

The Forecast of Investment Usage (FCC Report 495A) and the Actual Usage of Investment Report (ARMIS Report 495B)

Note: Although the Commission has granted conditional forbearance from the reporting requirements that make up the collections in this document, the Commission submits this supporting statement because petitions for reconsideration and review of those forbearance decisions are currently pending before the Commission and the courts, respectively.

In *Petition of AT&T Inc. for Forbearance under 47 U.S.C. § 160 from Enforcement of Certain of the Commission's Cost Assignment Rules*, WC Docket Nos. 07-21, 05-342, Memorandum Opinion and Order, 23 FCC Rcd 7302 (2008) (*AT&T Cost Assignment Forbearance Order*), *pet. for recon. pending, pet. for review pending*, NASUCA v. FCC, Case No. 08-1226 (D.C. Cir. filed June 23, 2008), the Commission granted forbearance, subject to conditions, from the statutory provision and Commission rules as requested in the Legacy AT&T and Legacy BellSouth petitions (collectively, "Cost Assignment Rules"). The Commission concluded that the various accounting rules were intended to work together to help ensure the primary statutory goal of just and reasonable rates. See *Separations of Costs of Regulated Telephone Service from Costs of Nonregulated Activities; Amendment of Part 31, Uniform Systems of Accounts for Class A and Class B Telephone Companies to Provide for Nonregulated Activities and to Provide for Transactions Between Telephone Companies and their Affiliates*, CC Docket No. 86-111, Report and Order, 2 FCC Rcd 1298, para. 1 (1987) (*Joint Cost Order*), *petition for review denied*, *Southwestern Bell Corp. v. FCC*, 896 F. 2d 1378 (D.C. Cir. 1990). Thus, the Commission approved forbearance from four of the Commission's reporting requirement – the Access Report (ARMIS 43-04), the Rate of Return Monitoring Report (FCC Form 492), the Reg/Non-Reg Forecast Report (FCC Form 495A) and the Reg/Non-Reg Actual Usage Report (FCC Form 495B) – because forbearance from the Cost Assignment Rules renders these reports meaningless.

In the *Service Quality, Customer Satisfaction, Infrastructure and Operating Data Gathering*, WC Docket Nos. 08-190, 07-139, 07-204, 07-273, 07-21, Memorandum Opinion and Order and Notice of Proposed Rulemaking, 23 FCC Rcd 13647 (2008) (*Verizon/Qwest Cost Assignment Forbearance Order*), *pet. for recon. pending, pet. for review pending*, NASUCA v. FCC, Case No. 08-1353 (D.C. Cir. filed Nov. 4, 2008), the Commission stated at 13662-63, para. 27, n.82, that it granted Verizon and Qwest forbearance from the statutory provision and Commission rules from the Cost Assignment Rules to the same extent granted AT&T in the *AT&T Cost Assignment Forbearance Order* and subject to the same conditions. The Commission concluded that there is no current, federal need for the Cost Assignment Rules, as they apply to Verizon and Qwest, to ensure that charges and practices are just, reasonable, and not unjustly or unreasonably discriminatory; to protect consumers; and to ensure the public interest. See *AT&T Cost Assignment Forbearance Order*, 23 FCC Rcd at 7307, para. 11.

This submission is made pursuant to 44 USC 3507. This collection is being submitted to extend an existing collection that is expiring. The Commission has not changed the reporting requirement for this IC.

SUPPORTING STATEMENT

A. Justification:

1. Section 220 of the Communication Act of 1934, as amended, 47 USC 220, allows the Commission, at its discretion, to prescribe the forms of any and all accounts, records, and memoranda to be kept by carriers subject to this Act, including the accounts, records and memoranda of the movement of traffic, as well as of the receipts and expenditures of moneys.

Section 219(b) of the Communications Act of 1934, as amended, 47 USC 219(b), authorizes the Commission by general or special orders to require any carrier subject to this Act, to file monthly reports concerning any matters with respect to which the Commission is authorized or required by law to act. Section 43.21 of the Commission's rules, 47 C.F.R. § 43.21, detail that requirement.

The Automated Reporting Management Information System (ARMIS) was implemented to facilitate the timely and efficient analysis of revenue requirements, rates of return and price caps; to provide an improved basis for audits and other oversight functions; and to enhance the Commission's ability to quantify the effects of alternative policy. The FCC Reports 495A and 495B are each filed once a year. The 495A Report provides the forecast and resulting investment allocation incorporated in a carrier's cost support for its access tariff. The 495B Report enables the Commission's staff to monitor actual and forecasted investment use. These data are also a part of the data necessary to support the Commission's audit and other oversight functions. Subsequent submissions correcting previously filed data are to be filed as soon as the correction is identified.

Section 11 of the Communications Act of 1934, as amended, 47 U.S.C. 161, requires the Commission, in every even-numbered year beginning in 1998, to review its regulations applicable to providers of telecommunications services to determine whether the regulations are no longer in the public interest due to meaningful economic competition between providers of such services and whether such regulations should be repealed or modified. Section 11 further instructs the Commission to repeal or modify any regulation it determines to be no longer in the public interest.

In this collection, there are no changes to the investment usage reports.

The statutory authority for this collection is contained in Sections 11, 219(b), and 220 of the Communications Act of 1934, as amended, 47 U.S.C. 161, 219(b), and 220.

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.

2. The information contained in these two reports provides the necessary detail to enable this Commission to fulfill its regulatory responsibility. Automated reporting of these data greatly enhances the Commission's ability to process and analyze the extensive amount of data that are needed to administer its rules. These reports ensure that the regulated operation of the carriers do not subsidize the nonregulated operations of those same carriers.
3. The Commission's Electronic ARMIS Filing System ("EAFS") provides on-line submission of carrier filings and provides a user-friendly, feature-rich database system from which users can extract ARMIS data in a variety of ways. Incumbent local exchange carriers [ILECS] are required to file their ARMIS Reports electronically through the Internet. Carriers and other interested parties can access ARMIS data from the Commission's EAFS Home Page at <http://www.fcc.gov/wcb/eafs>.
4. No duplication of the required data exists outside the agency. There is no known other existing information that would serve its regulatory purposes.
5. The collection of information does not involve small businesses or other small entities.

There are two classes of ILECs for accounting purposes: Class A and Class B. Carriers with annual revenues from regulated telecommunications operations equal to or above the indexed revenue threshold, currently \$142 million, are classified as Class A; those falling below that threshold are considered Class B. Class A carriers with annual revenues in excess of \$142 million, but less than \$8.428 billion, are classified as mid-sized and are permitted to maintain accounts at the Class B level. Only Class A carriers file ARMIS reports.

6. The FCC Reports 495A and 495B are each filed once a year. If the data were collected less frequently, the Commission would not have the data in a timely manner to perform its functions. The FCC Report Forecast of Investment Usage (FCC Report 495A) provides the forecast and resulting investment allocations incorporated in a carrier's cost support for its access tariffs. The FCC Report Actual Usage of Investment (FCC Report 495B) provides the actual investment and usage data for those cost categories that are allocated on the basis of a forward looking investment allocator. Subsequent submissions correcting previously filed data are to be filed as soon as the correction is identified.
7. Incumbent local exchange carriers file their data in electronic format as noted in item 3 above. Respondents seeking proprietary treatment of some data must provide an electronic copy using the established procedures.
8. A notice was published in the Federal Register as required by 5 C.F.R. §1320.8(d). See 76 FR 27049, dated May 10, 2011. No comments were received.
9. Not applicable. There will be no payments or gifts to respondents.

10. The Commission has determined that certain data filed in FCC Reports 495A and 495B are proprietary and has accorded confidential treatment to the respondents upon request.
11. The respondents are instructed on the appropriate procedures to follow to safeguard information deemed sensitive data. Section 0.459 of the Commission's rules contains procedures for requesting confidential treatment of data. *See* 47 C.F.R. § 0.459.
12. The following represents the estimate of the annual burden hours and the annual cost burden for the information collection. We note that the burden hours imposed by the requirement is very difficult to quantify. The following represents our best estimate.

a. FCC Report 495A (reporting requirement):

1. Number of respondents: 70

In this collection, there is no change in the number of carriers filing these reports. The *AT&T Cost Assignment Forbearance Order* granted AT&T's petitions for forbearance that, among other things, from filing ARMIS Reports 495A and 495B since the Commission found that the criteria of section 10(a) (1) and (a) (2) are satisfied. Given the burdens associated with the data reporting, and in light of the commitments of the reporting carriers, and other continuing regulatory requirements, the Commission determined that forbearance to be in the public interest. However, since there are petitions for reconsideration and applications for review pending, the Commission is submitting for authority to extend this existing collection.

2. Frequency of response: Annual reporting requirement.

3. Total Number of Responses Annually: 70

$$70 \text{ carriers} \times 1 \text{ response/annum} = 70$$

4. Total Annual Burden Hours: **2,800 Hours**

The Commission estimates that each carrier takes approximately 40 hours to comply with the requirement.

$$70 \text{ carriers} \times 40 \text{ hours per filing} = 2,800 \text{ hours}$$

5. Estimated Industry Cost: \$99,736

The Commission estimates that it will take each carrier using staff equivalent to a GS11/Step 5 Federal employee, plus 30% overhead, to comply with the requirement.

$$70 \text{ respondents} \times 1 \text{ filing} \times 40 \text{ hours per filing} \times \$35.62 \text{ per hour} = \$99,736.$$

b. FCC 495B:

1. Number of respondents: 70
2. Frequency of response: Annual reporting requirement.
3. Total Number of Responses Annually: 70

$$70 \text{ carriers} \times 1 \text{ response/annum} = 70$$

4. Total Annual Burden Hours: **2,800 Hours**

The Commission estimates that each carrier takes approximately 40 hours to comply with the requirement.

$$70 \text{ carriers} \times 40 \text{ hours per filing} = 2,800 \text{ hours}$$

5. Estimated Industry Cost: \$99,736

The Commission estimates that it will take each carrier using staff equivalent to a GS 11/Step 5 Federal employee, plus 30% overhead, to comply with the requirement.

$$70 \text{ respondents} \times 1 \text{ filing} \times 40 \text{ hours per filing} \times \$35.62 \text{ per hour} = \$99,736.$$

Total Number of Respondents: 70

Total Number of Responses Annually: $70 + 70 = 140$

Total Annual Hour Burden: $2,800 + 2,800 = 5,600$ hours.

Estimated In-House Industry Cost: $\$99,736 + \$99,736 = \$199,472$.

13. The following represents the Commission's estimate of the annual cost burden to respondents or recordkeepers resulting from the collection of information.

- (a) Total capital and start-up costs (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) Total annualized cost required: \$0.00

14. Annualized cost to the Federal government for the entire ARMIS program has been estimated to be approximately \$646,788. This estimate was derived as follows:

Employee's Salaries Allocated to ARMIS	\$390,397
Benefits	\$78,079
Overhead	\$138,137
Office Space Dedicated to ARMIS (550 sq. ft. @ \$43 sq. ft.)	\$ 23,650
Equipment and Supplies (i.e., diskettes, file folders, computers disk drives)	\$ 13,400
Filing Equipment	<u>\$ 3,125</u>
Total Annual ARMIS Cost	<u>\$646,788</u>

Of the total annual ARMIS cost of \$646,788, we estimate that \$50,225 is spent on FCC Reports 495A and 495B. This estimate includes the necessary automation equipment, software, supplies and personnel needed to execute the automated reporting program.

15. The annual burden for this collection continues to be estimated at 5,600 hours.
16. Data from all ten ARMIS reports are placed on-line so as to provide a user-friendly, feature-rich database system from which users can extract ARMIS data in a variety of ways from the ten reports.
17. The Commission seeks continued approval not to display the expiration date of OMB approval. Display of the expiration date would not be in the Commission's interest because the Commission is required to change the OMB expiration date each time this collection is submitted to OMB for review and approval.
18. The Commission does not require carriers to retain copies of ARMIS Reports 495A and 495B for a specific period of time. Carriers are required by Section 42.4 of the Commission's Rules (47 C.F.R. § 42.4) to maintain a master index of records; to identify the retention period for each type of record listed in the master index; and to keep the records for the time specified by the carrier in the master list. Otherwise, there are no exceptions to the certification statement in ROCIS.

B. Collections of Information Employing Statistical Methods:

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