

In the matter of Automated Reporting Requirements for certain Class A and Tier 1 Telephone Companies (Parts 31, 43, 67 and 69 of the FCC's Rules)

CC DOCKET NO. 86-182

Notice of Proposed Rulemaking

Adopted: May 1, 1986; Released: May 7, 1986

By the Commission:

I. Introduction and Background

1. In this proceeding we propose to adopt changes in our rules which are needed to implement an automated reporting system for local exchange carriers (LEC) financial and operating data. An automated system would enhance this Commission's ability to monitor the industry and to take effective actions, especially those aimed at creating an unregulated, competitive environment for telecommunications. In addition, an automated system would enable us to monitor the results of our actions on the industry and, thus, to take corrective actions when necessary. We believe that timely information and action is essential in the current period of rapid change. Finally, an automated system would enhance our ability to provide service to the public in the most efficient and expeditious manner by (1) providing a convenient way for the carriers to supply the data and (2) providing a most effective way for us to assimilate and analyze the data.

2. In order to accomplish these goals, we propose to modify Parts 1.785 and 43.21 of this Commission's Rules and Regulations (Rules) to require local exchange carriers to make annual filings of detailed cost and operating data on computer readable media. Specifically: (1) all Tier 1 local exchange carriers (FN1) would provide the results of the Uniform System of Accounts (USOA), Part 67 (jurisdictional separations), and Part 69 (access charges); and (2) all other Class A local exchange carriers with annual revenues in excess of \$50 million would provide only the results of the USOA. (FN2)

3. Parts 43.31 and 43.21 of the Commission's Rules already require subject LECs to file monthly 901 reports and the annual Form M statements showing various financial results. In addition, certain of the LECs, i.e., the Bell Operating Companies, customarily provide monthly reports that show the results when certain accounts are apportioned between the interstate and intrastate jurisdictions by the separations process. These reports also include statistical data regarding carrier operations. Other types of revenue and cost data are provided in conjunction with tariff filings, depreciation rate reviews, and upon specific request by this Commission. This data is not sufficient for our purposes, however, because it does not contain enough

detail, especially with regard to the jurisdictional separations process, and is not easily assembled or efficiently analyzed with computer techniques.

4. We recognized the shortcomings of the current data submissions in our proceeding to revise the USOA. (FN3) As part of that proceeding, this Commission authorized the establishment of the Telecommunications Industry Advisory Group (TIAG) to assist in the design of the revised USOA and to develop financial reporting requirements. (FN4) TIAG established the Automated Regulatory Information Reporting System Subcommittee (ARIRSS) to address financial reporting requirements. (FN5) After a thorough analysis of these matters ARIRSS submitted a report on December 7, 1984. (FN6) We have reviewed this report and have considered the issues discussed therein in formulating the proposal below.

II. Discussion

A. Need for Revision of Reporting Requirements

5. Part 31 data is currently reported to this Commission on the Form M, but in a non-mechanized format. Although carriers allocate costs between jurisdictions according to Part 67 of our Rules and allocate interstate costs between access charge categories according to Part 69, these data are not routinely reported to this Commission.

6. Without routine automated reporting of the above data, this Commission may not be able to adequately monitor carriers and, thus, perform our regulatory functions. It is extremely important that this Commission have timely access to cost data in a readily usable format, so as to be able to manage the transition to competition with as few disruptions as possible. The automated data reporting system would enable us to fulfill these objectives.

7. Our principal objective in revising the reporting requirements is to ensure that we have the information that this Commission needs to carry out our statutory responsibilities. We need financial and operational data to evaluate and monitor revenue requirements, rates of return, and to formulate policies. Financial and operational data are also required for administering the separations process, to implement our access charge policies, and to provide a basis for auditing and other oversight functions.

8. A further objective in revising the reporting requirements is to minimize the costs that the LECs will incur while providing data. We believe that this would be accomplished by relying, to the greatest degree possible, on data already contained in the existing financial and operational data systems maintained by the carriers.

B. USOA data

9. The data submissions we propose flow directly from our accounting rules. Class A carriers keep their books of account in accordance with the USOA.

USOA data is required to evaluate costs and earnings and depreciation rates, and is vital to our review of the industry and our formulation of deregulatory policies.

10. The carriers generally develop and use the USOA for various regulatory requirements on a study area basis. Study areas essentially correspond to state boundaries or operating areas within a state. Accordingly, we propose that the carriers file on a study area basis the USOA financial and operating data in accordance with the account and subaccount classifications contained in these Rules. We recognize, however, that for companies operating in more than one state, certain financial data such as Capital Stock (Accounts 150-153.2) and Long-term Debt (Accounts 154.1-157) may not correspond to specific study areas. Therefore, we propose that these types of data be provided on an operating company basis.

11. Certain adjustments and refinements to the data are necessary, however, before it can be used in regulation. For example, we must assess the allocation of costs between a carrier's regulated and non-regulated activities. (FN7) In order to allow for the effective monitoring and analysis of this information, we propose that it be provided to this Commission as part of our automated reporting system. In addition, we propose that the carriers provide the adjustments by specific USOA account and subaccount that are made prior to the application of the separations procedures, (FN8) because these adjustments would aid in this Commission's determination of the relationship between the USOA financial accounts and the jurisdictional cost allocations of Part 67. Furthermore, the carriers maintain depreciation reserve data by study area and by depreciable category. Although the USOA only requires the maintenance of aggregate depreciation reserves, this Commission needs this detailed reserve data, especially for our depreciation rate reviews and prescriptions. We believe that the inclusion of this data in the automated system would help us to perform our responsibilities while not unduly burdening the carriers. Accordingly, we propose to collect this data (i.e., retirements, accruals, cost of removal, salvage, and reserves) by study area and depreciable category.

C. Separations data

12. Costs are allocated between interstate and intrastate jurisdictions in accordance with Part 67 of our Rules. In addition to being used to review the separations procedures, separations data provides a basis for evaluating tariffs and reviewing the industry structure. With this data we would be better able to review and evaluate the interstate costs that are used to support tariff filings. Accordingly, we propose that all Tier 1 carriers report on a study area basis the combined interstate and intrastate costs and the amounts apportioned to the interstate jurisdiction for each of the separations categories, subcategories (FN9) and accounts.

13. The carriers apportion most costs between jurisdictions on the basis of statistical operating data. (FN10) In order to evaluate the results of the

jurisdictional separations, this Commission must have access to this statistical data. In order to allow for the most efficient analysis of the data we propose that carriers report this data as part of their automated reporting filings. We invite comment on the types of data needed.

D. Access data

14. Local exchange carriers allocate their interstate jurisdictional costs, which are determined via the separations procedures, among the interexchange category and access charge elements in accordance with Part 69 of our Rules. The results of these allocations are reported to this Commission in support of the annual access tariff filings. (FN11) We propose that this data be included in the automated reporting system. The cost support to be reported should be for access elements and other associated interstate costs depicting associated revenues, costs (expenses and investments), net return and rate of return adjusted for Docket 19129 (FN12) and other applicable exclusions. Additionally, we propose that local exchange carriers report the Part 69 data required above for interstate costs by Part 67 categories, subcategories and accounts. Finally, we propose that local exchange carriers provide this data with their initial submission retroactive to January 1984, so that this Commission can develop a basis to be used for trend analysis.

15. In addition to the cost data, the local exchange carriers are required to submit detailed demand data for access elements. With this data and the cost data above, this Commission would be able to evaluate access tariff filings without unduly burdening the carriers involved. Accordingly, we propose that local exchange carriers report the detailed access demand data in their automated reporting filings.

E. Frequency of Reporting and Implementation Date

16. For the most part we propose that reports be filed once a year. The reports would contain both annual data and a breakdown on a monthly basis. This would provide this Commission with sufficient detail to perform trend analysis and with the flexibility to analyze rate case test years and tariff filings. We have attempted to make this reporting requirement consistent with the carriers' financial and operating data systems, and feel that it is therefore not overly burdensome. We propose to implement the requirement that data be collected and maintained in compliance with the automated data reporting requirements on January 1, 1987. The first filing would be required on April 30, 1988.

F. Format and reporting media

17. Computer formats and media must be uniform and precise in order that the data can be efficiently processed with computer techniques. They must also be changeable so as to reflect changes in our data needs and accounting and cost apportionment rules, and to enable us and the industry to take advantage of advancements in data processing technology. The need to change the format and

media frequently makes it inadvisable to prescribe them in our Rules. If we were to do so, we would have to institute a rulemaking for every revision of format and media. This clearly would be unnecessarily time consuming and costly for what is essentially an administrative detail. Therefore, we propose to delegate to the Common Carrier Bureau authority to set precise formats and reporting media. The Bureau will work with the industry to develop convenient and practical means of collecting the automated data.

G. Tariff filings

18. Generally when a carrier files for an access tariff revision a separate report updating the routine annual submission would be required in addition to data required by our Part 61 rules. The data to be included in the report would be at the same level as described for the USOA and Part 69 requirements (see paras. 10, 14, and 15). In order to satisfy our requirements, the costs reported should be updated for the most recent monthly data available through the tariff filing period. We would need this data in the same format as the routine data so that trend analysis would be able to be performed. Accordingly, we propose that this data requirement be included in the automated reporting system.

H. Other reports

19. This Commission is proposing an interim quarterly reporting system for rate of return data in a separate proceeding. It is our intention that the automated data reporting system would supersede these quarterly reports.

20. In some cases, the automated data reporting system would duplicate the information currently filed on some schedules in the Form M or other filings. We intend to eliminate this duplication in due course. In addition, as the staff develops procedures to use the automated data, we are confident that unique data currently provided on some other reports will no longer be required on a routine basis. For an interim transition period, however, these reports and other filings will be used to verify the automated data.

III. Summary of Issues on which Comment is sought

21. The proposed reporting requirements are fashioned to satisfy our goals of assuring adequate data for regulation and minimizing carrier reporting costs. Although we recognize that it would be difficult to satisfy all possible data requirements with one system, we are proposing reporting requirements which would satisfy several principal Commission requirements. Under our proposal, data would be filed only to the extent necessary to oversee earnings levels, allocations between regulated and nonregulated services, jurisdictional separations, and the formulation of access charges.

22. Some supplemental data would still be required for other purposes. For example, the automated data system would not serve as a general costing system for evaluating all possible service rate elements. The level of detail

necessary to support such a system would probably impose undue burdens on carriers. Thus, carriers would continue to file required cost data with tariff filings.

23. We have attempted to design a proposal that would strike the proper balance among the goals we have set forth, and will provide important data for this Commission at reasonable cost to the carriers. By concentrating on data generally contained in existing data systems, we believe the proposal minimizes the burden on reporting companies. The major elements of the plan are set forth below:

a. Requirement of USOA, Separations, and Access Charge data by study area, account, separations category, and access elements as set forth in this Commission's Rules.

b. Requirement of statistical and demand data for Part 67 and Part 69 categories.

c. Exemption from separations and access data filing for LECs with aggregate common carrier revenues of between \$50 million and \$100 per year.

d. Requirement of filings on a calendar year basis with annual data and monthly breakdowns.

e. Implementation of reporting requirements on January 1, 1987 with the first filing on April 30, 1988.

f. Determination and revision of data format and media by the Common Carrier Bureau under delegated authority.

IV. Other Matters

A. Regulatory Flexibility Act Certification

24. We certify that the Regulatory Flexibility Act is not applicable to the rules we are proposing in this proceeding. Although some LECs are very small, they do not fall within the Regulatory Flexibility Act's definition of a "small entity." The Act incorporates the definition of a "small business" in section 3 of the Small Business Act as the definition of a "small entity". The latter definition excludes any business that is dominant in its field of operation. LECs, even small ones, enjoy a dominant monopoly position in their local service area. This Commission has found all LECs to be dominant in the Competitive Common Carrier proceeding, 85 FCC 2d 1, 23-24 (1980). At the time of publication of this Notice in the Federal Register, a copy of this certification will be sent to the Chief Counsel for Advocacy of the Small Business Administration.

B. Paperwork Reduction Act

25. The proposal contained herein has been analyzed with respect to the Paperwork Reduction Act of 1980 and found to impose a new or modified information collection requirement on the public. Implementation of any new or modified requirement will be subject to approval by the Office of Management and Budget as prescribed by the Act.

C. Ex Parte Contacts

26. For purposes of this nonrestricted notice and comment rulemaking proceeding, members of the public are advised that ex parte contacts are permitted from the time the Commission adopts a notice of proposed rulemaking until the time a public notice is issued stating that a substantive disposition of the matter is to be considered at a forthcoming meeting or until a final order disposing of the matter is adopted by the Commission, whichever is earlier. In general, an ex parte presentation is any written or oral communication (other than formal written comments or pleading and formal oral arguments) between a person outside the Commission and a Commissioner or a member of the Commission's staff, which addresses the merits of the proceeding. Any person who submits a written ex parte presentation must serve a copy of that presentation on the Commission's Secretary for inclusion in the public file. Any person who makes an oral ex parte presentation addressing matters not fully covered in any previously filed written comments for the proceeding must prepare a written summary of that presentation; on the day of oral presentation, that written summary must be served on the Commission's Secretary for inclusion in the public file, with a copy to the Commission official receiving the oral presentation. Each ex parte presentation described above must state on its face that the Secretary has been served, and must also state by docket number the proceeding to which it relates. See generally, Section 1.1231 of the Commission's Rules, 47 C.F.R. 1.1231. A summary of these Commission procedures governing ex parte presentations in informal rulemaking is available from the Commission's Consumer Assistance Office, FCC, Washington, D.C. 20554.

27. In reaching its decision, the Commission may take into consideration information and ideas not contained in the comments, provided that such information or a writing indicating the nature and source of such information is placed in the public file, and providing that the fact of the Commission's reliance on such information is noted in the Report and Order.

V. Ordering Clauses

28. ACCORDINGLY IT IS ORDERED, pursuant to the provisions of Sections 4(i) and 220(a) of the Communications Act of 1934, as amended, 47 U.S.C. Secs. 154(i) and 220(a), that there IS HEREBY INSTITUTED a Notice of Proposed Rulemaking into the foregoing matters.

29. IT IS FURTHER ORDERED, that interested persons may file comments on the proposals discussed in the Notice on or before June 30, 1986. Reply comments shall be filed on or before July 15, 1986. In accordance with the provisions

of Section 1.419 of the Commission's Rules and Regulations, 47 C.F.R. 1.419, an original and five (5) copies of all comments shall be furnished to the Commission. Copies of the comments will be available for public inspection in the Commission's Docket Reference Room, 1919 M Street, N.W., Washington, D.C.

30. IT IS FURTHER ORDERED, pursuant to Section 220(i), that the Secretary shall serve a copy of this Notice on each state commission.

FEDERAL COMMUNICATIONS COMMISSION

William J. Tricarico
Secretary

FN1 Tier 1 Companies consist of those local exchange companies that earn more than \$100 million in total company regulated annual revenues, Public Notice, Monitoring Plan, Mimeo 2133 (released January 25, 1985), at para. 7.

FN2 We also expect to establish automated reporting for certain interexchange carriers, but are not proposing modified filing requirements at this time. The exclusion of exchange carriers other than Tier 1 carriers will not, of course, obviate the need to obtain some data from those carriers and from the National Exchange Carrier Association for particular regulatory purposes.

FN3 See Docket 78-196, Further Notice of Proposed Rulemaking, FCC 84-634 (released January 3, 1985), 50 F.R. 1590 (January 11, 1985). Changes as a result of Docket 78-196 will be incorporated herein.

FN4 Id. at 14.

FN5 ARISS included representatives of the Federal Communications Commission, AT & T, the BOCs, major independent telephone companies, other common carriers, the United States Telephone Association (USTA), the American Institute of Certified Public Accountants, and the National Association of Regulatory Utility Commissioners (NARUC).

FN6 A copy of this report is available for inspection in the offices of the Accounting and Audits Division of the Common Carrier Bureau's offices.

FN7 The procedures and accounting techniques necessary to allocate costs between regulated and non-regulated operations will be addressed in an NPRM which we intend to release in the near future.

FN8 See, e.g., 47 CFR Sec. 67.2(d) (permitting exclusion from telephone operations of property rented to non affiliates, and its associated revenues and expenses, if amounts involved are substantial).

FN9 Subcategories refers to subcategories described in Part 67 of our Rules.

FN10 Examples of such data would include message minute miles and weighted standard work units.

FN11 Public Notice, Monitoring Plan, Mimeo 2133 (released January 25, 1985), paras. 3 and 7. Public Notice, Errata to Monitoring Plan, Mimeo 2273 (released January 31, 1985). Public Notice, Trending Information, Mimeo 2563 (released February 14, 1985). Public Notice, Clarification of February 14 Order and additional cost support, Mimeo 4590 (released May 16, 1985). Public Notice, Clarification of May 16 Order, Mimeo 4819 (released May 29, 1985).

FN12 See Public Notice, Monitoring Plan, Mimeo 2133 (released January 25, 1985), Attachment D.

APPENDIX

PROPOSED CHANGES TO SECTION 1.785 OF THE COMMISSION'S RULES, 47 C.F.R. We propose to add the following sub-sections:

(d) Automated annual reports shall be filed by local exchange carriers as required by part 43 of this chapter on the following forms:

- (1) Form XX, USOA company level data
- (2) Form XX, USOA study area level data
- (3) Form XX, Separations category/sub-category data
- (4) Form XX, Interstate access category/sub-category/access-element data
- (5) Form XX, Statistical information and operational data

APPENDIX

PROPOSED CHANGES TO SECTION 43.21 OF THE COMMISSION'S RULES, 47 C.F.R. We propose to add the following sub-sections:

(e) Each local exchange telephone common carrier subject to Sections 201-205 of the Communications Act of 1934, as amended, and having total company regulated annual revenues in excess of \$100 million shall file with this Commission supplemental automated annual reports with monthly breakdowns not later than April 30 of each year covering the preceding calendar year. The certified automated reports, covering USOA, separations, interstate access, statistical and operations data, shall be filed on the appropriate form prescribed by the Commission (see section 1.785 of this chapter) and shall contain full and specific answers to all questions and information requested in the currently effective automated reporting forms and media.

(f) Each Class A local exchange carrier with regulated annual revenues of between \$50 and \$100 million shall file with this Commission supplemental automated annual reports with monthly breakdowns not later than April 30 of each year covering the preceding calendar year. The certified automated reports, covering USOA data (see section 1.785 of this chapter), shall contain full and specific answers to all questions and information requested in the currently effective automated reporting forms and media.