

Resolution on Direct Assignment of Wholly Interstate Cost Study Expense

WHEREAS, A September 30, 1986 Order of the Federal Communications Commission (FCC), in CC Docket 78-72, Note 25 stated that for companies converting from average schedule to cost status, "all reasonable cost of such studies will be recovered through interstate rates." The FCC further noted that: "From a jurisdictional perspective, there are three types of cost studies: (1) wholly interstate; (2) wholly intrastate; (3) joint (*i.e.*, interstate and intrastate). The reasonable expense of wholly interstate cost studies are compensable, in toto, from interstate ratepayers. The expenses of cost studies that are used jointly for interstate and intrastate settlements are allocable, respectively, to interstate and intrastate revenue requirements"; and

WHEREAS, It is reasonable that such costs that are wholly interstate be allocated to interstate revenue requirements instead of placing the burden on local ratepayers; and

WHEREAS, Local exchange carriers currently directly assign amounts in Account 6720 (General and Administrative Expense) for matters such as: preparing wholly interstate cost studies, monthly input of revenue and expense data for NECA interstate revenue pools, and preparation of other NECA data requests; and

WHEREAS, The FCC, in its letter of interpretation regarding direct assignment on August 21, 1991 (DA 91-1059) specifically instructed that "carriers use the allocation procedures specified in Part 36 Rules unless the use of direct assignment is explicitly allowed in the Rules or, as is the case for sales agency expense, is explicitly required in a Commission Order"; and

WHEREAS, The NARUC, in July 1990, adopted a resolution that a comprehensive review of the Part 36 Separations Rules be undertaken; and

WHEREAS, The direct assignment of wholly interstate cost studies remains ambiguous because it is not specified in Part 36; now, therefore, be it

RESOLVED, That the Executive Committee of the National Association of Regulatory Utility Commissioners (NARUC), convened at its Winter Meeting in Washington, D.C., urges the FCC to clarify its Rules to permit the direct assignment of wholly interstate cost study expenses until a comprehensive review of the Part 36 Rules for separations is completed; and be it further

RESOLVED, That the NARUC General Counsel file this resolution with the FCC requesting appropriate action.

Sponsored by the Committee on Communications
Adopted March 4, 1993
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