c. Number of sacks prepared after co-palletization, as well as the weight and the number of addressed pieces in these sacks.

d. Number of pallets containing mail qualifying for the ADC co-palletization discounts, as well as the weight and the number of addressed pieces receiving the ADC discount on these pallets. Pallets containing some bundles that use the per-piece discounts and some bundles that use the per-pound discount must be counted separately.

e. Number of pallets containing mail qualifying for the SCF co-palletization discounts, as well as the weight and the number of addressed pieces receiving the SCF discount on these pallets. Pallets containing some bundles that use the per-piece discounts and some bundles that use the per-pound discount must be counted separately.

4.0 Discounts

4.1 Basic Standards

Pieces must be prepared on one of the following:

a. An SCF or ADC pallet of 250 or more pounds drop shipped to the appropriate DADC.

b. An SCF pallet of 250 or more pounds drop shipped to the appropriate DSCF.

c. An overflow DSCF or DADC pallet drop shipped to the appropriate DSCF or DADC.

d. An ADC pallet weighing between 100 and 250 pounds and drop shipped to the appropriate DADC.

4.2 Discounts and Description

The discounts in exhibit 4.2 are applicable to editorial pounds of the co-palletized pieces prepared on an ADC or SCF pallet and entered at the destination ADC and SCF. The discounts are dependent on the applicable zones that would have resulted from origin entry of the publications without co-palletization.

EXHIBIT 4.2.—DISCOUNTS FOR CO-PALLETIZED PIECES PREPARED ON AN ADC OR SCF PALLET

Origin zone	DADC	DSCF
Zones 1 & 2	$.008	$.014
Zone 3	.013	.019
Zone 4	.028	.034
Zone 5	.050	.056
Zone 6	.073	.079
Zone 7	.101	.107
Zone 8	.125	.131

5.0 Request To Participate

A mailer or consolidator may request approval to use the outside-county Periodicals co-palletization drop-ship per-pound discounts by submitting a written request to the Manager, Mailing Standards (see G043 for address). The request must be accompanied by the following:

a. A completed application form (available from the Manager, Mailing Standards).

b. A process map and narrative demonstrating how and where presort and co-palletization reports (including ''before'' and ''after'' data) are created as they relate to mail movement and consolidation of packages to be co-palletized. The map and narrative must also describe mail movement from production through the co-palletization process including dispatch to destination entry Postal Service facilities.

c. Samples of all required documentation that will be used to substantiate eligibility for the discounts, and of the documentation that must be provided at the time of mailing, including ''before'' and ''after'' reports and postage statements. The sample reports must demonstrate:

(1) How the co-palletized portion of the mailing is segregated from other mailing segments on the ''before'' reports.

(2) How mailing jobs, mailing segments, and containers will be identified in both ''before'' and ''after'' reports to allow reconciliation of the reports.

(3) How pieces appearing on the ''after'' reports that qualify for the co-palletization discounts (mailing segments with less than 250 pounds to an ADC) are differentiated from those that do not (mailing segments with 250 or more pounds to an ADC). How pieces receiving the per-pound discounts are differentiated from those receiving the per-piece discounts.

d. A detailed listing documenting the distribution of total advertising and editorial pounds to each zone ''before'' co-palletization, based on origin entry of the mail (*i.e.*, entry at the plant or the local post office for the plant, where it is printed and presorted into bundles ready for co-palletization and mailing).

e. An explanation of how data for mailings included under the co-palletization experiment will be collected and reported to the USPS, including whether the model spreadsheet provided by the USPS can be used.

f. A list of the publications to be included initially in the test and evidence that each publication has obtained the appropriate additional entry authorization at the office where mailings will be verified and postage paid. The list must indicate if the publications are authorized under the Centralized Postage Payment (CPP) system. If the applicant is not a printer and/or is consolidating publications for other printers, a list of those printers must be included with the application.

6.0 Decision on Request

The manager, Mailing Standards, approves or denies a written request to use the experimental outside-county Periodicals co-palletization per-pound discounts. If the application is approved, the mailer or consolidator will be notified in writing by the manager, Mailing Standards. Initial approval is for a conditional 90-day period. When the mailer or consolidator has demonstrated the ability to prepare and enter mailings under the standards in G993, final authorization will be granted. If the application is denied, the mailer or consolidator may file at a later date or submit additional information needed to support the request.

7.0 USPS Suspension

The manager, Mailing Standards, may suspend at any time an approval to use the per-pound discounts when there is an indication that Postal Service revenue is not fully protected. The manager will notify the participant in writing of the decision. The suspension becomes effective upon the mailer's receipt of the notification.

* * * * *

We will publish an appropriate amendment to 39 CFR 111 to reflect these changes if the proposal is adopted.

Neva R. Watson,

Attorney, Legislative.

[FR Doc. 04–19976 Filed 9–1–04; 8:45 am]

BILLING CODE 7710–12–P

FEDERAL COMMUNICATIONS COMMISSION

47 CFR Parts 32, 51 and 65

[WC Docket No. 02–269; CC Docket No. 00–199; CC Docket No. 80–286; CC Docket No. 99–301; FCC 04–149]

Federal-State Joint Conference on Accounting Issues

AGENCY: Federal Communications Commission.

ACTION: Final rule.

SUMMARY: In this document, the Commission addresses recommendations made by the Federal-State Joint Conference on Accounting Issues (Joint Conference) in a report filed with the Commission on October 9, 2003. It also makes recommendations on

other accounting related matters as well as resolves outstanding petitions for reconsideration of the Commission's *Phase II Report and Order*. Finally, this document further delays the effective date and implementation of four previously adopted accounting and reporting rule changes.

DATES: The effective date for amendments to 47 CFR 32.5200, 32.6560, and 32.6620 published at 67 FR 5670 (February 6, 2002) is further suspended from July 1, 2004, through December 31, 2004. The rules contained in this document are effective March 2, 2005.

FOR FURTHER INFORMATION CONTACT: Jane E. Jackson, Associate Chief, Wireline Competition Bureau, (202) 418–1500.

SUPPLEMENTARY INFORMATION: The full text of this document is available for public inspection and copying during regular business hours at the FCC Reference Information Center, Portals II, 445 12th Street, SW., Room CY–A257, Washington, DC 20554. This document may also be purchased from the Commission's duplicating contractor, Best Copy and Printing, Inc., Portals II, 445 12th Street, SW., Room CY–B402, Washington, DC 20554, telephone (202) 488–5300, facsimile (202) 488–5563, e-mail *fcc@bcpiweb.com*.

Background

1. On September 5, 2002, the Commission issued an order which was published at 67 FR 66069 (October 30, 2002), convening the Joint Conference ''to provide a forum for an ongoing dialogue between the Commission and the states in order to ensure that regulatory accounting data and related information filed by carriers are adequate, truthful, and thorough.'' The Commission found that the ''Joint Conference would provide a focused means by which it and interested state commissions may conduct an open dialogue, collect and exchange information, and consider initiatives that would improve the collection of adequate, truthful, and thorough accounting data for regulatory purposes.'' In charging the Joint Conference with the task of reexamining federal and state accounting and reporting requirements, the Commission noted that the Joint Conference has a broad mandate to perform its work, including the ability to recommend additions to, or eliminations of, accounting requirements.

2. On November 12, 2002, the Commission released an order which was published at 67 FR 77432 (December 18, 2002), suspending the implementation of the following four accounting and reporting requirement rule changes until July 1, 2003: (1) The consolidation of Accounts 6621 through 6623 into Account 6620, with subaccounts for wholesale and retail; (2) the consolidation of Account 5230, Directory revenue, into Account 5200 Miscellaneous revenue; (3) the consolidation of the depreciation and amortization expense accounts (Accounts 6561 through 6565) into Account 6560, Depreciation and amortization expenses; (4) the revised ''Loop Sheath Kilometers'' data collection in Table II of ARMIS Report 43–07. The Commission adopted these accounting rules and reporting requirements as part of the Commission's biennial review of accounting requirements and Automated Reporting Management Information System (ARMIS) reporting. The Commission suspended implementation of these four accounting and reporting requirement rule changes in order to allow the recently-established Joint Conference to review these rules and requirements before carriers were required to implement them. These rules had been adopted in 2001 in the *Phase II Report and Order* which was published at 67 FR 5670 (February 6, 2002), in which the Commission had eliminated many part 32 accounts, defined ILECs subject to its accounting rules, streamlined its affiliate transaction rules and revised some of its ARMIS reporting requirements. (The Commission subsequently issued two additional orders further suspending implementation of the four previously-adopted rules which were published at 68 FR 38641 and 68 FR 75455 on June 30, 2003 and December 31, 2003, respectively).

3. On December 12, 2002, as part of its comprehensive review of the Commission's accounting and reporting requirements, the Joint Conference issued a public notice requesting comment on a broad range of regulatory accounting issues. The Joint Conference also sought comment on four groups of specific issues related to the *Phase II Report and Order*: (1) Certain accounts that had been requested by states but not adopted by the Commission; (2) changes to the affiliate transaction rules; (3) the accounting and recordkeeping rules that were suspended by the Commission in its November 12, 2002 Order; and (4) the issues raised by the outstanding petitions for reconsideration of the *Phase II Report and Order*.

4. In a *Notice of Proposed Rulemaking* (NPRM) released on December 23, 2003, which was published at 68 FR 75478 (December 31, 2003), the Commission sought comment on the recommendations of the Joint Conference related to the issues it raised in its December 12, 2002 public notice and on other accounting-related matters.

Paperwork Reduction Act

5. This Order has been analyzed with respect to the Paperwork Reduction Act of 1995 and found to impose new or modified reporting and recordkeeping requirements or burdens on the public. Implementation of these new or modified reporting and recordkeeping requirements will be subject to approval by the Office of Management and Budget (OMB) as prescribed by the Act, and will go into effect upon announcement in the **Federal Register** of OMB approval.

Synopsis of Report and Order

I. Accounting Rules

6. The Commission adopts the following Joint Conference recommendations: (1) Reinstates Account 5230, Directory revenue; (2) Reinstates Accounts 6621, Call completion services; 6622, Number services; and 6623, Customer services and requires wholesale/retail information only for Account 6623. The wholesale/retail information for Account 6623 will be reported in ARMIS Report 43–03 rather than a part 32 subaccount; (3) Reinstates Accounts 6561, Depreciation expense—telecommunications plant in service; 6562, Depreciation expense—property held for future telecommunications use; 6563, Amortization expense—tangible; 6564, Amortization expense—intangible; and Account 6565, Amortization expense—other. The Commission rejects the Joint Conference recommendation to add new part 32 accounts for: (1) Optical switching; (2) switching software; (3) loop and inter-office transport; (4) interconnection revenue; and (5) universal service revenue and expense. While the Commission rejects the recommendation to add new part 32 accounts, it does, however, require Class A companies to maintain subsidiary record categories to identify interconnection revenues. Finally, the part 32 definition of incumbent local exchange carrier is modified to clarify that a successor/assign company that is found to be nondominant will not be subject to the Commission's accounting requirements.

II. Affiliate Transactions Rules

7. The Commission rejects the Joint Conference recommendations to modify

its affiliate transactions rules pertaining to: (1) Fair market value comparisons for assets totaling less than $500,000; (2) Establishment of floor and ceiling threshold; (3) Prevailing price treatment threshold; (4) Centralized services exception to the estimated fair market value rule; (5) Nonregulated to nonregulated transactions; and (6) Intra-holding company ILEC-to-ILEC transfers of assets or services.

III. Reporting Requirements

8. The Commission adopts the Joint Conference recommendation to reinstate the title of the first section of Table II of the ARMIS Report 43–07 from ''loop sheath kilometers'' back to ''sheath kilometers''. The Joint Conference also recommended that the Commission deny the petition for reconsideration regarding the reporting of broadband infrastructure data in ARMIS Report 43–07. The Commission adopts the recommendation and denies the petition for reconsideration.

IV. Suspension of Implementation of Four Accounting and Reporting Requirement Rule Changes

9. As noted above, the Commission has suspended the implementation of four previously-adopted accounting and recordkeeping rules to allow the Joint Conference time to review them, and for the Commission to act upon the Joint Conference's recommendation. The suspension currently is effective through June 30, 2004. The Commission further suspends the rule changes through December 31, 2004, which is the next date to coincide with the start of a fiscal year after six months' notice required by the Act for the rules to take effect.

V. Other Issues

10. Additional proposals and specific areas for investigation submitted by commenters in response to the *NPRM* will continue to be examined by the Joint Conference and the Commission.

Final Regulatory Flexibility Certification

11. The Regulatory Flexibility Act of 1980, as amended (RFA), requires that a regulatory flexibility analysis be prepared for notice-and-comment rule making 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 RFA generally defines the term ''small entity'' as having the same meaning as the terms ''small business,'' ''small organization,'' and ''small governmental jurisdiction.'' In addition, the term ''small business'' has the same meaning as the term ''small business concern'' under the Small Business Act. 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).

12. The SBA has developed a small business size standard for Wired Telecommunications Carriers, which consists of all such firms having 1,500 or fewer employees. Under the Commission's rules, there are two classes of ILECs for accounting purposes: Class A and Class B. Carriers with annual revenues from regulated telecommunications operations that are equal to or above the indexed revenue threshold, currently $123 million, are classified as Class A; those falling below that threshold are considered Class B. Class A carriers are required to maintain a more detailed level of accounts than Class B carriers. In addition, Class A carriers are required to file ARMIS Reports annually while Class B carriers are not subject to the ARMIS Reporting requirement. Class A carriers with annual revenues in excess of $123 million but less than $7.240 billion are classified as mid-sized carriers and are permitted to maintain accounts at the less detailed Class B level. The less detailed level of accounting required under Class B was established to accommodate smaller carriers and relieve them of the burdens associated with maintaining the more detailed level of accounts. The accounting and reporting requirements adopted by the Commission in this Report and Order are mandatory only for Class A non-mid sized carriers. These carriers have annual revenues in excess of $7.240 billion, therefore it is likely that these companies employ more than 1,500 employees and are not small businesses under the SBA's definition for Wired Telecommunications Carriers.

13. In this Report and Order the Commission adopts the Joint Conference's recommendations to reinstate the following Part 32 Class A accounts: Account 5230, Directory revenue, Account 6621, Call completion services, Account 6622, Number services, Account 6623, Customer services, Account 6561, Depreciation expense—telecommunications plant in service; Account 6562, Depreciation expense—property held for future telecommunications use; Account 6563, Amortization expense—tangible; Account 6564 Amortization expense—intangible; Account 6565, Amortization expense—other. These accounting changes are mandatory only for non-mid-sized Class A ILECs. The reinstatement of these accounts, however, will not impose any additional burden on non-mid-sized Class A ILECs because the Commission's prior action to aggregate the accounts has been suspended. Similarly, the Commission's reinstatement of the sheath kilometer reporting requirement in the ARMIS 43–07 will not impose any additional burden on non-mid-sized Class A ILECs. Non-mid-sized Class A ILECs are meeting these requirements at the current time, therefore the rule changes in this Report and Order will impose no economic burden.

14. Although the Commission declines to adopt any new accounts, it will require that non-mid-sized Class A ILECs maintain subsidiary record categories for unbundled network element revenues, resale revenues, reciprocal compensation revenues, and other interconnection revenues in the accounts in which these revenues are currently recorded. The use of subsidiary record categories allows carriers to use whatever mechanisms they choose, including those currently in place, to identify the relevant amounts as long as the information can be made available to state and federal regulators upon request. Also, the Commission is requiring the ARMIS reporting of the wholesale and retail percentages applicable to Account 6623, Customer services. The use of subsidiary record categories for interconnection revenue and the ARMIS reporting of wholesale retail percentages do not require massive changes to the ILECs' accounting systems and are far less burdensome alternatives than the creation of new accounts and/or subaccounts.

15. Even if there are mid-sized Class A carriers or Class B carriers that are small businesses within the SBA's definition (*i.e.*, with fewer than 1,500 employees) that may elect to comply with the rules, the impact of the rules is economically *de minimis* and negligible. As discussed above, compliance with the rules adopted herein imposes no new burdens. Accordingly, even if there is economic impact on any such small carrier, it is not significant. Therefore, we certify that the requirements of the Report and Order will not have a significant economic impact on a substantial number of small entities.

16. The Commission will send a copy of the Report and Order, including a copy of this Final Regulatory Flexibility Certification, in a report to Congress pursuant to the Congressional Review Act. In addition, the Report and Order and this final certification will be sent to the Chief Counsel for Advocacy of the

SBA, and will be published in the **Federal Register**. Ordering Clauses

17. Accordingly, *it is ordered* that 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, Part 32 of the Commission's rules, 47 CFR part 32, *is amended* as described above.

18. *It is further ordered* that pursuant to section 220(g) of the Communications Act of 1934, as amended, 47 U.S.C. 220(g), changes to our part 32, System of Accounts, adopted in this Report and Order shall take effect six months after publication in the **Federal Register** following OMB approval, unless a notice is published in the **Federal Register** stating otherwise. We will, however, permit carriers to implement Part 32 accounting changes as of January 1, 2005.

19. *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 of BellSouth, SBC and Verizon for Reconsideration and the SBC Communications, Inc. Petition for Reconsideration are *granted* in part, to the extent indicated herein, and *denied* in part.

20. *It is further ordered* that pursuant to the authority contained in sections 1, 4(i), 4(j), 201–205, 215, and 218–220 of the Communications Act of 1934, as amended, 47 U.S.C. 151, 154(i), 154(j), 201–205, 215 and 218–220, FCC Report 43–07, the Infrastructure Report, *is revised* as set forth above.

21. *It is further ordered* that pursuant to sections 1, 4(i), 4(j), 5(c), 201, 202, 219 and 220 of the Communications Act of 1934, as amended, 47 U.S.C. 151, 154(i), 154(j), 155(c), 201, 202, 219 and 220, section 1.3 of the Commission's rules, 47 CFR 1.3, and sections 553(b) and 553(d)(3) of the Administrative Procedure Act, 5 U.S.C. 553(b), 553(d)(3), implementation of certain rule modifications described in paragraph 3, above, *is suspended* from July 1, 2004, through December 31, 2004.

22. *It is further ordered* that pursuant to the authority contained in section 0.291 of the Commission's rules, 47 CFR 0.291, the Wireline Competition Bureau *is delegated* authority to implement all changes to ARMIS reporting as set forth above.

23. *It is further ordered* that the Commission's Consumer and Governmental Affairs Bureau, Reference Information Center, *shall send* a copy of this Report and Order, including the Final Regulatory Flexibility Certification, 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, Uniform System of Accounts.

47 CFR Part 51

Communications common carriers, Telecommunications.

47 CFR Part 65

Communications common carriers, Reporting and recordkeeping requirements, Telephone.

Federal Communications Commission.

William F. Caton,

Deputy Secretary.

Rule Changes

■ For the reasons set forth in the preamble, amend parts 32, 51, and 65 of title 47 of the Code of Federal Regulations 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 paragraph (a) to read as follows:

§ 32.11 Classification of companies.

(a) For purposes of this section, the term ''company'' or ''companies'' means incumbent local exchange carrier(s) as defined in section 251(h) of the Communications Act, and any other carriers that the Commission designates by Order. Incumbent local exchange carriers' successor or assign companies, as defined in section 251(h)(1)(B)(ii) of the Communications Act, that are found to be non-dominant by the Commission, will not be subject to this Uniform System of Accounts.

* * * * *

■ 3. Section 32.27 is amended by revising paragraph (a) to read as follows:

§ 32.27 Transactions with affiliates.

(a) Unless otherwise approved by the Chief, Wireline Competition Bureau, transactions with affiliates involving asset transfers into or out of the regulated accounts shall be recorded by the carrier in its regulated accounts as provided in paragraphs (b) through (f) of this section.

* * * * *

■ 4. Section 32.1280 is amended by revising paragraph (d) to read as follows:

§ 32.1280 Prepayments.

* * * * *

(d) The cost of preparing, printing, binding, and delivering directories and the cost of soliciting advertisements for directories, except minor amounts which may be charged directly to Account 6622, Number services. These prepaid directory expenses shall be cleared to Account 6622 by monthly charges representing that portion of the expenses applicable to each month.

* * * * *

■ 5. Section 32.2000 is amended by revising paragraph (g)(5) to read as follows:

§ 32.2000 Instructions for telecommunications plant accounts.

* * * * *

(g) * * *

(5) Upon direction or approval from this Commission, the company shall credit Account 3100, Accumulated Depreciation, and charge Account 1438, Deferred Maintenance, retirements and other deferred charges, with the unprovided-for loss in service value. Such amounts shall be distributed from Account 1438 to Account 6561, Depreciation expense—Telecommunications plant in service, or Account 6562, Depreciation expense—property held for future telecommunications use, over such period as this Commission may direct or approve.

* * * * *

■ 6. Section 32.2005 is amended by revising paragraphs (b)(1) and (b)(4) to read as follows:

§ 32.2005 Telecommunications Plant Adjustment.

* * * * *

(b) * * *

(1) Debit amounts may be charged in whole or in part, or amortized over a reasonable period through charges to Account 7300, Nonoperating income and expense, without further direction or approval by this Commission. When specifically approved by this Commission, or when the provisions of paragraph (b)(3) of this section apply, debit amounts shall be amortized to Account 6565, Amortization expense—other.

* * * * *

(4) Within one year from the date of inclusion in this account of a debit or credit amount with respect to a current acquisition, the company may dispose of the total amount from an acquisition of telephone plant by a lump-sum

charge or credit, as appropriate, to Account 6565 without further approval of this Commission, provided that such amount does not exceed $100,000 and that the plant was not acquired from an affiliated company.

■ 7. Section 32.2682 is amended by revising paragraph (c) to read as follows:

§ 32.2682 Leasehold improvements.

* * * * *

(c) Amounts contained in this account shall be amortized over the term of the related lease. For Class A companies, except mid-sized incumbent local exchange carriers, the amortization associated with the costs recorded in the Leasehold improvement account will be credited directly to this asset account, leaving a balance representing the unamortized cost.

■ 8. Section 32.2690 is amended by revising paragraph (c) 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.

* * * * *

■ 9. Section 32.3000 is amended by revising paragraph (b) to read as follows:

§ 32.3000 Instructions for balance sheet accounts—Depreciation and amortization.

* * * * *

(b) Depreciation and Amortization Accounts to be Maintained by Class A and Class B telephone companies, as indicated.

Account title	Class A account	Class B account
Depreciation and amortization:		
Accumulated depreciation	3100	3100
Accumulated depreciation—Held for future telecommunications use	3200	3200
Accumulated depreciation—Nonoperating	3300	3300
Accumulated depreciation—Tangible	.....	3400
Accumulated depreciation—Capitalized leases	3410	.....

■ 10. Section 32.3100 is amended by revising paragraphs (b) and (d) to read as follows:

§ 32.3100 Accumulated depreciation.

* * * * *

(b) This account shall be credited with depreciation amounts concurrently charged to Account 6561, Depreciation expense—telecommunications plant in service. (Note also Account 3300, Accumulated depreciation—nonoperating.)

* * * * *

(d) This account shall be credited with amounts charged to Account 1438, Deferred maintenance, retirements, and other deferred charges, as provided in § 32.2000(g)(4) of this subpart. This account shall be credited with amounts charged to Account 6561 with respect to other than relatively minor losses in service values suffered through terminations of service when charges for such terminations are made to recover the losses.

■ 11. Section 32.3200 is amended by revising paragraph (b) to read as follows:

§ 32.3200 Accumulated depreciation—held for future telecommunications use.

* * * * *

(b) This account shall be credited with amounts concurrently charged to Account 6562, Depreciation expense—property held for future telecommunications use.

■ 12. Section 32.3400 is revised to read as follows:

§ 32.3400 Accumulated amortization—tangible.

(a) This account shall be used by Class B companies and shall include:

(1) the accumulated amortization associated with the investment contained in Account 2681, Capital leases.

(2) the accumulated amortization associated with the investment contained in Account 2682, Leasehold improvements.

(b) This account shall be credited with amounts for the amortization of capital leases and leasehold improvements concurrently charged to Account 6563, Amortization expense—tangible. (Note also Account 3300, Accumulated depreciation—nonoperating.)

(c) When any item carried in Account 2681 or Account 2682 is sold, is relinquished, or is 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 7100, Other operating income and expenses, or Account 7300, Nonoperating income and expense, as appropriate.

■ 13. Section 32.3410 is amended by revising paragraph (b) to read as follows:

§ 32.3410 Accumulated amortization—capitalized leases.

* * * * *

(b) This account shall be credited with amounts for the amortization of capital leases concurrently charged to Account 6563, Amortization expense—tangible. (Note also Account 3300, Accumulated depreciation—nonoperating.)

* * * * *

■ 14. Section 32.4999 is amended by revising paragraphs (c), (f) and (n) to read as follows:

§ 32.4999 General.

* * * * *

(c) *Commissions.* Commissions paid to others or employees in place of compensation or salaries for services rendered, such as public telephone commissions, shall be charged to Account 6623, Customer services, and not to the revenue accounts. Other commissions shall be charged to the appropriate expense accounts.

* * * * *

(f) *Subsidiary records—jurisdictional subdivisions and interconnection.* Subsidiary record categories shall be maintained in order that the company may separately report revenues derived from charges imposed under intrastate, interstate and international tariff filings. Class A carriers shall also maintain subsidiary record categories in order that the companies may separately report interconnection revenues derived from the following categories: Unbundled network element revenues, Resale revenues, Reciprocal compensation revenues, and Other interconnection revenues. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

* * * * *

(n) *Revenue accounts to be maintained.*

Account title	Class A account	Class B account
Local network services revenues:		
Basic local service revenue	.....	5000
Basic area revenue	5001	.....
Private line revenue	5040	.....
Other basic area revenue	5060	.....
Network access service revenues:		
End user revenue	5081	5081
Switched access revenue	5082	5082
Special access revenue	5083	5083
Long distance network services revenues:		
Long distance message revenue	5100	5100
Miscellaneous revenues:		
Miscellaneous revenue	5200	5200
Directory revenue	5230	.....
Nonregulated revenues:		
Nonregulated operating revenue	5280	5280
Uncollectible revenues:		
Uncollectible revenue	5300	5300

■ 15. Section 32.5001 is amended to revise paragraph (b) to read as follows:

§ 32.5001 Basic area revenue.

* * * * *

(b) Revenue derived from charges for nonpublished number or additional and boldfaced listings in the alphabetical section of the company's telephone directories shall be included in account 5230, Directory revenue.

* * * * *

■ 16. Section 32.5200 is revised to read as follows:

§ 32.5200 Miscellaneous revenue.

This account shall include revenue derived from the following sources. For Class B companies, this account shall also include revenue of the type and character required of Class A companies in Account 5230, Directory revenue.

(a) Rental or subrental to others of telecommunications plant furnished apart from telecommunications services rendered by the company (this revenue includes taxes when borne by the lessee). It includes revenue from the rent of such items as space in conduit, pole line space for attachments, and any allowance for return on property used in joint operations and shared facilities agreements. The expense of maintaining and operating the rented property, including depreciation and insurance, shall be included in the appropriate operating expense accounts. Taxes applicable to the rented property shall be included by the owner of the rented property in appropriate tax accounts. When land or buildings are rented on an incidental basis for non-telecommunications use, the rental and expenses are included in Account 7300, Nonoperating income and expense.

(b) Services rendered to other companies under a license agreement, general services contract, or other arrangement providing for the furnishing of general accounting, financial, legal, patent, and other general services associated with the provision of regulated telecommunications services. (See also Account 5230.)

(c) The provision, either under tariff or through contractual arrangements, of special billing information to customers in the form of magnetic tapes, cards or statements. Special billing information provides detail in a format and/or at a level of detail not normally provided in the standard billing rendered for the regulated telephone services utilized by the customer.

(d) The performance of customer operations services for others incident to the company's regulated telecommunications operations which are not provided for elsewhere. (See also §§ 32.14(e) and 32.4999(e)).

(e) Contract services (plant maintenance) performed for others incident to the company's regulated telecommunications operations. This includes revenue from the incidental performance of nontariffed operating and maintenance activities for others which are similar in nature to those activities which are performed by the company in operating and maintaining its own telecommunications plant facilities. The records supporting the entries in this account shall be maintained with sufficient particularity to identify the revenue and associated Plant Specific Operations Expenses related to each undertaking. This account does not include revenue related to the performance of operation or maintenance activities under a joint operating agreement.

(f) The provision of billing and collection services to other telecommunications companies. This includes amounts charged for services such as message recording, billing, collection, billing analysis, and billing information services, whether rendered under tariff or contractual arrangements.

(g) Charges and credits resulting from contractual revenue pooling and/or sharing agreements for activities included in the miscellaneous revenue accounts only when they are not identifiable by miscellaneous revenue account in the settlement process. (See also § 32.4999(e)). The extent that the charges and credits resulting from a settlement process can be identified by miscellaneous revenue accounts they shall be recorded in the applicable account.

(h) The provision of transport and termination of local telecommunications traffic pursuant to section 251(c) of the Communications Act and part 51 of this chapter.

(i) The provision of unbundled network elements pursuant to section 251(c) of the Communications Act and part 51 of this chapter.

(j) This account shall also include other incidental regulated revenue such as:

(1) Collection overages (collection shortages shall be charged to Account 6623, Customer services);

(2) Unclaimed refunds for telecommunications services when not subject to escheats;

(3) Charges (penalties) imposed by the company for customer checks returned for non-payment;

(4) Discounts allowed customers for prompt payment;

(5) Late-payment charges;

(6) Revenue from private mobile telephone services which do not have access to the public switched network; and

(7) Other incidental revenue not provided for elsewhere in other Revenue accounts.

(k) Any definitely known amounts of losses of revenue collections due to fire or theft, at customers' coin-box stations, at public or semipublic telephone stations, in the possession of collectors en route to collection offices, on hand at collection offices, and between collection offices and banks shall be charged to Account 6720, General and Administrative.

■ 17. Section 32.5999 is amended by revising paragraphs (b)(4), (c) and (g) as follows:

§ 32.5999 General.

* * * * *

(b) * * *

(4) In addition to the activities specified in paragraph (b)(3) of this section, the appropriate Plant Specific Operations Expense accounts shall include the cost of personnel whose principal job is the operation of plant equipment, such as general purpose computer operators, aircraft pilots, chauffeurs and shuttle bus drivers. However, when the operation of equipment is performed as part of other identifiable functions (such as the use of office equipment, capital tools or motor vehicles), the operators' cost shall be charged to accounts appropriate for those functions. (For costs of operator services personnel, see Accounts 6621, Call completion services, and 6622, Number services, and for costs of test board personnel see Account 6533.)

(c) *Plant nonspecific operations expense.* The Plant Nonspecific Operations Expense accounts shall include expenses related to property held for future telecommunications use, provisioning expenses, network operations expenses, and depreciation and amortization expenses. Accounts in this group (except for Account 6540, Access expense, and Accounts 6560 through 6565) shall include the costs of performing activities described in narratives for individual accounts. These costs shall also include the costs of supervision and office support of these activities.

* * * * *

(g) Expense accounts to be maintained.

Account title	Class A account	Class B account
Income Statement Accounts		
Plant specific operations expense:		
Network support expense	.....	6110
Motor vehicle expense	6112	.....
Aircraft expense	6113	.....
Tools and other work equipment expense	6114	.....
General support expenses	.....	6120
Land and building expenses	6121	.....
Furniture and artworks expense	6122	.....
Office equipment expense	6123	.....
General purpose computers expense	6124	.....
Central office switching expense	.....	6210
Non-digital switching expense	6211	.....
Digital electronic switching expense	6212	.....
Operators system expense	6220	6220
Central office transmission expenses	.....	6230
Radio systems expense	6231	.....
Circuit equipment expense	6232	.....
Information origination/termination expense	.....	6310
Station apparatus expense	6311	.....
Large private branch exchange expense	6341	.....
Public telephone terminal equipment expense	6351	.....
Other terminal equipment expense	6362	.....
Cable and wire facilities expenses	.....	6410
Poles expense	6411	.....
Aerial cable expense	6421	.....
Underground cable expense	6422	.....
Buried cable expense	6423	.....
Submarine and deep sea cable expense	6424	.....
Intrabuilding network cable expense	6426	.....
Aerial wire expense	6431	.....
Conduit systems expense	6441	.....
Plant nonspecific operations expense:		
Other property plant and equipment expenses	.....	6510
Property held for future telecommunications use expense	6511	.....
Provisioning expense	6512	.....
Network operations expenses	.....	6530
Power expense	6531	.....
Network administration expense	6532	.....
Testing expense	6533	.....
Plant operations administration expense	6534	.....
Engineering expense	6535	.....
Access expense	6540	6540
Depreciation and amortization expenses	.....	6560
Depreciation expense—telecommunications plant in service	6561	.....
Depreciation expense—property held for future telecommunications use	6562	.....

Account title	Class A account	Class B account
Amortization expense—tangible	6563	
Amortization expense—intangible	6564	
Amortization expense—other	6565	
Customer operations expense:		
Marketing		6610
Product management and sales	6611	
Product advertising	6613	
Services		6620
Call completion services	6621	
Number services	6622	
Customer services	6623	
Corporate operations expense:		
General and administrative	6720	6720
Provision for uncollectible notes receivable	6790	6790

■ 18. Section 32.6560 is revised to read as follows:

§ 32.6560 Depreciation and amortization expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6561 through 6565.

■ 19. Add § 32.6562 to read as follows:

§ 32.6562 Depreciation expense—property held for future telecommunications use.

This account shall include the depreciation expense of capitalized costs included in Account 2002, Property held for future telecommunications use.

■ 20. Section 32.6620 is revised as follows:

§ 32.6620 Services.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6621 through 6623.

PART 51—INTERCONNECTION

■ 21. The authority citation for part 51 continues to read:

Authority: Sections 1–5, 7, 201–05, 207–09, 218, 225–27, 251–54, 256, 271, 303(r), 332, 48 Stat. 1070, as amended, 1077; 47 U.S.C. 151–55, 157, 201–05, 207–09, 218, 225–27, 251–54, 256, 271, 303(r), 332, 47 U.S.C. 157 note, unless otherwise noted.

■ 22. Section 51.609 is amended by revising paragraphs (c)(1), (c)(3), and (d) to read as follows:

§ 51.609 Determination of avoided retail costs.

* * * * *

(c) * * *

(1) Include as direct costs, the costs recorded in USOA accounts 6611 (product management and sales), 6613 (product advertising), 6621 (call completion services), 6622, (number services), and 6623 (customer services) (§§ 32.6611, 32.6613, 32.6621, 32.6622, and 32.6623 of this chapter);

* * * * *

(3) Not include plant-specific expenses and plant non-specific expenses, other than general support expenses (§§ 32.6112–6114, 32.6211–6565 of this chapter).

(d) Costs included in accounts 6611, 6613 and 6621–6623 described in paragraph (c) of this section (§§ 32.6611, 32.6613, and 32.6621–6623 of this chapter) may be included in wholesale rates only to the extent that the incumbent LEC proves to a state commission that specific costs in these accounts will be incurred and are not avoidable with respect to services sold at wholesale, or that specific costs in these accounts are not included in the retail prices of resold services. Costs included in accounts 6112–6114 and 6211–6565 described in paragraph (c) of this section (§§ 32.6112–32.6114, 32.6211–32.6565 of this chapter) may be treated as avoided retail costs, and excluded from wholesale rates, only to the extent that a party proves to a state commission that specific costs in these accounts can reasonably be avoided when an incumbent LEC provides a telecommunications service for resale to a requesting carrier.

* * * * *

PART 65—INTERSTATE RATE OF RETURN PRESCRIPTION PROCEDURES AND METHODOLOGIES

■ 23. The authority citation for part 65 continues to read:

Authority: Secs. 4, 201, 202, 203, 205, 218, 403, 48 Stat., 1066, 1072, 1077, 1094, as amended, 47 U.S.C. 151, 154, 201, 202, 203, 204, 205, 218, 219, 220, 403.

■ 24. Section 65.450 is amended by revising paragraphs (a) and (b)(1) to read as follows:

§ 65.450 Net income.

(a) Net income shall consist of all revenues derived from the provision of interstate telecommunications services regulated by this Commission less expenses recognized by the Commission as necessary to the provision of these services. The calculation of expenses entering into the determination of net income shall include the interstate portion of plant specific operations (Accounts 6110–6441), plant nonspecific operations (Accounts 6510–6565), customer operations (Accounts 6610–6623), corporate operations (Accounts 6720–6790), other operating income and expense (Account 7100), and operating taxes (Accounts 7200–7250), except to the extent this Commission specifically provides to the contrary.

(b) * * *

(1) Gains related to property sold to others and leased back under capital leases for use in telecommunications services shall be recorded in Account 4300, Other long-term liabilities and deferred credits, and credited to Account 6563, Amortization expense—tangible, over the amortization period established for the capital lease;

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NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

48 CFR Part 1871

RIN 2700–AD02

Removal of MidRange Procurement Procedures

AGENCY: National Aeronautics and Space Administration.

ACTION: Final rule.

SUMMARY: This final rule revises the NASA FAR Supplement (NFS) by