Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

DA 88-809

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

ORDER

Adopted: May 25, 1988 Released: May 31, 1988

By the Deputy Chief, Common Carrier Bureau:

I. INTRODUCTION

1. On February 24, 1988, we released a Public Notice[1] proposing forms and instructions for an automated report to monitor the forecasted and actual use of telephone plant investments used for both regulated and nonregulated purposes. In response to the Public Notice, four parties have filed comments and five parties have filed replies.[2] In this Order, we adopt, with certain modifications, the forms and instructions proposed in the Public Notice. We also adopt the format and media specifications. The revised reports and instructions can be found in the Attachment.

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1 Common Carrier Bureau Proposes Automated Report to Support Joint Cost Allocations, DA 88-225, released February 24, 1988 (Public Notice). Comments were due 30 days after the release date; reply comments were due 45 days after the release date.

2 Comments were filed by BellSouth Corporation (BellSouth), the Public Service Commission of the District of Columbia (PSCDC), MCI Communications Corporation (MCI), Pacific Telesis (PacTel), and the United States Telephone Association (USTA). Replies were filed by the Bell Atlantic Telephone Companies (Bell Atlantic), BellSouth, the NYNEX Telephone Companies (NYNEX), PacTel, and USTA.

II. BACKGROUND

2. In the Joint Cost Order[3] the Commission required that certain telephone plant investments used for both regulated and nonregulated activities be allocated on the basis of forecasted regulated and nonregulated usage.[4] The Commission stated that it intended to monitor the cost allocation process and to establish a data base for comparing actual and forecasted usage, but deferred the development of permanent reporting requirements to implement these intentions to the ARMIS Order.[5] The ARMIS Order directed the staff to develop an automated report to collect the data needed to implement the Joint Cost Order and to issue the details of this report in a public notice.[6]

3. The Public Notice proposed forms and instructions for two reports. The first report, the Forecast Report, requires a carrier to submit forecasts of expected regulated and nonregulated investment usage. These forecasts are intended to be an integral part of the cost support that accompanies the carrier's proposed access tariffs for the next calendar year. The Commission reviews these cost support filings to determine the proportion of the carrier's total projected expenses for the next year to be recovered from interstate ratepayers.

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3 Separation of Costs of Regulated Telephone Service from Costs of Nonregulated Activities, Report and Order, CC Docket 86-111, 2 FCC Rcd 1298 (1987) (Joint Cost Order), modified on recon., 2 FCC Rcd 6283 (1987) (Joint Cost Reconsideration Order), petitions for further recon. pending.

4 The Joint Cost Reconsideration Order requires that investments in central office equipment and cable and wire facilities jointly used to provide regulated and nonregulated services be allocated on the basis of a three-year forecast of regulated and nonregulated usage.

5 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, 2 FCC Rcd 5770 (1987)(ARMIS Order), petitions for recon. pending.

6 Id. at 5776, para. 54.

4. The Forecast Report is comprised of three tables. Table I contains, for each investment pool[7] requiring forecast allocation,[8] the forecast regulated and nonregulated usage (in minutes of use, messages, lines, etc.) for each of the next three calendar years. The last column of Table I shows the highest forecast ratio of nonregulated to total usage (highest nonregulated ratio). Table II reports the carrier's projection of how much it expects will be in each investment pool for the next access tariff year and allocates that investment between regulated and nonregulated activities based upon the highest nonregulated ratio from Table I. Table III displays the forecast allocations for all central office and cable and wire investment pools, including the directly assigned cost pools.

5. The second report, the Actual Usage Report, requires a carrier to report the actual levels of regulated and nonregulated investment usage for the previous year. The actual usage will be compared with the previously reported forecasts. When actual nonregulated usage of investment exceeds the forecast usage, the Joint Cost Order requires that investment be reallocated to nonregulated activities and adjustments be made to compensate regulated ratepayers for the overallocation of investment to regulated activities in the next access tariff review.

6. The Actual Usage Report is comprised of three tables. The first two tables (Tables IV and V) cover the same investment pools as reported in Tables I and II of the Forecast Report. Table IV contains the actual dollar allocations to regulated and nonregulated activities that were made during the previous year. Table V contains actual units of regulated and nonregulated usage. The third table (Table VI) displays the actual allocations for all central office and cable and wire cost pools.

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7 We adopt the language of the majority of the carriers' cost allocation manuals and use the term cost pool to refer to the "logical, homogeneous, statewide," cost categories required in the Joint Cost Order. See Joint Cost Order, 2 FCC Rcd at 1319.

8 Not all central office and cable investment is subject to shared regulated and nonregulated usage. If the investment is dedicated either to regulated or nonregulated usage, the investment is directly assigned to dedicated cost pools. Dedicated investment is only reported in Tables III and VI, which display the total usage of the central office and cable investment accounts.

III. DISCUSSION

7. Although the commenting parties were generally in favor of the reports proposed in the Public Notice, they suggested several changes. We consider the substantive suggestions first and then turn to the editorial and technical suggestions.

A. Substantive Changes

8. Waiver Requirements. USTA, BellSouth, and PacTel argue that the instructions for Table I, column (i), and Table II, column (g)[9] imply that a waiver is required to freeze the use allocator under the declining demand exception to the Joint Cost Order's cost allocation rules.[10] They contend that the instructions should be modified because the Joint Cost Order only requires a waiver when a carrier wishes to transfer nonregulated investment to regulated activities. They propose that we correct the instructions by deleting the reference to declining demand.

9. The Joint Cost Order restricted its general allocation rules so that nonregulated investment could not decrease from one year to the next, but made two exceptions. The first exception, which applies to investment transferred from nonregulated to regulated activities, requires a waiver.[11] The second, which applies to freezing the allocator for investment cost pools in which total demand has begun to decline and is expected to decline until exhausted, does not require a waiver.[12] Thus, the commenters are correct that a demand allocator may be frozen without waiver. We reject the proposed correction, however, because it does not explain what should take place in both circumstances described above (i.e. transfers from regulated to nonregulated activities and freezes of demand allocators due to declining demand). To describe adequately what must take place, the instructions for

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9 The instructions for Table I, column (i) and Table II, column (g) read in part: "Exception: when a waiver for declining demand has been granted...."

10 USTA Comments at 3; BellSouth Comments at 1; PacTel Comments at 3.

11 The grant of such a waiver is conditional on a showing that the regulated operation has need of additional capacity and that the regulated operation cannot obtain that additional capacity at a lower cost from any other source. Joint Cost Order, 2 FCC Rcd at 1320.

12 In this circumstance the nonregulated investment attribution factor is frozen at the level that applied during the period in which the total demand peaked. Id.

both Table I, column (i) and Table II, column (g) are amended to read as follows:

> Column (i) - For each cost category, enter the highest of the column (h) figures for the three forecast years. Enter this value as a ratio rounded to four decimal places in the row for the third forecast year; in the rows for the first and second forecast years, leave this column blank. Exception: When total demand has begun to decline and is expected to continue to decline until exhausted, the peak ratio (calculated as column (g) divided by column (d) on Table II) is frozen at its highest previous level. A footnote is required to identify the year and the Table II filing date from which the peak ratio is derived.
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> Column (g) - Enter the higher of column (e) or column (f). Exceptions: (1) If total demand has begun to decline and is expected to continue to decline until exhausted, enter column (e); (2) if a waiver to transfer nonregulated investment to regulated activities has been granted, enter column (e) or (f) as appropriate, minus the amount of transferred investment. A footnote is required if a waiver has been granted. The footnote should identify the date and amount of the investment transferred and the date the waiver was granted. This represents the gross nonregulated amount that is to be removed under Part 64 of our rules for the prospective access tariff year.

10. Reporting Actual Nonregulated Investment. USTA, BellSouth, and PacTel object to the instructions for Table IV, column (e), which read in part "Calculate [the actual investment allocated to nonregulated activities] by multiplying column (d) by Table I, column (i) or enter the amount from Table II, column (g), whichever is greater."[13] They argue that this language would force them to report actual nonregulated investment as the higher of actual or forecasted investment times forecasted nonregulated usage. They state that the *Joint Cost Order* requires actual investment to be used as the basis for allocations. They propose to correct this error by deleting the reference to Table II, column (g) from the instructions.

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13 USTA Comments at 4; BellSouth Comments at 2; PacTel Comments at 3.

11. The instructions for Table IV, column (e) are intended to implement the *Joint Cost Order*'s restriction that nonregulated investment may not decline from year to year. We agree with the commenting parties that the *Joint Cost Order* intended its restriction to apply to actual and not forecasted nonregulated usage. The reference to Table II, column (g) is a typographical error; the reference should have been to Table II, column (f). Table II, column (g) refers to the highest *forecast* nonregulated usage reported. Table II, column (f) refers to the highest *actual* nonregulated use reported. We therefore amend the instructions for Table IV, column (e) to read:

> Column (e) - Enter the actual dollar amount of total gross investment allocated to nonregulated activities during the calendar year. Calculate this amount by multiplying column (d) by Table I, column (i) or enter the amount from Table II, column (f), whichever is greater. If the amount in Table II, column (f) is greater, indicate this in a footnote.

The corrected instructions require carriers to report the actual amount of investment allocated to nonregulated activities as the higher of actual total investment times the forecast nonregulated ratio, or the highest previous dollar allocation of nonregulated investment. We believe that this fully addresses the commenters' objection and implements the *Joint Cost Order* requirement that the dollar allocation of investment to nonregulated activities does not decline from one period to the next.

12. *Proposed Additional Monitoring Tables*. Several commenting parties suggest that we augment the *Public Notice* reports to facilitate the monitoring process. PSCDC suggests that an additional table be created to provide an historical comparison of the forecasted and actual usage data over time.[14] The form would cover the current year and five previous years, and would require, through footnote or other means, an explanation of changes in forecast and actual usage. MCI proposes that we create an additional table to show the absolute and percentage differences between actual and forecasted nonregulated and regulated investment allocations.[15] MCI argues that the current reports require the analyst to manually compare Tables III and VI and that the additional table would identify instantly any misallocation. USTA proposes to add a column to Table V to show the forecasted nonregulated ratio reported in Table I, column (i). USTA states that this would allow easy

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14 PSCDC Comments at 2.

15 MCI Comments at 3.

verification that the actual nonregulated usage did not exceed forecasted nonregulated usage.[16]

13. Bell Atlantic argues that PSCDC's proposal would needlessly inflate the reporting requirements while supplying the Commission with no new information since all the historic information would already have been filed in previous reports.[17] BellSouth objects to PSCDC's proposal on the grounds that historic data are of no use because the reports proposed in the Public Notice already allow for the immediate detection and correction of underallocations to nonregulated activities.[18] NYNEX also objects to PSCDC's proposal, stating "the purpose of the automated reports is to supply the raw data the Commission needed to administer its ... rules... not to provide arithmetical exercises for the convenience of outside parties."[19] PacTel argues that the proposal would add an unnecessary burden without accomplishing the Commission's goals.[20] Additionally, PacTel states that PSCDC's proposal would require a rulemaking to implement. USTA argues that PSCDC's proposal would require carriers to file duplicative data and that one of the Commission's goals in its ARMIS Order was to minimize such filings.[21]

14. The telephone companies also object to MCI's proposal for an additional table. Bell Atlantic believes that USTA's proposal of an additional column for Table V should satisfy MCI's request without the additional burden of another table.[22] BellSouth argues that MCI's proposal, which would compare the absolute amounts of forecasted and actual nonregulated

16 USTA Comments at 10.

17 Bell Atlantic Reply at 2.

18 BellSouth Reply at 4.

19 NYNEX Reply at 3-4.

20 PacTel Reply at 5.

21 USTA Reply at 2.

22 Bell Atlantic Reply at 4.

investment, would be misleading and confusing.[23] NYNEX also objects to MCI's proposal, arguing that comparisons of actual and forecasted regulated investment are irrelevant; that the additional form goes beyond supplying the Commission with the raw data it needs to administer its rules; and that USTA's proposal of an additional column to Table V would more clearly show the comparison of actual and forecasted nonregulated investment.[24] PacTel objects to MCI's proposed comparison on grounds similar to those presented by BellSouth.[25] It also argues that MCI's proposal would require the submission of redundant data. USTA points out that the reports proposed in the Public Notice are automated reports and that the comparisons MCI wishes to make are readily accomplished using simple computations.[26]

15. In the Public Notice we did not propose a report comparing forecast and actual nonregulated investment usage because the monitoring and enforcement of the allocation rules, restrictions and exceptions adopted in our Joint Cost Order are complex processes and involve comparisons between a large number of reports. The proposals of PSCDC, MCI, and USTA do not overcome our original conclusion that monitoring and enforcement cannot be readily accomplished through a simple form, since each proposal falls far short of revealing all the potential violations of the Joint Cost Order

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23 BellSouth offered the following example of why the simple comparison of the absolute amounts forecasted with the amounts actually allocated does not necessarily yield a meaningful result: "...[A]ssume total network investment is $1,000,000 and the highest nonegulated use of network investment is 20%. Further, assume actual investment is $900,000 and actual nonregulated use of network investment is 10%. In this situation, the amount of forecasted nonregulated absolute dollars is $200,000 ($1,000,000 x 20%); however, the actual nonregulated dollars assigned is $180,000 ($900,000 x 20%)"....[Thus, the actual allocation was $20,000 below the forecast.] "If this difference of $20,000 is divided by $200,000, i.e., forecasted investment, the result is 10%. However, such a result proves nothing other than the fact that $20,000 divided by $200,000 is 10%. It is certainly not germane to the objective of determining whether the carrier has misforecasted the regulated/nonregulated use. In fact, in this example, the carrier fully complied with the Commission's rules, i.e., it assigned actual investment based on the highest forecasted nonregulated use." BellSouth Reply at 4.

24 NYNEX Reply at 3.

25 PacTel Reply at 5.

26 USTA Reply at 2.

investment allocation restrictions.[27] Therefore, we reject the proposed additional reporting.

16. Reporting by Wire Center and Cable Run. PSCDC in its comments also proposes that all reports be submitted on either a switching entity and cable run or a wire center and cable run basis, instead of a cost category basis.[28] PSCDC argues that reporting by cost category would allow carriers to reallocate individual pieces of investment from nonregulated to regulated activities as long as the average nonregulated usage of the cost category does not decline.

17. Bell Atlantic objects to PSCDC's proposal on several grounds.[29] First, it argues that adopting the PSCDC's proposed level of detail would increase enormously the amount of information the Commission would have to examine. Second, rates are set and jurisdictional separations studies are performed on a statewide basis, not by switch or by cable run. Thus, only changes in the allocation of investment between regulated and nonregulated usage that affect the statewide investment allocations should be of concern to regulators. Third, the cost of many facilities associated

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27 USTA's proposal, for example, is intended to facilitate the comparison of forecasted and actual nonregulated usage. The one column comparison, however, ignores the fact that multiple comparisons between forecast and actual results have to be made. For example, to determine that actual use has not exceeded the three year forecast that was the basis of the forecast allocation in 1990, the forecast has to be compared to the actual nonregulated usage reported for 1990, 1991 and 1992. Furthermore, the carriers will ultimately have made three forecasts that cover the year 1990. (The first forecast was made in 1987 and covered the years 1988, 1989 and 1990. The last forecast was made in 1989 and covered 1990, 1991 and 1992.) Thus, the actual nonregulated usage for 1990 will have to be compared with the forecasts made in 1987, 1988 and 1989 for the year 1990.

28 PSCDC Comments at 3.

29 Bell Atlantic Reply at 3.

with switching entities and cable runs will in fact be assigned to nonregulated activities on the basis of tariffed rates. BellSouth urges the rejection of PSCDC's proposal on the grounds that the Joint Cost Order does not require carriers to assign investment by specific type of plant (i.e., switch, wire center or cable run).[30] NYNEX, PacTel and USTA object to the PSCDC proposal for all the above reasons.[31] PacTel also argues that PSCDC's proposal goes to the heart of the cost allocation process and that consideration of such a proposal must be done in the context of a rulemaking.

18. In the Joint Cost Order the Commission considered at length the issue of how fine a disaggregation of costs was necessary to achieve an acceptably accurate division of costs between regulated and nonregulated activities.[32] While it concluded that the number of categories (pools) was critical to the potential for success, it noted that, even for a carrier extensively involved in nonregulated activities, "...thousands of categories could become costly to implement and impossible to monitor".[33] Furthermore, if disaggregation is too fine, every change in nonregulated operations would require recasting category boundaries and redefining the allocation factors.[34] We are skeptical that the extremely minute categorization of investment proposed by PSCDC is workable and productive of a more accurate allocation. Furthermore, we agree that adoption of PSCDC's proposal would require substantially more notice and comment than can be provided or is even appropriate in this Order.

19. Reporting for Directly Assigned Cost Pools. USTA, in its comments, objects to the requirement in Table III and Table VI that dedicated investment be reported on a pool-by-pool level of detail.[35] It asserts that the purpose of Table III is to show the connection between the data provided in Table II and the data that underlies the cost support that the carriers submit as part of their access tariff filings. It argues that the Commission does not review tariff cost support data at the cost pool level of detail and that the carriers do not prepare budgets on that level of detail. USTA states that requiring carriers to report dedicated investment by pool would force carriers to produce information far in excess of that required by any other

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30 BellSouth Reply at 3.

31 NYNEX Reply at 4; PacTel Reply at 2; USTA Reply at 4.

32 Joint Cost Order, 2 FCC Rcd at 1319.

33 Id. at 1319.

34 Id.

35 USTA Comments at 8, 10.

Commission order; it would, by forcing carriers to anticipate dedicated investment costs, intrude on carriers' legitimate business prerogatives; and, it would serve no regulatory purpose. USTA proposes that Table III should require dedicated investment to be aggregated at the level of detail of the access tariff cost support, i.e., an aggregation of accounts. USTA states that the purpose of Table VI is to provide the detail underlying Appendix C of the ARMIS Order, and that Appendix C requires reporting on an account level, not a cost pool level of detail. Furthermore, it asserts that many of the dedicated investment pools have no regulatory purpose and were established for administrative reasons, or to facilitate data processing. For these reasons, it concludes that there is no regulatory purpose served by the Commission's monitoring of dedicated investment on a pool-by-pool basis. It, therefore, proposes that Table VI should require dedicated investment to be aggregated at the account level.

20. USTA's characterization that Tables III and VI are intended merely to verify other reports incorrectly minimizes the Commission's need for and use of the data contained in these tables. The Commission, in its Joint Cost Order, clearly expressed its concern that all costs, both dedicated and allocated, are accurately assigned to the regulated and nonregulated functions they support. The Public Notice reports, in conjunction with the other ARMIS Order reports, are intended to provide an unbroken audit trail that will allow us to assess the credibility of a carrier's allocations and direct assignments and to evaluate the adequacy of its accounting controls.

21. USTA is also incorrect in asserting that the Commission's regulatory needs would be fully served by reporting dedicated investment assignments at the account, or higher, level of aggregation. As we noted in paragraph 18, above, the Commission requires costs to be grouped and allocated by cost pools. We do not believe that reporting investment data at the account, or higher, level of aggregation is responsive to the Commission's need to monitor these cost pool assignments and allocations.

22. We find USTA's arguments that the carriers need not report cost data for every cost pool to be unpersuasive. USTA argues that certain of the direct assignment cost pools were created for administrative convenience and that reporting costs data for these pools would serve no regulatory purpose. This is clearly not the case. In the Joint Cost Order the Commission directed the carriers to develop logical, homogeneous, statewide cost pools and to tailor the number of pools to the scope and nature of the

nonregulated activities the carriers intend to undertake. Furthermore, to ensure that the carriers do not set up superfluous cost pools, in our Cost Allocation Manual orders[36] we directed the carriers to delete all cost pools that were not expected to be used to allocate costs in the foreseeable future.[37] Given this direction, we see no reason why a carrier would establish a cost pool with no regulatory purpose. If some carriers have done so they should file amendments to their cost manuals eliminating such unnecessary pools. Furthermore, contrary to USTA's assertions, it is essential that carriers report cost data for the directly assigned pools. In the Joint Cost proceeding, both the carriers and the Commission agreed that the majority of all costs are expected to be directly assigned, either to regulated or nonregulated activities.[38] To ignore such costs in the reporting process would make it impossible to perform the comprehensive review of the joint cost allocation process needed to assure the public that a carrier's nonregulated activities are not being improperly supported by its regulated activities. We likewise find unconvincing USTA's argument that some carriers may not budget at the cost pool level (i.e., for all cost pools). We believe the joint cost allocation process is important enough to warrant consideration in a carrier's budgeting processes. Until it is worked into the budgeting processes, however, we believe allocation techniques can be developed which will enable a carrier to achieve acceptable levels of accuracy in its reporting of cost pool cost data. For these reasons we are rejecting USTA's proposals for Table III and Table VI and reaffirm our requirement that dedicated investment be reported by cost pool.

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36 NYNEX Telephone Companies' Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, Memorandum Opinion and Order, 3 FCC Rcd at 81, 82; BellSouth Corporation's Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, Memorandum Opinion and Order, 3 FCC Rcd at 128; U S West's Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, Memorandum Opinion and Order, 3 FCC Rcd at 195, 196; Ameritech Operating Companies' Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, Memorandum Opinion and Order, 3 FCC Rcd at 433, 434; Southwestern Bell Telephone Company's Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, Memorandum Opinion and Order, 3 FCC Rcd at 447.

37 See, e.g., Southwestern Bell Telephone Company's Permanent Cost Allocation Manual for the Separation of Regulated and Nonregulated Costs, Memorandum Opinion and Order, 3 FCC Rcd 447, 452 (1987).

38 See, e.g., Joint Cost Order, 2 FCC Rcd at 1314.

B. Technical and Editorial Changes

23. Commenting parties made the following suggestions which would, if adopted, make only cosmetic changes to the reports. We consider them on a table-by-table basis. Unless otherwise noted, all the following were taken from USTA's Comments.[39]

24. Table I. USTA states that the instructions for Table I, columns (c), (e), (f), and (g) make reference to "investment use forecast," and suggests substituting "units of use" to make it clear that the reference is to units of use and not to investment dollars. USTA also states that the instructions for Table I, column (i), titled "Highest Nonregulated Ratio," should refer to column (h) instead of column (g). We agree and have amended Table I in the Attachment to make these changes.

25. Table II. USTA suggests that this table's title, "Gross Investment Allocation Schedule," be changed to "Forecasted Investment Allocation Schedule," to reflect the fact that it is used to report forecast data. In addition, the column heading for column (d) makes the reference "From TRP." Since Table II will not contain data from all cost pools,[40] the numbers will not match the more aggregated numbers that appear in the Tariff Review Plan (TRP). Moreover, since the instructions make it clear that the amount reported in column (d) are the same amounts underlying the TRP, the column head reference is misleading and unnecessary. We agree with both suggestions and have modified Table II accordingly.

26. Table III. USTA notes that this table has the same title as Table VI: "Gross Investment Summary Schedule." It suggests that it would be more accurate and less confusing if Table III were titled "Forecasted Investment Summary Schedule," and Table VI were titled "Actual Investment Summary Schedule." We agree with USTA and adopt the proposed titles.

27. Table IV. USTA is concerned that the general instructions for Tables IV through VI do not include provisions for proprietary treatment as do the general instructions for Tables I through III and the other ARMIS Order reports. We agree with USTA. The omission was an oversight. A more detailed provision for proprietary treatment has been included in the Reporting Procedures section of the Instructions for both sets of tables.

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39 The following pleadings supported USTA's Comments: Bell Atlantic Reply at 1; BellSouth Comments at 1; BellSouth Reply at 1; NYNEX Reply at 2; PacTel Comments at 1.

40 Only data from cost pools which support both regulated and nonregulated activities are shown on this table.

28. USTA recommends changing the title of the Table IV "Actual Usage of Investment Dollars Schedule" to "Actual Apportionment of Investment Dollars" to avoid confusing the dollars reported in this table with the units of use being reported in Table V. We agree with USTA and adopt the proposed title.

29. USTA suggests dropping column (c) and moving column (g) into its place. We agree with USTA that column (c), which contains unit data, does not belong on this table which otherwise contains monetary data. We disagree, however, that column (g), the nonregulated allocation ratio, should be moved. That column appears after the total investment and nonregulated investment columns because it is derived from those parameters.

30. USTA recommends that Column (h), titled "Ratio of Regulated Use," be deleted because it contains no information that can not be derived from other columns in Table IV, and is not referenced by other tables. While we agree with USTA that column (h) can be derived from the remaining columns in Table IV, we disagree that it should be deleted. We believe that displaying the ratios of nonregulated and regulated use side by side contributes to the usefulness of the table. In general, ARMIS Order reports are intended to supply the maximum amount of useful information that is possible without unduly increasing the burden on the reporting carriers. We do not believe that the calculation and display of column (h) is burdensome and we therefore reject the proposal to delete it.

31. Table V. USTA recommends that column (e), titled "Units of Nonregulated Use," and column (f), titled "Units of Regulated Use," be switched. It argues that regulated use should appear before nonregulated use, so that Table V matches the format of Table I. We disagree with USTA. Table V's placement of nonregulated before regulated follows the placement used in Table IV and Table VI. Tables IV and VI use total investment, minus nonregulated investment to calculate regulated investment. Therefore, nonregulated investment logically comes before the regulated investment. Although Table V is in units of use, as is Table I, we believe that it would be less confusing if Table V follows the logical layout of Tables IV and VI because Tables IV, V, and VI are all filed as one report and Table I is filed as part of another report.

32. USTA argues that column (h), titled "Ratio of Regulated Use," should be deleted for the same reasons given above for deleting column (h) of Table IV. We disagree with USTA and note again that we are of the belief that displaying the ratios of nonregulated and regulated use side by side contributes to the usefulness of the table while not placing an undue burden on the carriers. As a result, we reject USTA's proposal.

33. Table VI. USTA recommends the addition of subtotals to present the data at the TRP level of aggregation in addition to the account level of detail. We agree with USTA that this is a useful addition and adopt it as a requirement.

C. Procedural Issues

34. USTA comments that the subject forms "have not been developed under any rulemaking" and states that:

> USTA is concerned that these reports may not be lawfully imposed on carriers who are not fully subject carriers or who are not subject to the Commission's Part 32 rules or cost allocation requirements.

USTA asserts that the reporting of cost pools by other than fully subject carriers is inconsistent with the Communications Act, because the Act only prescribes a system of accounts for fully subject carriers, not the development and disclosure of cost pools by all carriers. Thus, it requests that we require the reports only from fully subject carriers who must file cost allocation manuals and have their own interstate tariffs.[41]

35. USTA's "concerns" are not properly raised in this proceeding. If USTA or its members have any uncertainty about the Commission's jurisdiction to require carriers to file reports, they may file a petition for rulemaking or declaratory relief so that all concerned parties may address that issue. In the ARMIS Order, the Commission adopted reporting requirements applicable to all telephone companies with operating revenues in excess of $100 million,[42] and the Bureau is now simply following its mandate to adopt forms and reporting formats to carry out those requirements.[43] The Joint Cost Order rules are applicable to all local exchange carriers other than average schedule companies, and those rules require these carriers to group common costs into homogeneous cost categories (or cost pools) for allocation between regulated and nonregulated activities.[44]

D. Format and Media Specifications.

36. The Public Notice did not contain the format and media specifications the carriers will need to file the reports. The ARMIS Order delegated the authority to determine and revise format and media for the

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41 USTA Comments at 2, note 5.

42 See 47 C.F.R. §43.21.

43 ARMIS Order, 2 FCC Rcd at 5770.

44 See 47 C.F.R. §64.901(b)(3).

reporting requirements to the Chief of the Common Carrier Bureau.[45] The Bureau's staff has held extensive discussions with the carriers concerning the format and media for the ARMIS Order reports and believes that no further discussion is required before specifications are adopted for the Public Notice reports. We believe the specifications that we have developed are fully responsive to the needs of the Bureau and the industry. We are, therefore, adopting the specifications for format and media as detailed in the Attachment to this Order.

E. Extension of Forecast Report Filing Date.

37. Due to the shortness of time until the first filing of the Forecast Report is due, we are postponing the filing date from June 1 to June 30, 1988. We believe that this extension will allow the carriers sufficient time to revise their submissions in response to the modest changes in the Forecast Report adopted in this Order.

IV. PAPERWORK REDUCTION ACT

38. 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.

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45 ARMIS Order, 2 FCC Rcd at 5772.

V. ORDERING CLAUSE

39. Accordingly, IT IS ORDERED, pursuant to Sections 4(i), 4(j), 201-205, 215, 219, and 220 of the Communications Act of 1934, 47 U.S.C. Sections 154(i), 154(j), 201-205, 215, 218, 219, and 220, that the forms attached hereto ARE ADOPTED, and that the modifications requested in the comments herein ARE DENIED, except as provided herein.

FEDERAL COMMUNICATIONS COMMISSION

Gerald Vaughan

Gerald Vaughan
Deputy Chief, Common Carrier Bureau

This document provides the instructions for FCC Report 495A, the Forecast of Investment Usage Report, which was adopted by the Commission in CC Docket No. 86-182. The instructions consist of the following five sections, which are attached:

1. Reporting Procedures - details on the specific procedures to be followed when submitting this report to the Commission.

2. Report Definition - an illustration of the rows and columns to be reported and their definitions.

3. Automated Report Specifications - the detailed Automated Data Processing (ADP) specifications for the automated report to be filed.

4. Paper Report Specifications - the page layout and detailed specifications for the paper report to be filed.

5. COSA Code Table - the list of four letter COSA codes (CO = Company, SA = Study Area).

A. Introduction

This document contains details on the specific procedures to be followed when submitting FCC Report 495A, the Forecast of Investment Usage Report, to the Commission.

B. General Information

1. FCC Report 495A was adopted pursuant to the Commission Order in the proceeding 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, 2 FCC Rcd 5770 (1987). It is prescribed for every communications common carrier required by order to file a manual allocating its costs between regulated and nonregulated operations.

2. The carrier shall file the initial report by June 30, 1988, and this report will be for the calendar year 1988. The carrier shall make subsequent filings on an annual basis at the same time as its annual access tariff filing, beginning with a report in 1988 to be submitted at the same time as the 1989 access tariff filing.

3. The report shall be filed on a study area (jurisdiction), a consolidated access tariff area, and an operating company basis.

4. Carriers seeking proprietary treatment for some data must provide two versions of each paper and automated report. The Confidential Version must contain all the required information (Confidential Treatment Tables/Data Records are provided to identify confidential data). The Public Version should not include data for which the carrier is seeking proprietary treatment. The carrier should **prominently** label the paper report and the diskette containing information subject to a claim of confidentiality to prevent inadvertent disclosure.

5. Carriers not seeking proprietary treatment for any data should provide only one version of each paper report and diskette, and the paper report and the diskette should be labeled the Unrestricted Version.

6. The Confidential Treatment Tables/Data Records are to be included in all reports but are not a substitute for applying for confidential treatment with this Commission following established Commission procedures.

7. Each report and diskette must be clearly labeled to include the report number, company, study area, period, COSA code, version and submission number. The report number is 495A, which identifies the filing as the Forecast of Investment Usage Report. The period identifies the year covered by the report. (Although Table I will contain data for three forecast years, the period for the report is the initial forecast year.) See the attached COSA Code Table (CO = Company, SA = Study Area) for a list of companies and their

respective COSAs. The version refers to whether the filing is the Confidential, Public or Unrestricted Version. The submission number is defined as follows: Submission 0 is for test data purposes only. Submission 1 is the first submission of a year's data. Higher numbers (2, 3, etc.) would be used if needed for successive revisions to correct that year's submission.

8. All correspondence and pleadings shall identify the proceeding as CC Docket 86-182.

. **Data Items That Are "Not Available" or Are "Withheld"**

1. The term "Not Available" is used below to refer only to those items which the Commission has ruled are not applicable to a particular row/column or are not required for a particular filing entity. The Confidential Version must contain values for all of the data items except those items which are "Not Available." If, in addition to the required reports, a carrier submits a report which combines data for more than one study area and which includes a field such as a sum, a ratio, or a percentage that cannot be computed completely and accurately because it relies on another item which the Commission has ruled is a "Not Available" item, then that field is also considered to be "Not Available."

2. The term "Withheld" is used below to refer only to those items for which the carrier has applied for confidential treatment with the Commission and is only applicable to the Public Version. If a field such as a sum, a ratio or a percentage relies on an item or items which have been withheld and that field is not also withheld, then it must include the withheld amount. For example, a carrier could withhold the individual values for two of three numbers which are totaled. If the carrier does not also apply for confidential treatment for the total, then that total must be the sum of all three numbers, not just the one which was not withheld. The Public Version must contain values for all of the data items except those items which are "Not Available" or those items which have been "Withheld."

3. See paragraph C.4 in the attached Automated Report Specifications and paragraph C in the attached Paper Report Specifications for data entry conventions for these items.

. **Where to File**

1. Carriers submitting FCC Report 495A should consult the schedule below which details the number of copies required and the location to which those copies should be delivered.

2. Carriers are reminded that they must serve a copy of either the Unrestricted Version or the Public Version of both the paper report and the automated report (diskette) on the FCC's contractor for public records duplication, International Transcription Services, Inc., (ITS). These copies should be mailed to the

attention of Wilbur Thomas of ITS at Suite 140, 2100 M Street, N.W., Washington, D.C. 20037 or delivered to ITS in Room 246 at FCC Headquarters, 1919 M Street, N.W., Washington, D.C. 20036.

NUMBER OF COPIES

FOR CARRIERS SEEKING PROPRIETARY TREATMENT

	Transmittal Letter	Confidential Paper Report	Confidential Automated Report (diskette)	Public Paper Report	Public Automated Report (diskette)
FCC Secretary Room 222 1919 M Street, N.W. Washington, D.C. 20554	1	-	-	-	-
FCC Common Carrier Bureau Accounting & Audits Division 2000 L Street, N.W. Washington, D.C. 20554	1	1	1	1	1
ITS - Room 246 ATTN: Wilbur Thomas 1919 M Street, N.W. Washington, D.C. 20036	1	-	-	1	1

FOR CARRIERS NOT SEEKING PROPRIETARY TREATMENT

	Transmittal Letter	Unrestricted Paper Report	Unrestricted Automated Report (diskette)
FCC Secretary Room 222 1919 M Street, N.W. Washington, D.C. 20554	1	-	-
FCC Common Carrier Bureau Accounting & Audits Division 2000 L Street, N.W. Washington, D.C. 20554	1	1	1
ITS - Room 246 ATTN: Wilbur Thomas 1919 M Street, N.W. Washington, D.C. 20036	1	1	1

E. Footnotes

1. In addition to any optional footnote text which the carrier may wish to include in its report, the instructions for Tables I and II identify certain situations which require footnotes.

2. Any footnote text must be included in the Footnote Text Records and the Footnote Table as specified in the attached Automated Report Specifications and the attached Paper Report Specifications.

F. Errata

1. Carriers are under a legal obligation to correct any erroneous data discovered in FCC Report 495A. Submissions containing corrected data must contain references to indicate which data items were corrected since the previous submission.

2. These references must be included in the Erratum Records and the Erratum Table as specified in the attached Automated Report Specifications and the attached Paper Report Specifications.

G. Certification

1. Carriers must certify the accuracy of the data submitted in FCC Report 495A by including a signed certification statement as the last page of the paper report.

2. The text of the certification statement is included on page 11 of the attached Report Definition.

H. Waivers

1. If a carrier determines that it will be unable to provide data required by FCC Report 495A, it must file an application for waiver with the Commission following established Commission procedures. All such requests from a carrier should be included in a single application. The application must demonstrate good cause for reporting a different or lower level of detail and indicate how these deficiencies will be corrected.

2. Carriers are strongly encouraged to comply with the requirements. Omission of individual data items or entries, without request for waiver, is unacceptable. One reason that compliance with the full requirements is so important is that omission of any single data entry by any carrier will jeopardize the accuracy of aggregate industry information.

I. Public Information

1. The Public or Unrestricted Versions of the paper reports filed as Report 495A may be examined by the public from 9:00 to 11:00 a.m. and from 2:00 to 4:00 p.m., Monday through Friday, in Room 812, 2000 L Street, N.W., Washington, D.C.

2. Copies of the Public or Unrestricted Versions of the paper or automated reports filed as FCC Report 495A may be obtained from the FCC's contractor for public records duplication, ITS. Parties should contact Wilbur Thomas of ITS at (202) 857-3800.

For further information regarding these procedures, contact:

Adrianne Brent
FCC Common Carrier Bureau
Accounting & Audits Division
(202) 634-1861

SUMMARY

This document contains the Report Definition for FCC Report 495A, the Forecast of Investment Usage Report. The following three tables and associated instructions implement the requirement that certain telephone plant investment used for both regulated and nonregulated purposes be assigned to cost categories and allocated on the basis of forecasted regulated and nonregulated use. This report provides the forecasts and resulting investment allocations incorporated in a carrier's cost support for its access tariffs.

FCC REPORT 495A - FORECAST OF INVESTMENT USAGE REPORT

GENERAL INSTRUCTIONS

Except where noted, all dollar amounts in this filing are access tariff year amounts and must be consistent with the dollar amounts forecasted in the cost support data filed with the Tariff Review Plan. Dollar amounts shall be reported in thousands.

Each reported line item will be taken from the carrier's cost categories designated in its Part 32 Cost Allocation Manual, as amended and approved under our Part 64 Rules.

REFERENCES

Cost Categories:

For the names and descriptions of the cost categories applicable to each filing carrier, see the individual carriers' permanent Part 32 Cost Allocation Manuals for the separation of regulated and nonregulated costs.

Central Office Equipment and Cable and Wire Facilities:

Central Office Equipment includes all equipment recorded in accounts listed under "TPIS--Central Office assets" in Part 32.2000 (j). Central Office Equipment - Switching includes all equipment recorded in accounts listed under "TPIS--Central Office assets: Central Office--Switching" in Part 32.2000 (j). Central Office Equipment - Transmission includes all equipment recorded in accounts listed under "TPIS--Central Office assets: Central Office--Transmission" in Part 32.2000 (j). Cable and wire facilities include all cable and wire facilities recorded in accounts listed under "TPIS--Cable and wire facilities assets" in Part 32.2000 (j).

Cost Categories Requiring Forward-Looking Allocator:

Each carrier's Part 32 Cost Allocation Manual identifies all the cost categories that, under Part 64 of the Commission's Rules, must be allocated on the basis of a three year forecast of use (forward looking allocator).

TABLE I - FORECAST USAGE SCHEDULE
FOR CENTRAL OFFICE EQUIPMENT AND CABLE AND WIRE FACILITIES BY COST CATEGORY

Report only those cost categories identified in the carrier's approved Part 32 Cost Allocation Manual that require allocation on the basis of a forward looking allocator. For each cost category enter the forecast for each of the three calendar years following the filing date on which this report is filed. For example, in the report to be filed in 1988 at the same time as the 1989 access tariff filing, the forecast years will be 1989, 1990 and 1991. Exception: in the report to be filed in June 1988, the forecast years will be 1988, 1989 and 1990.

Row Number - Assign a unique row number to each row of the table, beginning with 1 and incrementing by one, with no numbers skipped.

Column (a) - In the row for the first forecast year for each cost category, enter the account number, e.g., 2211. In the rows for the second and third forecast years for each cost category, leave this column blank.

Column (b) - Enter the cost category as follows:

Assign a unique alpha/numeric code (up to six characters, with no embedded blanks) to each cost category within an account. Use this same code throughout all Tables of this report and in future Reports 495A and 495B, when filed.

In the row for the first forecast year for each cost category, enter this assigned code, followed by one or more spaces, followed by the descriptive name for the cost category (up to twenty characters, with embedded blanks allowed). In the rows for the second and third forecast years for each cost category, leave this column blank.

For example, for the first forecast year for a central office equipment cost category, this column could contain the following:

NetEq Network Equipment

(code) (descriptive name)

Enter "NONE" on the first row of the table if there are no cost categories that require allocation on the basis of a forward looking allocator.

Column (c) - Enter the measure used by the carrier to arrive at a quantified unit of use for each cost category, e.g., thousands of minutes of use, messages, lines, etc. Use up to eighteen characters, with embedded blanks allowed.

Column (d) - Enter the forecast calendar year, e.g., 1988, 1989 and 1990. Use three lines--one for each forecast year.

Column (e) - For each forecast year, enter the total number of units of use for all regulated and nonregulated activities. For example, total thousands of minutes of use for both regulated and nonregulated services.

Column (f) - For each forecast year, enter the number of units of use for regulated activities.

Column (g) - For each forecast year, enter the number of units of use for nonregulated activities.

Column (h) - For each forecast year, enter the result of column (g) divided by column (e) as a ratio rounded to four decimal places. The result represents the relative use of investment for nonregulated activities.

Column (i) - For each cost category, enter the highest of the column (h) figures for the three forecast years. Enter this value as a ratio rounded to four decimal places in the row for the third forecast year; in the rows for the first and second forecast years, leave this column blank. Exception: When total demand has begun to decline and is expected to continue to decline until exhausted, the peak ratio (calculated as column (g) divided by column (d) on Table II) is frozen at its highest previous level. A footnote is required to identify the year and the Table II filing date from which the peak ratio is derived.

TABLE II - FORECASTED INVESTMENT ALLOCATION SCHEDULE
FOR CENTRAL OFFICE EQUIPMENT AND CABLE AND WIRE FACILITIES
BY COST CATEGORY

Report information by cost category as designated on Table I. Use one row for each category and enter in the same order as on Table I, using the same cost category code.

Row Number - Assign a unique row number to each row of the table, beginning with 1 and incrementing by one, with no numbers skipped.

Column (a) - Enter column (a) from Table I.

Column (b) - Enter column (b) from Table I. Enter "NONE on the first row of the table if there are no cost categories that require allocation on the basis of a forward looking allocator.

Column (c) - Enter the ratio from Table I, column (i).

Column (d) - Enter the forecasted average gross investment for the total filing entity for the prospective access tariff year.

Column (e) - Enter column (c) times column (d). This result represents the amount of gross investment dollars forecasted for nonregulated activities, based on the current investment forecast.

Column (f) - Enter the amount listed in Report 495B, Actual Usage of Investment Report, Table IV, column (d) in the most recent filing of the Actual Apportionment of Investment Dollars Schedule. (Enter zero here for the June 1988 filing and for the report to be submitted in 1988 at the same time as the 1989 access tariff filing.)

Column (g) - Enter the higher of column (e) or column (f). Exceptions: (1) If total demand has begun to decline and is expected to continue to decline until exhausted, enter column (e); (2) if a waiver to transfer nonregulated investment to regulated activities has been granted, enter column (e) or (f) as appropriate, minus the amount of transferred investment. A footnote is required if a waiver has been granted. The footnote should identify the date and amount of the investment transferred and the date the waiver was granted. This represents the gross nonregulated amount that is to be removed under Part 64 of our rules for the prospective access tariff year.

TABLE III - FORECASTED INVESTMENT SUMMARY SCHEDULE
FOR CENTRAL OFFICE EQUIPMENT AND CABLE AND WIRE FACILITIES
BY ACCOUNT AND COST CATEGORY

Report each central office equipment and cable and wire facilities cost category identified in the carrier's approved Part 32 Cost Allocation Manual. In columns (c), (d), and (e), provide subtotals by account for accounts with more than one cost category, provide separate subtotals for Central Office Equipment - Switching, Central Office Equipment - Transmission, Central Office Equipment, and Cable and Wire Facilities, and provide a grand total as the last row of the table.

Row Number - Assign a unique row number to each row of the table, beginning with 1 and incrementing by one, with no numbers skipped.

Column (a) - Enter an account number for each central office equipment and cable and wire facilities account. Leave this column blank in the rows containing the subtotals for COE - Switching, COE - Transmission, Central Office Equipment, Cable and Wire Facilities, and the grand total row.

Column (b) - Enter a cost category for each central office equipment and cable and wire facilities cost category as follows:

The column will consist of the category's alpha/numeric code (up to six characters, with no embedded blanks), followed by one or more spaces, followed by the descriptive name for the cost category (up to twenty characters, with embedded blanks allowed). The code and name will be taken from Table I Column (b) for those cost categories that are subject to a forward looking allocator. If no code has been assigned, assign a unique code and use the same code in future Reports 495A and 495B, when filed. Use the following codes for the subtotal rows and the grand total row:

Row	Code
account subtotals	SUBTOT
COE - Switching	COE-SW
COE - Transmission	COE-TR
Central Office Equipment	COE
Cable and Wire Facilities	CWF
grand total	TOTAL

Column (c) - Enter the total forecasted gross investment dollars for all operations, both regulated and nonregulated, for each cost category. This amount shall be taken from Table II, column (d) for those cost categories that are subject to a forward looking allocator. The total of the cost categories in each account should correspond with the total filing entity's cost support data for that account filed with the access tariffs.

Column (d) - Enter the amount of gross investment allocated to nonregulated activities, for each cost category. This amount shall be taken from Table II, column (g) for those categories that are subject to a forward looking allocator.

Column (e) - Enter column (c) less column (d). The resulting amount is that amount allocated to regulated activities and must be consistent with the access tariff cost support data.

FCC REPORT 495A
FORECAST OF INVESTMENT USAGE REPORT

Approved by OMB
3060-0410
Expires 03/31/91

COMPANY: xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
STUDY AREA: xxxxxxxxxxxxxxxxxxxxxx
PERIOD: mmm yyyy to mmm yyyy
COSA: xxxx

xxxxxxxxxxxxx VERSION
SUBMISSION x
TABLE I

TABLE I - FORECAST USAGE SCHEDULE
For Central Office Equipment and Cable and Wire Facilities
by Cost Category

Row	Account (a)	Cost Category (b)	Allocator Unit of Use (c)	Year (d)	Total Use (e)	Regulated Use (f)	Nonregulated Use (g)	Nonreg Ratio (h)=(g)/(e)	Highest Nonreg Ratio (i)

FCC REPORT 495A
FORECAST OF INVESTMENT USAGE REPORT

Approved by OMB
3060-0410
Expires 03/31/91

COMPANY: xxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
STUDY AREA: xxxxxxxxxxxxxxxxxxxx
PERIOD: mmm yyyy to mmm yyyy
COSA: xxxx

xxxxxxxxxxxx VERSION
SUBMISSION x
TABLE II

TABLE II - FORECASTED INVESTMENT ALLOCATION SCHEDULE
For Central Office Equipment and Cable and Wire Facilities
by Cost Category

Row	Account (a)	Cost Category (b)	Nonregulated Forecast Ratio (From Table I, col. (i)) (c)	Projected Gross Investment $ (000) (d)	Nonregulated Allocation Based on Forecast $ (000) (e)=(c)*(d)	Highest Previous Allocation to Nonreg $ (000) (f)	Nonregulated Allocation $ (000) (g)

FCC REPORT 495A
FORECAST OF INVESTMENT USAGE REPORT

Approved by OMB
3060-0410
Expires 03/31/91

COMPANY: xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx
STUDY AREA: xxxxxxxxxxxxxxxxxxxxxx
PERIOD: mmm yyyy to mmm yyyy
COSA: xxxx

xxxxxxxxxxxx VERSION
SUBMISSION x
TABLE III

TABLE III - FORECASTED INVESTMENT SUMMARY SCHEDULE
For Central Office Equipment and Cable and Wire Facilities
by Account and Cost Category

Row	Account (a)	Cost Category (b)	Total Investment $ (000) (c)	Nonregulated Investment $ (000) (d)	Regulated Investment $ (000) (e)=(c)-(d)
		TOTAL			

CERTIFICATION

I certify that I am an officer of ____________________; that I have examined the foregoing report and that to the best of my knowledge, information, and belief, all statements of fact contained in this report are true and that said report is an accurate statement of the affairs of the above named respondent in respect to the forecasts and/or actual data set forth herein for the period from __________ to __________.

PRINTED NAME ____________________

POSITION ____________________

SIGNATURE ____________________

DATE ____________________

(Persons making willful false statements in this report form can be punished by fine or imprisonment under the Communications Act, 47 U.S.C. 220(e).)

CONTACT PERSON ____________________

TELEPHONE NUMBER ____________________