

substances, Halogenated solvent cleaning machines, Reporting and recordkeeping requirements.

Dated: May 10, 1995.

Mary D. Nichols,

Assistant Administrator for Air and Radiation.

For reasons set out in the preamble, title 40, chapter I, part 63, subpart T of the Code of Federal Regulations is corrected as follows:

PART 63—[CORRECTED]

1. On page 61805, in the third column, 4 lines from the bottom, § 63.460(a) is corrected to add the following: "Wipe cleaning activities, such as using a rag containing halogenated solvent or a spray cleaner containing halogenated solvent are not covered under the provisions of this subpart."

2. On page 61806, first column, starting on line 18 from the top, § 63.460(d) is corrected by adding the following sentence to the end of the paragraph "Except that, any machine that commences construction or reconstruction on or before November 29, 1993, that does not use halogenated hazardous air pollutant (HAP) solvent on December 2, 1994 shall, if the machine begins use of halogenated HAP solvent after December 2, 1994, achieve compliance with the provisions of this subpart no later than December 2, 1997 or 60 days after commencing use of halogenated HAP solvent covered under this subpart whichever is later."

3. On page 61806, first column, starting 7 lines from the bottom, the definition of "batch cleaning machine" under § 63.461 is corrected by revising the last sentence to read as follows: "A solvent cleaning machine, such as a ferris wheel or a cross-rod degreaser, that clean multiple batch loads simultaneously and are manually loaded are batch cleaning machines."

4. On page 61806, second column, starting on the last line of the column, the definition of "existing" in § 63.461 is corrected to add the following sentence to the end of the definition: "A machine, the construction or reconstruction of which was commenced on or before November 29, 1993, but that did not meet the definition of a solvent cleaning machine on December 2, 1994 because it did not use halogenated HAP solvent liquid or vapor covered under this subpart to remove soils, becomes an existing source when it commences to use such liquid or vapor. A solvent cleaning machine moved within a contiguous facility or to another facility under the

same ownership, constitutes an existing machine."

5. On page 61806, second column, immediately following the definition of "cover" in § 63.461, the following definition of "cross-rod solvent cleaning machine" is added: "*Cross-rod solvent cleaning machine* means a batch solvent cleaning machine in which parts baskets are suspended from 'cross-rods' as they are moved through the machine. In a cross-rod cleaning machine, parts are loaded semi-continuously, and enter and exit the machine from a single portal."

6. On page 61807, second column, starting on line 40 from the top, the definition of "solvent cleaning machine" under § 63.461 is corrected to add the following sentence to the end of the definition: "Buckets, pails, and beakers with capacities of 7.6 liters (2 gallons) or less are not considered solvent cleaning machines."

7. On page 61808, in the first column, starting on line 26 from the top, § 63.462(d) is corrected to read as follows: "Each owner or operator of a batch cold cleaning machine shall submit an initial notification report as described in § 63.468 (a) and (b) and a compliance report as described in § 63.468(c)."

8. On page 61810, first column, starting on the last two lines, § 63.463(e)(2)(i) is corrected to read as follows: "If a freeboard refrigeration device is used to comply with these standards, the owner or operator shall ensure that the chilled air blanket temperature (in °F), measured at the center of the air blanket, is no greater than 30 percent of the solvent's boiling point."

9. On page 61814, third column, starting on line 24 from the top, § 63.468(a)(4) is corrected to read as follows: "The date of installation for each solvent cleaning machine or a letter certifying that the solvent cleaning machine was installed prior to, or after, November 29, 1993."

10. On page 61816, second column, starting on line 3 from the top § 63.468(j) is corrected to read as follows: "The Administrator has determined, pursuant to the criteria under section 502(a) of the Act, that an owner or operator of any batch cold solvent cleaning machine that is not itself a major source and that is not located at a major source, as defined under 40 CFR 70.2, is exempt from part 70 permitting requirements for that source.

An owner or operator of any other solvent cleaning machine subject to the provisions of this subpart is subject to part 70 permitting requirements, such

sources, if not major or located at major sources, may be deferred by the State from part 70 permitting requirements for 5 years after the EPA first approves a part 70 program (i.e., until December 9, 1999). All sources receiving deferrals shall submit permit applications within 12 months of such date (by December 9, 2000)."

11. On page 61818, in the first column, on the first line, amendment "4." is corrected to read as follows: "4. Appendix A to subpart T is added to read as follows:" Also, on the next line, the words "Appendix B" are corrected to read "Appendix A to Subpart T".

12. On page 61818, in the third column, on the last two lines, amendment "5." is corrected to read as follows: "5. Appendix B to Subpart T is added to read as follows:" Also, on the next line, the words "Appendix C" are corrected to read "Appendix B to Subpart T".

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FEDERAL COMMUNICATIONS COMMISSION

47 CFR Part 43

[CC Docket No. 92-296; FCC 95-181]

Simplification of the Depreciation Process

AGENCY: Federal Communications Commission.

ACTION: Final rule.

SUMMARY: The Federal Communications Commission is adopting ranges for the underlying factors that are used to compute depreciation rates for the local exchange carriers (LECs) regulated under the price cap incentive regulatory plan. Under new procedures, LECs may make streamlined filings for changes in depreciation rates, if their underlying depreciation factors fall within the prescribed ranges. The Commission implemented the streamlined procedures in two phases. The Second Report and Order (released June 28, 1994) adopted underlying factor ranges for 22 of the 34 depreciation rate categories. This Third Report and Order adopts ranges and alternate simplified procedures for the remaining 12 accounts and completes the implementation process. The rule change will lessen the depreciation prescription burden on price caps LECs in light of regulatory and market changes without sacrificing protection for consumers.

EFFECTIVE DATE: July 5, 1995.

FOR FURTHER INFORMATION CONTACT: Fatina K. Franklin (202-418-0859) or John Hays (202-418-0875), Common Carrier Bureau, Accounting and Audits Division.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's Third Report and Order in the Simplification of the Depreciation Prescription Process, CC Docket No. 92-296, FCC 95-181, adopted May 2, 1995 and released May 4, 1995. The full text of this Commission decision is available for inspection and copying during normal business hours in the FCC Dockets Branch (room 230), 1919 M St., Washington, DC. The full text will be published in the FCC Record and may also be purchased from the Commission's copy contractor, International Transcription Services, room 246, 1919 M Street, NW., Washington, DC 20554 (202-857-3800).

Paperwork Reduction Act

The Federal Communications Commission has submitted the following information collection request to OMB for review and clearance under the Paperwork Reduction Act of 1980, 44 U.S.C. 3507. Persons wishing to comment on this information collection should contact Timothy Fain, Office of Management and Budget, room 3225, New Executive Office Building, Washington, DC 20503, (202) 395-3561. For further information, contact Judy Boley, Federal Communications Commission, (202) 418-0214.

Please note: The Commission has requested expedited review of this collection by June 23, 1995, under the provisions of 5 C.F.R. Section 1320.18.

Title: Section 43.43—Report of Proposed Changes in Depreciation Rates

OMB Control No.: 3060-0168

Action: Revised collection

Respondents: Businesses or other for-profit entities

Frequency of response: On occasion; Triennially; Annually

Estimated Annual Burden: 12 responses; 5625 hours per response; 67,500 hours total

Needs and Uses: In the Report and Order in CC Docket No. 92-296 (released 10/20/93), the Commission streamlined its depreciation prescription process for local exchange carriers (LECs) regulated under its price cap regulatory scheme by adopting a modified form of the basic factor range option. The Second Report and Order (released 6/28/94) adopted the initial set of accounts and ranges for the price caps LECs. The Third Report and Order adopts ranges and alternate simplified procedures

for the remaining accounts and completes the implementation process. The Commission has modified its information collection requirements whereby large LECs must submit analyses on proposed changes in depreciation rates. The changes should reduce by 43.75% the amount of time needed to prepare and review these analyses. The information will be used by the Commission staff to establish proper depreciation rates to be charged by the carriers pursuant to Section 220(b) of the Communications Act, as amended. 47 U.S.C. 220(b).

The foregoing estimates include the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the burden estimates or any other aspect of the collection of information including suggestions for reducing the burden to the Federal Communications Commission, Records Management Branch, Paperwork Reduction Project (3060-0168), Washington, DC 20554 and to the Office of Management and Budget, Washington, DC 20503.

Summary: 1. On September 23, 1993, we adopted streamlined depreciation prescription procedures for the local exchange carriers ("LECs") regulated under our price cap incentive regulatory plan.¹ These procedures require us to establish ranges for the underlying factors that are used to compute depreciation rates for plant categories. The new procedures generally will permit carriers to make streamlined filings for changes in depreciation rates for these categories, as long as their underlying factors fall within the prescribed ranges. By adopting these streamlined procedures, we hoped to simplify the depreciation process, achieve administrative savings, and allow the LECs greater flexibility² in the depreciation process, while remaining consistent with the public interest.

2. We further concluded that the streamlined procedures should be implemented as soon as practicable, beginning with the plant accounts most readily adaptable to the range approach. To that end, we decided to implement the new procedures in two phases. In

¹ Simplification of the Depreciation Prescription Process, Report and Order, 58 FR 58788 (1993) (Depreciation Simplification Order).

² Flexibility allows a LEC to select, within established ranges, the life and salvage factors it uses in prescribed depreciation rates without undergoing the expense of submitting studies to justify its specification of those factors. In addition, under the new procedures, the LECs can change their basic factors annually, as opposed to the current triennial represetion cycle.

the Second Report and Order (released 6/28/94), we completed phase one of the streamlining process and adopted ranges for 22 plant categories.³

3. On October 7, 1994, we adopted a Further Order Inviting Comment⁴ proposing streamlined procedures for the remaining 12 plant categories. The FOIC sought comments on the proposed projection life and future net salvage ranges proposed by the Bureau for eight of these categories and alternate simplified procedures for the remaining four categories.

4. In response to the FOIC, the United States Telephone Association (USTA) and most of the LEC commenters urge the Commission to adopt the ranges so that the LECs can use them during the 1995 depreciation represetion process. These commenters, however, give limited support to the ranges as proposed in the FOIC. They state that those ranges are based on "historical" data that are not forward looking. In addition, they argue that the proposed projection life ranges encompass useful lives that are too long.

5. The General Services Administration (GSA), MCI Telecommunications Corporation (MCI), and the National Association of Regulatory Utility Commissioners (NARUC) support the ranges proposed in the FOIC. They state that the methodology the Commission used to determine the ranges is sound and that the ranges are reasonable and should be adopted without modification. MCI and NARUC further state that the proposed ranges appear to provide flexibility to a majority of the LECs, but are not so broad as to be meaningless.

6. On the other hand, the Idaho Public Utilities Commission (Idaho Commission) and the Missouri Public Service Commission (Missouri Commission) contend that the ranges are based on inadequate data. They state that, while the data are useful for determining the depreciation factors for a specific company, they are not adequate to establish industry-wide ranges. The Missouri Commission and the Idaho Commission indicate that the proposed ranges are too wide and that the ranges could substantially increase the carriers' depreciation expense. The Missouri Commission indicates that these ranges would give the price cap LECs discretion over approximately \$1 billion in depreciation expense. In addition, the Missouri Commission

³ Simplification of the Depreciation Prescription Process, Second Report and Order, 59 FR 35632 (1994) (Second Report and Order).

⁴ Simplification of the Depreciation Prescription Process, Order Inviting Comments, 58 FR 62083 (1993) (OIC).

contends that the ranges' width should vary inversely with the size of the account so that the potential depreciation change would equal some "target discretion value." Thus, according to the Missouri Commission, accounts with large balances should have relatively small ranges and accounts with small balances should have relatively large ranges.

7. In the Depreciation Simplification Order, we set forth the specific methodology that should be used to establish the projection life and future net salvage ranges. We have already used that methodology in establishing ranges for 22 depreciation rate categories in our Second Report and Order. In this Order, we are again using that methodology to set ranges for eight additional plant categories. This methodology requires that we consider certain specifically enumerated data. To apply it for each account and for each of the two basic factors, we first developed a range of one standard deviation around the mean of the basic factors underlying the currently prescribed depreciation rates for each of the LECs. From that point, we determined whether there were technological trends or changing carrier plans that might not be fully reflected in some of the LECs' prescribed factors. We then considered the number of LECs with basic factors that fall within the initial ranges and altered the ranges where appropriate. We recognized, however, that these specifically enumerated data must be considered in light of our obligation to prescribe reasonable depreciation rates. Thus, in developing the proposed ranges, we considered both the specific data enumerated in the Depreciation Simplification Order and our overriding responsibility to prescribe reasonable depreciation rates.

8. After reviewing the comments, we have decided to adopt the ranges proposed in the FOIC. (See Appendix). As indicated above, these ranges are based on statistical studies of the most recently prescribed factors. These statistical studies required detailed analyses of each carrier's most recent plant retirement patterns, the carriers' plans, and the current technological developments and trends. Because the proposed ranges reflect these data, we do not believe that the ranges are too high, too low, or not accurate as several commenters contend. Moreover, the ranges are not so broad as to be considered meaningless by including all prescribed factors.

9. As we stated in the Second Report and Order, our objective in this rulemaking is to streamline the process

used by the Commission to prescribe depreciation rates, not to change those rates. We believe that the ranges adopted in this Order, and in the Second Report and Order, provide a reasonable degree of confidence that the basic factors falling within their bounds will produce depreciation rates accurately reflecting plant retirements, company plans, and technological trends. On the other hand, they allow the LECs sufficient flexibility in the selection of the final factors. Consequently, we have decided not to deviate from any of the proposed ranges at this time. We believe that some experience with the ranges should be developed before we consider modifying them. As suggested by most of the commenters, this will also allow us to establish the ranges as quickly as possible so that the LECs can use them during the 1995 re prescription process. If changing conditions require revisions in the ranges, we can modify them during our three-year range review.

10. In the FOIC, we did not propose ranges for Account 2211, Analog Electronic Switching; Account 2215, Electro-mechanical Switching; and Account 2431, Aerial Wire.⁵ We stated that the LECs are rapidly phasing out the obsolete equipment recorded in these "dying accounts"⁶ and replacing it with equipment based on newer technologies. We proposed to calculate the depreciation rates for these accounts from specific plant retirement schedules that the LECs have developed based on company plans to modernize their networks. We stated that these rates would be more accurate and easier to calculate than rates based on national averages that require detailed statistical analyses of forecasted basic factors.

11. In addition, we did not propose a range for Account 2121, Buildings.⁷ We stated that, for depreciation study purposes, we had permitted the LECs great flexibility in subdividing this account and estimating lives for each subcategory. We also stated that, because of the significant differences among the categorization methods, the LECs' current basic factors for the subaccounts could not be used to establish nationwide ranges. In the FOIC, we proposed to maintain the basic factors underlying the currently prescribed depreciation rates for the buildings account, until our three-year range review when we will reconsider whether ranges would be appropriate

⁵ 47 CFR 32.2211, 32.2115, 32.2431.

⁶ "Dying accounts" are asset accounts in which little or no new investment is being made, and for which substantial retirements are impending.

⁷ 47 CFR 32.2121.

for this account. In the interim, we proposed to require that the price cap LECs submit the same data for the buildings account that would be required under our streamlined study procedures.⁸

12. The parties commenting on these matters support our proposals. MCI, the Southwestern Bell Telephone Company (Southwestern), and USTA indicate that there is no need to establish ranges for "dying accounts." NARUC agrees that our proposed method for determining the rates for the three "dying accounts" would be more accurate than rates based on national averages. NARUC maintains that these rates can be readily calculated using individual company retirement schedules without the need for statistical analyses to forecast lives. The commenters also concur with our proposed treatment of the buildings account.

13. We conclude that the public interest would be best served by adopting the alternate streamlined procedures for these accounts proposed in the FOIC. We find that the cost of establishing and administering ranges for these accounts would outweigh the benefits. As we stated in the FOIC, depreciation rates on obsolete equipment recorded in "dying accounts" can be readily calculated from retirement schedules using a methodology less complicated than the range approach. Moreover, to establish ranges for the buildings account would require that the LECs' present data be recast into new, uniform subcategories. The LECs have indicated that the cost of compiling the information necessary to develop new subcategories would be substantial.⁹

14. Furthermore, we find that the depreciation rates calculated for these accounts using our alternate streamlined procedures will be more accurate than depreciation rates based on the range approach. For the "dying accounts," the rates will reflect company-specific retirement schedules rather than national averages of the underlying basic factors. For the building account, we believe the present rates will reflect company operations over the next few years. The LECs do not have plans to add or retire a significant number of buildings during that period. As a result, the underlying depreciation

⁸ Depreciation Rates Branch, The Federal Communications Commission, The Federal Communications Commission Depreciation Study Guide \$I (1995) describes these streamlined study procedures.

⁹ See Letter from Thomas R. Whittaker, Chairman, United States Telephone Association Ad Hoc Depreciation Committee, to Ms. Fatima Franklin, Chief, Depreciation Rates Branch (June 21, 1994).

factors applicable to Account 2121 likely will not change, and an extensive analysis of the buildings account probably will not be necessary within the next few years. In the interim, we believe that the data required under the streamlined study procedures will be adequate, and will allow price cap LECs to submit only these data for the buildings account.

15. Under our depreciation prescription process, one-third of the carriers for which we prescribe rates have their rates reviewed each year. LECs scheduled for review in 1996 and 1997 may file for changes in their

depreciation rates in 1995 as long as they use basic factors within the ranges we have selected and ranges chosen are consistent with their operations. These carriers must file these depreciation rate changes by July 1, 1995.

Ordering Clauses

16. Accordingly, it is ordered, pursuant to Section 4(i), 201-205 and 220(b) of the Communications Act of 1934, as amended, 47 U.S.C. 154(i), 201-205 and 220(b), that the ranges for the future net salvage and the projection life factors for the accounts listed in the Appendix are Hereby Adopted as specified in the Appendix.

17. It is Further Ordered, that this order is effective thirty days after publication in the **Federal Register**.

18. It is Further Ordered, that carriers may use the ranges established herein for federal filing purposes prior to the effective date of this order.

List of Subjects in 47 CFR Part 43

Communication common carriers, Reporting and recordkeeping requirements, Telephone.

Federal Communications Commission.

LaVera F. Marshall,
Acting Secretary.

APPENDIX.—ACCOUNTS AND RANGES

Account No.	Account Name	Depreciation rate category	Projection life range (years)		Future net salvage range (percent)	
			Low	High	Low	High
2220	Digital switching	Digital switching	16	18	0	5
2220	Operator systems	Combined	8	12	0	5
2232	Circuit equipment	Digital	11	13	0	5
2411	Poles	Poles	25	35	-75	-50
2421	Aerial cable	Metallic	20	26	-35	-10
2423	Buried cable	Metallic	20	26	-10	0
2426	Intrabuilding network cable	Metallic	20	25	-30	-5
2426	Intrabuilding network cable	Non-metallic	25	30	-15	0

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47 CFR Part 61

[CC Docket No. 94-97, Phase I, FCC No. 95-200]

Local Exchange Carriers' Rates, Terms, and Conditions for Expanded Interconnection Through Virtual Collocation for Special Access and Switched Transport

AGENCY: Federal Communications Commission.

ACTION: Final rule.

SUMMARY: In this Order, the Commission concludes that most of the local exchange carriers failed to demonstrate that the overhead loading levels established in their virtual collocation tariffs are just and reasonable. The Commission, therefore, finds these rates to be unlawful. In order to facilitate efficient entry into the interstate access service market, the Commission prescribes the maximum permissible overhead loading levels for virtual collocation rates. The intended effect of this action is to foster increased competition in the interstate access service market and to benefit consumers through increased efficiency, broader

access to services, reduced rates, and more rapid deployment of new technologies.

EFFECTIVE DATE: July 5, 1995.

FOR FURTHER INFORMATION CONTACT: Amy Glatter or Mika Savir, (202) 418-1530.

SUPPLEMENTARY INFORMATION: On May 11, 1995, the Commission adopted and released a Report and Order in CC Docket No. 94-97, Phase I, after reviewing local exchange carriers' (LECs') direct cases, opposition, and rebuttals in the matter of LECs' Rates, Terms, and Conditions for Expanded Interconnection through Virtual Collocation for Special Access and Switched Transport. The Commission concluded that most LECs have not justified their proposed overhead loadings, and that these LECs' rates for virtual collocation service are therefore unlawful.

In order to advance the competitive goals of this Commission's new mandatory collocation policy, we prescribed in this Order the maximum permissible overhead loading levels for these LECs' virtual collocations rates.

We prescribed on a permanent basis the maximum permissible overhead loading levels for virtual collocation rates filed by Bell Atlantic Telephone Companies, BellSouth

Telecommunications, Inc., GTE System Telephone Companies and GTE Telephone Operating Companies, United and Central Telephone Companies, and US West Communications, Inc. In addition, we prescribed on an interim basis the maximum permissible overhead loading levels for Southwestern Bell pending resolution of the carrier's request for confidential treatment of its cost support data. At the completion of our investigation, we will prescribe on a permanent basis just and reasonable overhead loading levels for SWB.

Finally, we affirmed on an interim basis the Common Carrier Bureau's earlier conclusion that the overhead loading levels of Ameritech Operating Companies and Cincinnati Bell Telephone Companies appear to comport with the Commission's overhead loading standard, pending resolution of these carrier's request for confidential treatment of their direct case cost support data.

The full text of this item is available for inspection and copying during normal business hours in the FCC Reference Center (Room 239) of the Federal Communications Commission, 1919 M Street, NW., Washington, DC 20554. The complete text of this decision may also be purchased from