

Resolution Seeking Termination of the Federal Communications Commission's Further Notice of Proposed Rulemaking in CC Docket No. 00-199, 2000 Biennial Regulatory Review, and the Establishment of a Federal-State Joint Conference

WHEREAS, On October 11, 2001, the Federal Communications Commission ("FCC") adopted a Further Notice of Proposed Rulemaking ("FNPRM") in Phase 3 of its comprehensive review of Part 32 accounting rules and Automated Reporting Management Information System ("ARMIS") reporting requirements; and

WHEREAS, NARUC adopted a resolution at its 2001 Annual Convention requesting the FCC to establish a Federal-State Joint Conference to develop comprehensive accounting and reporting changes, under Section 410(b) of the 1996 Telecom Act, to ensure a fully developed record; and

WHEREAS, NARUC and many states filed comments in opposition to the FCC's proposals to prematurely reduce or eliminate federal regulatory accounting and reporting standards that would undermine the FCC's and the States' abilities to carry out their statutory obligations under state laws and the 1996 Telecom Act; and

WHEREAS, Over the course of the past year, the telecommunications industry has experienced significant economic disruption and failure in some parts of the industry that has been due to misleading or fraudulent financial accounting; and

WHEREAS, The investment community seeks stability in all regulation to help restore the confidence of investors in the

industry; and

WHEREAS, The regulation of Telecommunications is the shared responsibility of the FCC and State utility commissions; and

WHEREAS, Many telecommunications carriers operate in many states and, as a result, a carrier's performance in one state may have a significant impact on its operations in other states, and

WHEREAS, A national system of regulatory accounting requirements is in the public interest, ensuring there is no inappropriate cross-subsidization, and providing uniformity and comparability of information reported by carriers among the various states in which they operate, and

WHEREAS, Most states have adopted accounting and cost allocation rules patterned on the FCC's rules; and

WHEREAS, Uniform regulatory accounting and reporting requirements, such as the FCC's Part 32 accounting rules and Automated Reporting Management Information System reports have proven invaluable to the states in order to monitor the financial and operational performance of telecommunications carriers, and

WHEREAS, Programs like the federal Universal Service Fund remain dependent on uniform accounting and reporting requirements to ensure that funds are calculated and used in an appropriate and consistent manner; and be it further

RESOLVED, That the Board of Directors of the National

Association of Regulatory Utility Commissioners (NARUC), convened at its July 2002 Summer Meetings in Portland, Oregon, given the revelations of financial accounting irregularities found in both the public utility sector and private business sector and the loss of confidence by investors, urges the FCC to immediately terminate the proceeding in CC Docket No. 00-199, 2000 Biennial Regulatory Review, where the sunseting of many of the FCC's current regulatory accounting rules on a date certain has been proposed; and be it further

RESOLVED, That elimination of certain uniform regulatory accounting rules and reporting requirements will further exacerbate market uncertainty arising from financial accounting irregularities; and be it further

RESOLVED, That uniform regulatory accounting and reporting requirements, such as the FCC's Part 32 accounting rules and ARMIS reports should not be eliminated as long as state commissions retain a need for them; and be it further

RESOLVED, That NARUC requests the FCC establish a Federal-State Joint Conference to review regulatory accounting and reporting safeguards to determine their adequacy and effectiveness in current markets and make recommendations as to future accounting and reporting changes; and be it further

RESOLVED, That the NARUC General Counsel be directed to formally transmit the foregoing requests to the Federal Communication Commission.

Sponsored by the Committee on Finance and Technology

Adopted by the NARUC Board of Directors July 31, 2002