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Public Service Commission of Wisconsin
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BEFORE THE

PUBLIC SERVICE COMMISSION OF WISCONSIN

In the Matter of Prescribing a Uniform System of Accounts for Class A and Class B Telephone Utilities — 5-US-116

SUPPLEMENTAL ORDER

This is a decision in the matter concerning changes to the Uniform System of Accounts (USOA) for Class A and Class B Telephone Utilities arising primarily as a result of a *Report and Order*[1] released June 24, 2004, by the Federal Communications Commission (FCC). In addition, this decision addresses other accounting matters affecting incumbent local exchange carriers (ILECs) and the assessability for intrastate universal service fund (USF) assessment purposes of certain federal universal service monies received by ILECs. The changes to the USOA approved herein will be effective January 1, 2005. The change in the accounting for and nonassessability for state USF purposes of certain federal universal service monies received by ILECs is effective January 1, 2003.

Introduction

On December 20, 2002, the Commission issued its decision in docket 05-US-113, *In the Matter of Prescribing a Uniform System of Accounts for Class A and Class B Telephone Utilities*, approving modifications to the USOA for Class A and Class B Telephone Utilities

[1] *In the Matter of Federal-State Joint Conference On Accounting Issues* (WC Docket No. 02-269), *2000 Biennial Regulatory Review-Comprehensive Review of the Accounting Requirements and ARMIS Reporting Requirements for Incumbent Local Exchange Carriers: Phase II* (CC Docket No. 00-199), *Jurisdictional Separations Reform and Referral to the Federal-State Joint Board* (CC Docket No. 80-286), and *Local Competition and Broadband Reporting* (CC Docket No. 99-301), FCC 04-149 adopted June 22, 2004, and released June 24, 2004.

effective January 1, 2003. The USOA approved by the Commission included only a small number of variations from the FCC's USOA[2] so as to limit, to the extent possible, the accounting burden on the ILECs. The USOA approved by this Commission modified the accounting applied by ILECs, other than Wisconsin Bell, Inc., f/k/a Ameritech Wisconsin, d/b/a SBC Wisconsin, and Verizon North Inc. (Verizon), for nonregulated activities. On September 5, 2003, the Commission issued a Notice of Reopening and Supplemental Order Correcting Errata in Final Decision's Appendix B addressing errors in the previously-issued Appendix B. The Commission's December 20, 2002, decision also continued or initiated an informal reporting requirement in the annual report required of all ILECs under Wis. Stat. § 196.07 to enable the Commission to perform small ILEC equity thin and earnings calculations, determine assessable revenues for remainder, telephone relay, and USF assessment purposes, and exercise other regulatory responsibilities. The Commission also prescribed data retention requirements for ILECs so that they could respond to *ad hoc* data requests in order to meet regulatory needs that may arise from time-to-time in the future.

On January 21, 2003, the Commission issued its order in docket 05-US-115, *Accounting Treatment for Patronage Capital by Telecommunications Cooperatives*, approving a modification to account 4540, Other capital, in the Commission's USOA.

On November 11, 2004, the Wisconsin State Telecommunications Association, Inc. (WSTA), on behalf of the ILECs, requested a return to utilizing accounts 1406 (Nonregulated Investments) and 7990 (Nonregulated Net Income) for nonregulated activities. The Commission interpreted this request to have an effective date of January 1, 2004, to also be applicable to all related references to nonregulated items in the system of accounts, and to be applicable to all

[2] The FCC's USOA is contained in Part 32 of its rules (47 C.F.R. Part 32).

ILECs other than SBC Wisconsin and Verizon. On January 14, 2005, the Commission issued its Decision in that docket, 05-US-116, further amending the USOA effective January 1, 2004, and modifying informal reporting requirements, which were originally continued or initiated in docket 05-US-113, beginning with the 2004 ILEC annual report.

On June 24, 2004, the FCC released its *Report and Order* (FCC Order) concerning the Part 32[3] USOA for telecommunications companies and other miscellaneous items. The FCC's changes to Part 32 of its rules were generally effective January 1, 2005, for ILECs.

On September 9, 2004, the WSTA requested that the Commission adopt in its entirety the FCC Order with an effective date of January 1, 2005. Adoption of the FCC Order in its entirety would not be consistent with past Commission USOA decisions. The Commission's Telecommunications Division Administrator has delegated authority to issue accounting orders when all parties agree to a change. Because the WSTA's position advocating the adoption of the entire FCC Order effective January 1, 2005, differs from historic Commission determinations on the USOA, this matter was brought forth for Commission consideration.

The FCC Order arose from analysis of the recommendations made by the Federal-State Joint Conference on Accounting Issues in a report filed with the FCC on October 9, 2003, and comments on the report subsequently filed by interested parties.[4] For Class A[5] ILECs, the FCC reinstated accounts 5230 (Directory Revenue), 6561 (Depreciation Expense-Telecommunications Plant in Service), 6562 (Depreciation Expense-Property Held for Future Telecommunications

[3] Hereinafter references to Part 32 on sections herein are deemed to refer to 47 C.F.R. Part 32.
[4] On January 29, 2004, the Commission filed comments in response to the report (and the FCC's *Notice of Proposed Rulemaking* released on December 23, 2003), as it has previously done in various phases of the FCC's comprehensive accounting and reporting review proceeding.
[5] Class A is 50,000 or more access lines in the state; Class B is less than 50,000 access lines.

Use), 6563 (Amortization Expense-Tangible), 6564 (Amortization Expense-Intangible), 6565 (Amortization Expense-Other), 6621 (Call Completion Services), 6622 (Number Services), and 6623 (Customer Services). These changes are noncontroversial (with the exception of the summary accounts noted below) since the Commission already had previously retained the requirement for Class A ILECs to use these accounts despite the FCC's suspension of their use. In earlier USOA dockets, the Commission modified the FCC system of accounts by establishing some summary accounts for Class A ILECs and by making miscellaneous language changes.

Another issue before the Commission in this docket concerns the appropriate accounting treatment and assessability for intrastate USF[6] purposes of certain revenues—specifically amounts that providers receive from the federal USF.

Pursuant to the federal USF program, eligible providers may receive universal service high-cost support monies from the National Exchange Carriers Association (NECA) or other sources such as the Universal Service Administrative Company (USAC). The issue is how to account for these monies and whether they should be subject to assessment for the intrastate USF.

On January 2, 1997, the Commission issued an accounting letter addressing the appropriate accounting for receipts of federal universal service high-cost support funds from NECA. In that letter, the Commission stated that Class A ILECs should record such receipts in

[6] Including assessments associated with funding of the Commission universal service fund programs (as specified in Wis. Stat. §§ 196.218[5][a] 1., 2., 4., 8., and 9. and Wis. Admin. Code § PSC 160.05[1]), the Educational Telecommunications Access Program of the Technology for Educational Achievement in Wisconsin (TEACH) initiative (as specified in Wis. Stat. § 196.218[5][a]), telecommunications services provided to four campuses of the University of Wisconsin System (UW-System) (as specified in Wis. Stat. § 196.218[5][a]), and the Department of Public Instruction (DPI) BadgerLink program and state aid to public libraries (as specified in Wis. Stat. § 196.218[5][a]).

Account 5060 (Other Local Exchange Revenue), while Class B entities should use Account 5000 (Basic Local Service Revenue).

On June 10, 1998, the FCC issued Responsible Accounting Officer Letter 27, entitled *Accounting for Universal Service Support Payments and Receipts* (RAO Letter 27).[7] In part, the FCC stated that providers should continue to record universal service fund receipts in the revenue account appropriate for the service supported. The FCC also generally stated what accounts providers were using to record receipts for tariffed services rather than prescribing such accounts. On October 9, 1998, the Commission issued an order regarding RAO Letter 27 in file TELACCTG.[8] The Commission therein stated that RAO Letter 27 did not affect the Commission's accounting letter dated January 2, 1997, in substantive part, related to the state accounting for federal universal service support receipts.

Via review of the ILECs' filed 2003 annual reports, Commission staff became aware that some ILECs had changed their accounting for federal high-cost support receipts from NECA or USAC associated with tariffed services. Prior to 2003, such receipts had been classified as local revenues, consistent with the earlier Commission accounting determinations noted above. In 2003, some companies were classifying these receipts as interstate revenues. Staff understood that this reclassification was based, at least in part, on an industry interpretation that the Commission's order in docket 05-US-113 effectively voided the Commission's order dated October 9, 1998, thereby validating the accounting treatment discussed in RAO Letter 27.

In informal discussions with ILEC representatives, Commission staff noted the Commission's previous position that the FCC's RAO Letter 27 did not mandate a particular

[7] FCC file, DA 98-1106.
[8] This order was mailed to all ILECs existing in Wisconsin as of that date.

accounting treatment but only stated generally what accounts providers were using. Commission staff further stated its belief that the Commission's order dated October 9, 1998, remained in effect, especially as it concerned accounting for federal high-cost support receipts. Staff noted that while the Commission's order in docket 05-US-113 may have modified specific account titles[9] included in the 1998 decision, it neither superseded the substance, nor the intent of the Commission's accounting order, dated October 9, 1998.

Staff understood the basis of the earlier Commission determinations to be that these federal funds were being used to keep local rates lower than would be required without the federal support. Thus, if that federal support were not present, the local rates (and revenues) would be higher and would clearly have been subject to assessment for the state USF. Further, these federal support revenues would be considered in intrastate rate cases and intrastate earnings reviews. Staff noted that support for this position may be found in various places. For example, when discussing the creation of the universal service fund the FCC explained:

> That universal service fund . . . was designed to "preserve universal service by enabling high cost companies to establish local exchange rates that do not substantially exceed rates charged by other companies."[10]

[9] For example, the title for Account 5060 was changed from "Other Local Exchange Revenue" to "Other Basic Area Revenue." In addition, the order in docket 05-US-113 eliminated the distinction between Wisconsin Bell, Inc., (d/b/a SBC Wisconsin), and Verizon North Inc. - Wisconsin Operations, on the one hand, and the other ILECs, on the other hand, with respect to accounting for receipts associated with other services such as Internet access and inside wiring. While the 1998 order specified classification in Account 7990.1 for the latter ILECs, the 05-US-113 order effectively harmonized accounting treatment for all ILECs to classification in Account 5280, Nonregulated Operating Revenue. The order dated January 14, 2005, in docket 05-US-116 reverted classification to Account 7990.1 for the latter ILECs effective as of January 1, 2004.

[10] 14 FCC Rcd 1706, 1707-1708. This refers to the creation of High Cost Loop Support. Currently this may be supplemented with a Safety Net Additive.

Further, when discussing a then new addition to the high-cost support program, the FCC referred to it as federal support for intrastate rates and described the purpose of the program as ensuring reasonable comparability of nonrural providers' intrastate rates. It explained:

> Regardless of the extent to which the Commission is legally obligated to support intrastate services, we find that, as a matter of policy, federal universal high-cost support should be sufficient to enable reasonably comparable rates among states . . . .[11]

However, the ILEC industry disagreed with staff. In a letter dated November 11, 2004, concerning accounting and annual report matters, WSTA responded as follows:

> We wish to restate our position on the use of intrastate revenues for USF assessment purposes. Revenues should be reported in the Annual Report consistent with the FCC USOA adopted by the PSC. *Interstate USF and High Cost Support Funds are not, and should not be considered, Intrastate Revenues.* Such a revenue classification change will shift the burden of supporting the state USF fund to those companies that depend on Interstate support the most. This seems contradictory to the intent of the USF.

The ILEC perspective on this issue was reiterated in a December 27, 2004, letter from Kiesling Associates, a firm that provides accounting services for many ILECs.

In its FCC Order, the FCC instituted a subsidiary record requirement for Class A ILECs to separately identify unbundled network element (UNE) revenues, resale revenues, reciprocal compensation revenues, and other interconnection revenues in the accounts in which these revenues are currently recorded.[12] The FCC also required ILECs to make this data available to the state commissions upon request. This subsidiary record requirement was not imposed on

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[11] *Ninth Report and Order,* CC docket 96-45, FCC 99-306 (released 11/2/99). This refers to the Nonrural High Cost Model Support.

[12] Resale of local service revenue would be recorded in the Local Network Services Revenues category. Unbundled network elements (UNEs), UNE Platform (UNE-P), reciprocal compensation, and other interconnection revenues would be reflected in the Miscellaneous Revenue category.

Class B ILECs by the FCC. (Approximately half of the 85 ILECs in Wisconsin follow Class A accounting; the other half utilizes the less-detailed Class B accounting.)

The Commission considered this matter at its open meeting of February 3, 2005.

Findings of Fact

1. It is reasonable to adopt the FCC changes to the USOA with modifications, as set forth in Appendix B, effective January 1, 2005.

2. It is not necessary to impose on Class B ILECs the formal subsidiary record requirement for UNE revenues, resale revenues, reciprocal compensation revenues, and other interconnection revenues imposed by the FCC on Class A ILECs.

3. It is reasonable that monies received by ILECs from the federal high-cost model, high-cost loop, and safety net additive funds should be recorded by ILECs in interstate access revenues, effective January 1, 2003.

4. It is reasonable that monies received by ILECs from the federal high-cost model, high-cost loop, and safety net additive funds should not be subject to the intrastate USF assessment, effective January 1, 2003.

Conclusion of Law

The Commission has jurisdiction under Wis. Stat. §§ 196.02, 196.06, and other provisions of Wis. Stat. ch. 196 as may be pertinent hereto, to prescribe and amend uniform accounting systems for those utilities subject to its jurisdiction.

Opinion

The Commission believes it is reasonable to adopt the FCC's recent Part 32 modifications effective January 1, 2005, with the exception of previous Commission

determinations on summary accounts and miscellaneous USOA language changes earlier adopted by the Commission in USOA dockets 05-US-113, 05-US-115, and 05-US-116, as set forth in Appendix B.[13]

The Commission evaluated the previous Commission determinations concerning accounting for federal high-cost monies and the ILEC industry's position on this matter. The Commission does not believe that its December 20, 2002, order in docket 05-US-113 superseded the earlier Commission determinations on this subject. However, it determines herein that monies received by ILECs from the federal high-cost model, high-cost loop, and safety net additive funds should be recorded by ILECs in interstate access revenues, as posited by the ILECs.[14] In addition, the Commission determines that these revenues do not qualify as revenues from "intrastate telecommunications services in this state"[15] and, therefore, are not subject to USF assessment under Wis. Stat. § 196.218 and Wis. Admin. Code ch. PSC 160. This change is effective January 1, 2003.[16]

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[13] Appendix B also includes minor USOA language changes that the FCC had previously adopted but were not considered by the Commission in prior decisions in dockets 05-US-113, 05-US-115, or 05-US-116.

[14] Any new federal funds established subsequent to the effective date of this order, whose purpose is to keep local rates low, should also be accounted for consistent with the Commission's determination herein.

[15] Wis. Stat. 196.01(9m) states:

> "Telecommunications service" means the offering for sale of the conveyance of voice, data or other information at any frequency over any part of the electromagnetic spectrum, including the sale of service for collection, storage, forwarding, switching and delivery incidental to such communication and including the regulated sale of customer premises equipment.
>
> "Telecommunications service" does not include cable television service or broadcast service.

Wis. Stat. § 196.218(3)(a)3m. states:

> Contributions under this paragraph may be based only on the gross operating revenues from the provision of broadcast services identified by the commission under subd. 2. and on intrastate telecommunications services in this state of the telecommunications providers subject to the contribution.

Wis. Admin. Code § PSC 160.18(3) states:

> Telecommunications providers shall be assessed on the basis of their gross intrastate operating revenues from telecommunications services.

[16] Any ILEC whose accounting in calendar years 2003 and 2004 was in accordance with the previous Commission determinations is not required to reclassify the monies at issue from local revenues to interstate access revenues.

The Commission considered and determines herein that it is not necessary to impose on Class B ILECs the formal subsidiary record requirement for UNE revenues, resale revenues, reciprocal compensation revenues, and other interconnection revenues imposed by the FCC on Class A ILECs.

In its order in docket 05-US-113, the Commission included an informal annual report requirement that ILECs separately identify items as necessary for the Commission to calculate assessable revenues. Additionally, the Commission has established other informal reporting requirements and data retention requirements for specific items, the latter for a minimum of six years. These requirements shall remain in effect.

Supplemental Order

1. The Uniform System of Accounts for Class A and Class B Telephone Utilities as prescribed, revised, and amended effective January 1, 2003, in docket 05-US-113 on December 20, 2002, and September 5, 2003, and in docket 05-US-115 on January 31, 2003, and effective January 1, 2004, in docket 05-US-116 on January 14, 2005, is hereby further amended effective January 1, 2005, as set forth in the attached Appendix B.

2. ILECs shall continue to comply with the informal reporting requirements, as amended in docket 05-US-116, applicable to the requirement to file an annual report pursuant to Wis. Stat. § 196.07.

3. ILECs shall continue to retain, for a minimum of six years, accounting information for which a data retention requirement, as detailed in the Commission's December 20, 2002, decision in docket 05-US-113, was established.

4. The Commission retains continuing jurisdiction over utility accounting systems and this docket shall remain open to permit subsequent supplemental orders.

Dated at Madison, Wisconsin, June 21, 2005

By the Commission:

Christy L. Zehner

Christy L. Zehner
Secretary to the Commission

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See attached Notice of Appeal Rights

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in Wis. Stat. § 227.01(3), a person aggrieved by the order has the further right to file one petition for rehearing as provided in Wis. Stat. § 227.49. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98

APPENDIX A

This docket is not a contested case under Wis. Stat. ch. 227. Therefore there are no parties to be listed or certified under Wis. Stat. § 227.47. However, an investigation was conducted, and the persons listed below participated.

Public Service Commission of Wisconsin
(Not a party but must be served)
610 North Whitney Way
Madison, WI 53707-7854

WISCONSIN STATE TELECOMMUNICATIONS
ASSOCIATION, INC. (WSTA)
Mr. William Esbeck
6602 Normandy Lane
Madison, WI 53719

KIESLING ASSOCIATES LLP
Mr. Matthew Macdonald
8517 Excelsior Drive
Madison, WI 53717

APPENDIX B

Part 32, Uniform System of Accounts for Telecommunications Companies, as adopted by this Commission is amended, effective January 1, 2005, as follows (underline and strikethrough functions utilized):

Subpart C-Instructions for Balance Sheet Accounts of the Table of Contents is amended in part by modifying the account title for account 32.1438 and deleting account 32.3420 to read as follows:

***
32.1410 Other noncurrent assets.
32.1438 Deferred maintenance, ~~and~~ retirements and other deferred charges.
32.1500 Other jurisdictional asset-net.
***
32.3410 Accumulated amortization-capitalized leases.
32.3999 Instructions for balance sheet accounts-liabilities and stockholders' equity.
***

Subpart F-Instructions for Other Income Accounts of the Table of Contents is amended in part to read as follows:

32.6999 General.
~~32.7099 Content of accounts.~~
32.7100 Other operating income and expenses.
***
32.7250 Provision for deferred operating income taxes–net.
~~32.7299 Content of accounts.~~
32.7300 Nonoperating income and expense.
~~32.7399 Content of accounts.~~
32.7400 Nonoperating taxes.
~~32.7499 Content of accounts.~~
32.7500 Interest and related items.
~~32.7599 Content of accounts.~~
32.7600 Extraordinary items.
***

Section 32.11 is amended in part by revising paragraph (a) to read as follows:

§ 32.11 Classification of companies.

(a) For purposes of this section, the term "company" or "companies" means incumbent local exchange carrier(s) as defined in § 251(h) of the Communications Act, and any other carriers that the ~~C~~commission designates by Order. Incumbent local exchange carriers' successor or assign

companies, as defined in § 251(h)(1)(B)(ii) of the Communications Act, that are found to be non-dominant by the ~~C~~commission, will not be subject to this Uniform System of Accounts.

(b) ***

(1)-(2) ***

(c)-(f) ***

Section 32.27 is amended in part by revising paragraph (a) to read as follows:

§ 32.**27** Transactions with affiliates.

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

(b) ***

(1)-(3) ***

(c) ***

(1)-(3) ***

(d)-(f) ***

Section 32.101 is amended to read as follows:

§ 32.**101** Structure of the balance sheet accounts.

The Balance Sheet accounts shall be maintained as follows:

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

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

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.)

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

Section 32.103 is amended to read as follows:

§ 32.**103** Balance sheet accounts for other than regulated-fixed assets to be maintained.

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:		
Inventories~~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 deferred charges	1438	1438
Other:		
Other jurisdictional assets-net	1500	1500

Section 32.1280 is amended in part by renumbering subparagraph (d) to (4) to read as follows:

§ 32.**1280** Prepayments.

(a) This account shall include:
(1)-(3) ***
(4~~d~~) The cost of preparing, printing, binding, and delivering directories and the cost of soliciting advertisements for directories, except minor amounts which may be charged directly to Account 6622, Number services. These prepaid directory expenses shall be cleared to Account 6622 by monthly charges representing that portion of the expenses applicable to each month.
(5) ***

Section 32.2000 is amended in part by modifying subparagraphs (b)(2)(iii), (g)(5), and (h)(3) to read as follows:

§ 32.**2000** Instructions for telecommunications plant accounts.

(a) ***
(1)-(4) ***

(b) ***
(1) ***
(2) ***
(i)-(ii) ***
(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)***
(3) ***
(c) ***
(1) ***
(2) ***
(i)-(xiv) ***
(d) ***
(1) ***
(2) ***
(i) ***
(ii) ***
(3)-(5) ***
(e) ***
(1) ***
(i)-(iii) ***
(2) ***
(i)-(iv) ***
(3) ***
(i)-(ii) ***
(4) ***
(5) ***
(i)-(ii) ***
(6) ***
(i)-(iii) ***
(7) ***
(i) ***
(A)-(C) ***
(ii) ***
(f) ***
(1) ***
(i)-(ii) ***
(2) ***

(i)-(iii) ***
(3) ***
(i) ***
(ii) ***
(A)-(B) ***
(4)-(8) ***
(9) ***
(i) ***
(A)-(B) ***
(ii)-(iv) ***
(g) ***
(1) ***
(i)-(iii) ***
(2) ***
(i)-(iv) ***
(3) ***
(4) ***
(i) ***
(A)-(C) ***
(5) Upon direction or approval from this ~~C~~commission, the company shall credit Account 3100, Accumulated Depreciation, and charge Account 1438, Deferred Maintenance, retirements and other deferred charges, with the unprovided-for loss in service value. Such amounts shall be distributed from Account 1438 to Account 6561, Depreciation expense-Telecommunications plant in service, or Account 6562, Depreciation expense-property held for future telecommunications use, over such period as this ~~C~~commission may direct or approve.
(h) ***
(1)-(2) ***
(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) ***
(i)-(j) ***

Section 32.2005 is amended in part by modifying subparagraph (b)(1) to read as follows:

§ 32.**2005** Telecommunications plant adjustment.

(a) ***
(b) ***
(1) Debit amounts may be charged in whole or in part, or amortized over a reasonable period through charges to Account 7300, Nonoperating income and expense, without further direction or approval by this ~~C~~commission. When specifically approved by this ~~C~~commission, or when

the provisions of paragraph (b)(3) of this section apply, debit amounts shall be amortized to Account 6565, Amortization expense-other.

(2)-(4) ***

Section 32.2682 is amended in part by modifying paragraph (c) to read as follows:

§ 32.**2682** Leasehold improvements.

(a)-(b) ***

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

Section 32.2690 is amended in part by modifying paragraph (c) to read as follows:

§ 32.**2690** Intangibles.

(a)-(b) ***

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

(d)-(i) ***

Section 32.3000 is amended in part by modifying subparagraph (a)(2) and paragraph (b) to read as follows:

§ 32.**3000** Instructions for balance sheet accounts--Depreciation and amortization.

(a) ***

(1) ***

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

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

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

Section 32.3100 is amended in part by modifying paragraph (b) to read as follows:

§ 32.**3100** Accumulated depreciation.

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

Section 32.3200 is amended in part by modifying paragraph (b) to read as follows:

§ 32.**3200** Accumulated depreciation--held for future telecommunications use.

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

Section 32.3400 is amended to read as follows:

§ 32.**3400** Accumulated amortization--tangible.

(a) This account shall be used by Class B companies and shall include:
(1) the accumulated amortization associated with the investment contained in Account 2681, Capital leases.

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

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

(c) When any item carried in Account 2681 or Account 2682 is sold, is relinquished, or is otherwise retired from service, this account shall be charged with the cost of the retired item. Remaining amounts associated with the item shall be debited to Account 7100, Other operating income and expenses, or Account 7300, Nonoperating income and expense, as appropriate.

Section 32.3410 is amended in part by modifying paragraph (b) to read as follows:

§ 32.**3410** Accumulated amortization--capitalized leases.

(a) ***

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

(c) ***

Section 32.3420, Accumulated amortization--leasehold improvements, is deleted in its entirety.

Section 32.4999 is amended in part by modifying paragraphs (c), (f), and (n) to read as follows:

§ 32.**4999** General.

(a)-(b) ***

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

(d)-(e) ***

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

(g) ***

(1)-(3) ***

(h) ***

(i) ***

(1)-(2) ***
(j)-(m) ***
(n) Revenue accounts to be maintained.

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

Section 32.5200 is amended to read as follows:

§ 32.**5200** Miscellaneous revenue.

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

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

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

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

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

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

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

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

that the charges and credits resulting from a settlement process can be identified by miscellaneous revenue accounts they shall be recorded in the applicable account.

(h) The provision of transport and termination of local telecommunications traffic pursuant to § 251(c) and part 51 of the Federal Communications Commission's rules~~this chapter~~.

(i) The provision of unbundled network elements pursuant to § 251(c) of the Communications Act and part 51 of the Federal Communications Commission's rules~~this chapter~~.

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

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

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

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

(4) Discounts allowed customers for prompt payment;

(5) Late-payment charges;

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

(7) Revenues associated with third party information and materials included by the utility with customer billings; and

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

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

Note A: Other than losses of revenue collections due to fire or theft associated with public interest pay telephones, losses of revenue collections that would have been included in this account for coinless, coin-operated (including public and semi-public), credit card and pay telephones installed for the use of the public are no longer classified as regulated in Wisconsin and should be accounted for in Account 7990.1.

Note B: Wisconsin Bell, Inc., Verizon North Inc., and any other utility granted authorization to do so by the commission may elect to follow accounting for pay telephone activity prescribed by the Federal Communications Commission for this account. A utility so electing shall report by identifying regulated and nonregulated amounts in the manner and at the times required by this commission.

Section 32.5230 is amended in part by modifying paragraph (b) to read as follows:

§ 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) ***

(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 directories and special telephone directory covers;

(c)-(d) ***

Section 32.5999 is amended in part by modifying subparagraph (b)(4) and paragraphs (c) and (g) to read as follows:

§ 32.**5999** General.

(a) ***

(1)-(3) ***

(b) ***

(1)-(3) ***

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

(c) Plant nonspecific operations expense. The Plant Nonspecific Operations Expense accounts shall include expenses related to property held for future telecommunications use, provisioning expenses, network operations expenses, and depreciation and amortization expenses. Accounts in this group (except for Account 6540, Access expense, and Accounts 6561~~0~~ through 6565) shall include the costs of performing activities described in narratives for individual accounts. These costs shall also include the costs of supervision and office support of these activities.

(d)-(f) ***

(g) Expense accounts to be maintained.

Account Title	Class A account	Class B account
Income Statement Accounts		
Plant specific operations expense:		
Network support expense		6110
Motor vehicle expense	6112	
Aircraft expense	6113	
Tools and other work equipment expense	6114	
General support expenses		6120
Land and building expenses	6121	
Furniture and artworks expense	6122	
Office equipment expense	6123	
General purpose computers expense	6124	
Central office switching expense		6210
Non-digital switching expense	6211	
Digital electronic switching expense	6212	
Operators system expense	6220	6220
Central office transmission expenses		6230
Radio systems expense	6231	
Circuit equipment expense	6232	

Account Title	Class A account	Class B account
Information origination/termination expense		6310
Station apparatus expense	6311	
Large private branch exchange expense	6341	
Public telephone terminal equipment expense	6351	
Other terminal equipment expense	6362	
Cable and wire facilities expenses		6410
Poles expense	6411	
Aerial cable expense	6421	
Underground cable expense	6422	
Buried cable expense	6423	
Submarine and deep sea cable expense	6424	
Intrabuilding network cable expense	6426	
Aerial wire expense	6431	
Conduit systems expense	6441	
Plant nonspecific operations expense:		
Other property plant and equipment expenses		6510
Property held for future telecommunications use expense	6511	
Provisioning expense	6512	
Network operations expenses		6530
Power expense	6531	
Network administration expense	6532	
Testing expense	6533	
Plant operations administration expense	6534	
Engineering expense	6535	
Access expense	6540	6540

Account Title	Class A account	Class B account
Depreciation and amortization expenses	(1) 6560	6560
Depreciation expense--telecommunications plant in service	6561	
Depreciation expense--property held for future telecommunications use	6562	
Amortization expense—tangible	6563	
Amortization expense—intangible	6564	
Amortization expense—other	6565	
Customer operations expense:		
Marketing		6610
Product management and sales	6611	
Product advertising	6613	
Services	(1) 6620	6620
Call completion services	6621	
Number services	6622	
Customer services	6623	
Corporate operations expense:		
General and administrative	6720	6720
Provision for uncollectible notes receivable	6790	6790

(1) To be used by Class A telephone companies to summarize accounts for reporting purposes.

Section 32.6560 is amended to read as follows:

§ 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.

Section 32.6562 is amended to read as follows:

§ 32.**6562** Depreciation expense--property held for future telecommunications use.

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

Section 32.6563 is amended to read as follows:

§ 32.**6563** Amortization expense--tangible.

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

Section 32.6565 is amended in part by modifying paragraphs (a) and (b) to read as follows:

§ 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)(~~4~~3) of subpart C.
(c) ***

Section 32.6620 is amended to read as follows:

§ 32.**6620** Services.

This account number shall be used by Class A telephone companies to summarize for reporting purposes the contents of Accounts 6621 through 6623. Class B telephone companies shall use this account for expenses of the type and character required of Class A companies in Accounts 6621 through 6623.

Section 32.6623 is amended in part by modifying subparagraph (a)(3) to read as follows:

§ 32.**6623** Customer services.

(a) ***
(1)-(2) ***
(3) Collecting and investigating customer accounts including collecting revenues, reporting receipts, administering collection treatment, and handling contacts with customers regarding adjustments of bills;
(4)-(5) ***
(b)-(c) ***

Section 32.9000 is amended in part by modifying the definition of "Salvage value" to read as follows:

§ 32.**9000** Glossary of terms.

When used in this system of accounts:

***

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, Inventories~~Material and Supplies~~, or other appropriate account.

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