and operating, the applicant need not include the financial information specified in §§ 25.114(c)(17) and (c)(18) of this part. If the international coordination process for the non-U.S. licensed space station has been completed, the applicant need not include the technical information specified in §§ 25.114(c)(5) through (c)(11) and (c)(14) of this part, unless the technical characteristics differ from the characteristics established in that process.

* * * * *

Federal Communications Commission.

Magalie Roman Salas,

Secretary.

[FR Doc. 00–7596 Filed 3–27–00; 8:45 am]

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FEDERAL COMMUNICATIONS COMMISSION

47 CFR Parts 32 and 64

[CC Docket No. 99–253; FCC 00–78]

Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase 1

AGENCY: Federal Communications Commission.

ACTION: Final rule.

SUMMARY: In the document, the Commission is completing the first phase of our Comprehensive Accounting Requirements and ARMIS Reporting Requirements review by adopting most of our proposals initiated in our Phase 1 Notice of Proposed Rulemaking (NPRM). This document also grants significant accounting relief to incumbent local exchange carriers (ILECs). The Commission anticipates that the rule changes adopted will reduce regulatory and procedural burdens on ILECS.

DATES: Effective September 28, 2000. The rules in this document contain information collections, which have not been approved by OMB. The Commission will publish a document in the **Federal Register** announcing the effective date of these rules.

Written comments by the public on the new and/or modified information collections are due May 30, 2000.

ADDRESSESS: Federal Communications Commission, 445 12th Street, SW, TW–A325, Washington, DC 20554. In addition to filing comments with the Office of the Secretary, a copy of any comments on the information collections contained herein should be submitted to Judy Boley, Federal Communications Commission, Room 1–C804, 445 12th Street, SW, Washington, DC 20554, or via the Internet to jboley@fcc.gov.

FOR FURTHER INFORMATION CONTACT: JoAnn Lucanik, Accounting Safeguards Division, Common Carrier Bureau, at (202) 418–0873 or Mika Savir, Accounting Safeguards Division, Common Carrier Bureau, at (202) 418–0384. For additional information concerning the information collections contained in this document, contact Judy Boley at 202–418–0214, or via the Internet at jboley@fcc.gov.

SUPPLEMENTARY INFORMATION: This is a summary of the Commission's Report and Order adopted March 2, 2000, and released March 8, 2000. The full text of this Commission decision is available for inspection and copying during normal business hours in the FCC Reference Center (Room CY–A257), 445 12th Street, SW, Washington, DC 20554. The complete text may also be purchased from the Commission's copy contractor, International Transcription Service, Inc., 1231 20th Street, Washington, DC 20036, telephone (202) 857–3800.

This Report and Order contains new or modified information collections subject to the Paperwork Reduction Act of 1995 (RA), Public Law 10413. It will be submitted to the Office of Management and Budget (OMB) for review under Section 3507(d) of the PRA. OMB, the general public, and other Federal agencies are invited to comment on the new or modified information collections contained in this proceeding.

Paperwork Reduction Act

This R&O contains either a new or modified information collection(s). The Commission, as part of its continuing effort to reduce paperwork burdens, invites the general public to comment on the information collection(s) contained in this R&O as required by the Paperwork Reduction Act of 1995, Public Law 104–13. Public and agency comments are due May 30, 2000. Comments should address: (a) whether the new or modified collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's burden estimates; (c) ways to enhance the quality, utility, and clarity of the information collected; and (d) ways to minimize the burden of the collection of information on the respondents, including the use of automated collection techniques or other forms of information technology.

Type of Review: Revision of currently approved collections.

Respondents: Business or other for-profit.

OMB control No.	Title	Number of respondents	Est. time per respondent	Total annual responses	Cost to per respondents
3060–0395	ARMIS USOA Report (FCC Report 43–02).	50	295.4	14,770	$0
3060–0370	Part 32	239	9543.6	2,280,934	0
3060–0384	Section 64.904	14	250	3,500	1,200,000
3060–0470	Sections 64.901–64.903	18	600	10,800	0
3060–0734	Affiliates Transactions	20	24	480	0

Needs and Uses: In the Report and Order, the Commission is completing the first phase of its Comprehensive Accounting and ARMIS review by adopting most of its proposals initiated in its Phase 1 NPRM, 64 FR 44877 (August 18, 1999). In the Report and Order, the Commission eliminates the expense matrix filing requirement; provides large ILECs the option to obtain a biennial attestation engagement to satisfy their CAM audit obligation; establishes a $500,000 de minimis exception to our affiliate transactions fair market value estimate requirement; and eliminates the 15 day pre-filing requirement for cost pool and time reporting procedures changes. The Commission substantially streamlines the ARMIS 43–02 USOA report and significantly reduces the reporting requirements for carriers. The information provides the necessary detail to enable the Commission to fulfill its regulatory responsibilities.

Summary of Report and Order

1. Expense Matrix

We adopt our proposal to eliminate the expense matrix. We find that, although the expense matrix data have been an important part of our policy and tariff review processes, the changing telecommunications marketplace and regulatory framework have led us to rely on this data less frequently in our deliberations. We recognize that there remains a need for certain information provided by the expense matrix; we find, however, that the information can be provided to the Commission on an as-needed basis. We expect companies to keep such data available and be prepared to provide it to the Commission should the Commission make such a request.

We require ILECs to maintain subsidiary record categories to provide the data necessary for the Commission, carriers, and competitors to calculate pole attachment rates. The Commission reviews complaints about pole attachment rates under sections 224 and 251 of the Communications Act. In the *Accounting Reductions Report and Order,* 64 FR 50002 (February 15, 1999), we required mid-sized ILECs to maintain subsidiary records to provide the pole attachment data, and we will continue to require the larger carriers to maintain such records as well. Several commenters in this proceeding oppose the subsidiary record requirement. We find that elimination of the expense matrix and future ARMIS changes make it uncertain that ARMIS alone will be sufficient to allow parties to evaluate the pole attachment rates. We conclude that it is necessary to maintain subsidiary records for data needed in pole attachment formulas. This will assure that the data are publicly available, uniformly maintained among the carriers, and maintained in a manner that can be audited. We therefore require ILECs to maintain subsidiary record categories to provide the pole attachment data currently in the expense matrix and ARMIS reports. We note that the Commission is considering issues regarding pole attachment formulas. When we release a Report and Order in that docket, we will specify the subsidiary record categories needed for the finalized pole attachment formulas.

2. Audits

We are adopting the less burdensome attest audit requirement, as an option, because we are convinced that attest audits, with the Commission's input on audit procedures, will adequately protect ratepayers. We are also persuaded to conclude as we do because the accounting profession has improved the standards governing attest audits since we first required them more than ten years ago. For example, in 1993, the AICPA promulgated detailed standards for attestation engagements concerning compliance with specific laws and regulations. We also note that our attest examination will involve much of the same audit testing as previously required, and that attest audit findings can lead to the same type of adjustment to carrier reports as did the previous audit requirement.

We are giving carriers the option of choosing an attest examination every two years, covering the prior two-year period, or a financial audit. Instead of an annual financial audit, the financial audit option will also be biennial, covering the prior two years. We are changing the annual financial audit requirement to a biennial requirement to allow carriers to move from one option to the other. The biennial requirement serves the policy underlying this proceeding appropriately. The requirement provides accounting reform without compromising the Commission's ability to meet its statutory and policymaking responsibilities. We disagree with the large ILECs who claim that the audit should be biennial yet cover only one year. Our experience reviewing CAM audits and performing our own audits leads us to conclude that each year requires audit work. Carrier accounting systems can and do change from year to year. Likewise, one-time material errors do occur. These problems would go undetected if we allowed carriers to skip an audit year. On the other hand, we do not believe we must require an attest audit each year. The auditor's work in the ''off year'' should provide assurance against cross-subsidization, while allowing large ILECs to realize reduced costs that come with obtaining one attestation instead of two.

3. Affiliate Transactions Rules

We adopt the proposal in our *NPRM* and establish a *de minimis* exception to our affiliate transactions rules for services. This *de minimis* exception is limited to affiliate transactions rules for services. All commenters addressing this issue are in support of the *de minimis* exception. We find that when the total annual value of transactions for a service is *de minimis,* the regulatory benefits of requiring carriers to make a good faith determination of the fair market value of a service may be outweighed by the administrative cost and effort of making such a determination. For non-*de minimis* services, the fully distributed cost/fair market value comparison remains an important safeguard against cross-subsidization. Thus, we do not eliminate the requirement for all services, nor do we extend it to asset transfers between carriers and their affiliates, as requested by several commenters. We note that the fully distributed cost/fair market value comparisons for assets is not as burdensome as those for services because the types of assets transferred are not typically so unique; further, we did not propose an asset exception in the *NPRM.*

In the *NPRM,* we proposed a threshold of $250,000. Several commenters suggest a higher threshold of $500,000. Commenters observe that only a limited number of services would fall under the $250,000 threshold for some large LECs and to provide meaningful relief the threshold should be $500,000. One commenter, on the other hand, suggests the threshold should be $1,000,000. We do not believe that the cost of fair market value/fully distributed cost comparisons is so high that a $1,000,000 exception is necessary. On the other hand, we believe that a $100,000 threshold, or a cap of 25 percent of the amount of services subject to the exception, may deprive carriers of many of the benefits of the exception. A cap is unnecessary because the independent auditors and the Commission will continue to monitor how carriers define services, thereby reducing the risk that the exception will be abused. We therefore adopt the $500,000 per service, per year *de minimis* exception to our § 32.27(c) good faith estimate requirement. Based on our experience enforcing the affiliate transactions rules, we conclude that the $500,000 threshold is reasonable. We find that below this threshold, the administrative cost and effort of making such a determination will outweigh the regulatory benefits of the good faith determination of fair market value of a service. Adopting this $500,000 *de minimis* exception will reduce the burden to carriers without lessening the effectiveness of our affiliate transactions rules.

Therefore, we eliminate the requirement that carriers make a good faith determination of fair market value for each service in cases where the total annual value of transactions for that service is less than $500,000. In such cases, the service should be recorded at fully distributed cost, and carriers should continue to report such transactions in their CAMs and ARMIS reports.

In the NPRM, we sought comment on whether affiliate transactions services conducted pursuant to sections 260, and 271 through 276 of the Communications Act should be included in the services eligible for the *de minimis* exception. We agree with the commenters that the *de minimis* exception should apply to all affiliate transactions when a carrier must compare fully distributed cost and fair market value of services. We note that in our first action on affiliate transactions after the Telecommunications Act of 1996 we applied our valuation rules equally to transactions under these sections. This *de minimis* exception applies only to affiliate transactions in which a carrier must compare fully distributed cost and fair market value pursuant to § 32.27(c) of our rules, and thus it does not apply to transactions under sections 271 and 272, which do not require such a comparison.

4. Elimination of 15-Day Pre-Filing for Cost Pool Changes

Section 64.903 of the Commission's rules requires carriers to update their CAMs at least annually except that changes to the cost apportionment table and time-reporting procedures must be filed at least 15 days before the carrier plans to implement such changes. Once a CAM change has been filed, the Chief of the Common Carrier Bureau may suspend any such changes for a period not to exceed 180 days, and may thereafter allow the change to become effective. BellSouth claims that the 15-day filing period requires it to disclose sensitive competitive service information. In the *NPRM,* we proposed eliminating the 15-day pre-filing requirement.

We adopt our proposal, which is supported by most of the commenters, and eliminate the 15-day pre-filing requirement for cost apportionment table and time reporting procedure changes. Carriers will no longer have to disclose competitively sensitive information before the CAM changes are implemented. We disagree with the suggestion that we eliminate the contemporaneous filing requirement and allow changes to be filed annually. It is important to review CAM changes upon receipt and stay them if necessary. That authority and oversight over CAM changes remains a safeguard against modifications such as cost pool changes that may hurt ratepayers. The potential harm to ratepayers is that a LEC could shift costs from nonregulated services to regulated services, resulting in subsidization of nonregulated services with revenues earned from the provision of regulated services. We are not persuaded that the 15-day pre-filing rule must be retained in order to prevent such improper cost shifting. We review proposed CAM changes immediately and that authority and oversight remains an important safeguard against any improper cost shifting.

5. Revision to Section 32.13, Accounts—General

Section 32.13(a)(3) of the Commission's rules allows carriers to establish temporary or experimental accounts, provided they notify the Commission of the nature and purpose of the accounts within 30 days of their establishment. Carriers use these accounts as clearing accounts that are closed each financial period, and do not alter the part 32 accounting structure. In the *NPRM,* we proposed eliminating the 30-day notice requirement of § 32.13(a)(3) because other accounting safeguards, such as ARMIS reporting, audit reviews, and our ability to obtain additional information as necessary are sufficient for our regulatory oversight.

We adopt our proposal, supported by most of the commenters, and eliminate the 30-day notification requirement in § 32.13(a)(3). As we noted in the *NPRM,* sufficient accounting safeguards exist to detect any improper activity resulting from experimental or temporary accounts. Our audits and the CAM engagements of the carriers' independent auditors will protect regulated ratepayers from absorbing costs of the carrier's nonregulated activities. At the same time, this action relieves carriers of a notification requirement.

6. Revision to Section 32.25, Unusual Items and Contingent Liabilities

Section 32.25 of the Commission's rules requires carriers to submit journal entries detailing extraordinary items, contingent liabilities, and material prior period adjustments to the Commission for approval before recording them in their books of account. In the *NPRM*, we proposed eliminating this requirement due to other safeguards, such as review of ARMIS filings, reviews by independent auditors, our audits, and our ability to obtain additional information on these accounting entries as we need it.

We adopt our proposal, which most of the commenters unconditionally support as well. Therefore, we eliminate the requirement that carriers submit extraordinary items, material prior period adjustments, and contingent liabilities for our review prior to recording them pursuant to § 32.25. Sufficient accounting safeguards exist to detect ratepayer harm resulting from these accounting entries. Our audits, ARMIS filings, and the CAM engagements of the carriers' independent auditors will assure us that carriers will not use these accounts to harm ratepayers. At the same time, this action relieves carriers of a notification requirement.

7. Revision to Section 32.2002, Property Held for Future Telecommunications Use

Section 32.2002 of the Commission's rules requires that carriers record to Account 2002, Property held for future telecommunications use, the original cost of property held for no longer than two years under a definite plan for use in telecommunications service. If the property is not put into service within two years, its cost must be transferred to Account 2006, Nonoperating plant. Carriers may keep the cost in Account 2002 only if they request and receive approval from the Commission based on a public interest showing. BellSouth states that this reclassification is burdensome and that the cost of the property could remain recorded in Account 2002, but be removed from the ratebase in a less burdensome manner. In the *NPRM*, we proposed that carriers may keep the costs in Account 2002 but they must exclude the costs, and the associated depreciation reserve, from the ratebase. The depreciation reserve associated with these costs should also be excluded from ratemaking considerations. The amounts removed from the ratebase would be reported in the ARMIS 43–01, column (e) All Other Adjustments and ARMIS 43–03, column (1) Other Adjustments.

We adopt the proposal in the *NPRM* and eliminate the requirement that carriers reclassify property from Account 2002 to Account 2006 if it is not put into service within two years. Under this new method, carriers must exclude the costs and associated accumulated depreciation from the ratebase and ratemaking considerations and report these amounts in ARMIS 43–01, column (e) All Other Adjustments and ARMIS 43–03, column (1) Other Adjustments. Reporting the amounts remaining in Account 2002 in ARMIS 43–03 is essential for accounting safeguards. Carriers' methodologies in producing the ARMIS 43–03 report form the basis of their independent auditors' review and will also be the basis for any dollar adjustments. Additionally, reporting the amounts in ARMIS allows us to review the data. We conclude that reporting the amounts remaining in Account 2002 in ARMIS 43–03 is less burdensome than reclassifying the costs from Account 2002 to Account 2006.

8. Revision to Section 32.2003, Telecommunications Plant Under Construction

Section 32.2003 of the Commission's rules requires that carriers record in Account 2003, Telecommunications plant under construction, the original cost of construction projects including all related direct and indirect costs as provided under § 32.2000(c). If the construction project is suspended for six months or more, the cost must be reclassified to Account 2006, Nonoperating plant. If the project is abandoned, the cost must be charged to Account 7370, Special charges. BellSouth states that this reclassification is burdensome and that the property could remain recorded in Account 2003 and be excluded from the ratebase in a less burdensome manner. In the *NPRM*, we proposed that carriers be permitted to keep the costs in Account 2003, but remove the cost of suspended projects from the ratebase after six months. Carriers would be required to discontinue capitalization of allowance for funds used during construction under § 32.2000(c)(2)(x) until construction is resumed. Carriers would report these amounts in ARMIS 43–01, column (e) All Other Adjustments and ARMIS 43–03, column (1) Other Adjustments. Carriers would, however, continue to charge Account 7370 if the project were abandoned.

We adopt our proposal and eliminate the requirement that carriers reclassify property from Account 2003 to Account 2006 if the construction project is suspended for six months or more. Most of the commenters support this proposal. Under this new method, carriers must exclude the costs from the ratebase and ratemaking considerations. Carriers must also report these amounts in ARMIS 43–01, column (e) All Other Adjustments and ARMIS 43–03, column (1) Other Adjustments. We believe that reporting the construction costs in ARMIS are essential for several reasons related to accounting safeguards. Carriers' methodologies in producing the ARMIS 43–03 report form the basis of their independent auditors' attestation and will be the basis for any related dollar adjustments. Additionally, reporting the amounts in ARMIS allows us to review them as necessary.

B. ARMIS Reporting Requirements

1. Reductions to ARMIS 43–02 USOA Report

Most commenters generally agree with the changes we proposed to the ARMIS 43–02 Report. Some commenters, however, advocate changes to ARMIS reporting requirements beyond those set forth in the *NPRM*. We agree that further review of the ARMIS reporting requirements is warranted and further streamlining measures must be considered. In this Phase, however, we believe the more expeditious action is to eliminate and simplify requirements that can be implemented without delay, thereby minimizing the burdens on the industry immediately. As we stated in the *NPRM*, in Phase 2 we will examine more structural and long-term changes to our reporting requirements that will be appropriate as local exchange markets become competitive, and will assess what interim measures should be made as various transitional competitive milestones are reached. We note that ARMIS changes proposed by commenters that are not considered in this Phase will be fully considered in Phase 2.

2. ARMIS 43–02 USOA Report: Table C Reductions

We adopt our proposal in the *NPRM* to consolidate all of the basic ownership information from Tables C–1, C–2, C–3 and C–4 into one table. In reviewing our experience with the current reporting system, we find that the information collected in these four tables can more efficiently be provided in one table. As designed, the current system requires carriers to maintain four separate tables with a combined total of 8 columns and 27 row sections of information about its ownership and corporate structure, including information about state laws, partnerships, and various degrees of control over the organization. We can substantially simplify the current requirements and eliminate all but the basic kinds of ownership information. We find that an ownership profile consisting of the carrier's name, operating states, directors, and executive officers will be sufficient to meet our oversight responsibilities and permit us to make informed regulatory decisions. To accomplish this, we revise Table C–3 to include the carrier's name and states of operation and eliminate reporting of Tables C–1, C–2, and C–4.

We do not agree with the argument advanced by several commenters that these tables should be eliminated in their entirety because the information is available in SEC Form 10–K filings. Our review shows that in many cases, certain information collected in these tables is not reported in the carrier's SEC Form 10–K. For instance, the SEC Form 10–K provides that information about a carrier's directors and executive officers is optional. Our review found that in virtually every case, carriers choose the option not to report this information in their SEC Form 10–K. Our oversight responsibility requires that, at a minimum, we have access to the most basic information about the carrier. We conclude that our decision to require the carrier's name, operating states, directors, and executive officers is warranted. Collection of this data in the consolidated table will reduce the reporting burden on carriers.

Generally, Table C–5 requires the carrier to report on important changes to 12 activities: (1) Extensions of Systems; (2) Substantial Portions or All Property Sold; (3) Map Defining Territory; (4) Companies Coming Under the Direct Control of the Carrier; (5) Changes in the Direct Control of a Company; (6) Changes Affecting the Direct Control of a Company; (7) Companies Coming Under the Indirect Control of the Carrier; (8) Changes in the Indirect Control of a Company; (9) Changes Affecting the Indirect Control of a Company; (10) Important Contracts or Agreements; (11) Changes in Accounting Standards; and (12) Important Changes in Service and Rate Schedules.

In reviewing our experience with Table C–5, we conclude that the burdens imposed on the carriers are disproportionate to the benefits provided, and that elimination of a substantial portion of information collected in Table C–5 is warranted. We agree with commenters that certain information otherwise available in the carrier's SEC Form 10–K can be eliminated from Table C–5. We find that the reporting requirements concerning direct and indirect control of the carrier (items 4 through 9 in paragraph 39) can be eliminated without adverse consequences because this information is routinely reported in the carriers' SEC Form 10–K. In addition, information concerning changes in accounting standards (item 11 in paragraph 39) can be obtained from the carriers' SEC Form 10–K. Therefore, we will also eliminate this reporting requirement from Table C–5. Eliminating the reporting of these requirements will afford carrier's considerable relief from reiteration of information contained in their SEC filings. We will, however, require that carriers submit a copy of their SEC Form 10–K annual report to the Commission.

We also note that extension of system and map defining territory are not regularly reported by the ILECs due to the infrequent nature of these activities. We find that information related to these two items as reported in Table C–5 has not contributed to the Commission's overall formulation of policy and that further reporting on these matters is unwarranted. We conclude that lack of information on these items in Table C–5 will not have a detrimental effect on our regulatory oversight responsibilities. Thus, we further simplify the reporting requirements of Table C–5 by eliminating these reporting requirements.

We agree with Ad Hoc that certain activities reported in Table C–5 should not be eliminated at this time. Information concerning substantial portions or all property sold, important contracts or agreements entered into, and important changes in service and rate schedules (items 2, 10, and 12 in paragraph 39), is not reported in carrier's SEC Form 10–K or its cost allocation manuals and is not available in other publicly available data. Information concerning these activities provides us with important information about the carriers' operations that is relevant to our deliberations on numerous policy matters. Thus, we will retain the requirement to report these activities in Table C–5.

The *NPRM* sought comment on whether we should adopt a threshold for reporting items in Table C–5, and if so, what would be an appropriate level. Commenters proposed establishing a threshold level of reporting that included specific dollar amounts ranging from $250,000 to $1 million or using a percentage of total operating revenues ranging from 1 percent to 5 percent. We agree with the parties that a threshold level is appropriate for reporting amounts for substantial portions or all property sold and for reporting important changes in service and rate schedules. Based on our experience, we find that a threshold level of $500,000 is appropriate for both these items. This level will provide relief to carriers in reporting and will continue to provide us with material and sufficient data. We do not agree, however, that a threshold level is appropriate for reporting important contracts or agreements entered into. This item generally encompasses contracts for interconnection and resale agreements that are not typically associated with specific total dollar amounts, but rather have price terms on a per unit or usage basis. We find that our current requirements, which do not require reporting of specific dollar amounts, are not overly burdensome and, in fact, establishing a threshold level may have the result of imposing additional burdens on carriers. Thus, we will not establish a threshold level for important contracts or agreements entered into.

3. ARMIS 43–02 USOA Report: Table B Reductions

We adopt our proposal, which is supported by most commenters, to eliminate seven tables from the Table B Series. Specifically, we eliminate the requirement to report on a routine basis: Tables B–8, Capital Leases; B–9, Deferred Charges; B–11, Long-Term Debt; B–12, Net Deferred Income Taxes; B–13, Other Deferred Credits; B–14, Capital Stock; and B–15, Capital Stock and Funded Debt Reacquired or Retired During the Year. These seven tables were intended to provide a more detailed explanation of specific accounts reported in Table B–1. A review of our experience reveals that, while the data derived from these seven tables have contributed to our policy analysis and rulemaking function, the level of detail required by these tables is no longer as critical to our deliberations. To the extent we may require such detail in the future, we can obtain such information through specific data requests to the carrier on an as needed basis. Thus, we conclude we can substantially reduce the Table B reporting requirements by eliminating the separate reporting requirements of these seven items.

GSA argues that we should retain our current reporting requirements for these seven items because the information they contain may not readily be available through other sources, such as routine SEC Reports. We recognize that that information and data reported in the carriers' SEC Form 10–K are highly aggregated and include both regulated telephone and nonregulated business information. As SBC points out, however, the footnotes in the SEC Form 10–K will generally provide information on details such as long-term debt and deferred taxes, which correspond to items reported in Tables B–11 and B–12. Further, to the extent that we require information that is not available in the carrier's SEC Form 10–K, or through other reliable public sources, we believe we can maintain our oversight of these activities through specific data requests on an as needed basis. Thus, although we relieve companies from routinely reporting this information in Table B, companies must keep such data available and be prepared to provide it promptly to the Commission should the Commission make such a request. In such cases, we expect carriers to provide requested information to the Commission in a timely manner and on a non-proprietary basis. We do not agree with the argument that data formerly reported in these ARMIS tables and now requested by the Commission on an as-needed basis should be treated as non-public. The purpose of this proceeding is to reduce the ARMIS reporting requirements while retaining sufficient information needed for the Commission and state commissions to meet their responsibilities. Therefore, all information requested by the Commission that would otherwise be reported in the ARMIS tables shall be publicly available unless the carrier makes a sufficient showing as to why the information should be treated as proprietary.

In addition to the seven tables at issue here, some parties further recommend that we eliminate all Table B reporting requirements, arguing that essentially all of the information is publicly available in carriers' SEC Form 10–K or other SEC filings, and is duplicative of other ARMIS Reports. Commenters also contend that information contained in these reports is irrelevant to regulation of price cap carriers. At this time we do not agree that it is appropriate to eliminate all Table B reporting requirements. The Commission continues to require accounting and financial data about these carriers to make informed regulatory judgments on numerous policy and ratemaking issues. Furthermore, under the current regulatory price cap scheme, carriers have the ability to seek full recovery of regulated costs through low-end adjustments, as well as taking claims. Thus, our continued monitoring of the reasonableness of these costs is necessary. The steps we take in this Order substantially streamline the current requirements and will afford carriers immediate regulatory relief of ARMIS reporting requirements. As we stated in the *NPRM*, we will undertake an exhaustive and thorough review of our ARMIS reporting requirements in Phase 2.

4. ARMIS 43–02 USOA Report: Table I Reductions

We adopt the proposal in the *NPRM*, which is supported by most commenters, to eliminate Tables I–3, I–4, and I–5. Our experience in collecting detailed data pertaining to the carrier's pension costs and taxes reveals that routine collection of such a level of detail is no longer necessary for us to make informed regulatory judgments in this area. We can obtain necessary information for our regulatory purposes through specific data requests to the carriers on an as-needed basis. Similar to our determination concerning elimination of the seven B tables above, we expect carriers to keep such data available and be prepared to provide such data to the Commission should the

Commission make such a request. In such cases, we expect carriers to provide requested information to the Commission in a timely manner and on a non-proprietary basis.

We affirm our conclusion in the *NPRM* that information collected in Table I–6 continues to be essential to our oversight responsibilities. This table reports on items that are below-the-line amounts, *i.e.*, are not allowable expenses to be charged against regulated revenues. Special Charges reported in Table I–6 include lobbying expenses, membership fees and dues, abandoned construction projects amounting to $100,000 or more, telecommunications plant acquisition adjustments, penalties and fines amounting to $100,000 or more, and charitable, social, or other community welfare expenses. Some commenters argue that all reporting of Table I–6 should be eliminated. We disagree. Price cap carriers may fully recover reasonable costs associated with regulated activities through the low-end adjustment mechanism or through a takings claim, therefore it is important that below-the-line expenditures are not included in regulated activities. The items reported in Table I–6, especially if material, could have significant impact on the carrier's regulated activities if not properly recorded. Routine monitoring of these expenses provides assurance that these amounts are properly recorded on the carrier's books.

We can significantly reduce the burdens associated with Table I–6 without seriously hampering our ability to monitor these expenses by raising the current reporting threshold level for abandoned construction projects and penalties and fines. In the *NPRM*, we sought comment on whether the reporting threshold for these items should be raised to a higher amount and, if so, what amount to establish as the reporting threshold. Commenters provided a range of options for raising the threshold level for these items, from $250,000 to $1,000,000. Based on our review of the data, we find it would be appropriate to increase the current threshold levels from $100,000 to $500,000 for both abandoned construction projects and penalties and fines. Specifically, we reviewed 1998 data reported in Table I–6 for abandoned construction projects and penalties and fines and found that the Bell Operating Companies and GTE reported 22 individual items with a total amount of approximately $16 million. We found that expenditures of $500,000 or more constituted 85 percent of the total amount reported for the two activities. Thus, we conclude that $500,000 or more is a reasonable level of reporting for both these activities. Any threshold lower than $500,000 would not significantly reduce the reporting burden for the largest carriers and any threshold higher than $500,000 may not provide us sufficient information to perform our monitoring function.

We also affirm our determination to retain reporting for Table I–7. We disagree with commenters that reporting of these amounts should be eliminated. The items reported in Table I–7 concern expenditures that may not be appropriate or reasonable to charge against regulated operations. Thus, our oversight responsibilities require that we maintain some degree of reporting to ensure that these expenditures are reasonable and recorded properly.

The *NPRM* requested comment on whether the current threshold levels for Table I–7 reporting should be revised. Under the current requirements, there are three reporting threshold levels depending on the type of payment. Carriers must report: (1) Amounts exceeding $250,000 for Advertising & Information Services, Clerical & Office Services, Computer & Data Processing Services, Personnel Services, Printing & Design Services, and Security Services; (2) amounts exceeding $25,000 for Audit & Accounting, Consulting & Research Services, Financial, and Legal; and (3) amounts exceeding $10,000 for Membership Fees & Dues. Table I–7 also requires carriers to report all amounts for Academia.

We find that an increase in the current threshold levels for reporting items on Table I–7 is justified. By raising the current threshold levels, we can significantly reduce the reporting burden for Table I–7 while retaining sufficient information to meet our oversight responsibilities. Our review of proposals submitted by the commenters finds that the threshold levels advanced by GSA and Ad Hoc would have a very small impact on the amounts provided under current reporting requirements and would provide little relief to carriers. We also find that by changing the payment types corresponding to the current threshold levels, and thus, proposing a fourth threshold level for some items, the proposals advanced by USTA and GTE result in a more complex reporting scheme than currently exists. Based on our analysis, we find that it is appropriate to raise the threshold levels for reporting items in Table I–7 as follows: (1) Amounts exceeding $1,000,000 for Advertising & Information Services, Clerical & Office Services, Computer & Data Processing Services, Personnel Services, Printing & Design Services, and Security Services; (2) amounts exceeding $500,000 for Audit & Accounting, Consulting & Research Services, Financial, and Legal; and (3) amounts exceeding $50,000 for Membership Fees & Dues. We find that these new thresholds will capture material information for our oversight needs while at the same time substantially reduce the reporting burden for carriers.

We also find that we can eliminate the reporting of amounts reported for Academia. Based on our analysis, we find that the existing requirement to report all amounts for Academia is no longer justified. As designed, this reporting requirement was established to provide the Commission with information relevant to expertise obtained by carriers for regulatory purposes. Reviewing our experience with the present reporting requirement for Academia, we find that it imposes substantial burdens on the carriers while providing little value to our oversight of carrier's activities. Given the minimum level of benefit this data provides we find that we can eliminate the collection of this information without compromising our oversight responsibilities.

III. Conclusion

In this *Report and Order*, we eliminate the expense matrix filing requirement; provide large ILECs the option to obtain a biennial attestation engagement to satisfy their CAM audit obligation; establish a $500,000 *de minimis* exception to our affiliate transactions fair market value estimate requirement; eliminate the 15-day pre-filing requirement for cost pool and time reporting procedures changes; eliminate the notification requirement for temporary or experimental accounts; eliminate the notification requirement for extraordinary items, contingent liabilities, and material prior period adjustments; eliminate the reclassification requirements for property in Account 2002; and eliminate the reclassification requirements for property in Account 2003. We substantially streamline the ARMIS 43–02 USOA Report and significantly reduce the reporting requirements for carriers. Specifically, we revise Table C–3 to include carrier's name, address, and operating states and eliminate Tables C–1, C–2, and C–4; eliminate nine of twelve reporting items in Table C–5 and establish reporting threshold levels for two items; eliminate seven of fifteen reporting items in Table B; eliminate three of seven reporting items in Table I; establish higher threshold levels for items reported in

Tables I–6 and I–7 and eliminate the reporting requirements for Academia.

IV. Procedural Issues

A. Regulatory Flexibility Analysis

Regulatory Flexibility Certification

The Regulatory Flexibility Act of 1980 (RFA) 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.'' In the *NPRM*, the Commission certified that the proposed rules would not have a significant economic impact on a substantial number of small entities. The Commission stated that the proposed rules would reduce certain recordkeeping and CAM audit requirements; that the changes should be easy and inexpensive for the ILECs to implement; and that the rule changes would not require costly or burdensome procedures. 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 ILECs. The rule modifications do not impose any additional compliance burden on persons dealing with the Commission. Accordingly, the Commission certifies, pursuant to 5 U.S.C. 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.

Report to Congress

The Consumer Information Bureau, Reference Information Center, shall provide a copy of this certification to the Chief Counsel for Advocacy of the SBA, and include it in the report to Congress pursuant to the SBREFA. The certification will also be published in the **Federal Register**.

B. Paperwork Reduction Act Analysis

Final Paperwork Reduction Act Analysis

The decision herein has been analyzed with respect to the Paperwork Reduction Act of 1995, Public Law 104–13, and found to impose new or modified recordkeeping requirements or burdens on the public. The rule amendments set forth in this Report and Order will become effective 6 months after their publication in the **Federal Register**. The rules in this document contain information collections, which have not been approved by OMB. The Commission will publish a document in the **Federal Register** announcing the effective date of these rules.

V. Ordering Clauses

Pursuant to Sections 1, 4, 201–205, 215, and 218–220 of the Communications Act of 1934, as amended, 47 U.S.C. 151, 154, 201–205, 215, and 218–220, §§ 32 and 64 of the Commission's rules, 47 CFR 32 and 64, are amended.

The rule amendments set forth in this Report and Order will become effective 6 months after their publication in the **Federal Register**. The rules in this document contain information collections which have not been approved by OMB. The Commission will publish a document in the **Federal Register** announcing the effective date of these rules.

The Commission's Consumer Information Bureau, Reference Information Center, shall send a copy of this Report and Order, including this certification and statement, 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, Federal Communications Commission, Radio, Reporting and recordkeeping requirements, Telegraph, Telephone.

Federal Communications Commission.

Magalie Roman Salas,

Secretary.

Rules Changes

Part 32 of Title 47 of the CFR is 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: 47 U.S.C. 154(i), 154(j) and 220 as amended, unless otherwise noted.

2. In § 32.13 paragraph (a)(3) is revised to read as follows:

§ 32.13 Accounts—general.

(a) * * *

(3) A company may establish temporary or experimental accounts without prior notice to the Commission.

3. Section 32.25 is revised to read as follows:

§ 32.25 Unusual items and contingent liabilities.

Extraordinary items, prior period adjustments, and contingent liabilities may be recorded in the company's books of account without prior Commission approval.

4. In § 32.27 paragraph (c) is revised to read as follows:

§ 32.27 Transactions with affiliates.

* * * * *

(c) Services provided between a carrier and its affiliate pursuant to a tariff, including a tariff filed with a state commission, shall be recorded in the appropriate revenue accounts at the tariffed rate. Non-tariffed services provided between a carrier and its affiliate pursuant to publicly-filed agreements submitted to a state commission pursuant to section 252(e) of the Communications Act of 1934 or statements of generally available terms pursuant to section 252(f) shall be recorded using the charges appearing in such publicly-filed agreements or statements. Non-tariffed services provided between a carrier and its affiliate that qualify for prevailing price valuation, as defined in paragraph (d) of this section, shall be recorded at the prevailing price. For all other services provided by a carrier to its affiliate, the services shall be recorded at the higher of fair market value and fully distributed cost. For all other services received by a carrier from its affiliate, the service shall be recorded at the lower of fair market value and fully distributed cost. For purposes of this section, carriers are required to make a good faith determination of fair market value for a service when the total aggregate annual value of that service reaches or exceeds $500,000. When a carrier reaches or exceeds the $500,000 threshold for a particular service for the first time, the carrier must perform the market valuation and value the transaction in accordance with the affiliate transactions rules on a going-forward basis. All services received by a carrier from its affiliate(s) that exist solely to provide services to members of the carrier's corporate family shall be recorded at fully distributed cost.

* * * * *

5. Section 32.2002 is revised to read as follows:

§ 32.2002 Property held for future telecommunications use.

(a) This account shall include the original cost of property owned and held for no longer than two years under a definite plan for use in telecommunications service. If at the end of two years the property is not in service, the original cost of the property may remain in this account so long as the carrier excludes the original cost and associated depreciation from its ratebase and ratemaking considerations and report those amounts in reports filed with the Commission pursuant to 43.21(e)(1) and 43.21(e)(2) of this chapter.

(b) Subsidiary records shall be maintained to show the character of the amounts carried in this account.

6. In § 32.2003(c) the paragraph is revised to read as follows:

§ 32.2003 Telecommunications plant under construction.

* * * * *

(c) If a construction project has been suspended for six months or more, the cost of the project included in this account may remain in this account so long as the carrier excludes the original cost and associated depreciation from its ratebase and ratemaking considerations and reports those amounts in reports filed with the Commission pursuant to 43.21(e)(1) and 43.21(e)(2) of this chapter. If a project is abandoned, the cost included in this account shall be charged to Account 7370, Special Charges.

§ 32.5999 [Amended]

* * * * *

7. In § 32.5999, paragraph (f) is removed, and paragraphs (g) and (h) are redesignated as paragraphs (f) and (g).

PART 64—MISCELLANEOUS RULES RELATING TO COMMON CARRIERS

8. 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.

9. In § 64.903 paragraph (b) is revised to read as follows:

§ 64.903 Cost allocation manuals.

* * * * *

(b) Each carrier shall ensure that the information contained in its cost allocation manual is accurate. Carriers must update their cost allocation manuals at least annually, except that changes to the cost apportionment table and to the description of time reporting procedures must be filed at the time of implementation. Annual cost allocation manual updates shall be filed on or before the last working day of each calendar year. Proposed changes in the description of time reporting procedures, the statement concerning affiliate transactions, and the cost apportionment table must be accompanied by a statement quantifying the impact of each change on regulated operations. Changes in the description of time reporting procedures and the statement concerning affiliate transactions must be quantified in $100,000 increments at the account level. Changes in cost apportionment tables must be quantified in $100,000 increments at the cost pool level. The Chief, Common Carrier Bureau may suspend any such changes for a period not to exceed 180 days, and may thereafter allow the change to become effective or prescribe a different procedure.

* * * * *

10. In § 64.904 paragraph (a) is revised 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 elect to either (1) have an attest engagement performed by an independent auditor every two years, covering the prior two year period, or (2) have a financial audit performed by an independent auditor every two years, covering the prior two year period. In either case, the initial engagement shall be 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 systems, processes, and procedures applied by the carrier to generate the results reported pursuant to 43.21(e)(2) of this chapter comply with the Commission's Joint Cost Orders issued in conjunction with CC Docket No. 86–111, 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, 64.901, and 64.903 in force as of the date of the auditor's report. At least 30 days prior to beginning the attestation engagement, the independent auditors shall provide the Commission with the audit program. 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. The biennial financial 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 Commission's Joint Cost Orders issued in conjunction with CC Docket No. 86–111, 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, 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.

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FEDERAL COMMUNICATIONS COMMISSION

47 CFR Part 73

[DA 00–321; MM Docket No. 98–55; RM–9255, RM–9327

Radio Broadcasting Services; Pleasanton, Bandera, Hondo, and Schertz, Texas

AGENCY: Federal Communications Commission.

ACTION: Final rule.

SUMMARY: The Commission, at the request of Reding Broadcasting Company, substitutes Channel 252A for Channel 253C1 at Pleasanton, TX, reallots Channel 253C1 from Pleasanton to to Schertz, TX as the community's first local aural service, and modifies its license for Station KBUC(FM) to specify the higher class channel and new community of license. See 63 FR 20563 (1998). To accomplish these changes, the Commission also substitutes Channel 253A for Channel 290A at Hondo, TX with a transmitter site change, and Channel 252A for Channel 276A at Bandera, TX, at the licensed cite. Counterproposals filed by Comal Broadcasting Company and North American Broadcasting Company are dismissed. The coordinates for Channel 253C1 at Schertz are 29–31–25 and 98–43–25. The coordinates for Channel 276A at Bandera are 29–51–22 and 99–05–25. The coordinates for Channel 290A at Hondo are 29–21–00 and 99–15–00. These communities are located within 320 kilometers (199 miles) of the U.S.-Mexican border. Therefore, concurrence by the Mexican Government for these allotments has been received.