

Resolution Regarding Phase 3 of the Federal Communication Commission's Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers

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 ARMIS reporting requirements; and

WHEREAS, The FNPRM specifically states that some of its proposed reforms to accounting standards would affect jurisdictional separations; and

WHEREAS, The FNPRM seeks further comment on the appropriate circumstances for elimination of accounting and reporting requirements for Incumbent Local Exchange Carriers ("ILECs") and concludes that maintaining a regulation at the federal level is not justified if a federal need for the requirement cannot be identified, regardless of States or territory needs; and

WHEREAS, The FNPRM also seeks comment on alternatives to its current accounting and reporting requirements, such as sunsetting the requirements by a date certain or replacing them with a rule requiring adherence to General Accepted Accounting Principles; and

WHEREAS, The FNPRM seeks comment on whether certain ARMIS information would more appropriately be collected through other means such as ad hoc data requests or the Local Competition and Broadband Data Gathering Program; and

WHEREAS, The FNPRM proposes to sunset continuing property records requirements (CPRs) in three years concluding they serve only the interests of State regulators; and

WHEREAS, CPRs are required to ensure proper accounting and calculation of federal depreciation parameters, categorization of Part 36 investments necessary for the Jurisdictional Separations process, and annual carrying charges associated with Unbundled Network Element prices evaluated during federal arbitration cases where the State does not arbitrate; and

WHEREAS, A national system of accounting requirements is in the public interest, ensuring there is no cross-subsidization, and providing uniformity and comparability among companies and most States have adopted accounting and cost allocation rules patterned on the FCC's rules; and

WHEREAS, Plans for eventual phase out of Part 32 would appear premature as Part 32 is the basis upon which jurisdictional separations of State and federal costs (Part 36) occurs; 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

WHEREAS, The cost models used in determining Unbundled Network Elements and Universal Service use inputs based in part on Part 32 accounting; and

WHEREAS, Robust competition in the local market has not yet developed and it may be premature to reduce accounting and reporting standards absent such competition; and

WHEREAS, Critical issues of how to quantify effective competition and determine carrier non-dominance depend on reliable data and the ability to obtain such data may be compromised by prematurely eliminating accounting and ARMIS reporting requirements; and

WHEREAS, That collection of data through ad hoc data requests or the Local Competition and Broadband Data Gathering Program is not a satisfactory replacement for a uniform accounting system due to such things as time constraints in obtaining the data, the loss of uniformity for comparison and benchmarking purposes, the loss of public availability of the data, the loss of reliability of the data since it would not be audited, and the loss of reported revenues and expenses to use in monitoring the growth of competitive markets; now therefore be it

RESOLVED, That the National Association of Regulatory Utility Commissioners (NARUC) convened in its November 2001 113th Annual Convention in Philadelphia, Pennsylvania, requests 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 be it further

RESOLVED, That the States and territories are encouraged to file comments responding to the FCC's sunset proposals by identifying those specific rules which should not be sunset and

providing a full analysis of the justification for the rules, on a rule-by-rule basis and addressing the advantages and disadvantages of a sunset approach, as opposed to concluding that requirements should be eliminated only upon meeting certain conditions with the development of a competitive marketplace; and be it further

RESOLVED, That NARUC opposes proposals that prematurely reduce or eliminate federal accounting, CPR, and ARMIS reporting standards as this would undermine the FCC's and the State's abilities to carry out their statutory obligations under the 1996 Telecom Act; and be it further

RESOLVED, NARUC opposes deregulation of accounting, CPR, and reporting requirements until there is effective market competition, ILECs are deemed non-dominant, and there are no other reasons for accounting data such as UNE pricing, jurisdictional separations, and universal service funding; and be it further

RESOLVED, That the comment and reply comment periods identified in the FNPRM are not sufficient for States and territories to prepare the specific and detailed information requested and NARUC proposes that these dates be extended; and be it further

RESOLVED, That NARUC recommends that accounting changes that may affect jurisdictional cost allocations should be considered by the Separations Joint Board; and be it further

RESOLVED, That the NARUC General Counsel be directed to file comments and, as necessary requests for extensions, to

further the intent of this resolution.

Sponsored by the Committees on Consumer Affairs, Finance and Technology, and Telecommunications. Recommended by the NARUC Board of Directors November 13, 2001. Adopted in Convention November 14, 2001.