

**New Hampshire Public Utilities Commission
Telecommunications Division
Telecom Advisory Letters**

In reply refer to:

**TAL_01
Released: November 27, 2002**

Responsible Officers:

Re: ACCOUNTING AND REPORTING REQUIREMENTS
PART PUC 406.03 USOA TELECOMMUNICATIONS COMPANIES

I. INTRODUCTION:

The purpose of this letter is twofold: 1) to advise telephone carriers, subject to the jurisdiction of the Commission that PART Puc 406.03 remains in effect pursuant to RSA 374:8 and 374:13, and further by Order No. 21,310¹ which directed in part that the accounting and reporting requirements, "...shall remain in effect until such time as the Commission shall prescribe, amend, rescind, or otherwise affect the USOA currently prescribed for regulated utilities."; and 2) to announce the pending release of a revised Annual Report Format in the form of an Excel model.

II. BACKGROUND:

The FCC prescribes accounting rules that govern the manner in which incumbent local exchange carriers (ILECs) record and allocate their costs and revenues for regulatory purposes. These rules are known as the Uniform System of Accounts for Telecommunications Companies (FCC Part 32). The FCC also maintains the Automated Reporting Management Information System (ARMIS), through which certain incumbent ILECs are required annually to report regulatory accounting information.

The NHPUC in 1988 adopted the FCC Part 32 with minimum exceptions. These rules are found in PART Puc 406.03 Uniform System of Accounts for Telecommunication Companies (USOA)¹.

The Telecommunications Act of 1996 requires the FCC to review its regulations every two years and eliminate rules that are "no longer necessary in the public interest as a result of meaningful economic competition between providers of telecommunications service." To this end, the FCC recently undertook its second comprehensive biennial review of its PART 32 accounting rules and ARMIS reporting requirements. The Phase II Report and Order 01-305 (November 5, 2001) adopted changes to its accounting and related reporting rules. Among other changes, Class A accounts are reduced by 45% and Class B accounts were reduced by 27%.

Recently there has been increased public concern over the adequacy of financial accounting. On September 5, 2002, the FCC assembled a Federal-State Joint Conference (Joint Conference) on Accounting Issues to "... provide a forum for an ongoing dialogue

¹ Order No. 21,310 (8/8/94) (Amended Title Only from Part Puc 409 to PART Puc 406.03).

between the Commission and the states in order to ensure that regulatory accounting data and related information filed by carriers are adequate, truthful, and thorough.”² According to that Order, the Joint conference, “will further this goal by facilitating cooperative federal and state review of regulatory accounting and related reported requirements in order to determine their adequacy and effectiveness in the current market and make recommendations for improvement.”

On November 12, 2002 the FCC suspended implementation of four accounting and recordkeeping rule modifications adopted by the Phase II Order, in order to allow the Joint Conference an opportunity to review these rules before carriers are required to implement them.

As a result of the foregoing, Staff has determined that it is premature to initiate any changes to the PART Puc 406.03. In short, telephone carriers, subject to the jurisdiction of the Commission, are hereby advised that the PART Puc 406.03, including reporting requirements, remains in effect pursuant to RSA 374:8 and 374:13.

In an effort to improve and simplify the data compilations for the NHPUC Telecommunication Companies Annual Report the Commission will be making the report available electronically. An Excel model that includes all the schedules as prescribed by Puc 407.10 Annual Report will be distributed in early December, 2002 to all Incumbent Local Exchange Carriers for comments. The Final version of the Annual Report Excel model will be released December 31, 2002.

This letter is issued under RSA 374:8 Accounting Systems; RSA 374:13 Form of Accounts and Records.

If you have any questions, please contact ChristiAne Mason, Assistant Director Telecommunications Division at (603) 271-2435.

² Order FCC 02-240 in WC Docket No. 02-269