

and Budget determines is "economically significant" as defined under Executive Order 12866, and (2) concerns an environmental health or safety risk that EPA has reason to believe may have a disproportionate effect on children. If the regulatory action meets both criteria, the Agency must evaluate the environmental health or safety effects of the planned rule on children and explain why the planned regulation is preferable to other potentially effective and reasonably feasible alternatives considered by the Agency.

This rule is not subject to E.O. 13045 because it is not an economically significant rule as defined by E.O. 12866, and because it does not involve decisions based on environmental health or safety risks.

#### **Compliance With Executive Order 13084**

Under Executive Order 13084, EPA may not issue a regulation that is not required by statute, that significantly or uniquely affects the communities of Indian tribal governments, and that imposes substantial direct compliance costs on those communities, unless the Federal government provides the funds necessary to pay the direct compliance costs incurred by the tribal governments, or EPA consults with those governments. If EPA complies with consulting, Executive Order 13084 requires EPA to provide to the Office of Management and Budget, in a separately identified section of the preamble to the rule, a description of the extent of EPA's prior consultation with representatives of affected tribal governments, a summary of the nature of their concerns, and a statement supporting the need to issue the regulation. In addition, Executive Order 13084 requires EPA to develop an effective process permitting elected officials and other representatives of Indian tribal governments "to provide meaningful and timely input in the development of regulatory policies on matters that significantly or uniquely affect their communities."

This rule is not subject to E.O. 13084 because it does not significantly or uniquely affect the communities of Indian tribal governments. Tennessee is not authorized to implement the RCRA hazardous waste program in Indian country. This action has no effect on the hazardous waste program that EPA implements in Indian country within the State.

#### **Paperwork Reduction Act**

Under the Paperwork Reduction Act, 44 U.S.C. 3501 *et seq.*, Federal agencies must consider the paperwork burden

imposed by any information request contained in a proposed rule or a final rule. This rule will not impose any information requirements upon the regulated community.

#### **National Technology Transfer and Advancement Act**

Section 12(d) of the National Technology Transfer and Advancement Act of 1995 ("NTTAA"), Public Law 104-113, section 12(d) (15 U.S.C. 272 note) directs EPA to use voluntary consensus standards in its regulatory activities unless to do so would be inconsistent with applicable law or otherwise impractical. Voluntary consensus standards are technical standards (e.g., materials specifications, test methods, sampling procedures, and business practices) that are developed or adopted by voluntary consensus standards bodies. The NTTAA directs EPA to provide Congress, through OMB, explanations when the Agency decides not to use available and applicable voluntary consensus standards.

This action does not involve technical standards. Therefore, EPA did not consider the use of any voluntary consensus standards.

#### **List of Subjects in 40 CFR Part 271**

Environmental Protection, Administrative practice and procedure, Confidential business information, Hazardous waste, Hazardous waste transportation, Indian lands, Intergovernmental relations, Penalties, Reporting and recordkeeping requirements, Water pollution control, Water supply.

**Authority:** This action is issued under the authority of sections 2002(a), 3006 and 7004(b) of the Solid Waste Disposal Act as amended 42 U.S.C. 6912(a), 6926, 6974(b).

**A. Stanley Meiburg,**

*Acting Regional Administrator, Region 4.*

[FR Doc. 99-23912 Filed 9-14-99; 8:45 am]

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#### **FEDERAL COMMUNICATIONS COMMISSION**

##### **47 CFR Parts 43 and 64**

[CC Docket No. 98-81, ASD File No. 98-64, CC Docket No. 96-150, RM-9341, FCC 99-106]

##### **1998 Biennial Regulatory Review—Review of Accounting and Cost Allocation Requirements**

**AGENCY:** Federal Communications Commission.

**ACTION:** Final rule.

**SUMMARY:** This document streamlines the accounting requirements for mid-sized incumbent local exchange carriers (LECs) whose aggregate annual revenues are less than \$7 billion by allowing these companies, currently required to use Class A accounts, to use the more streamlined Class B accounts. The Commission also permits the mid-sized incumbent LECs to submit their cost allocation manuals (CAMs) based on the Class B system of accounts. In addition, mid-sized incumbent LECs will now only be required to obtain an attestation every two years, instead of an annual financial audit requiring a positive opinion. The Commission also eliminates several accounting requirements for all incumbent LECs. The Commission's objective in modifying the accounting and cost allocation rules is to minimize the reporting burden on incumbent LECs and improve the quality of the reported information.

**DATES:** This rule is effective November 15, 1999, except § 32.2000(b) which contains information collection requirements and will not become effective until approved by the Office of Management and Budget. The Commission will publish a document announcing the effective date of this section.

**ADDRESSES:** Federal Communications Commission, 445-12th Street, SW, TW-A325, Washington, D.C. 20554.

**FOR FURTHER INFORMATION CONTACT:** Mika Savir, Legal Branch, Accounting Safeguards Division, Common Carrier Bureau at (202) 418-0384 or Andy Mulitz, Chief, Legal Branch, Accounting Safeguards Division, Common Carrier Bureau at (202) 418-0827.

**SUPPLEMENTARY INFORMATION:** This *Report and Order* in CC Docket No. 98-81, ASD File No. 98-64, CC Docket No. 96-150, RM-9341, adopted on May 18, 1999 and released on June 10, 1999, is available for inspection and copying during normal business hours in the FCC Reference Information Center (RIC), 445 12th Street, SW, TW-A325, Washington, D.C. 20554. The complete text may be purchased from the Commission's copy contractor, International Transcription Service, Inc., 1231 20th Street, N.W., Washington, D.C. 20036, (202) 857-3800.

#### **Synopsis of Report and Order**

##### **I. Background**

1. As part of the biennial review under section 11 of the Communications Act, the Commission proposed to raise the threshold significantly for required Class A accounting, allowing mid-sized

incumbent LECs currently required to use Class A accounts to use the more streamlined Class B accounts. In addition, the Commission proposed to establish less burdensome CAM procedures for the mid-sized incumbent LECs and to reduce the frequency with which independent audits of the cost allocations based upon the CAMs are required. The Commission also proposed several changes to the Uniform System of Accounts (USOA) to reduce accounting requirements and to eliminate or consolidate accounts for all carriers. Finally, the Commission sought proposals for other accounts or filing requirements that could be reduced or eliminated.

## II. Report and Order

### A. Revenue Threshold for Determining Level of Reporting for Mid-Sized Incumbent LECs

2. Under the Commission's rules there are two classes of incumbent LECs for accounting purposes: Class A and Class B. Carriers with annual operating revenues from regulated telecommunications operations equal to or above a designated indexed revenue threshold, currently \$112 million, are classified as Class A; those with annual operating revenues below the threshold are considered Class B. Generally, Class A accounts provide more detailed records of investment, expense, and revenue than the Class B accounts. In the *Notice of Proposed Rulemaking* (NPRM), 63 FR 45208 (Aug. 25, 1998), the Commission proposed to streamline accounting requirements for certain mid-sized incumbent LECs based on the aggregate revenues of the LEC and any LEC that it controls, is controlled by, or with which it is under common control. The Commission proposed that if the aggregate revenues of these affiliated incumbent LECs are less than \$7 billion, then each incumbent LEC within that group would be eligible for Class B accounting, even if the annual operating revenue of any individual incumbent LEC equals or exceeds \$112 million. The Commission adopts the proposal in the NPRM. Among incumbent LECs, this revision would limit Class A accounting to the Bell operating companies (BOCs) and GTE. All other incumbent LECs may use the Class B system of accounts. Carriers that qualify for Class B accounting may, at their discretion, maintain a Class A accounting structure upon the submission of written notification to the Commission. See 47 CFR 32.11.

3. *Pole Attachment Fees.* In reviewing the rates charged by incumbent LEC owners of poles, ducts, conduits and

rights-of-way, the Commission applies data taken from the Automated Reporting Management Information Systems (ARMIS) reports. Under the Class B accounting structure adopted for mid-sized incumbent LECs, detailed accounts needed to calculate pole attachment fees using the pole attachment formulas would no longer be reported in their ARMIS reports. Mid-sized incumbent LECs are therefore required to maintain subsidiary record categories to provide the pole attachment data currently provided in the Class A accounts, and must report the information necessary for the Commission to calculate pole attachment rates based on their ARMIS reports.

4. *Application of Threshold.* In the NPRM, the Commission proposed eliminating the difference between the application of the indexed revenue threshold for Parts 32 and 64 because the difference provided unnecessary complexity. The Commission adopts the proposal and eliminates the difference between the application of the indexed revenue threshold for Part 32 and 64 cost allocation purposes. Carriers will be classified as Class A or Class B at the start of the calendar year following the first time their annual operating revenues equal or exceed the indexed revenue threshold. The \$7 billion threshold will not be indexed for inflation annually, but instead will be a fixed threshold that the Commission will monitor on a regular basis. If the Commission determines that the \$7 billion threshold is no longer appropriate due to inflation or any other change in market conditions, it will revise the threshold to reflect those changes.

### B. Reduced Cost Allocation Manual Procedures for Mid-Sized Incumbent LECs

5. In the NPRM, the Commission proposed to reduce CAM requirements for mid-sized incumbent LECs. The proposal would allow these companies to submit their CAMs based upon the Class B system of accounts and would relax the current annual audit requirements for cost allocations related to the CAM by permitting mid-sized incumbent LECs to obtain an attestation every two years. Each such attestation would cover the previous two years. The Commission adopts this proposal. Mid-sized incumbent LECs may submit their CAMs based upon the Class B system of accounts. The Commission also concludes that mid-sized incumbent LECs may obtain an audit every two years, instead of an annual

financial audit requiring a positive opinion.

### C. Revising the Uniform System of Accounts for All Carriers

6. *Combining Accounts 2114, 2115, and 2116, 47 CFR 32.2114–32.2116.* In the *Notice*, the Commission proposed combining Account 2114, Special purpose vehicles, Account 2115, Garage work equipment, and Account 2116, Other work equipment, into a single new account. The assets recorded in these accounts are similar in nature, have similar prescribed depreciation rates, and are treated identically under the jurisdictional separations rules set forth in Part 36 of the Commission's rules. The Commission adopts this proposal and combines these accounts into a single account entitled Account 2114, Tools and other work equipment.

7. *Combining Accounts 6114, 6115, and 6116, 47 CFR 32.6114–32.6116.* In the *Notice*, the Commission proposed combining Account 6114, Special purpose vehicles expense, Account 6115, Garage work equipment expense, and Account 6116, Other work equipment expense, into a single new account entitled Account 6114, Tools and other work equipment expense. The Commission concludes that these accounts should be combined into a single account because combining these accounts would reduce the carriers' accounting and reporting burdens, would not affect the amounts separated between the interstate and intrastate jurisdictions, and would not affect our ability to protect the public interest. The Commission adopts this proposal and combines these accounts into a single account entitled Account 6114, Tools and other work equipment expense.

8. *Accounting for Nonregulated Revenues.* In the *Notice*, the Commission proposed amending §§ 32.23(c) and 32.5280, 47 CFR 32.23(c) and 32.5280, to allow carriers to record revenues from all nonregulated activities in Account 5280, Nonregulated operating revenue. Such an amendment would modify the current rule that instructs carriers to record revenue from nonregulated activities in Account 5280 only if there is no other operating revenue account to which the revenue relates. The Commission concludes that combining revenues for all nonregulated activities into one account would continue to protect the public interest by ensuring that nonregulated revenues are segregated from the carriers' regulated revenues. Therefore, the Commission eliminates Account 5010 and revises the language in sections 32.23(c) and 32.5280(a), to require that all

nonregulated revenues be recorded in Account 5280.

9. *Revision to Section 32.16, Changes in Accounting Standards.* Section 32.16 of the Commission's rules, 47 CFR 32.16, requires carriers to revise their records and accounts to reflect new accounting standards prescribed by the Financial Accounting Standards Board (FASB). This section provides that Commission approval of a change in an accounting standard shall automatically take effect 90 days after a carrier notifies the Commission of its intention to follow a new standard. In the notification to the Commission, carriers are required to provide a revenue requirement study that analyzes the effects of the accounting change for the current year and a projection for three years into the future. In the *Notice*, the Commission proposed to relieve carriers of the requirement to file the projected future effects of an accounting change in their notifications. The Commission adopts this proposal. If projections are needed in the future, the Commission will obtain them on an *ad hoc* basis.

10. *Revision to Section 32.2000(b), Telecommunications Plant Acquired.* Section 32.2000(b)(4) of the Commission's rules, 47 CFR 32.2000(b)(4), requires carriers to submit for Commission approval the journal entries made to record acquisitions from other entities of telecommunications plant that cost more than \$1 million for Class A carriers and \$250,000 for Class B carriers. In the *NPRM*, the Commission proposed to eliminate this filing requirement. The Commission concludes that this requirement, which was established to ensure that plant acquired from other carriers is recorded at original cost as required in section 32.2000(b), is no longer necessary. The Commission adopts the proposal in the *NPRM* and eliminates the requirement for routine filing of these journal entries.

*D. Order on Reconsideration in CC Docket No. 96-150—Section 274(f) Reporting Requirements*

11. In the *Accounting Safeguards Order*, the Commission addressed the accounting safeguards necessary to satisfy the requirements of sections 260 and 271 through 276 of the Communications Act. Section 274(a) prohibits any "Bell operating company or any affiliate [from] engag[ing] in the provision of electronic publishing that is disseminated by means of such Bell operating company's or any of its affiliates' basic telephone service," other than through "a separated affiliate or electronic publishing joint venture." 47 U.S.C. 274(a). Section 274(f) establishes a reporting requirement for separate

electronic publishing affiliates created pursuant to section 274. 47 U.S.C. 274(f). In the *Accounting Safeguards Order*, the Commission concluded that those section 274 affiliates that already file an SEC Form 10-K must file a copy with this Commission and section 274 affiliates that were not required to file a Form 10-K with the SEC, must file an identical form with this Commission. SBC Communications, Inc. (SBC) filed a Petition for Reconsideration of the *Accounting Safeguards Order*, asserting, among other things, that a simplified report for "separated entities" not already subject to the SEC's Form 10-K requirements will satisfy the intent of section 274(f) because the phrase "substantially equivalent," as used in the statute, does not mean "identical."

12. The SEC Form 10-K is a voluminous report that contains a description of the company filing the report and its operations, financial statements with supporting financial data and major legal and financial disclosures concerning the company. The SEC Form 10-K is comprised of the following items: Item 1, Business; Item 2, Properties; Item 3, Legal Proceedings; Item 4, Submission of Matters to a Vote of Security Holders; Item 5, Market for Registrant's Common Equity and Related Stockholder Matters; Item 6, Selected Financial Data; Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations; Item 8, Financial Statements and Supplementary Data; Item 9, Changes in and Disagreements with Accountants on Accounting and Financial Disclosure; Item 10, Directors and Executive Officers of the Registrant; Item 11, Executive Compensation; Item 12, Security Ownership of Certain Beneficial Owners and Management; Item 13, Certain Relationships and Related Transactions; and Item 14, Exhibits, Financial Statement Schedules and Reports on Form 8-K. The SEC also has a limited version of the Form 10-K for wholly owned subsidiaries. The limited version of the Form 10-K omits Items 4, 10, 11, 12, and 13. The limited version also streamlines Items 6 and 7.

13. The Commission concludes that the information contained in the limited version of SEC Form 10-K, with certain modifications, is sufficient to monitor the electronic publishing affiliate's compliance with the section 274 requirements. The Commission modifies the limited Form 10-K filing requirements to exclude Item 5 and include Item 10. Item 5 is related to stockholder matters that are not relevant to section 274. The Commission retains Item 10 for section 274 affiliates because Item 10 contains information on

directors and officers that would assist in monitoring the prohibition against sharing directors and officers.

*E. Accounting for Computer Software Costs*

14. *Generally accepted accounting principles (GAAP).* Since 1985, the Commission has followed a policy of conforming regulatory accounting for carriers to GAAP, unless the principle or practice conflicts with the Commission's regulatory objectives. Accordingly, several parties have taken the Commission up on its request for the submission of additional proposals for accounting changes by suggesting the adoption of GAAP accounting in lieu of current Commission accounting for various purposes. While a wholesale replacement of the Commission's accounting rules with GAAP is not warranted at this time, the Commission modifies the accounting rules relating to the use of GAAP in one respect in this Report and Order. On March 4, 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-1 ("SOP 98-1") to provide authoritative guidance on accounting for the costs of computer software effective for financial statements for fiscal years beginning after December 15, 1998. See American Institute of Certified Public Accountants (AICPA) Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, Issued by the Accounting Standards Executive Committee, March 4, 1998, at Summary. SOP 98-1 generally requires the capitalization of software costs. SOP 98-1 also requires the cost of upgrades and enhancements to be capitalized if they result in additional functionality. Petitioners requested that the Commission amend the existing Part 32 rules in order to accommodate this recent change in GAAP and change its rules governing the treatment of software costs to conform with SOP 98-1. The Commission concludes that the facts and circumstances differ in each situation regarding types of software, and thus, it would not be appropriate to adopt a rule strictly requiring all software costs to be capitalized to a plant account or an intangible account. Instead, the Commission finds that SOP 98-1 and current authoritative accounting guidance (*i.e.*, GAAP) are sufficient to determine whether capitalizable software costs should be treated as an intangible asset recorded in the intangible asset account or treated as a tangible asset classified to the same account as the associated hardware. Accordingly, the Commission holds that all carriers must now account for

computer software costs in accordance with GAAP.

15. In order to monitor the recording and reporting of capitalizable software costs in the intangible asset account for regulatory purposes, the Commission requires that carriers establish and maintain subsidiary record categories for general purpose computer ("GPC") software and network software within the intangible asset account. The cost of software upgrades and enhancements will continue to be expensed or capitalized in accordance with GAAP. The Commission will also allow non-price cap carriers to capitalize software upgrades and enhancements that may cause large one-time expense "spikes" regardless of whether such upgrades or enhancements result in additional functionality required for capitalization under SOP 98-1.

### III. Conclusion

16. In this Report and Order, the Commission streamlines the accounting requirements for mid-sized incumbent LECs whose aggregate revenues are less than \$7 billion. The Commission also permits mid-sized incumbent LECs to submit their CAMs based on the Class B system of accounts. Mid-sized incumbent LECs will also be required to obtain an attestation every two years instead of an annual financial audit requiring a positive opinion. The Commission reduces or eliminates a number of accounting requirements for all carriers subject to the Commission's accounting rules. In addition, the Commission modifies the holding in the *Accounting Safeguards Order* and concludes that the information contained in the limited version of the SEC Form 10-K, with certain modifications, is sufficient to monitor electronic publishing affiliates' compliance with the section 274 requirements. Finally, the Commission amends the requirements regarding the accounting for computer software costs: the cost of all software must be recorded in conformance with GAAP.

### IV. Procedural Issues

#### A. Regulatory Flexibility Act

17. *Final Regulatory Flexibility Certification—Report and Order in CC Docket No. 98-81, RM-9341.* The Regulatory Flexibility Act (RFA), 5 U.S.C. 601 *et seq.*, amended by the Contract With America Advancement Act of 1996, Public Law 104-121, 110 Stat. 847 (1996) (CWA), requires that an agency prepare a regulatory flexibility analysis for notice-and-comment rulemaking proceedings, unless the agency certifies that "the rule

will not, if promulgated, have a significant economic impact on a substantial number of small entities." 5 U.S.C. 605(b). In the *NPRM*, 1998 Biennial Regulatory Review—Review of Accounting and Cost Allocation Requirements, CC Docket No. 98-81, *Notice of Proposed Rulemaking*, 63 FR 45208 (Aug. 25, 1998) (*NPRM*), the Commission certified that the proposed rules would not have a significant economic impact on a substantial number of small entities because such rules would reduce certain reporting requirements for mid-sized incumbent local exchange carriers (ILECs) and the changes would be easy and inexpensive for mid-sized ILECs to implement. With respect to the Petition for Rulemaking filed by Bell Atlantic and BellSouth to amend the Commission's existing part 32 rules in order to accommodate recent changes in generally accepted accounting principles (GAAP), see Petition for Rulemaking to Amend Part 32 of the Commission's Rules, Uniform System of Accounts for Class A and Class B Telephone Companies, to Adopt the Accounting for Software Required by Statement of Position 98-1, filed August 3, 1998, the Commission concluded in the Report and Order that all carriers must account for computer software costs in accordance with GAAP. See 47 CFR 32.12(a), requiring financial records to be "kept in accordance with generally accepted accounting principles to the extent permitted by this system of accounts." This rule modification does not impose any additional compliance burden on small entities. No comments were received concerning this certification. The Commission now reaffirms this certification with respect to the rules adopted in this Report and Order. The Commission anticipates that the rule changes adopted here will reduce regulatory and procedural burdens on small entities. The rule modifications do not impose any additional compliance burden on persons dealing with the Commission, including small entities. Accordingly, the Commission certifies, pursuant to section 605(b) of the RFA, that the rules adopted herein will not have a significant economic impact on a substantial number of small business entities, as defined by the RFA.

18. *Supplemental Final Regulatory Flexibility Analysis—Order on Reconsideration in CC Docket No. 96-150.* As required by the Regulatory Flexibility Act (RFA), as amended, 47 U.S.C. 603, a Final Regulatory Flexibility Analysis (FRFA) was incorporated into Accounting Safeguards under the

Telecommunications Act of 1996, CC Docket No. 96-150, *Report and Order*, 62 FR 02918 (Jan. 21, 1997) (*Accounting Safeguards Order*).

19. In the RFA, the Commission certified that the rules adopted in the *Accounting Safeguards Order* would not have a significant economic impact on a substantial number of small entities. For the reasons stated below, the Commission certifies that the rule adopted herein in this Order on Reconsideration will not have a significant economic impact on a substantial number of small entities. This Supplemental Final Regulatory Flexibility Analysis (Supplemental FRFA) conforms to the RFA, as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA). 5 U.S.C. 601-611.

20. *Need for, and Objectives of, this Order on Reconsideration:* In this Order on Reconsideration the Commission grants, in part, a petition for reconsideration regarding filing a "substantially equivalent" report for electronic publishing affiliates not already subject to Security and Exchange Commission (SEC) Form 10-K requirements. The Commission finds that the reporting requirements can be streamlined for such entities, and concludes that the information contained in the limited version of SEC Form 10-K, with certain modifications, will enable monitoring of electronic publishing affiliate's compliance with section 274 of the Communications Act. The Commission therefore permits the limited SEC Form 10-K, with the exclusion of Item 5 and inclusion of Item 10, to satisfy the section 274 requirements for electronic publishing affiliates not already subject to SEC Form 10-K requirements.

21. *Summary of Significant Issues Raised by Reconsideration Petitions.* No petitions were received in direct response to the FRFA in the *Accounting Safeguards Order*, nor were small business issues raised.

22. *Description and Estimate of the Number of Small Entities to which the Rules Will Apply.* The RFA generally defines "small entity" as having the same meaning as the terms "small business," "small organization," and "small governmental jurisdiction." 5 U.S.C. § 601(6). In addition, the term "small business" has the same meaning as the term "small business concern" under the Small Business Act. 5 U.S.C. 601(3) (incorporating by reference the definition of "small business concern" in Small Business Act, 15 U.S.C. 632). A small business concern is one which: (1) is independently owned and operated; (2) is not dominant in its field

of operation; and (3) satisfies any additional criteria established by the Small Business Administration (SBA). Small Business Act, 15 U.S.C. 632. Section 121.201 of the SBA regulations defines a small telecommunications entity in SIC code 4812 (Telephone Companies Except Radio Telephone) as any entity with 1,500 or fewer employees at the holding company level. 13 CFR 121.201. As explained below, the terms "small entities" and "small businesses" do not encompass the Bell operating companies (BOCs), the parties affected by this Order in Reconsideration.

23. As noted in the associated Final Regulatory Flexibility Certification in CC Docket No. 96-150, the RFA directs agencies to provide a Regulatory Flexibility Analysis in notice-and-comment rulemaking proceedings, unless the agency certifies that "the rule will not, if promulgated, have a significant economic impact on a substantial number of small entities." The Commission's action on reconsideration in CC Docket No. 96-150 affects only BOCs' affiliate entities engaged in electronic publishing. These rules do not apply to small entities because all entities subject to this rule are BOCs or entities associated or affiliated with BOCs. None of the BOCs is a small entity, since each BOC is an affiliate of a Regional Holding Company (RHC), and all the BOCs or their RHCs have more than 1,500 employees. Moreover, the entities affected by this rule that are associated or affiliated with the BOCs are not independently owned and operated, and therefore do not meet the definition of small entities. The Commission therefore certifies that the SEC Form 10-K filing requirement adopted in this Order on Reconsideration will not have a significant economic impact on a substantial number of small entities.

24. *Description of Projected Reporting, Recordkeeping, and Other Compliance Requirements.* As discussed above, in this Order on Reconsideration the Commission concludes that the information contained in the limited version of SEC Form 10-K, with the exclusion of Item 5 and inclusion of Item 10, will satisfy the section 274 requirements for electronic publishing affiliates not already subject to SEC Form 10-K requirements. This reduces the reporting burden for BOC affiliates while providing sufficient information to the Commission to satisfy section 274 of the Communications Act.

25. *Report to Congress.* The Commission's Office of Public Affairs, Reference Operations Division, shall provide a copy of this certification and

Supplemental Final Regulatory Flexibility Analysis to the Chief Counsel for Advocacy of the SBA, and include it in the report to Congress. The certification and Supplemental Final Regulatory Flexibility Analysis will also be published in the **Federal Register**.

#### B. Paperwork Reduction Act

26. *Final Paperwork Reduction Act Analysis.*

#### C. Authority

This action is authorized under sections 1, 4, 11, 201-205, 215, 218, 228, and 403 of the Communications Act of 1934, as amended, 47 U.S.C. 151, 154, 161, 201-205, 215, 218, 219, 220 and 403.

#### D. Ordering Clauses

27. Accordingly, *It is Ordered* that, pursuant to Sections 1, 2, 4, 11, 201-205, and 218-220 of the Communications Act of 1934, as amended, 47 U.S.C. 151, 152, 154, 161, 201-205, and 218-220, Parts 32 and 64 of the Commission's rules, 47 CFR Parts 32 and 64, is *Amended*, as shown below. With the exception of 47 CFR 32.2000(b), these rule changes are effective six months after date of publication in the **Federal Register**. Affected parties may elect to implement the changes with respect to accounting for computer software costs effective January 1, 1999.

28. *It is further ordered* that, pursuant to Sections 1, 4, and 220 of the Communications Act of 1934, as amended, 47 U.S.C. 151, 154, and 220, and Section 1.401 of the Commission's rules, 47 CFR 1.401, the Petition for Rulemaking of the United States Telephone Association is *Granted* to the extent indicated herein.

29. *It is further ordered* that, pursuant to Sections 1, 4, and 220 of the Communications Act of 1934, as amended, 47 U.S.C. 151, 154, and 220, and Section 1.401 of the Commission's rules, 47 CFR 1.401, the Petition for Reconsideration of the *Accounting Safeguards Order* of SBC Communications, Inc. is *granted* in part and *denied* in part. This rule change regarding compliance with 47 U.S.C. 274 Electronic publishing by Bell Operating Companies is effective November 15, 1999.

30. *It is further ordered* that, pursuant to Sections 1, 4, and 220 of the Communications Act of 1934, as amended, 47 U.S.C. 151, 154, and 220, and Section 1.401 of the Commission's rules, 47 CFR 1.401, the Petition for Rulemaking of Bell Atlantic and BellSouth is *granted* in part, to the

extent indicated herein, and *denied* in part.

31. It is further ordered that the Office of Public Affairs, Reference Operations Division, shall send a copy of this Report and Order, including this Final Regulatory Flexibility Certification and supplemental Final Regulatory Flexibility Analysis, to the Chief Counsel for Advocacy of the Small Business Administration.

#### List of Subjects

##### 47 CFR Part 32

Communications common carriers, Reporting and recordkeeping requirements, Telephone, Uniform system of accounts.

##### 47 CFR Part 64

Communications common carriers, Reporting and recordkeeping requirements, Telephone.

Federal Communications Commission.

**Magalie Roman Salas,**  
*Secretary.*

#### Rule Changes

Parts 32 and 64 of Title 47 of the CFR are amended to read as follows:

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

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

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

2. Section 32.11 is amended by revising paragraphs (b), (c), (d), and (e) to read as follows:

##### § 32.11 Classification of companies.

\* \* \* \* \*

(b) Class A companies, except mid-sized incumbent local exchange carriers, as defined by § 32.9000, shall keep all the accounts of this system of accounts which are applicable to their affairs and are designated as Class A accounts. Class A companies which include mid-sized incumbent local exchange carriers shall keep Basic Property Records in compliance with the requirements of §§ 32.2000(e) and (f) of this part.

(c) Class B companies shall keep all accounts of this system of accounts which are applicable to their affairs and are designated as Class B accounts. Class B companies shall keep Continuing Property Records in compliance with the requirements of §§ 32.2000(e)(7)(A) and 32.2000(f) of this part.

(d) Class B companies and mid-sized incumbent local exchange carriers, as defined by § 32.9000 of this part, that

desire more detailed accounting may adopt the accounts prescribed for Class A companies upon the submission of a written notification to the Commission. Mid-sized incumbent local exchange carriers shall maintain subsidiary record categories necessary to provide the pole attachment data currently provided in the Class A accounts.

(e) The classification of a company shall be determined at the start of the calendar year following the first time its annual operating revenue from regulated operations equals, exceeds, or falls below the indexed revenue threshold.

3. Section 32.16 is amended by revising paragraph (a) to read as follows:

**§ 32.16 Changes in accounting standards.**

(a) The company's records and accounts shall be adjusted to apply new accounting standards prescribed by the Financial Accounting Standards Board or successor authoritative accounting standard-setting groups, in a manner consistent with generally accepted accounting principles. The change in an accounting standard will automatically take effect 90 days after the company informs this Commission of its intention to follow the new standard, unless the Commission notifies the company to the contrary. Concurrent with informing this Commission of its intent to adopt an accounting standards change, the company shall also file a revenue requirement study for the current year analyzing the effects of the accounting standards change. Furthermore, any change subsequently adopted shall be disclosed in annual reports to this Commission.

\* \* \* \* \*

4. Section 32.23 is amended by revising paragraph (c) to read as follows:

**§ 32.23 Nonregulated activities.**

\* \* \* \* \*

(c) When a nonregulated activity does involve the joint or common use of assets and resources in the provision of regulated and nonregulated products and services, carriers shall account for these activities within accounts prescribed in this system for telephone company operations. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to nonregulated activities, amounts solely assignable to regulated activities, and amounts related to assets and expenses incurred jointly or in common, which will be allocated between regulated and nonregulated activities. Carriers shall submit reports identifying regulated and nonregulated amounts in the manner and at the times prescribed by this Commission.

Nonregulated revenue items not qualifying for incidental treatment as provided in § 32.4999(l) of this part, shall be recorded in separate subsidiary record categories of Account 5280, Nonregulated operating revenue. Amounts assigned or allocated to regulated products or services shall be subject to part 36 of this chapter.

5. Section 32.2000 is amended by revising paragraph (a)(4) and removing and reserving paragraph (i) to read as follows:

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

(a) \* \* \*

(4) The cost of the 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; 2124, General purpose computers, costing \$2,000 or less or having a life of less than one year shall be charged to the applicable expense accounts, except for personal computers falling within Account 2124. Personal computers classifiable to Account 2124, with a total cost for all components of \$500 or less, shall be charged to the applicable Plant Specific Operations 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.

**§ 32.2000 [Amended]**

6. Section 32.2000(b)(4) is removed.

7. Section 32.2000(j) is amended by revising the table entry "Special Purpose vehicles" to read "Tools and other work equipment" under the heading of Telecommunications Plant In Service (TPIS) and by removing the entries "Garage work equipment 2115 and other work equipment 2116."

8. Section 32.2003(a) is revised to read as follows:

**§ 32.2003 Telecommunications plant under construction.**

(a) This account shall include the original cost of construction projects (note also § 32.2000(c)) of this part and the cost of software development projects that are not yet ready for their intended use.

\* \* \* \* \*

9. Section 32.2114 is revised to read as follows:

**§ 32.2114 Tools and other work equipment.**

This account shall include the original cost of special purpose vehicles

and the original cost of tools and equipment used to maintain special purpose vehicles and items included in Accounts 2112 and 2113. This account shall also include the original cost of power-operated equipment, general purpose tools, and other items of work equipment.

**§ 32.2115 [Removed]**

10. Section 32.2115 is removed.

**§ 32.2116 [Removed]**

11. Section 32.2116 is removed.

12. Section 32.2124 is amended by removing and reserving paragraph (c) and revising paragraph (d) as follows:

**§ 32.2124 General purpose computers.**

\* \* \* \* \*

(d) This account does not include the cost of computers and their associated peripheral devices associated with switching, network signaling, network operations, or other specific telecommunications plant. Such computers and peripherals shall be classified to the appropriate switching, network signaling, network expense, or other plant account.

13. Section 32.2311(d) is revised to read as follows:

**§ 32.2311 Station apparatus.**

\* \* \* \* \*

(d) Operator head sets and transmitters in central offices and at private branch exchanges, and test sets such as those used by wire chiefs, outside plant technicians, and others, shall be included in Account 2114, Tools and other work equipment, Account 2220, Operator systems, or Account 2341, Large Private Branch Exchanges, as appropriate.

\* \* \* \* \*

14. Section 32.2690(c) is revised to read as follows:

**§ 32.2690 Intangibles.**

\* \* \* \* \*

(c) The cost of other intangible assets, not including software, having a life of one year or less shall be charged directly to Account 6564, Amortization Expense—Intangible. Such intangibles acquired at small cost may also be charged to Account 6564, irrespective of their term of life. The cost of software having a life of one year or less shall be charged directly to the applicable expense account with which the software is associated.

15. Section 32.3500 is amended by revising paragraph (c) and adding paragraph (d) as follows:

**§ 32.3500 Accumulated amortization—intangible.**

\* \* \* \* \*

(c) When any item carried in Account 2690, other than software, is sold, relinquished, or otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited to Account 7360, Other Nonoperating Income.

(d) When software that is classified to Account 2690 is sold, relinquished, or otherwise retired from service, this account shall be credited, and Account 6564, Amortization expense—intangible, shall be charged with the unamortized cost of the existing software.

16. Section 32.4999(l) is revised and the table in paragraph (n) is amended by removing the entry "Public telephone revenue 5010" under the heading Local Network Services Revenues to read as follows:

**§ 32.4999 General.**  
\* \* \* \* \*

(l) *Nonregulated revenues.* The nonregulated revenue account shall be used for nonregulated operating revenues when a nonregulated activity involves the common or joint use of assets or resources in the provision of regulated and nonregulated products or services as required in § 32.23(c) of this subpart. Revenues from nontariffed activities offered incidental to tariffed services may be accounted for as regulated revenues, provided the activities are outgrowths of regulated operations and the revenues do not exceed, in the aggregate, one percent of total revenues for three consecutive years. Such activities must be listed in the Commission-approved Cost Allocation Manual for any company required to file a Cost Allocation Manual.

**§ 32.5010 [Removed]**

17. Section 32.5010 is removed.

18. Section 32.5280 is amended by revising paragraph (a) as follows:

**§ 32.5280 Nonregulated operating revenue.**

(a) This account shall include revenues derived from a nonregulated activity involving the common or joint use of assets or resources in the provision of regulated and nonregulated products or services.

\* \* \* \* \*

19. Section 32.5999 is amended by revising the first sentence in paragraph (f)(5) and paragraph (h) is amended by revising the table entry "Special purpose vehicles expense" to "Tools and other work equipment expense" and removing the table entries "Garage work equipment expense" and "Other work equipment expense" under the

Account title of Income Statement Accounts to read as follows:

**§ 32.5999 General.**  
\* \* \* \* \*

(f) \* \* \*

(5) *Clearances.* This subsidiary record category shall include amounts transferred to Construction accounts (see § 32.2000(c)(2)(iii)), other Plant Specific Operations Expense accounts and/or Account 3100, Accumulated Depreciation (cost of removal; see § 32.2000(g)(1)(iii)), as appropriate, from Accounts 6112, Motor Vehicles Expense, 6114, Tools and Other Work Equipment Expense, 6534, Plant Operations and Administration Expense, and 6535, Engineering Expense.

\* \* \* \* \*

20. Section 32.6110 is amended by revising paragraph (a) as follows:

**§ 32.6110 Network support expenses.**

(a) This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6112 through 6114. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6112 through 6114.

\* \* \* \* \*

21. Section 32.6114 is revised to read as follows:

**§ 32.6114 Tools and other work equipment expense.**

(a) This account shall include costs incurred in connection with special purpose vehicles, garage work equipment and other work equipment included in Account 2114, Tools and other work equipment. This account shall be charged with costs incurred in connection with the work equipment itself. This account shall also include such costs as fuel, licenses and inspection fees, washing, repainting and minor accessories. The costs of using garage work equipment to maintain motor vehicles shall be charged to Account 6112, Motor vehicles expense. This account shall not be charged with the costs of operators of special purpose vehicles and other work equipment. The costs of operators of this equipment shall be charged to accounts appropriate for the activities performed.

(b) Credits shall be made to this account for amounts related to special purpose vehicles and other work equipment transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis

of direct labor hours. (See also § 32.5999(f)(5).

**§ 32.6115 [Removed]**  
22. Section 32.6115 is removed.

**§ 32.6116 [Removed]**  
23. Section 32.6116 is removed.  
24. Section 32.6124 revised to read as follows:

**§ 32.6124 General purpose computers expense.**

This account shall include the costs of personnel whose principal job is the physical operation of general purpose computers and the maintenance of operating systems. This excludes the cost of preparation of input data or the use of outputs which are chargeable to the accounts appropriate for the activities being performed. Also excluded are costs incurred in planning and maintaining application systems and databases for general purpose computers. (See also § 32.6724, Information management.) Separately metered electricity for general purpose computers shall also be included in this account.

25. Section 32.6724 is revised to read as follows:

**§ 32.6724 Information management.**

This account shall include costs incurred in planning and maintaining application systems and databases for general purpose computers.

26. Section 32.9000 is amended by adding the following definition in alphabetical order.

**§ 32.9000 Glossary of terms.**

\* \* \* \* \*

*Mid-sized incumbent local exchange carrier* is a carrier whose operating revenue equals or exceeds the indexed revenue threshold and whose revenue when aggregated with the revenues of any local exchange carrier that it controls, is controlled by, or with which it is under common control is less than \$7 billion. Each of these local exchange carriers would be eligible for Class B accounting, except as noted in § 32.11(b) and (d), even if the annual operating revenue of any individual local exchange carrier exceeds the indexed revenue threshold (see definition for indexed revenue threshold in this section).

\* \* \* \* \*

**PART 64—MISCELLANEOUS RULES RELATING TO COMMON CARRIERS**

27. The authority citation for part 64 continues to read as follows:

**Authority:** 47 U.S.C. 10, 201, 218, 226, 228, 332, unless otherwise noted.

28. Section 64.904 is amended by revising paragraph (a) and by redesignating paragraph (b) as paragraph (c) and a new paragraph (b) is added to read as follows:

**§ 64.904 Independent audits.**

(a) With the exception of mid-sized local exchange carriers each local exchange carrier required to file a cost allocation manual, by virtue of having annual operating revenues that equal or exceed the indexed revenue threshold for a given year or by order by the Commission, shall have an audit performed by an independent auditor on an annual basis, with the initial audit performed in the calendar year after the carrier is first required to file a cost allocation manual. The audit shall provide a positive opinion on whether the applicable data shown in the carrier's annual report required by § 43.21(e)(2) of this chapter present fairly, in all material respects, the information of the carrier required to be set forth therein in accordance with the carrier's cost allocation manual, the Commission's Joint Cost Orders issued in conjunction with CC Docket No. 86-111 and the Commission's Accounting Safeguards proceeding in CC Docket No. 96-150 and the Commission's rules and regulations including §§ 32.23 and 32.27 of this chapter and §§ 64.901 and 64.903 in force as of the date of the auditor's report. The audit shall be conducted in accordance with generally accepted auditing standards, except as otherwise directed by the Chief, Common Carrier Bureau.

(b) A mid-sized incumbent local exchange carrier, as defined in § 32.9000, required to file a cost allocation manual, shall have an attest engagement performed by an independent auditor every two years covering the two year period, with the initial engagement performed in the calendar year after the carrier is first required to file a cost allocation manual. The attest engagement shall be an examination engagement and shall provide a written communication that expresses an opinion that the results reported pursuant to § 43.21(e)(2) of this chapter are an accurate application of the Commission's Joint Cost orders issued in conjunction with CC Docket No. 86-111 and the Commission's Accounting Safeguards proceeding in CC Docket No. 96-150 and the Commission's rules and regulations including §§ 32.23 and 32.27 of this chapter and §§ 64.901 and 64.903 in force as of the date of the auditor's written report. The written communication shall also express an opinion that the cost methodologies in

place are in conformance with the cost allocation manual filed with the Commission. The attest engagement shall be conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants, except as otherwise directed by the Chief, Common Carrier Bureau.

\* \* \* \* \*

[FR Doc. 99-23304 Filed 9-14-99; 8:45 am]  
BILLING CODE 6712-01-P

**FEDERAL COMMUNICATIONS COMMISSION**

**47 CFR Part 73**

[DA 99-1791; MM Docket No. 99-210; RM-9629]

**Radio Broadcasting Services; Flagstaff, AZ**

**AGENCY:** Federal Communications Commission.

**ACTION:** Final rule.

**SUMMARY:** This document allots Channel 279C3 to Flagstaff, Arizona, as that community's fifth local FM transmission service in response to a petition for rule making filed by Mountain West Broadcasting. See 64 FR 31172, June 10, 1999. Coordinates used for Channel 279C3 at Flagstaff are 35-17-19 NL and 111-38-26 WL.

**DATES:** Effective October 18, 1999. A filing window for Channel 279C3 at Flagstaff, Arizona, will not be opened at this time. Instead, the issue of opening a filing window for this channel will be addressed by the Commission in a subsequent Order.

**FOR FURTHER INFORMATION CONTACT:** Nancy Joyner, Mass Media Bureau, (202) 418-2180.

**SUPPLEMENTARY INFORMATION:** This is a synopsis of the Commission's Report and Order, MM Docket No. 99-210, adopted August 25, 1999, and released September 3, 1999. The full text of this Commission decision is available for inspection and copying during normal business hours in the FCC's Reference Information Center (Room CY-A257), 445 Twelfth Street, SW., Washington, DC. The complete text of this decision may also be purchased from the Commission's copy contractor, International Transcription Service, Inc., 1231 20th Street, NW., Washington, DC 20036, (202) 857-3800.

**List of Subjects in 47 CFR Part 73**

Radio broadcasting.  
Part 73 of Title 47 of the Code of Federal Regulations is amended as follows:

**PART 73—[AMENDED]**

1. The authority citation for part 73 reads as follows:

**Authority:** 47 U.S.C. 154, 303, 334, 336.

**§ 73.202 [Amended]**

2. Section 73.202(b), the Table of FM Allotments under Arizona, is amended by adding Channel 279C3 at Flagstaff.

Federal Communications Commission.

**John A. Karousos,**

*Chief, Allocations Branch, Policy and Rules Division, Mass Media Bureau.*

[FR Doc. 99-23972 Filed 9-14-99; 8:45 am]

BILLING CODE 6712-01-P

**FEDERAL COMMUNICATIONS COMMISSION**

**47 CFR Part 73**

[DA 99-1791; MM Docket No. 99-213; RM-9641]

**Radio Broadcasting Services; Kootenai, ID**

**AGENCY:** Federal Communications Commission.

**ACTION:** Final rule.

**SUMMARY:** This document allots Channel 294A to Kootenai, Idaho, as that community's first local aural transmission service in response to a petition for rule making filed by Mountain West Broadcasting. See 64 FR 31174, June 10, 1999. Coordinates used for Channel 294A at Kootenai are 48-18-37 NL and 116-30-45 WL. With this action, the proceeding is terminated.

**DATES:** Effective October 18, 1999. A filing window for Channel 294A at Kootenai, Idaho, will not be opened at this time. Instead, the issue of opening a filing window for this channel will be addressed by the Commission in a subsequent Order.

**FOR FURTHER INFORMATION CONTACT:** Nancy Joyner, Mass Media Bureau, (202) 418-2180.

**SUPPLEMENTARY INFORMATION:** This is a synopsis of the Commission's Report and Order, MM Docket No. 99-213, adopted August 25, 1999, and released September 3, 1999. The full text of this Commission decision is available for inspection and copying during normal business hours in the FCC's Reference Information Center (Room CY-A257), 445 Twelfth Street, SW., Washington, DC. The complete text of this decision may also be purchased from the Commission's copy contractor, International Transcription Service, Inc., 1231 20th Street, NW., Washington, DC 20036, (202) 857-3800.