

SUPPORTING STATEMENT

A. Justification:

1. *Circumstances that make the collections necessary.* In the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (Act), Congress codified the Commission's historical policy of promoting universal service to ensure that consumers in all regions of the nation have access to telecommunications services. Specifically, in section 254 of the Act, Congress instructed the Commission, after consultation with the Federal-State Joint Board on Universal Service (Joint Board), to establish specific, predictable, and sufficient mechanisms to preserve and advance universal service.

To implement section 254 of the Act, the Commission adopted processes in which states must certify that all carriers receiving federal universal service funding pursuant to the non-rural high-cost mechanism are using the funds to achieve the goals of the Act. The Commission relies on states to take appropriate steps to account for the receipt of federal high-cost universal service support by eligible telecommunications carriers. Federal high-cost universal service support is intended to enable the reasonable comparability of intrastate rates, and states have primary jurisdiction over intrastate rates. Therefore, the Commission determined that it is most appropriate for states to determine how the support is used to advance the goals set out in section 254(e) of the Act, and to ensure and certify to the Commission that the federal support is being applied in a manner consistent with section 254 of the Act.

States must also provide information to the Commission regarding the comparability of local rates in rural areas served by non-rural carriers within the state to urban rates nationwide, explain the bases for their conclusions as well as proposed remedies, if necessary. States report on rate comparability in one of several ways. If a state's rural local rates are within the safe harbor provided by the urban rate benchmark, its rates may be presumed reasonably comparable. Most states certify in this manner and are not required to file any additional explanation or supporting data. Other states, however, are required to support their certifications with explanations and supporting data, including specific rate data for residential customers in rural areas served by non-rural carriers. A state with rural rates within the safe harbor that nevertheless certifies that its rural rates are not reasonably comparable to urban rates nationwide based on its analysis of other relevant factors must fully explain its analysis, its proposed method of identifying and implementing a means of achieving rate comparability, and supporting data that shows the rates paid by its residential consumers in rural areas served by non-rural carriers. In addition, rural rates outside the safe harbor may be presumed not reasonably comparable, and a state so certifying must explain its proposed course of action to address its failure to achieve reasonable comparability and submit rate data for the rural areas within the state served by non-rural carriers. A state's consideration of other relevant factors, however, may overcome the presumption that its rural rates are not reasonably comparable to urban rates nationwide. In this case, the state must explain its rate analysis and submit relevant

rate data.

Following are the collections of information:

Section 54.313 – State certification of support for non-rural carriers.

States that desire non-rural incumbent local exchange carriers and/or eligible telecommunications carriers serving lines in the service area of a non-rural incumbent local exchange carrier within their jurisdiction to receive support pursuant to sections 54.309 and/or 54.311 must file an annual certification with the Administrator and the Commission stating that all federal high-cost support provided to such carriers within that state will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended. A certification may be filed in the form of a letter and must be filed with both the Office of the Secretary of the Commission and with the Administrator on or before the deadlines set forth in section 54.313(d). The annual certification must identify which carriers in the state are eligible to receive federal support during the applicable 12-month period, and must certify that those carriers will only use support for the provision, maintenance, and upgrading of facilities and services for which the support is intended. A state may file a supplemental certification for carriers not subject to the state's annual certification.

Section 54.316 - Rate comparability review and certification for areas served by non-rural carriers.

(a) *Certification.* Each state is required annually to review the comparability of residential rates in rural areas of the state served by non-rural incumbent local exchange carriers to urban rates nationwide, and to certify to the Commission and the Administrator as to whether the rates are reasonably comparable, for purposes of section 254(b)(3) of the Telecommunications Act of 1996. If a state does not rely on the safe harbor described in paragraph (b), or certifies that the rates are not reasonably comparable, the state must fully explain its rate comparability analysis and provide data supporting its certification, including but not limited to residential rate data for rural areas within the state served by non-rural incumbent local exchange carriers. If a state certifies that the rates are not reasonably comparable, it must also explain why the rates are not reasonably comparable and explain what action it intends to take to achieve rate comparability.

(b) *Safe Harbor.* For the purposes of its certification, a state may presume that the residential rates in rural areas served by non-rural incumbent local exchange carriers are reasonably comparable, for the purposes of section 254(b)(3) of the Telecommunications Act of 1996, to urban rates nationwide if the rates are below the nationwide urban rate benchmark. The nationwide urban rate benchmark shall equal the nationwide average urban rate plus two weighted standard deviations. The benchmark shall be calculated using the most recent nationwide average urban rate and standard deviation shown in the annual *Reference Book of Rates, Price Indices, and Expenditures for Telephone Service*. For the purposes of this presumption, rates shall include the access charges and other mandatory monthly rates included in the rate survey published in the most recent annual

Reference Book of Rates, Price Indices, and Expenditures for Telephone Service. The *Reference Book of Rates, Price Indices, and Expenditures for Telephone Service* is available on the Commission website at www.fcc.gov/wcb/iatd/lec.html.

(d) *Schedule for Certification.* Annual certifications are required on the schedule set forth in section 54.313(d)(3), beginning October 1, 2004. Certifications due on October 1 of each year shall pertain to rates as of the prior July 1. Certifications filed during the remainder of the schedule set forth in section 54.313(d)(3) shall pertain to the same date as if they had been filed on October 1.

2. *Use of information.* This information is used to verify that the carriers have accounted for receipt of federal support in its rates or otherwise used the support for the “provision, maintenance, and upgrading of facilities and services for which the support is intended” in accordance with section 254(e) of the Act. Further, the information is used to show that rates in rural areas served by non-rural carriers are reasonably comparable to urban rates nationwide.

3. *Technological collection techniques.* Automated, electronic, mechanical or other technological collection techniques are not currently feasible.

4. *Efforts to identify duplication.* There will be no duplication of information. The information sought is unique to each state and similar information is not already available.

5. *Impact on small entities.* The collections of information are being imposed on state commissions rather than on small business entities.

6. *Consequences if information is not collected.* Failing to collect the information would prevent the Commission from implementing sections 214 and 254 of the Act and may make it difficult for the Commission to ensure that only eligible entities receive universal service support, and effectively induce states to adopt measures to promote reasonable rate comparability.

7. *Special circumstances.* Not applicable.

8. *Federal Register notice; efforts to consult with person outside the Commission.* A notice was placed in the Federal Register. See 72 FR 7987, dated February 22, 2007.

9. *Payments or gifts to respondents.* The Commission does not anticipate providing any payments or gifts to respondents.

10. *Assurance of confidentiality.* The Commission is not requesting that respondents submit confidential information to the Commission.

11. *Questions of a sensitive nature.* This request does not address any private matters of a sensitive nature.

12. *Estimates of the hour burden of the collection to respondents.*

Section 54.313 – Certification Letter Accounting for Receipt of Federal Support:

(1) Number of respondents: Approximately 51.

(2) Frequency of response: Annually; On occasion. Each state commission must file a letter with the Commission certifying that a carrier within the state has accounted for its receipt of federal support in its rates or otherwise used the support for the “provision, maintenance, and upgrading of facilities and services for which the support is intended” in accordance with section 254(e) of the Act.

(3) Annual burden per respondent: 3 hours. The total annual hour burden is 153 hours.

(4) Total estimate of annualized cost to respondents for the hour burdens for collection of information: \$6,120

(5) Explanation of calculation: We estimate that each state commission will spend 3 hours drafting a letter to the Commission to certify that a carrier within the state had accounted for its receipt of federal support. 51 (number of respondents) x 3 (hours to prepare high-cost plan) x \$40 per hour (including administrative staff time and overhead) = \$6,120. The estimates are provided by staff members who are most familiar with the requirements.

Section 54.316 – Rate Comparability Review and Certification

States report on rate comparability in one of several ways. If a state’s rural local rates are within the safe harbor provided by the urban rate benchmark, its rates may be presumed reasonably comparable. Most states certify in this manner and are not required to file any additional explanation or supporting data. Other states, however, are required to support their certifications with explanations and supporting data, including specific rate data for residential customers in rural areas served by non-rural carriers. A state with rural rates within the safe harbor that nevertheless certifies that its rural rates are not reasonably comparable to urban rates nationwide based on its analysis of other relevant factors must fully explain its analysis, its proposed method of identifying and implementing a means of achieving rate comparability, and supporting data that show the rates paid by its residential consumers in rural areas served by non-rural carriers. In addition, rural rates outside the safe harbor may be presumed not reasonably comparable, and a state so certifying must explain its proposed course of action to address its failure to achieve reasonable comparability and submit rate data for the rural areas within the state served by non-rural carriers. A state’s consideration of other relevant factors, however, may overcome the presumption that its rural rates are not reasonably comparable to urban rates nationwide. In this case, the state must explain its rate analysis and submit relevant rate data.

a. Certification Letter for rural rates within the safe harbor provided by the urban rate benchmark and rates are reasonably comparable:

(1) Number of respondents: Approximately 49.

(2) Frequency of response: Annually; On occasion. Each state commission must file a letter with the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are reasonably comparable.

(3) Annual burden per respondent: 3 hours. The total annual hour burden is 147 hours.

(4) Total estimate of annualized cost to respondents for the hour burdens for collection of information: \$5,880.

(5) Explanation of calculation: We estimate that each state commission will spend 3 hours drafting a letter to the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are reasonably comparable. 49 (number of respondents) \times 3 (hours to prepare certification) \times $\$40$ per hour (including administrative staff time and overhead) = $\$5,880$. The estimates are provided by staff members who are most familiar with the requirements.

b. Certification Letter for rural rates not within the safe harbor provided by the urban rate benchmark, and rates not reasonably comparable but state believes rates are reasonable comparable:

(1) Number of respondents: Approximately 2.

(2) Frequency of response: Annually; On occasion. Each state commission must file a letter, along with additional information explaining why it believes its rates are reasonably comparable, with the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are reasonably comparable.

(3) Annual burden per respondent: 5 hours. The total annual hour burden is 10 hours.

(4) Total estimate of annualized cost to respondents for the hour burdens for collection of information: \$400.

(5) Explanation of calculation: We estimate that each state commission will spend 5 hours drafting a letter to the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are reasonably comparable. 2 (number of respondents) \times 5 (hours to prepare certification and explanation) \times $\$40$ per hour (including administrative staff time and overhead) = $\$400$.

The estimates are provided by staff members who are most familiar with the requirements.

c. Certification Letter for rural rates not within the safe harbor provided by the urban rate benchmark, and rates not reasonably comparable and the state agrees or disagrees:

(1) Number of respondents: Approximately 1.

(2) Frequency of response: Annually; On occasion. Each state commission must file a letter, along with additional information explaining why it believes its rates are not reasonably comparable and what it plans to do to fix the problem, with the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are not reasonably comparable.

(3) Annual burden per respondent: 5 hours. The total annual hour burden is 5 hours.

(4) Total estimate of annualized cost to respondents for the hour burdens for collection of information: \$200.

(5) Explanation of calculation: We estimate that each state commission will spend 5 hours drafting a letter to the Commission certifying that its rates in rural areas served by non-rural carriers within the state to urban rates nationwide are not reasonably comparable. 1 (number of respondents) \times 5 (hours to prepare certification and explanation) \times $\$40$ per hour (including administrative staff time and overhead) = $\$200$. The estimates are provided by staff members who are most familiar with the requirements.

TOTAL ANNUAL BURDEN HOURS = 153 + 147 + 10 + 5 = 315 annual hours.

13. *Estimates of the cost burden of the collection to respondents.* We estimate that there are no capital or start-up costs for any of these requirements. We do not believe that these requirements necessitate any additional equipment. We estimate that there are no operation, maintenance, or purchase of services cost for these requirements.

14. *Estimates of the cost burden to the Commission.* The Commission estimates that the review of the certification letter accounting for the receipt of federal high-cost support will require a Federal employee at level GS-13, step 5, including 30% overhead, costing \$56.06 per hour for three hours calculated as follows: $\$56.06$ per hour \times 3 hours \times 51 certification letters = $\$8,577$.

The Commission estimates that the review of the certification letter and explanation (if included) will require a Federal employee at level GS-13, step 5, including 30% overhead, costing \$56.06 per hour for three hours calculated as follows: $\$56.06$ /hour \times 3 hours \times 52 certification letters = $\$8,745$.

Total cost estimate: $\$8,577 + \$8,745 = \$17,322$

15. *Program changes or adjustment.* An adjustment increase of 153 hours is requested due to a reestimate of responses and burden.

16. *Collections of information whose results will be published.* The Commission will make any non-proprietary information publicly available on the Internet as the Commission deems appropriate.

17. *Display of expiration date for OMB approval of information collection.* Not applicable.

18. *Exception to the certification statement for Paperwork Reduction Act submission (Item 19 of the OMB Form 83-1).* There are no exceptions.

B. Collections of Information Employing Statistical Methods:

No statistical methods are employed.