

## SUPPORTING STATEMENT

This collection is being submitted to extend an existing collection. See item 15 for an explanation for the change in the burden estimates.

### 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 \$138 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 form 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.

In the *Report and Order* released in December 1999 (FCC 99-397), 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* for price cap LECs proposing depreciation rate changes:

- 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 includes: 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.

The statutory authority for this collection is contained in: 47 C.F.R. § 43.43, 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.

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 information, already available, that would serve our regulatory purpose.

5. The information collection does not involve small business or other small entities as defined by the Regulatory Flexibility Act. The Commission's rules impose this requirement only on those carriers having annual operating revenues of \$138 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. The Commission is charged with the Federal program of establishing depreciation rates for communication common carriers. A subject LEC must make a depreciation filing when it seeks to change its depreciation rates. If the basic factors a price cap LEC proposes to use are within the depreciation ranges prescribed by the Commission, it need only file a streamlined submission. Non-price cap LECs, and any price cap LEC wishing to establish depreciation rates using factors outside the prescribed ranges, must file depreciation studies for its plant accounts. LECs must update all plant accounts when they propose any new factor for a plant account.

7. The collections are not being conducted in any manner inconsistent with the guidelines of 5 C.F.R. Section 1320.5(d)(1).

8. A 60-day notice was published in the Federal Register pursuant to 5 CFR § 1320.8(d) on May 1, 2009 (*see* 74 FR 20300). No comments were received.

9. The Commission does not anticipate providing any payment or gift to respondents.

10. Respondents are not being asked to submit confidential information to the Commission. If the Commission requests respondents to submit information which respondents believe is confidential, respondents may request confidential treatment of such information under Section 0.459 of the Commission's rules.

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 estimated hour burden of the information collection. The following represents our best estimate.

- (1) Number of Respondents: Approximately 24.
- (2) Frequency of Response: On occasion reporting requirement.
- (3) Total number of responses annually:

24 respondents x an average of 1 response per year = 24 responses annually.

- (4) Annual hour burden per respondent: 250 hours x 24 = 6,000 hours.
- (5) **Total annual hour burden: 6,000 hours.**

The Commission estimates that ILECs would make 1 filing per year, which would take approximately 250 hours to prepare.

24 respondents x 1 filing/year x 250 hours = 6,000 hours

- (6) Total estimate of “in house” cost to respondents: \$270,000.
- (7) Explanation of calculation:

The Commission estimates that the average in-house cost for respondents is approximately \$45 an hour.

6,000 hours/ year x \$45 per hour = \$270,000.

- 13. Estimated operations and maintenance cost to respondents: \$784,320.

(a) 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.

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

(c) Respondents are subject to a filing fee of \$32,680 per filing.

24 respondents x one filing per year: 24 x \$32,680 = \$784,320.

(d) **Total annualized cost requested: \$784,320.**

- 14. Estimated cost to the Commission: \$594,260.

Annualized cost to the Federal government is estimated to be \$594,260. We use the formula of the number of staff years multiplied by the average grade multiplied by the overhead cost to estimate the cost of the number of staff years multiplied by the average grade multiplied by 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 (\$98,518/year), plus 16 percent in benefits plus 30 percent agency overhead approximates an annual cost to the government of \$594,260.

- 15. The Commission has made the following adjustments to the previous submission:

(a) The total annual burden for the depreciation prescription process has decreased to 6,000 burden hours. This is a change from 60,000 hours reported in 2006. This adjustment is a result of the Commission's belief that carriers subject to these requirements maintain the information to be reported in the normal course of business. As such, it will take carriers less time to compile and file the necessary reports. Additionally, the Commission believes that carriers will utilize advanced technology to decrease the amount of time it takes to compile and file such reports.

(b) The estimated in-house cost has been adjusted from \$2,100,000 annually to \$270,000 annually to reflect the Commission's belief that carriers will utilize advanced technology to decrease the cost of compiling and filing these reports.

(c) The total number of respondents has increased by 14, from 10 to 24 respondents, to more accurately reflect the number of carriers subject to this requirement.

(d) The mandatory filing fee was mistakenly excluded from the previous information collection. As such, the annual operations and maintenance fee for this requirement is estimated at \$784,320. See 47 C.F.R. § 1.1105.

16. The Commission does not anticipate that it will publish any of the information proposed to be collected.

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

18. There are no exceptions to the certification statement.

**B. Collections of Information Employing Statistical Methods:**

Not applicable.