

3. The Commission also seeks comments on whether the proposed expense limit change is an economic cost and what effect, if any, on carriers' cash flow it may have that would qualify this accounting change for exogenous treatment under Price Cap regulation.

4. Accordingly, it is ordered that, pursuant to Section 4(i), 4(j) and 220 of the Communications Act of 1934, as amended, 47 U.S.C. 154(i), 154(j) and 220, Notice is hereby given of the proposed amendment to Part 32 of the Commission's rules, 47 CFR part 32, as described below. In conjunction with this notice, we delegate authority to the Chief, Common Carrier Bureau to request and obtain from the Regional Bell Operating Companies and GTE any data necessary to evaluate the possible revenue requirement impact of the proposed change.

#### List of Subjects in 47 CFR Part 32

Uniform System of Accounts.

Federal Communications Commission.

**LaVera F. Marshall,**

*Acting Secretary.*

#### Rule Changes

Part 32 of Title 47 of the CFR is proposed to be amended as follows:

#### PART 32—UNIFORM SYSTEM OF ACCOUNTS FOR TELECOMMUNICATIONS COMPANIES

1. The authority citation for part 32 continues to read as follows:

**Authority:** secs. 4(i), 4(j) and 220 as amended; 47 U.S.C. 154(i), 154(j) and 220 unless otherwise noted.

2. Paragraph 32.2000(a)(4) is revised to read as follows:

#### § 32.2000 Instructions for telecommunications plant accounts.

(a) \* \* \*

(4) The cost of individual items of equipment, classifiable to Accounts 2112, Motor Vehicles; 2113, Aircraft; 2114, Special Purpose Vehicles; 2115, Garage Work Equipment; 2116, Other Work Equipment; 2122, Furniture; 2123, Office Equipment; and 2124, General Purpose Computers, costing \$750 or less or having a useful life less than one year shall be charged to the applicable Plant Specific Operating Expense accounts. If the aggregate investment in the items is relatively large at the time of acquisition, such amounts shall be maintained in an applicable material and supplies account until items are used.

\* \* \* \* \*

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#### 47 CFR Part 36

[CC Docket No. 80-286; FCC 95-189]

#### Establishment of a Joint Board

**AGENCY:** Federal Communications Commission.

**ACTION:** Notice of proposed rulemaking.

**SUMMARY:** The Federal Communications Commission proposes to change the separations rules applicable to local exchange carriers ("LECs") for allocating the Other Billing and Collecting ("OB&C") expenses<sup>1</sup> portion of Account 32.6623, Customer services,<sup>2</sup> between state and interstate jurisdictions. These permanent separations rules would replace the interim procedures that LECs currently use to allocate OB&C costs. The FCC proposes a fixed allocation method which would allocate a specified percentage of costs to the interstate jurisdiction. The FCC invited comment on four fixed allocation methodologies and it asked parties to suggest alternative approaches. The FCC also invited comment on the need for a contingency provision that would be triggered by one or more of the interexchange carriers substantially reducing their use of LEC billing and collection services. The FCC referred the issues involving the OB&C separations rules to the Federal State Joint Board established in the CC Docket 80-286 Joint Board proceeding for a recommendation.

**DATES:** Comments are due July 14, 1995; Reply Comments are due August 14, 1995.

**ADDRESSES:** FCC, 1919 M St., N.W., Washington, DC 20554.

**FOR FURTHER INFORMATION CONTACT:** Deborah Dupont, telephone number 202-418-0850.

**SUPPLEMENTARY INFORMATION:** This is a summary of the FCC's Notice of Proposed Rulemaking in Amendment of Part 36 of the Commission Rules and Establishment of a Joint Board, FCC 95-189, CC Docket No. 80-286, adopted May 4, 1995 and released May 15, 1995. The Commission has made the full text of the Notice of Proposed Rulemaking available for inspection and copying during normal business hours in the Commission's Reference Center, Room 239, 1919 M Street, N.W., Washington, DC 20554, and will publish it in the FCC Record. The full text of the Notice of Proposed Rulemaking may also be

<sup>1</sup> The phrase "OB&C expenses" refers to the Other Billing and Collecting Expenses described in 47 CFR 36.380 (1994).

<sup>2</sup> See 47 CFR 32.6623.

purchased from the commission's duplicating contractor, International Transcription Service, 2100 M Street, N.W., Suite 140, Washington, DC 20037, telephone number 202-857-3800.

#### Synopsis of Notice of Proposed Rulemaking

OB&C expenses are the costs incurred by LECs in preparing and rendering customer bills (other than carrier access charge bills), and in accounting for revenues generated by those billings. LECs allocate most of the interstate OB&C costs to nonregulated activities and recover these costs through untariffed charges for non-regulated services. The sole exception is the billing and collecting cost for the federal end user common line charge which LECs recover through the common line access rate element.

Prior to 1987, the FCC rules had complex and administratively-burdensome rules in place. In 1987 the FCC replaced those rules with a new approach which it expected to simplify the separation of OB&C expenses.<sup>3</sup> The new rules, however, applied a formula that inadvertently set the interstate share of OB&C expenses at thirty-three percent for LECs that continued to provide billing and collecting functions for AT&T. The interstate allocations had typically amounted to approximately twenty percent. This unanticipated result led the Commission, in 1988, on reconsideration to reinstate on an interim basis a portion of the allocation rules that were in effect prior to 1987.<sup>4</sup>

The FCC believes that LECs generally cannot attribute OB&C services to any specific service and, therefore, it proposes a fixed allocation factor to replace the interim OB&C allocation procedures. The FCC also believes that a fixed allocation factor would provide greater administrative simplicity, certainty and auditability than the interim rules. The FCC proposed four alternative fixed allocation methods and invited parties to propose other possible methods as well. The FCC requests that parties comment on (1) whether the allocation procedures should be based upon a fixed allocation factor, rather than on a direct measurement of actual interstate usage, and (2) whether the

<sup>3</sup> MTS and WATS Market Structure, Amendment of Part 67 of the Commission's Rules and Establishment of a Joint Board, CC Docket Nos. 78-72 and 80-286, 2 FCC Rcd 2078, 2083 (1987), 52 FR 18408, May 15, 1987; Amendment of Part 67 (New Part 36) of the Commission's Rules and Establishment of a Federal-State Joint Board, 2 FCC Rcd 2639 (1987), 52 FR 17228, May 6, 1987.

<sup>4</sup> Amendment of Part 67 (New Part 36) of the Commission's Rules and Establishment of a Federal-State Joint Board, 3 FCC Rcd 5518 (1988), 53 FR 33010, August 29, 1988.

allocation factor should be adjusted to reflect substantial changes in the interexchange carriers usage of LEC billing services.

The FCC also seeks comments on whether its permanent OB&C allocation rules should include a contingency provision that would alter separations procedures if interexchange carriers substantially reduce their use of LEC billing and collecting services, and if so, what form this "trigger" provision should take. The FCC proposes two possible adjustment triggers and invites comments on its proposals and related issues as well as suggestions for alternative approaches.

Finally, the FCC invites comments on the separations procedures applicable to OB&C expenses and refers this issue to the Docket 80-286 Joint Board for a

recommendation for a permanent solution. It requests that interested parties address the extent to which the proposed procedures: (1) Would reflect cost-causation principles; (2) would affect the division of costs between the jurisdictions; and (3) would prove burdensome to implement and administer.

Accordingly, it is ordered that, pursuant to sections 1, 4(i), 4(j), 403, and 410(c) of the Communications Act of 1934, as amended, 47 U.S.C. 151, 154(i), 154(j), 403, and 410(c), NOTICE IS HEREBY GIVEN of proposed permanent amendments to Part 36, Subpart D of the Commission's Rules, 47 CFR part 36, subpart D, as described in the Notice of Proposed Rulemaking.

It is further ordered, pursuant to Section 410(c) of the Communications

Act of 1934, as amended, 47 U.S.C. 410(c), that the issues relating to permanent changes in the Commission's Part 36 Revenue Accounting Expense rules, 47 CFR 36.380, shall be and hereby are referred to the Federal State Joint Board established in the CC Docket No. 80-286 proceeding for a recommended decision regarding the issues raised herein.

**List of Subjects in 47 CFR Part 36**

Uniform System of Accounts.

Federal Communications Commission.

**LaVera F. Marshall,**

*Acting Secretary.*

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