

Supporting Statement

This collection is being submitted to extend an existing collection.

A. Justification:

1. Section 220(b) of the Communications Act of 1934 (the Act), as amended, (47 U.S.C. Section 220 (b)), states that the Commission may prescribe depreciation charges for the subject carriers. Section 219 of the Act requires annual and other reports from the carriers. Section 43.43 of the Commission's Rules (47 C.F.R. Section 43.43) establishes the reporting requirements for depreciation prescription purposes. Communication common carriers with annual operating revenues of \$121 million or more that the Commission has found to be dominant must file information specified in Section 43.43 before making any change in the depreciation rates applicable to their operating plant. Section 220 also allows the Commission, in its discretion, to prescribe the forms of any and all accounts, records, and memoranda to be kept by carriers subject to the Act, including the accounts, records and memoranda of the movement of traffic, as well as receipts and expenditures of moneys.

The Communications Act, as amended, seeks to develop efficient competition by opening all telecommunications markets through a pro-competitive, deregulatory national policy framework. To that end, Section 11 of the Act requires the Commission, in every even-numbered year beginning in 1998, to review its regulations applicable to providers of telecommunications service to determine whether the regulations are no longer necessary in the public interest as a result of meaningful economic competition between providers of such service and whether such regulations should be repealed or modified.

In the Report and Order released in December 1999, the Commission greatly streamlined the depreciation requirements for price cap incumbent local exchange carriers. The Commission adopted the following requirements in the Report and Order:

- Carriers are required to file four summary exhibits, along with the underlying data used to generate them, and must provide the depreciation factors (i.e., life, salvage, curve shape, depreciation reserve) required to verify the calculation of the carriers' depreciation reserve. This is the minimum amount of data needed to maintain oversight of carriers' depreciation expenses and rates.

- Mid-sized carriers are no longer required to file theoretical reserve studies.

- Certain price cap incumbent LECs in certain instances may request a waiver of the depreciation prescription process. A waiver may be approved when an incumbent LEC, voluntarily, in conjunction with its request for waiver: (1) adjusts the net book costs on its regulatory books to the level currently reflected in its financial books by a below-the-line write-off; (2) uses the same depreciation factors and rates for both

regulatory and financial accounting purposes; (3) forgoes the opportunity to seek recovery of the write-off through a low-end adjustment, an exogenous adjustment, or an above-cap filing; and (4) agrees to submit information concerning its depreciation accounts, including forecast additions and retirements for major network accounts and replacement plans for digital central offices. The waiver request must comply with section 1.3 of the Commission's rules. The Commission will consider alternative proposals by carriers seeking a waiver of our depreciation requirements. Such alternative proposals, however, must provide the same protections to guard against adverse impacts on consumers and competition as the conditions adopted in the Order provides. Carriers who obtain a waiver of the depreciation process submit certain information about network retirement patterns and modernization plans related to their plant accounts so that we can maintain realistic ranges of depreciable life and salvage factors for each of the major plant accounts. The information that carriers will be required to submit include: forecast additions and retirements for major network accounts; replacement plans for digital central offices; and information concerning relative investments in fiber and copper cable.

As noted on the OMB Form 83i, this information collection does not affect individuals or households; thus, there are no impacts under the Privacy Act.

Note: This submission is being made pursuant to authority contained in sections: 1,2, 4, 11, 201-205, and 218-220 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151, 152, 154, 161, 201-205, and 218-220, Part 43.

2. The information filed is used by the Commission to establish proper depreciation rates to be charged by the carriers, pursuant to Section 220 (b) of the Act. The information serves as the basis for depreciation analyses made by the Wireline Competition Bureau in establishing the afore-mentioned rates. Without this information, the validity of the carriers' depreciation policies could not be ascertained.
3. The Commission requires the carriers to submit some of the required data on computer disks. Instructions for submitting data in this manner are contained in the Commission's Depreciation Study Guide.
4. There is no known duplication of effort. Also, there is no known other existing information, already available, that would serve our regulatory purpose.
5. The information collection does not involve small business or other small entities. The Commission's rules impose this requirement only on those carriers having annual operating revenues of \$121 million or more, including adjustments for inflation. Section 402(c) of the Telecommunications Act of 1996 requires that the Commission adjust the revenue thresholds for inflation.
6. We are charged with the Federal program of prescribing depreciation rates for communication common carriers and generally do so on a three-year cycle. Carriers may also submit data more frequently, but are not required to do so. LECs may now seek to

change basic factors on an annual schedule as opposed to the current triennial schedule. LECs must file those changes by April 1st of the year in which new rates are sought. LECs must update all plant accounts at the time that they propose any new rate for a range account. Based on the evaluation of plant development, receipt of the information on a less frequent basis would prohibit us from effectively prescribing depreciation rates.

7. The collections are not being conducted in any manner inconsistent with the guidelines of 5 C.F.R. Section 1320.5(d)(l).
8. A notice was published in the Federal Register pursuant to 5 C.F.R. § 1320.8 (d). See 71 FR 10528, dated March 1, 2006. (Copy attached). No comments were received.
9. Not applicable.
10. Not applicable. Generally, the Commission believes that the information is not of a confidential nature. Carriers who believe otherwise may request confidential treatment under Section 0.459 of the Commission's rules. We do note however, that carriers have frequently requested confidential treatment for information provided about various types of equipment, including digital switching, under Section 0.457 and 0.459 of the Commission's rules. We requested comment about whether these procedures are adequate or whether additional safeguards need to be adopted to protect information that carriers regard as confidential. Parties commenting on this issue agreed that the Commission's existing confidentiality procedures are sufficient. Thus, the Commission finds no reason to alter the policies currently in place to protect the confidentiality of carrier information.
11. The information is not of a sensitive nature. Carriers submitting information that they deem proprietary are instructed to label the data as such and submit it separately.
12. The following represents the estimate of hour burden of the collections of information as adopted in the Report and Order. We note that the hour burden imposed by the requirement is very difficult to quantify. The following represents our best estimate.

Section 43.43:

1. Number of Respondents: 10
2. Frequency of Response: 1
3. Annual hour burden per respondent: 6,000 hours. Total annual hour burden: 60,000 hours.
4. Total estimate of annualized cost to respondents for the hour burdens for collection of information: \$2,100,000.

5. Explanation of calculation: We estimate it will take each respondent approximately 6000 hours to comply with the requirement. 10 (number of respondents) x 1 (number of filing) x 6000 (hours per filing) x $\$35$ per hour = $\$2,100,000$.

13. The following represents the Commission's estimate of the annual cost burden for respondents and/or recordkeepers resulting from the collections of information:

(a)(1) Total capital and start-up cost component (annualized over its expected useful life): $\$0$. The reporting requirement will not require the purchase of additional equipment.

(2) Total operation and maintenance and purchase of services component: $\$0$.

14. Annualized cost to the Federal government is estimated to be $\$528,789$. We used the formula of the number of staff years times the average grade times the overhead cost to estimate the cost of the number of staff years times the average grade times the overhead cost to estimate the cost to the government. Specifically, approximately four staff years are expended in the prescription process associated with these filings. Therefore, four staff years at the GS-13/5 level, plus 16% in benefits plus 30% agency overhead approximates an annual cost to the government of $\$528,789$.

15. The total annual burden continues to be 60,000 burden hours.

16. There are no plans for publication of the results.

17. Not applicable. The Commission does not intend to seek approval not to display the expiration date for OMB approval of the information collection.

18. Not applicable. There are no exceptions to the certification statement.

B. Collections of Information Employing Statistical Methods:

Not applicable.