounts contained in category (1) Class B RTB stock of § 36.172(a)(1), shall be allocated based on the relative separations of Account 2001, Telephone Plant in Service.

Material and Supplies and Cash Working Capital

§ 36.181 Material and supplies—Account 1220.

(a) The amount included in Account 1220 is apportioned among the operations on the basis of the apportionment of the cost of cable and wire facilities in service. Any amounts included in Account 1220 associated with the Customer Premises portion of Account 2310 equipment, shall be excluded from the amounts which are allocated to the interstate operation.

§ 36.182 Cash working capital.

(a) The amount for cash working capital, if not determined directly for a particular operation, is apportioned among the operations on the basis of total expenses less non-cash expense items.

Equal Access Equipment

§ 36.191 Equal access equipment.

(a) Equal access investment includes only initial incremental expenditures for hardware and other equipment related directly to the provision of equal access which would not be required to upgrade the capabilities of the office involved absent the provision of equal access. Equal access investment is limited to such expenditures for converting central offices which serve competitive interexchange carriers or where there has been a bona fide request for conversion to equal access.

(b) Equal access investment is first segregated from all other amounts in the primary accounts.

(c) The equal access investment determined in this manner is allocated between the jurisdictions on the basis of relative state and interstate equal access traffic including interstate interLATA equal access traffic, intrastate interLATA equal access traffic, and BOC interstate corridor toll traffic as well as AT&T and OCC intraLATA equal access usage. Local exchange traffic and BOC intraLATA toll traffic is excluded. In the case of independent telephone companies, intrastate toll service provided by the independent local exchange company is excluded in determining intrastate usage, but intrastate toll service provided by long distance carriers affiliated with the local exchange company is included.

(d) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion Equal Access Equipment, as specified in paragraph (a) of this section, among the jurisdictions using the relative state and interstate equal access traffic, as specified in paragraph (c) of this section, for the twelve-month period ending December 31, 2000.

SUBPART C—OPERATING REVENUES AND CERTAIN INCOME ACCOUNTS**General****§ 36.201 Section arrangement.**

(a) This subpart is arranged in sections as follows:

General	36.202
Operating Revenues	36.211
Basic local services revenue—Account 5000 (Class B telephone companies); Basic area revenue—Account 5001 (Class A telephone companies)	36.212
Network Access Revenues—Accounts 5081 thru 5083	36.213
Long Distance Message Revenue—Account 5100	36.214
Miscellaneous Revenue—Account 5200	36.215
Uncollectible Revenue—Account 5300	36.216
Certain Income Accounts:	
Other Operating Income and Expenses—Account 7100	36.221
Nonoperating Income and Expenses—Account 7300	36.222
Interest and Related Items—Account 7500	36.223
Extraordinary Items—Account 7600	36.224
Income Effect of Jurisdictional Ratemaking Differences—Account 7910	36.225

§ 36.202 General.

(a) This section sets forth procedures for the apportionment among the operations of operating revenues and certain income and expense accounts.

(b) Except for the Network Access Revenues, subsidiary record categories are maintained for all revenue accounts in accordance with the requirements of part 32. These subsidiary records identify services for the appropriate jurisdiction and will be used in conjunction with apportionment procedures stated in this manual.

Operating Revenues**§ 36.211 General.**

(a) Operating revenues are included in the following accounts:

Account title	Account No.
Basic local service revenue (Class B telephone companies)	5000
Basic Area Revenue (Class A telephone companies)	5001
Network Access Revenues:	
End User Revenue	5081
Switched Access Revenue	5082
Special Access Revenue	5083
Long Distance Message Revenue	5100
Miscellaneous Revenue	5200
Uncollectible Revenue	5300

§ 36.212 Basic local services revenue—Account 5000 ~~(Class B telephone companies)~~; Basic area revenue—Account 5001 ~~(Class A telephone companies)~~.

- (a) Local private line revenues from broadcast program transmission audio services and broadcast program transmission video services are assigned to the interstate operation.
- (b) Revenues that are attributable to the origination or termination of interstate FX or CCSA like services shall be assigned to the interstate jurisdiction.
- (c) Wideband Message Service revenues from monthly and miscellaneous charges, service connections, move and change charges, are apportioned between state and interstate operations on the basis of the relative number of minutes-of-use in the study area. Effective July 1, 2001, through December 31, 2018, all study areas shall apportion Wideband Message Service revenues among the jurisdictions using the relative number of minutes of use for the twelve-month period ending December 31, 2000.
- (d) All other revenues in this account are assigned to the exchange operation based on their subsidiary record categories or on the basis of analysis and studies.

§ 36.213 Network access services revenues.

- (a) End User Revenue—Account 5081. Revenues in this account are directly assigned on the basis of analysis and studies.
- (b) Switched Access Revenue—Account 5082. Revenues in this account are directly assigned on the basis of analysis and studies.
- (c) Special Access Revenue—Account 5083. Revenues in this account are directly assigned on the basis of analysis and studies.

§ 36.214 Long distance message revenue—Account 5100.

- (a) Wideband message service revenues from monthly and miscellaneous charges, service connections, move and change charges, are apportioned between state and interstate

operations on the basis of the relative number of minutes-of-use in the study area. Effective July 1, 2001, through December 31, 2018, all study areas shall apportion Wideband Message Service revenues among the jurisdictions using the relative number of minutes of use for the twelve-month period ending December 31, 2000.

(b) Long Distance private line service revenues from broadcast program transmission audio services and broadcast program transmission video services are assigned to the interstate operation.

(c) All other revenues in this account are directly assigned based on their subsidiary record categories or on the basis of analysis and studies.

§ 36.215 Miscellaneous revenue—Account 5200.

(a) Directory revenues are assigned to the exchange operation.

(b) Billing and collection revenues are assigned on the basis of services being provided.

(c) All other revenues are apportioned on the basis of analysis.

§ 36.216 Uncollectible revenue—Account 5300.

The amounts in this account are apportioned among the operations on the basis of analysis during a representative period of the portion of Account 1171, Allowance for doubtful accounts, related to telecommunications billing.

Certain Income Accounts

§ 36.221 Other operating income and expenses—Account 7100.

(a) Amounts relating to translation in foreign exchange differentials are assigned to the interstate operations.

(b) All other amounts are apportioned based on Telecommunications Plant in Service, Account 2001, if plant related, or on the nature of the item reflected in the account, if not plant related.

§ 36.222 Nonoperating income and expenses—Account 7300.

(a) Only allowance for funds used during construction, and charitable, social and community welfare contributions are considered in this account for separations purposes.

(b) Subsidiary record categories should be maintained for this account that include identification of amounts made to the account for (1) credits representing allowance for funds used during construction and (2) contributions for charitable, social or community welfare purposes, employee activities, membership dues and fees in service clubs, community welfare association and similar organizations.

(c) The portion reflecting allowance for funds used during construction is apportioned on the basis of the cost of Telecommunications Plant Under Construction—Account 2003. The portion reflecting costs for social and community welfare contributions and fees is apportioned on the basis of the apportionment of corporate operations expenses.

§ 36.223 Interest and related items—Account 7500.

(a) Only interest paid relating to capital leases is considered in this account for separations purposes. Subsidiary Record Categories should be maintained for this account that include details relating to interest expense on capital leases. Such interest expense is apportioned on a basis consistent with the associated capital leases in Account 2680.

§ 36.224 Extraordinary items—Account 7600.

(a) Amounts in this account of an operating nature are apportioned on a basis consistent with the nature of these items.

§ 36.225 Income effect of jurisdictional ratemaking differences—Account 7910.

(a) Amounts in this account are directly assigned to the appropriate jurisdiction.

SUBPART D—OPERATING EXPENSES AND TAXES**General****§ 36.301 Section arrangement.**

(a) This subpart is arranged in sections as follows:

General	36.301 and 36.302.
Plant Specific Operations Expenses:	
General	36.310.
Network Support/General Support Expenses—Accounts 6110 and 6120 (Class B Telephone Companies); Accounts 6112, 6113, 6114, 6121, 6122, 6123, and 6124 (Class A Telephone Companies)	36.311.
Central Office Expenses—Accounts 6210, 6220, and 6230 (Class B Telephone Companies); Accounts 6211, 6212, 6220, 6231, and 6232 (Class A Telephone Companies)	36.321
Information Origination/Termination Expenses—Account 6310 (Class B Telephone Companies); Accounts 6311, 6341, 6351, and 6362 (Class A Telephone Companies)	36.331.
Cable and Wire Facilities Expenses—Account 6410 (Class B Telephone Companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A Telephone Companies)	36.341.
Plant Nonspecific Operations Expenses:	
General	36.351.
Other Property Plant and Equipment Expenses—Account 6510 (Class B Telephone Companies); Accounts 6511 and 6512 (Class A Telephone Companies)	36.352.
Network Operations Expenses—Account 6530 (Class B Telephone Companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A Telephone Companies)	36.353.
Access Expenses—Account 6540	36.354.
Depreciation and Amortization Expenses—Account 6560	36.361.
Customer Operations Expenses:	
General	36.371.
Marketing—Account 6610 (Class B Telephone Companies); Accounts 6611 and 6613 (Class A Telephone Companies)	36.372.
Services—Account 6620	36.373.
Telephone Operator Services	36.374.
Published Directory Listing	36.375.
All Other	36.376.
Category 1—Local Bus. <u>Business</u> Office Expense	36.377.
Category 2—Customer Services (Revenue Accounting)	36.378.
Message Processing Expense	36.379.
Other Billing and Collecting Expense	36.380.
Carrier Access Charge Billing and Collecting Expense	36.381.
Category 3—All other Customer Service Expense	36.382.
Corporate Operations Expenses:	
General	36.391.
General and Administrative Expenses—Account 6720	36.392.
Operating Taxes—Account 7200 (Class B Telephone Companies); Accounts 7210, 7220, 7230, 7240, and 7250 (Class A Telephone Companies)	36.411 and 36.412.
Equal Access Expenses	36.421.

§ 36.302 General.

(a) This section sets forth procedures for the apportionment among the operations of operating expenses and operating taxes.

(b) As covered in § 36.2 (c) and (d), the treatment of expenses relating to plant furnished to and obtained from others under rental arrangements is consistent with the treatment of such plant.

(c) In accordance with requirements in part 32 § 32.5999 (f) expenses recorded in the expense accounts are segregated in the accounting process among the following subsidiary record categories as appropriate to each account:

Salaries and Wages
Benefits
Rents
Other Expenses
Clearances

(1) Subsidiary Record Categories (SRCs) for Salaries and Wages, Benefits and Other Expenses are applicable to all of the expense accounts except for:

Access Expense contained in Account 6540
Depreciation and Amortization Expenses—Account 6560

(i) SRCs for access expenses are maintained to identify interstate and state access expense and billing and collection expense for carrier's carrier.

(ii) Depreciation and Amortization Expense SRCs identify the character of the items contained in the account.

(2) SRCs for Rents and Clearance are only applicable to the Plant Specific Operating Expense accounts 6110 thru 6410.

Plant Specific Operations Expenses

§ 36.310 General.

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

Network Support Expenses	Account 6110 (Class B Telephone Companies); Accounts 6112, 6113, and 6114 (Class A Telephone Companies) <u>Account 6110</u>
General Support Expenses	Account 6120 (Class B Telephone Companies); Accounts 6121, 6122, 6123, and 6124 (Class A Telephone Companies) <u>Account 6120</u>
Central Office Switching Expenses	Account 6210 <u>Account 6210</u> (Class B Telephone Companies); Accounts 6211 and 6212 (Class A Telephone Companies)
Operator System Expenses	<u>Account 6220</u>
Central Office Transmission Expenses	Account 6230 <u>Account 6230</u> (Class B Telephone Companies); Accounts 6231 and 6232 (Class A Telephone Companies)
Information Origination/Termination Expenses	Account 6310 (Class B Telephone Companies); Accounts 6311, 6341, 6351, and 6362 (Class A Telephone Companies) <u>Account 6310</u>
Cable and Wire Facilities Expenses	Account 6410 (Class B Telephone Companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A Telephone Companies) <u>Account 6410</u>

(b) These accounts are used to record costs related to specific kinds of telecommunications plant and predominantly mirror the telecommunications plant in service detail accounts. Accordingly, these expense accounts will generally be apportioned in the same manner as the related plant accounts.

(c) Except where property obtained from or furnished to other companies is treated as owned property by the company making the separation, and the related operating rents are excluded from the separation studies as set forth in § 36.2 (c) and (d), amounts are apportioned among the operations on bases generally consistent with the treatment prescribed for similar plant costs and consistent with the relative magnitude of the items involved.

Network Support/General Support Expenses

§ 36.311 Network Support/General Support Expenses—Accounts 6110 and 6120 (Class B Telephone Companies); Accounts 6112, 6113, 6114, 6121, 6122, 6123, and 6124 (Class A Telephone Companies).

(a) Network Support Expenses are expenses associated with motor vehicles, aircraft, special purpose vehicles, garage work equipment, and other work equipment. General Support Expenses are expenses associated with land and buildings, furniture and artworks, office equipment, and general purpose computers.

(b) The expenses in these account are apportioned among the operations on the basis of the separation of account 2110, Land and Support Assets.

Central Office Expenses

§ 36.321 Central office expenses—Accounts 6210, 6220, and 6230 (Class B telephone companies); Accounts 6211, 6212, 6220, 6231, and 6232 (Class A telephone companies).

(a) The expenses related to central office equipment are summarized in the following accounts:

Central Office Switching Expense	Account 6210. Account 6210 (Class B telephone companies); Accounts 6211 and 6212 (Class A telephone companies).
Operator Systems Expense	Account 6220.
Central Office Transmission Expense	Account 6230. Account 6230 (Class B telephone companies); Accounts 6231 and 6232 (Class A telephone companies).

(b) The expense in these accounts are apportioned among the operations on the basis of the separation of the investments in central office equipment— Accounts 2210, 2220 and 2230, combined.

Information Origination/Termination Expenses

§ 36.331 Information origination/termination expenses—Account 6310 (Class B telephone companies); Accounts 6311, 6341, 6351, and 6362 (Class A telephone companies).

(a) The expenses in this account are classified as follows:

(1) Other Information Origination/Termination Equipment Expenses; Customer Premises Equipment Expenses

(2) For some companies, these classifications are available from accounting records; for others, they are obtained by means of analyses of plant, accounting or other records for a representative period.

(b) Other Information Origination/Termination Equipment Expenses include all expenses not associated with Customer Premises Equipment expenses. These expenses shall be

apportioned between state and interstate operations in accordance with the apportionment of the related investment as per § 36.142(a).

(c) Expenses related to Customer Premises Equipment shall be assigned to the state operations.

Cable and Wire Facilities Expenses

§ 36.341 Cable and wire facilities expenses—Account 6410 (Class B telephone companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A telephone companies).

(a) This account includes the expenses for poles, antenna supporting structures, aerial cable, underground cable, buried cable, submarine cable, deep sea cable, intrabuilding network cable, aerial wire, and conduit systems.

(b) The general method of separating cable and wire facilities expenses among the operations is to assign them on the basis of Account 2410—Cable and Wire Facilities.

Plant Nonspecific Operations Expenses

§ 36.351 General.

(a) Plant nonspecific operations expenses include the following accounts:

Other Property Plant and Equipment Expenses	Account 6510 (Class B telephone companies); Accounts 6511 and 6512 (Class A telephone companies); <u>Account 6510.</u>
Network Operations Expenses	Account 6530 (Class B telephone companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A telephone companies); <u>Account 6530.</u>
Access Expenses	Account 6540.
Depreciation and Amortization Expenses	Account 6560.

Plant Expenses—Other

§ 36.352 Other property plant and equipment expenses—Account 6510 (Class B telephone companies); Accounts 6511 and 6512 (Class A telephone companies).

(a) This account is used to record the expenses associated with (1) property held for future telecommunications use and (2) the provisioning of material and supplies.

(b) The expenses in this account are apportioned among the operations based on the separation of Account 2001—Telecommunications Plant in Service.

Network Operations Expenses**§ 36.353 Network operations expenses—Account 6530 (~~Class B telephone companies~~); Accounts 6531, 6532, 6533, 6534, and 6535 (~~Class A telephone companies~~).**

(a) This account includes the expenses associated with the provisions of power, network administration, testing, plant operations administration, and engineering.

(b) The expenses in this account are apportioned among the operations based on the separations of Account 2210, Central Office Switching, Account 2220 Operator Systems, Account 2230 Central Office Transmission, Account 2310, Information Origination/Termination and Account 2410, Cable and Wire Facilities, Combined.

§ 36.354 Access expenses—Account 6540.

(a) This account includes access charges paid to exchange carriers for exchange access service. These are directly assigned to the appropriate jurisdiction based on subsidiary record categories or on analysis and study.

Depreciation and Amortization Expenses**§ 36.361 Depreciation and amortization expenses—Account 6560.**

(a) This account includes the depreciation expenses for telecommunications plant in service and for property held for future telecommunications use. It also includes the amortization expense for tangible and intangible assets.

(b) Expenses recorded in this account shall be separated on the basis of the separation of the associated primary Plant Accounts or related categories.

Customer Operations Expenses**§ 36.371 General.**

Customer Operations Expenses are included in the following accounts:

Marketing	Account 6610 (Class B telephone companies); Accounts 6611 and 6613 (Class A telephone companies); Account 6610.
Services	Account 6620.

§ 36.372 Marketing—Account 6610 (~~Class B telephone companies~~); Accounts 6611 and 6613 (~~Class A telephone companies~~).

The expenses in this account are apportioned among the operations on the basis of an analysis of current billing for a representative period, excluding current billing on behalf of others and billing in connection with intercompany settlements. Effective July 1, 2001, through December 31, 2018, all study areas shall apportion expenses in this account among the jurisdictions using the analysis during the twelve-month period ending December 31, 2000.

§ 36.373 Services—Account 6620.

(a) For apportionment purposes, the expenses in this account are first segregated on the basis of an analysis of job functions into the following classifications: Telephone operator services; publishing directory listing; and all other.

(1) Expenses may be apportioned among the operations for groups of exchanges. A group of exchanges may include all exchanges in the study area.

§ 36.374 Telephone operator services.

(a) Expenses in this classification include costs incurred for operators in call completion service and number services. This includes intercept, quoting rates, directory information, time charges, and all other operator functions performed in the central office, private branch exchange, teletypewriter exchange, and at public telephone stations.

(b) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the Telephone operator expense classification based on the relative percentage assignment of the balance of Account 6620 to this classification during the twelve-month period ending December 31, 2000.

(c) Expenses in this classification are apportioned among the operations on the basis of the relative number of weighted standard work seconds as determined by analysis and study for a representative period.

(d) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion Telephone operator expenses among the jurisdictions using the relative number of weighted standard work seconds, as specified in paragraph (c) of this section, during the twelve-month period ending December 31, 2000.

§ 36.375 Published directory listing.

(a) This classification includes expenses for preparing or purchasing, compiling and disseminating directory listings.

(b) Published directory expense is assigned as follows:

(1) Classified directory expense and all expense of soliciting advertising is assigned to the exchange operation.

(2) The expense of alphabetical and street address directories and traffic information records is apportioned among the operations on the basis of the relative number of study area subscriber line minutes-of-use applicable to each operation.

(3) The expense associated with directories and traffic information records prepared for one locality and used in another locality is known as “foreign directories expense.” Such expense is assigned to the appropriate operation on the basis of the location of the point where used with respect to the locality for which the directories and records were prepared.

(4) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the classifications, as specified in paragraphs (b)(1)

through (43) of this section, based on the relative percentage assignment of the balance of Account 6620 to these classifications during the twelve-month period ending December 31, 2000.

(5) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion Published directory listing expenses using the underlying relative use measurements, as specified in paragraphs (b)(1) through (43) of this section, during the twelve-month period ending December 31, 2000. Direct assignment of any Publishing directory listing expense to the jurisdictions shall be updated annually.

§ 36.376 All other.

(a) For apportionment purposes this classification must be divided into three categories:

- (1) Category 1—Local Business Office Expense.
- (2) Category 2—Customer Services Expense.
- (3) Category 3—All Other Customer Services Expense.

§ 36.377 Category 1—Local business office expense.

(a) The expense in this category for the area under study is first segregated on the basis of an analysis of job functions into the following subcategories: End user service order processing; end user payment and collection; end user billing inquiry; interexchange carrier service order processing; interexchange carrier payment and collection; interexchange carrier billing inquiry; and coin collection and administration. Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in this paragraph (a), based on the relative percentage assignment of the balance of Account 6620 to these categories/subcategories during the twelve-month period ending December 31, 2000.

(1) End-user service order processing includes expenses related to the receipt and processing of end users' orders for service and inquiries concerning service. This subcategory does not include any service order processing expenses for services provided to the interexchange carriers. End user service order processing expenses are first segregated into the following subcategories based on the relative number of actual contacts which are weighted, if appropriate, to reflect differences in the average work time per contact: Local service order processing; presubscription; directory advertising; State private line and special access; interstate private line and special access; other State message toll including WATS; other interstate message toll including WATS.

(i) Local service order processing expense (primarily local telephone service orders) is assigned to the State jurisdiction.

(ii) Presubscription service order processing expense is assigned to the interstate jurisdiction.

(iii) Directory advertising service order processing expense is assigned to the State jurisdiction.

(iv) State private line and special access service order processing expense is assigned to the State jurisdiction.

(v) Interstate private line and special access service order processing expense is assigned to the interstate jurisdiction.

(vi) Other State message toll including WATS service order processing expense is assigned to the State jurisdiction.

(vii) Other Interstate message toll including WATS service order processing expense is assigned to the interstate jurisdiction.

(viii) [Reserved]

(ix) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the categories/subcategories, as specified in paragraphs (a)(1)(i) through (viii) of this section, based on the relative percentage assignment of the balance of Account 6620 to these categories/subcategories during the twelve-month period ending December 31, 2000. Effective July 1, 2001, through December 31, 2018, all study areas shall apportion TWX service order processing expense, as specified in paragraph (a)(1)(viii) of this section among the jurisdictions using relative billed TWX revenues for the twelve-month period ending December 31, 2000. All other subcategories of End-user service order processing expense, as specified in paragraphs (a)(1)(i) through (viii) shall be directly assigned.

(2) End user payment and collection includes expenses incurred in relation to the payment and collection of amounts billed to end users. It also includes commissions paid to payment agencies (which receive payment on customer accounts) and collection agencies. This category does not include any payment or collection expenses for services provided to interexchange carriers. End user payment and collection expenses are first segregated into the following subcategories based on relative total state and interstate billed revenues (excluding revenues billed to interexchange carriers and/or revenues deposited in coin boxes) for services for which end user payment and collection is provided: State private line and special access; interstate private line and special access; State message toll including WATS; interstate message toll including WATS, and interstate subscriber line charge; local, including directory advertising.

(i) State private line and special access payment and collection expense is assigned to the State jurisdiction.

(ii) Interstate private line and special access payment and collection expense is assigned to the interstate jurisdiction.

(iii) State message toll including WATS payment and collection expense is assigned to the State jurisdiction.

(iv) Interstate message toll including WATS and interstate subscriber line charge payment and collection expense is assigned to the interstate jurisdiction.

(v) Local, including directory advertising payment and collection expense is assigned to the State jurisdiction.

(vi) [Reserved]

(vii) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in paragraphs (a)(2)(i) through (vi) of this section, based on the relative percentage assignment of the balance of Account 6620 to these categories/subcategories during the twelve-month period ending December 31, 2000. All other subcategories of End User payment and collection expense, as specified in paragraphs (a)(2)(i) through (v) of this section, shall be directly assigned.

(3) End user billing inquiry includes expenses related to handling end users' inquiries concerning their bills. This category does not include expenses related to the inquiries of interexchange carriers concerning their bills. End user billing inquiry costs are first segregated into the following subcategories based on the relative number of actual contracts, weighted if appropriate, to reflect differences in the average work time per contact: State private line and special access; interstate private line and special access; State message toll including WATS, interstate message toll including WATS, interstate subscriber line charge; and other.

(i) State private line and special access billing inquiry expense is directly assigned to the State jurisdiction.

(ii) Interstate private line and special access billing inquiry expense is directly assigned to the interstate jurisdiction.

(iii) State message toll including WATS billing inquiry expense is directly assigned to the State jurisdiction.

(iv) Interstate message toll including WATS, and interstate subscriber line charge billing inquiry expense is directly assigned to the interstate jurisdiction.

(v) [Reserved]

(vi) Other billing inquiry expense (primarily related to local bills but also including directory advertising) is directly assigned to the State jurisdiction.

(vii) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in paragraphs (a)(3)(i) through (vi) of this

section, based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve-month period ending December 31, 2000. All other subcategories of End user billing inquiry expense, as specified in paragraphs (a)(2)(i) through (vi) shall be directly assigned.

(4) Interexchange carrier service order processing includes expenses associated with the receipt and processing of interexchange carrier orders for service and inquiries about service. Interexchange carrier service order processing expenses are assigned to the following subcategories based on the relative number of actual contacts which are weighted, if appropriate, to reflect differences in the average work time per contact: State special access and private line; interstate special access and private line; State switched access and message toll including WATS; interstate switched access and message toll including WATS; State billing and collection; and interstate billing and collection.

(i) State special access and private line service order processing expense is directly assigned to the State jurisdiction.

(ii) Interstate special access and private line service order processing expense is directly assigned to the interstate jurisdiction.

(iii) State switched access and message toll including WATS service order processing expense is directly assigned to the State jurisdiction.

(iv) Interstate switched access and message toll including WATS service order processing expense is directly assigned to the interstate jurisdiction.

(v) State billing and collection service order processing expense is directly assigned to the state jurisdiction.

(vi) Interstate billing and collection service order processing expense is directly assigned to the interstate jurisdiction.

(vii) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in paragraphs (a)(4)(i) through (vi) of this section, based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve-month period ending December 31, 2000. All subcategories of Interexchange carrier service order processing expense, as specified in paragraphs (a)(2)(i) through (vi), shall be directly assigned.

(5) Interexchange carrier payment and collection includes expenses associated with the payment and collection of interexchange carrier billings, including commissions paid to payment and collection agents. Interexchange carrier payment and collection expenses are assigned to the following subcategories based on relative total State and interstate revenues billed to the interexchange carriers: State special access and private line; interstate special access and private line; State switched access and message toll including WATS; interstate switched

access and message toll including WATS; State billing and collection; and interstate billing and collection.

(i) State special access and private line payment and collection expense is directly assigned to the State jurisdiction.

(ii) Interstate special access and private line payment and collection expense is directly assigned to the interstate jurisdiction.

(iii) State switched access and message toll including WATS payment and collection expense is directly assigned to the State jurisdiction.

(iv) Interstate switched access and message toll including WATS payment and collection expense is directly assigned to the interstate jurisdiction.

(v) State billing and collection payment and collection expense is directly assigned to the State jurisdiction.

(vi) Interstate billing and collection payment and collection expense is directly assigned to the interstate jurisdiction.

(vii) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in paragraphs (a)(5)(i) through (vi) of this section, based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve-month period ending December 31, 2000. All subcategories of Interexchange carrier payment expense, as specified in paragraphs (a)(2)(i) through (vi) shall be directly assigned.

(6) Interexchange carrier billing inquiry includes expenses related to the handling of interexchange carrier billing inquiries. Interexchange carrier billing inquiry expenses are assigned to the following subcategories based on the relative number of actual contacts, weighted if appropriate, to reflect differences in the average work time per contact: State special access and private line; interstate special access and private line; State switched access and message toll including WATS; interstate switched access and message toll including WATS; State billing and collection; and interstate billing and collection.

(i) State special access and private line billing inquiry expenses is directly assigned to the State jurisdiction.

(ii) Interstate special access and private line billing inquiry expense is directly assigned to the interstate jurisdiction.

(iii) State switched access and message toll including WATS billing inquiry expense is directly assigned to the State jurisdiction.

(iv) Interstate switched access and message toll including WATS billing inquiry expense is directly assigned to the interstate jurisdiction.

(v) State billing and collection billing inquiry expense is directly assigned to the State jurisdiction.

(vi) Interstate Billing and Collection billing inquiry expense is directly assigned to the interstate jurisdiction.

(vii) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in paragraphs (a)(6)(i) through (vi) of this section, based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve-month period ending December 31, 2000. All subcategories of Interexchange carrier billing inquiry expense, as specified in paragraphs (a)(2)(i) through (vi), shall be directly assigned.

(7) [Reserved]

§ 36.378 Category 2—Customer services (revenue accounting).

(a) The Revenue Accounting proportion of Account 6620 expenses comprise the salaries and other expenses in Account 6620 directly assignable or allocable to the billing of customers and the accounting for revenues, including the supervision of such work.

(b) Revenue Accounting expenses for the study area are separated on the basis of a Job Function analysis into three main classifications: Message processing expense, other billing and collecting expense, and carrier access charge billing and collecting expense.

(1) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the classifications, as specified in paragraph (b) of this section, based on the relative percentage assignment of the balance of Account 6620 to those classifications during the twelve-month period ending December 31, 2000.

(2) [Reserved]

(c) The term “ticket” denotes either a ticket prepared manually by an operator or the mechanized equivalent of such a ticket processed by the revenue accounting office.

§ 36.379 Message processing expense.

(a) This classification includes the salary and machine expense of data processing equipment, including supervision, general accounting administrative and miscellaneous expense associated with the processing of individual toll tickets and local message tickets.

(b) The expense assigned to this classification is divided into the subcategories Toll Ticket Processing Expense and Local Message Processing Expense on the basis of the relative number of messages. Toll Ticket Processing Expense is allocated between the State and

interstate jurisdiction on the basis of the relative number of toll messages. Local Message Processing Expense is assigned to the exchange operation.

(1) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in this paragraph (b), based on the relative percentage assignment of the balance of Account 6620 to those subcategories during the twelve-month period ending December 31, 2000.

(2) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion Toll Ticketing Processing Expense among the jurisdictions using the relative number of toll messages for the twelve-month period ending December 31, 2000. Local Message Process Expense is assigned to the state jurisdiction.

§ 36.380 Other billing and collecting expense.

(a) This classification includes the salary expense, including supervision, general accounting administrative, and miscellaneous expense, associated with the preparation of customer bills other than carrier access charge bills and with other revenue accounting functions not covered in § 36.379. Included in this classification are the expenses incurred in the preparation of monthly bills, initial and final bills, the application of service orders to billing records (establishing, changing, or discontinuing customers' accounts), station statistical work, controlling record work and the preparation of revenue reports.

(b) Local exchange carriers that bill or collect from end users on behalf of interexchange carriers shall allocate one third of the expenses assigned this classification to the interstate jurisdiction, and two thirds of the expenses assigned this classification to the state jurisdiction.

(c) Local exchange carriers that do not bill or collect from end users on behalf of interexchange carriers shall allocate five percent of the expenses assigned this classification to the interstate jurisdiction, and ninety-five percent of the expenses assigned this classification to the state jurisdiction.

(d) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the Other billing and collecting expense classification based on the relative percentage assignment of the balance of Account 6620 to those subcategory during the twelve-month period ending December 31, 2000.

(e) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion Other billing and collecting expense among the jurisdictions using the allocation factor utilized, pursuant to paragraph (b) or (c) of this section, for the twelve-month period ending December 31, 2000.

§ 36.381 Carrier access charge billing and collecting expense.

(a) This classification includes the revenue accounting functions associated with the billing and collecting of access charges to interexchange carriers.

(b) Of access charges other than end user common line access charges are assessed for the origination or termination of intrastate services in a particular state, one-half of such expense

shall be apportioned to interstate operations. If no such access charges are assessed in a particular state, all such expense shall be assigned to interstate operations.

(c) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to the Carrier access charge billing and collecting expense classification based on the relative percentage assignment of the balance of Account 6620 to that classification during the twelve-month period ending December 31, 2000.

(d) Effective July 1, 2001, through December 31, 2018, all study areas shall apportion Carrier access charge billing and collecting expense among the jurisdictions using the allocation factor, pursuant to paragraph (b) of this section, for the twelve-month period ending December 31, 2000.

§ 36.382 Category 3—All other customer services expense.

(a) Effective July 1, 2001, through December 31, 2018, study areas subject to price cap regulation, pursuant to § 61.41 of this chapter, shall assign the balance of Account 6620-Services to this category based on the relative percentage assignment of the balance of Account 6620 to this category during the twelve-month period ending December 31, 2000.

(b) Category 3 is apportioned on the basis of Categories 1 and 2.

Corporate Operations Expense

§ 36.391 General.

Corporate Operations Expenses are included in the following account:

General and Administrative	Account 6720.
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§ 36.392 General and administrative—Account 6720.

(a) These expenses are divided into two categories:

- (1) Extended Area Services (EAS).
- (2) All other.

(b) Extended Area Services (EAS) settlements are directly assigned to the exchange operation.

(c) The expenses in this account are apportioned among the operations on the basis of the separation of the cost of the combined Big Three Expenses which include the following accounts:

Plant Specific Expenses

Central Office Switching Expenses—Account 6210 (~~Class B Telephone Companies~~); Accounts 6211 and 6212 (~~Class A Telephone Companies~~)

Operators Systems Expenses—Account 6220

Central Office Transmission Expenses—Account 6230 ~~(Class B Telephone Companies); Accounts 6231 and 6232 (Class A Telephone Companies)~~
 Information Origination/Termination Expenses—Account 6310 ~~(Class B Telephone Companies); Accounts 6311, 6341, 6351, and 6362 (Class A Telephone Companies)~~
 Cable and Wire Facilities Expense—Account 6410 ~~(Class B Telephone Companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A Telephone Companies)~~

Plant Non-Specific Expenses

Network Operations Expenses—Account 6530 ~~(Class B Telephone Companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A Telephone Companies)~~

Customer Operations Expenses

Marketing—Account 6610 ~~(Class B Telephone Companies); Accounts 6611 and 6613 (Class A Telephone Companies)~~
 Services—Account 6620

Operating Taxes

§ 36.411 Operating taxes—Account 7200 ~~(Class B Telephone Companies); Accounts 7210, 7220, 7230, 7240, and 7250 (Class A Telephone Companies).~~

(a) This account includes the taxes arising from the operations of the company, i.e.,

Operating Investment Tax Credits
 Operating Federal Income Taxes
 Operating State and Local Income Taxes
 Operating Other Taxes
 Provision ~~F~~for Deferred Operating Income Taxes

§ 36.412 Apportionment procedures.

(a) For apportionment purposes, the expenses in this account are segregated into two groups as follows: (1) Operating Federal, State and local income taxes and (2) all other operating taxes.

(b) Operating Federal, State and local income taxes are apportioned among the operations on the basis of the approximate net taxable income (positive or negative) applicable to each of the operations. The approximate net taxable income from each of the operations is the summation of the following amounts apportioned to each operation by means of the procedures set forth in this Manual:

- (1) Operating revenues,
- (2) Less operating expenses,

(3) Less operating taxes except the net income tax being apportioned and except any other tax not treated as a deductible item in the determination of taxable net income for this purpose.

(4) Less operating fixed charges.

(i) The amount of fixed charges attributable to the operations is obtained by subtracting the tax component (positive or negative) attributable to other than the operating fixed charges, i.e., fixed charges on non-operating investments are that proportion of total fixed charges which non-operating net investments are of total operating and non-operating net investments.

(ii) Operating fixed charges including interest on Rural Telephone Bank Stock are apportioned among the operations on the basis of the separation of the cost of telephone plant less appropriate reserves.

(c) Other operating taxes should be directly assigned to the appropriate jurisdiction where possible, e.g., Local Gross Receipts may be directly identified as applicable to one jurisdiction. Where direct assignment is not feasible, these expenses should be apportioned among the operations on the basis of the separation of the cost of Telecommunications Plant in Service—Account 2001.

Equal Access Expenses

§ 36.421 Equal access expenses.

(a) Equal access expenses include only initial incremental pre-subscription costs and other initial incremental expenditures related directly to the provision of equal access, that would not be required to upgrade the capabilities of the office involved absent the provision of equal access. Equal access expenses are limited to such expenditures for converting central offices that serve competitive interexchange carriers or where there has been a bona fide request for conversion to equal access.

(b) Equal access expenses are apportioned between the jurisdictions by first segregating them from all other expenses in the primary accounts and then allocating them on the same basis as equal access investment.

Subpart E—Reserves and Deferrals**§ 36.501 General.**

For separations purposes, reserves and deferrals include the following accounts:

Other Jurisdictional Assets—Net	Account 1500.
Accumulated Depreciation	Account 3100.
Accumulated Depreciation—Property Held for Future Telecommunications Use	Account 3200.
Accumulated Amortization—Capital Leases	Account 3400 (Class B Telephone Companies); Account 3410 (Class A Telephone Companies); <u>Account 3400.</u>
Net Current Deferred Operating Income Taxes	Account 4100.
Net Noncurrent Deferred Operating Income Taxes	Account 4340.
Other Jurisdictional Liabilities and Deferred Credits—Net	Account 4370.

§ 36.502 Other jurisdictional assets—Net—Account 1500.

(a) Amounts in this account are separated based upon analysis of the specific items involved.

§ 36.503 Accumulated depreciation—Account 3100.

(a) Amounts recorded in this account shall be separated on the basis of the separation of the associated primary Plant Accounts or related categories, excluding amortizable assets.

§ 36.504 Accumulated depreciation—Property held for future telecommunications use—Account 3200.

(a) Amounts in this account are apportioned among the operations on the basis of the separation of the costs of the related items carried in Account 2002—Property Held for Future Telecommunications Use.

§ 36.505 Accumulated amortization—Tangible—Account 3400 ~~(Class B Telephone Companies); Accumulated amortization—Capital Leases—Account 3410 (Class A Telephone Companies);~~

(a) Amounts in ~~these accounts are~~ this account is apportioned among the operations on the basis of the separation of the related accounts.

§ 36.506 Net current deferred operating income taxes—Account 4100, Net noncurrent deferred operating income taxes—Account 4340.

(a) Amounts in these accounts are maintained by plant account and are apportioned among the operations on the basis of the separations of the related plant accounts.

§ 36.507 Other jurisdictional liabilities and deferred credits—Net—Account 4370.

(a) Amounts in this account are separated based upon an analysis of the specific items involved.

PT. 36, APP.**Appendix to Part 36—Glossary**

The descriptions of terms in this glossary are broad and have been prepared to assist in understanding the use of such terms in the separation procedures. Terms which are defined in the text of this part are not included in this glossary.

Access Line

A communications facility extending from a customer's premises to a serving central office comprising a subscriber line and, if necessary, a trunk facility, e.g., a WATS access line.

Book Cost

The cost of property as recorded on the books of a company.

Cable Fill Factor

The ratio of cable conductor or cable pair kilometers in use to total cable conductor or cable pair kilometers available in the plant, e.g., the ratio of revenue producing cable pair kilometers in use to total cable pair kilometers in plant.

Category

A grouping 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.

Central Office

A switching unit, in a telephone system which provides service to the general public, having the necessary equipment and operations arrangements for terminating and interconnecting subscriber lines and trunks or trunks only. There may be more than one central office in a building.

Channel

An electrical path suitable for the transmission of communications between two or more points, ordinarily between two or more stations or between channel terminations in Telecommunication Company central offices. A channel may be furnished by wire, fiberoptics, radio or a combination thereof.

Circuit

A fully operative communications path established in the normal circuit layout and currently used for message, WATS access, or private line services.

Circuit Kilometers

The route kilometers or revenue producing circuits in service, determined by measuring the length in terms of kilometers, of the actual path followed by the transmission medium.

Common Channel Network Signaling

Channels between switching offices used to transmit signaling information independent of the subscribers' communication paths or transmission channels.

Complement (of cable)

A group of conductors of the same general type (e.g., quadded, paired) within a single cable sheath.

Complex

All groups of operator positions, wherever located, associated with the same call distribution and/or stored program control unit.

Concentration Equipment

Central office equipment whose function is to concentrate traffic from subscriber lines onto a lesser number of circuits between the remotely located concentration equipment and the serving central office concentration equipment. This concentration equipment is connected to the serving central office line equipment.

Connection—Minute

The product of (a) the number of messages and, (b) the average minutes of connection per message.

Conversation—Minute

The product of (a) the number of messages and, (b) the average minutes of conversation per message.

Conversation—Minute—Kilometers

The product of (a) the number of messages, (b) the average minutes of conversation per message and (c) the average route kilometers of circuits involved.

Cost

The cost of property owned by the Telephone Company whose property is to be apportioned among the operations. This term applies either to property costs recorded on the books of the company or property costs determined by other evaluation methods.

Current Billing

The combined amount of charges billed, excluding arrears.

Customer Dialed Charge Traffic

Traffic which is both (a) handled to completion through pulses generated by the customer and (b) for which either a message unit charge, bulk charge or message toll charge is except for that traffic recorded by means of message registers.

Customer Premises Equipment

Items of telecommunications terminal equipment in Accounts 2310 referred to as CPE in § 64.702 of the Federal Communication Commission's Rules adopted in the Second Computer Inquiry such as telephone instruments, data sets, dialers and other supplemental equipment, and PBX's which are provided by common carriers and located on customer premises and inventory included in these accounts to be used for such purposes. Excluded from this classification are similar items of equipment located on telephone company premises and used by the company in the normal course of business as well as over voltage protection equipment, customer premises wiring, coin operated public or pay telephones, multiplexing equipment to deliver multiple channels to the customer, mobile radio equipment and transmit earth stations.

Customer Premises Wire

The segment of wiring from the customer's side of the protector to the customer premises equipment.

DSA Board

A local dial office switchboard at which are handled assistance calls, intercepted calls and calls from miscellaneous lines and trunks. It may also be employed for handling certain toll calls.

DSB Board

A switchboard of a dial system for completing incoming calls received from manual offices.

Data Processing Equipment

Office equipment such as that using punched cards, punched tape, magnetic or other comparable storage media as an operating vehicle for recording and processing information. Includes machines for transcribing raw data into punched cards, etc., but does not include such items as key-operated, manually or electrically driven adding, calculating, bookkeeping or billing machines, typewriters or similar equipment.

Dial Switching Equipment

Switching equipment actuated by electrical impulses generated by a dial or key pulsing arrangement.

Equal Access Costs

Include only initial incremental presubscription costs and initial incremental expenditures for hardware and software related directly to the provision of equal access which would not be required to upgrade the switching capabilities of the office involved absent the provisions of equal access.

Equivalent Gauge

A standard cross section of cable conductors for use in equating the metallic content of cable conductors of all gauge to a common base.

Equivalent Kilometers of 104 Wire

The basic units employed in the allocation of pole lines costs for determining the relative use made of poles by aerial cables and by aerial wire conductors of various sizes. This unit reflects the relative loads of such cable and wire carried on poles.

Equivalent Pair Kilometers

The product of sheath Kilometers and the number of equivalent gauge pairs of conductors in a cable.

Equivalent Sheath Kilometers

The product of (a) the length of a section of cable in kilometers (sheath kilometers) and (b) the ratio of the metallic content applicable to a particular group of conductors in the cable (e.g., conductors assigned to a category) to the metallic content of all conductors in the cable.

Exchange Transmission Plant

This is a combination of (a) exchange cable and wire facilities (b) exchange central office circuit equipment, including associated land and buildings and (c) information origination/termination equipment which forms a complete channel.

Holding Time

The time in which an item of telephone plant is in actual use either by a customer or an operator. For example, on a completed telephone call, holding time includes conversation time as well as other time in use. At local dial offices any measured minutes which result from other than customer attempts to place calls (as evidenced by the dialing of at least one digit) are not treated as holding time.

Host Central Office

An electronic analog or digital base switching unit containing the central call processing functions which service the host office and its remote locations.

Information Origination/Termination Equipment

Equipment used to input into or receive output from the telecommunications network.

Interexchange Channel

A circuit which is included in the interexchange transmission equipment.

Interexchange Transmission Equipment

The combination of (a) interexchange cable and wire facilities, (b) interexchange circuit equipment and, (c) associated land and buildings.

Interlocal Trunk

A circuit between two local central office units, either manual or dial. Interlocal trunks may be used for either exchange or toll traffic or both.

Intertoll Circuits

Circuits between toll centers and circuits between a toll center and a tandem system in a different toll center area.

Local Channel

The portion of a private line circuit which is included in the exchange transmission plant. However, common usage of this term usually excludes information origination/termination equipment.

Local Office

A central office serving primarily as a place of termination for subscriber lines and for providing telephone service to the subscribers on these lines.

Loop

A pair of wires, or its equivalent, between a customer's station and the central office from which the station is served.

Message

A completed call, i.e., a communication in which a conversation or exchange of information took place between the calling and called parties.

Message Service or Message Toll Service

Switched service furnished to the general public (as distinguished from private line service). Except as otherwise provided, this includes exchange switched services and all switched services provided by interexchange carriers and completed by a local telephone company's access services, e.g., MTS, WATS, Execunet, open-end FX and CCSA/ONALs.

Message Units

Unit of measurement used for charging for measured message telephone exchange traffic within a specified area.

Metropolitan Service Area

The area around and including a relatively large city and in which substantially all of the message telephone traffic between the city and the suburban points within the area is classified as exchange in one or both directions.

Minutes-of-Use

A unit of measurement expressed as either holding time or conversation time.

Minutes-of-Use-Kilometers

The product of (a) the number of minutes-of-use and (b) the average route kilometers of circuits involved.

Multi-Center Exchange

An exchange area in which are located two or more local central office buildings or wire centers.

Operations

The term denoting the general classifications of services rendered to the public for which separate tariffs are filed, namely exchange, state toll and interstate toll.

Operator Trunks

A general term, ordinarily applied to trunks between manually operated switchboard positions and local dial central offices in the same wire center.

Private Line Service

A service for communications between specified locations for a continuous period or for regularly recurring periods at stated hours.

Remote Access Line

An access line (e.g., for WATS service) between a subscriber's premises in one toll rate center and a serving central office located in a different toll rate center.

Remote Line Location

A remotely located subscriber line access unit which is normally dependent upon the central processor of the host office for call processing functions.

Remote Trunk Arrangement (RTA)

Arrangement that permits the extension of TSPS functions to remote locations.

Reservation

That amount or quantity of property kept or set apart for a specific use.

Reserved

Kept or set apart for a specific use.

Separations

The process by which telecommunication property costs, revenues, expenses, taxes and reserves are apportioned among the operations.

Service Observing Unit

A unit of work measurement which is used as the common denominator to express the relative time required for handling the various work functions at service observing boards.

Sheath Kilometers

The actual length of cable in route kilometers.

Special Services

All services other than message telephones, e.g., private line services.

Station-to-Station Basis

The term applied to the basis of toll rate making which contemplates that the message toll service charge (telephone) covers the use made of all facilities between the originating station and the terminating station, including the stations, and the services rendered in connection therewith.

Study Area

Study area boundaries shall be frozen as they are on November 15, 1984.

Subscriber Line or Exchange Line

A communication channel between a telephone station or PBX station and the central office which serves it.

Subtributary Office

A class of tributary office which does not have direct access to its toll center, but which is connected to its toll center office by means of circuits which are switched through to the toll center at another tributary office.

Tandem Area

The general areas served by the local offices having direct trunks to or from the tandem office. This area may consist of one or more communities or may include only a portion of a relatively large city.

Tandem Circuit or Trunk

A general classification of circuits or trunks between a tandem central office unit and any other central office or switchboard.

Tandem Connection

A call switched at a tandem office.

Tandem Office

A central office unit used primarily as an intermediate switching point for traffic between local central offices within the tandem area. Where qualified by a modifying expression, or other explanation, this term may be applied to an office employed for both the interconnection of local central offices within the tandem area and for the interconnection of these local offices with other central offices, e.g., long haul tandem office.

Toll Center

An office (or group of offices) within a city which generally handles the originating and incoming toll traffic for that city to or from other toll center areas and which handles through switched traffic. The toll center normally handles the inward toll traffic for its tributary exchanges and, in general, either handles the outward traffic originating at its tributaries or serves as the outlet to interexchange circuits for outward traffic ticketed and timed at its tributaries. Toll centers are listed as such in the Toll Rate and Route Guide.

Toll Center Area

The areas served by a toll center, including the toll center city and the communities served by tributaries of the toll center.

Toll Center Toll Office

A toll office (as contrasted to a local office) in a toll center city.

Toll Circuit

A general term applied to interexchange trunks used primarily for toll traffic.

Toll Connecting Trunk

A general classification of trunks carrying toll traffic and ordinarily extending between a local office and a toll office, except trunks classified as tributary circuits. Examples of toll connecting trunks include toll switching trunks, recording trunks and recording-completing trunks.

Toll Office

A central office used primarily for supervising and switching toll traffic.

Traffic Over First Routes

A term applied to the routing of traffic and denoting routing via principal route for traffic between any two points as distinguished from alternate routes for such traffic.

Operator System

A stored program electronic system associated with one or more toll switching systems which provides centralized traffic service position functions for several local offices at one location.

Tributary Circuit

A circuit between a tributary office and a toll switchboard or intertoll dialing equipment in a toll center city.

Tributary Office

A local office which is located outside the exchange in which a toll center is located, which has a different rate center from its toll center and which usually tickets and times only a part of its originating toll traffic, but which may ticket or time all or none, of such traffic. The toll center handles all outward traffic not ticketed and timed at the tributary and normally switches all inward toll traffic from outside the tributary's toll center to the tributary. Tributary offices are indicated as such in the Toll Rate and Route Guide.

Trunks

Circuit between switchboards or other switching equipment, as distinguished from circuits which extend between central office switching equipment and information origination/termination equipment.

TSPS Complex

All groups of operator positions, wherever located, associated with the same TSPS stored program control units.

Weighted Standard Work Second

A measurement of traffic operating work which is used to express the relative time required to handle the various kinds of calls or work functions, and which is weighted to reflect appropriate degrees of waiting to serve time.

Wide Area Telephone Service WATS

A toll service offering for customer dial type telecommunications between a given customer station and stations within specified geographic rate areas employing a single access line between the customer location and the serving

central office. Each access line may be arranged for either outward (OUT-WATS) or inward (IN-WATS) service or both.

Wideband Channel

A communication channel of a bandwidth equivalent to twelve or more voice grade channels.

Working Loop

A revenue producing pair of wires, or its equivalent, between a customer's station and the central office from which the station is served.