

FCC Part 32 – Summary of Rule Revisions

1. Replace interexchange carrier with retail service provider and delete access where appropriate, use inter-carrier.

- (a) Section contents – 32.5082
- (b) Subpart D – 32.4999(i), 32.4999(n), 32.5082, 32.5082(a)
- (c) Subpart E – 32.6540(a) to (b), 32.6620(b), 32.6623(b)

2. Add State Equalization Fund revenues.

- (a) Section Contents – 32.5084
- (b) Subchapter D – 32.4999(n), 32.5084, 32.5084(a)

3. Definition of retail service provider

- (a) Subpart G – 32.9000

4. Unitary revenues will be allocated to jurisdictions and therefore interstate and intrastate records are unnecessary.

- (a) Subpart D – 32.5082(b)

Electronic Code of Federal Regulations (e-CFR)

Title 47: Telecommunications

PART 32 UNIFORM SYSTEM OF ACCOUNTS FOR TELECOMMUNICATIONS COMPANIES

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

Source: 51 FR 43499, Dec. 2, 1986, unless otherwise noted.

Subpart A Preface

§ 32.1 Background.

The revised Uniform System of Accounts (USOA) is a historical financial accounting system which reports the results of operational and financial events in a manner which enables both management and regulators to assess these results within a specified accounting period. The USOA also provides the financial community and others with financial performance results. In order for an accounting system to fulfill these purposes, it must exhibit consistency and stability in financial reporting (including the results published for regulatory purposes). Accordingly, the USOA has been designed to reflect stable, recurring financial data based to the extent regulatory considerations permit upon the consistency of the well established body of accounting theories and principles commonly referred to as generally accepted accounting principles.

§ 32.2 Basis of the accounts.

(a) The financial accounts of a company are used to record, in monetary terms, the basic transactions which occur. Certain natural groupings of these transactions are called (in different contexts) transaction cycles, business processes, functions or activities. The concept, however, is the same in each case; i.e., the natural groupings represent what happens within the company on a consistent and continuing basis. This repetitive nature of the natural groupings, over long periods of time, lends an element of stability to the financial account structure.

(b) Within the telecommunications industry companies, certain recurring functions (natural groupings) do take place in the course of providing products and services to customers. These accounts reflect, to the extent feasible, those functions. For example, the primary bases of the accounts containing the investment in telecommunications plant are the functions *performed by* the assets. In addition, because of the anticipated effects of future innovations, the telecommunications plant accounts are intended to permit technological distinctions. Similarly, the primary bases of plant operations, customer operations and corporate operations expense accounts are the functions *performed by* individuals. The revenue accounts, on the other hand, reflect a market perspective of natural groupings based primarily upon the products and services *purchased by* customers.

(c) In the course of developing the bases for this account structure, several other alternatives were explored. It was, for example, determined that, because of the variety

and continual changing of various cost allocation mechanisms, the financial accounts of a company should not reflect an *a priori* allocation of revenues, investments or expenses to products or services, jurisdictions or organizational structures. (Note also §32.14 (c) and (d) of subpart B.) It was also determined that costs (in the case of assets) should not be recorded based solely upon physical attributes such as location, description or size.

(d) Care has been taken in this account structure to avoid confusing a function with an organizational responsibility, particularly as it relates to the expense accounts. Whereas in the past, specific organizations may have performed specific functions, the future environment with its increasing mechanization and other changes will result in entirely new or restructured organizations. Thus, any relationships drawn between organizations and accounts would become increasingly meaningless with the passage of time.

(e) These accounts, then, are intended to reflect a functional and technological view of the telecommunications industry. This view will provide a stable and consistent foundation for the recording of financial data.

(f) The financial data contained in the accounts, together with the detailed information contained in the underlying financial and other subsidiary records required by this Commission, will provide the information necessary to support separations, cost of service and management reporting requirements. The basic account structure has been designed to remain stable as reporting requirements change.

§ 32.3 Authority.

This Uniform System of Accounts has been prepared under the following authority: Section 4 of the Communications Act of 1934, as amended, 47 U.S.C. section 154 (1984); sections 219, 220 of the Communications Act of 1934, as amended, 47 U.S.C. sections 219, 220, (1984).

§ 32.4 Communications Act.

Attention is directed to the following extract from section 220 of the Communications Act of 1934, 47 U.S.C. 220 (1984):

(e) Any person who shall willfully make any false entry in the accounts of any book of accounts or in any record or memoranda kept by any such carrier, or who shall willfully destroy, mutilate, alter, or by any other means or device falsify any such account, record, or memoranda, or who shall willfully neglect or fail to make full, true, and correct entries in such accounts, records, or memoranda of all facts and transactions appertaining to the business of the carrier, shall be deemed guilty of a misdemeanor, and shall be subject, upon conviction, to a fine of not less than \$1,000 nor more than \$5,000 or imprisonment for a term of not less than one year nor more than three years, or both such fine and imprisonment: Provided, that the Commission may in its discretion issue orders specifying such operating, accounting or financial papers, records, books, blanks, or

documents which may, after a reasonable time, be destroyed, and prescribing the length of time such books, papers, or documents shall be preserved.

For regulations governing the periods for which records are to be retained, see part 42, Preservation of Records of Communications Common Carriers, of this chapter which relates to preservation of records.

Subpart B General Instructions

§ 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.

(b) For accounting purposes, companies are divided into classes as follows:

(1) *Class A.* Companies having annual revenues from regulated telecommunications operations that are equal to or above the indexed revenue threshold.

(2) *Class B.* Companies having annual revenues from regulated telecommunications operations that are less than the indexed revenue threshold.

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

(d) Class B companies and mid-sized incumbent local exchange carriers, as defined by §32.9000, shall keep all accounts of this system of accounts which are applicable to their affairs and are designated as Class B accounts. Mid-sized incumbent local exchange carriers shall also maintain subsidiary record categories necessary to provide the pole attachment data currently provided in the Class A accounts. Class B companies shall keep Continuing Property Records in compliance with the requirements of §§32.2000(e)(7)(i)(A) and 32.2000(f).

(e) Class B companies and mid-sized incumbent local exchange carriers, as defined by §32.9000 of this part, that desire more detailed accounting may adopt the accounts prescribed for Class A companies upon the submission of a written notification to the Commission.

(f) The classification of a company shall be determined at the start of the calendar year following the first time its annual operating revenue from regulated telecommunications

operations equals, exceeds, or falls below the indexed revenue threshold.

[67 FR 5679, Feb. 6, 2002]

§ 32.12 Records.

(a) The company's financial records shall be kept in accordance with generally accepted accounting principles to the extent permitted by this system of accounts.

(b) The company's financial records shall be kept with sufficient particularity to show fully the facts pertaining to all entries in these accounts. The detail records shall be filed in such manner as to be readily accessible for examination by representatives of this Commission.

(c) The Commission shall require a company to maintain financial and other subsidiary records in such a manner that specific information, of a type not warranting disclosure as an account or subaccount, will be readily available. When this occurs, or where the full information is not otherwise recorded in the general books, the subsidiary records shall be maintained in sufficient detail to facilitate the reporting of the required specific information. The subsidiary records, in which the full details are shown, shall be sufficiently referenced to permit ready identification and examination by representatives of this Commission.

§ 32.13 Accounts general.

(a) As a general rule, all accounts kept by reporting companies shall conform in numbers and titles to those prescribed herein. However, reporting companies may use different numbers for internal purposes when separate accounts (or subaccounts) maintained are consistent with the title and content of accounts and subaccounts prescribed in this system.

(1) A company may subdivide any of the accounts prescribed. The titles of all such subaccounts shall refer by number or title to the controlling account.

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

(b) Exercise of the preceding options shall be allowed only if the integrity of the prescribed accounts is not impaired.

(c) As of the date a company becomes subject to the system of accounts, the company is authorized to make any such subdivisions, reclassifications or consolidations of existing balances as are necessary to meet the requirements of this system of accounts.

(d) Nothing contained in this part shall prohibit or excuse any company, receiver, or

operating trustee of any carrier from subdividing the accounts hereby prescribed for the purpose of:

- (1) Complying with the requirements of the state commission(s) having jurisdiction; or
- (2) Securing the information required in the prescribed reports to such commission(s).

(e) Where the use of subsidiary records is considered necessary in order to secure the information required in reports to any state commission, the company shall incorporate the following controls into their accounting system with respect to such subsidiary records:

- (1) Subsidiary records shall be reconciled to the company's general ledger or books of original entry, as appropriate.
- (2) The company shall adequately document the accounting procedures related to subsidiary records.
- (3) The subsidiary records shall be maintained at an adequate level of detail to satisfy state regulators.

[51 FR 43499, Dec. 2, 1986, as amended at 65 FR 16334, Mar. 28, 2000; 67 FR 5679, Feb. 6, 2002]

§ 32.14 Regulated accounts.

(a) In the context of this part, the regulated accounts shall be interpreted to include the investments, revenues and expenses associated with those telecommunications products and services to which the tariff filing requirements contained in Title II of the Communications Act of 1934, as amended, are applied, except as may be otherwise provided by the Commission. Regulated telecommunications products and services are thereby fully subject to the accounting requirements as specified in Title II of the Communications Act of 1934, as amended, and as detailed in subparts A through F of this part of the Commission's Rules and Regulations.

(b) In addition to those amounts considered to be regulated by the provisions of paragraph (a) of this section, those telecommunications products and services to which the tariff filing requirements of the several state jurisdictions are applied shall be accounted for as regulated, except where such treatment is proscribed or otherwise excluded from the requirements pertaining to regulated telecommunications products and services by this Commission.

(c) In the application of detailed accounting requirements contained in this part, when a regulated activity involves the common or joint use of assets and resources in the provision of regulated and non-regulated products and services, companies shall account

for these activities within the accounts prescribed in this system for telephone company operations. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to non-regulated activities, amounts solely assignable to regulated activities, and amounts related to assets used and expenses incurred jointly or in common, which will be allocated between regulated and non-regulated activities. Companies shall submit reports identifying regulated and non-regulated amounts in the manner and at the times prescribed by this Commission. Non-regulated revenue items not qualifying for incidental treatment, as provided in §32.4999(l), shall be recorded in Account 5280, Non-regulated operating revenue.

(d) Other income items which are incidental to the provision of regulated products and services shall be accounted for as regulated activities.

(e) All costs and revenues related to the offering of regulated products and services which result from arrangements for joint participation or apportionment between two or more telephone companies (e.g., joint operating agreements, settlement agreements, cost-pooling agreements) shall be recorded within the detailed accounts. Under joint operating agreements, the creditor will initially charge the entire expenses to the appropriate primary accounts. The proportion of such expenses borne by the debtor shall be credited by the creditor and charged by the debtor to the account initially charged. Any allowances for return on property used will be accounted for as provided in Account 5200, Miscellaneous revenue.

(f) All items of non-regulated revenue, investment and expense that are not properly includible in the detailed, regulated accounts prescribed in subparts A through F of this part, as determined by paragraphs (a) through (e) of this section shall be accounted for and included in reports to this Commission as specified in §32.23 of this subpart.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 6560, Mar. 4, 1987; 53 FR 49321, Dec. 7, 1988; 67 FR 5679, Feb. 6, 2002]

§ 32.15 [Reserved]

§ 32.16 Changes in accounting standards.

(a) The company's records and accounts shall be adjusted to apply new accounting standards prescribed by the Financial Accounting Standards Board or successor authoritative accounting standard-setting groups, in a manner consistent with generally accepted accounting principles. The change in an accounting standard will automatically take effect 90 days after the company informs this Commission of its intention to follow the new standard, unless the Commission notifies the company to the contrary. Any change adopted shall be disclosed in annual reports required by §43.21(f) of this chapter in the year of adoption.

(b) The changes in accounting standards which this Commission approves will not

necessarily be binding on the ratemaking practices of the various state commissions.

[51 FR 43499, Dec. 2, 1986, as amended at 64 FR 50007, Sept. 15, 1999; 67 FR 5679, Feb. 6, 2002]

§ 32.17 Interpretation of accounts.

To the end that uniform accounting shall be maintained within the prescribed system, questions involving significant matters which are not clearly provided for shall be submitted to the Chief, Wireline Competition Bureau, for explanation, interpretation, or resolution. Questions and answers thereto with respect to this system of accounts will be maintained by the Wireline Competition Bureau.

[67 FR 13225, Mar. 21, 2002]

§ 32.18 Waivers.

A waiver from any provision of this system of accounts shall be made by the Federal Communications Commission upon its own initiative or upon the submission of written request therefore from any telecommunications company, or group of telecommunications companies, provided that such a waiver is in the public interest and each request for waiver expressly demonstrates that: existing peculiarities or unusual circumstances warrant a departure from a prescribed procedure or technique; a specifically defined alternative procedure or technique will result in a substantially equivalent or more accurate portrayal of operating results or financial condition, consistent with the principles embodied in the provisions of this system of accounts; and the application of such alternative procedure will maintain or improve uniformity in substantive results as among telecommunications companies.

§ 32.19 Address for reports and correspondence.

Reports, statements, and correspondence submitted to the Federal Communications Commission in accordance with or relating to instructions and requirements contained herein shall be addressed to the Wireless Competition Bureau, Federal Communications Commission, Washington, DC 20554.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 13225, Mar. 21, 2002]

§ 32.20 Numbering convention.

(a) The number “32” (appearing to the left of the first decimal point) indicates the part number.

(b) The numbers immediately following to the right of the decimal point indicate, respectively, the section or account. *All Part 32 Account numbers contain 4 digits to-the-*

right-of the decimal point.

(c) Cross references to accounts are made by citing the account numbers to the right of the decimal point; e.g., Account 2232 rather than the corresponding complete part 32 reference number 32.2232.

§ 32.21 Sequence of accounts.

The order in which the accounts are presented in this system of accounts is not to be considered as necessarily indicative of the order in which they will be scheduled at all times in reports to this Commission.

§ 32.22 Comprehensive interperiod tax allocation.

(a) Companies shall apply interperiod tax allocation (tax normalization) to all book/tax temporary differences which would be considered material for published financial report purposes. Furthermore, companies shall also apply interperiod tax allocation if any item or group of similar items when aggregated would yield debit or credit entries which exceed or would exceed 5 percent of the gross deferred income tax expense debits or credits during any calendar year over the life of the temporary difference. The tax effects of book/tax temporary differences shall be normalized and the deferrals shall be included in the following accounts:

4100, Net Current Deferred Operating Income Taxes; 4110, Net Current Deferred Non-operating Income Taxes; 4340, Net Noncurrent Deferred Operating Income Taxes; 4350, Net Noncurrent Deferred Non-operating Income Taxes.

In lieu of the accounting prescribed herein, any company shall treat the increase or reduction in current income taxes payable resulting from the use of flow through accounting in prior years as an increase or reduction in current tax expense.

(b) Supporting documentation shall be maintained so as to separately identify the amount of deferred taxes which arise from the use of an accelerated method of depreciation.

(c) Subsidiary records shall be used to reduce the deferred tax assets contained in the accounts specified in paragraph (a) of this section when it is likely that some portion or all of the deferred tax asset will not be realized. The amount recorded in the subsidiary record should be sufficient to reduce the deferred tax asset to the amount that is likely to be realized.

(d) The records supporting the activity in the deferred income tax accounts shall be maintained in sufficient detail to identify the nature of the specific temporary differences giving rise to both the debits and credits to the individual accounts.

(e) Any company that uses accelerated depreciation (or recognizes taxable income or

losses upon the retirement of property) for income tax purposes shall normalize the tax differentials occasioned thereby as indicated in paragraphs (e)(1) and (e)(2) of this section.

(1) With respect to the retirement of property the book/tax difference between (i) the recognition of proceeds as income and the accrual for salvage value and (ii) the book and tax capital recovery, shall be normalized.

(2) Records shall be maintained so as to show the deferred tax amounts by vintage year separately for each class or subclass of eligible depreciable telephone plant for which an accelerated method of depreciation has been used for income tax purposes. When property is transferred to non-regulated activities, the associated deferred income taxes and unamortized investment tax credits shall also be identified and transferred to the appropriate non-regulated accounts.

(f) The tax differentials to be normalized as specified in this section shall also encompass the additional effect of state and local income tax changes on Federal income taxes produced by the provision for deferred state and local income taxes for book/tax temporary differences related to such income taxes.

(g) Companies that receive the tax benefits from the filing of a consolidated income tax return by the parent company, (pursuant to closing agreements with the Internal Revenue Service, effective January 1, 1966) representing the deferred income taxes from the elimination of intercompany profits for income tax purposes on sales of regulated equipment, may credit such deferred taxes directly to the plant account which contains such intercompany profit rather than crediting such deferred taxes to the applicable accounts in paragraph (a) of this section. If the deferred income taxes are recorded as a reduction of the appropriate plant accounts, such reduction shall be treated as reducing the original cost of the plant and accounted for as such.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9418, Feb. 28, 1994]

§ 32.23 Non-regulated activities.

(a) This section describes the accounting treatment of activities classified for accounting purposes as “non-regulated.” Preemptively deregulated activities and activities (other than incidental activities) never subject to regulation will be classified for accounting purposes as “non-regulated.” Activities that qualify for incidental treatment under the policies of this Commission will be classified for accounting purposes as regulated activities. Activities that have been deregulated by a state will be classified for accounting purposes as regulated activities. Activities that have been deregulated at the interstate level, but not preemptively deregulated, will be classified for accounting purposes as regulated activities until such time as this Commission decides otherwise. The treatment of non-regulated activities shall differ depending on the extent of the common or joint use of assets and

resources in the provision of both regulated and non-regulated products and services.

(b) When a non-regulated activity does not involve the joint or common use of assets and resources in the provision of both regulated and non-regulated products and services, carriers shall account for these activities on a separate set of books consistent with instructions set forth in §§32.1406 and 32.7990. Transfers of assets, and sales of products and services between the regulated activity and a non-regulated activity for which a separate set of books is maintained, shall be accounted for in accordance with the rules presented in §32.27, Transactions with Affiliates. In the separate set of books, carriers may establish whatever detail they deem appropriate beyond what is necessary to provide this Commission with the information required in §§32.1406 and 32.7990.

(c) When a non-regulated activity does involve the joint or common use of assets and resources in the provision of regulated and non-regulated products and services, carriers shall account for these activities within accounts prescribed in this system for telephone company operations. Assets and expenses shall be subdivided in subsidiary records among amounts solely assignable to non-regulated activities, amounts solely assignable to regulated activities, and amounts related to assets and expenses incurred jointly or in common, which will be allocated between regulated and non-regulated activities. Carriers shall submit reports identifying regulated and non-regulated amounts in the manner and at the times prescribed by this Commission. Non-regulated revenue items not qualifying for incidental treatment as provided in §32.4999(l) of this part, shall be recorded in separate subsidiary record categories of Account 5280, Non-regulated operating revenue. Amounts assigned or allocated to regulated products or services shall be subject to part 36 of this chapter.

[52 FR 6560, Mar. 4, 1987, as amended at 53 FR 49322, Dec. 7, 1988; 59 FR 46930, Sept. 13, 1994; 64 FR 50007, Sept. 15, 1999]

§ 32.24 Compensated absences.

(a) Companies shall record a liability and charge the appropriate expense accounts for compensated absences (vacations, sick leave, etc.) in the year in which these benefits are earned by employees.

(b) With respect to the liability that exists for compensated absences which is not yet recorded on the books as of the effective date of this part, the liability shall be recorded in Account 4130. Other current liabilities, with a corresponding entry to Account 1438, Deferred maintenance, retirements and other deferred charges. This deferred charge shall be amortized on a straight-line basis over a period of ten years.

(c) Records shall be maintained so as to show that no more than ten percent of the deferred charge is being amortized each year.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5679, Feb. 6, 2002]

§ 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.

[65 FR 16334, Mar. 28, 2000]

§ 32.26 Materiality.

Companies shall follow this system of accounts in recording all financial and statistical data irrespective of an individual item's materiality under GAAP, unless a waiver has been granted under the provisions of §32.18 of this subpart to do otherwise.

§ 32.27 Transactions with affiliates.

(a) Unless otherwise approved by the Chief, Common Carrier 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.

(b) Assets sold or transferred 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 assets sold or transferred 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 assets sold by or transferred from a carrier to its affiliate, the assets shall be recorded at no less than the higher of fair market value and net book cost. For all other assets sold by or transferred to a carrier from its affiliate, the assets shall be recorded at no more than the lower of fair market value and net book cost.

(1) *Floor.* When assets are sold by or transferred from a carrier to an affiliate, the higher of fair market value and net book cost establishes a floor, below which the transaction cannot be recorded. Carriers may record the transaction at an amount equal to or greater than the floor, so long as that action complies with the Communications Act of 1934, as amended, Commission rules and orders, and is not otherwise anti-competitive.

(2) *Ceiling.* When assets are purchased from or transferred from an affiliate to a carrier, the lower of fair market value and net book cost establishes a ceiling, above which the transaction cannot be recorded. Carriers may record the transaction at an amount equal to or less than the ceiling, so long as that action complies with the Communications Act of 1934, as amended, Commission rules and orders, and is not otherwise anti-competitive.

(3) *Threshold.* For purposes of this section carriers are required to make a good faith

determination of fair market value for an asset when the total aggregate annual value of the asset(s) reaches or exceeds \$500,000, per affiliate. When a carrier reaches or exceeds the \$500,000 threshold for a particular asset for the first time, the carrier must perform the market valuation and value the transaction on a going-forward basis in accordance with the affiliate transactions rules on a going-forward basis. When the total aggregate annual value of the asset(s) does not reach or exceed \$500,000, the asset(s) shall be recorded at net book cost.

(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 sold by or transferred from a carrier to its affiliate, the services shall be recorded at no less than the higher of fair market value and fully distributed cost. For all other services sold by or transferred to a carrier from its affiliate, the services shall be recorded at no more than the lower of fair market value and fully distributed cost.

(1) *Floor*. When services are sold by or transferred from a carrier to an affiliate, the higher of fair market value and fully distributed cost establishes a floor, below which the transaction cannot be recorded. Carriers may record the transaction at an amount equal to or greater than the floor, so long as that action complies with the Communications Act of 1934, as amended, Commission rules and orders, and is not otherwise anti-competitive.

(2) *Ceiling*. When services are purchased from or transferred from an affiliate to a carrier, the lower of fair market value and fully distributed cost establishes a ceiling, above which the transaction cannot be recorded. Carriers may record the transaction at an amount equal to or less than the ceiling, so long as that action complies with the Communications Act of 1934, as amended, Commission rules and orders, and is not otherwise anti-competitive.

(3) *Threshold*. 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, per affiliate. 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.

(d) In order to qualify for prevailing price valuation in paragraphs (b) and (c) of this section, sales of a particular asset or service to third parties must encompass greater than

25 percent of the total quantity of such product or service sold by an entity. Carriers shall apply this 25 percent threshold on an asset-by-asset and service-by-service basis, rather than on a product-line or service-line basis. In the case of transactions for assets and services subject to section 272, a BOC may record such transactions at prevailing price regardless of whether the 25 percent threshold has been satisfied.

(e) Income taxes shall be allocated among the regulated activities of the carrier, its non-regulated divisions, and members of an affiliated group. Under circumstances in which income taxes are determined on a consolidated basis by the carrier and other members of the affiliated group, the income tax expense to be recorded by the carrier shall be the same as would result if determined for the carrier separately for all time periods, except that the tax effect of carry-back and carry-forward operating losses, investment tax credits, or other tax credits generated by operations of the carrier shall be recorded by the carrier during the period in which applied in settlement of the taxes otherwise attributable to any member, or combination of members, of the affiliated group.

(f) Companies that employ average schedules in lieu of actual costs are exempt from the provisions of this section. For other organizations, the principles set forth in this section shall apply equally to corporations, proprietorships, partnerships and other forms of business organizations.

[67 FR 5679, Feb. 6, 2002]

Subpart C—Instructions for Balance Sheet Accounts

§ 32.101 Structure of the balance sheet accounts.

The Balance Sheet accounts shall be maintained as follows:

(a) Account 1120, Cash and equivalents, through Account 1500, Other jurisdictional assets—net, shall include assets other than regulated-fixed assets.

(b) Account 2001, Telecommunications plant in service, through Account 2007, Goodwill, shall include the regulated-fixed assets.

(c) Account 3100, Accumulated depreciation through Account 3410, Accumulated amortization—capitalized leases, shall include the asset reserves except that reserves related to certain asset accounts will be included in the asset account. (See §§32.2005, 32.2682 and 32.2690.)

(d) Account 4000, Current accounts and notes payable, through Account 4550, Retained earnings, shall include all liabilities and stockholders equity.

[67 FR 5680, Feb. 6, 2002]

§ 32.102 Non-regulated investments.

Non-regulated investments shall include the investment in non-regulated activities that are conducted through the same legal entity as the telephone company operations, but do not involve the joint or common use of assets or resources in the provision of both regulated and non-regulated products and services. See §§32.14 and 32.23.

[52 FR 6561, Mar. 4, 1987]

§ 32.103 Balance sheet accounts for other than regulated-fixed assets to be maintained.

Balance sheet accounts to be maintained by Class A and Class B telephone companies for other than regulated-fixed assets are indicated as follows:

Balance Sheet Accounts		
Account title	Class A account	Class B account
Current Assets		
Cash and equivalents.....	1120	
1120		
Receivables.....	1170	
1170		
Allowance for doubtful accounts.....	1171	
1171		
Supplies:		
Material and supplies.....	1220	
1220		
Prepayments.....	1280	
1280		
Other current assets.....	1350	
1350		
Noncurrent Assets		
Investments:		
Nonregulated investments.....	1406	
1406		
Other noncurrent assets.....	1410	
1410		
Deferred charges:		
Deferred maintenance, retirements and other	1438	
1438		
deferred charges.....		
Other:		
Other jurisdictional assets-net.....	1500	
1500		

[67 FR 5680, Feb. 6, 2002]

§ 32.1120 Cash and equivalents.

(a) This account shall include the amount of current funds available for use on demand in the hands of financial officers and agents, deposited in banks or other financial institutions and also funds in transit for which agents have received credit.

(b) This account shall include the amount of cash on special deposit, other than in sinking and other special funds provided for elsewhere, to pay dividends, interest, and other debts, when such payments are due one year or less from the date of deposit; the amount of cash deposited to insure the performance of contracts to be performed within one year from date of the deposit; and other cash deposits of a special nature not provided for elsewhere. This account shall include the amount of cash deposited with trustees to be held until mortgaged property sold, destroyed, or otherwise disposed of is replaced, and also cash realized from the sale of the company's securities and deposited with trustees to be held until invested in physical property of the company or for disbursement when the purposes for which the securities were sold are accomplished.

(c) Cash on special deposit to be held for more than one year from the date of deposit shall be included in Account 1410, Other noncurrent assets.

(d) This account shall include the amount of cash advanced to officers, agents, employees, and others as petty cash or working funds from which expenditures are to be made and accounted for.

(e) This account shall include the cost of current securities acquired for the purpose of temporarily investing cash, such as time drafts receivable and time loans, bankers' acceptances, United States Treasury certificates, marketable securities, and other similar investments of a temporary character.

(f) Accumulated changes in the net unrealized losses of current marketable equity securities shall be included in the determination of net income in the period in which they occur in Account 7300, Other Non-operating Income and Expense.

(g) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts of temporary investments that relate to affiliates and non-affiliates. Such subsidiary record categories shall be reported as required by part 43 of this chapter.

[67 FR 5681, Feb. 6, 2002]

§ 32.1170 Receivables.

(a) This account shall include all amounts due from customers for services rendered or billed and from agents and collectors authorized to make collections from customers. This

account shall also include all amounts due from customers or agents for products sold. This account shall be kept in such manner as will enable the company to make the following analysis:

- (1) Amounts due from customers who are receiving telecommunications service.
- (2) Amounts due from customers who are not receiving service and whose accounts are in process of collection.
- (b) Collections in excess of amounts charged to this account may be credited to and carried in this account until applied against charges for services rendered or until refunded.
- (c) Cost of demand or time notes, bills and drafts receivable, or other similar evidences (except interest coupons) of money receivable on demand or within a time not exceeding one year from date of issue.
- (d) Amount of interest accrued to the date of the balance sheet on bonds, notes, and other commercial paper owned, on loans made, and the amount of dividends receivable on stocks owned.
- (e) This account shall not include dividends or other returns on securities issued or assumed by the company and held by or for it, whether pledged as collateral, or held in its treasury, in special deposits, or in sinking and other funds.
- (f) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 1410, Other noncurrent assets, as a reduction of the carrying value of the investment.
- (g) This account shall include all amounts currently due, and not provided for in (a) through (g) of this section such as those for traffic settlements, divisions of revenue, material and supplies, matured rents, and interest receivable under monthly settlements on short-term loans, advances, and open accounts. If any of these items are not to be paid currently, they shall be transferred to Account 1410, Other noncurrent assets.
- (h) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to affiliates and non-affiliates. Such subsidiary record categories shall be reported as required by part 43 of this chapter.

[67 FR 5681, Feb. 6, 2002]

§ 32.1171 Allowance for doubtful accounts.

- (a) This account shall be credited with amounts charged to Accounts 5300, Uncollectible revenue, and 6790, Provision for uncollectible notes receivable to provide for

uncollectible amounts related to accounts receivable and notes receivable included in Account 1170, Receivables. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credits to Account 1170. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to Account 5300, Uncollectible revenue or directly to Account 6790, Provision for uncollectible notes receivable, as appropriate.

(c) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to affiliates and non-affiliates. Such subsidiary record categories shall be reported as required by part 43 of this chapter.

[67 FR 5682, Feb. 6, 2002]

§ 32.1191 Accounts receivable allowance—other.

(a) This account shall be credited with amounts charged to Account 5302, Uncollectible Revenue - Other to provide for uncollectible amounts included in Account 1190, Other Accounts Receivable. There shall also be credited to this account amounts collected which previously had been written off through charges to this account and credits to Account 1190. There shall be charged to this account any amounts covered thereby which have been found to be impracticable of collection.

(b) If no such allowance is maintained, uncollectible amounts shall be charged directly to Account 5302, Uncollectible Revenue - Other.

(c) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to affiliates and non-affiliates. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

§ 32.1220 Inventories.

(a) This account shall include the cost of materials and supplies held in stock and inventories of goods held for resale or lease. The investment in inventories shall be maintained in the following subaccounts:

1220.1 Material and supplies 1220.2 Property held for sale or lease

(b) These subaccounts shall not include items which are related to a non-regulated activity unless that activity involves joint or common use of assets and resources in the provision of regulated and non-regulated products and services.

(c) 1220.1 Material and supplies. This subaccount shall include cost of material and supplies held in stock including plant supplies, motor vehicles supplies, tools, fuel, other supplies and material and articles of the company in process of manufacture for supply stock. (Note also §32.2000(c)(2)(iii) of this subpart.)

(d) Transportation charges and sales and use taxes, so far as practicable, shall be included as a part of the cost of the particular material to which they relate. Transportation and sales and use taxes which are not included as part of the cost of particular material shall be equitably apportioned among the detail accounts to which material is charged.

(e) So far as practicable, cash and other discount on material shall be deducted in determining cost of the particular material to which they relate or credited to the account to which the material is charged. When such deduction is not practicable, discounts shall be equitably apportioned among the detail accounts to which material is charged.

(f) Material recovered in connection with construction, maintenance or retirement of property shall be charged to this account as follows:

(1) Reusable items that, when installed or in service, were retirement units shall be included in this account at the original cost, estimated if not known. (Note also §32.2000(d)(3) of this subpart.)

(2) Reusable minor items that, when installed or in service, were not retirement units shall be included in this account at current prices new.

(3) The cost of repairing reusable material shall be charged to the appropriate account in the Plant Specific Operations Expense accounts.

(4) Scrap and non-usable material included in this account shall be carried at the estimated amount which will be received therefore. The difference between the amounts realized for scrap and non-usable material sold and the amounts at which it is carried in this account, so far as practicable, shall be adjusted in the accounts credited when the material was taken up in this account.

(g) Interest paid on material bills, the payments of which are delayed, shall be charged to Account 7500, Interest and related items.

(h) Inventories of material and supplies shall be taken periodically or frequently enough for reporting purposes, as appropriate, in accordance with generally accepted accounting principles. The adjustments to this account shall be charged or credited to Account 6512, Provisioning expense.

(i) 1220.2 Property held for sale or lease. This subaccount shall include the cost of all items purchased for resale or lease. The cost shall include applicable transportation charges, sales and use taxes, and cash and other purchase discounts. Inventory shortage

and overage shall be charged and credited, respectively, to Account 5280, Non-regulated operating revenue.

[52 FR 39534, Oct. 22, 1987, as amended at 53 FR 49322, Dec. 7, 1988; 67 FR 5682, Feb. 6, 2002]

§ 32.1280 Prepayments.

This account shall include:

(a) The amounts of rents paid in advance of the period in which they are chargeable to income, except amounts chargeable to telecommunications plant under construction and minor amounts which may be charged directly to the final accounts. As the term expires for which the rents are paid, this account shall be credited monthly and the appropriate account charged.

(b) The balance of all taxes, other than amounts chargeable to telecommunication plant under construction and minor amounts which may be charged to the final accounts, paid in advance and which are chargeable to income within one year. As the term expires for which the taxes are paid, this account shall be credited monthly and the appropriate account charged.

(c) The amount of insurance premiums paid in advance of the period in which they are chargeable to income, except premiums chargeable to telecommunications plant under construction and minor amounts which may be charged directly to the final accounts. As the term expires for which the premiums are paid, this account shall be credited monthly and the appropriate account charged.

(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 6620, Services. Amounts in this account shall be cleared to Account 6620 by monthly charges representing that portion of the expenses applicable to each month.

(e) Other prepayments not included in paragraphs (a) through (d) of this section except for minor amounts which may be charged directly to the final accounts. As the term expires for which the payments apply, this account shall be credited monthly and the appropriate account charged.

[67 FR 5682, Feb. 6, 2002]

§ 32.1350 Other current assets.

This account shall include the amount of all current assets which are not includable in

Accounts 1120 through 1280.

[67 FR 5682, Feb. 6, 2002]

§ 32.1406 Non-regulated investments.

This account shall include the carrier's investment in non-regulated activities accounted for in a separate set of books as provided in §32.23(b).

[52 FR 6561, Mar. 4, 1987; 52 FR 39535, Oct. 22, 1987, as amended as 67 FR 5682, Feb. 6, 2002]

§ 32.1410 Other noncurrent assets.

(a) This account shall include the acquisition cost of the company's investment in equity or other securities issued or assumed by affiliated companies, including securities held in special funds (sinking funds). The carrying value of the investment (securities) accounted for on the equity method shall be adjusted to recognize the company's share of the earnings or losses and dividends received or receivable of the affiliated company from the date of acquisition. (Note also Account 1170, Receivables, and Account 7300, Non-operating income and expense.)

(b) This account shall include the acquisition cost of the Company's investment in securities issued or assumed by nonaffiliated companies and individuals, and also its investment advances to such parties and special deposits of cash for more than one year from date of deposit.

(c) Declines in value of investments, including those accounted for under the cost method, shall be charged to Account 4540, Other capital, if temporary and as a current period loss if permanent. Detail records shall be maintained to reflect unrealized losses for each investment.

(d) This account shall also include advances represented by book accounts only with respect to which it is agreed or intended that they shall be either settled by issuance of capital stock or debt; or shall not be subject to current cost settlement.

(e) Amounts due from affiliated and nonaffiliated companies which are subject to current settlement shall be included in Account 1170, Receivables.

(f) This account shall include the total unamortized balance of debt issuance expense for all classes of outstanding long-term debt. Amounts included in this account shall be amortized monthly and charged to account 7500, Interest and related items.

(g) Debt Issuance expense includes all expenses in connection with the issuance and sale of evidence of debt, such as fees for drafting mortgages and trust deeds; fees and taxes for

issuing or recording evidences of debt; costs of engraving and printing bonds, certificates of indebtedness, and other commercial paper; fees paid trustees; specific costs of obtaining governmental authority; fees for legal services; fees and commissions paid underwriters, brokers, and salesmen; fees and expenses of listing on exchanges, and other like costs. A subsidiary record shall be kept of each issue outstanding.

(h) This account shall include the amount of cash and other assets which are held by trustees or by the company's treasurer in a distinct fund, for the purpose of redeeming outstanding obligations. Interest or other income arising from funds carried in this account shall generally be charged to this account. A subsidiary record shall be kept for each sinking fund which shall designate the obligation in support of which the fund was created.

(i) This account shall include the amount of all noncurrent assets which are not includable in paragraphs (a) through (h) of this section.

(j) A subsidiary record shall be kept identifying separately common stocks, preferred stocks, long-term debt, advances to affiliates, and investment advances. A subsidiary record shall also be kept identifying special deposits of cash for more than one year from the date of deposit. Further, the company's record shall identify the securities pledged as collateral for any of the company's long-term debt or short-term loans or to secure performance of contracts.

(k) Subsidiary record categories shall be maintained in order that the entity may separately report the amounts contained herein that relate to the equity method and the cost method. Such subsidiary record categories shall be reported as required by part 43 of this chapter.

[67 FR 5682, Feb. 6, 2002]

§ 32.1438 Deferred maintenance and retirements.

(a) This account shall include such items as:

(1) The unprovided-for loss in service value of telecommunications plant for extraordinary nonrecurring retirement not considered in depreciation and the cost of extensive replacements of plant normally chargeable to the current period Plant Specific Operations Expense accounts. These charges shall be included in this account only upon direction or approval from this Commission. However, the company's application to this Commission for such approval shall give full particulars concerning the property retired, the extensive replacements, the amount chargeable to operating expenses and the period over which in its judgment the amount of such charges should be distributed.

(2) Unaudited amounts and other debit balances in suspense that cannot be cleared and disposed of until additional information is received; the amount, pending determination of loss, of funds on deposit with banks which have failed; revenue, expense, and income

items held in suspense; amounts paid for options pending final disposition.

(3) Cost of preliminary surveys, plans, investigation, etc., made for construction projects under contemplation. If the projects are carried out, the preliminary costs shall be included in the cost of the plant constructed. If the projects are abandoned, the preliminary costs shall be charged to Account 7300, Non-operating income and expense.

(4) Cost of evaluations, inventories, and appraisals taken in connection with the acquisition or sale of property. If the property is subsequently acquired, the preliminary costs shall be accounted for as a part of the cost of acquisition, or if it is sold, such costs shall be deducted from the sale price in accounting for the property sold. If purchases or sales are abandoned, the preliminary costs included herein (including options paid, if any) shall be charged to Account 7300.

(b) Charges provided for in paragraph (a) of this section shall be included in this account only upon direction or approval from this Commission. However, the company's application to this Commission for such approval shall give full particulars concerning the property retired, the extensive replacements, the amount chargeable to operating expenses and the period over which in its judgment the amount of such charges should be distributed.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5683, Feb. 6, 2002]

§ 32.1500 Other jurisdictional assets—net.

This account shall include the cumulative impact on assets of jurisdictional ratemaking practices which vary from those of this Commission. All entries recorded in this account shall be recorded net of any applicable income tax effects and shall be supported by subsidiary records where necessary as provided for in §32.13(e) of subpart B.

§ 32.2000 Instructions for telecommunications plant accounts.

(a) *Purpose of telecommunications plant accounts.* (1) The telecommunications plant accounts (2001 to 2007 inclusive) are designed to show the investment in the company's tangible and intangible telecommunications plant which ordinarily has a service life of more than one year, including such plant whether used by the company or others in providing telecommunications service.

(2) The telecommunications plant accounts shall not include the cost or other value of telecommunications plant contributed to the company. Contributions in the form of money or its equivalent toward the construction of telecommunications plant shall be credited to the accounts charged with the cost of such construction. Amounts of non-recurring reimbursements based on the cost of plant or equipment furnished in rendering service to a customer shall be credited to the accounts charged with the cost of the plant or equipment. Amounts received for construction which are ultimately to be repaid wholly or

in part, shall be credited to Account 4300, Other long-term liabilities and deferred credits; when final determination has been made as to the amount to be returned, any unrefunded amounts shall be credited to the accounts charged with the cost of such construction. Amounts received for the construction of plant, the ownership of which rests with or will revert to others, shall be credited to the accounts charged with the cost of such construction. (Note also Account 7100, Other operating income and expense.)

(3) When telecommunications plant ordinarily having a service life of more than one year is installed for temporary use in providing telecommunications service, it shall be accounted for in the same manner as plant having a service life of more than one year. This includes temporary installations of plant (such as poles, wire and cable) installed to maintain service during the progress of highway reconstruction or during interruptions due to storms or other casualties, equipment used for the training of operators, equipment used to provide intercepting positions in central offices to handle traffic for a short period following extensive system changes and similar installations of property used to provide telecommunications service.

(4) The cost of the individual items of equipment, classifiable to Accounts 2112, Motor vehicles; 2113, Aircraft; 2114, Tools and other work equipment; 2122, Furniture; 2123, Office equipment; 2124, General purpose computers, costing \$2,000 or less or having a life of less than one year shall be charged to the applicable expense accounts, except for personal computers falling within Account 2124. Personal computers classifiable to Account 2124, with a total cost for all components of \$500 or less, shall be charged to the applicable Plant Specific Operations Expense accounts. The cost of tools and test equipment located in the central office, classifiable to central office asset accounts 2210–2232 costing \$2,000 or less or having a life of less than one year shall be charged to the applicable Plant Specific Operations Expense accounts. If the aggregate investment in the items is relatively large at the time of acquisition, such amounts shall be maintained in an applicable material and supplies account until items are used.

(b) *Telecommunications plant acquired.* (1) Property, plant and equipment acquired from an entity, whether or not affiliated with the accounting company, shall be accounted for at original cost, except that property, plant and equipment acquired from a non-affiliated entity shall be accounted for at acquisition cost if the purchase price is less than \$100,000 for Class A companies or \$25,000 for Class B companies.

(2) The accounting for property, plant and equipment to be recorded at original cost shall be as follows:

(i) The amount of money paid (or current money value of any consideration other than money exchanged) for the property (together with preliminary expenses incurred in connection the acquisition) shall be charged to Account 1438, Deferred maintenance, retirements, and other deferred charges.

(ii) The original cost, estimated if not known, of telecommunications plant, governmental

franchises and other similar rights acquired shall be charged to the applicable telecommunications plant accounts, Telecommunications Plant Under Construction, and Property Held For Future Telecommunications Use, as appropriate, and credited to Account 1439. When the actual original cost cannot be determined and estimates are used, the company shall be prepared to furnish the Commission with the particulars of such estimates.

(iii) Accumulated Depreciation and amortization balances related to plant acquired shall be credited to Account 3100, Accumulated depreciation, or Account 3200, Accumulated depreciation - held for future telecommunications use, or Account 3410, Accumulated amortization - capitalized leases and debited to Account 1438. Accumulated amortization balances related to plant acquired which ultimately is recorded in Accounts 2005, Telecommunications plant adjustment, Account 2682, Leasehold improvements, or Account 2690, Intangibles shall be credited to these asset accounts, and debited to Account 1438.

(iv) Any amount remaining in Account 1438, applicable to the plant acquired, shall, upon completion of the entries provided in paragraphs (b)(2)(i) through (b)(2)(iii) of this section, be debited or credited, as applicable, to Account 2007, Goodwill, or to Account 2005, Telecommunications plant adjustment, as appropriate.

(3) A memorandum record shall be kept showing the amount of contributions in aid of construction applicable to the property acquired as shown by the accounts of the previous owner.

(c) *Cost of construction.* (1) Telecommunications plant represents an economic resource which will be used to provide future services, the cost of which will be allocated in a rational and systematic manner to the future periods in which it provides benefits. In accounting for construction costs, the utility shall charge to the telecommunications plant accounts, where applicable, all direct and indirect costs.

(2) Direct and indirect costs shall include, but not be limited to:

(i) "Labor" includes the wages and expenses of employees directly engaged in or in direct charge of construction work. It includes expenses directly related to an employee's wages, such as worker's compensation insurance, payroll taxes, benefits and other similar items of expense.

(ii) "Engineering" includes the portion of the wages and expenses of engineers, draftsmen, inspectors, and their direct supervision applicable to construction work. It includes expenses directly related to an employee's wages, such as worker's compensation insurance, payroll taxes, benefits and other similar items of expense.

(iii) "Material and supplies" includes the purchase price of material used at the point of free delivery plus the costs of inspection, loading and transportation, and an equitable

portion of provisioning expense. In determining the cost of material used, proper allowance shall be made for unused material, for material recovered from temporary structures used in performing the work involved, and for discounts allowed and realized in the purchase of material. This item does not include construction material that is stolen or rendered unusable due to vandalism. Such material should be charged to the applicable plant specific operations expense accounts.

(iv) "Transportation" includes the cost of transporting employees, material and supplies, tools and other work equipment to and from the physical construction location. It includes amounts paid therefore to other companies or individuals and the cost of using the company's own motor vehicles or other transportation equipment.

(v) "Contract work" includes amounts paid for work performed under contract or other agreement by other companies, firms or individuals; engineering and supervision applicable to such work; cost incident to the award of contracts; and the inspection of such work. The cost of construction work performed by affiliated companies and other details relating thereto shall be available from the work in progress and supporting records.

(vi) "Protection" includes the cost of protecting the company's property from fire or other casualties and the cost of preventing damages to others or the property of others.

(vii) "Privileges, Permits, and Rights of way" includes such costs incurred in obtaining these privileges, permits, or rights of way in connection with construction work, such as for use of private property, streets or highways. The cost of such privileges and permits shall be included in the cost of the work for which the privileges or permits are obtained, except for costs includable in Account 2111, Land, and Account 2690, Intangibles.

(viii) "Taxes" includes taxes properly includable in construction costs before the facilities are completed for service, which taxes are assessed separately from taxes on operating property or under conditions that permit separate identification of the amount chargeable to construction.

(ix) "Special machine service" includes the cost of labor expended, materials and supplies consumed and other expenses incurred in the maintenance, operation and use of special and other labor saving machines (other than transportation equipment (such as trenching equipment, cable plows and pole setting trucks. Also included are expenditures for rental, maintenance and operation of such machines owned by others. When a construction job requires the purchase of special machines, the cost thereof, less the appraised or salvage value at the time of release from the job, shall be included in the cost of construction.

(x) Allowance for funds used during construction ("AFUDC") provides for the cost of financing the construction of telecommunications plant. AFUDC shall be charged to Account 2003, Telecommunications plant under construction, and credited to Account 7300, Non-operating income and expense. The rate for calculating AFUDC shall be determined as follows: If financing plans associate a specific new borrowing with an

asset, the rate on that borrowing may be used for the asset; if no specific new borrowing is associated with an asset or if the average accumulated expenditures for the asset exceed the amounts of specific new borrowing associated with it, the capitalization rate to be applied to such excess shall be the weighted average of the rates applicable to other borrowings of the enterprise. The amount of interest cost capitalized in an accounting period shall not exceed the total amount of interest cost incurred by the company in that period.

(xi) "Insurance" includes premiums paid specifically for protection against loss and damage in connection with the construction of telecommunications plant due to fire or other casualty, injury to or death of employees or others, damages to property of others, defalcations of employees and agents and the non-performance of contractual obligations of others.

(xii) "Construction services" include the cost of telephone, electricity, power, construction quarters, office space and equipment directly related to the construction project.

(xiii) "Indirect construction costs" shall include indirect costs such as general engineering, supervision and support. Such costs, in addition to direct supervision, shall include indirect plant operations and engineering supervision up to, but not including, supervision by executive officers whose pay and expenses are chargeable to Account 6720, General and administrative. The records supporting the entries for indirect construction costs shall be kept so as to show the nature of the expenditures, the individual jobs and accounts charged, and the bases of the distribution. The amounts charged to each plant account for indirect costs shall be readily determinable. The instructions contained herein shall not be interpreted as permitting the addition to plant of amounts to cover indirect costs based on arbitrary allocations.

(xiv) The cost of construction shall not include any amounts classifiable as Corporate Operations Expense.

(d) *Telecommunications plant retired.* (1) Telecommunications plant accounts shall at all times disclose the original cost of all property in service. When any item of property subject to plant retirement accounting is worn out, lost, sold, destroyed, abandoned, surrendered upon lapse of title, becomes permanently unserviceable, is withdrawn or for any other reason is retired from service, the plant accounts applicable to that item shall be credited with the original cost of the plant retired whether replaced or not (except as provided for minor items in paragraph (d)(2)(ii) of this section). Normally, these retirement credits with respect to such plant as entire buildings, entire central offices, all plant abandoned and any large sections of plant withdrawn from service, shall be entered in the accounts for the month in which use of the property ceased. For any other plant withdrawn from service, the retirement credits shall be entered no later than the next succeeding month. Literal compliance with the provision for timing of entries with respect to property amounting to less than \$50,000 retired under any one project is not required if an unreasonable amount of recordkeeping and estimating of quantities, original costs and

salvage is necessary. The retirement entry shall refer to the continuing property record, or records supplemental thereto, from which the cost was obtained (note also paragraph (d)(3) of this section). Every company shall establish procedures which will ensure compliance with these requirements.

(2) To avoid undue refinement, depreciable telecommunications plant shall be accounted for as follows:

(i) *Retirement units*: This group includes major items of property, a representative list of which shall be prescribed by this Commission. In lieu of the retirement units prescribed with respect to a particular account, a company may, after obtaining specific approval by this Commission, establish and maintain its own list of retirement units for a portion or all of the plant in any such account. For items included on the retirement units list, the original cost of any such items retired shall be credited to the plant account and charged to Account 3100 Accumulated Depreciation, whether or not replaced. The original cost of retirement units installed in place of property retired shall be charged to the applicable telecommunications plant account.

(ii) *Minor items*: This group includes any part or element of plant which is not designated as a retirement unit. The original cost of a minor item of property when included in the specific or average cost for a retirement unit or units requires no separate credit to the telecommunications plant account when such a minor item is retired. The cost of replacement shall be charged to the account applicable for the cost of repairs of the property. However, if the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, of greater durability, of greater capacity or more economical in operation), the excess cost of such a replacement, over the estimated cost at the then current prices of replacement without betterment of the minor items being retired, shall be charged to the applicable telecommunications plant account.

(3) The cost of property to be retired shall be the amount at which property is included in the telecommunications plant accounts. However, when it is impracticable to determine the cost of each item due to the relatively large number or small cost of such items, the average cost of all the items covered by an appropriate subdivision of the account shall be used in determining the cost to be assigned to such items when retired. The method used in determining average cost must give due regard to the quantity, vintage, size and kind of items, the area in which they were installed and their classification in other respects. Average cost may be applied in retirement of such items as poles, wire, cable, cable terminals, conduit and booths. Any company may use average cost of property installed in a year or band of years as approved by the Commission. It should be understood, however, that the use of average costs shall not relieve the company of the requirement for maintaining its continuing property records to show, where practicable, dates of installation and removal for purposes of mortality studies. (See §32.2000(f) of this subpart, Standard Practices for Establishing and Maintaining Continuing Property Records.)

(4) The accounting for the retirement of property, plant and equipment shall be as provided above except that amounts in Account 2111, Land, and amounts for works of art recorded in Account 2122, Furniture, shall be treated at disposition as a gain or loss and shall be credited or debited to Account 7100, Other operating income and expense, as applicable. If land or artwork is retained by the company and held for sale, the cost shall be charged to Account 2006, Non-operating plant.

(5) When the telecommunications plant is sold together with traffic associated therewith, the original cost of the property shall be credited to the applicable plant accounts and the estimated amounts carried with respect thereto in the accumulated depreciation and amortization accounts shall be charged to such accumulated accounts. The difference, if any, between the net amount of such debit and credit items and the consideration received (less commissions and other expenses of making the sale) for the property shall be included in Account 7300, Non-operating income and expense. The accounting for depreciable telecommunications plant sold without the traffic associated therewith shall be in accordance with the accounting provided in §32.3100(c).

(e) *Basic property records.* (1) The basic property records are that portion of the total property accounting system which preserves the following detailed information:

(i) The identity, vintage, location and original cost of units of property;

(ii) Original and ongoing transactional data (plant account activity) in terms of such units; and

(iii) Any other specific financial and cost accounting information not properly warranting separate disclosure as an account or subaccount but which is needed to support regulatory, cost, tax, management and other specific accounting information needs and requirements.

(2) The basic property records must be: (i) Subject to internal accounting controls, (ii) auditable, (iii) equal in the aggregate to the total investment reflected in the financial property control accounts as well as the total of the cost allocations supporting the determination of cost-of-service at any particular point in time, and (iv) maintained throughout the life of the property.

(3) The basic property records shall consist of (i) continuing property records and (ii) records supplemental thereto which together reveal clearly, by accounting area, the detailed and systematically summarized information necessary to meet fully the requirements of paragraphs (e)(1) and (e)(2) of this section.

(4) Companies shall establish and maintain basic property records for each class of property recorded in the several plant accounts which comprise the balance sheet Account 2001, Telecommunications Plant In Service, Account 2002, Property Held for Future Telecommunications Use, and Account 2006, Non-operating Plant.

(5) The company shall notify the Commission of a plan for the basic property record as follows:

(i) Not later than June 30 of the year following that in which it becomes subject to this system of accounts, the company shall file with the Commission two (2) copies of a complete plan of the method to be used in the compilation of a basic property record with respect to each class of property. The plan shall include a list of proposed accounting areas accompanied by description of the boundaries of each area as defined in accordance with the requirements of §32.2000(f)(1) (i) and (ii) of this subpart. The plan shall also include a list of property record units proposed for use under each regulated plant account. These property record units shall be selected such that the requirements of §32.2000(f)(2) (i), (ii) and (iii) of this subpart can be satisfied.

(ii) The company shall submit to the Commission one copy of any major proposed changes in its basic property record plan at least 30 days before the effective date of the proposed changes.

(6) The company shall prepare and maintain the basic property record as follows:

(i) Not later than June 30 of the year following that in which the company becomes subject to this system of accounts, begin the preparation of a basic property record.

(ii) Complete within two years of the prescribed beginning date, basic property records for all property as of the end of the preceding calendar year.

(iii) Promptly process in the basic property records all property changes affecting periods subsequent to initial establishment of the basic property record.

(7) The basic property record components (see paragraph (c) of this section) shall be arranged in conformity with the regulated plant accounts prescribed in this section of accounts as follows:

(i) The continuing property records shall be compiled on the basis of original cost (or other book cost consistent with this system of accounts). The continuing property records shall be maintained as prescribed in §32.2000(f)(2)(iii) of this subpart in such manner as will meet the following basic objectives:

(A) Provide for the verification of property record units by physical examination.

(B) Provide for accurate accounting for retirements.

(C) Provide data for use in connection with depreciation studies.

(ii) The records supplemental to the continuing property records shall disclose such service designations, usage measurement criteria, apportionment factors, or other data as

may be prescribed by the Commission in this part or other parts of its Rules and Regulations. Such data are subject to the same general controls and standards for auditability and support as are all other elements of the basic property records.

(f) *Standard practices for establishing and maintaining continuing property records*—(1) *Accounting area.* (i) The continuing property record, as related to each primary plant account, shall be established and maintained by subaccounts for each accounting area. An accounting area is the smallest territory of the company for which accounting records of investment are maintained for all plant accounts within the area. Areas already established for administrative, accounting, valuation, or other purposes may be adopted for this purpose when appropriate. In no case shall the boundaries of accounting areas cross either State lines or boundaries prescribed by the Commission.

(ii) In determining the limit of each area, consideration shall be given to the quantities of property, construction conditions, operating districts, county and township lines, taxing district boundaries, city limits, and other political or geographical limits, in order that the area adopted may have maximum adaptability, within the confines of practicability, for both the company's purpose and those of Federal, State, and municipal authorities.

(2) *Property record units.* (i) In each of the established accounting areas, the “property record units” which are to be maintained in the continuing property record shall be set forth separately, classified by size and type with the amount of original cost (or other appropriate book cost) associated with such units. When a list of property record units has been accepted by the Commission, they shall become the units referred to in this statement of standard practices. Such units shall apply to only the regulated portion of this system of accounts.

(ii) When it is found necessary to revise this list because of the addition of units used in providing new types of service, or new units resulting from improvements in technology, or because of the grouping or elimination of units which no longer merit separate recognition as property record units, one copy of such changes shall be submitted to the Commission. Upon appropriate showing by the company, the Commission may specifically exempt the company from these filing requirements.

(iii) The continuing property record shall reveal the description, location, date of placement, the essential details of construction, and the original cost (note also §32.2000(f)(3) of this subpart) of the property record units. The continuing property record and other underlying records of construction costs shall be so maintained that, upon retirement of one or more retirement units or of minor items without replacement when not included in the costs of retirement units, the actual cost or a reasonably accurate estimate of the cost of the plant retired can be determined.

(3) *Methods of determining original cost of property record units.* The original cost of the property record units shall be determined by analyses of the construction costs incurred as shown by completion reports and other data, accumulated in the respective construction

work orders or authorizations. Costs shall be allocated to and associated with the property record units to facilitate accounting for retirements. The original cost of property record units shall be determined by unit identification or averaging as described in paragraphs (f)(3) (i) and (ii) of this section.

(i) *Unit identification.* Cost shall be identified and maintained by specific location for property record units contained within certain regulated plant accounts or account groupings such as Land, Buildings, Central Office Assets, Motor Vehicles, garage work equipment included in Account 2114, Tools and other work equipment, and Furniture. In addition, units involved in any unusual or special type of construction shall be recorded by their specific location costs (note also §32.2000(f)(3)(ii)(B)).

(ii) *Averaging.* (A) Average costs may be developed for plant consisting of a large number of similar units such as terminal equipment, poles, wire, cable, cable terminals, conduit, furniture, and work equipment. Units of similar size and type within each specified accounting area and regulated plant account may be grouped. Each such average cost shall be set forth in the continuing property record of the units with which it is associated.

(B) The averaging of costs permitted under the provisions of the foregoing paragraph is restricted to plant installed in a particular vintage or band of years incurred within an accounting area. This paragraph does not permit the inclusion of the cost of units involved in any unusual or special type of construction. The units involved in such unusual or special type of construction shall be recorded at cost by location.

(4) *Estimates.* In cases where the actual original cost of property cannot be ascertained, such as pricing an inventory for the initial entry of a continuing property record or the pricing of an acquisition for which a continuing property record has not been maintained, the original cost may be estimated. Any estimated original cost shall be consistent with the accounting practices in effect at the time the property was constructed.

(5) *Identification of property record units.* There shall be shown in the continuing property record or in record supplements thereof, a complete description of the property records units in such detail as to identify such units. The description shall include the identification of the work order under which constructed, the year of installation (unless not determinable per §32.2000(f)(4) of this subpart, specific location of the property within each accounting area in such manner that it can be readily spot-checked for proof of physical existence, the accounting company's number or designation, and any other description used in connection with the determination of the original cost. Descriptions of units of similar size and type shall follow prescribed groupings.

(6) *Reinstalled units.* When units to which average costs are not applied, i.e., specific and fixed location units, are removed or retired and subsequently reinstalled, the date when the unit was first charged to the appropriate plant account shall, when required for adequate service life studies and reasonably accurate retirement accounting, be shown in addition to

the date of reinstallation.

(7) *Age and service life of property.* The continuing property record shall disclose the age of existing property and the supporting records shall disclose the service life of property retired. Exceptions from this requirement for any property record unit shall be submitted to the Commission for approval.

(8) *Reference to sources of information.* There shall be shown by appropriate reference the source of all entries. All drawings, computations, and other detailed records which support quantities and costs or estimated costs shall be retained as a part of or in support of the continuing property record.

(9) *Jointly owned property.* (i) With respect to jointly owned property, there shall be shown in the continuing property record or records supplemental thereto:

(A) The identity of all joint owners.

(B) The percentage owned by the accounting company.

(ii) When regulated plant is constructed under arrangements for joint ownership, the amount received by the constructing company from the other joint owner or owners shall be credited as a reduction of the gross cost of the plant in place.

(iii) When a sale of a part interest in regulated plant is made, the fractional interest sold shall be treated as a retirement and the amount received shall be treated as salvage. The continuing property record or records supplemental thereto shall be so maintained as to identify separately retirements of this nature from physical retirements of jointly owned plant.

(iv) If jointly owned regulated property is substantial in relation to the total of the same kind of regulated property owned wholly by the company, such jointly owned regulated property shall be appropriately segregated in the continuing property record.

(g) *Depreciation accounting—(1) Computation of depreciation rates.* (i) Unless otherwise provided by the Commission, either through prior approval or upon prescription by the Commission, depreciation percentage rates shall be computed in conformity with a group plan of accounting for depreciation and shall be such that the loss in service value of the property, except for losses excluded under the definition of depreciation, may be distributed under the straight-line method during the service life of the property.

(ii) In the event any composite percentage rate becomes no longer applicable, revised composite percentage rates shall be computed in accordance with paragraph (g)(1)(i) of this section.

(iii) The company shall keep such records of property and property retirements as will

allow the determination of the service life of property which has been retired, or facilitate the determination of service life indications by mortality, turnover, or other appropriate methods. Such records will also allow the determination of the percentage of salvage value and cost of removal for property retired from each class of depreciable plant.

(2) *Depreciation charges.* (i) A separate annual percentage rate for each depreciation category of telecommunications plant shall be used in computing depreciation charges.

(ii) Companies, upon receiving prior approval from this Commission, or, upon prescription by this Commission, shall apply such depreciation rate, except where provisions of paragraph (g)(2)(iv) of this section apply, as will ratably distribute on a straight line basis the difference between the net book cost of a class or subclass of plant and its estimated net salvage during the known or estimated remaining service life of the plant.

(iii) Charges for currently accruing depreciation shall be made monthly to the appropriate depreciation accounts, and corresponding credits shall be made to the appropriate depreciation reserve accounts. Current monthly charges shall normally be computed by the application of one-twelfth of the annual depreciation rate to the monthly average balance of the associated category of plant. The average monthly balance shall be computed using the balance as of the first and last days of the current month.

(iv) In certain circumstances and upon prior approval of this Commission, monthly charges may be determined in total or in part through the use of other methods whereby selected plant balances or portions thereof are ratably distributed over periods prescribed by this Commission. Such circumstances could include but not be limited to factors such as the existence of reserve deficiencies or surpluses, types of plant that will be completely retired in the near future, and changes in the accounting for plant. Where alternative methods have been used in accordance with this subparagraph, such amounts shall be applied separately or in combination with rates determined in accordance with paragraph (g)(2)(ii) of this section.

(3) *Acquired depreciable plant.* When acquired depreciable plant carried in Account 1438, Deferred maintenance, retirements and other deferred charges, is distributed to the appropriate plant accounts, adjusting entries shall be made covering the depreciation charges applicable to such plant for the period during which it was carried in Account 1438.

(4) Plant Retired for Nonrecurring Factors not Recognized in Depreciation Rates.

(i) A retirement will be considered as nonrecurring (extraordinary) only if the following criteria are met:

(A) The impending retirement was not adequately considered in setting past depreciation

rates.

(B) The charging of the retirement against the reserve will unduly deplete that reserve.

(C) The retirement is unusual such that similar retirements are not likely to recur in the future.

(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 6560, Depreciation and amortization expense over such period as this Commission may direct or approve.

(h) *Amortization accounting.* (1) Unless otherwise provided by this Commission, either through approval, or upon prescription by this Commission, amortization shall be computed on the straight-line method, i.e., equal annual amounts shall be applied. The cost of each type asset shall be amortized on the basis the estimated life of that asset and shall not be written off in the accounting period in which the asset is acquired. A reasonable estimate of the useful life may be based on the upper or lower limits even though a fixed existence is not determinable. However, the period of amortization shall not exceed forty years.

(2) In the event any estimated useful life becomes no longer applicable, a revised estimated useful life shall be determined in accordance with paragraph (h)(1) of this section.

(3) Amortization charges shall be made monthly to the appropriate amortization expense accounts and corresponding credits shall be made to accounts 2005, 2682, 2690, and 3410, as appropriate. Monthly charges shall be computed by the application of one-twelfth to the annual amortization amount.

(4) The company shall keep such records as will allow the determination of the useful life of the asset.

(i) *Accounting for software.* The original cost of initial operating system software for computers shall be classified to the same account as the associated hardware whether acquired separately or in conjunction with the associated hardware.

(j) Plant Accounts to be Maintained by Class A and Class B telephone companies as indicated:

Account title	Class A Account	Class B Account
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Regulated plant

Property, plant and equipment:

Telecommunications plant in service.....	\1\ 2001	\1\
2001		
Property held for future	2002	
2002		
telecommunications use.....		
Telecommunications plant under	2003	
2003		
construction-short term.....		
Telecommunications plant adjustment.....	2005	
2005		
Nonoperating plant.....	2006	
2006		
Goodwill.....	2007	
2007		
Telecommunications plant in service (TPIS)		
TPIS General support assets:		
Land and support assets.....		
2110		
Land.....	2111	
.....		
Motor vehicles.....	2112	
.....		
Aircraft.....	2113	
.....		
Tools and other work equipment.....	2114	
.....		
Buildings.....	2121	
.....		
Furniture.....	2122	
.....		
Office equipment.....	2123	
.....		
General purpose computers.....	2124	
.....		
TPIS Central Office assets:		
Central Office_switching.....		
2210		
Non-digital switching.....	2211	
.....		
Digital electronic switching.....	2212	
.....		
Operator systems.....	2220	
2220		
Central Office_transmission.....		
2230		
Radio systems.....	2231	
.....		
Circuit equipment.....	2232	
.....		
TPIS Information origination/termination		
.....		
assets:		

Information origination termination.....	.....
2310	
Station apparatus.....	2311
.....	
Customer premises wiring.....	2321
.....	
Large private branch exchanges.....	2341
.....	
Public telephone terminal equipment.....	2351
.....	
Other terminal equipment.....	2362
.....	
TPIS Cable and wire facilities assets:	
Cable and wire facilities.....	.....
2410	
Poles.....	2411
.....	
Aerial cable.....	2421
.....	
Underground cable.....	2422
.....	
Buried cable.....	2423
.....	
Submarine and deep sea cable.....	2424
.....	
Intrabuilding network cable.....	2426
.....	
Aerial wire.....	2431
.....	
Conduit systems.....	2441
.....	
TPIS Amortizable assets:	
Amortizable tangible assets.....	.....
2680	
Capital leases.....	2681
.....	
Leasehold improvements.....	2682
.....	
Intangibles.....	2690
2690	

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 \1\ Balance sheet summary account only.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 7580, Mar. 12, 1987; 53 FR 30059, Aug. 10, 1988; 59 FR 46930, Sept. 13, 1994; 60 FR 12138, Mar. 6, 1995; 62 FR 39451, July 23, 1997; 64 FR 50007, Sept. 15, 1999; 67 FR 5683, Feb. 6, 2002]

Effective Date Note: At 64 FR 50007, Sept. 15, 1999, §32.2000 was amended by removing paragraph (b)(4). This section contains information collection requirements and will not become effective until approved by the Office of Management and Budget.

§ 32.2001 Telecommunications plant in service.

This account shall include the original cost of the investment included in Accounts 2110 through 2690.

§ 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.

[65 FR 16334, Mar. 28, 2000]

§ 32.2003 Telecommunications plant under construction.

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

(b) There may be charged directly to the appropriate plant accounts the cost of any construction project which is estimated to be completed and ready for service within two months from the date on which the project was begun. There may also be charged directly to the plant accounts the cost of any construction project for which the gross additions to plant are estimated to amount to less than \$100,000.

(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 rate base 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 7300, Non-operating income and expense.

(d) When any telecommunications plant, the cost of which has been included in this account, is completed ready for service, the cost thereof shall be credited to this account and charged to the appropriate telecommunications plant or other accounts.

[51 FR 43499, Dec. 2, 1986, as amended at 60 FR 12138, Mar. 6, 1995; 64 FR 50007, Sept. 15, 1999; 65 FR 16335, Mar. 28, 2000; 67 FR 5685, Feb. 6, 2002]

§ 32.2005 Telecommunications plant adjustment.

(a) This account shall include amounts determined in accordance with §32.2000(b) of this subpart representing the difference between (1) the fair market value of the telecommunications plant acquired, plus preliminary expenses incurred in connection with the acquisition; and (2) the original cost of such plant, governmental franchises and similar rights acquired, less the amounts of reserve requirements for depreciation and amortization of the property acquired. If the actual original cost is not known, the entries in this account shall be based upon an estimate of such costs.

(b) The amounts recorded in this account with respect to each property acquisition (except land and artworks) shall be disposed of, written off, or provision shall be made for the amortization thereof, as follows:

(1) Debit amounts may be charged in whole or in part, or amortized over a reasonable period through charges to Account 7300, Non-operating 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 6560, Depreciation and amortization expense.

(2) Credit amounts shall be disposed of in such manner as this Commission may approve or direct, except for credit amounts referred to in paragraph (b)(4) of this section.

(3) The amortization associated with the costs recorded in the Telecommunications plant adjustment account will be charged or credited, as appropriate, directly to this asset account, leaving a balance representing the unamortized cost.

(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 6560 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.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5685, Feb. 6, 2002]

§ 32.2006 Non-operating plant.

(a) This account shall include the company's investment in regulated property which is not includable in the plant accounts as operating telecommunications plant. It shall include the company's investment in telecommunications property held for sale. (Note also Account 1406, Non-regulated Investments.)

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

§ 32.2007 Goodwill.

(a) This account shall include any portion of the plant purchase price that cannot be assigned to specifically identifiable property acquired and such amount should be identified as “goodwill”. Such amounts included in this account shall be amortized to Account 7300, Non-operating income and expense, on a straight line basis over the remaining life of the acquired plant, not to exceed 40 years.

(b) The amounts included in this account shall be maintained to show the nature of each amount.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5686, Feb. 6, 2002]

§ 32.2110 Land and support assets.

This account shall be used by Class B companies to record the original cost of land and support assets of the type and character required of Class A companies in Accounts 2111 through 2124.

§ 32.2111 Land.

(a) This account shall include the original cost of all land held in fee and of easements, and similar rights in land having a term of more than one year used for purposes other than the location of outside plant (see Accounts 2411 through 2441) or externally mounted central office equipment (see Accounts 2211 and 2212). It shall also include special assessments upon land for the construction of public improvements.

(b) When land, together with buildings thereon, is acquired, the original cost shall be fairly apportioned between the land and the buildings and accounted for accordingly. If the plan of acquisition contemplates the removal of buildings, the total cost of the land and buildings shall be accounted for as the cost of the land, and the salvage value of the buildings when disposed of shall be deducted from the cost of the land so determined.

(c) Annual or more frequent payments for use of land shall be recorded in the rent subsidiary record category for Account 6121, Land and Building Expense.

(d) When land is acquired for which there is not a definite plan for its use in telecommunications service, its costs shall be included in Account 2006, Non-operating Plant.

(e) When land is acquired in excess of that required for telecommunications purposes, the cost of such excess land shall be included in Account 2006.

(f) Installments of assessments for public improvement, including interest, if any, which are deferred without option to the company shall be included in this account only as they

become due and payable. Interest on assessments which are not paid when due shall be included in Account 7500, Interest and related items.

(g) When land is purchased for immediate use in a construction project, its cost shall be included in Account 2003, Telecommunications plant under construction, until such time as the project involved is completed and ready for service.

(h) The original cost of leaseholds, easements, rights of way, and similar rights in land having a term of more than one year and not includable in Account 2111 shall be included in the accounts for outside plant or externally mounted central office equipment in connection with which the rights were acquired.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5686, Feb. 6, 2002]

§ 32.2112 Motor vehicles.

This account shall include the original cost of motor vehicles of the type which are designed and routinely licensed to operate on public streets and highways.

§ 32.2113 Aircraft.

This account shall include the original cost of aircraft and any associated equipment and furnishings installed as an integral part of the aircraft.

§ 32.2114 Tools and other work equipment.

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

[64 FR 50007, Sept. 15, 1999]

§ 32.2121 Buildings.

(a) This account shall include the original cost of buildings, and the cost of all permanent fixtures, machinery, appurtenances and appliances installed as a part thereof. It shall include costs incident to the construction or purchase of a building and to securing possession and title.

(b) When land, together with the buildings thereon, is acquired, the original cost shall be fairly apportioned between the land and buildings, and the amount applicable to the buildings shall be included in this account. The amount applicable to the land shall be included in Account 2111, Land.

(c) This account shall not include the cost of any telephone equipment or wiring apparatus for generating or controlling electricity for operating the telephone system.

§ 32.2122 Furniture.

This account shall include the original cost of furniture in offices, storerooms, shops, and all other quarters. This account shall also include the cost of objects which possess aesthetic value, are of original or limited edition, and do not have a determinable useful life. The cost of any furniture attached to and constituting a part of a building shall be charged to account 2121, Buildings.

§ 32.2123 Office equipment.

This account shall include the original cost of office equipment in offices, shops and all other quarters. The cost of any equipment attached to and constituting a part of a building shall be charged to Account 2121, Buildings.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5686, Feb. 6, 2002]

§ 32.2124 General purpose computers.

(a) This account shall include the original cost of computers and peripheral devices which are designed to perform general administrative information processing activities.

(b) Administrative information processing includes but is not limited to activities such as the preparation of financial, statistical, or other business analytical reports; preparation of payroll, customer bills, and cash management reports, and other records and reports not specifically designed for testing, diagnosis, maintenance or control of the telecommunications network facilities.

(c) [Reserved]

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

[51 FR 43499, Dec. 2, 1986, as amended at 64 FR 50007, Sept. 15, 1999]

§ 32.2210 Central office—switching.

This account shall be used by Class B companies to record the original cost of switching assets of the type and character required of Class A companies in Accounts 2211 through 2212.

[67 FR 5686, Feb. 6, 2002]

§ 32.2211 Non-digital switching.

(a) This account shall include:

(1) Original cost of stored program control analog circuit-switching and associated equipment.

(2) Cost of remote analog electronic circuit switches.

(3) Original cost of non-electronic circuit-switching equipment such as Step-by-Step, Crossbar, and Other Electro-Mechanical Switching.

(b) Switching plant excludes switchboards which perform an operator assistance function and equipment which is an integral part thereof. It does not exclude equipment used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic, dial tandem switchboards and special service switchboards used in conjunction with private line service; such equipment shall be classified to the particular switch that it serves.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5686, Feb. 6, 2002]

§ 32.2212 Digital electronic switching.

(a) This account shall include the original cost of stored program control digital switches and their associated equipment. Included in this account are digital switches which utilize either dedicated or non-dedicated circuits. This account shall also include the cost of remote digital electronic switches. The investment in digital electronic switching equipment shall be maintained in the following subaccounts: 2212.1 Circuit and 2212.2 Packet.

(b) This subaccount 2212.1 Circuit shall include the original cost of digital electronic switching equipment used to provide circuit switching. Circuit switching is a method of routing traffic through a switching center, from local users or from other switching centers, whereby a connection is established between the calling and called stations until the connection is released by the called or calling station.

(c) This subaccount 2212.2 Packet shall include the original cost of digital electronic switching equipment used to provide packet switching. Packet switching is the process of routing and transferring information by means of addressed packets so that a channel is occupied during the transmission of the packet only, and upon completion of the transmission the channel is made available for the transfer of other traffic.

(d) Digital electronic switching equipment used to provide both circuit and packet

switching shall be recorded in the subaccounts 2212.1 Circuit and 2212.2 Packet based upon its predominant use.

(e) Switching plant excludes switchboards which perform an operator assistance function and equipment which is an integral part thereof. It does not exclude equipment used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic, dial tandem switchboards and special service switchboards used in conjunction with private line service; such equipment shall be classified to the particular switch that it serves.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5686, Feb. 6, 2002]

§ 32.2220 Operator systems.

(a) This account shall include the original cost of those items of equipment used to assist subscribers in utilizing the network and equipment used in the provision of directory assistance, call intercept, and other operator assisted call completion activities.

(b) This account does not include equipment used solely for the recording of calling telephone numbers in connection with customer dialed charged traffic, dial tandem switchboards and special service switchboards used in conjunction with private line service; such equipment shall be classified to the particular switch that it serves.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 46930, Sept. 13, 1994]

§ 32.2230 Central office—transmission.

This account shall be used by Class B companies to record the original cost of radio systems and circuit equipment of the type and character required of Class A companies in Accounts 2231 and 2232.

§ 32.2231 Radio systems.

(a) This account shall include the original cost of ownership of radio transmitters and receivers. This account shall include the original cost of ownership interest in satellites (including land-side spares), other spare parts, material and supplies. It shall include launch insurance and other satellite launch costs. This account shall also include the original cost of earth stations and spare parts, material or supplies therefore.

(b) This account shall also include the original cost of radio equipment used to provide radio communication channels. Radio equipment is that equipment which is used for the generation, amplification, propagation, reception, modulation, and demodulation of radio waves in free space over which communication channels can be provided. This account shall also include the associated carrier and auxiliary equipment and patch bay equipment which is an integral part of the radio equipment. Such equipment may be located in

central office building, terminal room, or repeater stations or may be mounted on towers, masts, or other supports.

[67 FR 5686, Feb. 6, 2002]

§ 32.2232 Circuit equipment.

(a) This account shall include the original cost of equipment which is used to reduce the number of physical pairs otherwise required to serve a given number of subscribers by utilizing carrier systems, concentration stages or combinations of both. It shall include equipment that provides for simultaneous use of a number of interoffice channels on a single transmission path. This account shall also include equipment which is used for the amplification, modulation, regeneration, circuit patching, balancing or control of signals transmitted over interoffice communications transmission channels. This account shall include equipment which utilizes the message path to carry signaling information or which utilizes separate channels between switching offices to transmit signaling information independent of the subscribers' communication paths or transmission channels. This account shall also include the original cost of associated material used in the construction of such plant. Circuit equipment may be located in central offices, in manholes, on poles, in cabinets or huts, or at other company locations. The investment in circuit equipment shall be maintained in the following subaccounts: 2232.1 Electronic and 2232.2 Optical.

(b) This subaccount 2232.1 Electronic shall include the original cost of electronic circuit equipment.

(c) This subaccount 2232.2 Optical shall include the original cost of optical circuit equipment.

(d) Circuit equipment that converts electronic signals to optical signals or optical signals to electronic signals shall be categorized as electronic.

(e) This account excludes carrier and auxiliary equipment and patch bays which are includable in Account 2231.2, Other Radio Facilities. This account also excludes such equipment which is an integral component of a major unit which is classifiable to other accounts.

(f) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that relate to digital and analog. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5686, Feb. 6, 2002]

§ 32.2310 Information origination/termination.

This account shall be used by Class B companies to record the original cost of information origination/termination equipment of the type and character required of Class A companies in Accounts 2311 through 2362.

§ 32.2311 Station apparatus.

(a) This account shall include the original cost of station apparatus, including teletypewriter equipment, telephone and miscellaneous equipment, small private branch exchanges and radio equipment (excluding mobile), installed for customer's use. Items included in this account shall remain herein until finally disposed of or until used in such manner as to warrant inclusion in other accounts.

(b) Each company shall prepare a list of station apparatus which shall be used as its list of disposition units for this account, the cost of which when finally disposed of shall be credited to this account and charged to Account 3100, Accumulated Depreciation.

(c) The cost of cross-connection boxes, distributing frames or other distribution points which are installed to terminate intrabuilding network cable shall be charged to Account 2426, Intrabuilding Network Cable.

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

(e) Station apparatus for company official use shall be included in Account 2123, Office Equipment.

(f) Periodic asset verification, as prescribed by generally accepted accounting principles, shall be taken of all station apparatus in stock that are included in this account. The number of such station apparatus items as determined by this verification together with the number of all other station apparatus items included in this account, shall be compared with the corresponding number of station apparatus items as shown by the respective control records. The original cost of any unreconciled differences thereby disclosed shall be adjusted through Account 3100, Accumulated Depreciation. Appropriate verifications shall be made at suitable intervals and necessary adjustments between this account and Account 3100 shall be made for all station apparatus included in this account.

(g) Items of station apparatus in stock for which no further use in the ordinary conduct of the business is contemplated, but which as a precautionary measure are held for possible future contingencies instead of being discarded shall be excluded from this account and included in Account 1220, Inventories.

(h) Embedded CPE is that equipment or inventory which was tariffed or otherwise subject to the jurisdictional separations process as of January 1, 1983.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 6561, Mar. 4, 1987; 52 FR 39535, Oct. 22, 1987; 59 FR 46930, Sept. 13, 1994; 64 FR 50007, Sept. 15, 1999; 67 FR 5687, Feb. 6, 2002]

§ 32.2321 Customer premises wiring.

(a) This account shall include all amounts transferred from the former Account 232, Station Connections, inside wiring subclass.

(b) Embedded Customer Premises Wiring is that investment in customer premises wiring equipment or inventory which was capitalized prior to October 1, 1984.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 6561, Mar. 4, 1987]

§ 32.2341 Large private branch exchanges.

(a) This account shall include the original cost, including the cost of installation, of multiple manual private branch exchanges and of dial system private branch exchanges of types designed to accommodate 100 or more lines or which can normally be expanded to 100 or more lines, installed for customers' use. This account shall also include the original cost of other large installations of station equipment: (1) Which do not constitute stations, (2) which require special or individualized treatment because of their complexity, special design, or other distinctive characteristics, and (3) for which individual or other specialized cost records are appropriate. (Note also Account 2311, Station Apparatus.)

(b) The cost of intrabuilding network cables including their associated cross-connection boxes, terminals, distributing frames, etc., is chargeable to Account 2426, Intrabuilding Network Cable.

(c) The cost of outside plant, whether or not on private property, used with intrabuilding, network cable shall be charged to the appropriate outside plant accounts.

(d)–(e) [Reserved]

(f) Private branch exchanges for company official use shall be included in Account 2123, Office Equipment.

(g) Embedded CPE is that equipment or inventory which is tariffed or otherwise subject to the jurisdictional separations process as of January 1, 1983. Inventories of large private branch exchanges equipment are included in Account 1220, Inventories.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 6562, Mar. 4, 1987; 52 FR 39535, Oct.

22, 1987; 59 FR 46930, Sept. 13, 1994]

§ 32.2351 Public telephone terminal equipment.

(a) This account shall include the original cost of coinless, coin-operated (including public and semi-public), credit card and pay telephone installed for use by the public.

(b) This account shall also include the original cost of operating spares that are required to provide a continuity of service for public telephones. The operating spares shall not exceed six months supply in terms of turnover and be available to installers from locations in reasonable proximity to the location of the installed equipment.

(c) The original cost of installing public telephone equipment shall not include the labor and minor materials costs of installing the public telephone equipment or premises wiring. These costs as well as the cost of replacing a public telephone shall be charged to Account 6351 Public Telephone Terminal Equipment Expense. The labor and minor materials costs of removal of public telephones will also be charged to Account 6351.

[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 29019, Aug. 5, 1987]

§ 32.2362 Other terminal equipment.

(a) This account shall include the original cost of other Non-CPE terminal equipment not specifically provided for elsewhere and items such as specialized communications equipment provided to meet the needs of the disabled, over-voltage protection equipment, multiplexing equipment to deliver multiple channels to customers, etc.

(b) Each company shall prepare a list of other terminal equipment which shall be used as its list of retirement units for this account, the cost of which when finally disposed of shall be credited to this account and charged to Account 3100, Accumulated Depreciation.

§ 32.2410 Cable and wire facilities.

This account shall be used by Class B companies to record the original cost of cable and wire facilities of the type and character required of Class A companies in Accounts 2411 through 2441.

§ 32.2411 Poles.

This account shall include the original cost of poles, crossarms, guys and other material used in the construction of pole lines and shall include the cost of towers when not associated with buildings. This account shall also include the cost of clearing pole line routes and of tree trimming but shall exclude the cost of maintaining previously cleared routes.

§ 32.2421 Aerial cable.

(a) This account shall include the original cost of aerial cable and of drop and block wires served by such cable or aerial wire as well as the cost of other material used in construction of such plant. Subsidiary record categories, as defined below, are to be maintained for nonmetallic aerial cable and metallic aerial cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

§ 32.2422 Underground cable.

(a) This account shall include the original cost of underground cable installed in conduit and of other material used in the construction of such plant. Subsidiary record categories, as defined below, are to be maintained for nonmetallic underground cable and metallic underground cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

(c) The cost of drop and block wires served by underground cable shall be included in Account 2423, Buried Cable.

(d) The cost of cables leading from the main distributing frame or equivalent to central office equipment shall be included in the appropriate switching, transmission or other operations asset account.

§ 32.2423 Buried cable.

(a) This account shall include the original cost of buried cable as well as the cost of other material used in the construction of such plant. This account shall also include the cost of trenching for and burying cable run in conduit not classifiable to Account 2441, Conduit Systems. Subsidiary record categories, as defined below, are to be maintained for nonmetallic buried cable and metallic buried cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

§ 32.2424 Submarine & deep sea cable.

(a) This account shall include the original cost of submarine cable and deep sea cable and other material used in the construction of such plant. Subsidiary record categories, as defined below, are to be maintained for nonmetallic submarine and deep sea cable and metallic submarine and deep sea cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5687, Feb. 6, 2002]

§ 32.2426 Intrabuilding network cable.

(a) This account shall include the original cost of cables and wires located on the company's side of the demarcation point or standard network interface inside subscribers'

buildings or between buildings on one customer's same premises. Intrabuilding network cables are used to distribute network access facilities to equipment rooms, cross-connection or other distribution points at which connection is made with customer premises wiring. Subsidiary record categories, as defined below, are to be maintained for nonmetallic intrabuilding network cable and metallic intrabuilding network cable.

(1) *Nonmetallic cable.* This subsidiary record category shall include the original cost of optical fiber cable and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(2) *Metallic cable.* This subsidiary record category shall include the original cost of single or paired conductor cable, wire and other associated material used in constructing a physical path for the transmission of telecommunications signals.

(b) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

(c) Intrabuilding network cable does not include the cost of cables or wires which are classifiable as network terminating wire, nor the cables or wires from the demarcation point or standard network interface to subscribers' stations.

§ 32.2431 Aerial wire.

(a) This account shall include the original cost of bare line wire and other material used in the construction of such plant.

(b) The cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

(c) The cost of drop and block wires served by aerial wire shall be included in Account 2421, Aerial Cable.

§ 32.2441 Conduit systems.

(a) This account shall include the original cost of conduit, whether underground, in tunnels or on bridges, which is reusable in place. It shall also include the cost of opening trenches and of any repaving necessary in the construction of conduit plant.

(b) The cost of pumping water out of manholes and of cleaning manholes and ducts in connection with construction work and the cost of permits and privileges for the construction of cable and wire facilities shall be included in the account chargeable with such construction.

(c) The cost of protective covering for buried cable shall be charged to Account 2423, Buried Cable, as appropriate, unless such protective covering is reusable in place. The amounts thus charged shall be included in the nonmetallic buried cable or metallic buried cable subsidiary record category, as appropriate.

(d) The cost of pipes or other protective covering for underground drop and block wires shall be included in Account 2421, Aerial Cable, or Account 2423, Buried Cable, as appropriate. The amounts thus charged shall be included in the nonmetallic or metallic subsidiary record category, as appropriate.

§ 32.2680 Amortizable tangible assets.

This account shall be used by Class B carriers to record amounts for property acquired under capital leases and the original cost of leasehold improvements of the type of character required of Class A companies in Accounts 2681 and 2682.

§ 32.2681 Capital leases.

(a) This account shall include all property acquired under a capital lease. A lease qualifies as a capital lease when one or more of the following criteria is met:

(1) By the end of the lease term, ownership of the leased property is transferred to the lessee.

(2) The lease contains a bargain purchase option.

(3) The lease term is substantially (75% or more) equal to the estimated useful life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(4) At the inception of the lease, the present value of the minimum lease payments, excluding that portion of the payments representing executory costs to be paid by the lessor, including any profit thereon, equals or exceeds 90% or more of the fair value of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(b) All other leases are operating leases.

(c) The amounts recorded in this account at the inception of a capital lease shall be equal to the original cost, if known, or to the present value not to exceed fair value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together

with any profit thereon.

§ 32.2682 Leasehold improvements.

- (a) This account shall include the original cost of leasehold improvements made to telecommunications plant held under a capital or operating lease, which are subject to amortization treatment. This account shall also include those improvements which will revert to the lessor.
- (b) Improvements to leased telecommunications plant which are of a relatively minor cost or short life or for which the period of the lease is one year or less shall be charged to the account chargeable with the cost of repairs to such plant.
- (c) Amounts contained in this account shall be amortized over the term of the related lease. 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.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5687, Feb. 6, 2002]

§ 32.2690 Intangibles.

- (a) This account shall include the cost of organizing and incorporating the company, the original cost of government franchises, the original cost of patent rights, and other intangible property having a life of more than one year and used in connection with the company's telecommunications operations.
- (b) Class A companies, except mid-sized incumbent local exchange carriers, shall maintain subsidiary records for general purpose computer software and for network software. Subsidiary records for this account shall also include a description of each class of all other tangible property.
- (c) The cost of other intangible assets, not including software, having a life of one year or less shall be charged directly to Account 6560, Depreciation and Amortization Expense. Such intangibles acquired at small cost may also be charged to Account 6560, 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.
- (d) The amortization associated with the costs recorded in the Intangibles account will be credited directly to this asset account, leaving a balance representing the unamortized cost.
- (e) This account shall not include any discounts on securities issued, nor shall it include costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses

in connection with the authorization, issuance, sale or resale of capital stock.

(f) When charges are made to this account for expenses incurred in mergers, consolidations, or reorganizations, amounts previously included in this account on the books of the various companies concerned shall not be carried over.

(g) Franchise taxes payable annually or more frequently shall be charged to Account 7240, Operating other taxes.

(h) This account shall not include the cost of plant, material and supplies, or equipment furnished to municipalities or other governmental authorities when given other than as initial consideration for franchises or similar rights. (Note also Account 6720, General & administrative).

(i) This account shall not include the original cost of easements, rights of way, and similar rights in land having a term of more than one year. Such amounts shall be recorded in Account 2111, Land, or in the appropriate outside plant account (see Accounts 2411 through 2441), or in the appropriate central office account (see Accounts 2211 through 2232).

[67 FR 5687, Feb. 6, 2002]

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

(a) Depreciation and Amortization Subsidiary Records:

(1) Subsidiary record categories shall be maintained for each class of depreciable telecommunications plant in Account 3100 for which there is a prescribed depreciation rate. (See also §32.2000(g)(1)(iii) of this subpart.)

(2) Subsidiary records shall be maintained for Accounts 2005, 2682, 2690, and 3410 in accordance with §32.2000(h)(4).

(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 Non-operating.....	3300	3300
Accumulated amortization Capitalized leases.....	3410	3410

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[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 46930, Sept. 13, 1994; 67 FR 5687, Feb. 6, 2002]

§ 32.3100 Accumulated depreciation.

- (a) This account shall include the accumulated depreciation associated with the investment contained in Account 2001, Telecommunications Plant in Service.
- (b) This account shall be credited with depreciation amounts concurrently charged to Account 6560, Depreciation and amortization expenses. (Note also Account 3300, Accumulated Depreciation—Non-operating .)
- (c) At the time of retirement of depreciable operating telecommunications plant, this account shall be charged with the original cost of the property retired plus the cost of removal and credited with the salvage value and any insurance proceeds recovered.
- (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). This account shall be credited with amounts charged to Account 6560 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.

51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5687, Feb. 6, 2002]

§ 32.3200 Accumulated depreciation—held for future telecommunications use.

- (a) This account shall include the accumulated depreciation associated with the investment contained in Account 2002, Property Held for Future Telecommunications Use.
- (b) This account shall be credited with amounts concurrently charged to Account 6560, Depreciation and amortization expenses.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5688, Feb. 6, 2002]

§ 32.3300 Accumulated depreciation—non-operating .

- (a) This account shall include the accumulated amortization and depreciation associated with the investment contained in Account 2006, Non-operating Plant.

(b) This account shall be credited with amortization and depreciation amounts concurrently charged to Account 7300, Non-operating income and expense.

(c) When non-operating plant not previously used in telecommunications service is disposed of, this account shall be charged with the amount previously credited hereto with respect to such property and the book cost of the property so retired less the amount chargeable to this account and less the value of the salvage recovered or the proceeds from the sale of the property shall be included in Account 7300, Non-operating income and expense. In case the property had been used in telecommunications service previous to its inclusion in Account 2006, Non-operating Plant, the amount accrued for depreciation thereon after its retirement from telecommunications service shall be charged to this account and credited to Account 3100, Accumulated depreciation, and the accounting for its retirement from Account 2006 shall be in accordance with that applicable to telecommunications plant retired.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 46930, Sept. 13, 1994; 67 FR 5688, Feb. 6, 2002]

§ 32.3400 Accumulated amortization—tangible.

This account shall be used by Class B companies to record accumulated amortization of the type and character required of Class A companies in Accounts 3410 and 3420.

§ 32.3410 Accumulated amortization—capitalized leases.

(a) This account shall include the accumulated amortization associated with the investment contained in Account 2681, Capital Leases.

(b) This account shall be credited with amounts for the amortization of capital leases concurrently charged to Account 6560, Depreciation and amortization expenses. (Note also Account 3300, Accumulated Depreciation— Non-operating .)

(c) When any item carried in Account 2681 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, Non-operating income and expense, as appropriate.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5688, Feb. 6, 2002]

§ 32.3999 Instructions for balance sheet accounts—liabilities and stockholders' equity.

Liabilities and Stockholders' Equity Accounts To Be Maintained by Class
A and Class B Telephone Companies

Account title	Class A Account	Class B Account
Current liabilities:		
Current accounts and notes payable.....	4000	4000
Customer's Deposits.....	4040	4040
Income taxes accrued.....	4070	4070
Other taxes accrued.....	4080	4080
Net Current Deferred Non-operating Income Taxes.....	4100	4100
Net Current Deferred Non-operating Income Taxes.....	4110	4110
Other current liabilities.....	4130	4130
Long-term debt:		
Long Term debt and Funded debt.....	4200	4200
Other liabilities and deferred credits:		
Other liabilities and deferred credits....	4300	4300
Unamortized operating investment tax Credits net.....	4320	4320
Unamortized non-operating investment tax Credits net.....	4330	4330
Net noncurrent deferred operating income taxes.....	4340	4340
Net deferred tax liability adjustments....	4341	4341
Net noncurrent deferred nonoperating income taxes.....	4350	4350
Deferred tax regulatory adjustments net...	4361	4361
Other jurisdictional liabilities and deferred credits net.....	4370	4370
Stockholder's equity:		
Capital stock.....	4510	4510
Additional paid-in capital.....	4520	4520
Treasury stock.....	4530	4530
Other capital.....	4540	4540
Retained earnings.....	4550	4550

[67 FR 5688, Feb. 6, 2002]

§ 32.4000 Current accounts and notes payable.

(a) This account shall include:(1) All amounts currently due to others for recurring trade obligations, and not provided for in other accounts, such as those for traffic settlements, material and supplies, repairs to telecommunications plant, matured rents, and interest payable under monthly settlements on short-term loans, advances, and open accounts. It shall also include amounts of taxes payable that have been withheld from employees' salaries.

(2) Accounts payable arising from sharing of revenues.

(3) The face amount of notes, drafts, and other evidences of indebtedness issued or assumed by the company (except interest coupons) which are payable on demand or not more than one year or less from date of issue.

(b) If any part of an obligation, otherwise includable in this account matures more than one year from date of issue, it shall be included in Account 4200, Long term debt and funded debt, or other appropriate account.

(c) The records supporting the entries to this account shall be kept so that the company can furnish complete details as to each note, when it is issued, the consideration received, and when it is payable.

(d) Subsidiary record categories shall be maintained for this account in order that the company may separately report the amounts contained herein that relate to non-affiliates and affiliates. Such subsidiary record categories shall be reported as required by part 43 of this chapter.

[67 FR 5688, Feb. 6, 2002]

§ 32.4040 Customers' deposits.

(a) This account shall include the amount of cash deposited with the company by customers as security for the payment for telecommunications service.

(b) Advance payments made by prospective customers prior to the establishment of service shall be credited to Account 4130, Other current liabilities.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5689, Feb. 6, 2002]

§ 32.4070 Income taxes—accrued.

(a) This account shall be credited or charged and the following accounts shall be charged or credited with the offsetting amount of current year income taxes (Federal, state and local) accrued during the period or adjustments to prior accruals: 7220 Operating Federal Income Taxes, 7230 Operating State and Local Income Taxes, 7400 Non-operating Taxes, 7600 Extraordinary Items.

(b) If significant, current year income taxes paid in advance shall be reclassified to Account 1280, Prepayments.

[67 FR 5689, Feb. 6, 2002]

§ 32.4080 Other taxes—accrued.

(a) This account shall be credited or charged and Account 7240, Operating Other Taxes, or 7400, Non-operating Taxes, or, for payroll related costs, the appropriate expense accounts shall be charged or credited for all taxes, other than Federal, State and local income taxes, accrued or adjusted for previous accruals during the period. Among the taxes includable in this account are property, gross receipts, franchise, capital stock, social security and unemployment taxes.

(b) Taxes paid in advance of the period in which they are chargeable to income shall be included in the prepaid taxes Account 1280, Prepayments, or 1410, Other Noncurrent Assets, as appropriate.

[67 FR 5689, Feb. 6, 2002]

§ 32.4100 Net current deferred operating income taxes.

(a) This account shall include the balance of income tax expense related to current items from regulated operations which have been deferred to later periods as a result of the normalized method of accounting for tax differentials authorized by this Commission and not provided for elsewhere.

(b) As regulated assets or liabilities which generated the deferred income tax are reclassified from long-term or noncurrent status to current, the appropriate deferred income tax shall be reclassified from Account 4340, Net Noncurrent Deferred Operating Income Taxes, to this account.

(c) This account shall be debited or credited with the amount being debited or credited to Account 7250, Provision For Deferred Operating Income Taxes—Net, in accordance with that account's description and §32.22 of subpart B.

(d) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary differences.

(e) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are non-property related. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9419, Feb. 28, 1994]

§ 32.4110 Net current deferred non-operating income taxes.

- (a) This account shall include the balance of income tax expense resulting from comprehensive interpreted tax allocation which has been deferred to later periods.
- (b) As other assets or liabilities which generated the deferred income tax are reclassified from long-term or noncurrent status to current, the appropriate deferred income tax shall be reclassified from Account 4350, Net Noncurrent Deferred Non-operating Income Taxes, to this account.
- (c) This account shall be debited or credited with the amount being credited or debited to Account 7400, Non-operating taxes, in accordance with that account's description and §32.22.
- (d) This account shall also include the balance of the income taxes (Federal, state and local) related to current extraordinary items which have been deferred to later periods resulting from comprehensive interperiod tax allocation.
- (e) As the extraordinary item which generated the deferred income tax becomes current, the appropriate deferred income tax shall be reclassified from Account 4350, Net Noncurrent Deferred Non-operating Income Taxes, to this account.
- (f) This account shall be debited or credited with the amount being credited and debited to Account 7600, Extraordinary Items.
- (g) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary differences.
- (h) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are non-property related. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9419, Feb. 28, 1994; 67 FR 5689, Feb. 6, 2002]

§ 32.4130 Other current liabilities.

This account shall include:

- (a) The amount of advance billing creditable to revenue accounts in future months; also advance payments made by prospective customers prior to the establishment of service. Amounts included in this account shall be credited to the appropriate revenue accounts in the months in which the service is rendered or cleared from this account as refunds are

made.

(b) The amount (including any obligations for premiums) of long-term debt matured and unpaid without any specific agreement for extension of maturity, including unrepresented bonds drawn for redemption through the operation of sinking and redemption fund agreements.

(c) The current portion of obligations applicable to property obtained under capital leases.

(d) The amount of wages, compensated absences, interest on indebtedness of the company, dividends on capital stock, and rents accrued to the date for which the balance sheet is made, but not payable until after that date. Accruals shall be maintained so as to show separately the amount and nature of the items accrued to the date of the balance sheet.

(e) Matured rents, dividends, interest payable under monthly settlements on short-term loans, advances, and open accounts shall be included in Account 4000.

(f) All other liabilities of current character which are not included in Account 4000 through 4110.

[67 FR 5689, Feb. 6, 2002]

§ 32.4200 Long term debt and funded debt.

(a) This account shall include:

(1) The total face amount of unmatured debt maturing more than one year from date of issue, issued by the company and not retired, and the total face amount of similar unmatured debt of other companies, the payment of which has been assumed by the company, including funded debt the maturity of which has been extended by specific agreement. This account shall also include such items as mortgage bonds, collateral trust bonds, income bonds, convertible debt, debt securities with detachable warrants and other similar obligations maturing more than one year from date of issue.

(2) The premium associated with all classes of long-term debt. Premium, as applied to securities issued or assumed by the company, means the excess of the current money value received at their sale over the sum of their book or face amount and interest or dividends accrued at the date of the sale.

(3) The discount associated with all classes of long-term debt. Discount, as applied to securities issued or assumed by the company, means the excess of the book or face amount of the securities plus interest or dividends accrued at the date of the sale over the current money value of the consideration received at their sale.

(4) The face amount of debt reacquired prior to maturity that has not been retired. Gain or loss shall be recognized at the time of reacquisition by credits or charges to Account 7300, Non-operating income and expense, except that material gains or losses shall be treated as extraordinary. (See Account 7600, Extraordinary items.)

(5) The noncurrent portion of obligations applicable to property obtained under capital leases. Amounts subject to current settlement shall be included in Account 4130, Other current liabilities.

(6) The amount of advance from affiliated companies. Amounts due affiliated companies which are subject to current settlement shall be included in Account 4000.

(7) Investment advances, including those represented by notes.

(8) Long-term debt not provided for elsewhere.

(b) Subsidiary records shall be maintained for each issue. The subsidiary records shall identify the premium or discount attributable to each issue.

(c) Premiums and discounts on long-term debt recorded in this account shall be amortized monthly by the interest method and charged or credited, as appropriate, to Account 7500, Interest and related items.

(d) Debt securities with detachable warrants shall be accounted for in accordance with generally accepted accounting principles.

(e) Securities maturing in one year or less, including securities maturing serially, shall be included in Account 4130, Other current liabilities.

[67 FR 5689, Feb. 6, 2002]

§ 32.4300 Other long-term liabilities and deferred credits.

(a) This account shall include amounts accrued to provide for such items as unfunded pensions (if actuarially determined), death benefits, deferred compensation costs and other long-term liabilities not provided for elsewhere. Subsidiary records shall be maintained to identify the nature of these items.

(b) This account shall include the amount of all deferred credits not provided for elsewhere, such as amounts awaiting adjustment between accounts; and revenue, expense, and income items in suspense.

[67 FR 5690, Feb. 6, 2002]

§ 32.4320 Unamortized operating investment tax credits—net.

(a) This account shall be credited and Account 7210, Operating Investment Tax Credits—Net, should be debited with investment tax credits generated from qualified expenditures related to regulated operations which the company defers rather than recognizes currently in income.

(b) This account shall be debited and Account 7210 credited with a proportionate amount determined in relation to the period of time used for computing book depreciation on the property to which the tax credit relates.

§ 32.4330 Unamortized non-operating investment tax credits—net.

(a) This account shall be credited and Account 7400, Non-operating Taxes, shall be debited with investment tax credits generated from qualified expenditures related to other operations which the company has elected to defer rather than recognize currently in income.

(b) This account shall be debited and Account 7400 credited with a proportionate amount determined in relation to the useful book life of the property to which the tax credit relates.

[67 FR 5690, Feb. 6, 2002]

§ 32.4340 Net noncurrent deferred operating income taxes.

(a) This account shall include the balance of income tax expense related to noncurrent items from regulated operations which have been deferred to later periods as a result of comprehensive interperiod tax allocation related to temporary differences that arise from regulated operations.

(b) This account shall be credited or debited, as appropriate, and Account 7250, Provision for Deferred Operating Income Taxes—Net, shall reflect the offset for the tax effect of revenues and expenses from regulated operations which have been included in the determination of taxable income, but which will not be included in the determination of book income or for the tax effect of revenues and expenses from regulated operations which have been included in the determination of book income prior to the inclusion in the determination of taxable income.

(c) As regulated assets or liabilities which generated the prepaid income tax or deferred income tax are reclassified from long-term or noncurrent status to current status, the appropriate deferred income tax shall be reclassified from this account to Account 4100, Net Current Deferred Operating Income Taxes.

(d) The classification of deferred income taxes as current or noncurrent shall follow the

classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary difference.

(e) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are non-property related. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9419, Feb. 28, 1994]

§ 32.4341 Net deferred tax liability adjustments.

(a) This account shall include the portion of deferred income tax charges and credits pertaining to Account 32.4361, Deferred tax regulatory adjustments - net.

(b) This account shall be used to record adjustments to the accumulated deferred tax liabilities recorded in Accounts 4100 and 4340 for:

(1) Tax effects of temporary differences accounted for under the flow-through method or treated as permanent differences.

(2) Reclassification attributable to changes in tax rates (Federal, state and local). As tax rates increase or decrease, the offsetting debit or credit will be recorded in Account 4361 as required by paragraph (a) of this section.

(3) The tax effects of carry-forward net operating losses and carry-forward investment tax credits expected to reduce future taxes payable that are reported in published financial statements.

(4) Reversals of the tax effects of carry-forward net operating losses and carry-forward investment tax credits previously recorded in this account at the time they become recognized as reductions in current taxable income and current taxes payable on tax returns.

(c) This account shall be exempt from the vintage year detail record requirements of §32.22(e)(2).

[59 FR 9419, Feb. 28, 1994, as amended at 67 FR 5690, Feb. 6, 2002]

§ 32.4350 Net noncurrent deferred non-operating income taxes.

(a) This account shall include the balance of income tax expense (Federal, state, and local) that has been deferred to later periods as a result of comprehensive interperiod allocation

related to non-operating differences.

(b) This account shall be credited or debited, as appropriate, and Account 7400, Non-operating Taxes, shall reflect the offset for the tax effect of revenues from other operations and extraordinary items and non-operating expenses which have been included in the determination of taxable income, but which will not be included in the determination of book income or for the tax effect of non-operating expenses and extraordinary items and non-operating income which have been included in the determination of book income prior to the inclusion in the determination of taxable income.

(c) As other assets or liabilities which generated the prepaid income tax or deferred income tax are reclassified from long-term or non-current status to current status, the appropriate deferred income tax shall be reclassified from this account to account 4110, Net Current Deferred Non-operating Income Taxes.

(d) This account shall also include the balance of the income tax effect (Federal, State and local) related to noncurrent extraordinary items which have been included in the determination of taxable income in a period different from when it is included in the determination of book income, that is, more than one year.

(e) This account shall be charged or credited with the contra amount recorded to Account 7600, Extraordinary items, in accordance with §32.22.

(f) As the extraordinary item which generated the deferred income tax becomes current, the appropriate deferred income tax shall be reclassified from this account to Account 4110, Net Current Deferred Non-operating Income Taxes.

(g) The classification of deferred income taxes as current or noncurrent shall follow the classification of the asset or liability that gave rise to the deferred income tax. If there is no related asset or liability, classification shall be based on the expected turnaround of the temporary difference.

(h) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that are property related and those that are non-property related. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

[51 FR 43499, Dec. 2, 1986, as amended at 59 FR 9419, Feb. 28, 1994; 67 FR 5690, Feb. 6, 2002]

§ 32.4361 Deferred tax regulatory adjustments—net.

(a) This account shall include amounts of probable future revenue for the recovery of future increases in taxes payable and amounts of probable future revenue reductions

attributable to future decreases in taxes payable. As reductions or reversals occur, amounts recorded in this account shall be reduced or increased, with a contra entry being made to Account 4341, Net deferred tax liability adjustments.

(b) This account shall also be adjusted for the impact of prospective tax rate changes on the deferred tax liability for those temporary differences underlying its existing balance.

[67 FR 5690, Feb. 6, 2002]

§ 32.4370 Other jurisdictional liabilities and deferred credits - net.

This account shall include the cumulative impact on liabilities and deferred credits of the jurisdictional ratemaking practices which vary from those of this Commission. All entries recorded in this account shall be recorded net of any applicable income tax effects and shall be supported by appropriate subsidiary records where necessary as provided for in §32.13 of subpart B.

§ 32.4510 Capital stock.

(a) This account shall include the par value, stated amount, or in the case of no-par stock, the amount received for capital stock issued and outstanding.

(b) Subsidiary records shall be maintained so as to show separately each class of stock.

(c) This account shall be charged with the book amount of any stock retired.

§ 32.4520 Additional paid-in capital.

(a) This account shall include the difference between the net proceeds (including discount, premium and stock issuance expense) received from the issuance of capital stock and the amount includable in Account 4510, Capital Stock, unless such difference results in a debit balance for that class of stock, in which case the amount shall be charged to Account 4550, Retained Earnings.

(b) This account shall also include gains arising from the retirement and cancellation of capital stock. Losses from the retirement and cancellation of capital stock shall be charged to this account to the extent that there exist credits in this account for the same class of stock; otherwise to Account 4550.

§ 32.4530 Treasury stock.

This account shall include the cost of the company's own capital stock which has been issued and subsequently reacquired but not retired or resold.

§ 32.4540 Other capital.

This account shall include amounts which are credits arising from the donation by stockholders of the company's capital stock, capital recorded upon the reorganization or recapitalization of the company and temporary declines in the value of marketable securities held for investment purposes. (See also Account 1410, Other noncurrent assets).

[67 FR 5690, Feb. 6, 2002]

§ 32.4550 Retained earnings.

(a) This account shall include the undistributed balance of retained earnings derived from the operations of the company and from all other transactions not includable in the other accounts appropriate for inclusion of stockholders' equity.

(b) Subsidiary records shall be maintained wherein are recorded all entries to retained earnings during the year such that the detail of the entries may be disclosed to the Commission.

Subpart D—Instructions For Revenue Accounts

§ 32.4999 General.

(a) *Purpose of revenue accounts.* The revenue accounts are intended to include the actual cash inflows (or equivalents) that have or will occur as a result of the company's ongoing major or central operations during the period. They will include the revenues which arise from furnishing regulated telecommunications services to others, from directory advertising, rentals of telecommunications assets and from providing other services which are directly associated with the provision of regulated telecommunications services.

(b) *Deductions from revenue.* Corrections of overcharges, authorized refunds of overcollections previously credited to revenue, authorized refunds and adjustments on account of failure in service, and other corrections shall be charged to the revenue account previously credited with the amounts involved.

(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 6620 Services, and not to the revenue accounts. Other commissions shall be charged to the appropriate expense accounts.

(d) *Revenue recognition.* Credits shall be made to the appropriate revenue accounts when such revenue is actually earned. When the billing cycle encompasses more than one accounting period, adjustments are necessary to properly recognize the revenue applicable to the current accounting period under report. Revenues recorded under the terms of two-tier contracts or other variable payment plans should be deferred, if necessary, and

recognized ratably with expenses over the terms of the related contract. Any amounts deferred shall be credited to Account 4300, Other long-term liabilities and deferred credits.

(e) *Contractual arrangements.* Charges and credits resulting from activities associated with the provisions of regulated telecommunications services shall be recorded in a manner consistent with the nature of the underlying contractual arrangements. The charges and credits resulting from expense sharing or apportionment arrangements associated with the provision of regulated telecommunications services shall be recorded in the detailed regulated accounts. Charges and credits resulting from revenue settlement agreements or other revenue pooling arrangements associated with the provision of regulated telecommunications services shall be included in the appropriate revenue accounts. Those charges and credits resulting from contractual revenue pooling and/or sharing agreements shall be recorded in each prescribed revenue account and prescribed subsidiary record categories thereof to the extent that each is separately identifiable in the settlement process. It is not intended that settlement amounts be allocated or generally spread to the individual revenue accounts where they are not separately identifiable in the settlement process. When the settlement amounts are not identifiable by a revenue account they shall be recorded in Account 5060, Other basic area revenue, 5105, Long distance message revenue, or 5200, Miscellaneous revenue, as appropriate.

(f) *Subsidiary records—jurisdictional subdivisions.* 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. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

(g) *Structure of revenue accounts.* (1) The revenue section of the system of accounts shall be organized by revenue group summary account, account and subsidiary record category (if required).

(2) The revenue section of this system of accounts shall be comprised of six major groups—Local Network Services Revenues, Network Access Services Revenues, Long Distance Network Services Revenues, Miscellaneous Revenues, Non-regulated revenues, and Uncollectible Revenues, which shall be considered as a revenue group for the purposes of the construction of the system.

(3) Accounts shall be maintained as prescribed in this Section subject to the conditions described in section 32.13 of subpart B. In certain instances, subsidiary record categories may be required below the account level by this system of accounts or by Commission order.

(h) *Local Network Services revenues.* Local Network Services revenues (Accounts 5001 through 5060) shall include revenues derived from the provision of service and equipment entirely within the basic service area. That area is defined as the normal boundaries for

local calling plus Extended Area Service (EAS) boundaries as they apply to that service. It includes revenues derived from both local private network service and local public network services as well as from customer premises facilities services. Local revenues include associated charges such as one-time service connection or termination charges and secondary features such as call waiting.

(i) *Network Access revenues.* (1) Network Access revenues (Accounts 5081–5083) shall include revenues derived from the provision of exchange access services to a Retail Service Provider (RSP) or to an end user of telecommunications services beyond the exchange carrier's network.

(2) Billing and collections service provided under exchange access tariffs shall be included in the Miscellaneous Revenues Group.

(j) *Long Distance Network Service revenues.* Long Distance Network Service revenues shall include revenues derived from the provision of services beyond the basic service area, whether message or flat-rate and including public network switching as well as private.

(k) *Miscellaneous revenues.* Miscellaneous revenues are those revenues derived from the provision of regulated products and services provided under tariff or contract but not contained elsewhere. They shall also include operating revenue derived from activities performed incident to the company's tariffed telecommunications operations which, though non-tariffed, are included in the regulatory process.

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

(m) *Uncollectible revenues.* Uncollectible revenues shall include amounts originally credited to the revenue accounts which have proved impracticable of collection.

(n) Revenue accounts to be maintained.

Class B	Account title	Class A	Account
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	
Inter-carrier revenue.....	5082
5082	
Special access revenue.....	5083
5083	
Universal Service Fund and State Equalization Fund Revenue.....	5084
5084	
Long distance network services revenues:	
Long distance message revenue.....	5105
5105	
Miscellaneous revenues:	
Miscellaneous revenue.....	5200
5200	
Nonregulated revenues:	
Nonregulated operating revenue.....	5280
5280	
Uncollectible revenues:	
Uncollectible revenue.....	5300
5300	

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[51 FR 43499, Dec. 2, 1986, as amended at 53 FR 49322, Dec. 7, 1988; 59 FR 46930, Sept. 13, 1994; 64 FR 50008, Sept. 15, 1999; 67 FR 5690, Feb. 6, 2002]

§ 32.5000 Basic local service revenue.

Class B telephone companies shall use this account for revenues of the type and character required of Class A companies in Accounts 5001 through 5060.

[67 FR 5691, Feb. 6, 2002]

§ 32.5001 Basic area revenue.

(a) This account shall include revenue derived from the provision of the following:

(1) Basic area message services such as flat rate services and measured services. Included is revenue derived from non-optional extended area services. Also included is revenue

derived from the billed or guaranteed portion of semi-public services.

(2) Optional extended area service.

(3) Cellular mobile telecommunications systems connected to the public switched network placed between mobile units and other stations within the mobile service area.

(4) General radio telecommunications systems connected to the public switched network placed between mobile units and other stations within the mobile service area, as well as revenue from mobile radio paging, mobile dispatching, and signaling services.

(b) Revenue derived from charges for non-published number or additional and boldfaced listings in the alphabetical section of the company's telephone directories shall be included in Account 5200, Miscellaneous revenue.

(c) Revenue from private mobile telephone services which do not have access to the public switched network shall be included in Account 5200, Miscellaneous revenue.

[67 FR 5691, Feb. 6, 2002]

§ 32.5002 Optional extended area revenue.

This account shall include total revenue derived from the provision of optional extended area service.

§ 32.5003 Cellular mobile revenue.

This account shall include message revenue derived from cellular mobile telecommunications systems connected to the public switched network placed between mobile units and other stations within the mobile service area.

§ 32.5040 Private line revenue.

This account shall include revenue derived from local services that involve dedicated circuits, private switching arrangements, and/or predefined transmission paths, whether virtual or physical, which provide communications between specific locations (e.g., point-to-point communications). It includes revenue from subvoice grade, voice grade, audio and video program grade, digital transmission and local private network switching as well as the revenue from administrative and operational support services associated with private network services and facilities, e.g., charges for company-directed testing, expedited installation, and service restoration priority.

§ 32.5060 Other basic area revenue.

This account shall include:

(a) Revenue from the provision of secondary features which are integrated with the telecommunications network such as call forwarding, call waiting and touch-tone line service. Also included is revenue derived from the provision of public announcement and other record message services, directory assistance and other call completion services (excluding operator assisted basic long distance calls), as well as revenue derived from central office related service connection and termination charges, and other non-premise customer specific charges associated with public network services. This account shall also include local revenue not provided for in other accounts.

(b) Charges and credits resulting from contractual revenue pooling and/or sharing agreements for tariffed local network services only when they are not separately identifiable by local network services revenue accounts in the settlement process. (See also §32.4999(e)). To the extent that the charges and credits resulting from a settlement process can be identified by Local Network Services Revenue account they shall be recorded in the applicable account.

(c) Revenue derived from tariffed information origination/termination plant. Included is revenue derived from the provision under leasing arrangements of tariffed customer premises equipment (CPE), terminal equipment, station apparatus and large private branch exchanges as well as tariffed nonrecurring charges related solely to station apparatus. Also included are all tariffed charges for customer premises activities and facilities not related solely to station apparatus.

[67 FR 5691, Feb. 6, 2002]

§ 32.5081 End user revenue.

(a) This account shall contain federally and state tariffed monthly flat rate charge assessed upon end users.

(b) Subsidiary record categories shall be maintained in order that the company may separately report amounts related to federal and state tariffed charges.

[67 FR 5692, Feb. 6, 2002]

§ 32.5082 Intercarrier revenue.

(a) This account shall consist of federally and state tariffed intercarrier charges assessed to RSPs for access to local exchange facilities.

[67 FR 5692, Feb. 6, 2002]

§ 32.5083 Special access revenue.

(a) This account shall include all federally and state tariffed charges assessed for other than end user or switched access charges referred to in Account 5081, End user revenue, and Account 5082, Switched access revenue.

(b) Subsidiary record categories shall be maintained in order that the company may separately report the amounts contained herein that relate to recurring charges, nonrecurring charges and surcharges. The subsidiary records shall also separately show the federal and state tariffed charges. Such subsidiary record categories shall be reported as required by part 43 of this chapter.

§32.5084 Universal Service Fund and State Equalization Fund

(a) This account shall contain support funding revenues received from federal and state sources.

[67 FR 5692, Feb. 6, 2002]

§ 32.5100 Long distance message revenue.

This account shall include revenue derived from message services that terminate beyond the basic service area of the originating wire center and are individually priced. This includes those message services which utilize the public long distance switching network and the basic subscriber access line. It also includes those long distance calls placed from mobile and public telephones, as well as any charges for operator assistance or special billing directly related to the completion of a specific call. This account shall also include revenue derived from individually priced message services offered under calling plans (discounted long distance) which do not utilize dedicated access lines, as well as those priced at the basic long distance rates where a discounted toll charge is on a per message basis. Any revenue derived from monthly or one-time charges for obtaining calling plan services shall be included in this account. This account includes revenue derived from the following services:

(a) Long distance services which permit unidirectional calls to a subscriber from specified services areas (multipoint-to-point service). These calls require the use of dedicated access lines connecting a subscriber's premises and a designated central office. These dedicated access lines are generally separate from those required for the subscriber to place outward calls. The call is billed to the subscriber even though it is generally initiated by the subscriber's customer or correspondent.

(b) Long distance services which permit the subscriber to place telephone calls from one location to other specified service areas (point-to-multipoint service). These calls are completed without operator assistance and require the use of a dedicated access line. The dedicated access line is generally separate from those required for inward message

services and cannot be used to place calls within the basic service area or calls outside the selected service areas. Outward calls are screened and blocked to determine whether the calls are within an authorized service area.

(c) Services extending beyond the basic service area that involve dedicated circuits, private switching arrangements, and/or predefined transmission paths, whether virtual or physical, which provide communications between specific locations (e.g., point-to-point communications). Service connection charges, termination charges, rearrangements and changes, etc., shall be included in this account. Revenue derived from associated administrative and operational support services shall also be included in this account.

(1) Narrow-band analog private network circuits and facilities furnished exclusively for record forms of communications, such as teletypewriter, tele-typesetter, tele-writer, ticker, Morse, signaling, remote metering, and supervisory services.

(2) Private network circuits and facilities (including multipurpose wide-band) which provide voice grade services for the transmission of analog signals. It includes revenue from services such as voice, data and telephoto communication, as well as remote metering, supervisory control, miscellaneous signaling and channels furnished for the purpose of extending customer—provided communications systems. It includes revenue from the provision of facilities between customer premises and a serving office, a carrier distribution point, or an extension distribution channel.

(3) Private network circuits and facilities furnished for audio program transmission purposes, such as radio broadcasting, sound recording (wired music) and loud speaker services. It includes revenue from the provision of facilities for the transmission of analog signals between customer premises and a serving office, a carrier distribution point, or an extension distribution channel furnished in connection with such services. It also includes revenue from facilities furnished to carry the audio portion of a television program if furnished under separate audio rates. If the rate for television program services includes both the picture and sound portion of the transmission, the revenue shall also be included in this account.

(4) Private network circuits and facilities furnished for television program transmission purposes, such as commercial broadcast and educational or private television services. It includes revenue from the provision of facilities for the transmission of analog signals between customer premises and a serving office, a carrier distribution point, or an extension distribution channel furnished in connection with such services. It also includes revenue from both the picture and sound portions of transmission for television program service when provided under a combined rate schedule.

(5) The provision of circuits and facilities for the transmission of digital signals only.

(6) The provision of common user channels and switching capabilities used for the transmission of telecommunication signals between three (3) or more points in the

network. Also included is revenue derived from the provision of basic switching and transfer arrangements used to connect private line channels.

(7) Charges and credits resulting from contractual revenue pooling and/or sharing agreements for tariffed long distance public network services and for tariffed long distance private network services.

[67 FR 5692, Feb. 6, 2002]

§ 32.5200 Miscellaneous revenue.

This account shall include revenue derived from the following:

(a) Alphabetical and classified sections of directories including fees paid by other entities for the right to publish the company's directories. It includes the classified section of the directories, the sale of new telephone directories whether they are the company's own directories or directories purchased from others. It also includes revenue from the sale of specially bound telephone directories and special telephone directory covers; amounts charged for additional and boldface listings, marginal displays, inserts, and other advertisements in the alphabetical of the company's telephone directories; and charges for unlisted and non-published telephone numbers.

(b) 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, Non-operating income and expense.

(c) 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.

(d) 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.

(e) 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)).

(f) Contract services (plant maintenance) performed for others incident to the company's regulated telecommunications operations. This includes revenue from the incidental performance of non-tariffed 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.

(g) 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.

(h) 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.

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

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

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

(1) Collection overages (collection shortages shall be charged to Account 6620, 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.

(l) 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.

[67 FR 5693, Feb. 6, 2002; 67 FR 9221, Feb. 28, 2002]

§ 32.5230 Directory revenue.

This account shall include revenue derived from alphabetical and classified sections of directories and shall also include fees paid by other entities for the right to publish the company's directories. Items to be included are:

- (a) All revenue derived from the classified section of the directories;
- (b) Revenue from the sale of new telephone directories whether they are the company's own directories or directories purchased from others. This shall also include revenue from the sale of specially bound telephone directories and special telephone directory covers;
- (c) Amounts charged for additional and boldface listings, marginal displays, inserts, and other advertisements in the alphabetical section of the company's telephone directories; and
- (d) Charges for unlisted and non-published telephone numbers.

[69 FR 44607, July 27, 2004]

§ 32.5280 Non-regulated operating revenue.

- (a) This account shall include revenues derived from a non-regulated activity involving the common or joint use of assets or resources in the provision of regulated and non-regulated products or services.
- (b) This account shall be debited and regulated revenue accounts shall be credited at tariffed rates when tariffed services are provided to non-regulated activities that are accounted for as prescribed in §32.23(c) of this subpart.
- (c) Separate subsidiary record categories shall be maintained for two groups of non-regulated revenue as follows: one subsidiary record for all revenues derived from regulated services treated as non-regulated for federal accounting purposes pursuant to

Commission order and the second for all other revenues derived from a non-regulated activity as set forth in paragraph (a) of this section.

[53 FR 49322, Dec. 7, 1988, as amended at 64 FR 50008, Sept. 15, 1999; 67 FR 5694, Feb. 6, 2002]

§ 32.5300 Uncollectible revenue.

This account shall be charged with amounts concurrently credited to Account 1170, Receivables.

[67 FR 5694, Feb. 6, 2002]

Subpart E—Instructions for Expense Accounts

§ 32.5999 General.

(a) *Structure of the expense accounts.* (1) The expense section of the system of accounts shall be organized by expense group summary account, and subsidiary record category (if required).

(2) The expense section of this system of accounts shall be comprised of four major expense groups—Plant Specific Operations, Plant Nonspecific Operations, Customer Operations and Corporate Operations. Expenses to be recorded in Plant Specific and Plant Nonspecific Operations Expense Groups generally reflect cost associated with the various kinds of equipment identified in the plant asset accounts. Expenses to be recorded in the Customer Operations and Corporate Operations accounts reflect the costs of, or are associated with, functions performed by people, irrespective of the organization in which any particular function is performed.

(3) Accounts shall be maintained as prescribed in this section subject to the conditions described in §32.13 in subpart B. Subsidiary record categories may be required below the account level by this system of accounts or by Commission order.

(b) *Plant Specific Operations Expense.* (1) The Plant Specific Operations Expense Accounts, 6110 through 6441, are used to record costs related to specific kinds of telecommunications plant.

(2) The Plant Specific Operations Expense accounts predominantly mirror the telecommunications plant in service detail accounts and are numbered consistently with them; the first digit of the expense account being six (6) and the remaining digits being the same as the last three numbers of the related plant account. In classifying Plant Specific Operations expenses, the text of the corresponding plant account should be consulted to ensure appropriateness.

(3) The Plant Specific Operations Expense accounts shall include the costs of inspecting, testing (except as specified in Account 6533, Testing Expense) and reporting on the condition of telecommunications plant to determine the need for repairs, replacements, rearrangements and changes; performing routine work to prevent trouble (except as specified in Account 6533), replacing items of plant other than retirement units; rearranging and changing the location of plant not retired; repairing material for reuse; restoring the condition of plant damaged by storms, floods, fire or other casualties (other than the cost of replacing retirement units); inspecting after repairs have been made; and receiving training to perform these kinds of work. Also included are the costs of direct supervision (immediate or first-level) and office support of this work.

(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 Account 6620, 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 Account 6560, Depreciation and amortization expense) 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.

(d) *Customer Operations Expense.* The Customer Operations Expense accounts shall include the cost of performing customer related marketing and services activities described in narratives for individual accounts. These costs shall also include the costs of supervision, office support and training for these activities.

(e) *Corporate Operations Expense.* The Corporate Operations Expense accounts shall include the costs of performing executive and planning activities and general and administrative activities described in narratives for individual accounts. These costs shall also include the costs of supervision, office support and training for these activities.

(f) *Reimbursements.* Reimbursements of actual costs incurred in connection with joint operations or projects repairing plant due to damages by others, and obligations to make changes in telecommunications plant (such as highway relocations), shall be credited to the accounts originally charged.

(g) Expense accounts to be maintained.

-		
		Class A Class
B		
	Account title	Account
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	.....
6310	expense.....	
	Station apparatus expense.....	6311
	
	Large private branch exchange expense.....	6341
	
	Public telephone terminal equipment	6351
	expense.....	
	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	
6510	
expenses.....	
Property held for future	6511
.....	
Telecommunications use expense.....	
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
6560	
Customer operations expense:	
Marketing.....	.....
6610	
Product management and sales.....	6611
Product advertising.....	6613
Services.....	6620
6620	
Corporate operations expense:	
General and administrative.....	6720
6720	
Provision for uncollectible notes	6790
6790	
receivable.....	

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[51 FR 43499, Dec. 2, 1986, as amended at 52 FR 7580, Mar. 12, 1987; 64 FR 50008, Sept. 15, 1999; 65 FR 16335, Mar. 28, 2000; 67 FR 5694, Feb. 6, 2002]

§ 32.6110 Network support expenses.

(a) Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6112 through 6114.

(b) Credits shall be made to this account by Class B companies for amounts transferred to Construction and/or other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

[67 FR 5695, Feb. 6, 2002]

§ 32.6112 Motor vehicle expense.

(a) This account shall include costs of fuel, lubrications, license and inspection fees, washing, repainting, and minor accessories. Also included are the costs of personnel whose principal job is operating motor vehicles, such as chauffeurs and shuttle bus drivers. The costs of users of motor vehicles whose principal job is not the operation of motor vehicles shall be charged to accounts appropriate for the activities performed.

(b) Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5695, Feb. 6, 2002]

§ 32.6113 Aircraft expense.

(a) This account shall include such costs as aircraft fuel, flight crews, mechanics and ground crews, licenses and inspection fees, washing, repainting, and minor accessories.

(b) Credits shall be made to this account for amounts transferred to Construction and/or to other Plant Specific Operations Expense accounts. These amounts shall be computed on the basis of direct labor hours.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5695, Feb. 6, 2002]

§ 32.6114 Tools and other work equipment expense.

(a) This account shall include costs incurred in connection with special purpose vehicles, garage work equipment and other work equipment included in Account 2114, Tools and other work equipment. This account shall be charged with costs incurred in connection

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

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

[64 FR 50008, Sept. 15, 1999, as amended at 67 FR 5695, Feb. 6, 2002]

§ 32.6120 General support expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6121 through 6124.

[67 FR 5695, Feb. 6, 2002]

§ 32.6121 Land and building expense.

(a) This account shall include expenses associated with land and buildings (excluding amortization of leasehold improvements). This account shall also include janitorial service, cleaning supplies, water, sewage, fuel and guard service, and electrical power.

(b) The cost of electrical power used to operate the telecommunications network shall be charged to Account 6531, Power Expense, and the cost of separately metered electricity used for operating specific types of equipment, such as computers, shall be charged to the expense account appropriate for such use.

§ 32.6122 Furniture and artworks expense.

This account shall include expenses associated with furniture and artworks.

§ 32.6123 Office equipment expense.

This account shall be charged only with costs incurred in connection with the office equipment itself. The costs of operators of this equipment shall be charged to accounts appropriate for the activities performed.

§ 32.6124 General purpose computers expense.

This account shall include the costs of personnel whose principal job is the physical

operation of general purpose computers and the maintenance of operating systems. This excludes the cost of preparation of input data or the use of outputs which are chargeable to the accounts appropriate for the activities being performed. Also excluded are costs incurred in planning and maintaining application systems and databases for general purpose computers. (See also §32.6720, General and administrative.) Separately metered electricity for general purpose computers shall also be included in this account.

[67 FR 5695, Feb. 6, 2002]

§ 32.6210 Central office switching expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6211 through 6212.

[67 FR 5695, Feb. 6, 2002]

§ 32.6211 Non-digital switching expense.

This account shall include expenses associated with non-digital electronic switching and electro-mechanical switching.

[67 FR 5695, Feb. 6, 2002]

§ 32.6212 Digital electronic switching expense.

(a) This account shall include expenses associated with digital electronic switching. Digital electronic switching expenses shall be maintained in the following subaccounts: 6212.1 Circuit, 6212.2 Packet.

(b) This subaccount 6212.1 Circuit shall include expenses associated with digital electronic switching equipment used to provide circuit switching.

(c) This subaccount 6212.2 Packet shall include expenses associated with digital electronic switching equipment used to provide packet switching.

[67 FR 5695, Feb. 6, 2002]

§ 32.6220 Operator systems expense.

This account shall include expenses associated with operator systems equipment.

§ 32.6230 Central office transmission expense.

Class B telephone companies shall use this account for expenses of the type and character

required of Class A companies in Accounts 6231 and 6232.

[67 FR 5695, Feb. 6, 2002]

§ 32.6231 Radio systems expense.

This account shall include expenses associated with radio systems.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5695, Feb. 6, 2002]

§ 32.6232 Circuit equipment expense.

(a) This account shall include expenses associated with circuit equipment. Circuit equipment expenses shall be maintained in the following subaccounts: 6232.1 Electronic, 6232.2 Optical.

(b) This subaccount 6232.1 Electronic shall include expenses associated with electronic circuit equipment.

(c) This subaccount 6232.2 Optical shall include expenses associated with optical circuit equipment.

[67 FR 5695, Feb. 6, 2002]

§ 32.6310 Information origination/termination expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A telephone companies in Accounts 6311 through 6362.

[67 FR 5696, Feb. 6, 2002]

§ 32.6311 Station apparatus expense.

This account shall include expenses associated with station apparatus. Expenses associated with company internal use communication equipment shall be recorded in Account 6123, Office Equipment Expense.

§ 32.6341 Large private branch exchange expense.

This account shall include expenses associated with large private branch exchanges. Expenses associated with company internal use communication equipment shall be recorded in Account 6123, Office Equipment Expense.

§ 32.6351 Public telephone terminal equipment expense.

This account shall include expenses associated with public telephone terminal equipment.

§ 32.6362 Other terminal equipment expense.

This account shall include expenses associated with other terminal equipment.

§ 32.6410 Cable and wire facilities expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6411 through 6441.

[67 FR 5696, Feb. 6, 2002]

§ 32.6411 Poles expense.

This account shall include expenses associated with poles.

§ 32.6421 Aerial cable expense.

(a) This account shall include expenses associated with aerial cable.

(b) Subsidiary record categories shall be maintained as provided in §32.2421(a) of subpart C.

§ 32.6422 Underground cable expense.

(a) This account shall include expenses associated with underground cable.

(b) Subsidiary record categories shall be maintained as provided in §32.2422(a) of subpart C.

§ 32.6423 Buried cable expense.

(a) This account shall include expenses associated with buried cable.

(b) Subsidiary record categories shall be maintained as provided in §32.2423(a) of subpart C.

§ 32.6424 Submarine and deep sea cable expense.

(a) This account shall include expenses associated with submarine and deep sea cable.

(b) Subsidiary record categories shall be maintained as provided in §32.2424.

[67 FR 5696, Feb. 6, 2002]

§ 32.6426 Intrabuilding network cable expense.

(a) This account shall include expenses associated with intrabuilding network cable.

(b) Subsidiary record categories shall be maintained as provided in §32.2426(a) of subpart C.

§ 32.6431 Aerial wire expense.

This account shall include expenses associated with aerial wire.

§ 32.6441 Conduit systems expense.

This account shall include expenses associated with conduit systems.

§ 32.6510 Other property, plant and equipment expenses.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6511 and 6512.

[67 FR 5696, Feb. 6, 2002]

§ 32.6511 Property held for future telecommunications use expense.

This account shall include expenses associated with property held for future telecommunications use.

§ 32.6512 Provisioning expense.

(a) This account shall include costs incurred in provisioning material and supplies, including office supplies. This includes receiving and stocking, filling requisitions from stock, monitoring and replenishing stock levels, delivery of material, storage, loading or unloading and administering the reuse or refurbishment of material. Also included are adjustments resulting from the periodic inventory of material and supplies.

(b) Credits shall be made to this account for amounts transferred to construction and/or to Plant Specific Operations Expense. These costs are to be cleared by adding to the cost of material and supplies a suitable loading charge.

[67 FR 5696, Feb. 6, 2002]

§ 32.6530 Network operations expense.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6531 through 6535.

[67 FR 5696, Feb. 6, 2002]

§ 32.6531 Power expense.

This account shall include the cost of electrical power used to operate the telecommunications network.

§ 32.6532 Network administration expense.

This account shall include costs incurred in network administration. This includes such activities as controlling traffic flow, administering traffic measuring and monitoring devices, assigning equipment and load balancing, collecting and summarizing traffic data, administering trunking, and assigning interoffice facilities and circuit layout work.

§ 32.6533 Testing expense.

This account shall include costs incurred in testing telecommunications facilities from a testing facility (test desk or other testing system) to determine the condition of plant on either a routine basis or prior to assignment of the facilities; receiving, recording and analyzing trouble reports; testing to determine the nature and location of reported trouble condition; and dispatching repair persons or otherwise initiating corrective action. (Note also §32.5999(b)(3) of this subpart.)

§ 32.6534 Plant operations administration expense.

(a) This account shall include costs incurred in the general administration of plant operations. This includes supervising plant operations (except as specified in §32.5999(a)(3) of this subpart; planning, coordinating and monitoring plant operations; and performing staff work such as developing methods and procedures, preparing and conducting training (except on-the-job training) and coordinating safety programs.

(b) Credits shall be made to this account for amounts transferred to construction accounts. These amounts shall be computed on the basis of direct labor hours. (See §32.2000(c)(2)(ii) of subpart C.)

§ 32.6535 Engineering expense.

(a) This account shall include costs incurred in the general engineering of the telecommunications plant which are not directly chargeable to an undertaking or project. This includes developing input to the fundamental planning process, performing preliminary work or advance planning in connection with potential undertakings, and

performing special studies of an engineering nature.

(b) Credits shall be made to this account for amounts transferred to construction accounts. These amounts shall be computed on the basis of direct labor hours. (See §32.2000(c)(2)(ii) of subpart C.)

§ 32.6540 Access expense.

(a) This account shall include amounts paid by RSPs or other exchange carriers to another exchange carrier for the provision of originating and/or transport and/or terminating facilities.

(b) Subsidiary record categories shall be maintained in order that the entity may separately report interstate and intrastate expense. Such subsidiary record categories shall be reported as required by Part 43 of this Commission's Rules and Regulations.

[52 FR 43917, Nov. 17, 1987]

§ 32.6560 Depreciation and amortization expenses.

This account shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6561 through 6565. 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.

[69 FR 44607, July 27, 2004]

§ 32.6561 Depreciation expense—telecommunications plant in service.

This account shall include the depreciation expense of capitalized costs in Accounts 2112 through 2441, inclusive.

[69 FR 44607, July 27, 2004]

§ 32.6563 Amortization expense—tangible.

This account shall include only the amortization of costs included in Accounts 2681, Capital leases, and 2682, Leasehold improvements.

[69 FR 44607, July 27, 2004]

§ 32.6564 Amortization expense—intangible.

This account shall include the amortization of costs included in Account 2690,

Intangibles.

[69 FR 44607, July 27, 2004]

§ 32.6565 Amortization expense—other.

(a) This account shall include only the amortization of costs included in Account 2005, Telecommunications plant adjustment.

(b) This account shall also include lump-sum write offs of amounts of plant acquisition adjustment as provided for in §32.2005(b)(3) of subpart C.

(c) Subsidiary records shall be maintained so as to show the character of the amounts contained in this account.

[69 FR 44607, July 27, 2004]

§ 32.6610 Marketing.

Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6611 through 6613.

[67 FR 5696, Feb. 6, 2002]

§ 32.6611 Product management and sales.

This account shall include:

(a) Costs incurred in performing administrative activities related to marketing products and services. This includes competitive analysis, product and service identification and specification, test market planning, demand forecasting, product life cycle analysis, pricing analysis, and identification and establishment of distribution channels.

(b) Costs incurred in selling products and services. This includes determination of individual customer needs, development and presentation of customer proposals, sales order preparation and handling, and preparation of sales records.

[67 FR 5696, Feb. 6, 2002]

§ 32.6613 Product advertising.

This account shall include costs incurred in developing and implementing promotional strategies to stimulate the purchase of products and services. This excludes non-product-related advertising, such as corporate image, stock and bond issue and employment

advertisements, which shall be included in the appropriate functional accounts.

§ 32.6620 Services.

(a) This account shall include:

(1) Costs incurred in helping customers place and complete calls, except directory assistance. This includes handling and recording; intercept; quoting rates, time and charges; and all other activities involved in the manual handling of calls.

(2) Costs incurred in providing customer number and classified listings. This includes preparing or purchasing, compiling, and disseminating those listings through directory assistance or other means.

(3) Costs incurred in establishing and servicing customer accounts. This includes:

(i) Initiating customer service orders and records;

(ii) Maintaining and billing customer accounts;

(iii) Collecting and investigating customer accounts, including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;

(iv) Collecting and reporting pay station receipts; and

(v) Instructing customers in the use of products and services.

(b) This account shall also include amounts paid by RSPs or other exchange carriers to another exchange carrier for billing and collection services. Subsidiary record categories shall be maintained in order that the entity may separately report interstate and intrastate amounts. Such subsidiary record categories shall be reported as required by Part 43 of this chapter.

(c) Class A companies, except mid-sized incumbent local exchange carriers, shall maintain the following subaccounts for expenses recorded in this account: 6620.1 Wholesale, 6620.2 Retail.

(1) *6620.1 Wholesale*. This subaccount shall include costs associated with telecommunications services provided for resale to other telecommunications carriers.

(2) *6620.2 Retail*. This subaccount shall include costs associated with telecommunications services provided to subscribers who are not telecommunications carriers.

[67 FR 5696, Feb. 6, 2002]

§ 32.6621 Call completion services.

This account shall include costs incurred in helping customers place and complete calls, except directory assistance. This includes handling and recording; intercept; quoting rates, time and charges; and all other activities involved in the manual handling of calls.

[69 FR 44607, July 27, 2004]

§ 32.6622 Number services.

This account shall include costs incurred in providing customer number and classified listings. This includes preparing or purchasing, compiling, and disseminating those listings through directory assistance or other means.

§ 32.6623 Customer services.

(a) This account shall include costs incurred in establishing and servicing customer accounts. This includes:

- (1) Initiating customer service orders and records;
- (2) Maintaining and billing customer accounts;
- (3) Collecting and investigating customer accounts, including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;
- (4) Collecting and reporting pay station receipts; and
- (5) Instructing customers in the use of products and services.

(b) This account shall also include amounts paid by RSPs or other exchange carriers to another exchange carrier for billing and collection services. Subsidiary record categories shall be maintained in order that the entity may separately report interstate and intrastate amounts. Such subsidiary record categories shall be reported as required by part 43 of this Commission's rules and regulations.

[69 FR 44608, July 27, 2004]

§ 32.6720 General and administrative.

This account shall include costs incurred in the provision of general and administrative

services as follows:

(a) Formulating corporate policy and in providing overall administration and management. Included are the pay, fees and expenses of boards of directors or similar policy boards and all board-designated officers of the company and their office staffs, e.g., secretaries and staff assistants.

(b) Developing and evaluating long-term courses of action for the future operations of the company. This includes performing corporate organization and integrated long-range planning, including management studies, options and contingency plans, and economic strategic analysis.

(c) Providing accounting and financial services. Accounting services include payroll and disbursements, property accounting, capital recovery, regulatory accounting (revenue requirements, separations, settlements and corollary cost accounting), non-customer billing, tax accounting, internal and external auditing, capital and operating budget analysis and control, and general accounting (accounting principles and procedures and journals, ledgers, and financial reports). Financial services include banking operations, cash management, benefit investment fund management (including actuarial services), securities management, debt trust administration, corporate financial planning and analysis, and internal cashier services.

(d) Maintaining relations with government, regulators, other companies and the general public. This includes:

(1) Reviewing existing or pending legislation (see also Account 7300, Non-operating income and expense, for lobbying expenses);

(2) Preparing and presenting information for regulatory purposes, including tariff and service cost filings, and obtaining radio licenses and construction permits;

(3) Performing public relations and non-product-related corporate image advertising activities;

(4) Administering relations, including negotiating contracts, with telecommunications companies and other utilities, businesses, and industries. This excludes sales contracts (see also Account 6611, Product management and sales); and

(5) Administering investor relations.

(e) Performing personnel administration activities. This includes:

(1) Equal Employment Opportunity and Affirmative Action Programs;

- (2) Employee data for forecasting, planning and reporting;
 - (3) General employment services;
 - (4) Occupational medical services;
 - (5) Job analysis and salary programs;
 - (6) Labor relations activities;
 - (7) Personnel development and staffing services, including counseling, career planning, promotion and transfer programs;
 - (8) Personnel policy development;
 - (9) Employee communications;
 - (10) Benefit administration;
 - (11) Employee activity programs;
 - (12) Employee safety programs; and
 - (13) Non-technical training course development and presentation.
- (f) Planning and maintaining application systems and databases for general purpose computers.
- (g) Providing legal services: This includes conducting and coordinating litigation, providing guidance on regulatory and labor matters, preparing, reviewing and filing patents and contracts and interpreting legislation. Also included are court costs, filing fees, and the costs of outside counsel, depositions, transcripts and witnesses.
- (h) Procuring material and supplies, including office supplies. This includes analyzing and evaluating suppliers' products, selecting appropriate suppliers, negotiating supply contracts, placing purchase orders, expediting and controlling orders placed for material, developing standards for material purchased and administering vendor or user claims.
- (i) Making planned search or critical investigation aimed at discovery of new knowledge. It also includes translating research findings into a plan or design for a new product or process or for a significant improvement to an existing product or process, whether intended for sale or use. This excludes making routine alterations to existing products, processes, and other ongoing operations even though those alterations may represent improvements.

(j) Performing general administrative activities not directly charged to the user, and not provided in paragraphs (a) through (i) of this section. This includes providing general reference libraries, food services (e.g., cafeterias, lunch rooms and vending facilities), archives, general security investigation services, operating official private branch exchanges in the conduct of the business, and telecommunications and mail services. Also included are payments in settlement of accident and damage claims, insurance premiums for protection against losses and damages, direct benefit payments to or on behalf of retired and separated employees, accident and sickness disability payments, supplemental payments to employees while in governmental service, death payments, and other miscellaneous costs of a corporate nature. This account excludes the cost of office services, which are to be included in the accounts appropriate for the activities supported.

[67 FR 5696, Feb. 6, 2002]

§ 32.6790 Provision for uncollectible notes receivable.

This account shall be charged with amounts concurrently credited to Account 1170, Receivables.

[67 FR 5697, Feb. 6, 2002]

Subpart F—Instructions For Other Income Accounts

§ 32.6999 General.

(a) *Structure of the other income accounts.* The Other Income Accounts are designed to reflect both operating and non-operating income items including taxes, extraordinary items and other income and expense items not properly included elsewhere.

(b) *Other income accounts listing.*

-----		Class A	Class
B	Account title	Account	
Account			

-			
	Other operating income and expense:		
7100	Other operating income and expense.....	7100	
	Operating taxes:		
7200	Operating taxes.....		
	Operating investment tax credits-net.....	7210	
		

Operating Federal income taxes.....	7220
.....	
Operating state and local income taxes....	7230
.....	
Operating other taxes.....	7240
.....	
Provision for deferred operating income	7250
.....	
Taxes net.....	
Nonoperating income and expense:	
Nonoperating income and expense.....	7300
7300	
Nonoperating taxes:	
Nonoperating taxes.....	7400
7400	
Interest and related items:	
Interest and related items.....	7500
7500	
Extraordinary items.....	7600
7600	
Jurisdictional differences and non-regulated income items:	
Income effect of jurisdictional ratemaking	7910
7910	
Difference net.....	
Nonregulated net income.....	7990
7990	

-	

[67 FR 5697, Feb. 6, 2002]

§ 32.7100 Other operating income and expenses.

This account shall be used to record the results of transactions, events or circumstances during the periods which are incidental or peripheral to the major or central operations of the company. It shall be used to record all items of an operating nature such as incidental work performed for others not provided for elsewhere. Whenever practicable the inflows and outflows associated with a transaction, event or circumstances shall be matched and the result shown as a net gain or loss. This account shall include the following:

(a) Profits realized from custom work (plant construction) performed for others incident to the company's regulated telecommunications operations. This includes profits from the incidental performance of non-tariffed construction activities (including associated engineering and design) for others which are similar in nature to those activities which are performed by the company in constructing its own telecommunications plant facilities. The records supporting the entries in this account for income and custom work shall be maintained with sufficient particularity to identify separately the revenue and costs associated with each undertaking.

(b) Return on investment for the use of regulated property plant and equipment to provide

non-regulated products and services.

(c) All gains and losses resulting from the exchange of foreign currency. Transaction (realized) gains or losses shall be measured based on the exchange rate in effect on the transaction date. Unrealized gains or losses shall be measured based on the exchange rate in effect at the balance sheet date.

(d) Gains or losses resulting from the disposition of land or artworks.

(e) Charges or credits, as appropriate, to record the results of transactions, events or circumstances which are of an operational nature, but occur irregularly or are peripheral to the major or central operations of the company and not provided for elsewhere.

[67 FR 5698, Feb. 6, 2002]

§ 32.7199 Content of accounts.

The Operating Tax accounts shall include the taxes arising from the central operations of the company.

§ 32.7200 Operating taxes.

Class B telephone companies shall use this account for operating taxes of the type and character required of Class A companies in Accounts 7210 through 7250.

[67 FR 5698, Feb. 6, 2002]

§ 32.7210 Operating investment tax credits—net.

(a) This account shall be charged and Account 4320, Unamortized Operating Investment Tax Credits—Net, shall be credited with investment tax credits generated from qualified expenditures related to regulated operations which the company defers rather than recognizes currently in income.

(b) This account shall be credited and Account 4320 shall be charged ratably with the amortization of each year's investment tax credits included in Account 4320 for investment services for ratemaking purposes. Such amortization shall be determined in relation to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5698, Feb. 6, 2002]

§ 32.7220 Operating Federal income taxes.

(a) This account shall be charged and Account 4070, Income Taxes-Accrued, shall be

credited for the amount of Federal Income Taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits and shall be amortized to income as directed by this Commission.

(d) No entries shall be made to this account to reflect interperiod tax allocations.

§ 32.7230 Operating state and local income taxes.

(a) This account shall be charged and Account 4070, Income Taxes—Accrued, shall be credited for the amount of state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(b) Taxes should be accrued each month on an estimated basis and adjustments made as later data becomes available.

(c) No entries shall be made to this account to reflect interperiod tax allocations.

§ 32.7240 Operating other taxes.

(a) This account shall be charged and Account 4080, Other Taxes—Accrued, shall be credited for all taxes, other than Federal, state and local income taxes and payroll related taxes, related to regulated operations applicable to current periods. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes; this account shall also reflect subsequent adjustments to amounts previously charged.

(b) Special assessments for street and other improvements and special benefit taxes, such as water taxes and the like, shall be included in the operating expense accounts or investment accounts, as may be appropriate.

(c) Discounts allowed for prompt payment of taxes shall be credited to the account to which the taxes are chargeable.

(d) Interest on tax assessments which are not paid when due shall be included in Account 7500, Interest and related items.

(e) Taxes paid by the company under tax-free covenants on indebtedness shall be charged to Account 7300, Non-operating income and expense.

(f) Sales and use taxes shall be accounted for, so far as practicable, as part of the cost of

the items to which the taxes relate.

(g) Taxes on rented telecommunications plant which are borne by the lessee shall be credited by the owner to Account 5200, Miscellaneous revenue, and shall be charged by the lessee to the appropriate Plant Specific Operations Expense account.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5698, Feb. 6, 2002]

§ 32.7250 Provision for deferred operating income taxes—net.

(a) This account shall be charged or credited, as appropriate, *with contra entries* recorded to the following accounts for income tax expense that has been deferred in accordance with §32.22 of Subpart B.

4100 Net Current Deferred Operating Income Taxes 4340 Net Noncurrent Deferred Operating Income Taxes

(b) Subsidiary record categories shall be maintained to distinguish between property and non-property related deferrals and so that the company may separately report that amounts contained herein that relate to Federal, state and local income taxes. Such subsidiary record categories shall be reported as required by part 43 of this Commission's Rules and Regulations.

§ 32.7300 Non-operating income and expense.

This account shall be used to record the results of transactions, events and circumstances affecting the company during a period and which are not operational in nature. This account shall include such items as non-operating taxes, dividend income and interest income. Whenever practicable, the inflows and outflows associated with a transaction or event shall be matched and the result shown as a net gain or loss. This account shall include the following:

(a) Dividends on investments in common and preferred stock, which is the property of the company, whether such stock is owned by the company and held in its treasury, or deposited in trust including sinking or other funds, or otherwise controlled.

(b) Dividends received and receivable from affiliated companies accounted for on the equity method shall be included in Account 1410, Other noncurrent assets, as a reduction of the carrying value of the investments.

(c) Interest on securities, including notes and other evidences of indebtedness, which are the property of the company, whether such securities are owned by the company and held in its treasury, or deposited in trust including sinking or other funds, or otherwise controlled. It shall also include interest on cash bank balances, certificates of deposits,

open accounts, and other analogous items.

(d) For each month the applicable amount requisite to extinguish, during the interval between the date of acquisition and date of maturity, the difference between the purchase price and the par value of securities owned or held in sinking or other funds, the income from which is includable in this account. Amounts thus credited or charged shall be concurrently included in the accounts in which the securities are carried.

(e) Amounts charged to the telecommunications plant under construction account related to allowance for funds used during construction. (See §32.2000(c)(2)(x).)

(f) Gains or losses resulting from:

(1) The disposition of land or artworks;

(2) The disposition of plant with traffic;

(3) The disposition of non-operating telecommunications plant not previously used in the provision of telecommunications services.

(g) All other items of income and gains or losses from activities not specifically provided for elsewhere, including representative items such as:

(1) Fees collected in connection with the exchange of coupon bonds for registered bonds;

(2) Gains or losses realized on the sale of temporary cash investments or marketable equity securities;

(3) Net unrealized losses on investments in current marketable equity securities;

(4) Write-downs or write-offs of the book costs of investment in equity securities due to permanent impairment;

(5) Gains or losses of non-operating nature arising from foreign currency exchange or translation;

(6) Gains or losses from the extinguishment of debt made to satisfy sinking fund requirements;

(7) Amortization of goodwill;

(8) Company's share of the earnings or losses of affiliated companies accounted for on the equity method; and

(9) The net balance of the revenue from and the expenses (including depreciation,

amortization and insurance) of property, plant, and equipment, the cost of which is includable in Account 2006, Non-operating plant.

(h) Costs that are typically given special regulatory scrutiny for ratemaking purposes. Unless specific justification to the contrary is given, such costs are presumed to be excluded from the costs of service in setting rates.

(1) Lobbying includes expenditures for the purpose of influencing public opinion with respect to the election or appointment of public officials, referenda, legislation, or ordinances (either with respect to the possible adoption of new referenda, legislation or ordinances, or repeal or modification of existing referenda, legislation or ordinances) or approval, modification, or revocation of franchises, or for the purpose of influencing the decisions of public officials. This also includes advertising, gifts, honoraria, and political contributions. This does not include such expenditures which are directly related to communications with and appearances before regulatory or other governmental bodies in connection with the reporting utility's existing or proposed operations;

(2) Contributions for charitable, social or community welfare purposes;

(3) Membership fees and dues in social, service and recreational or athletic clubs and organizations;

(4) Penalties and fines paid on account of violations of statutes. This account shall also include penalties and fines paid on account of violations of U.S. antitrust statutes, including judgements and payments in settlement of civil and criminal suits alleging such violations; and

(5) Abandoned construction projects.

(i) Cash discounts on bills for material purchased shall not be included in this account.

[67 FR 5698, Feb. 6, 2002]

§ 32.7400 Non-operating taxes.

This account shall include taxes arising from activities which are not a part of the central operations of the entity.

(a) This account shall be charged and Account 4330, Unamortized non-operating investment tax credits—net, shall be credited with investment tax credits generated from qualified expenditures related to other operations which the company has elected to defer rather than recognize currently in income.

(b) This account shall be credited and Account 4330 shall be charged with the amortization of each year's investment tax credits included in such accounts relating to

amortization of previously deferred investment tax credits of other property or regulated property, the amortization of which does not serve to reduce costs of service (but the unamortized balance does reduce rate base) for ratemaking purposes. Such amortization shall be determined with reference to the period of time used for computing book depreciation on the property with respect to which the tax credits relate.

(c) This account shall be charged and Account 4070, Income taxes—accrued, shall be credited for the amount of non-operating Federal income taxes and state and local income taxes for the current period. This account shall also reflect subsequent adjustments to amounts previously charged.

(d) Taxes shall be accrued each month on an estimated basis and adjustments made as more current data becomes available.

(e) Companies that adopt the flow-through method of accounting for investment tax credits shall reduce the calculated provision in this account by the entire amount of the credit realized during the year. Tax credits, other than investment tax credits, if normalized, shall be recorded consistent with the accounting for investment tax credits.

(f) No entries shall be made to this account to reflect interperiod tax allocation.

(g) Taxes (both Federal and state) shall be accrued each month on an estimated basis and adjustments made as later data becomes available.

(h) This account shall be charged and Account 4080, Other taxes—accrued, shall be credited for all non-operating taxes, other than Federal, state and local income taxes, and payroll related taxes for the current period. Among the items includable in this account are property, gross receipts, franchise and capital stock taxes. This account shall also reflect subsequent adjustments to amounts previously charged.

(i) This account shall be charged or credited, as appropriate, with contra entries recorded to the following accounts for non-operating tax expenses that has been deferred in accordance with §32.22: 4110 Net Current Deferred Non-operating Income Taxes, 4350 Net Noncurrent Deferred Non-operating Income Taxes.

(j) Subsidiary record categories shall be maintained to distinguish between property and non-property related deferrals and so that the company may separately report the amounts contained herein that relate to Federal, state and local income taxes. Such subsidiary record categories shall be reported as required by part 43 of this chapter.

[67 FR 5699, Feb. 6, 2002]

§ 32.7500 Interest and related items.

(a) This account shall include the current accruals of interest on all classes of funded debt

the principal of which is includable in Account 4200, Long term debt and funded debt. It shall also include the interest on funded debt the maturity of which has been extended by specific agreement. This account shall be kept so that the interest on each class of funded debt may be shown separately in the annual reports to this Commission.

(b) These accounts shall not include charges for interest on funded debt issued or assumed by the company and held by or for it, whether pledged as collateral or held in its treasury, in special deposits or in sinking or other funds.

(c) Interest expressly provided for and included in the face amount of securities issued shall be charged at the time of issuance to Account 1280, Prepayments, and cleared to this account as the term expires to which the interest applies.

(d) This account shall also include monthly amortization of balances in Account 4200, Long-term debt and funded debt.

(e) This account shall include the interest portion of each capital lease payment.

(f) This account shall include the monthly amortization of the balances in Account 1410, Other noncurrent assets.

(g) This account shall include all interest deductions not provided for elsewhere, e.g., discount, premium, and expense on notes maturing one year or less from date of issue.

(h) A list of representative items of indebtedness, the interest on which is chargeable to this account, follows:

- (1) Advances from affiliated companies;
- (2) Advances from nonaffiliated companies and other liabilities;
- (3) Assessments for public improvements past due;
- (4) Bond coupons, matured and unpaid;
- (5) Claims and judgments;
- (6) Customers' deposits;
- (7) Funded debt mature, with respect to which a definite agreement as to extension has not been made;
- (8) Notes payable on demand or maturing one year or less from date of issue;

(9) Open accounts;

(10) Tax assessments, past due; and

(11) Discount, premium, and issuance expense of notes maturing one year or less from date of issue.

[67 FR 5699, Feb. 6, 2002]

§ 32.7600 Extraordinary items.

(a) This account is intended to segregate the effects of events or transactions that are extraordinary. Extraordinary events and transactions are distinguished by both their unusual nature and by the infrequency of their occurrence, taking into account the environment in which the company operates. This account shall also include the related income tax effect of the extraordinary items.

(b) This account shall be credited and/or charged with non-typical, non-customary and infrequently recurring gains and/or losses which would significantly distort the current year's income computed before such extraordinary items, if reported other than as extraordinary items.

(c) This account shall be charged or credited and Account 4070, Income taxes—accrued, shall be credited or charged for all current income tax effects (Federal, state and local) of extraordinary items.

(d) This account shall also be charged or credited, as appropriate, with a contra amount recorded to Account 4350, Net noncurrent deferred non-operating income taxes or Account 4110, Net current deferred non-operating income taxes for the income tax effects (Federal, state and local) of extraordinary items that have been deferred in accordance with §32.22.

[67 FR 5700, Feb. 6, 2002]

§ 32.7899 Content of accounts.

Jurisdictional differences and non-regulated income amounts shall be included in Accounts 7910 and 7990.

§ 32.7910 Income effect of jurisdictional ratemaking differences—net.

This account shall include the impact on revenues and expenses of the jurisdictional ratemaking practices which vary from those of this Commission. All entries recorded in this account shall be recorded net of the applicable income tax effects and shall be supported by appropriate subsidiary records, where necessary, as provided for in

§32.13(e) of subpart B.

§ 32.7990 Non-regulated net income.

(a) This account shall be used by those companies who offer non-regulated activities that do not involve the joint or common use of assets or resources used in the provision of both regulated and non-regulated products and services, and which have not established a separate subsidiary for that purpose.

(b) All revenue and expenses (including taxes) incurred in these non-regulated activities shall be recorded on separate books of account for such operations. Only the net of the total revenues and total expenses shall be recorded in this account, with a contra debit or credit to account 1406.3.

[52 FR 6562, Mar. 4, 1987]

Subpart G—Glossary

§ 32.9000 Glossary of terms.

When used in this system of accounts:

Accelerated depreciation means a depreciation method or period of time, including the treatment given cost of removal and gross salvage, used in calculating depreciation deductions on income tax returns which is different from the depreciation method or period of time prescribed by this Commission for use in calculating depreciation expense recorded in a company's books of account.

Account means a specific element of a chart of accounts used to record, classify and accumulate similar financial transactions resulting from the operations of the entity. “Accounts” or “these accounts” refer to the accounts of this system of accounts.

Accounting system means the total set of interrelated principles, rules, requirements, definitions, accounts, records, procedures and mechanisms necessary to operate and evaluate the entity from a financial perspective. An accounting system generally consists of a chart of accounts, various parallel subsystems and subsidiary records. An accounting system is utilized to provide the necessary financial information to users to meet judiciary and other responsibilities.

Affiliated companies means companies that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the accounting company. See also Control.

Amortization means the systematic recoveries, through ratable charges to expense, of the

cost of assets.

Associated equipment means that equipment which functions with a specific type of plant or with two (2) or more types of plant, e.g., switching equipment, network power equipment, circuit equipment, common channel network signaling equipment or network operations equipment. Associated equipment shall be classified to the account appropriate for the type of equipment with which it is predominately used rather than on its own characteristics.

Illustrative examples of associated equipment are:

Alarm and signal apparatus Auxiliary framing Cable and cable racks Distributing frames and equipment thereon Frame and aisle lighting equipment (not permanently attached to the building) Relay racks and panels

Basic service area means the minimum specified calling area for which a tariff is prescribed.

Book cost means the amount at which property is recorded in these accounts, without deduction of related allowances.

Common carrier or carrier means any person engaged as a common carrier for hire, in interstate or foreign communication by wire or radio or in interstate or foreign radio transmission of energy, except where reference is made to common carriers not subject to this Act; but a person engaged in radio broadcasting shall not, insofar as such person is so engaged, be deemed a common carrier.

Company or the company, when not otherwise indicated in the context, means the accounting entity. It includes such unincorporated entities which may be subject to the Communications Act of 1934, as amended.

Control (including the terms “controlling,” “controlled by,” and “under common control with”) means the possession directly or indirectly, of the power to direct or cause the direction of the management and policies of a company, whether such power is exercised through one or more intermediary companies, or alone, or in conjunction with, or pursuant to an agreement with, one or more other companies, and whether such power is established through a majority or minority ownership or voting of securities, common directors, officers, or stockholders, voting trusts, holding trusts, affiliated companies, contract, or any other direct or indirect means.

Cost, except as applied to telecommunications plants, franchises, and patent rights, means the amount of money actually paid (or the current money value of any consideration other than money exchanged) for property or services. See also Original Cost.

Cost of removal means the cost of demolishing, dismantling, removing, tearing down, or

otherwise disposing of telecommunications plant and recovering the salvage, including the cost of transportation and handling incident thereto.

Depreciation means the loss not restored by current maintenance, incurred in connection with the consumption or prospective retirement of telecommunications plant in the course of service from causes which are known to be in current operation, against which the company is not protected by insurance, and the effect of which can be forecast with a reasonable approach to accuracy. Among the causes to be given consideration are wear and tear, decay, action of the elements, inadequacy, obsolescence, changes in technology, changes in demand and requirements of public authorities.

Entity means a legal enterprise (common carrier) engaged in interstate communications within the meaning of the Communications Act of 1934, as amended.

Group plan, as applied to depreciation accounting, means the plan under which depreciation charges are accrued upon the basis of the original cost of all property included in each depreciable plant account, using the average service life thereof properly weighted, and upon the retirement of any depreciable property its cost is charged to the depreciation reserve whether or not the particular item has attained the average service life.

Indexed revenue threshold for a given year means \$100 million, adjusted for inflation, as measured by the Department of Commerce Gross Domestic Product Chain-type Price Index (GDP-CPI), for the period from October 19, 1992 to the given year. The indexed revenue threshold for a given year shall be determined by multiplying \$100 million by the ratio of the annual value of the GDP-CPI for the given year to the estimated seasonally adjusted GDP-CPI on October 19, 1992. The indexed revenue threshold shall be rounded to the nearest \$1 million. The seasonally adjusted GDP-CPI on October 19, 1992 is determined to be 100.69.

Intangible property means assets that have no physical existence but instead have value because of the rights which ownership confers.

Intrasystems means assets consisting of:

- (1) PBX and Key System Common Equipment (a switchboard or switching equipment shared by all stations);
- (2) Associated CPE station equipment (usually telephone or Key Telephone Systems); and
- (3) Intrasystem wiring (all cable or wiring and associated components which connect the common equipment and the station equipment, located on the customer's side of the demarcation point).

An intrasystem does not include property, plant or equipment which are not solely

dedicated to its operation.

Mid-sized incumbent local exchange carrier is a carrier whose annual revenue from regulated telecommunications operations equals or exceeds the indexed revenue threshold and whose revenue when aggregated with the revenues of any local exchange carrier that it controls, is controlled by, or with which it is under common control is less than \$7 billion (indexed for inflation as measured by the Department of Commerce Gross Domestic Product Chain-type Price Index (GDP-CPI)).

Minor items, as applied to depreciable telecommunications plant, means any part or element of such plant, which when removed, (with or without replacement) does not initiate retirement accounting.

Original cost or *cost*, as applied to telecommunications plant, rights of way and other intangible property, means the actual money cost of (or the current money value of any consideration other than money exchanged for) property at the time when it was first dedicated to use by a regulated telecommunications entity, whether the accounting company or by predecessors.

For the application of this definition to property acquired from predecessors see §32.2000(b)(1) of subpart C. Note also the definition of Cost in this section.

Plant retired means plant which has been removed, sold, abandoned, destroyed, or otherwise withdrawn from service.

Retirement units, as applied to depreciable telecommunications plant, means those items of plant which when removed (with or without replacement) cause the initiation of retirement accounting entries.

Retail Service Provider (RSP) means any telecommunications service provider, including enhanced service providers or information service providers that offers and provides retail services to its customers either as a stand alone service or bundled with other telecommunications and/or enhanced and/or information services and provides those services utilizing the originating and/or transport and/or terminating facilities of a local exchange carrier.

Salvage value means the amount received for property retired, if sold, or if retained for reuse, the amount at which the material recovered is chargeable to Account 1220, Material and Supplies, or other appropriate account.

Straight-line method, as applied to depreciation accounting, means the plan under which the cost of property is charged to operating expenses and credited to accumulated depreciation through equal annual charges as nearly as may be during its service life.

Subsidiary record means accumulation of detailed information which is required by this

Commission to be maintained in support of entries to the accounts.

Subsidiary record categories means those segregations of certain regulated costs, expenses and revenues which must be maintained and are subject to specific reporting requirements of this Commission.

Subsystems, parallel mechanisms means processes or procedures which augment the use of a chart of accounts in the financial operation of the entity. These subsystems operate on and/or process account and subsidiary record information for specific purposes.

Telecommunications means any transmission, emission, or reception of signs, signals, writing, images or sounds or intelligence of any nature by wire, radio, visual or other electromagnetic systems. This encompasses the aggregate of several modes of conveying information, signals or messages over a distance. Included in the telecommunications industry is the transmitting, receiving, or exchanging of information among multiple locations. The minimum elements required for the telecommunications process to occur are a message source, a transmission medium and a receiver.

Time of installation means the date at which telecommunications plant is placed in service.

Time of retirement means the date at which telecommunications plant is retired from service.

Tangible property means assets characterized by physical existence, such as land, buildings, equipment, furniture, fixtures and tools.

[51 FR 43499, Dec. 2, 1986, as amended at 61 FR 50245, Sept. 25, 1996; 62 FR 39778, July 24, 1997; 62 FR 51064, Sept. 30, 1997; 64 FR 50008, Sept. 15, 1999; 67 FR 5700, Feb. 6, 2002]

FCC Part 36 – Summary of Rule Revisions

1. Replace carrier access charge or access with intercarrier.

- (a) Section contents – 36.381
- (b) Subpart C – 36.213(b)
- (b) Subpart D – 36.301, 36.354(a), 36.378(b), 36.380(a), 36.381, 36.381(a) to (d)
- (c) Subpart G – Definitions

2. Replace interexchange carrier with Retail Service Provider (RSP) or use RSP where appropriate.

- (a) Subpart B – 36.126(d), 36.126(d)(3), 36.142(a), 36.191(a)
- (b) Subpart D – 36.377(a), 36.377(a)(1) to (a)(4), 36.377(a)(4)(vii), 36.377(a)(5), 36.377(a)(5)(vii), 36.377(a)(6), 36.380(b) to (c), 36.381(a), 36.421
- (c) Subpart G – Definitions

3. Part 36 may be used for interoffice cost allocations.

- (a) Subpart A – 36.1(b)

4. Allocation of unitary intercarrier switched and special revenues to the jurisdictions.

- (a) Subpart C – 36.213(b) to (c)

5. Assignment of universal service fund and state equalization fund revenues – Account 5084.

- (a) Subpart C – 36.211, 36.213

6. Removal of universal service fund cap.

- (a) Section contents – 36.604

(b) Subpart F – 36.603(a), 36.604, 36.605(b), 36.605(c)(3)(ii)(A) to (B)

7. Definitions of Intercarrier service, intercarrier compensation, interoffice facilities, reciprocal compensation, retail service provider.

(a) Subpart G

Electronic Code of Federal Regulations (e-CFR)

Title 47: Telecommunication

PART 36—JURISDICTIONAL SEPARATIONS PROCEDURES; STANDARD PROCEDURES FOR SEPARATING TELECOMMUNICATIONS PROPERTY COSTS, REVENUES, EXPENSES, TAXES AND RESERVES FOR TELECOMMUNICATIONS COMPANIES 1

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§ 36.156 Interexchange Cable and Wire Facilities (C&WF)—Category 3—
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Equal Access Equipment

§ 36.191 Equal access equipment.

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General

§ 36.201 Section arrangement.

§ 36.202 General.

Operating Revenues

§ 36.211 General.

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§ 36.214 Long distance message revenue—Account 5100.

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§ 36.216 Uncollectible revenue—Account 5300.

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§ 36.222 Nonoperating income and expenses—Account 7300.

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§ 36.301 Section arrangement.

§ 36.302 General.

Plant Specific Operations Expenses

§ 36.310 General.

Network Support/General Support Expenses

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Central Office Expenses

§ 36.321 Central office expenses—Accounts 6210, 6220, and 6230 (Class B telephone companies); Accounts 6211, 6212, 6220, 6231, and 6232 (Class A telephone companies).

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§ 36.331 Information origination/termination expenses—Account 6310 (Class B telephone companies); Accounts 6311, 6341, 6351, and 6362 (Class A telephone companies).

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§ 36.341 Cable and wire facilities expenses—Account 6410 (Class B telephone companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A telephone companies).

Plant Nonspecific Operations Expenses

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§ 36.353 Network operations expenses—Account 6530 (Class B telephone companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A telephone companies).

§ 36.354 Access expenses—Account 6540.

Depreciation and Amortization Expenses

§ 36.361 Depreciation and amortization expenses—Account 6560.

Customer Operations Expenses

§ 36.371 General.

§ 36.372 Marketing—Account 6610 (Class B telephone companies); Accounts 6611 and 6613 (Class A telephone companies).

§ 36.373 Services—Account 6620.

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§ 36.412 Apportionment procedures.

Equal Access Expenses

§ 36.421 Equal access expenses.

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§ 36.501 General.

§ 36.502 Other jurisdictional assets—Net—Account 1500.

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§ 36.505 Accumulated amortization—Tangible—Account 3400 (Class B Telephone Companies); Accumulated amortization—Capital Leases—Account 3410 (Class A Telephone Companies).

§ 36.506 Net current deferred operating income taxes—Account 4100, Net noncurrent deferred operating income taxes—Account 4340.

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General

§ 36.601 General.

§ 36.602 Calculation of non-rural carrier portion of nationwide loop cost expense adjustment.

§ 36.603 Calculation of rural incumbent local exchange carrier portion of nationwide loop cost expense adjustment.

§ 36.604 [Reserved]

§ 36.605 Calculation of safety net additive.

Data Collection

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Calculation of Loop Costs for Expense Adjustment

§ 36.621 Study area total unseparated loop cost.

§ 36.622 National and study area average unseparated loop costs.

Calculation of Expense Adjustment—Additional Interstate Expense Allocation

§ 36.631 Expense adjustment.

Transitional Expense Adjustment

§ 36.641 Transition.

Subpart G—[Reserved]

Appendix to Part 36—Glossary

¹The Commission has determined that the same jurisdictional separations used in the contiguous states are to be used for Alaska, Hawaii, Puerto Rico and the Virgin Islands. *Integration of Rates and Services*, Docket No. 21263, 87 FCC 2nd 18 (1981); *Integration of Rates and Services*, Docket No. 21264, 72 FCC 2nd 699 (1979).

Authority: 47 U.S.C. Secs. 151, 154 (i) and (j), 205, 221(c), 254, 403 and 410.

Source: 52 FR 17229, May 6, 1987, unless otherwise noted.

Subpart A—General

§ 36.1 General.

(a) This part contains an outline of separations procedures for telecommunications companies on the station-to-station basis. These procedures are applicable either to property costs, revenues, expenses, taxes, and reserves as recorded on the books of the company or to estimated amounts.

(1) Where a value basis is used instead of book costs, the “costs” referred to are the “values” of the property derived from the valuation.

(b) The separations procedures set forth in this part are designed primarily for the allocation of property costs, revenues, expenses, taxes and reserves between state and interstate jurisdictions. For separations, where required, of the state portion between exchange and toll or for separations of individual exchanges or special services, further analyses and studies may be required to adapt the procedures to such additional separations. The procedures may be used to identify interoffice (interstate and intrastate interexchange) property costs, revenues, expenses, taxes and reserves for use in Part 69 of this chapter, by using interoffice studies consistent with the procedures set forth in this part.

(c) The fundamental basis on which separations are made is the use of telecommunications plant in each of the operations. The first step is the assignment of the cost of the plant to categories. The basis for making this assignment is the identification of the plant assignable to each category and the determination of the cost of the plant so identified. The second step is the apportionment of the cost of the plant in each category among the operations by direct assignment where possible, and all remaining costs are assigned by the application of appropriate use factors.

(d) In assigning book costs to categories, the costs used for certain plant classes are average unit costs which equate to all book costs of a particular account or subaccount; for other plant classes, the costs used are those which either directly approximate book cost levels or which are equated to match total book costs at a given location.

(e) The procedures outlined herein reflect “short-cuts” where practicable and where their application produces substantially the same separations results as would be obtained by the use of more detailed procedures, and they assume the use of records generally maintained by Telecommunications Companies.

(f) The classification to accounts of telecommunications property, revenues, expenses, etc., set forth in this manual is that prescribed by the Federal Communications

Commission's Uniform System of Accounts for Telecommunications Companies.

(g) In the assignment of property costs to categories and in the apportionment of such costs among the operations, each amount so assigned and apportioned is identified as to the account classification in which the property is included. Thus, the separated results are identified by property accounts and apportionment bases are provided for those expenses which are separated on the basis of the apportionment of property costs. Similarly, amounts of revenues and expenses assigned each of the operations are identified as to account classification.

(h) The separations procedures described in this part are not to be interpreted as indicating what property, revenues, expenses and taxes, or what items carried in the income, reserve and retained earnings accounts, should or should not be considered in any investigation or rate proceeding.

§ 36.2 Fundamental principles underlying procedures.

(a) The following general principles underlie the procedures outlined in this part:

(1) Separations are intended to apportion costs among categories or jurisdictions by actual use or by direct assignment.

(2) Separations are made on the “actual use” basis, which gives consideration to relative occupancy and relative time measurements.

(3) In the development of “actual use” measurements, measurements of use are (i) determined for telecommunications plant or for work performed by operating forces on a unit basis (e.g., conversation-minute-kilometers per message, weighted standard work seconds per call) in studies of traffic handled or work performed during a representative period for all traffic and (ii) applied to overall traffic volumes, i.e., 24-hour rather than busy-hour volumes.

(b) Underlying the procedures included in this manual for the separation of plant costs is an over-all concept which may be described as follows:

(1) Telecommunications plant, in general, is segregable into two broad classifications, namely, (i) interexchange plant, which is plant used primarily to furnish toll services, and (ii) exchange plant, which is plant used primarily to furnish local services.

(2) Within the interexchange classification, there are three broad types of plant, i.e., operator systems, switching plant, and trunk transmission equipment. Within the exchange classification there are four broad types of plant, i.e., operator systems, switching plant, trunk equipment and subscriber plant. Subscriber plant comprises lines to the subscriber.

(3) In general, the basis for apportioning telecommunications plant used jointly for state

and interstate operations are:

(i) Operator work time expressed in weighted standard work seconds is the basis for measuring the use of operator systems.

(ii) Holding-time-minutes is the basis for measuring the use of toll switching plant.

(iii) Conversation-minute-kilometers or conversation minutes is the basis for measuring the use of interexchange circuit plant and holding-time minutes is the basis for measuring the use of exchange trunk plant. While the use of holding-time-minute-kilometers is the basic fundamental allocation factor for interexchange circuit plant and exchange trunk plant, the use of conversation-minute-kilometers or conversation-minutes for the allocation of interexchange circuit plant and holding-time minutes for the allocation of exchange trunk plant are considered practical approximations for separations between state and interstate operations when related to the broad types of plant classifications used herein.

(iv) A subscriber plant factor is the basis of apportioning the cost of message telecommunications subscriber plant and local switching plant between State and interstate operations. The subscriber plant factor is developed and used according to the procedures set forth in §§36.154(c) through 36.154(f).

(c) Property rented to affiliates, if not substantial in amount, is included as used property of the owning company with the associated revenues and expenses treated consistently: Also such property rented from affiliates is not included with the used property of the company making the separations; the rent paid is included in its expenses. If substantial in amount, the following treatment is applied:

(1) In the case of property rented to affiliates, the property and related expenses and rent revenues are excluded from the telephone operations of the owning company, and

(2) In the case of property rented from affiliates, the property and related expenses are included with, and the rent expenses are excluded from, the telephone operations of the company making the separation.

(d) Property rented to or from non-affiliates is usually to be included as used property of the owning company with the associated revenues and expenses treated consistently. In the event the amount is substantial, the property involved and the revenues and expenses associated therewith may be excluded from or included in the telecommunications operations of the company. When required, the cost of property rented to or from non-affiliates is determined using procedures that are consistent with the procedures for the allocation of costs among the operations.

(e) Costs associated with services or plant billed to another company which have once been separated under procedures consistent with general principles set forth in this part,

and are thus identifiable as entirely interstate or State in nature, shall be directly assigned to the appropriate operation and jurisdiction.

[52 FR 17229, May 6, 1987, as amended at 58 FR 44905, Aug. 25, 1993]

§ 36.3 Freezing of jurisdictional separations category relationships and/or allocation factors.

(a) Effective July 1, 2001, through June 30, 2006, all local exchange carriers subject to part 36 rules shall apportion costs to the jurisdictions using their study area and/or exchange specific jurisdictional allocation factors calculated during the twelve month period ending December 31, 2000, for each of the categories/sub-categories as specified herein. Direct assignment of private line service costs between jurisdictions shall be updated annually. Other direct assignment of investment, expenses, revenues or taxes between jurisdictions shall be updated annually. Local exchange carriers that invest in telecommunications plant categories during the period July 1, 2001, through June 30, 2006, for which it had no separations allocation factors for the twelve month period ending December 31, 2000, shall apportion that investment among the jurisdictions in accordance with the separations procedures in effect as of December 31, 2000 for the duration of the freeze.

(b) Effective July 1, 2001, through June 30, 2006, local exchange carriers subject to price cap regulation, pursuant to §61.41, shall assign costs from the part 32 accounts to the separations categories/sub-categories, as specified herein, based on the percentage relationships of the categorized/sub-categorized costs to their associated part 32 accounts for the twelve month period ending December 31, 2000. If a part 32 account for separations purposes is categorized into more than one category, the percentage relationship among the categories shall be utilized as well. Local exchange carriers that invest in types of telecommunications plant during the period July 1, 2001, through June 30, 2006, for which it had no separations category investment for the twelve month period ending December 31, 2000, shall assign such investment to separations categories in accordance with the separations procedures in effect as of December 31, 2000. Local exchange carriers not subject to price cap regulation, pursuant to §61.41 of this chapter, may elect to be subject to the provisions of §36.3(b). Such election must be made prior to July 1, 2001. Local exchange carriers electing to become subject to §36.3(b) shall not be eligible to withdraw from such regulation for the duration of the freeze. Local exchange carriers participating in Association tariffs, pursuant to §69.601 of this chapter et seq., shall notify the Association prior to July 1, 2001, of such intent to be subject to the provisions of §36.3(b). Local exchange carriers not participating in Association tariffs shall notify the Commission prior to July 1, 2001, of such intent to be subject to the provisions of §36.3(b).

(c) Effective July 1, 2001, through June 30, 2006, any local exchange carrier that sells or otherwise transfers exchanges, or parts thereof, to another carrier's study area shall continue to utilize the factors and, if applicable, category relationships as specified in §§36.3(a) and (b).

(d) Effective July 1, 2001, through June 30, 2006, any local exchange carrier that buys or otherwise acquires exchanges or part thereof, shall calculate new, composite factors and, if applicable, category relationships based on a weighted average of both the seller's and purchaser's factors and category relationships calculated pursuant to §§36.3(a) and 36.3(b). This weighted average should be based on the number of access lines currently being served by the acquiring carrier and the number of access lines in the acquired exchanges.

(1) To compute the composite allocation factors and, if applicable, the composite category percentage relationships of the acquiring company, the acquiring carrier shall first sum its existing (pre-purchase) access lines (A) with the total access lines acquired from selling company (B). Then, multiply its factors and category relationship percentages by $A/(A+B)$ and those of the selling company by $B/(A+B)$ and sum the results.

(2) For carriers subject to a freeze of category relationships, the acquiring carrier should remove all categories of investment from the selling carrier's list of frozen category relationships where no such category investment exists within the sold exchange(s). The seller's remaining category relationships must then be increased proportionately to total 100 percent. Then, the adjusted seller's category relationships must be combined with those of the acquiring carrier as specified in §36.3(d)(1) to determine the category relationships for the acquiring carrier's post-transfer study area.

(e) Any local exchange carrier study area converting from average schedule company status, as defined in §69.605(c) of this chapter, to cost company status during the period July 1, 2001, through June 30, 2006, shall, for the first twelve months subsequent to conversion categorize the telecommunications plant and expenses and develop separations allocation factors in accordance with the separations procedures in effect as of December 31, 2000. Effective July 1, 2001 through June 30, 2006, such companies shall utilize the separations allocation factors and account categorization subject to the requirements of §§36.3(a) and (b) based on the category relationships and allocation factors for the twelve months subsequent to the conversion to cost company status.

[66 FR 33204, June 21, 2001]

Subpart B—Telecommunications Property

General

§ 36.101 Section arrangement.

(a) This subpart is arranged in sections as follows:

General

Telecommunications Plant in Service—Account 2001—36.101 and 36.102. General Support Facilities—Account 2110—36.111 and 36.112. Central Office Equipment—

Accounts 2210, 2220, 2230—36.121 thru 36.126. Information Origination/Termination Equipment—Account 2310—36.141 and 36.142. Cable and Wire Facilities—Account 2410—36.151 thru 36.157. Amortization Assets—Accounts 2680 and 2690—36.161 and 36.162. Telecommunications Plant—Other Accounts 2002 thru 2005—36.171. Rural Telephone Bank Stock—36.172. Material and Supplies—Accounts 1220, and Cash Working Capital—36.181 and 36.182. Equal Access Equipment—36.191.

[60 FR 12138, Mar. 6, 1995]

§ 36.102 General.

(a) This section contains an outline of the procedures used in the assignment of Telecommunications Plant in Service—Account 2001 to categories and the apportionment of the cost assigned to each category among the operations.

(b) The treatment of rental plant is outlined in §§36.2(c) through 36.2(e). If the amount of such plant is substantial, the cost may be determined by using the general procedures set forth for the assignment of the various kinds of property to categories.

(c) The amount of depreciation deductible from the book cost or “value” is apportioned among the operations in proportion to the separation of the cost of the related plant accounts.

General Support Facilities

§ 36.111 General.

(a) The costs of the general support facilities are contained in Account 2110, Land and Support Assets. This account contains land, buildings, motor vehicles, aircraft, special purpose vehicles, garage work equipment, other work equipment, furniture, office equipment and general purpose computers.

§ 36.112 Apportionment procedure.

(a) The costs of the general support facilities of Class A Companies (which are defined in part 32 of the Commission's Rules) are apportioned among the operations on the basis of the separation of the costs of the combined Big Three Expenses which include the following accounts:

Plant Specific Expenses

Central Office Switching Expenses—Accounts 6211 and 6212

Operators Systems Expenses—Account 6220

Central Office Transmission Expenses—Accounts 6231 and 6232

Information Origination/Termination Expenses—Accounts 6311, 6341, 6351, and 6362

Cable and Wire Facilities Expenses—Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441

Plant Non-Specific Expenses

Network Operations Expenses—Accounts 6531, 6532, 6533, 6534, and 6535

Customer Operations Expenses

Marketing—Account 6611 and 6613

Services—Account 6620

(b) The costs of the general support facilities for Class B Companies (which are defined by part 32 of the Commission's Rules) are apportioned among the operations on the basis of the separation of the costs of Central Office Equipment, Information Origination/Termination Equipment, and Cable and Wire Facilities, combined.

[52 FR 17229, May 6, 1987, as amended at 53 FR 33012, Aug. 29, 1988; 69 FR 12549, Mar. 17, 2004]

Central Office Equipment

§ 36.121 General.

(a) The costs of central office equipment are carried in the following accounts:

Central Office Switching.....	Account 2210.
Non-digital Switching.....	Account 2211.
Digital Electronic Switching.....	Account 2212.
Operator Systems.....	Account 2220.
Central Office_Transmission.....	Account 2230.
Radio Systems.....	Account 2231.
Circuit Equipment.....	Account 2232.

(b) Records of the cost of central office equipment are usually maintained for each study area separately by accounts. However, each account frequently includes equipment having more than one use. Also, equipment in one account frequently is associated closely with equipment in the same building in another account. Therefore, the separations procedures for central office equipment have been designed to deal with categories of plant rather than with equipment in an account.

(c) In the separation of the cost of central office equipment among the operations, the first step is the assignment of the equipment in each study area to categories. The basic method of making this assignment is the identification of the equipment assignable to each category, and the determination of the cost of the identified equipment by analysis of accounting, engineering and other records.

(1) The cost of common equipment not assigned to a specific category, e.g., common power equipment, including emergency power equipment, aisle lighting and framework, including distributing frames, is distributed among the categories in proportion to the cost of equipment, (excluding power equipment not dependent upon common power equipment) directly assigned to categories.

(i) The cost of power equipment used by one category is assigned directly to that category, e.g., 130 volt power supply provided for circuit equipment. The cost of emergency power equipment protecting only power equipment used by one category is also assigned directly to that category.

(ii) Where appropriate, a weighting factor is applied to the cost of circuit equipment in distributing the power plant costs not directly assigned, in order to reflect the generally greater power use per dollar of cost of this equipment.

(d) The second step is the apportionment of the cost of the equipment in each category among the operations through the application of appropriate use factors or by direct assignment.

[52 FR 17229, May 6, 1987, as amended at 69 FR 12549, Mar. 17, 2004]

§ 36.122 Categories and apportionment procedures.

(a) The following categories of central office equipment and apportionment procedures therefore are set forth in §§36.123 through 36.126.

Operator Systems Equipment	Category 1.
Tandem Switching Equipment	Category 2.
Local Switching Equipment	Category 3.
Circuit Equipment	Category 4.

§ 36.123 Operator systems equipment—Category 1.

(a) Operator systems equipment is contained in Account 2220. It includes all types of manual telephone switchboards except tandem switchboards and those used solely for

recording of calling telephone numbers in connection with customer dialed charge traffic. It includes all face equipment, terminating relay circuits of trunk and toll line circuits, cord circuits, cable turning sections, subscriber line equipment, associated toll connecting trunk equipment, number checking facilities, ticket distributing systems, calculagraphs, chief operator and other desks, operator chairs, and other such equipment.

(1) Operator systems equipment is generally classified according to operating arrangements of which the following are typical:

- (i) Separate toll boards
- (ii) Separate local manual boards
- (iii) Combined local manual and toll boards
- (iv) Combined toll and DSA boards
- (v) Separate DSA and DSB boards
- (vi) Service observing boards
- (vii) Auxiliary service boards
- (viii) Traffic service positions

(2) If switchboards as set forth in §36.123(a) are of the key pulsing type, the cost of the key pulsing senders, link and trunk finder equipment is included with the switchboards.

(3) DSB boards include the associated DSB dial equipment, such as link and sender equipment.

(4) Traffic service position systems include the common control and trunk equipment in addition to the associated groups of positions wherever located.

(5) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the average balance of Account 2220, Operator Systems, to the categories/subcategories, as specified in §36.123(a)(1), based on the relative percentage assignment of the average balance of Account 2220 to these categories/subcategories during the twelve month period ending December 31, 2000.

(6) Effective July 1, 2001 through June 30, 2006, all study areas shall apportion the costs assigned to the categories/subcategories, as specified in §36.123(a)(1), among the jurisdictions using the relative use measurements for the twelve month period ending December 31, 2000 for each of the categories/subcategories specified in §36.123 (b)

through 36.123(e).

(b) The cost of the following operator systems equipment is apportioned among the operations on the basis of the relative number of weighted standard work seconds handled at the switchboards under consideration.

(1) The following types of switchboards at toll centers are generally apportioned individually:

(i) *Separate toll boards.* These usually include outward, through and inward positions in separate lines and associated inward toll switchboard positions in line.

(ii) Switchboards handling both local and toll, either combined or having segregated local and toll positions in the same line.

(iii) Switchboards handling both toll and DSA, either combined or having segregated toll and DSA positions in the same line.

(iv) Traffic service positions, including separately located groups of these positions when associated with a common basic control unit.

(2) The following types of switchboards at toll centers are apportioned individually, or by groups of comparable types of boards for each exchange:

(i) *Separate local manual boards.* This includes the local positions of manual boards where inward toll positions are in the same line.

(ii) Separate DSA boards.

(iii) Separate DSB boards.

(3) Tributary boards may be treated individually if warranted or they may be treated on a group basis.

(c) Auxiliary service boards generally handle rate and route, information, and intercept service at individual or joint positions. The cost of these boards is apportioned as follows:

(1) The cost of separate directory assistance boards is apportioned among the operations on the basis of the relative number of weighted standard work seconds handled at the boards under consideration. Directory assistance weighted standard work seconds are apportioned among the operations on the basis of the classification of these weighted standard work seconds as follows:

(i) Directory assistance weighted standard work seconds first are classified between calls received over toll directory assistance trunks from operators or customers and all other

directory assistance calls.

(ii) The directory assistance weighted standard work seconds of each type further are classified separately among the operations on the basis of an analysis of a representative sample of directory assistance calls of each type with reference to the locations of the calling and called stations for each call.

(2) The cost of separate intercept boards and automated intercept systems in the study area is apportioned among the operations on the basis of the relative number of subscriber line minutes of use.

(3) The cost of separate rate and route boards is generally included with the cost of the toll boards served and is apportioned with those boards.

(4) Where more than one auxiliary service is handled at an auxiliary board, the cost of the board is apportioned among the auxiliary services on the basis of the relative number of weighted standard work seconds for each service. The cost of that part of the board allocated to each auxiliary service is apportioned among the operations in the same manner as for a separate auxiliary board.

(d) The cost of joint exchange and toll service observing boards is first apportioned between exchange and toll use on the basis of the relative number of exchange and toll service observing units at these boards. The cost of separate toll service observing boards and the toll portion of joint service observing boards is apportioned between state and interstate operations on the basis of the relative number of toll minutes of use associated with the toll messages originating in the offices observed.

(e) Traffic Service Position System (TSPS) investments are apportioned as follows:

(1) Operator position investments are apportioned on the basis of the relative weighted standard work seconds for the entire TSPS complex.

(2) Remote trunk arrangement (RTA) investments are apportioned on the basis of the relative processor real time (i.e., actual seconds) required to process TSPS traffic originating from the end offices served by each RTA.

(3) The remaining investments at the central control location, such as the stored program control and memory, is apportioned on the basis of the relative processor real time (i.e., actual seconds) for the entire TSPS complex.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33205, June 21, 2001]

§ 36.124 Tandem switching equipment—Category 2.

(a) Tandem switching equipment is contained in Accounts 2210, 2211, and 2212. It

includes all switching equipment in a tandem central office, including any associated tandem switchboard positions and any intertoll switching equipment. Intertoll switching equipment includes switching equipment used for the interconnection of message toll telephone circuits with each other or with local or tandem telephone central office trunks, intertoll dial selector equipment, or intertoll trunk equipment in No. 5 type electronic offices. Equipment, including switchboards used for recording of calling telephone numbers and other billing information in connection with customer dialed charge traffic is included with Local Switching Equipment—Category 3.

(2) At tributary offices, this category includes intertoll switching equipment similar to that at toll center toll offices if it is used in the interconnection of: Tributary to tributary circuits; tributary to subtributary circuits; subtributary to subtributary circuits; toll center to subtributary circuits; or if it is used jointly in the interconnection of any of the aforementioned types of circuits and in the interconnection of such toll circuits with trunk circuits for the handling of traffic terminating in the tributary office. Where comparable equipment has no joint use but is used only for the handling of traffic terminating in the tributary office, it is included in the local switching equipment category.

(3) At all switching entities, this category includes intertoll switching equipment similar to that at toll center toll offices if it is used in the interconnection of switched private line trunks or TWX switching plant trunks when these functions are in addition to the message telephone switching function. Switching entities wholly dedicated to switching of special services are assigned to Category 3—Local Switching Equipment.

(b) The costs of central office equipment items assigned this category are to be directly assigned when possible. When direct assignment is not possible the costs shall be apportioned among the operations on the basis of the relative number of study area minutes of use of this equipment.

(c) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the average balances of Accounts 2210, 2211, and 2212 to Category 2, Tandem Switching Equipment based on the relative percentage assignment of the average balances of Account 2210, 2211, 2212, and 2215 to Category 2, Tandem Switching Equipment during the twelve month period ending December 31, 2000.

(d) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion costs in Category 2, Tandem Switching Equipment, among the jurisdictions using the relative number of study area minutes of use, as specified in §36.124(b), for the twelve month period ending December 31, 2000. Direct assignment of any subcategory of Category 2 Tandem Switching Equipment between jurisdictions shall be updated annually.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33205, June 21, 2001; 69 FR 12549, Mar. 17, 2004]

§ 36.125 Local switching equipment—Category 3.

(a) Local switching equipment is included in accounts 2210, 2211, and 2212. It comprises all central office switching equipment not assigned other categories. Examples of local switching equipment are basic switching train, toll connecting trunk equipment, interlocal trunks, tandem trunks, terminating senders used for toll completion, toll completing train, call reverting equipment, weather and time of day service equipment, and switching equipment at electronic analog or digital remote line locations. Equipment used for the identification, recording and timing of customer dialed charge traffic, or switched private line traffic (*e.g.* transmitters, recorders, call identity indexers, perforators, ticketers, detectors, mastertimes) switchboards used solely for recording of calling telephone numbers in connection with customer dialed charge traffic, or switched private line traffic (or both) is included in this local switching category. Equipment provided and used primarily for operator dialed toll or customer dialed charge traffic except such equipment included in Category 2 Tandem Switching Equipment is also included in this local switching category. This includes such items as directors translators, sender registers, out trunk selectors and facilities for toll intercepting and digit absorption. Special services switching equipment which primarily performs the switching function for special services (*e.g.* switching equipment, TWX concentrators and switchboards) is also included in this local switching category.

(1) Local office, as used in §36.125, comprises one or more local switching entities of the same equipment type (*e.g.*, step-by-step, No. 5 Crossbar) in an individual location. A local switching entity comprises that local central office equipment of the same type which has a common intermediate distributing frame, market group or other separately identifiable switching unit serving one or more prefixes (NNX codes).

(2) A host/remote local switching complex is composed of an electronic analog or digital host office and all of its remote locations. A host/remote local switching complex is treated as one local office. The current jurisdictional definition of an exchange will apply.

(3) Dial equipment minutes of use (DEM) is defined as the minutes of holding time of the originating and terminating local switching equipment. Holding time is defined in the Glossary.

(4) The interstate allocation factor is the percentage of local switching investment apportioned to the interstate jurisdiction.

(5) The interstate DEM factor is the ratio of the interstate DEM to the total DEM. A weighted interstate DEM factor is the product of multiplying a weighting factor, as defined in paragraph (f) of this section, to the interstate DEM factor. The state DEM factor is the ratio of the state DEM to the total DEM.

(b) Beginning January 1, 1993, Category 3 investment for study areas with 50,000 or more access lines is apportioned to the interstate jurisdiction on the basis of the interstate

DEM factor. Category 3 investment for study areas with 50,000 or more access lines is apportioned to the state jurisdiction on the basis of the state DEM factor.

(c)–(e) [Reserved]

(f) Beginning January 1, 1993 and ending December 31, 1997, for study areas with fewer than 50,000 access lines, Category 3 investment is apportioned to the interstate jurisdiction by the application of an interstate allocation factor that is the lesser of either .85 or the product of the interstate DEM factor specified in paragraph (a)(5) of this section multiplied by a weighting factor, as determined by the table below. Beginning January 1, 1998, for study areas with fewer than 50,000 access lines, Category 3 investment is apportioned to the interstate jurisdiction by the application of an interstate allocation factor that is the lesser of either .85 or the sum of the interstate DEM factor specified in paragraph (a)(5) of this section and the difference between the 1996 weighted interstated DEM factor and the 1996 interstate DEM factor. The Category 3 investment that is not assigned to the interstate jurisdiction pursuant to this paragraph is assigned to the state jurisdiction.

Weighting	No. of access lines in service in study area	factor
0–10,000.....		3.0
10,001–20,000.....		2.5
20,001–50,000.....		2.0
50,001–or above.....		1.0

(g) For purposes of this section, an access line is a line that does not include WATS access lines, special access lines or private lines.

(h) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the average balances of Accounts 2210, 2211, and 2212 to Category 3, Local Switching Equipment, based on the relative percentage assignment of the average balances of Account 2210, 2211, 2212, and 2215 to Category 3, during the twelve month period ending December 31, 2000.

(i) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion costs in Category 3, Local Switching Equipment, among the jurisdictions using relative dial

equipment minutes of use for the twelve month period ending December 31, 2000.

(j) If during the period from January 1, 1997, through June 30, 2006, the number of a study area's access lines increased or will increase such that, under §36.125(f) the weighting factor would be reduced, that lower weighting factor shall be applied to the study area's 1996 unweighted interstate DEM factor to derive a new local switching support factor. The study area will restate its Category 3, Local Switching Equipment factor under §36.125(f) and use that factor for the duration of the freeze period.

[52 FR 17229, May 6, 1987, as amended at 53 FR 33011, 33012, Aug. 29, 1988; 62 FR 32946, June 17, 1997; 63 FR 2124, Jan. 13, 1998; 66 FR 33205, June 21, 2001; 69 FR 12549, Mar. 17, 2004]

§ 36.126 Circuit equipment—Category 4.

(a) For the purpose of this section, the term “Circuit Equipment” encompasses the Radio Systems and Circuit Equipment contained in Accounts 2230 through 2232 respectively. It includes central office equipment, other than switching equipment and automatic message recording equipment, which is used to derive communications transmission channels or which is used for the amplification, modulation, regeneration, testing, balancing or control of signals transmitted over communications transmission channels. Examples of circuit equipment in general use include:

- (1) Carrier telephone and telegraph system terminals.
 - (2) Telephone and telegraph repeaters, termination sets, impedance compensators, pulse link repeaters, echo suppressors and other intermediate transmission amplification and balancing equipment except that included in switchboards.
 - (3) Radio transmitters, receivers, repeaters and other radio central office equipment except message switching equipment associated with radio systems.
 - (4) Composite ringers, line signaling and switching pad circuits.
 - (5) Concentration equipment.
 - (6) Composite sets and repeating coils.
 - (7) Program transmission amplifiers, monitoring devices and volume indicators.
 - (8) Testboards, test desks, repair desks and patch bays, including those provided for test and control, and for telegraph and transmission testing.
- (b) For apportionment among the operations, the cost of circuit equipment is assigned to

the following subsidiary categories:

(1) *Exchange Circuit Equipment—Category 4.1.*

(i) Wideband Exchange Line Circuit Equipment—Category 4.11.

(ii) Exchange Trunk Circuit Equipment (Wideband and Non-Wideband)—Category 4.12.

(iii) Exchange Line Circuit Equipment Excluding Wideband—Category 4.13.

(2) *Interexchange Circuit Equipment—Category 4.2.*

(i) Interexchange Circuit Equipment Furnished to Another Company for Interstate Use—Category 4.21.

(ii) Interexchange Circuit Equipment Used for Wideband Services including Satellite and Earth Station Equipment used for Wideband Service—Category 4.22.

(iii) All Other Interexchange Circuit Equipment—Category 4.23.

(3) *Host/Remote Message Circuit Equipment—Category 4.3.*

(4) In addition, for the purpose of identifying and separating property associated with special services, circuit equipment included in Categories 4.12 (other than wideband equipment) 4.13 and 4.23 is identified as either basic circuit equipment, i.e., equipment that performs functions necessary to provide and operate channels suitable for voice transmission (telephone grade channels), or special circuit equipment, i.e., equipment that is peculiar to special service circuits. Carrier telephone terminals and carrier telephone repeaters are examples of basic circuit equipment in general use, while audio program transmission amplifiers, bridges, monitoring devices and volume indicators, telegraph carrier terminals and telegraph repeaters are examples of special circuit equipment in general use. Cost of exchange circuit equipment included in Categories 4.12 and 4.13 and the interexchange circuit equipment in Categories 4.21, 4.22 and 4.23 are segregated between basic circuit equipment and special circuit equipment only at those locations where amounts of interexchange and exchange special circuit equipment are significant. Where such segregation is not made, the total costs in these categories are classified as basic circuit equipment.

(5) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41, shall assign the average balances of Accounts 2230 through 2232 to the categories/subcategories as specified in §§36.126(b)(1) through (b)(4) based on the relative percentage assignment of the average balances of Accounts 2230 through 2232 costs to these categories/subcategories during the twelve month period ending December 31, 2000.

(c) Apportionment of Exchange Circuit Equipment Among the Operations:

(1) Wideband Exchange Line Circuit Equipment—Category 4.11—The cost of exchange circuit equipment in this category is determined separately for each wideband facility. The respective costs are allocated to the appropriate operation in the same manner as the related exchange line cable and wire facilities described in §36.155.

(2) Exchange Trunk Circuit Equipment (Wideband and Non-Wideband)—Category 4.12—The cost of exchange circuit equipment associated with this category for the study area is allocated to the appropriate operation in the same manner as the related exchange trunk cable and wire facilities as described in §36.155.

(3) Exchange Line Circuit Equipment Excluding Wideband—Category 4.13—The cost of Circuit Equipment associated with exchange line plant excluding wideband for the study area is assigned to subcategories and is allocated to the appropriate operation in the same manner as the related exchange line cable and wire facilities for non-wideband service as described in §36.154.

(4) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion costs in the categories/subcategories, as specified in §§36.126(b)(1) through (b)(4), among the jurisdictions using the relative use measurements or factors, as specified in §§36.126(c)(1) through (c)(3) for the twelve month period ending December 31, 2000. Direct assignment of any subcategory of Category 4.1 Exchange Circuit Equipment to the jurisdictions shall be updated annually.

(d) Apportionment of Interexchange Circuit Equipment among the Operations: Procedures to be Used by RSPs.

(1) Interexchange Circuit Equipment Furnished to Another Company for Interstate Use—Category 4.21—This category comprises that circuit equipment provided for the use of another company as an integral part of its interexchange circuit facilities used wholly for interstate services. This category includes such circuit equipment as telephone carrier, terminals telegraph carrier terminals, and microwave systems used wholly for interstate services. The total cost of the circuit equipment in this category for the study area is assigned to the interstate operation.

(2) Interexchange Circuit Equipment Used for Wideband Service—Category 4.22—This category includes the circuit equipment portion of interexchange channels used for wideband services. The cost of interexchange circuit equipment in this category is determined separately for each wideband channel and is segregated between message and private line services on the basis of the use of the channels provided. The respective costs are allocated to the appropriate operation in the same manner as the related interexchange cable and wire facilities as described in §36.156.

(3) All Other Interexchange Circuit Equipment—Category 4.23—This category includes

the cost of all interexchange circuit equipment not assigned to Categories 4.21 and 4.22. RSPs shall freeze the allocation factors for Category 4.23 investment at levels reached on December 31, 1985, derived by using the procedures in effect at that time. On January 1, 1988, and thereafter, that frozen allocation factor shall be applied to each RSP's Category 4.23 investment to derive the interstate allocation. On January 1, 1988, and thereafter, the amount of investment allocated to the interstate jurisdiction will vary but the relative proportion of the total investment that is allocated to the interstate jurisdiction will remain frozen at 1985 levels.

(e) Apportionment of Interexchange Circuit Equipment among the Operations: Procedures To Be Used by Exchange Carriers.

(1) Interexchange Circuit Equipment Furnished to Another Company for Interstate Use—Category 4.21—This category comprises that circuit equipment provided for the use of another company as an integral part of its interexchange circuit facilities used wholly for interstate services. This category includes such circuit equipment as telephone carrier terminals telegraph carrier terminals, and microwave systems used wholly for interstate services. The total cost of the circuit equipment in this category for the study area is assigned to the interstate operation.

(2) Interexchange Circuit Equipment Used for Wideband Service—Category 4.22—This category includes the circuit equipment portion of interexchange channels used for wideband services. The cost of interexchange circuit equipment in this category is determined separately for each wideband channel and is segregated between message and private line services on the basis of the use of the channels provided. The respective costs are allocated to the appropriate operation in the same manner as the related interexchange cable and wire facilities described in §36.155.

(3) All Other Interexchange Circuit Equipment—Category 4.23—This category includes the cost of all interexchange circuit equipment not assigned to Categories 4.21 and 4.22. The cost of interexchange basic circuit equipment used for the following classes of circuits is included in this category: Jointly used message circuits, i.e., message switching plant circuits carrying messages from the state and interstate operations; circuits used exclusively for TWX service; circuits used for interstate private line service; and circuits used for state private line services.

(i) An average interexchange circuit equipment cost per equivalent interexchange telephone termination for all circuits is determined and applied to the equivalent interexchange telephone termination counts of each of the following classes of circuits: Interstate Private Line, State Private Line, Message, and TWX. The cost of interstate private line circuits is assigned directly to the interstate operation. The cost of state private line circuits is assigned directly to the state operation. The cost of message circuits is apportioned between the state and interstate operations on the basis of the relative number of study area conversation-minutes applicable to such facilities.

(ii) The cost on interexchange circuit equipment assigned TWX circuits is apportioned between state and interstate toll in accordance with §36.126(e)(3)(i) and pursuant to the following procedures. The cost of circuit equipment associated with the TWX inter-toll circuits used jointly for state and interstate operations is apportioned between the operations on the basis of the relative number of study area TWX connection-minutes applicable to such facilities. The cost of circuit equipment associated with the interexchange portion of the TWX remote access lines is apportioned between state and interstate operation on the basis of the relative number of study area TWX connection-minutes applicable to those facilities.

(iii) The cost of special circuit equipment is segregated among TWX service, telegraph grade private line services and other private line services based on an analysis of the use of the equipment and in accordance with §36.126(b)(4). The cost of TWX special circuit equipment is apportioned on the same basis as that used for inter-toll TWX circuits. The special circuit equipment cost assigned to telegraph grade and other private line services is directly assigned to the appropriate operation.

(4) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion costs in the categories/subcategories specified in §§36.126(e)(1) through (e)(3) among the jurisdictions using relative use measurements or factors, as specified in §§36.126(e)(1) through (e)(3) for the twelve month period ending December 31, 2000. Direct assignment of any subcategory of Category 4.2 Interexchange Circuit Equipment to the jurisdictions shall be updated annually.

(f) Apportionment of Host/Remote Message Circuit Equipment Among the Operations.

(1) Host/Remote Message Circuit Equipment—Category 4.3. This category includes message host/remote location circuit equipment for which a message circuit switching function is performed at the host central office associated with cable and wire facilities as described in §36.152(c).

(i) The category 4.3 cost of host/remote circuit equipment assigned to message services for the study area is apportioned among the exchange, intrastate toll, and interstate toll operations on the basis of the assignment of host/remote message cable and wire facilities as described in §36.157.

(ii) [Reserved]

(2) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion costs in the subcategory specified in §36.126(f)(1) among the jurisdictions using the allocation factor, as specified in §36.126(f)(1)(i), for this subcategory for the twelve month period ending December 31, 2000. Direct assignment of any Category 4.3 Host/Remote Message Circuit Equipment to the jurisdictions shall be updated annually.

[52 FR 17229, May 6, 1987, as amended at 53 FR 33012 Aug. 29, 1988; 66 FR 33205,

June 21, 2001; 69 FR 12550, Mar. 17, 2004]

Information Origination/Termination (IOT) Equipment

§ 36.141 General.

(a) Information Origination/Termination Equipment is maintained in Account 2310 and includes station apparatus, embedded customer premises wiring, large private branch exchanges, public telephone terminal equipment, and other terminal equipment.

(b) The costs in Account 2310 shall be segregated between Other Information Origination/Termination Equipment—Category 1, and New Customer Premises Equipment—Category 2 by an analysis of accounting, engineering and other records.

(c) Effective July 1, 2001, through June 30, 2006, local exchange carriers subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the average balance of Account 2310 to the categories, as specified in §36.141(b), based on the relative percentage assignment of the average balance of Account 2310 to these categories during the twelve month period ending December 31, 2000.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33206, June 21, 2001]

§ 36.142 Categories and apportionment procedures.

(a) *Other Information Origination/Termination Equipment—Category 1.* This category includes the cost of other information origination/termination equipment not assigned to Category 2. The costs of other information origination/termination equipment are allocated pursuant to the factor that is used to allocate subcategory 1.3 Exchange Line C&WF. If amounts of coinless pay telephone equipment are substantial, the cost of such equipment should be separately identified and allocated on the basis of relative toll minutes-of-use for RSPs and minutes-of-use for exchange carriers.

(b) *Customer Premises Equipment—Category 2.* This category includes the cost of Customer Premises Equipment that was detariffed pursuant to the Second Computer Inquiry decision. It shall be assigned to the state operations.

(c) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion costs in the categories, as specified in §36.141(b), among the jurisdictions using the relative use measurements or factors, as specified in §36.142(a), for the twelve month period ending December 31, 2000. Direct assignment of any category of Information Origination/Termination Equipment to the jurisdictions shall be updated annually.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33206, June 21, 2001]

Cable and Wire Facilities

§ 36.151 General.

(a) Cable and Wire Facilities, Account 2410, includes the following types of communications plant in service: Poles and antenna supporting structures, aerial cable, underground cable, buried cable, submarine cable, deep sea cable, intrabuilding network cable, aerial wire and conduit systems.

(b) For separations purposes, it is necessary to analyze the cable and wire facilities classified in subordinate records in order to determine their assignment to the categories listed in the following paragraphs.

(c) In the separation of the cost of cable and wire facilities among the operations, the first step is the assignment of the facilities to certain categories. The basic method of making this assignment is the identification of the facilities assignable to each category and the determination of the cost of the facilities so identified. Because of variations among companies in the character of the facilities and operating conditions, and in the accounting and engineering records maintained, the detailed methods followed, of necessity, will vary among the companies. The general principles to be followed, however, will be the same for all companies.

(d) The second step is the apportionment of the cost of the facilities in each category among the operations through the application of appropriate factors or by direct assignment.

§ 36.152 Categories of Cable and Wire Facilities (C&WF).

(a) C&WF are basically divided between exchange and interexchange. Exchange C&WF consists of the following categories:

(1) *Exchange Line C&WF Excluding Wideband*—Category 1—This category includes C&W facilities between local central offices and subscriber premises used for message telephone, TWX subscriber lines, private line, local channels, and for circuits between control terminals and radio stations providing very high frequency maritime service or urban or highway mobile service.

(2) *Wideband and Exchange Trunk C&WF*—Category 2—This category includes all wideband, including Exchange Line Wideband and C&WF between local central offices and Wideband facilities. It also includes C&WF between central offices or other switching points used by any common carrier for interlocal trunks wholly within an exchange or metropolitan service area, interlocal trunks with one or both terminals outside a metropolitan service area carrying some exchange traffic, toll connecting trunks, tandem trunks principally carrying exchange traffic, the exchange trunk portion of TWX and WATS access lines the exchange trunk portion of private line local channels, and the exchange trunk portion of circuits between control terminals and radio stations providing very high frequency maritime service or urban or highway mobile service.

(3) The procedures for apportioning the cost of exchange cable and wire facilities among the operations are set forth in §§36.154 and 36.155.

(b) Interexchange C&WF—Category 3—This category includes the C&WF used for message toll and toll private line services. It includes cable and wire facilities carrying inter-toll circuits, tributary circuits, the interexchange channel portion of special service circuits, circuits between control terminals and radio stations used for overseas or coastal harbor service, interlocal trunks between offices in the different exchange or metropolitan service areas carrying only message toll traffic and certain tandem trunks which carry principally message toll traffic.

(1) The procedures for apportioning the cost of interexchange cable and wire facilities among the operations are set forth in §36.156.

(c) Host/Remote Message C&WF—Category 4—This category includes the cost of message host/remote location C&WF for which a message circuit switching function is performed at the host central office. It applies to C&WF between host offices and all remote locations. The procedures for apportioning the cost of these facilities among the operations are set forth in §36.157.

(d) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41, shall assign the average balance of Account 2410 to the categories/subcategories, as specified in §§36.152(a) through (c), based on the relative percentage assignment of the average balance of Account 2410 to these categories/subcategories during the twelve month period ending December 31, 2000.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33206, June 21, 2001]

§ 36.153 Assignment of Cable and Wire Facilities (C&WF) to categories.

(a) Cable consists of: Aerial cable, underground cable, buried cable, submarine cable, deep sea cable and intrabuilding network cable. Where an entire cable or aerial wire is assignable to one category, its cost and quantity are, where practicable, directly assigned.

(1) *Cable.* (i) There are two basic methods for assigning the cost of cable to the various categories. Both of them are on the basis of conductor cross section. The methods are as follows:

(A) By section of cable, uniform as to makeup and relative use by categories. From an analysis of cable engineering and assignment records, determine in terms of equivalent gauge the number of pairs in use or reserved, for each category. The corresponding percentages of use, or reservation, are applied to the cost of the section of cable, i.e., sheath meters times unit cost per meter, to obtain the cost assignable to each category.

(B) By using equivalent pair kilometers, i.e., pair kilometers expressed in terms of

equivalent gauge. From an analysis of cable engineering and assignment records, determine the equivalent pair kilometers in use for each category by type of facility, e.g., quadded, paired. The equivalent pair kilometers are then divided by a cable fill factor to obtain the equivalent pair kilometers in plant. The total equivalent pair kilometers in plant assigned to each category is summarized by type of facility, e.g., quadded and paired, and priced at appropriate average unit costs per equivalent pair kilometer in plant. If desired, this study may be made in terms of circuit kilometers rather than physical pair kilometers, with average cost and fill data consistent with the basis of the facilities kilometer count.

(ii) In the assignment of the cost of cable under the two basic methods described in §36.153(a)(1)(i) consideration is given to the following:

(A) Method (A) described in §36.153(a)(1)(i)(A) will probably be found more desirable where there is a relatively small amount of cable of variable make-up and use by categories. Conversely, method (B) described in §36.153(a)(1)(i)(B) will probably be more desirable where there is a large amount of cable of variable make-up and use by categories. However, in some cases a combination of both methods may be desirable.

(B) It will be desirable in some cases to determine the amount assignable to a particular category by deducting from the total the sum of the amounts assigned to all other categories.

(C) For use in the assignment of poles to categories, the equivalent sheath kilometers of aerial cable assigned to each category are determined. For convenience, these quantities are determined in connection with assignment of cable costs.

(D) Where an entire cable is assignable to one category, its costs and quantity are, where practicable, directly assigned.

(iii) For cables especially arranged for high-frequency transmission such as shielded, disc-insulated and coaxial, recognition is given to the additional costs which are charged to the high-frequency complement.

(2) *Cable Loading.* (i) Methods for assigning the cost of loading coils, cases, etc., to categories are comparable with those used in assigning the associated cable to categories. Loading associated with cable which is directly assigned to a given category is also directly assigned. The remaining loading is assigned to categories in either of the following bases:

(A) By an analysis of the use made of the loading facilities where a loading coil case includes coils assignable to more than one category, e.g., in the case of a single gauge uniformly loaded section, the percentage used in the related cable assignment are applicable, or

(B) By pricing out each category by determining the pair meters of loaded pairs assigned

to each category and multiplying by the unit cost per pair meter of loading by type.

(3) *Other Cable Plant.* (i) In view of the small amounts involved, the cost of all protected terminals and gas pressure contactor terminals in the toll cable subaccounts is assigned to the appropriate Interexchange Cable & Wire Facilities categories. The cost of all other terminals in the exchange and toll cable subaccounts is assigned to Exchange Cable and Wire Facilities.

(b) *Aerial Wire.* (1) The cost of wire accounted for as exchange is assigned to the appropriate Exchange Cable & Wire Facilities categories. The cost of wire accounted for as toll, which is used for exchange, is also assigned to the appropriate Exchange Cable & Wire Facilities categories. The cost of the remaining wire accounted for as toll is assigned to the appropriate Interexchange Cable & Wire Facilities categories as described in §36.156. For companies not maintaining exchange and toll subaccounts, it is necessary to review the plant records and identify wire plant by use. The cost of wire used for providing circuits directly assignable to a category is assigned to that category. The cost of wire used for providing circuit facilities jointly used for exchange and interexchange lines is assigned to categories on the basis of the relative number of circuit kilometers involved.

(c) *Poles and Antenna Supporting Structures.* (1) In the assignment of these costs, anchors, guys, crossarms, antenna supporting structure, and right-of-way are included with the poles.

(2) Poles. (i) The cost of poles is assigned to categories based on the ratio of the cost of poles to the total cost of aerial wire and aerial cable.

(d) *Conduit Systems.* (1) The cost of conduit systems is assigned to categories on the basis of the assignment of the cost of underground cable.

[53 FR 17229, May 6, 1987, as amended at 53 FR 33012, Aug. 29, 1988; 58 FR 44905, Aug. 25, 1993]

§ 36.154 Exchange Line Cable and Wire Facilities (C&WF)—Category 1—apportionment procedures.

(a) *Exchange Line C&WF—Category 1.* The first step in apportioning the cost of exchange line cable and wire facilities among the operations is the determination of an average cost per working loop. This average cost per working loop is determined by dividing the total cost of exchange line cable and wire Category 1 in the study area by the sum of the working loops described in subcategories listed below. The subcategories are:

Subcategory 1.1—State Private Lines and State WATS Lines. This subcategory shall include all private lines and WATS lines carrying exclusively state traffic as well as private lines and WATS lines carrying both state and interstate traffic if the interstate

traffic on the line involved constitutes ten percent or less of the total traffic on the line.

Subcategory 1.2—Interstate private lines and interstate WATS lines. This subcategory shall include all private lines and WATS lines that carry exclusively interstate traffic as well as private lines and WATS lines carrying both state and interstate traffic if the interstate traffic on the line involved constitutes more than ten percent of the total traffic on the line.

Subcategory 1.3—Subscriber or common lines that are jointly used for local exchange service and exchange access for state and interstate interexchange services.

(b) The costs assigned to subcategories 1.1 and 1.2 shall be directly assigned to the appropriate jurisdiction.

(c) Except as provided in §36.154 (d) through (f), effective January 1, 1986, 25 percent of the costs assigned to subcategory 1.3 shall be allocated to the interstate jurisdiction.

(d) Except as provided in §36.154(f), the interstate allocation of subcategory 1.3 costs for the years 1988, 1989, 1990, 1991 and 1992 will be as follows:

(1) 1988—The §36.154(e) allocation factor multiplied by .625 plus .09375.

(2) 1989—The §36.154(e) allocation factor multiplied by .5 plus .125.

(3) 1990—The §36.154(e) allocation factor multiplied by .375 plus .15625.

(4) 1991—The §36.154(e) allocation factor multiplied by .25 plus .1875.

(5) 1992—The §36.154(e) allocation factor multiplied by .125 plus .21875.

(e) For purposes of the transitional allocations described in §36.154 (d) and (f) an allocation factor known as the subscriber plant factor or SPF that is the sum of the following shall be computed:

(1) Annual average interstate subscriber line use (SLU), for the calendar year 1981. 2 representing the interstate use of the subscriber plant as measured by the ratio of interstate holding time minutes of use to total holding time minutes of use applicable to traffic originating and terminating in the study area, multiplied by .85, the nationwide ratio of subscriber plant costs assignable to the exchange operation per minute of exchange use to total subscriber plant cost per total minute of use of subscriber plant, plus

2In the case of a company that cannot calculate the average interstate subscriber line usage (SLU) ratio for the calendar year 1981, the average interstate SLU for the customarily used 12-month study period ending in 1981 may be utilized. In the case of a company for which no such 1981 annual average SLU exists, the annual average interstate

SLU for the initial study period will be utilized.

(2) Twice the annual average interstate subscriber line use ratio for the study area for the calendar year 1981, multiplied by the annual average composite station rate ratio used for the calendar year 1981 (ratio of the nationwide, industry-wide average interstate initial 3-minute station charge at the study area average interstate length of haul to the nationwide, industry-wide average total toll initial 3-minute station charge at the nationwide average length of haul for all toll traffic for the total telephone industry).

(f) *Limit on Change in Interstate Allocation.* (1) No study area's percentage interstate allocation for Subcategory 1.3 Exchange Line C&WF and COE, Exchange Line Circuit Equipment Excluding Wideband—Category 4.13 investment as well as associated maintenance and depreciation shall decrease by a total of more than five percentage points from one calendar year to the next as a result of the combined operations of §§36.154(d) and 36.641 (a) and (b).

(2) The determination of whether the decrease in the interstate allocation for a given study area resulting from the operation of §§36.154(d) and 36.641(a) through 36.641(b) exceeds five percentage points shall be made by calculating a percentage interstate allocation for both of the years involved. This shall be done by dividing the interstate allocation of subcategory 1.3 Exchange Line C&WF and COE exchange Line circuit Equipment Excluding Wideband Category 4.13 and associated expenses for each year as calculated pursuant to §36.154(f)(4) by the total unseparated investment in Exchange Line C&WF subcategory 1.3 and COE Category 4.13 and associated expenses for the corresponding year as calculated pursuant to §36.154(f)(5).

(3) If the resulting percentage for the more recent of the two years is more than five percentage points less than the percentage for the earlier year, the decrease in the interstate allocations shall be reduced pro rata for plant investment, maintenance and depreciation so that the difference between the two percentages does not equal more than five percentage points.

(4) The sum of the following:

(i) The net interstate allocation of Exchange Line C&WF—subcategory 1.3 investment calculated pursuant to §36.154(d) and (e) multiplied by the authorized interstate rate of return.

(ii) The net interstate allocation of COE Exchange Line Circuit Equipment—Category 4.13 investment calculated pursuant to §36.154 (d) and (e) multiplied by the authorized interstate rate of return.

(iii) The interstate allocation of maintenance and depreciation attributable to Exchange Line C&WF subcategory 1.3 customer premises wire and COE Exchange Line Circuit

Equipment—Category 4.13 calculated pursuant to §36.154 (d) and (e).

(iv) The amount of the additional interstate expense allocation calculated pursuant to §36.641.

(5) The sum of the following:

(i) The net unseparated Exchange Line C&WF subcategory 1.3 investment multiplied by the authorized interstate rate of return.

(ii) The net unseparated COE Exchange Line Circuit—Category 4.13 investment multiplied by the authorized interstate rate of return.

(iii) The unseparated maintenance and depreciation attributable to Exchange Line C&WF subcategory 1.3 investment, customer premises wiring investment and COE Exchange Line Circuit Equipment—Category 4.13 investment.

(g) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion Subcategory 1.3 Exchange Line C&WF among the jurisdictions as specified in §36.154(c). Direct assignment of subcategory Categories 1.1 and 1.2 Exchange Line C&WF to the jurisdictions shall be updated annually as specified in §36.154(b).

[52 FR 17229, May 6, 1987, as amended at 53 FR 33012, Aug. 29, 1988; 54 FR 31033, July 26, 1989; 66 FR 33206, June 21, 2001; 67 FR 17014, Apr. 9, 2002]

§ 36.155 Wideband and exchange trunk (C&WF)—Category 2—apportionment procedures.

(a) The cost of C&WF applicable to this category shall be directly assigned where feasible. If direct assignment is not feasible, cost shall be apportioned between the state and interstate jurisdictions on the basis of the relative number of minutes of use.

(b) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion Category 2 Wideband and exchange trunk C&WF among the jurisdictions using the relative number of minutes of use, as specified in §36.155(a), for the twelve-month period ending December 31, 2000. Direct assignment of any Category 2 equipment to the jurisdictions shall be updated annually.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33206, June 21, 2001]

§ 36.156 Interexchange Cable and Wire Facilities (C&WF)—Category 3—apportionment procedures.

(a) An average interexchange cable and wire facilities cost per equivalent interexchange telephone circuit kilometer for all circuits in Category 3 is determined and applied to the equivalent interexchange telephone circuit kilometer counts of each of the classes of

circuits.

(b) The cost of C&WF applicable to this category shall be directly assigned where feasible. If direct assignment is not feasible, cost shall be apportioned between the state and interstate jurisdiction on the basis of conversation-minute kilometers as applied to toll message circuits, TWX circuits, etc.

(c) Effective July 1, 2001, through June 30, 2006, all study areas shall directly assign Category 3 Interexchange Cable and Wire Facilities C&WF where feasible. All study areas shall apportion the non-directly assigned costs in Category 3 equipment to the jurisdictions using the relative use measurements, as specified in §36.156 (b), during the twelve-month period ending December 31, 2000.

[58 FR 44905, Aug. 25, 1993, as amended at 66 FR 33206, June 21, 2001]

§ 36.157 Host/remote message Cable and Wire Facilities (C&WF)—Category 4—apportionment procedures.

(a) *Host/Remote Message C&WF—Category 4.* The cost of host/remote C&WF used for message circuits, i.e., circuits carrying only message traffic, is included in this category.

(1) The cost of host/remote message C&WF excluding WATS closed end access lines for the study area is apportioned on the basis of the relative number of study area minutes-of-use kilometers applicable to such facilities.

(2) The cost of host/remote message C&WF used for WATS closed end access for the study area is directly assigned to the appropriate jurisdiction.

(b) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion Category 4 Host/Remote message Cable and Wire Facilities C&WF among the jurisdictions using the relative number of study area minutes-of-use kilometers applicable to such facilities, as specified in §36.157(a)(1), for the twelve month period ending December 31, 2000. Direct assignment of any Category 4 equipment to the jurisdictions shall be updated annually.

[52 FR 17229, May 6, 1987, as amended at 58 FR 44905, Aug. 25, 1993; 66 FR 33206, June 21, 2001]

Amortizable Assets

§ 36.161 Tangible assets—Account 2680.

(a) Tangible Assets, Account 2680 includes the costs of property acquired under capital leases and the original cost of leasehold improvements.

(b) The costs of capital leases are apportioned among the operations based on similar

plant owned or by analysis.

(c) The cost of leasehold improvements are apportioned among the operations in direct proportion to the costs of the related primary account.

§ 36.162 Intangible assets—Account 2690.

(a) Intangible Assets, Account 2690 includes the costs of organizing and incorporating the company, franchises, patent rights, and other intangible property having a life of more than one year.

(b) The amount included in this account is apportioned among the operations on the basis of the separation of the cost of Telecommunications Plant In Service, Account 2001, excluding the Intangible Assets, Account 2690.

Telecommunications Plant—Other

§ 36.171 Property held for future telecommunications use—Account 2002; Telecommunications plant under construction—Account 2003; and Telecommunications plant adjustment—Account 2005.

The amounts carried in Accounts 2002, 2003, and 2005 are apportioned among the operations on the basis of the apportionment of Account 2001, Telecommunications Plant in Service.

[60 FR 12138, Mar. 6, 1995]

Rural Telephone Bank Stock

§ 36.172 Other noncurrent assets—Account 1410.

(a) The amounts carried in this account shall be separated into subsidiary record categories:

(1) Class B RTB Stock and

(2) All other.

(b) The amounts contained in category (2) all other of §36.172(a)(2), shall be excluded from part 36 jurisdictional separations.

(c) The amounts contained in category (1) Class B RTB stock of §36.172(a)(1), shall be allocated based on the relative separations of Account 2001, Telephone Plant in Service.

[52 FR 17229, May 6, 1987, as amended at 53 FR 33012, Aug. 29, 1988]

Material and Supplies and Cash Working Capital

§ 36.181 Material and supplies—Account 1220.

(a) The amount included in Account 1220 is apportioned among the operations on the basis of the apportionment of the cost of cable and wire facilities in service. Any amounts included in Account 1220 associated with the Customer Premises portion of Account 2310 equipment, shall be excluded from the amounts which are allocated to the interstate operation.

§ 36.182 Cash working capital.

(a) The amount for cash working capital, if not determined directly for a particular operation, is apportioned among the operations on the basis of total expenses less non-cash expense items.

Equal Access Equipment

§ 36.191 Equal access equipment.

(a) Equal access investment includes only initial incremental expenditures for hardware and other equipment related directly to the provision of equal access which would not be required to upgrade the capabilities of the office involved absent the provision of equal access. Equal access investment is limited to such expenditures for converting central offices which serve competitive RSPs or where there has been a bona fide request for conversion to equal access.

(b) Equal access investment is first segregated from all other amounts in the primary accounts.

(c) The equal access investment determined in this manner is allocated between the jurisdictions on the basis of relative state and interstate equal access traffic including interstate interLATA equal access traffic, intrastate interLATA equal access traffic, and BOC interstate corridor toll traffic as well as AT&T and OCC intraLATA equal access usage. Local exchange traffic and BOC intraLATA toll traffic is excluded. In the case of independent telephone companies, intrastate toll service provided by the independent local exchange company is excluded in determining intrastate usage, but intrastate toll service provided by long distance carriers affiliated with the local exchange company is included.

(d) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion Equal Access Equipment, as specified in §36.191(a), among the jurisdictions using the relative state and interstate equal access traffic, as specified in §36.191(c), for the twelve month period ending December 31, 2000.

[52 FR 17229, May 6, 1987, as amended at 53 FR 33012, Aug. 29, 1988; 66 FR 33206,

June 21, 2001]

Subpart C—Operating Revenues and Certain Income Accounts

General

§ 36.201 Section arrangement.

(a) This subpart is arranged in sections as follows:

General.....	
36.202	
Operating Revenues.....	
36.211	
Basic local services revenue_Account 5000 (Class B	
36.212	
telephone companies); Basic area revenue_Account 5001	
(Class A telephone companies).....	
Network Access Revenues_Accounts 5081 thru 5083.....	
36.213	
Long Distance Message Revenue_Account 5100.....	
36.214	
Miscellaneous Revenue_Account 5200.....	
36.215	
Uncollectible Revenue_Account 5300.....	
36.216	
Certain Income Accounts:	
Other Operating Income and Expenses_Account 7100.....	
36.221	
Nonoperating Income and Expenses_Account 7300.....	
36.222	
Interest and Related Items_Account 7500.....	
36.223	
Extraordinary Items_Account 7600.....	
36.224	
Income Effect of Jurisdictional Ratemaking	
36.225	
Differences_Account 7910.....	

[69 FR 12550, Mar. 17, 2004]

§ 36.202 General.

(a) This section sets forth procedures for the apportionment among the operations of operating revenues and certain income and expense accounts.

(b) Except for the Network Access Revenues, subsidiary record categories are maintained for all revenue accounts in accordance with the requirements of part 32. These subsidiary records identify services for the appropriate jurisdiction and will be used in conjunction

with apportionment procedures stated in this manual.

[52 FR 17299, May 6, 1987, as amended at 69 FR 12550, Mar. 17, 2004]

Operating Revenues

§ 36.211 General.

(a) Operating revenues are included in the following accounts:

Account title	Account No.
Basic local service revenue (Class B telephone companies)....	5000
Basic Area Revenue (Class A telephone companies).....	5001
Network Access Revenues:	
End User Revenue.....	5081
Switched Access Revenue.....	5082
Special Access Revenue.....	5083
Universal Service Fund and State Equalization Fund Revenue	5084
Long Distance Message Revenue.....	5100
Miscellaneous Revenue.....	5200
Uncollectible Revenue.....	5300

[69 FR 12550, Mar. 17, 2004]

§ 36.212 Basic local services revenue—Account 5000 (Class B telephone companies); Basic area revenue—Account 5001 (Class A telephone companies).

- (a) Local private line revenues from broadcast program transmission audio services and broadcast program transmission video services are assigned to the interstate operation.
- (b) Revenues that are attributable to the origination or termination of interstate FX or CCSA like services shall be assigned to the interstate jurisdiction.
- (c) Wideband Message Service and TWX revenues from monthly and miscellaneous

charges, service connections, move and change charges, are apportioned between state and interstate operations on the basis of the relative number of TWX minutes-of-use in the study area. Effective July 1, 2001, through June 30, 2006, all study areas shall apportion Wideband Message Service and TWX revenues among the jurisdictions using the relative number of TWX minutes of use for the twelve-month period ending December 31, 2000.

(d) All other revenues in this account are assigned to the exchange operation based on their subsidiary record categories or on the basis of analysis and studies.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33206, June 21, 2001]

§ 36.213 Network access services revenues.

(a) End User Revenue—Account 5081. Revenues in this account are directly assigned on the basis of analysis and studies.

(b) Inter-carrier Revenue—Account 5082. Revenues in this account, including reciprocal compensation revenues are assigned to interstate on the basis of the ratio of the interstate switched inter-carrier network services revenue requirement determined pursuant to §69 of this chapter divided by the sum of the interstate switched inter-carrier network services revenue requirement determined pursuant to §69 of this chapter plus the intrastate switched inter-carrier network services revenues determined pursuant to §54.905(e)(i) of this chapter.

(c) Special Access Revenue—Account 5083. Revenues in this account are assigned to interstate on the basis of the ratio of the interstate special access revenue requirement determined pursuant to §69 of this chapter divided by the sum of the interstate special access revenue requirement determined pursuant to §69 of this chapter plus the intrastate special access revenues determined pursuant to §54.905(e)(ii) of this chapter.

(d) Universal Service Fund and State Equalization Fund Revenue-Account 5084. Universal service fund revenues are directly assigned on the basis of analysis and studies and the assignment shall be consistent with the assignment of the costs recovered by the fund. State equalization fund revenues are directly assigned to the intrastate operation.

[52 FR 17299, May 6, 1987, as amended at 69 FR 12550, Mar. 17, 2004]

§ 36.214 Long distance message revenue—Account 5100.

(a) Wideband message service and TWX revenues from monthly and miscellaneous charges, service connections, move and change charges, are apportioned between state and interstate operations on the basis of the relative number of minutes-of-use in the study area. Effective July 1, 2001 through June 30, 2006, all study areas shall apportion Wideband Message Service and TWX revenues among the jurisdictions using the relative number of TWX minutes of use for the twelve-month period ending December 31, 2000.

(b) Long Distance private line service revenues from broadcast program transmission audio services and broadcast program transmission video services are assigned to the interstate operation.

(c) All other revenues in this account are directly assigned based on their subsidiary record categories or on the basis of analysis and studies.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33206, June 21, 2001]

§ 36.215 Miscellaneous revenue—Account 5200.

(a) Directory revenues are assigned to the exchange operation.

(b) Billing and collection revenues are assigned on the basis of services being provided.

(c) All other revenues are apportioned on the basis of analysis.

§ 36.216 Uncollectible revenue—Account 5300.

The amounts in this account are apportioned among the operations on the basis of analysis during a representative period of the portion of Account 1171, Allowance for doubtful accounts, related to telecommunications billing.

[69 FR 12551, Mar. 17, 2004]

Certain Income Accounts

§ 36.221 Other operating income and expenses—Account 7100.

(a) Amounts relating to translation in foreign exchange differentials are assigned to the interstate operations.

(b) All other amounts are apportioned based on Telecommunications Plant in Service, Account 2001, if plant related, or on the nature of the item reflected in the account, if not plant related.

§ 36.222 Nonoperating income and expenses—Account 7300.

(a) Only allowance for funds used during construction, and charitable, social and community welfare contributions are considered in this account for separations purposes.

(b) Subsidiary record categories should be maintained for this account that include identification of amounts made to the account for (1) credits representing allowance for funds used during construction and (2) contributions for charitable, social or community welfare purposes, employee activities, membership dues and fees in service clubs,

community welfare association and similar organizations.

(c) The portion reflecting allowance for funds used during construction is apportioned on the basis of the cost of Telecommunications Plant Under Construction—Account 2003. The portion reflecting costs for social and community welfare contributions and fees is apportioned on the basis of the apportionment of corporate operations expenses.

[52 FR 17229, May 6, 1987, as amended at 60 FR 12138, Mar. 6, 1995]

§ 36.223 Interest and related items—Account 7500.

(a) Only interest paid relating to capital leases is considered in this account for separations purposes. Subsidiary Record Categories should be maintained for this account that include details relating to interest expense on capital leases. Such interest expense is apportioned on a basis consistent with the associated capital leases in Account 2680.

§ 36.224 Extraordinary items—Account 7600.

(a) Amounts in this account of an operating nature are apportioned on a basis consistent with the nature of these items.

§ 36.225 Income effect of jurisdictional ratemaking differences—Account 7910.

(a) Amounts in this account are directly assigned to the appropriate jurisdiction.

Subpart D—Operating Expenses and Taxes

General

§ 36.301 Section arrangement.

(a) This subpart is arranged in sections as follows:

General.....	36.301 and 36.302.
Plant Specific Operations Expenses:	
General.....	36.310.
Network Support/General Support	36.311.
Expenses_Accounts 6110 and 6120	
(Class B Telephone Companies);	
Accounts 6112, 6113, 6114, 6121,	
6122, 6123, and 6124 (Class A	
Telephone Companies).	
Central Office Expenses_Accounts	36.321
6210, 6220, 6230 (Class B	
Telephone Companies); Accounts	
6211, 6212, 6220, 6231, and 6232	
(Class A Telephone Companies).	
Information Origination/	36.331.
Termination Expenses_Account	
6310 (Class B Telephone	

Companies); Accounts 6311, 6341, 6351, and 6362 (Class A Telephone Companies).	
Cable and Wire Facilities	36.341.
Expenses_Account 6410 (Class B Telephone Companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A Telephone Companies).	
Plant Nonspecific Operations	
Expenses:	
General.....	36.351.
Other Property Plant and Equipment Expenses_Account 6510 (Class B Telephone Companies); Accounts 6511 and 6512 (Class A Telephone Companies).	36.352.
Network Operations	36.353.
Expenses_Account 6530 (Class B Telephone Companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A Telephone Companies).	
Access Expenses_Account 6540.....	36.354.
Depreciation and Amortization Expenses_Account 6560.	36.361.
Customer Operations Expenses:	
General.....	36.371.
Marketing_Account 6610 (Class B Telephone Companies); Accounts 6611 and 6613 (Class A Telephone Companies).	36.372.
Services_Account 6620.....	36.373.
Telephone Operator Services.....	36.374.
Published Directory Listing.....	36.375.
All Other.....	36.376.
Category 1_Local Bus. Office Expense.	36.377.
Category 2_Customer Services (Revenue Accounting).	36.378.
Message Processing Expense.....	36.379.
Other Billing and Collecting Expense.	36.380.
Intercarrier Billing and Collecting Expense.	36.381.
Category 3_All other Customer Service Expense.	36.382.
Corporate Operations Expenses:	
General.....	36.391.
General and Administrative Expenses_Account 6720.	36.392.
Operating Taxes_Account 7200 (Class B Telephone Companies); Accounts 7210, 7220, 7230, 7240, and 7250 (Class A Telephone Companies).	36.411 and 36.412.
Equal Access Expenses.....	36.421.

[69 FR 12551, Mar. 17, 2004]

§ 36.302 General.

(a) This section sets forth procedures for the apportionment among the operations of operating expenses and operating taxes.

(b) As covered in §36.2 (c) and (d), the treatment of expenses relating to plant furnished to and obtained from others under rental arrangements is consistent with the treatment of such plant.

(c) In accordance with requirements in part 32 §32.5999 (f) expenses recorded in the expense accounts are segregated in the accounting process among the following subsidiary record categories as appropriate to each account:

Salaries and Wages Benefits Rents Other Expenses Clearances

(1) Subsidiary Record Categories (SRC) for Salaries and Wages, Benefits and Other Expenses are applicable to all of the expense accounts except for:

Depreciation and Amortization Expenses—Account 6560

(i) Depreciation and Amortization Expense SRCs identify the character of the items contained in the account.

(2) SRCs for Rents and Clearance are only applicable to the Plant Specific Operating Expense accounts 6110 thru 6410.

Plant Specific Operations Expenses

§ 36.310 General.

(a) Plant specific operations expenses include the following accounts:

Network Support Expenses.....	Account 6110 (Class B
Telephone	Companies); Accounts 6112, 6113, and 6114 (Class A Telephone Companies)
General Support Expenses.....	Account 6120 (Class B
Telephone	Companies); Accounts 6121, 6122, 6123, and 6124 (Class A Telephone Companies).
Central Office Switching Expenses.....	Account 6210 (Class B
Telephone	Companies); Accounts 6211 and 6212 (Class A Telephone Companies)

Operator System Expenses.....	Account 6220
Central Office Transmission Expenses... Telephone	Account 6230 (Class B Companies); Accounts 6231 and 6232 (Class A Telephone Companies).
Information Origination/Termination Telephone Expenses.	Account 6310 (Class B Companies); Accounts 6311, 6341, 6351, and 6362 (Class A Telephone Companies).
Cable and Wire Facilities Expenses..... Telephone	Account 6410 (Class B Companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A Telephone Companies).

(a) Plant specific operations expenses include the following accounts:

Network Support Expenses	Account 6110
General Support Expenses	Account 6120
Central Office Switching Expenses	Account 6210
Operators System Expenses	Account 6220
Central Office Transmission Expenses	Account 6230
Information Origination/ Termination Expenses	Account 6310
Cable and Wire Facilities Expenses	Account 6410

[52 FR 17229, May 6, 1987, as amended at 53 FR 33012, Aug. 29, 1988; 69 FR 12551,
Mar. 17, 2004]

Network Support/General Support Expenses

§ 36.311 Network Support/General Support Expenses—Accounts 6110 and 6120 (Class B Telephone Companies); Accounts 6112, 6113, 6114, 6121, 6122, 6123, and 6124 (Class A Telephone Companies).

(a) Network Support Expenses are expenses associated with motor vehicles, aircraft, special purpose vehicles, garage work equipment, and other work equipment. General Support Expenses are expenses associated with land and buildings, furniture and artworks, office equipment, and general purpose computers.

(b) The expenses in these account are apportioned among the operations on the basis of the separation of account 2110, Land and Support Assets.

Central Office Expenses

§ 36.321 Central office expenses—Accounts 6210, 6220, and 6230 (Class B telephone companies); Accounts 6211, 6212, 6220, 6231, and 6232 (Class A telephone companies).

(a) The expenses related to central office equipment are summarized in the following accounts:

Central Office Switching Expense.....	Account 6210 (Class B telephone
	companies); Accounts 6211 and 6212 (Class A telephone companies).
Operator Systems Expense.....	Account 6220.
Central Office Transmission Expense....	Account 6230 (Class B telephone
	companies); Accounts 6231 and 6232 (Class A telephone companies).

[52 FR 17229, May 6, 1987, as amended at 69 FR 12552, Mar. 17, 2004]

Information Origination/Termination Expenses

§ 36.331 Information origination/termination expenses—Account 6310 (Class B telephone companies); Accounts 6311, 6341, 6351, and 6362 (Class A telephone companies).

(a) The expenses in this account are classified as follows:

(1) Other Information Origination/Termination Equipment Expenses; Customer Premises Equipment Expenses

(2) For some companies, these classifications are available from accounting records; for others, they are obtained by means of analyses of plant, accounting or other records for a representative period.

(b) Other Information Origination/Termination Equipment Expenses include all expenses not associated with Customer Premises Equipment expenses. These expenses shall be apportioned between state and interstate operations in accordance with the apportionment

of the related investment as per §36.142(a).

(c) Expenses related to Customer Premises Equipment shall be assigned to the state operations.

[52 FR 17229, May 6, 1987, as amended at 53 FR 33012, Aug. 29, 1988]

Cable and Wire Facilities Expenses

§ 36.341 Cable and wire facilities expenses—Account 6410 (Class B telephone companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A telephone companies).

(a) This account includes the expenses for poles, antenna supporting structures, aerial cable, underground cable, buried cable, submarine cable, deep sea cable, intrabuilding network cable, aerial wire, and conduit systems.

(b) The general method of separating cable and wire facilities expenses among the operations is to assign them on the basis of Account 2410—Cable and Wire Facilities.

Plant Nonspecific Operations Expenses

§ 36.351 General.

(a) Plant nonspecific operations expenses include the following accounts:

Other Property Plant and Equipment telephone Expenses.	Account 6510 (Class B companies); Accounts 6511 and 6512 (Class A telephone companies).
Network Operations Expenses..... telephone	Account 6530 (Class B companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A telephone
companies).	
Access Expenses.....	Account 6540.
Depreciation and Amortization Expenses.	Account 6560.

[69 FR 12552, Mar. 17, 2004]

Plant Expenses—Other

§ 36.352 Other property plant and equipment expenses—Account 6510 (Class B telephone companies); Accounts 6511 and 6512 (Class A telephone companies).

(a) This account is used to record the expenses associated with (1) property held for future

telecommunications use and (2) the provisioning of material and supplies.

(b) The expenses in this account are apportioned among the operations based on the separation of Account 2001—Telecommunications Plant in Service.

Network Operations Expenses

§ 36.353 Network operations expenses—Account 6530 (Class B telephone companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A telephone companies).

(a) This account includes the expenses associated with the provisions of power, network administration, testing, plant operations administration, and engineering.

(b) The expenses in this account are apportioned among the operations based on the separations of Account 2210, Central Office Switching, Account 2220 Operator Systems, Account 2230 Central Office Transmission, Account 2310, Information Origination/Termination and Account 2410, Cable and Wire Facilities, Combined.

§ 36.354 Access expenses—Account 6540.

(a) This account includes inter-carrier charges paid to exchange carriers for exchange access service. These are directly assigned to the appropriate jurisdiction based on subsidiary record categories or on analysis and study.

Depreciation and Amortization Expenses

§ 36.361 Depreciation and amortization expenses—Account 6560.

(a) This account includes the depreciation expenses for telecommunications plant in service and for property held for future telecommunications use. It also includes the amortization expense for tangible and intangible assets.

(b) Expenses recorded in this account shall be separated on the basis of the separation of the associated primary Plant Accounts or related categories.

Customer Operations Expenses

§ 36.371 General.

Customer Operations Expenses are included in the following accounts:

Marketing.....	Account 6610 (Class B
telephone	companies); Accounts 6611 and
	6613 (Class A telephone
	companies).
Services.....	Account 6620.

[69 FR 12552, Mar. 17, 2004]

§ 36.372 Marketing—Account 6610 (Class B telephone companies); Accounts 6611 and 6613 (Class A telephone companies).

The expenses in this account are apportioned among the operations on the basis of an analysis of current billing for a representative period, excluding current billing on behalf of others and billing in connection with intercompany settlements. Effective July 1, 2001 through June 30, 2006, all study areas shall apportion expenses in this account among the jurisdictions using the analysis, as specified in §36.372(a), during the twelve-month period ending December 31, 2000.

[52 FR 32923, Sept. 1, 1987, as amended at 66 FR 33207, June 21, 2001]

§ 36.373 Services—Account 6620.

(a) For apportionment purposes, the expenses in this account are first segregated on the basis of an analysis of job functions into the following classifications: Telephone operator services; publishing directory listing; and all other.

(1) Expenses may be apportioned among the operations for groups of exchanges. A group of exchanges may include all exchanges in the study area.

§ 36.374 Telephone operator services.

(a) Expenses in this classification include costs incurred for operators in call completion service and number services. This includes intercept, quoting rates, directory information, time charges, and all other operator functions performed in the central office, private branch exchange, teletypewriter exchange, and at public telephone stations.

(b) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620—Services to the Telephone operator expense classification based on the relative percentage assignment of the balance of Account 6620 to this classification during the twelve month period ending December 31, 2000.

(c) Expenses in this classification are apportioned among the operations on the basis of the relative number of weighted standard work seconds as determined by analysis and study for a representative period.

(d) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion Telephone operator expenses among the jurisdictions using the relative number of weighted standard work seconds, as specified in §36.374(c), during the twelve-month period ending December 31, 2000.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33207, June 21, 2001]

§ 36.375 Published directory listing.

(a) This classification includes expenses for preparing or purchasing, compiling and disseminating directory listings.

(b) Published directory expense is assigned as follows:

(1) Classified directory expense and all expense of soliciting advertising is assigned to the exchange operation.

(2) TWX directory expense is assigned to State toll and interstate toll operations, respectively, on the basis of the relative number of TWX minutes-of-use.

(3) The expense of alphabetical and street address directories and traffic information records is apportioned among the operations on the basis of the relative number of study area subscriber line minutes-of-use applicable to each operation.

(4) The expense associated with directories and traffic information records prepared for one locality and used in another locality is known as “foreign directories expense.” Such expense is assigned to the appropriate operation on the basis of the location of the point where used with respect to the locality for which the directories and records were prepared.

(5) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41, shall assign the balance of Account 6620-Services to the classifications, as specified in §§36.375(b)(1) through 36.375(b)(4), based on the relative percentage assignment of the balance of Account 6620 to these classifications during the twelve month period ending December 31, 2000.

(6) Effective July 1, 2001 through June 30, 2006, all study areas shall apportion Published directory listing expenses using the underlying relative use measurements, as specified in §§36.375(b)(1) through 36.375(b)(4), during the twelve-month period ending December 31, 2000. Direct assignment of any Publishing directory listing expense to the jurisdictions shall be updated annually.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33207, June 21, 2001]

§ 36.376 All other.

(a) For apportionment purposes this classification must be divided into three categories:

(1) Category 1—Local Business Office Expense.

(2) Category 2—Customer Services Expense.

(3) Category 3—All Other Customer Services Expense.

§ 36.377 Category 1— Local business office expense.

(a) The expense in this category for the area under study is first segregated on the basis of an analysis of job functions into the following subcategories: End user service order processing; end user payment and collection; end user billing inquiry; RSP service order processing; RSP payment and collection; RSP billing inquiry; and coin collection and administration. Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620—Services to the subcategories, as specified in §36.377(a), based on the relative percentage assignment of the balance of Account 6620 to these categories/subcategories during the twelve month period ending December 31, 2000.

(1) End-user service order processing includes expenses related to the receipt and processing of end users' orders for service and inquiries concerning service. This subcategory does not include any service order processing expenses for services provided to the RSPs. End user service order processing expenses are first segregated into the following subcategories based on the relative number of actual contacts which are weighted, if appropriate, to reflect differences in the average work time per contact: Local service order processing; presubscription; directory advertising; State private line and special access; interstate private line and special access; other State message toll including WATS; other interstate message toll including WATS; and TWX.

(i) Local service order processing expense (primarily local telephone service orders) is assigned to the State jurisdiction.

(ii) Presubscription service order processing expense is assigned to the interstate jurisdiction.

(iii) Directory advertising service order processing expense is assigned to the State jurisdiction.

(iv) State private line and special access service order processing expense is assigned to the State jurisdiction.

(v) Interstate private line and special access service order processing expense is assigned to the interstate jurisdiction.

(vi) Other State message toll including WATS service order processing expense is assigned to the State jurisdiction.

(vii) Other Interstate message toll including WATS service order processing expense is

assigned to the interstate jurisdiction.

(viii) TWX service order processing expense is allocated between the jurisdictions based on relative State and interstate billed TWX revenues.

(ix) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620-Services to the categories/subcategories, as specified in §§36.377(a)(1)(i) through 36.77(a)(1)(viii), based on the relative percentage assignment of the balance of Account 6620 to these categories/subcategories during the twelve month period ending December 31, 2000. Effective July 1, 2001 through June 30, 2006, all study areas shall apportion TWX service order processing expense, as specified in §36.377(a)(1)(viii) among the jurisdictions using relative billed TWX revenues for the twelve-month period ending December 31, 2000. All other subcategories of End-user service order processing expense, as specified in §§36.377(a)(1)(i) through 36.377(a)(1)(viii), shall be directly assigned.

(2) End User payment and collection includes expenses incurred in relation to the payment and collection of amounts billed to end users. It also includes commissions paid to payment agencies (which receive payment on customer accounts) and collection agencies. This category does not include any payment or collection expenses for services provided to RSPs. End user payment and collection expenses are first segregated into the following subcategories based on relative total state and interstate billed revenues (excluding revenues billed to RSPs and/or revenues deposited in coin boxes) for services for which end user payment and collection is provided: State private line and special access; interstate private line and special access; State message toll including WATS; interstate message toll including WATS, and interstate subscriber line charge; local, including directory advertising; and TWX.

(i) State private line and special access payment and collection expense is assigned to the State jurisdiction.

(ii) Interstate private line and special access payment and collection expense is assigned to the interstate jurisdiction.

(iii) State message toll including WATS payment and collection expense is assigned to the State jurisdiction.

(iv) Interstate message toll including WATS and interstate subscriber line charge payment and collection expense is assigned to the interstate jurisdiction.

(v) Local, including directory advertising payment and collection expense is assigned to the State jurisdiction.

(vi) TWX payment and collection expense is allocated between the jurisdictions based on

relative State and interstate billed TWX revenues for service for which end user payment and collection is provided.

(vii) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in §§36.377(a)(2)(i) through 36.377(a)(2)(vi), based on the relative percentage assignment of the balance of Account 6620 to these categories/subcategories during the twelve month period ending December 31, 2000. Effective July 1, 2001 through June 30, 2006, all study areas shall apportion TWX payment and collection expense, as specified in §36.377(2)(vi) among the jurisdictions using relative billed TWX revenues for the twelve-month period ending December 31, 2000. All other subcategories of End User payment and collection expense, as specified in §§36.377(a)(2)(i) through 36.377(a)(2)(vi), shall be directly assigned.

(3) End user billing inquiry includes expenses related to handling end users' inquiries concerning their bills. This category does not include expenses related to the inquiries of RSPs concerning their bills. End user billing inquiry costs are first segregated into the following subcategories based on the relative number of actual contracts, weighted if appropriate, to reflect differences in the average work time per contact: State private line and special access; interstate private line and special access; State message toll including WATS, interstate message toll including WATS, interstate subscriber line charge; TWX; and other.

(i) State private line and special access billing inquiry expense is directly assigned to the State jurisdiction.

(ii) Interstate private line and special access billing inquiry expense is directly assigned to the interstate jurisdiction.

(iii) State message toll including WATS billing inquiry expense is directly assigned to the State jurisdiction.

(iv) Interstate message toll including WATS, and interstate subscriber line charge billing inquiry expense is directly assigned to the interstate jurisdiction.

(v) TWX billing inquiry expense is allocated between the jurisdictions based on relative State and interstate billed TWX revenues for service for which end user billing inquiry is provided.

(vi) Other billing inquiry expense (primarily related to local bills but also including directory advertising) is directly assigned to the State jurisdiction.

(vii) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620-Services to the subcategories, as specified in §§36.377(a)(3)(i) through 36.377(a)(3)(vi),

based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve month period ending December 31, 2000. Effective July 1, 2001 through June 30, 2006, all study areas shall apportion TWX billing inquiry expense, as specified in §36.377(a)(3)(v) among the jurisdictions using relative billed TWX revenues for the twelve-month period ending December 31, 2000. All other subcategories of End user billing inquiry expense, as specified in §§36.377(a)(3)(i) through 36.377(a)(3)(vi), shall be directly assigned.

(4) RSP service order processing includes expenses associated with the receipt and processing of RSP orders for service and inquiries about service. RSP service order processing expenses are assigned to the following subcategories based on the relative number of actual contacts which are weighted, if appropriate, to reflect differences in the average work time per contact: State special access and private line; interstate special access and private line; State switched access and message toll including WATS; interstate switched access and message toll including WATS; State billing and collection; and interstate billing and collection.

(i) State special access and private line service order processing expense is directly assigned to the State jurisdiction.

(ii) Interstate special access and private line service order processing expense is directly assigned to the interstate jurisdiction.

(iii) State switched access and message toll including WATS service order processing expense is directly assigned to the State jurisdiction.

(iv) Interstate switched access and message toll including WATS service order processing expense is directly assigned to the interstate jurisdiction.

(v) State billing and collection service order processing expense is directly assigned to the state jurisdiction.

(vi) Interstate billing and collection service order processing expense is directly assigned to the interstate jurisdiction.

(vii) Effective July 1, 2001 through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620—Services to the subcategories, as specified in §§36.377(a)(4)(i) through 36.377(a)(4)(vi), based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve month period ending December 31, 2000. All subcategories of RSP service order processing expense, as specified in §§36.377(a)(4)(i) through 36.377(a)(4)(vi), shall be directly assigned.

(5) RSP payment and collection includes expenses associated with the payment and collection of RSP billings, including commissions paid to payment and collection agents.

RSP payment and collection expenses are assigned to the following subcategories based on relative total State and interstate revenues billed to the RSPs: State special access and private line; interstate special access and private line; State switched access and message toll including WATS; interstate switched access and message toll including WATS; State billing and collection; and interstate billing and collection.

- (i) State special access and private line payment and collection expense is directly assigned to the Interstate jurisdiction.
 - (ii) Interstate special access and private line payment and collection expense is directly assigned to the interstate jurisdiction.
 - (iii) State switched access and message toll including WATS payment and collection expense is directly assigned to the State jurisdiction.
 - (iv) Interstate switched access and message toll including WATS payment and collection expense is directly assigned to the interstate jurisdiction.
 - (v) State billing and collection payment and collection expense is directly assigned to the interstate jurisdiction.
 - (vi) Interstate billing and collection payment and collection expense is directly assigned to the State jurisdiction.
 - (vii) Effective July 1, 2001 through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620—Services to the subcategories, as specified in §§36.377(a)(5)(i) through 36.377(a)(5)(vi), based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve month period ending December 31, 2000. All subcategories of RSP payment expense, as specified in §§36.377(a)(5)(i) through 36.377(a)(5)(vi), shall be directly assigned.
- (6) RSP billing inquiry includes expenses related to the handling of RSP billing inquiries. RSP billing inquiry expenses are assigned to the following subcategories based on the relative number of actual contacts, weighted if appropriate, to reflect differences in the average work time per contact: State special access and private line; interstate special access and private line; State switched access and message toll including WATS; interstate switched access and message toll including WATS; State billing and collection; and interstate billing and collection.
- (i) State special access and private line billing inquiry expenses is directly assigned to the State jurisdiction.
 - (ii) Interstate special access and private line billing inquiry expense is directly assigned to

the interstate jurisdiction.

(iii) State switched access and message toll including WATS billing inquiry expense is directly assigned to the State jurisdiction.

(iv) Interstate switched access and message toll including WATS billing inquiry expense is directly assigned to the interstate jurisdiction.

(v) State billing and collection billing inquiry expense is directly assigned to the State jurisdiction.

(vi) Interstate Billing and Collection billing inquiry expense is directly assigned to the interstate jurisdiction.

(vii) Effective July 1, 2001 through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620—Services to the subcategories, as specified in §36.377(a)(6)(i) through 36.377(a)(6)(vi), based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve month period ending December 31, 2000. All subcategories of Interchange carrier billing inquiry expense, as specified in §§36.377(a)(6)(i) through 36.377(a)(6)(vi), shall be directly assigned.

(7) Coin collection and administration includes expenses for the collection and counting of money deposited in public or semi-public phones. It also includes expenses incurred for required travel, coin security, checking the serviceability of public or semi-public telephones, and related functions. These expenses are apportioned between the State and interstate jurisdictions in proportion to the relative State and interstate revenues deposited in the public and semi-public telephones.

(i) Effective July 1, 2001 through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620—Services to the subcategories, as specified in §36.377(a)(7), based on the relative percentage assignment of the balance of Account 6620 to these subcategories during the twelve month period ending December 31, 2000.

(ii) Effective July 1, 2001 through June 30, 2006, all study areas shall apportion Coin collection and administration expense among the jurisdictions using the relative state and interstate revenues deposited in the public and semi-public telephones, as specified in §§36.377(a)(7), for the twelve month period ending December 31, 2000. Direct assignment of any Coin collection and administration expense among the jurisdictions shall be updated annually.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33207, June 21, 2001]

§ 36.378 Category 2—Customer services (revenue accounting).

(a) The Revenue Accounting proportion of Account 6620 expenses comprise the salaries and other expenses in Account 6620 directly assignable or allocable to the billing of customers and the accounting for revenues, including the supervision of such work.

(b) Revenue Accounting expenses for the study area are separated on the basis of a Job Function analysis into three main classifications: Message processing expense, other billing and collecting expense, and intercarrier billing and collecting expense.

(1) Effective July 1, 2001 through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620—Services to the classifications, as specified in §36.378(b), based on the relative percentage assignment of the balance of Account 6620 to those classifications during the twelve month period ending December 31, 2000.

(2) [Reserved]

(c) The term “ticket” denotes either a ticket prepared manually by an operator or the mechanized equivalent of such a ticket processed by the revenue accounting office.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33208, June 21, 2001]

§ 36.379 Message processing expense.

(a) This classification includes the salary and machine expense of data processing equipment, including supervision, general accounting administrative and miscellaneous expense associated with the processing of individual toll tickets and local message tickets.

(b) The expense assigned to this classification is divided into the subcategories Toll Ticket Processing Expense and Local Message Processing Expense on the basis of the relative number of messages. Toll Ticket Processing Expense is allocated between the State and interstate jurisdiction on the basis of the relative number of toll messages. Local Message Processing Expense is assigned to the exchange operation.

(1) Effective July 1, 2001 through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620—Services to the subcategories, as specified in §36.379(b), based on the relative percentage assignment of the balance of Account 6620 to those subcategories during the twelve month period ending December 31, 2000.

(2) Effective July 1, 2001 through June 30, 2006, all study areas shall apportion Toll Ticketing Processing Expense among the jurisdictions using the relative number of toll messages for the twelve-month period ending December 31, 2000. Local Message Process Expense is assigned to the state jurisdiction.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33208, June 21, 2001]

§ 36.380 Other billing and collecting expense.

(a) This classification includes the salary expense, including supervision, general accounting administrative, and miscellaneous expense, associated with the preparation of customer bills other than inter-carrier service bills and with other revenue accounting functions not covered in §36.379. Included in this classification are the expenses incurred in the preparation of monthly bills, initial and final bills, the application of service orders to billing records (establishing, changing, or discontinuing customers' accounts), station statistical work, controlling record work and the preparation of revenue reports.

(b) Local exchange carriers that bill or collect from end users on behalf of RSPs shall allocate one third of the expenses assigned this classification to the interstate jurisdiction, and two thirds of the expenses assigned this classification to the state jurisdiction.

(c) Local exchange carriers that do not bill or collect from end users on behalf of RSPs shall allocate five percent of the expenses assigned this classification to the interstate jurisdiction, and ninety-five percent of the expenses assigned this classification to the state jurisdiction.

(d) Effective July 1, 2001 through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620—Services to the Other billing and collecting expense classification based on the relative percentage assignment of the balance of Account 6620 to those subcategory during the twelve month period ending December 31, 2000.

(e) Effective July 1, 2001 through June 30, 2006, all study areas shall apportion Other billing and collecting expense among the jurisdictions using the allocation factor utilized, pursuant to §§36.380(b) or 36.380(c), for the twelve month period ending December 31, 2000.

[53 FR 33011, Aug. 29, 1988, as amended at 62 FR 15416, Apr. 1, 1997; 66 FR 33208, June 21, 2001]

§ 36.381 Inter-carrier billing and collecting expense.

(a) This classification includes the revenue accounting functions associated with the billing and collecting of inter-carrier charges to RSPs.

(b) Of inter-carrier charges other than end user common line access charges are assessed for the origination or termination of inter-carrier services in a particular state, one-half of such expense shall be apportioned to interstate operations. If no such inter-carrier charges are assessed in a particular state, all such expense shall be assigned to interstate operations.

(c) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620—Services to the Inter-carrier billing and collecting expense classification based on the relative percentage assignment of the balance of Account 6620 to that classification during the twelve month period ending December 31, 2000.

(d) Effective July 1, 2001, through June 30, 2006, all study areas shall apportion Inter-carrier billing and collecting expense among the jurisdictions using the allocation factor, pursuant to §36.381(b), for the twelve-month period ending December 31, 2000.

[52 FR 17229, May 6, 1987, as amended at 66 FR 33208, June 21, 2001]

§ 36.382 Category 3—All other customer services expense.

(a) Effective July 1, 2001, through June 30, 2006, study areas subject to price cap regulation, pursuant to §61.41 of this chapter, shall assign the balance of Account 6620—Services to this category based on the relative percentage assignment of the balance of Account 6620 to this category during the twelve month period ending December 31, 2000.

(b) Category 3 is apportioned on the basis of Categories 1 and 2.

[66 FR 33208, June 21, 2001]

Corporate Operations Expense

§ 36.391 General.

Corporate Operations Expenses are included in the following account:

General and Administrative..... Account 6720.

[69 FR 12552, Mar. 17, 2004]

§ 36.392 General and administrative—Account 6720.

(a) These expenses are divided into two categories:

(1) Extended Area Services (EAS).

(2) All other.

(b) Extended Area Services (EAS) settlements are directly assigned to the exchange operation.

(c) The expenses in this account are apportioned among the operations on the basis of the

separation of the cost of the combined Big Three Expenses which include the following accounts:

Plant Specific Expenses Central Office Switching Expenses—Account 6210 (Class B Telephone Companies); Accounts 6211 and 6212 (Class A Telephone Companies) Operators Systems Expenses—Account 6220 Central Office Transmission Expenses—Account 6230 (Class B Telephone Companies); Accounts 6231 and 6232 (Class A Telephone Companies) Information Origination/Termination Expenses—Account 6310 (Class B Telephone Companies); Accounts 6311, 6341, 6351, and 6362 (Class A Telephone Companies) Cable and Wire Facilities Expense—Account 6410 (Class B Telephone Companies); Accounts 6411, 6421, 6422, 6423, 6424, 6426, 6431, and 6441 (Class A Telephone Companies) Plant Non-Specific Expenses Network Operations Expenses—Account 6530 (Class B Telephone Companies); Accounts 6531, 6532, 6533, 6534, and 6535 (Class A Telephone Companies) Customer Operations Expenses Marketing—Account 6610 (Class B Telephone Companies); Accounts 6611 and 6613 (Class A Telephone Companies) Services—Account 6620

[52 FR 17229, May 6, 1987, as amended at 69 FR 12552, Mar. 17, 2004]

Operating Taxes

§ 36.411 Operating taxes—Account 7200 (Class B Telephone Companies); Accounts 7210, 7220, 7230, 7240, and 7250 (Class A Telephone Companies).

(a) This account includes the taxes arising from the operations of the company, i.e.,

Operating Investment Tax Credits Operating Federal Income Taxes Operating State and Local Income Taxes Operating Other Taxes Provision for Deferred Operating Income Taxes

§ 36.412 Apportionment procedures.

(a) For apportionment purposes, the expenses in this account are segregated into two groups as follows: (1) Operating Federal, State and local income taxes and (2) all other operating taxes.

(b) Operating Federal, State and local income taxes are apportioned among the operations on the basis of the approximate net taxable income (positive or negative) applicable to each of the operations. The approximate net taxable income from each of the operations is the summation of the following amounts apportioned to each operation by means of the procedures set forth in this Manual:

(1) Operating revenues,

(2) Less operating expenses,

(3) Less operating taxes except the net income tax being apportioned and except any other tax not treated as a deductible item in the determination of taxable net income for this purpose.

(4) Less operating fixed charges.

(i) The amount of fixed charges attributable to the operations is obtained by subtracting the tax component (positive or negative) attributable to other than the operating fixed charges, i.e., fixed charges on non-operating investments are that proportion of total fixed charges which non-operating net investments are of total operating and non-operating net investments.

(ii) Operating fixed charges including interest on Rural Telephone Bank Stock are apportioned among the operations on the basis of the separation of the cost of telephone plant less appropriate reserves.

(c) Other operating taxes should be directly assigned to the appropriate jurisdiction where possible, e.g., Local Gross Receipts may be directly identified as applicable to one jurisdiction. Where direct assignment is not feasible, these expenses should be apportioned among the operations on the basis of the separation of the cost of Telecommunications Plant in Service—Account 2001.

Equal Access Expenses

§ 36.421 Equal access expenses.

(a) Equal access expenses include only initial incremental pre-subscription costs and other initial incremental expenditures related directly to the provision of equal access, that would not be required to upgrade the capabilities of the office involved absent the provision of equal access. Equal access expenses are limited to such expenditures for converting central offices that serve competitive RSPs or where there has been a bona fide request for conversion to equal access.

(b) Equal access expenses are apportioned between the jurisdictions by first segregating them from all other expenses in the primary accounts and then allocating them on the same basis as equal access investment.

Subpart E—Reserves and Deferrals

§ 36.501 General.

For separations purposes, reserves and deferrals include the following accounts:

Other Jurisdictional Assets_Net.....	Account 1500.
Accumulated Depreciation.....	Account 3100.
Accumulated Depreciation_Property Held for Future Telecommunications Use.	Account 3200.

Accumulated Amortization_Capital Leases Telephone	Account 3400 (Class B Companies); Account 3410 (Class A Telephone Companies).
Net Current Deferred Operating Income Taxes.	Account 4100.
Net Noncurrent Deferred Operating Income Taxes.	Account 4340.
Other Jurisdictional Liabilities and Deferred Credits_Net.	Account 4370.

[69 FR 12553, Mar. 17, 2004]

§ 36.502 Other jurisdictional assets—Net—Account 1500.

(a) Amounts in this account are separated based upon analysis of the specific items involved.

§ 36.503 Accumulated depreciation—Account 3100.

(a) Amounts recorded in this account shall be separated on the basis of the separation of the associated primary Plant Accounts or related categories, excluding amortizable assets.

§ 36.504 Accumulated depreciation—Property held for future telecommunications use—Account 3200.

(a) Amounts in this account are apportioned among the operations on the basis of the separation of the costs of the related items carried in Account 2002—Property Held for Future Telecommunications Use.

§ 36.505 Accumulated amortization—Tangible—Account 3400 (Class B Telephone Companies); Accumulated amortization—Capital Leases—Account 3410 (Class A Telephone Companies).

(a) Amounts in these accounts are apportioned among the operations on the basis of the separation of the related accounts.

§ 36.506 Net current deferred operating income taxes—Account 4100, Net noncurrent deferred operating income taxes—Account 4340.

(a) Amounts in these accounts are maintained by plant account and are apportioned among the operations on the basis of the separations of the related plant accounts.

§ 36.507 Other jurisdictional liabilities and deferred credits—Net—Account 4370.

(a) Amounts in this account are separated based upon an analysis of the specific items involved.

Subpart F—Universal Service Fund

General

§ 36.601 General.

(a) The term Universal Service Fund in this subpart refers only to the support for loop-related costs included in §36.621. The term Universal Service in part 54 of this chapter refers to the comprehensive discussion of the Commission's rules implementing section 254 of the Communications Act of 1934, as amended, 47 U.S.C. 254, which addresses universal service support for rural, insular, and high cost areas, low-income consumers, schools and libraries, and health care providers. The expense adjustment calculated pursuant to this subpart F shall be added to interstate expenses and deducted from state expenses after expenses and taxes have been apportioned pursuant to subpart D of this part. Beginning January 1, 1998, the expense adjustment calculated pursuant to this subpart will be administered and funded through the new universal service system discussed in part 54 of this chapter.

(b) The expense adjustment will be computed on the basis of data for a preceding calendar year which may be updated at the option of the carrier pursuant to §36.612(a).

(c) Until June 30, 2001, the annual amount of the total nationwide expense adjustment shall consist of the amounts calculated pursuant to §54.309 of this chapter and the amounts calculated pursuant to this subpart F. The annual amount of the total nationwide loop cost expense adjustment calculated pursuant to this subpart F shall not exceed the amount of the total loop cost expense adjustment for the immediately preceding calendar year, increased by a rate equal to the rate of increase in the total number of working loops during the calendar year preceding the July 31st filing. The total loop cost expense adjustment shall consist of the loop cost expense adjustments, including amounts calculated pursuant to §36.612(a) and §36.631. The rate of increase in total working loops shall be based upon the difference between the number of total working loops on December 31 of the calendar year preceding the July 31st filing and the number of total working loops on December 31 of the second calendar year preceding that filing, both determined by the company's submissions pursuant to §36.611. Beginning January 1, 2000, non-rural incumbent local exchange carriers and, eligible telecommunications carriers serving lines in the service area of non-rural incumbent local exchange carriers, shall only receive support pursuant to this subpart F to the extent that they qualify pursuant to §54.311 of this chapter for interim hold-harmless support. Support amounts calculated pursuant to this subpart F but not received due to the phase down of interim hold-harmless support or the receipt of forward-looking support pursuant to §54.311 of this chapter shall not be redistributed to other carriers.

[52 FR 17229, May 6, 1987, as amended at 56 FR 27422, June 14, 1991; 58 FR 69242, Dec. 30, 1993; 61 FR 34376, July 2, 1996; 62 FR 32947, June 17, 1997; 62 FR 40748, July 30, 1997; 63 FR 2124, Jan. 13, 1998; 64 FR 30924, June 9, 1999; 64 FR 67430, Dec.

1, 1999; 65 FR 78992, Dec. 18, 2000; 66 FR 30085, June 5, 2001]

§ 36.602 Calculation of non-rural carrier portion of nationwide loop cost expense adjustment.

Effective July 1, 2001, for purposes of determining non-rural carrier interim hold-harmless support, pursuant to §54.311 of this chapter, the annual amount of the total nationwide loop cost expense adjustment calculated pursuant to this subpart F. shall not exceed the amount of the total loop cost expense adjustment for the immediately preceding calendar year, increased by a rate equal to the rate of increase in the total number of working loops during the calendar year preceding the July 31st filing. The total loop cost expense adjustment shall consist of the loop cost expense adjustments, including amounts calculated pursuant to §§36.612(a) and 36.631. The rate of increase in total working loops shall be based upon the difference between the number of total working loops on December 31 of the calendar year preceding the July 31st filing and the number of total working loops on December 31 of the second calendar year preceding that filing, both determined by the company's submissions pursuant to §36.611. Non-rural incumbent local exchange carriers and eligible telecommunications carriers serving lines in the service area of non-rural incumbent local exchange carriers shall only receive support pursuant to this subpart F to the extent that they qualify pursuant to §54.311 of this chapter for interim hold-harmless support. Support amounts calculated pursuant to this subpart F but not received due to the phase down of interim hold-harmless support or the receipt of forward-looking support pursuant to §54.311 of this chapter shall not be redistributed to other carriers.

[66 FR 30085, June 5, 2001]

§ 36.603 Calculation of rural incumbent local exchange carrier portion of nationwide loop cost expense adjustment.

- (a) The annual amount of the rural incumbent local exchange carrier portion of the nationwide loop cost expense adjustment shall be calculated pursuant to this subpart F.
- (b) The annual rural incumbent local exchange carrier portion of the nationwide loop cost expense adjustment shall be reduced to reflect the transfer of rural incumbent local exchange carrier access lines that are eligible for expense adjustments pursuant to §36.631. The reduction shall equal the amount of the §36.631 expense adjustment available to the transferred access lines at the time of the transfer and shall be effective in the next calendar quarter after the access lines are transferred.
- (c) Safety net additive support calculated pursuant to §36.605, and transferred high-cost support and safety valve support calculated pursuant to §54.305 of this chapter shall not be included in the rural incumbent local exchange carrier portion of the annual nationwide loop cost expense adjustment.

[66 FR 30085, June 5, 2001, as amended at 67 FR 44083, July 1, 2002]

§ 36.604 [Reserved]

§ 36.605 Calculation of safety net additive.

(a) *“Safety net additive support.”* A rural incumbent local exchange carrier shall receive safety net additive support if it satisfies the conditions set forth in paragraph (c) of this section. Safety net additive support is support available to rural telephone companies, as conditioned in paragraph (c) of this section, in addition to support calculated pursuant to §36.631. Safety net additive support shall not be available to rural telephone companies for exchange(s) that are subject to §54.305 of this chapter.

(b) *Calculation of safety net additive support:* Safety net additive support is equal to the amount of support calculated pursuant to this subpart F in the qualifying year minus the amount of support in the year prior to qualifying for support subtracted from the difference between the expense adjustment for the study area in the qualifying year minus the expense adjustment in the year prior to qualifying for support as shown in the following equation: Safety net additive support = (Support in the qualifying year–Support in the base year)–(Support in the qualifying year–Amount of support received in the base year).

(c) *Operation of safety net additive support:* (1) In any year in which the total carrier loop cost expense adjustment is limited by the provisions of §36.603 a rural incumbent local exchange carrier shall receive safety net additive support as calculated in paragraph (b) of this section, if in any study area, the rural incumbent local exchange carrier realizes growth in end of period Telecommunications Plant in Service (TPIS), as prescribed in §32.2001 of this chapter, on a per loop basis, of at least 14 percent more than the study area's TPIS per loop investment at the end of the prior period.

(2) If paragraph (c)(1) of this section is met, the rural incumbent local exchange carrier must notify the Administrator; failure to properly notify the Administrator of eligibility shall result in disqualification of that study area for safety net additive, requiring the rural incumbent local exchange carrier to again meet the eligibility requirements in paragraph (c)(1) of this section for that study area in a subsequent period.

(3) Upon completion of verification by the Administrator that the study area meets the stated criterion in paragraphs (a), (b), (c) of this section, the Administrator shall:

(i) Pay to any qualifying rural telephone company, safety net additive support for the qualifying study area in accordance with the calculation set forth in paragraph (b) of this section; and

(ii) Continue to pay safety net additive support in any of the four succeeding years in which the total carrier loop expense adjustment is limited by the provisions of §36.603. Safety net additive support in the succeeding four years shall be the lesser of:

(A) The sum of support and the safety net additive support received in the qualifying year;
or

(B) The rural telephone company's support.

[66 FR 30086, June 5, 2001, as amended at 66 FR 65856, Dec. 21, 2001]

Data Collection

§ 36.611 Submission of information to the National Exchange Carrier Association (NECA).

In order to allow determination of the study areas and wire centers that are entitled to an expense adjustment pursuant to §36.631, each incumbent local exchange carrier (LEC) must provide the National Exchange Carrier Association (NECA) (established pursuant to part 69 of this chapter) with the information listed for each study area in which such incumbent LEC operates, with the exception of the information listed in paragraph (h) of this section, which must be provided for each study area and, if applicable, for each wire center, as defined in part 54 of this chapter, and each disaggregation zone as established pursuant to §54.315 of this chapter. This information is to be filed with NECA by July 31st of each year. The information provided pursuant to paragraph (h) of this section must be updated pursuant to §36.612. Rural telephone companies that acquired exchanges subsequent to May 7, 1997, and incorporated those acquired exchanges into existing study areas shall separately provide the information required by paragraphs (a) through (h) of this section for both the acquired and existing exchanges.

(a) Unseparated, i.e., state and interstate, gross plant investment in Exchange Line Cable and Wire Facilities (C&WF) Subcategory 1.3 and Exchange Line Central Office (CO) Circuit Equipment Category 4.13. This amount shall be calculated as of December 31st of the calendar year preceding each July 31st filing.

(b) Unseparated accumulated depreciation and noncurrent deferred federal income taxes, attributable to Exchange Line C&WF Subcategory 1.3 investment, and Exchange Line CO Circuit Equipment Category 4.13 investment. These amounts shall be calculated as of December 31st of the calendar year preceding each July 31st filing, and shall be stated separately.

(c) Unseparated depreciation expense attributable to Exchange Line C&WF Subcategory 1.3 investment, and Exchange Line CO Circuit Equipment Category 4.13 investment. This amount shall be the actual depreciation expense for the calendar year preceding each July 31st filing.

(d) Unseparated maintenance expense attributable to Exchange Line C&WF Subcategory 1.3 investment and Exchange Line CO Circuit Equipment Category 4.113 investment. This amount shall be the actual repair expense for the calendar year preceding each July 31st filing.

(e) Unseparated corporate operations expenses, operating taxes, and the benefits and rent proportions of operating expenses. The amount for each of these categories of expense shall be the actual amount for that expense for the calendar year preceding each July 31st filing. The amount for each category of expense listed shall be stated separately.

(f) Unseparated gross telecommunications plant investment. This amount shall be calculated as of December 31st of the calendar year preceding each July 31st filing.

(g) Unseparated accumulated depreciation and noncurrent deferred federal income taxes attributable to local unseparated telecommunications plant investment. This amount shall be calculated as of December 31st of the calendar year preceding each July 31st filing.

(h) For rural telephone companies, as that term is defined in §51.5 of this chapter, the number of working loops for each study area. For non-rural telephone companies, the number of working loops for each study area and for each wire center. For universal service support purposes, working loops are defined as the number of working Exchange Line C&WF loops used jointly for exchange and message telecommunications service, including C&WF subscriber lines associated with pay telephones in C&WF Category 1, but excluding WATS closed end access and TWX service. These figures shall be calculated as of December 31st of the calendar year preceding each July 31st filing.

[62 FR 32947, June 17, 1997, as amended at 64 FR 67430, Dec. 1, 1999; 66 FR 30086, June 5, 2001]

§ 36.612 Updating information submitted to the National Exchange Carrier Association.

(a) Any rural telephone company, as that term is defined in §51.5 of this chapter, may update the information submitted to the National Exchange Carrier Association (NECA) on July 31st pursuant to §§36.611 (a) through (h) one or more times annually on a rolling year basis according to the schedule, except that rural telephone companies in service areas where an eligible telecommunications carrier has initiated service and has reported line count data pursuant to §54.307(c) of this chapter must update the information submitted to NECA on July 31st pursuant to §36.611(h) according to the schedule. Every non-rural telephone company must update the information submitted to NECA on July 31st pursuant to §36.611 (h) according to the schedule.

(1) Submit data covering the last nine months of the previous calendar year and the first three months of the existing calendar year no later than September 30th of the existing year;

(2) Submit data covering the last six months of the previous calendar year and the first six months of the existing calendar year no later than December 30th of the existing year;

(3) Submit data covering the last three months of the second previous calendar year and the first nine months of the previous calendar year no later than March 30th of the existing

year.

(b) [Reserved]

[52 FR 17229, May 6, 1987, as amended at 62 FR 32947, June 17, 1997; 63 FR 2124, Jan. 13, 1998; 64 FR 67430, Dec. 1, 1999; 66 FR 30086, June 5, 2001]

§ 36.613 Submission of information by the National Exchange Carrier Association.

(a) On October 1 of each year, the National Exchange Carrier Association shall file with the Commission and Administrator the information listed below. Information filed with the Commission shall be compiled from information provided to the Association by telephone companies pursuant to §36.611.

(1) The unseparated loop cost for each study area and a nationwide-average unseparated loop cost.

(2) The annual amount of the high cost expense adjustment for each study area, and the total nationwide amount of the expense adjustment.

(3) The dollar amount and percentage of the increase in the nationwide average unseparated loop cost, as well as the dollar amount and percentage increase for each study area, for the previous 5 years, or the number of years NECA has been receiving information under §36.611, whichever is the shorter time period.

(b) [Reserved]

[52 FR 17229, May 6, 1997, as amended at 62 FR 32948, June 17, 1997; 63 FR 2124, Jan. 13, 1998]

Calculation of Loop Costs for Expense Adjustment

§ 36.621 Study area total unseparated loop cost.

(a) For the purpose of calculating the expense adjustment, the study area total unseparated loop cost equals the sum of the following:

(1) Return component for net unseparated Exchange Line C&WF subcategory 1.3 investment and Exchange Line CO Circuit Equipment Category 4.13 investment. This amount is calculated by deducting the accumulated depreciation and noncurrent deferred Federal income taxes attributable to C&WF subcategory 1.3 investment and Exchange Line Category 4.13 circuit investment reported pursuant to §36.611(b) from the gross investment in Exchange Line C&WF subcategory 1.3 and CO Category 4.13 reported pursuant to §36.611(a) to obtain the net unseparated C&WF subcategory 1.3 investment, and CO Category 4.13 investment. The net unseparated C&WF subcategory 1.3 investment and CO Category 4.13 investment is multiplied by the study area's authorized

interstate rate of return.

(2) Depreciation expense attributable to C&WF subcategory 1.3 investment, and CO Category 4.13 investment as reported in §36.611(c).

(3) Maintenance expense attributable to C&WF subcategory 1.3 investment, and CO Category 4.13 investment as reported in §36.611(d).

(4) Corporate Operations Expenses, Operating Taxes and the benefits and rent portions of operating expenses, as reported in §36.611(e) attributable to investment in C&WF Category 1.3 and COE Category 4.13. This amount is calculated by multiplying the total amount of these expenses and taxes by the ratio of the unseparated gross exchange plant investment in C&WF Category 1.3 and COE Category 4.13, as reported in §36.611(a), to the unseparated gross telecommunications plant investment, as reported in §36.611(f). Total Corporate Operations Expense, for purposes of calculating universal service support payments beginning July 1, 2001, shall be limited to the lesser of:

(i) The actual average monthly per-loop Corporate Operations Expense; or

(ii) A monthly per-loop amount computed according to paragraphs (a)(4)(ii)(A), (a)(4)(ii)(B), (a)(4)(ii)(C), and (a)(4)(ii)(D) of this section. To the extent that some carriers' corporate operations expenses are disallowed pursuant to these limitations, the national average unseparated cost per loop shall be adjusted accordingly.

(A) For study areas with 6,000 or fewer working loops the amount monthly per working loop shall be $\$33.30853 - (.00246 \times \text{the number of working loops})$, or, $\$50,000 \div \text{the number of working loops}$, whichever is greater;

(B) For study areas with more than 6,000 but fewer than 18,006 working loops, the monthly amount per working loop shall be $\$3.83195 + (88,429.20 \div \text{the number of working loops})$; and

(C) For study areas with 18,006 or more working loops, the monthly amount per working loop shall be \$8.74472.

(D) Beginning January 1, 2002, the monthly per-loop amount computed according to paragraphs (a)(4)(ii)(A), (a)(4)(ii)(B), and (a)(4)(ii)(C) of this section shall be adjusted each year to reflect the annual percentage change in the United States Department of Commerce's Gross Domestic Product-Chained Price Index (GDP-CPI).

(b) [Reserved]

[52 FR 17229, May 6, 1987, as amended at 56 FR 27422, June 14, 1991; 62 FR 32948, June 17, 1997; 62 FR 40748, July 30, 1997; 63 FR 2124, Jan. 13, 1998; 66 FR 30086,

June 5, 2001]

§ 36.622 National and study area average unseparated loop costs.

(a) National Average Unseparated Loop Cost per Working Loop. Except as provided in paragraph (c) of this section, this is equal to the sum of the Loop Costs for each study area in the country as calculated pursuant to §36.621(a) divided by the sum of the working loops reported in §36.611(h) for each study area in the country. The national average unseparated loop cost per working loop shall be calculated by the National Exchange Carrier Association. Effective July 1, 2001, the national average unseparated loop cost for purposes of calculating expense adjustments for rural incumbent local exchange carriers, as that term is defined in §54.5 of this chapter, is frozen at \$240.00.

(1) The National Average Unseparated Loop Cost per Working Loop shall be recalculated by the National Exchange Carrier Association to reflect the September, December, and March update filings.

(2) Each new nationwide average shall be used in determining the additional interstate expense allocation for companies which made filings by the most recent filing date.

(3) The calculation of a new national average to reflect the update filings shall not affect the amount of the additional interstate expense allocation for companies which did not make an update filing by the most recent filing date.

(b) Study Area Average Unseparated Loop Cost per Working Loop. This is equal to the unseparated loop costs for the study area as calculated pursuant to §36.621(a) divided by the number of working loops reported in §36.611(h) for the study area.

(1) If a company elects to, or is required to, update the data which it has filed with the National Exchange Carrier Association as provided in §36.612(a), the study area average unseparated loop cost per working loop and the amount of its additional interstate expense allocation shall be recalculated to reflect the updated data.

(2) [Reserved]

(c) The National Average Unseparated Loop Cost per Working Loop shall be the greater of:

(1) The amount calculated pursuant to the method described in paragraph (a) of this section; or

(2) An amount calculated to produce the maximum total Universal Service Fund allowable pursuant to §36.601(c).

[52 FR 17229, May 6, 1987, as amended at 56 FR 27422, June 14, 1991; 58 FR 69242,

Dec. 30, 1993; 60 FR 65012, Dec. 15, 1995; 61 FR 34377, July 2, 1996; 62 FR 32948, June 17, 1997; 63 FR 2125, Jan. 13, 1998; 64 FR 67430, Dec. 1, 1999; 66 FR 30087, June 5, 2001]

Calculation of Expense Adjustment—Additional Interstate Expense Allocation

§ 36.631 Expense adjustment.

(a) Until December 31, 1987, for study areas reporting 50,000 or fewer working loops pursuant to §36.611(h), the expense adjustment (additional interstate expense allocation) is equal to the sum of the following:

(1) Fifty percent of the study area average unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 115 percent of the national average for this cost but not greater than 150 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area; and

(2) Seventy-five percent of the study area unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 150 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area.

(b) Until December 31, 1987, for study areas reporting more than 50,000 working loops pursuant to §36.611(h), the expense adjustment (additional interstate expense allocation) is equal to the sum of the following:

(1) Twenty-five percent of the study area average unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 115 percent of the national average for this cost but not greater than 150 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area; and

(2) The amount calculated pursuant to §36.631(a)(2).

(c) Beginning January 1, 1988, for study areas reporting 200,000 or fewer working loops pursuant to §36.611(h), the expense adjustment (additional interstate expense allocation) is equal to the sum of paragraphs (c)(1) through (2) of this section. After January 1, 2000, the expense adjustment (additional interstate expense allocation) for non-rural telephone companies serving study areas reporting 200,000 or fewer working loops pursuant to §36.611(h) shall be calculated pursuant to §54.309 of this chapter or §54.311 of this chapter (which relies on this part), whichever is applicable.

(1) Sixty-five percent of the study area average unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 115 percent of the national average for this cost but not greater than 150 percent of the national average for this cost as calculated

pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area; and

(2) Seventy-five percent of the study area average unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 150 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area.

(d) Beginning January 1, 1988, for study areas reporting more than 200,000 working loops pursuant to §36.611(h), the expense adjustment (additional interstate expense allocation) is equal to the sum of paragraphs (d)(1) through (4) of this section. After January 1, 2000, the expense adjustment (additional interstate expense allocation) shall be calculated pursuant to §54.309 of this chapter or §54.311 of this chapter (which relies on this part), whichever is applicable.

(1) Ten percent of the study area average unseparated loop cost per working loop cost per working loop as calculated pursuant to §36.622(b) in excess of 115 percent of the national average for this cost but not greater than 160 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area;

(2) Thirty percent of the study area average unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 160 percent of the national average for this cost but not greater than 200 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area;

(3) Sixty percent of the study area average unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 200 percent of the national average for this cost but not greater than 250 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area; and

(4) Seventy-five percent of the study area average unseparated loop cost per working loop as calculated pursuant to §36.622(b) in excess of 250 percent of the national average for this cost as calculated pursuant to §36.622(a) multiplied by the number of working loops reported in §36.611(h) for the study area.

(e) Beginning April 1, 1989, the expense adjustment calculated pursuant to §36.631 (c) and (d) shall be adjusted each year to reflect changes in the size of the Universal Service Fund resulting from adjustments calculated pursuant to §36.612(a) made during the previous year. If the resulting amount exceeds the previous year's fund size, the difference will be added to the amount calculated pursuant to §36.631 (c) and (d) for the following year. If the adjustments made during the previous year result in a decrease in the size of the funding requirement, the difference will be subtracted from the amount calculated

pursuant to §36.631 (c) and (d) for the following year.

[52 FR 17229, May 6, 1987, as amended at 53 FR 33011 and 33012, Aug. 29, 1988; 63 FR 2125, Jan. 13, 1998; 64 FR 67430, Dec. 1, 1999; 64 FR 73428, Dec. 30, 1999; 69 FR 12553, Mar. 17, 2004]

Transitional Expense Adjustment

§ 36.641 Transition.

(a) The expense adjustment for 1993 and subsequent years shall be the amount computed in accordance with §36.631.

(b) The expense adjustments for 1988 through 1992 shall be as follows:

- (1) Three-eighths of the amount computed in accordance with §36.631 in 1988;
- (2) One-half of the amount computed in accordance with §36.631 in 1989;
- (3) Five-eighths of the amount computed in accordance with §36.631 in 1990;
- (4) Three-quarters of the amount computed in accordance with §36.631 in 1991; and
- (5) Seven-eighths of the amount computed in accordance with §36.631 in 1992.

Subpart G—[Reserved]

Appendix to Part 36—Glossary

The descriptions of terms in this glossary are broad and have been prepared to assist in understanding the use of such terms in the separation procedures. Terms which are defined in the text of this part are not included in this glossary.

Access and reciprocal compensation service or inter-carrier service.

Interexchange or interoffice network facilities provided to a RSP by a telephone company or local exchange carrier for the origination, transport and/or termination of any RSP's end user's call

Access Line

A communications facility extending from a customer's premises to a serving central office comprising a subscriber line and, if necessary, a trunk facility, e.g., a WATS access line, TWX access line.

Book Cost

The cost of property as recorded on the books of a company.

Cable Fill Factor

The ratio of cable conductor or cable pair kilometers in use to total cable conductor or cable pair kilometers available in the plant, e.g., the ratio of revenue producing cable pair kilometers in use to total cable pair kilometers in plant.

Category

A grouping of items of property or expense to facilitate the apportionment of their costs among the operations and to which, ordinarily, a common measure of use is applicable.

Central Office

A switching unit, in a telephone system which provides service to the general public, having the necessary equipment and operations arrangements for terminating and interconnecting subscriber lines and trunks or trunks only. There may be more than one central office in a building.

Channel

An electrical path suitable for the transmission of communications between two or more points, ordinarily between two or more stations or between channel terminations in Telecommunication Company central offices. A channel may be furnished by wire, fiber-optics, radio or a combination thereof.

Circuit

A fully operative communications path established in the normal circuit layout and currently used for message, WATS access, TWX, or private line services.

Circuit Kilometers

The route kilometers or revenue producing circuits in service, determined by measuring the length in terms of kilometers, of the actual path followed by the transmission medium.

Common Channel Network Signaling

Channels between switching offices used to transmit signaling information independent of the subscribers' communication paths or transmission channels.

Complement (of cable)

A group of conductors of the same general type (e.g., quadded, paired) within a single cable sheath.

Complex

All groups of operator positions, wherever located, associated with the same call distribution and/or stored program control unit.

Concentrating Unit (TWX)

An arrangement of central office equipment wherein traffic over a number of TWX circuits is automatically concentrated onto a lesser number of circuits between the concentrating unit and its associated TWX switching office.

Concentration Equipment

Central office equipment whose function is to concentrate traffic from subscriber lines onto a lesser number of circuits between the remotely located concentration equipment and the serving central office concentration equipment. This concentration equipment is connected to the serving central office line equipment.

Connection—Minute

The product of (a) the number of messages and, (b) the average minutes of connection per message.

Conversation—Minute

The product of (a) the number of messages and, (b) the average minutes of conversation per message.

Conversation-Minute-Kilometers

The product of (a) the number of messages, (b) the average minutes of conversation per message and (c) the average route kilometers of circuits involved.

Cost

The cost of property owned by the Telephone Company whose property is to be apportioned among the operations. This term applies either to property costs recorded on the books of the company or property costs determined by other evaluation methods.

Current Billing

The combined amount of charges billed, excluding arrears.

Customer Dialed Charge Traffic

Traffic which is both (a) handled to completion through pulses generated by the customer and (b) for which either a message unit charge, bulk charge or message toll charge is except for that traffic recorded by means of message registers.

Customer Premises Equipment

Items of telecommunications terminal equipment in Accounts 2310 referred to as CPE in §64.702 of the Federal Communication Commission's Rules adopted in the *Second Computer Inquiry* such as telephone instruments, data sets, dialers and other supplemental equipment, and PBX's which are provided by common carriers and located on customer premises and inventory included in these accounts to be used for such purposes. Excluded from this classification are similar items of equipment located on telephone company premises and used by the company in the normal course of business as well as over voltage protection equipment, customer premises wiring, coin operated public or pay telephones, multiplexing equipment to deliver multiple channels to the customer, mobile radio equipment and transmit earth stations.

Customer Premises Wire

The segment of wiring from the customer's side of the protector to the customer premises equipment.

DSA Board

A local dial office switchboard at which are handled assistance calls, intercepted calls and calls from miscellaneous lines and trunks. It may also be employed for handling certain toll calls.

DSB Board

A switchboard of a dial system for completing incoming calls received from manual offices.

Data Processing Equipment

Office equipment such as that using punched cards, punched tape, magnetic or other comparable storage media as an operating vehicle for recording and processing information. Includes machines for transcribing raw data into punched cards, etc., but does not include such items as key-operated, manually or electrically driven adding,

calculating, bookkeeping or billing machines, typewriters or similar equipment.

Dial Switching Equipment

Switching equipment actuated by electrical impulses generated by a dial or key pulsing arrangement.

Equal Access Costs

Include only initial incremental presubscription costs and initial incremental expenditures for hardware and software related directly to the provision of equal access which would not be required to upgrade the switching capabilities of the office involved absent the provisions of equal access.

Equivalent Gauge

A standard cross section of cable conductors for use in equating the metallic content of cable conductors of all gauge to a common base.

Equivalent Kilometers of 104 Wire

The basic units employed in the allocation of pole lines costs for determining the relative use made of poles by aerial cables and by aerial wire conductors of various sizes. This unit reflects the relative loads of such cable and wire carried on poles.

Equivalent Pair Kilometers

The product of sheath Kilometers and the number of equivalent gauge pairs of conductors in a cable.

Equivalent Sheath Kilometers

The product of (a) the length of a section of cable in kilometers (sheath kilometers) and (b) the ratio of the metallic content applicable to a particular group of conductors in the cable (e.g., conductors assigned to a category) to the metallic content of all conductors in the cable.

Exchange Transmission Plant

This is a combination of (a) exchange cable and wire facilities (b) exchange central office circuit equipment, including associated land and buildings and (c) information origination/termination equipment which forms a complete channel.

Holding Time

The time in which an item of telephone plant is in actual use either by a customer or an operator. For example, on a completed telephone call, holding time includes conversation time as well as other time in use. At local dial offices any measured minutes which result from other than customer attempts to place calls (as evidenced by the dialing of at least one digit) are not treated as holding time.

Host Central Office

An electronic analog or digital base switching unit containing the central call processing functions which service the host office and its remote locations.

Information Origination/Termination Equipment

Equipment used to input into or receive output from the telecommunications network.

Inter-carrier compensation

Inter-carrier network service charges (interstate access, intrastate access, reciprocal compensation,) that a local exchange carrier bills to and payments received from a RSP for the provision of originating and/or transport and/or terminating facilities by a local exchange carrier that a RSP uses to provide its customer service.

Interexchange Channel

A circuit which is included in the interexchange transmission equipment.

Interexchange Transmission Equipment

The combination of (a) interexchange cable and wire facilities, (b) interexchange circuit equipment and, (c) associated land and buildings.

Interoffice facilities

Net investment and related costs (taxes, expenses) of facilities assigned to interstate or international and intrastate interexchange service.

Interlocal Trunk

A circuit between two local central office units, either manual or dial. Interlocal trunks may be used for either exchange or toll traffic or both.

Intertoll Circuits

Circuits between toll centers and circuits between a toll center and a tandem system in a

different toll center area.

Local Channel

The portion of a private line circuit which is included in the exchange transmission plant. However, common usage of this term usually excludes information origination/termination equipment.

Local Office

A central office serving primarily as a place of termination for subscriber lines and for providing telephone service to the subscribers on these lines.

Loop

A pair of wires, or its equivalent, between a customer's station and the central office from which the station is served.

Message

A completed call, i.e., a communication in which a conversation or exchange of information took place between the calling and called parties.

Message Service or Message Toll Service

Switched service furnished to the general public (as distinguished from private line service). Except as otherwise provided, this includes exchange switched services and all switched services provided by RSPs and completed by a local telephone company's intercarrier services, e.g., MTS, WATS, Execunet, open-end FX and CCSA/ONALs, reciprocal compensation, etc.

Message Units

Unit of measurement used for charging for measured message telephone exchange traffic within a specified area.

Metropolitan Service Area

The area around and including a relatively large city and in which substantially all of the message telephone traffic between the city and the suburban points within the area is classified as exchange in one or both directions.

Minutes-of-Use

A unit of measurement expressed as either holding time or conversation time.

Minutes-of-Use-Kilometers

The product of (a) the number of minutes-of-use and (b) the average route kilometers of circuits involved.

Multi-Center Exchange

An exchange area in which are located two or more local central office buildings or wire centers.

Operations

The term denoting the general classifications of services rendered to the public for which separate tariffs are filed, namely exchange, state toll and interstate toll.

Operator Trunks

A general term, ordinarily applied to trunks between manually operated switchboard positions and local dial central offices in the same wire center.

Private Line Service

A service for communications between specified locations for a continuous period or for regularly recurring periods at stated hours.

Reciprocal compensation

The duty of an RSP to establish compensation arrangements for the transport and termination of telecommunications traffic that originates on the network facilities of that RSP and terminates on the facilities of another telecommunications carrier in the same local area.

Remote Access Line

An access line (e.g., for WATS or TWX service) between a subscriber's premises in one toll rate center and a serving central office located in a different toll rate center.

Remote Line Location

A remotely located subscriber line access unit which is normally dependent upon the central processor of the host office for call processing functions.

Remote Trunk Arrangement (RTA)

Arrangement that permits the extension of TSPS functions to remote locations.

Reservation

That amount or quantity of property kept or set apart for a specific use.

Reserved

Kept or set apart for a specific use.

Retail Service Provider (RSP)

Any telecommunications service provider, including enhanced service providers or information service providers that offers and provides retail services to its customers either as a stand alone service or bundled with other telecommunications and/or enhanced and/or information services and provides those services utilizing the originating and/or transport and/or terminating facilities of a local exchange carrier.

Separations

The process by which telecommunication property costs, revenues, expenses, taxes and reserves are apportioned among the operations.

Service Observing Unit

A unit of work measurement which is used as the common denominator to express the relative time required for handling the various work functions at service observing boards.

Sheath Kilometers

The actual length of cable in route kilometers.

Special Services

All services other than message telephones, e.g., teletypewriter exchange service (TWX), private line services.

Station-to-Station Basis

The term applied to the basis of toll rate making which contemplates that the message toll service charge (telephone or TWX) covers the use made of all facilities between the originating station and the terminating station, including the stations, and the services

rendered in connection therewith.

Study Area

Study area boundaries shall be frozen as they are on November 15, 1984

Subscriber Line or Exchange Line

A communication channel between a telephone station, PBX or TWX station and the central office which serves it.

Subtributary Office

A class of tributary office which does not have direct access to its toll center, but which is connected to its toll center office by means of circuits which are switched through to the toll center at another tributary office.

Tandem Area

The general areas served by the local offices having direct trunks to or from the tandem office. This area may consist of one or more communities or may include only a portion of a relatively large city.

Tandem Circuit or Trunk

A general classification of circuits or trunks between a tandem central office unit and any other central office or switchboard.

Tandem Connection

A call switched at a tandem office.

Tandem Office

A central office unit used primarily as an intermediate switching point for traffic between local central offices within the tandem area. Where qualified by a modifying expression, or other explanation, this term may be applied to an office employed for both the interconnection of local central offices within the tandem area and for the interconnection of these local offices with other central offices, e.g., long haul tandem office.

Toll Center

An office (or group of offices) within a city which generally handles the originating and incoming toll traffic for that city to or from other toll center areas and which handles through switched traffic. The toll center normally handles the inward toll traffic for its

tributary exchanges and, in general, either handles the outward traffic originating at its tributaries or serves as the outlet to interexchange circuits for outward traffic ticketed and timed at its tributaries. Toll centers are listed as such in the Toll Rate and Route Guide.

Toll Center Area

The areas served by a toll center, including the toll center city and the communities served by tributaries of the toll center.

Toll Center Toll Office

A toll office (as contrasted to a local office) in a toll center city.

Toll Circuit

A general term applied to interexchange trunks used primarily for toll traffic.

Toll Connecting Trunk

A general classification of trunks carrying toll traffic and ordinarily extending between a local office and a toll office, except trunks classified as tributary circuits. Examples of toll connecting trunks include toll switching trunks, recording trunks and recording-completing trunks.

Toll Office

A central office used primarily for supervising and switching toll traffic.

Traffic Over First Routes

A term applied to the routing of traffic and denoting routing via principal route for traffic between any two points as distinguished from alternate routes for such traffic.

Operator System

A stored program electronic system associated with one or more toll switching systems which provides centralized traffic service position functions for several local offices at one location.

Tributary Circuit

A circuit between a tributary office and a toll switchboard or intertoll dialing equipment in a toll center city.

Tributary Office

A local office which is located outside the exchange in which a toll center is located, which has a different rate center from its toll center and which usually tickets and times only a part of its originating toll traffic, but which may ticket or time all or none, of such traffic. The toll center handles all outward traffic not ticketed and timed at the tributary and normally switches all inward toll traffic from outside the tributary's toll center to the tributary. Tributary offices are indicated as such in the Toll Rate and Route Guide.

Trunks

Circuit between switchboards or other switching equipment, as distinguished from circuits which extend between central office switching equipment and information origination/termination equipment.

TSPS Complex

All groups of operator positions, wherever located, associated with the same TSPS stored program control units.

TWX

Teletypewriter Exchange Service.

TWX Connection

A completed TWX call, i.e., a call on which a TWX communication was passed between the calling and called stations.

TWX Connection-Minute-Kilometers

The product of (a) the number of TWX connections, (b) the average minutes per TWX connection and (c) the average route kilometers of circuits involved.

TWX Switching Plant Trunks

Interexchange circuits, excluding remote access lines, which handle 100 word per minute TWX traffic only.

Weighted Standard Work Second

A measurement of traffic operating work which is used to express the relative time required to handle the various kinds of calls or work functions, and which is weighted to reflect appropriate degrees of waiting to serve time.

Wide Area Telephone Service WATS

A toll service offering for customer dial type telecommunications between a given customer station and stations within specified geographic rate areas employing a single access line between the customer location and the serving central office. Each access line may be arranged for either outward (OUT-WATS) or inward (IN-WATS) service or both.

Wideband Channel

A communication channel of a bandwidth equivalent to twelve or more voice grade channels.

Working Loop

A revenue producing pair of wires, or its equivalent, between a customer's station and the central office from which the station is served.

[52 FR 17229, May 6, 1987, as amended at 53 FR 33012, Aug. 29, 1988; 53 FR 39095, Oct. 5, 1989; 58 FR 44905, Aug. 25, 1993]