

SUPPORTING STATEMENT

A. Justification:

1. *Circumstances that make collection necessary.* The Commission is extending the information collections that are used to determine the amount of, and eligibility for, high-cost universal service support received by incumbent and competitive eligible telecommunications carriers.

The Telecommunications Act of 1996 (the Act) requires the “preservation and advancement of universal service.” The information collection requirements reported under this control number are the result of various Commission actions to promote the Act’s universal service goals, while minimizing waste, fraud, and abuse.

Background:

On May 23, 2001, the Commission adopted rules for determining high-cost universal service support for rural telephone companies for the next five years based upon the proposals made by the Rural Task Force. The Commission also addressed certain proposals made by the Multi-Association Group (MAG) for reforming universal services rules applicable to rural carriers

As part of its proposal to reform the federal universal service support mechanism for rural carriers, the Rural Task Force proposed that rural carriers be permitted to depart from study area averaging and instead disaggregate and target per-line high-cost universal service support, including high-cost loop support, Long Term Support (LTS), and Local Switching Support (LSS), into geographic areas below the study area level.

- (a) The Rural Task Force concluded that the disaggregation and targeting of support is necessary to eliminate the economic distortions that may result from the delivery of support on a uniform per-line basis under the current mechanism.
- (b) At the same time, however, the Rural Task Force stated that rural carriers need flexibility in the manner in which support is disaggregated and targeted in light of the widely varying characteristics and operating environments of rural carriers.
- (c) Recognizing that a disaggregation and targeting system must meet the unique regulatory and competitive environments in each state, the Rural Task Force recommended a disaggregation system consisting of three paths.

In 2005 the Commission created FCC Form 525 in 2005 to collect line count data required from Competitive Eligible Telecommunications Carriers (CETCs) pursuant to this and other OMB Control Numbers, as well as line count data related to lines provided by CETCs using unbundled network elements (UNEs). The UNE data are necessary for Universal Service

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Administrative Company (USAC) to implement 47 C.F. R. Section 54.307 of the Commission's rules.

FCC Form 525 has also been used as a way to reduce the burdens in several other collections by standardizing the information submission format.

As collections 3060-0972, 0774 and 0942 are renewed, the information provided in FCC Form 525 will be eliminated from the burden estimates for these collections.

Current Information Collection Requirements:

- (1) With the March 2005 submission, the Commission also removed the burden estimates for one-time reporting requirements that had already occurred, but retained descriptions of those requirements. This submission eliminates those descriptions.
- (2) The Commission notes that there are no changes to the reporting requirements contained in this submission.
- (3) This submission does, however, increase the burden estimates for these information collection requirements due to revised estimates of the number of carriers subject to certain reporting requirements and the time required to respond.

These information collection requirements are as follows:

a. Election of Disaggregation Plan and Change in Path:

Incumbent rural carriers and other carriers receiving Interstate Common Line Support were required to elect one of three disaggregation paths through a submission to the state commission or, if appropriate, the Commission prior to May 15, 2002. These disaggregation paths permit a carrier to target its high-cost support to particular high-cost zones within its study area, which, in turn, permit competitive eligible telecommunications carriers (ETCs) to receive support at the targeted level. Because the one-time election of disaggregation path has passed, the burdens associated with the one-time election have been removed from this control number. However, because a carrier may still change its election upon petition to, or by order of, the appropriate regulatory authority, this control number assumes that one carrier may be subject to the burden. See 47 CFR § 54.315(a).

b. Reporting Working Loops at Cost-Zone Level:

Rural carriers that disaggregate and target per-line support to zones within their study area are required to report loops at the cost-zone level, which is a modification of the general rule that carriers report loops at the study-area level. See 47 CFR §§ 54.307(b) and (c). This permits the Universal Service Administrative Company (USAC) to calculate the per-line support amount that will be provided to any competitive ETC serving the zone.

c. State Certification Letter under 254(e) of the Act:

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The Commission requires that states file annual certifications with the Commission to ensure that carriers use universal service support “only for the provision, maintenance and upgrading of facilities and services for which the support is intended” consistent with section 254(e). Accordingly, the Commission requires states that wish to receive federal universal service high-cost support for carriers within their boundaries to file a certification with the Commission and USAC stating that all federal high-cost funds flowing to carriers in that state will be used in a manner consistent with section 254(e). Absent such certification, carriers will not receive such support. See 47 CFR §§ 54.313(b), 54.314.

The Commission recognizes that some state commissions may have only limited regulatory oversight to ensure that federal support is reflected in intrastate rates. States nonetheless may certify to the Commission that a non-rural carrier in the state has accounted to the state commission for its receipt of federal support and that such support will be used “only for the provision, maintenance and upgrading of facilities and services for which the support is intended.” Incumbent and competitive eligible telecommunications carriers serving lines in the state may formulate plans to ensure compliance with section 254(e), and present those plans to the state, so that the state may make the appropriate certification to the Commission. Absent the filing of such certification, carriers will not receive support. See 47 CFR §§ 54.313(b), 54.314.

d. Support in Competitive Study Areas:

Rural carriers and competitive ETCs are required to file line count data on a regular quarterly basis upon competitive entry in rural carrier study areas. Requiring all carriers to file line counts on the same schedule ensures that only one carrier receives support for each line serviced. Further, quarterly filing decreases the interval between the provision of service and receipt of universal service support. In addition, it allows closer monitoring of the competitive entry impact, because it reveals any loss or gain of subscriber lines by competing carriers on a quarter-to-quarter basis. We emphasize that this requirement does not apply in rural carrier study areas in which a competitive ETC has not been designated. See 47 CFR §§ 36.611, 36.612, 54.307. Rural carriers acquiring exchanges shall separately provide the information listed in section 47 CFR 36.611 for both acquired and existing exchanges, as if these two categories of exchanges constitute separate study areas. See 47 CFR § 36.611.

FCC Form 525 simplifies the collection of line count data from competitive ETCs. That form also collects data required pursuant to other OMB control numbers, including 3060-0972, 3060-0774, and 3060-0942, as well as line count data related to lines provided by Competitive ETCs (CETCs) using unbundled network elements (UNEs). The UNE data are necessary for USAC to implement section 54.307 of the Commission’s rules. FCC Form 525 reduces burdens in multiple collections by standardizing the information submission format. As collections 3060-0972, 3060-0774 and 3060-0942 are renewed, the information provided in FCC Form 525 will be, or have been, eliminated from the burden estimates for these collections.

e. Safety Net Additive:

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The “safety net additive” provides additional support to carriers “who make significant investment in rural infrastructure.” Safety net additive support is available only in years in which support levels would otherwise exceed the indexed cap on the high-cost loop support fund. To receive such support in a particular study area, a carrier must show that growth in telecommunications plant in service (TPIS) per line is at least 14 percent greater than the study area’s TPIS per line in the prior year, or the “base year.” Any study area that initially qualifies for safety net additive support also qualifies for such support in each of the four succeeding years if the cap is again triggered, regardless of whether the study area meets the 14 percent criterion in the succeeding years.

Carriers must provide written notice to the Commission and USAC in conjunction with their annual or quarterly submissions to National Exchange Carrier Association (NECA) indicating that a study area meets the 14 percent TPIS trigger. If a carrier fails to provide written notification to the Commission and USAC, the study area that otherwise would have qualified for the safety net additive support will not be eligible. See 47 CFR § 36.605(c)(2).

g. Safety Valve:

The “safety valve” mechanism enables rural carriers acquiring access lines to receive additional support over a period of five years to reflect post-transaction investment made by the acquiring carrier. Once relevant regulatory approvals are obtained and the transaction is closed, the rural carrier must provide written notice to USAC that they have acquired access lines that may become eligible for safety valve support and identify when the index year for determining eligibility began. See 47 CFR § 54.305(f).

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.

Statutory authority for this collection of information is contained in sections 1-4, 201-205, 214, 218-220, 254, 303(r), 403, 405, and 410 of the Communications Act of 1934, as amended, 47 U.S.C. §§ 151-154, 201-205, 214, 218-220, 254, 303(r), 403, 405, and 410.

2. *Use of information.* The Commission will use the information requirements to determine whether to what extent rural incumbent local exchange carriers and competitive eligible telecommunications carriers providing the data are eligible to receive universal service support.
3. *Technological collection techniques.* In an effort to reduce any burden created by these information collection requirements, the Commission shall permit all respondents to file responses using automated, electronic, mechanical or other technological collection techniques where feasible.
4. *Efforts to identify duplication.* There will be no duplication of information. The information sought is unique to each carrier or respondent and similar information is not already

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available. The Commission is using already established reporting and recordkeeping requirements to satisfy certain statutory directives and eligibility criteria.

5. *Impact on small entities.* Section 254(b) directs the Commission to base policies for the preservation and advancement of universal service on six principles. A fair and reasonable application of those principles including our adoption of the additional principle of competitive neutrality will favorably impact all business entities, including smaller entities. The collection of information may affect small entities as well as large entities.
6. *Consequences if information is not collected.* The information collected is used to determine eligibility for and to calculate high-cost universal service support. Without the requested information, USAC will not be able determine a carrier's eligibility or how much support it would receive. This may result in partial or complete denial of high-cost universal service support for the carrier.
7. *Special circumstances.* We do not foresee any special circumstances that would cause an information collection to be conducted under extraordinary circumstances.
8. *Federal Register notice; efforts to consult with persons outside the Commission.* The Commission placed a notice in the *Federal Register* pursuant to 5 CFR 1320.8(d). See 73 FR 7744, dated February 4, 2008 (copy attached). No comments were received.
9. *Payments or gifts to respondents.* The Commission does not anticipate providing any payment or gift to respondents.
10. *Assurances of confidentiality.* The Commission is not requesting that respondents submit confidential information to the Commission. We note that the Administrator must preserve the confidentiality of all data obtained from respondents and contributors to the universal service support program mechanism, must not use the data except for purposes of administering the universal service support program, and must not disclose data in company-specific form unless directed to do so by the Commission.
11. *Questions of a sensitive nature.* There are no questions of a sensitive nature with respect to the information collections described herein.
12. *Estimates of the hour burden of the collection to respondents.* The following represents the hour burden on the collections of information:

a. Election of Disaggregation Plan and Change in Path:

(1) Number of respondents: 1 rural carrier may file a notice.

(2) Frequency of response: On occasion reporting requirement and third party disclosure requirement.

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Carriers are required to provide written notice to the state Commission that it wants to change to a different disaggregation and targeting methodology.

- (3) Annual hour burden per respondent: 10 hours. Total annual hour burden is: 1 respondent x 10 hours = **10 hours**.
- (4) Total estimate of annualized cost to respondents for the hour burden: \$400. (10 hours x \$40/hr.)
- (5) Explanation of calculation. We estimate that each carrier will spend 10 hours drafting a notice to the state commission or appropriate regulatory authority that it wants to change to a different disaggregation and targeting methodology. To date no carrier has availed itself of the opportunity to change its disaggregation plan. 1 (number of respondents) x 10 (hours to prepare letter) x \$40 per hour (including administrative staff time and overhead) = \$400.

b. Reporting Working Loops at Cost-Zone Level:

- (1) Number of respondents: Approximately 260.

Only rural carriers or other incumbent carriers receiving Interstate Common Line Support that disaggregate their high-cost support must file.

- (2) Frequency of response: Annually; quarterly reporting requirements.

If there is no competition in the service area, the carrier is required to file annually. If competition exists in the service area the carrier is required to file quarterly. Each carrier must provide NECA with numbers of working loops at the cost-zone level. We estimate that there are approximately 250 carriers that will be filing on a quarterly basis and 10 on an annual basis

- (3) Annual hour burden per respondent: 2 hours for 10 carriers that are filing on an annual basis. 8 hours for carriers that are filing on a quarterly basis (approximately 250 carriers). Total annual hour burden is: (2 hours x 10 respondents) + (8 hours x 250 respondents) = **2020 hours**. The hour burden is not expected to vary widely because of differences in activity, size, or complexity.
- (4) Total estimate of annualized cost to respondents for the hour burden: \$80,800. (2020 hours x \$40/hr).
- (5) Explanation of calculation: We estimate that time to comply with the requirement will be 2020 hours x approximately \$40 per hour = \$80,800.

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- (1) Number of respondents: 60 respondents. (51 states, plus approximately 9 rural and non-rural carriers will have to file their own certification).
- (2) Frequency of response: Annual reporting requirement. Each state commission must file a letter with the Commission certifying that a carrier within the state had 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). Carriers that are not under a state regulatory authority will have to file with the Commission directly.
- (3) Annual hour burden per respondent: 3 hours. Total annual hour burden is: 3 hours x 60 respondents = **180 hours**.
- (4) Total estimate of annualized cost to respondents for the hour burden: \$7200. (180 hours x \$40/hr.).
- (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. 60 (number of respondents) x 3 (hours to prepare certification letter) x \$40 per hour (including administrative staff time and overhead) = \$7200.

d. Support in Competitive Study Areas: (FCC Form 525):

- (1) Number of respondents: Approximately 1013 rural carriers and competitive eligible telecommunications carriers will have to submit line count data quarterly once a competitive eligible telecommunications carrier enters the rural incumbent local exchange carrier’s service area.
- (2) Frequency of response: Quarterly reporting requirement. Each carrier must file line count data with the Administrator upon competitive entry in rural carrier study areas.
- (3) Annual hour burden per respondent: 6 hours. Total annual hour burden is: 1,013 respondents x 6 hours = **6,078 hours**.
- (4) Total estimate of annualized cost to respondents for the hour burden: \$243,120. (6,078 hours x \$40/hr.)
- (5) Explanation of calculation: We estimate that 1013 rural carriers and competitive eligible telecommunications carriers will submit line count data quarterly once a competitive eligible telecommunications carrier enters the rural incumbent local exchange carrier’s service area, taking an average of 6 hours to complete. We assume that respondents will use some combination of staff and in house attorney services (blended rate of \$40/hour) when preparing the worksheet. Thus, 6,078 hours x 40 = \$243,120.

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e. Safety Net Additive:

- (1) Number of respondents: 514 rural carriers will have to file a notice.
- (2) Frequency of response: On occasion reporting requirement and third party disclosure requirement. Carriers shall be required to provide written notice to the Commission and USAC in conjunction with their annual or quarterly submissions to NECA indicating that a study area meets the 14 percent TPIS trigger.
- (3) Annual hour burden per respondent: .5 hours. Total annual hour burden is: 514 respondents x .5 hours = **257 hours**.
- (4) Total estimate of annualized cost to respondents for the hour burden: \$10,280. (257 hours x \$40/hr).
- (5) Explanation of calculation: We estimate that each carrier will spend .5 hour drafting a notice to the Commission and USAC indicating that a study area meets the 14 percent TPIS trigger. 514 (number of respondents) x .5 (hours to prepare certification letter) x \$40/hour (including administrative staff time and overhead) = \$10,280.

f. Safety Valve:

- (1) Number of respondents: 25 rural carriers will have to file a notice.
- (2) Frequency of response: On occasion reporting requirement and third party disclosure requirement. Rural carriers shall provide written notice to USAC when their index year has been established for purposes of calculating eligibility for safety valve support.
- (3) Annual hour burden per respondent: .5 hours. Total annual hour burden is: 25 respondents x .5 hours = **12.5 hours**.
- (4) Total estimate of annualized cost to respondents for the hour burden: \$500. (12.5 hours x \$40/hr).
- (5) Explanation of calculation: We estimate that each carrier will spend .5 hour drafting a notice to USAC indicating when their index year has been established for purposes of calculating eligibility for safety valve support. 25 (number of respondents) x .5 (hours to prepare certification letter) x \$40/hour (including administrative staff time and overhead) = \$500.

Existing Information Collection Requirements	Number of Respondents	Number of Responses	Total Burden Hours	Office and Overhead Costs
a. Election of Disaggregation Plan and Change in Path (47 C.F.R. § 54.315(a))	1	1	10	\$400.00
b. Certification of income eligibility upon enrollment (47 C.F.R. §§ 54.307(b) and 54.307(c))	260		2,020	\$80,800.00
c. State Certification Letter under Section 254(e) of the Communications Act (47 C.F.R. §§ 54.313(b) and 54.314)	60		180	\$7,200.00
d. Support in Competitive Study Areas (47 C.F.R. § 36.311, 36.312, and 54.307)	55	55	138	\$8,079.50
e. Safety Net Additive (47 C.F.R. § 36.605(c)(2))	514		257	\$10,280.00
f. Safety Valve (47 C.F.R. § 54.305(f))	25		13	\$500.00
TOTALS			8,558	

Total Number of Respondents: 201,855

Total Number of Responses Annually:

Total Annual Hourly Burden for requirements (a) – (f): 8,558 hours

Total Annual “In House” Costs: \$2,808,287.30

13. *Estimates for the cost burden of the collection to respondents.*

(a) Total capital start-up costs component annualized over its expected useful life: \$0.

The collections will not require the purchase of additional equipment.

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

The collections will not result in additional operating or maintenance expenses.

(c) Total annualized cost requested: \$0.

14. *Estimates of the cost burden to the Commission.* There will be few, if any, costs to the Commission because notice and enforcement requirements are already part of Commission duties. Moreover, there will be minimal cost to the Federal government since an outside party will administer this program.

15. *Program changes or adjustments.* There are no program changes.

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- (a) This submission omits description of past burden estimates that were eliminated in the previous submission.
 - (b) This submission adjusts the estimated burdens associated with this control number, consistent with more accurate estimates of the numbers of carriers required to comply with the requirements and the time required to complete the requirements, as follows:
 - (1) Total number of respondents is estimated to be 1,873, a decrease of x from the previous estimate of X;
 - (2) Total number of responses annually is estimated to be 5,662, a decrease of X from the previous estimate of X.
 - (3) Total annual hour burden is estimated to be 8,558, a decrease of X from the previous estimate of X.
 - (4) As reported previously, total annual costs are still estimated to be \$0.00.
16. *Collections of information whose results will be published.* Non-proprietary information will likely be made publicly available although the Commission does not have specific plans for doing so at this time.
17. *Display of expiration date for OMB approval of information collection.* The Commission seeks approval to not display the expiration date for OMB approval on the form. This is necessary so that when the OMB expiration date changes, the Commission does not have to update electronic versions or destroy paper stocks.
18. *Exceptions to certification statement for Paperwork Reduction Act submissions (Item 19 of OMB Form 83-I).* The Commission published estimated respondents and total annual burden hours when it published the 60 day notice. With this submission the Commission is reporting more accurate estimates.

B. Collections of Information Employing Statistical Methods:

The Commission does not anticipate that the collection of information will employ statistical methods.